

M Tiwari & Associates

Chartered Accountants

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Kirtipur Municipality -1,

Tyangla, P.O. Box 12136,

Kathmandu, Nepal

Tel: 4331060, Mob:9861583579

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF Salleri Chialsa Electricity Company Limited

Opinion

We have audited the financial statements of Salleri Chialsa Electricity Company Limited which comprises the Statement of Financial Position (SOFP) as at 31 Ashad 2078 (Corresponding to 15 July 2021) and the Statement of Profit or Loss and Statement of Changes in Equity and Statement of Cash Flows for the year ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion and to the best of our information and explanation provided to us, the financial statements referred to above present fairly, in all material respects, the financial position of the organization as at 31st Ashad 2078 (Corresponding to 15th July 2021), and its financial performance and its cash flow for the year then ended in accordance with Nepal Financial Reporting Standards (NRFS).

Basis of Opinion

We conducted our audit of the Electricity Company in accordance with Nepal Standards on Auditing (NAS). 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 company in accordance with Code of Ethics issued by Institute of Chartered Accountants of Nepal together with ethical requirements that are relevant to the audit of the company and we have fulfilled our ethical responsibilities in accordance with these requirements and 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the financial year ended 31 Ashad 2078. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. However, there is no reportable key audit matters of the company as of 31 Ashad 2078.

Other Information

Management is responsible for the preparation of other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the course of our audit or otherwise appears to be materially misstated. If, based



on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with NFRS and for such internal control as management determines is necessary to enable the preparation of the Financial Statement 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 going concern, disclosing as applicable the matters related to going concern and using the going concern basis of accounting unless the 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 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.

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
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 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 going concern basis of accounting.

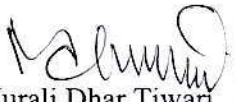


- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on Other Legal and Regulatory Requirements

We have determined to communicate following matters in accordance with the requirements of Companies Act 2063 and other regulatory requirements.

- We have obtained all the information and the explanation which to the best of our knowledge and belief, where necessary for the purpose of our audit.
- Based on our audit, proper books of account as required by law have been kept by the Company.
- The Statement of Financial Position, the Statement of Profit or Loss, the Cash Flow Statement and the Statement of Changes in Equity dealt with this by this report are in agreement with the books of accounts maintained by the Company.
- In our opinion and to the best of our information and according to the explanations and from our examination of the books of accounts of the Company we have not come across any case where the Board of Directors or any office bearer of the Company have acted contrary to the provisions of law, or committed any misappropriation or caused any loss or damage to the Company and violated the provisions of the Companies Act, 2063 or acted in a manner, as would jeopardize the interest and security of the Company and its shareholders.


CA Murali Dhar Tiwari
Proprietor M Tiwari & Associates
Chartered Accountants



Date: 2078.09.07

Place: Kathmandu, Nepal

UDIN: 211229CA000642C05X

Salleri Chialsa Electricity Company Ltd.
Statement of Financial Position
As at 31 Ashadh 2078


Figures in NRs.

Particulars	Note	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
ASSETS				
Non-Current Assets				
Property, plant and equipment	4.1	129,213,483.70	119,210,978.02	117,885,072.15
Intangible assets	4.2	10,871.60	1.00	10,373.40
Financial assets				
Investments	4.3	27,529,854.00	16,959,396.00	16,910,857.00
Trade receivable	4.4	-	-	-
Other financial assets	4.5	-	-	-
Total Non-Current Assets		156,754,209.30	136,170,375.02	134,806,302.55
Current Assets				
Inventories	4.6	9,098,247.37	8,513,436.43	9,069,955.65
Financial assets				
Investments	4.3	80,000,000.00	68,000,000.00	55,504,000.00
Trade receivables	4.4	8,309,248.08	3,162,744.18	2,237,068.40
Cash and cash equivalents	4.7	7,791,719.75	15,009,762.63	11,424,570.65
Other financial assets	4.5	1,022,112.25	1,048,687.68	2,241,584.07
Other current assets	4.8	904,869.49	381,785.15	116,488.04
Current tax (net)	4.9	792,750.37	(558,426.38)	1,194,068.25
Total Current Assets		107,918,947.31	95,557,989.69	81,787,735.06
Total Assets		264,673,156.62	231,728,364.71	216,594,037.61
EQUITY AND LIABILITIES				
Equity				
Share capital	4.10	61,412,000.00	61,412,000.00	61,412,000.00
Retained Earning		103,398,412.22	87,942,440.97	74,721,731.62
Other equity	4.11	22,082,319.03	14,154,475.53	14,118,071.28
Total Equity		186,892,731.24	163,508,916.50	150,251,802.89
Liabilities				
Non-Current Liabilities				
Financial liabilities				
Borrowings	4.12	-	-	-
Employee benefit liabilities	4.13	1,674,913.81	2,722,744.33	3,608,881.62
Other financial liabilities	4.14	1,305,096.00	1,173,000.00	945,500.00
Deferred Income	4.15	52,890,976.69	49,139,821.81	47,992,273.66
Deferred tax	4.16	16,437,496.87	12,755,867.91	11,478,876.27
Provisions		-	-	-
Total Non-Current Liabilities		72,308,483.37	65,791,434.05	64,025,531.55











Salleri Chialsa Electricity Company Ltd.
Statement of Financial Position
As at 31 Ashadh 2078

Figures in NRs.

Particulars	Note	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Current Liabilities				
Financial liabilities				
Borrowings	4.12	-	-	-
Trade payables	4.17	1,409,936.29	51,515.69	51,765.69
Employee benefit liabilities	4.13	1,459,828.39	1,274,651.29	1,112,094.79
Other financial liabilities	4.14	2,309,981.46	813,364.34	952,009.62
Other current liabilities	4.18	292,195.87	288,482.84	200,833.06
Provisions		-	-	-
Total Current Liabilities		5,471,942.01	2,428,014.16	2,316,703.16
Total Liabilities		77,780,425.38	68,219,448.21	66,342,234.71
Total Equity and Liabilities		264,673,156.62	231,728,364.71	216,594,037.61

The accompanying notes 1 to 5.10.1 are integral part of these financial statements.

This is the same financial statement mentioned in our attached report



Er. Bhoj Raj Tiwari
General Manager



Chandra Shekhar Chaudhary
Vice Chairperson



Dr. Mingmar Gyelzen
Sherpa
Chairperson



CA. Murali Dhar Tiwari
M. Tiwari & Associates
Chartered Accountants

Directors

Ang Dami Sherpa

Sameer Prasad Pokharel

Jean Francois Cuenod

Dorjee Sherpa

Directors

Shaligram Sharma Acharya

Aman Jonchhe

Jun Hada

Finance Officer

Mem K. Maskey

Salleri Chialsa Electricity Company Ltd.
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 Ashad 2078

Figures in NRs.

Particulars	Note	2077-78	2076-77
Revenue from operation	4.19	36,792,682.10	31,109,512.65
Cost of revenue	4.20	(21,057,624.37)	(20,035,038.62)
Gross profit		15,735,057.73	11,074,474.03
Finance income		6,215,704.48	6,956,077.16
Other income	4.21	2,536,893.63	2,637,615.64
Administrative and other operating expenses	4.22	(4,679,102.22)	(2,869,039.55)
Finance cost		-	-
Profit before tax		19,808,553.62	17,799,127.28
Income tax expense			
Current tax	4.23	(3,313,567.93)	(3,313,561.03)
Deferred tax credit/(charge)	4.16	(1,039,014.46)	(1,264,856.89)
Profit from continuing operations		15,455,971.24	13,220,709.37
Net Profit for the year		15,455,971.24	13,220,709.37
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax)			
i. Fair value measurement of share investment		10,570,458.00	48,539.00
ii. Income tax relating to items that will not be reclassified to profit or loss		(2,642,614.50)	(12,134.75)
Other comprehensive gain/(loss) for the year, net of tax		7,927,843.50	36,404.25
Total Comprehensive gain/(loss) for the year, net of tax		23,383,814.74	13,257,113.62

Basic Earning Per Share

15.46

13.22

Diluted Earning Per Share

15.46

13.22

The accompanying notes 1 to 5.10.1 are integral part of these financial statements.

This is the same financial statement mentioned in our attached report


 Er. Bhoj Raj Tiwari
 General Manager


 Chandra Shekhar Chaudhary
 Vice Chairperson


 Dr. Mingmar Gyelzen
 Sherpa
 Chairperson


 CA. Murali Dhar Tiwari
 M Tiwari & Associates
 Chartered Accountants

Directors

Ang Dami Sherpa

Sameer Prasad Pokharel

Jean Francois Cuenod

Dorjee Sherpa

Directors

Shaligram Sharma Acharya

Aman Jonchhe

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Finance Officer

Mem K. Maskey

Salleri Chialsa Electricity Company Ltd.
Statement of Cash Flows
For the year ended 31 Ashad 2078

	Figures in NRs.	
	2077-78	2076-77
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the year	19,808,553.62	17,799,127.28
Adjustments for:		
Income from investment	(6,324,023.98)	(7,341,240.95)
Non cash income from deferred income	(2,428,574.13)	(2,252,451.85)
Depreciation and amortization	6,389,126.42	6,198,355.03
Bonus expenses	1,216,931.19	1,018,146.19
Working capital adjustments:		
(Increase)/ Decrease in Trade Receivables	(5,146,503.90)	(925,675.78)
(Increase)/ Decrease in Inventories	(584,810.94)	556,519.22
(Increase)/ Decrease in Other Financial Assets	26,575.43	1,192,896.40
(Increase)/ Decrease in Other Current Assets	(523,084.34)	(265,297.12)
Increase / (Decrease) in Trade Payables	1,358,420.60	(250.00)
Increase / (Decrease) in Other Financial Liabilities	1,628,713.12	88,854.72
Increase / (Decrease) in Employee Benefit Liabilities	(1,061,438.42)	(938,292.71)
Increase / (Decrease) in Other Current Liabilities	3,713.03	87,649.78
Cash generated from operations	14,363,597.70	15,218,340.19
Bonus paid	(1,018,146.19)	(803,434.27)
Income Tax Paid	(4,664,744.68)	(1,561,066.40)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8,680,706.83	12,853,839.52
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and Equipment	(10,172,827.69)	(4,113,888.50)
Purchase of intangible assets	(49,946.00)	-
Addition of investment	(12,000,000.00)	(12,496,000.00)
Income from investment	6,324,023.98	7,341,240.95
NET CASH FLOWS FROM INVESTING ACTIVITIES	(15,898,749.71)	(9,268,647.55)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing (repaid) / taken (net)		-
Dividend Paid during the year		-
Finance cost		-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,218,042.88)	3,585,191.98
CASH AND CASH EQUIVALENTS, Beginning of Year	15,009,762.63	11,424,570.65
CASH AND CASH EQUIVALENTS, End of Period	7,791,719.75	15,009,762.63

This is the same financial statement mentioned in our attached report

 Er. Bhoj Raj Tiwari General Manager	 Chandra Shekhar Chaudhary Vice Chairperson	 Dr. Mingmar Gyelzen Sherpa Chairperson
 CA. Murali Dhar Tiwari M. Tiwari & Associates Chartered Accountants		

Directors

Ang Dami Sherpa

Sameer Prasad Pokharel

Jean Francois Cuenod

Dorjee Sherpa

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Finance Officer

Mem K. Maskey

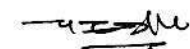
Salleri Chialsa Electricity Company Ltd.
Statement of Change in Equity
For the year ended 31 Ashad 2078

Figures in NRs.

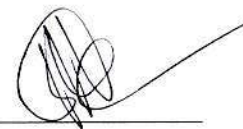
Particulars	Equity Share Capital	Preference Share Capital	Retained Earnings	Fair Value Reserve	Other Components Of Equity	Total
Balance at 1 Shrawan 2076	10,000,000.00	51,412,000.00	74,383,487.92	-	50,918,480.66	186,713,968.58
NFRS Adjustment						
Share investment cost adjustment			338,243.70			338,243.70
Fair valuation of shares				11,191,864.28		11,191,864.28
Transferred to deferred income					(47,992,273.66)	(47,992,273.66)
Restated Balance at 1 Shrawan 2076	10,000,000.00	51,412,000.00	74,721,731.62	11,191,864.28	2,926,207.00	150,251,802.89
Profit for the year			13,220,709.37			13,220,709.37
Other comprehensive income	-	-		36,404.25		36,404.25
Total comprehensive income	-	-	13,220,709.37	36,404.25	-	13,257,113.62
Dividends to shareholders	-	-				-
Balance at 31 Ashad 2077	10,000,000.00	51,412,000.00	87,942,440.98	11,228,268.53	2,926,207.00	163,508,916.51
Profit for the year	-	-	15,455,971.24			15,455,971.24
Other addition						-
Other comprehensive income	-	-		7,927,843.50		7,927,843.50
Total comprehensive income	-	-	15,455,971.24	7,927,843.50	-	23,383,814.74
Dividends to shareholders	-	-				-
Balance at 31 Ashad 2078	10,000,000.00	51,412,000.00	103,398,412.22	19,156,112.03	2,926,207.00	186,892,731.24



Er. Bhoj Raj Tiwari
General Manager



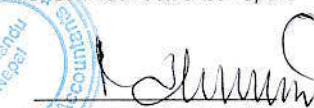
Chandra Shekhar Chaudhary
Vice Chairperson

Dr. Mingmar Gyelzen Sherpa
Chairperson



This is the same financial statement mentioned in our attached report



CA. Murali Dhar Tiwari
M. Tiwari & Associates
Chartered Accountants

Directors

Ang Dami Sherpa

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Aman Jonchhe

Jun Hada

Finance Officer

Mem K. Maskey

Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

Note 1: Background

Salleri Chialsa Electricity Company Ltd. (hereinafter referred as "SCECO" or "Company") is established under the then Companies Act for generation of electrical energy. The company was formed under the support of Swiss Agency for Development and Cooperation along with Nepal Electricity Authority.

Commercial operation of electricity generation started from 2044 BS (1987 AD).

The corporate office of the SCECO is located at Solududhkunda Municipality -5 Salleri, Solukhumbu, Province-1.

The core business of SCECO is generation, transmission and distribution of hydroelectricity.

The accompanied financial statements are authorized for issued by the Board of Directors of the SCECO in its meeting held on Poush 7th 2078. The Board of Directors acknowledges the responsibility of preparation of financial statements. These financial statements are presented to annual general meeting of shareholders for approval.

Note 2: Significant accounting policies

2.1 Basis of Preparation and measurement

i. Statement of Compliance

The financial statements are prepared in line with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN). The Company has prepared financial statements as per NFRS for the first time. For all earlier periods, the financial statements were prepared in accordance with Nepal Accounting Standards. The financial information of corresponding comparative period has been changed in line with NFRS and the opening statement of financial position on the date of transition to NFRS (1 Shrawan 2076) have also been recomputed. Reconciliation of changes for the financial statements on date of transition and for comparative period is integral part of financial statements.

ii. Basis of preparation

The financial statements are prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of service and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements are presented in functional and presentation currency of the Company i.e. Nepalese Rupee ("NRs.") which is the currency of the primary economic environment in which the Company operates.

iii. Basis of measurement

These financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS and explained in the ensuing policies below.



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Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

2.2 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company 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. 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes:-

Useful life and residual value of property, plant and equipment

Management reviews the useful life and residual values of property, plant and equipment at least once a year. Such life is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

Impairment of property plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above mentioned factors could impact the carrying value of assets.

Contingencies

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystallizing or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognised.

Fair value measurements

Some of the Company's assets are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available, else moves to level 2 and level 3 inputs. The management works closely with the qualified external values to establish the appropriate valuation techniques and inputs to the model.

Recognition of deferred tax assets

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company based its assumptions and estimates on parameters available when the



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Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

3. Significant Accounting Policies

3.1 Property, plant and equipment

- i. All items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
- ii. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset are derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.
- iii. The useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Residual value is considered to be insignificant.
- iv. An item of property, plant and equipment and any significant part initially recognised is derecognised 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 derecognised.
- v. Assets in the course of construction are capitalized in the assets under capital work in progress account (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimate cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized. Revenue generated from production during the trial period is capitalized.

As the company is small hydropower, it is not required to transfer the assets of company to any government authority, accordingly, the project assets are treated as PPE of company.

3.2 Intangible Assets

- i. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.
- ii. Certain computer software costs are capitalized and recognised as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year.
- iii. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.



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Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

3.3 Depreciation and Amortization

- i. Depreciation is recognized so as to write off the cost of assets (other than properties under construction) over their useful lives.
- ii. Amortization is recognized on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.
- iii. Depreciation is provided on the straight line method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on pro-rata basis in the year of purchase. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows:-

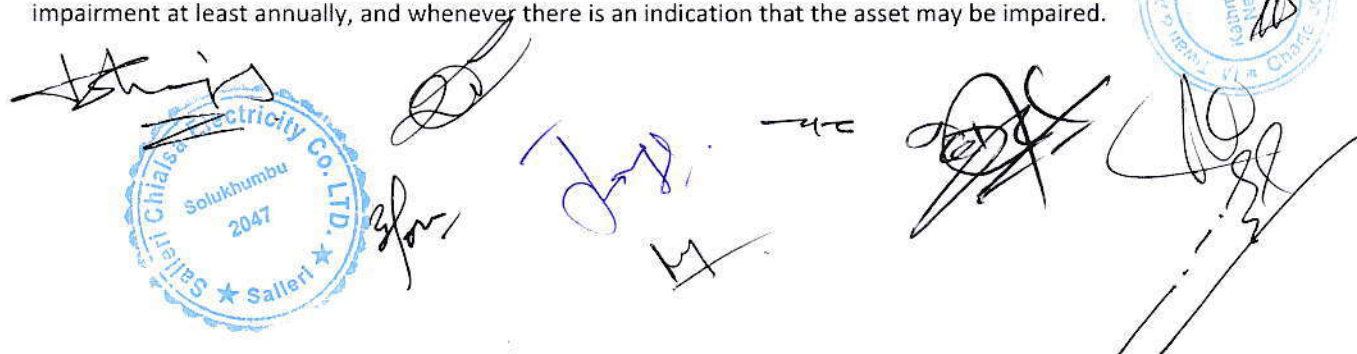
Category of asset	Estimated useful life	Depreciation Rate
Land	Indefinite	0%
Civil Structures	40 years	2.5%
Electromechanical equipment	25 years	4%
High Tension Transmisssion Line	35.1 years	2.85%
Low Tension Transmission Line	25 years	4%
Tools	10 years	10%
Furniture & Fixture	10 years	10%
Office Equipment	5 years	20%
Vehicle	6.67 years	15%

Computer software is amortized over an estimated useful life of 5 years on straight line basis.

- iv. Useful life is either the period of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset.
The estimated useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3.4 Impairment of tangible and intangible assets

- i. At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest component of cash-generating units for which a reasonable and consistent allocation basis can be identified.
- ii. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.



Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

- iii. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Statement of Profit and Loss.

3.5 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and demand deposits with an original maturity of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.6 Inventories

Cost of inventories includes cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories of stores, spare parts and loose tools are stated at lower of first in first out method and net realizable value. Net realizable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale.

3.7 Revenue recognition

i) Sale of Electricity

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances. Revenue is recognised when substantial risks and rewards of ownership is transferred to the buyer under the terms of the contract.

ii) Dividend and interest income

Dividend income (net of withholding taxes) from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

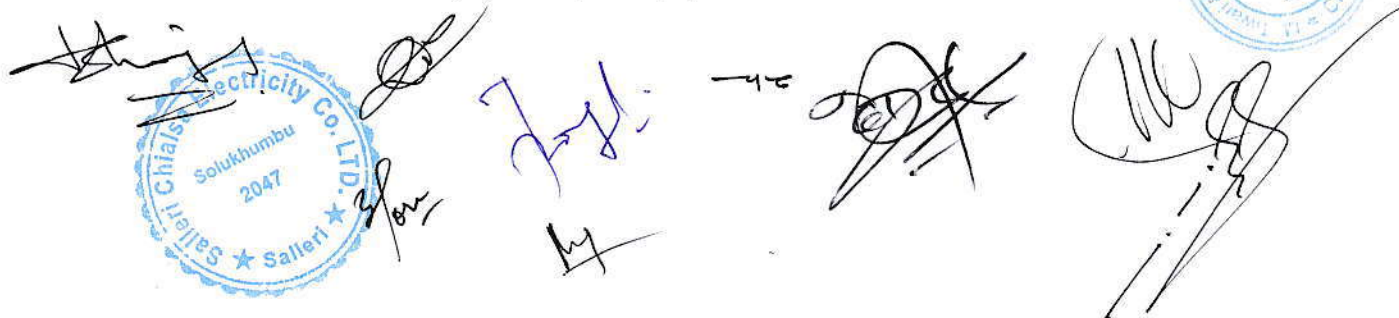
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.8 Foreign currency transactions

The functional currency of the Company is determined on the basis of the primary economic environment in which it operates. The functional currency of the Company is Nepalese Rupee (NRs.).

3.9 Employment Benefits

The Company has schemes of employment benefits namely provident fund, employee gratuity, salaries and allowances and accumulate leave payable as per employee service manual.



Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

Defined contribution plan – Provident Fund

Under defined contribution plans, provident fund, the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. Contributions to defined contribution schemes (Provident fund) are charged to the profit or loss statement in the year to which they relate as the company has no further defined obligations beyond monthly contributions. Contributions to defined contribution schemes are deposited with Employees Provident Fund (Karmachari Sanchaya Kosh).

Defined benefit plan – Gratuity Fund

Company provides gratuity facility to employee based on its employee service regulation. Such is provided based on completed years of service method. All staffs who have completed three years in service are entitled to a gratuity of one month salary for each completed year.

Company has deposited amount in approved retirement fund towards fulfilling the gratuity liability. Considering the cost benefit matter and size of the business of the company, company has decided not to carry out actuarial valuation of gratuity and leave liabilities and considers that, if such was carried out, the impact would not have been material.

Short term and long-term employment benefits

- i. A liability is recognised for benefits accruing to employees in respect of wages and salaries and allowances in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.
- ii. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.
- iii. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the obligation as at the Balance sheet date determined based on an actuarial valuation. However, the company has not carried out actuarial valuation this year due to few permanent staffs and considering cost benefit analysis, it believes that current estimates based on accrued method are nearest approximate to such valuation.

3.10 Taxation

Income Tax

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

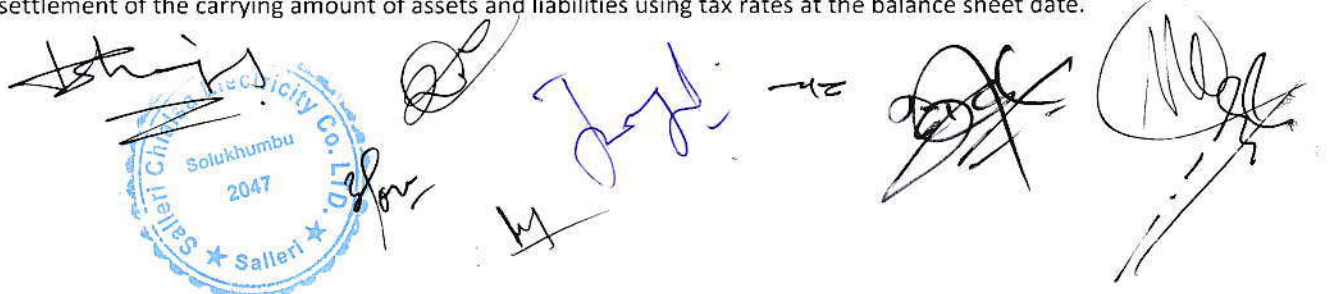
Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to company is 20%.

Deferred tax

- i. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.



Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

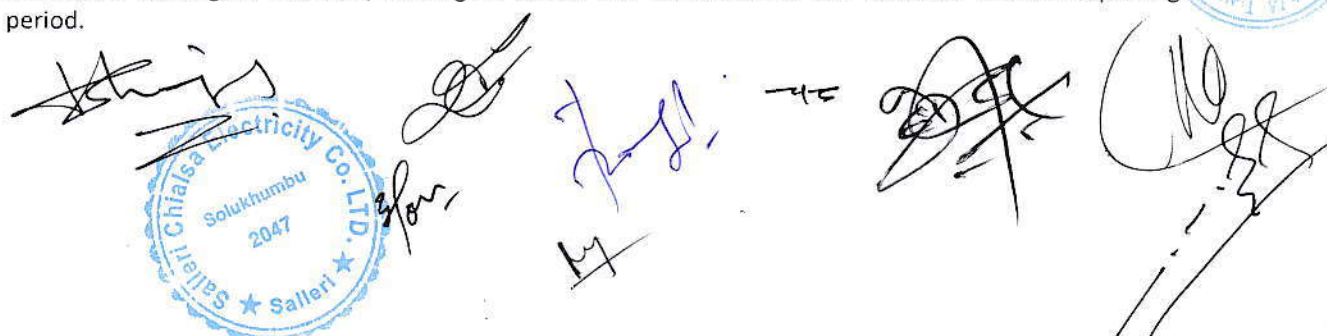
- ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
- iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.
- iv. Rate of 25% has been taken for computation of deferred tax on share investment with assumption that income from sale of shares do not fall under the concessional rate of 20%.

3.11 Earnings per share

Basic and diluted earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year.

3.12 Provisions, contingencies and commitments

- i. Provisions are recognised 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.
- ii. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.
- iii. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.
- iv. 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 recognised as a finance cost.
- v. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.
- vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the standalone financial statements.
- vii. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
- viii. Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.
- ix. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.



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Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

3.13 Financial Instruments

i. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the statement of profit and loss. In case of interest free or concession loans/debentures/preference shares given to subsidiaries, associates and joint ventures, the excess of the actual amount of the loan over initial measure at fair value is accounted as an equity investment.

ii. Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

Income/ expense arising on financial instruments after applying an effective interest rate is recognised in Statement of Profit and Loss and is included in the "Other finance income" or "Other finance cost" line item.

iii. Financial assets

Financial assets at amortized cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company in respect of equity investments (other than in subsidiaries, associates and joint ventures) which are not held for trading has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such equity instruments. Such an election is made by the Company on an instrument by instrument basis at the time of initial recognition of such equity investments.

Financial asset not measured at amortised cost or at fair value through other comprehensive income is carried at fair value through the statement of profit and loss.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the shorter maturity of these instruments.



Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

Impairment of financial assets

Loss allowance for expected credit losses is recognised for financial assets measured at amortised cost and fair value through the statement of profit or loss.

The company recognises impairment loss on trade receivables using expected credit loss model. For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit losses is recognised. Loss allowance equal to the lifetime expected credit losses is recognised if the credit risk on the financial instruments has significantly increased since initial recognition.

De-recognition of financial assets

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under NFRS 9.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognised in statement of profit or loss.

iv. Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of profit and loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.



Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

De-recognition of financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

v. Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the standalone balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

vi. Fair Value Measurements

The Company measures financial instruments, such as, investment in equity instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) In the principal market for the asset or liability, or
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.14 Financial risk management objectives and policies

The Company's business activities expose it to a variety of financial risks, namely primarily to fluctuations in interest rates, equity prices, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company's Board and senior management has overall responsibility for the



Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

establishment and oversight of the Company's risk management. The Company's risk management practices are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Risk Management is done by the Company's management that provides assurance that the Company's financial risk activities are governed by appropriate procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:-

a. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is formed for distribution of electricity to local people of Salleri and Company's counterparties are all local people and it is not expected that those will default the payment.

b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investment in fixed deposit. Since, the interest rate risk is influenced by market forces, SCECO has little role to play for minimizing this risk.

c. Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

In order to control liquidity risk and for better working capital management, the Company's Finance department regularly monitors the cash position to ensure it has sufficient cash on-going basis to meet operational needs. Any short term surplus cash generated by the operating entities, over and above the amount required for working capital management and other operational requirements, are retained as cash and cash equivalents or investment in the form of fixed deposit.

3.15 Capital Management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the company. The Company manages its capital so as to safeguard its ability to continue as a going concern.

No changes were made in the objectives, policies or processes for managing capital during the current and previous year.

3.16 Employee Bonuses

Bonus is provided as per employee service rules of the company.



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Salleri Chialsa Electricity Company Ltd.
Notes to the financial statements
For the year ended on 31 Ashad 2078

3.17 Accounting of Grant

Grant related to assets are accounted and presented in statement of financial position by setting up grant as deferred income, in line with NAS 20. The capital grants received by company are presented under deferred income with corresponding debit to related assets and on each year, amount equal to depreciation on such grant assets are adjusted to deferred income and included in statement of profit or loss.

3.18 Corporate Social Responsibility

A 1% amount of net profit is separated for corporate social responsibility in line with Industrial Enterprise Act.

3.19 Events After Reporting Period

There is no such event to be reported.

3.20 Reporting Period

The reporting period for the financial statements are as follows:

Opening statement of financial position on date of transition – 1 Shrawan 2076

Current statement of financial position – 31 Ashad 2078

Comparative statement of financial position – 31 Ashad 2077

Current statement of profit or loss and other comprehensive income – F.Y. 2077-78

Comparative statement of profit or loss and other comprehensive income – F.Y. 2076-77



Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
As at 31 Ashadh 2078

Property, plant and equipment

Note 4.1

Particulars	Land	Civil Structures	Plant and Machinery	High Tension Transmission Line	Low Tension Transmission Line	Tools	Office Equipment	Furniture and Fixtures	Vehicles	Total
Cost										
Balance at 1 Shrawan 2076	41,300.41	60,736,368.09	63,427,403.21	29,389,720.03	35,135,874.85	990,784.57	2,656,886.53	295,868.50	174,755.00	192,848,961.19
Additions	-	-	-	3,602,588.17	3,666,391.94	156,058.39	88,850.00	-	-	7,513,888.50
Disposals										
Balance at 31 Ashad 2077	41,300.41	60,736,368.09	63,427,403.21	32,992,308.20	38,802,266.79	1,146,842.96	2,745,736.53	295,868.50	174,755.00	200,362,849.69
Additions				12,929,887.74	3,293,535.91	89,633.05	39,500			16,352,557
Disposals							-	-	-	-
Balance at 31 Ashad 2078	41,300.41	60,736,368.09	63,427,403.21	45,922,195.94	42,095,802.70	1,236,476.01	2,785,236.53	295,868.50	174,755.00	216,715,406.39
Accumulated depreciation										
Balance at 1 Shrawan 2076		19,220,147.60	24,448,643.81	10,431,075.94	17,218,412.80	547,011.41	2,656,884.53	266,959.95	174,753.00	74,963,889.04
Charge for the year		1,518,409.20	1,965,315.55	937,701.52	1,666,015.89	73,247.95	15,964.17	11,328.35	-	6,187,982.63
Disposals							-	-	-	-
Balance at 31 Ashad 2077	-	20,738,556.80	26,413,959.36	11,368,777.46	18,884,428.69	620,259.35	2,672,848.70	278,288.30	174,753.00	81,151,871.67
Charge for the year		1,518,409.52	1,965,315.55	1,071,560.37	1,683,832.11	73,935.12	25,670.00	11,328.35	-	6,350,051.02
Adjustment							-	-	-	-
Balance at 31 Ashad 2078	-	22,256,966.32	28,379,274.91	12,440,337.83	20,568,260.80	694,194.47	2,698,518.70	289,616.65	174,753.00	87,501,922.69
Net book value		22,256,966.33								
Balance at 1 Shrawan 2076	41,300.41	41,516,220.49	38,978,759.40	18,958,644.09	17,917,462.05	443,773.16	2.00	28,908.55	2.00	117,885,072.15
Balance at 31 Ashad 2077	41,300.41	39,997,811.29	37,013,443.85	21,623,530.74	19,917,838.10	526,583.61	72,887.83	17,580.20	2.00	119,210,978.02
Balance at 31 Ashad 2078	41,300.41	38,479,401.77	35,048,128.30	33,481,858.11	21,527,541.90	542,281.54	86,717.83	6,251.85	2.00	129,213,483.70

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Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
As at 31 Ashadh 2078

Intangible Assets

Note 4.2

Particulars	Amount
Balance at 1 Shrawan 2076	145,431.00
Additions	-
Balance at 31 Ashad 2077	145,431.00
Additions	49,946.00
Disposals	-
Balance at 31 Ashad 2078	195,377.00
Accumulated depreciation	
Balance at 1 Shrawan 2076	135,057.60
Charge for the year	10,372.40
Disposals	-
Balance at 31 Ashad 2077	145,430.00
Charge for the year	39,075.40
Adjustment	-
Balance at 31 Ashad 2078	184,505.40
Net book value	
Balance at 1 Shrawan 2076	10,373.40
Balance at 31 Ashad 2077	1.00
Balance at 31 Ashad 2078	10,871.60

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Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
As at 31 Ashadh 2078

Investment

Note 4.3

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Non-current			
At Amortized Cost			
At Fair Value (refer 4.3.2)	27,529,854.00	16,959,396.00	16,910,857.00
Sub-total	27,529,854.00	16,959,396.00	16,910,857.00
Current			
At Amortized Cost (refer 4.3.1)	80,000,000.00	68,000,000.00	55,504,000.00
At Fair Value	-	-	-
Sub-total	80,000,000.00	68,000,000.00	55,504,000.00
Total	107,529,854.00	84,959,396.00	72,414,857.00

Note 4.3.1

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Fixed Deposit	80,000,000.00	68,000,000.00	55,504,000.00
Total	80,000,000.00	68,000,000.00	55,504,000.00

Note 4.3.2

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Investment in Shares			
Public Entities	27,529,854.00	16,959,396.00	16,910,857.00
Companies	27,529,854.00	16,959,396.00	16,910,857.00
Other Entities	-	-	-
Total	27,529,854.00	16,959,396.00	16,910,857.00

Refer 4.3.2.a for details of share investment

Trade Receivable

Note 4.4

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Non-current			
Sub-total	-	-	-
Current			
Electricity Sales Receivable	8,309,248.08	2,920,260.18	1,988,794.40
Reconnection Charges Receivable	-	242,484.00	248,274.00
Sub-total	8,309,248.08	3,162,744.18	2,237,068.40
Total	8,309,248.08	3,162,744.18	2,237,068.40

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Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
As at 31 Ashadh 2078

Other Financial Assets

Note 4.5

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Non-current			
Sub-total	-	-	-
Current			
Telephone Deposit	9,750.00	9,750.00	9,750.00
Staff Loan and Advance	505,311.74	337,952.52	1,390,991.16
Miscellaneous Assets	215,032.36	178,462.05	373,588.05
Interest Receivable	292,018.15	522,523.11	467,254.86
Sub-total	1,022,112.25	1,048,687.68	2,241,584.07
Total	1,022,112.25	1,048,687.68	2,241,584.07

Inventories

Note 4.6

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
HT Materials	549,679.82	663,457.64	614,532.10
LT Materials	3,149,611.44	2,839,260.72	3,097,088.09
Electrical Materials	307,993.20	307,993.20	307,993.20
Fixing Materials	38,062.50	38,062.50	38,512.50
Machines/Machnical Spare Parts	2,270,321.65	2,292,522.29	2,432,271.53
Power House Materials	592,367.65	483,565.00	465,058.78
Construction Materials	318,249.33	377,131.59	479,097.99
Painting Equipments & Materials	375,732.00	287,305.34	306,942.46
Miscellaneous Materials	66,921.00	52,222.00	52,222.00
Guest House Materials	223,371.17	178,136.17	165,689.50
Tools/Workshop Materials	370,913.61	214,210.98	280,176.60
Stationary Materials	32,630.00	20,960.00	71,761.90
Backstopping Spare Parts	702,474.00	702,474.00	702,474.00
Camping/Kitchen Materials	99,920.00	56,135.00	56,135.00
Total	9,098,247.37	8,513,436.43	9,069,955.65

Handwritten signatures and stamps are present below the table. The stamps include:

- A circular blue stamp for "Salleri Chialsa Electricity Co. Ltd." with "Solukhumbu" and "2047" in the center, and "Salleri" at the bottom.
- A circular blue stamp for "Khatu & Associates" with "Khatu" in the center and "Chartered Accountants" at the bottom.

Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
As at 31 Ashadh 2078

Cash and Cash Equivalent

Note 4.7

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
<u>Cash at bank</u>			
Rastriya Banijya Bank Ltd.	1,921,727.85	1,494,432.10	2,574,627.09
Siddhartha Bank Ltd.	3,341,040.46	3,029,682.65	2,078,022.52
NMB Bank Ltd.	877,614.52	9,105,323.86	5,626,518.91
Nabil Bank Ltd. (Welfare Fund)	290,294.11	287,138.03	-
NMB Bank Ltd. Welfare Fund		-	208,493.35
Kumari Bank Ltd.	1,354,425.40	1,093,025.05	936,058.87
<u>Cash in hand</u>	6,617.41	160.94	849.91
Total	7,791,719.75	15,009,762.63	11,424,570.65

Other Current Assets

Note 4.8

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Prepayment	16,294.05	60,303.11	23,160.56
Other Assets	864,750.00	316,036.74	41,440.00
Deferred Employee Benefit Expenses	23,825.44	5,445.30	51,887.48
Total	904,869.49	381,785.15	116,488.04

Current tax (net)

Note 4.9

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Advance Tax	4,100,413.22	2,755,134.65	3,311,468.26
Tax Liability	(3,307,662.85)	(3,313,561.03)	(2,117,400.01)
Total	792,750.37	(558,426.38)	1,194,068.25












Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
As at 31 Ashadh 2078

Share Capital

Note 4.10

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
<u>Authorized Share Capital</u>	80,000,000.00	80,000,000.00	80,000,000.00
<u>Issued Share Capital</u>			
51,412 Preference Shares @ 1000 Per Share	51,412,000.00	51,412,000.00	51,412,000.00
1,000,000 Ordinary Shares @ 10 per Share	10,000,000.00	10,000,000.00	10,000,000.00
<u>Paid up Share Capital</u>			
51,412 Preference Shares @ 1000 Per Share	51,412,000.00	51,412,000.00	51,412,000.00
1,000,000 Ordinary Shares @ 10 per Share	10,000,000.00	10,000,000.00	10,000,000.00
Total	61,412,000.00	61,412,000.00	61,412,000.00

Other Equity

Note 4.11

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Emergency Fund	1,463,103.50	1,463,103.50	1,463,103.50
Renewal Fund	1,463,103.50	1,463,103.50	1,463,103.50
Regulatory Reserve	-	-	-
Fair Value Reserve	19,156,112.03	11,228,268.53	11,191,864.28
Total	22,082,319.03	14,154,475.53	14,118,071.28

Borrowing

Note 4.12

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
<u>Non-current</u>			
<u>Current</u>			
Total	-	-	-

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Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
As at 31 Ashadh 2078

Employee Benefit Liabilities

Note 4.13

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Non-current			
Gratuity Liability	4,408,527.94	5,090,330.67	7,771,821.97
Less: Plan Assets	(3,990,361.79)	(3,980,510.43)	(5,840,685.75)
Leave Liability	1,256,747.66	1,612,924.09	1,677,745.40
Sub-total	1,674,913.81	2,722,744.33	3,608,881.62
Current			
Staff Payable	78,854.96	45,962.86	53,118.28
Bonus Payable	1,216,931.19	1,018,146.19	803,434.27
Medical Reimbursement Payable	164,042.24	210,542.24	255,542.24
Sub-total	1,459,828.39	1,274,651.29	1,112,094.79
Total	3,134,742.20	3,997,395.62	4,720,976.41

* Considering the cost benefit analysis, actuarial valuation of gratuity and leave liability has not been carried out.

Other Financial Liabilities

Note 4.14

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Non-current			
Advance towards share	747,500.00	654,000.00	594,500.00
Prepaid Cost Participation	557,596.00	519,000.00	351,000.00
Sub-total	1,305,096.00	1,173,000.00	945,500.00
Current			
Corporate Social Responsibility	428,392.93	320,695.48	142,704.20
TDS Payable	-	143,302.00	19.81
Other Payable	1,881,588.53	349,366.86	809,285.61
Advance Connection Fee	-	-	-
Sub-total	2,309,981.46	813,364.34	952,009.62
Total	3,615,077.46	1,986,364.34	1,897,509.62

Deferred Income

Note 4.15

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Grant Towards E/M Equipment	50,746,260.06	46,995,105.18	45,847,557.03
Grant Towards Black Stopping Material	740,265.20	740,265.20	740,265.20
Other Capital Grant	1,404,451.43	1,404,451.43	1,404,451.43
Total	52,890,976.69	49,139,821.81	47,992,273.66

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Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
As at 31 Ashadh 2078

Deferred Tax Liability/(Assets)

Note 4.16

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Property, Plant & Equipment and Intangible Assets	11,270,859.90	10,417,901.78	9,666,709.16
Investment in Shares	6,385,370.68	3,742,756.18	3,730,621.43
Gratuity Liability	(881,705.59)	(1,018,066.13)	(1,554,364.39)
Leave Liability	(251,349.53)	(322,584.82)	(335,549.08)
Liability towards CSR	(85,678.59)	(64,139.10)	(28,540.84)
Total	16,437,496.87	12,755,867.91	11,478,876.27
Deferred tax charged to SoPL	(1,039,014.46)	(1,264,856.89)	

Trade Payable

Note 4.17

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Fee Received in Advance	48,340.69	51,515.69	51,765.69
Payable to NEA for electricity purchase	1,361,595.60	-	-
Total	1,409,936.29	51,515.69	51,765.69

Other Current Liabilities

Note 4.18

Particulars	As at 31.03.2078	As at 31.03.2077	As at 01.04.2076
Staff Welfare Fund	292,195.87	288,482.84	200,833.06
Total	292,195.87	288,482.84	200,833.06

Handwritten signatures and stamps are present below the tables. A central blue circular stamp reads "Salleri Chialsa Electricity Co. Ltd. Solukhumbu 2047". To the right, another blue circular stamp reads "Chartered Accountants".

Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
As at 31 Ashadh 2078

Details of Share Investment

Note 2.3.2.a

Name of Company	As at 31.03.2078			As at 31.03.2077			As at 01.04.2076		
	No. of Shares	Cost	Fair Value	No. of Shares	Cost	Fair Value	No. of Shares	Cost	Fair Value
Nepal Bank Ltd.	3149	260,276.00	1,395,007.00	2812	260,276.00	700,188.00	2446	260,276.00	821,856.00
Everest Bank Ltd.	2685	45,800.00	1,981,530.00	2557	45,800.00	1,725,975.00	2435	45,800.00	1,621,710.00
Nepal Investment Bank	4229	38,752.70	1,945,340.00	3742	38,752.70	1,612,802.00	3386	38,752.70	1,757,334.00
Standard Chartered Bank	4491	451,691.60	2,649,690.00	4197	451,691.60	2,707,065.00	4197	451,691.60	2,862,354.00
Nabil Bank	4904	59,666.00	6,664,536.00	3674	59,666.00	2,810,610.00	3280	59,666.00	2,624,000.00
Nepal SBI Bank Ltd.	2372	76,300.00	970,148.00	2238	76,300.00	973,530.00	2111	76,300.00	990,059.00
Himalayan Bank Ltd.	5412	32,600.00	2,619,408.00	4316	32,600.00	2,330,640.00	4316	32,600.00	2,382,432.00
Bank of Kathmandu	109	-	41,311.00	90	-	19,710.00	90	-	22,950.00
NIC Asia Bank Ltd.	438	5,000.00	435,372.00	329	5,000.00	181,937.00	329	5,000.00	147,392.00
Sunrise Bank Ltd.	934	47,000.00	339,042.00	882	47,000.00	206,388.00	802	47,000.00	198,896.00
Nepal Finance Co.	814	21,924.00	463,980.00	814	21,924.00	105,820.00	814	21,924.00	81,400.00
Nepal Insurance Co. Ltd	2555	267,310.00	2,611,210.00	2357	267,310.00	1,034,723.00	2096	267,310.00	741,984.00
Himalayan General Insurance Ltd.	3668	323,466.00	2,817,024.00	3424	323,466.00	1,434,656.00	3424	323,466.00	1,198,400.00
Soaltee Hotel Ltd.	4393	53,760.00	1,150,966.00	4393	53,760.00	676,522.00	3820	53,760.00	932,080.00
BS	15225	15,225.00	15,225.00	15225	15,225.00	15,225.00	15225	15,225.00	15,225.00
Hydroelectricity Investment & Development Co. Ltd.	3185	289,600.00	1,430,065.00	3185	289,600.00	423,605.00	3185	289,600.00	512,785.00
		1,988,371.30	27,529,854.00		1,988,371.30	16,959,396.00		1,988,371.30	16,910,857.00

Handwritten signatures and a blue circular stamp of Salleri Chialsa Electricity Co. Ltd. Solukhumbu 2047.



Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
For the year ended 31 Ashad 2078

Revenue from operation

Note 4.19

Particulars	2077-78	2076-77
Sale of electricity	32,484,316.40	27,229,313.00
<u>Other services</u>		
Application Fee	10,220.00	9,780.00
Late Payment Fee	746,300.00	609,405.00
Temporary Level Upgrading	44,935.00	39,190.00
Disconnection Fee	41,250.00	40,490.00
Reconnection Fee	4,330.00	3,340.00
Cable Joint Charge	484,635.00	348,787.00
SDB & Loss Damage Charge/Miscellaneous	365,755.20	766,712.85
Technical Service Charge	56,375.50	107,468.80
Level Upgrading Charge	298,595.00	327,388.00
Rent of Other Materials	2,000.00	8,000.00
New Connection Charges	1,498,920.00	1,135,153.00
Connection Fee (NDHH)	18,750.00	24,000.00
Earthing Charge	574,718.00	436,565.00
Sale EL	161,582.00	23,920.00
Total	36,792,682.10	31,109,512.65

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Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
For the year ended 31 Ashad 2078

Cost of Revenue

Note 4.20

Particulars	2077-78	2076-77
Cost of Purchase	1,361,595.60	-
Electricity from NEA	1,361,595.60	-
Employee Expenses	10,397,412.24	10,289,957.38
Salaries	3,370,945.26	3,338,232.13
Difficult Area Allowance	3,545,788.00	3,447,908.50
Children Allowance	43,200.00	40,300.00
PF Contribution	221,135.50	304,326.50
Dashain Bonus, PH & HQ Allowance	252,183.00	278,484.00
Accrued Gratuity Expenses	864,149.91	1,109,820.24
Accrued Leave Expenses	209,321.44	371,087.36
Training & Upgrading	46,612.50	46,612.00
Electricity Rebate	43,455.50	54,375.00
Overtime	441,976.50	157,558.32
Staff Medical Scheme	134,068.51	98,625.00
NFRS interest expenses	7,644.93	24,482.14
Staff Bonus	1,216,931.19	1,018,146.19
Other Direct Expenses	9,298,616.53	9,745,081.24
Repair and Maintenance	2,985,563.86	3,584,391.13
Civil Structure (PH)	582,441.16	608,537.18
Building	143,432.38	52,863.67
Plant and Machinery	176,722.09	369,349.90
HT Transmission Line	343,520.52	495,565.48
LT Transmission Line	1,658,257.90	1,968,662.51
Tools	81,189.81	89,412.39
Depreciation	6,313,052.67	6,160,690.11
Civil Structures	1,518,409.52	1,518,409.20
Plant and Machinery	1,965,315.55	1,965,315.55
High Tension Transmission Line	1,071,560.37	937,701.52
Low Tension Transmission Line	1,683,832.11	1,666,015.89
Tools	73,935.12	73,247.95
Total	21,057,624.37	20,035,038.62

Other Income

Note 4.21

Particulars	2077-78	2076-77
Dividend Income	108,319.50	385,163.79
Transferred from Deferred Income	2,428,574.13	2,252,451.85
Total	2,536,893.63	2,637,615.64



Handwritten signatures and stamps are present at the bottom of the page, including a blue circular stamp of Salleri Chialsa Electricity Company Ltd. dated 2047.

Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
For the year ended 31 Ashad 2078

Administrative and Operating Expenses

Note 4.22

Particulars	2077-78	2076-77
Operating Expenses	2,542,084.70	1,692,904.16
Office Materials/Stationery	82,085.00	86,574.71
Printing, Copies & Bindings	68,466.90	69,334.90
Communication	75,300.94	113,452.17
Staff Travel	470,925.90	266,830.00
Audit Fee & Expenses	236,347.50	166,827.17
Bank Charges	227.00	1,412.00
Cultural Worship	170,974.08	119,945.00
Cleaning Material	56,834.00	41,395.00
Stock Material Out of use	-	14,853.33
Internal Electricity Consumption	32,041.00	29,254.00
Consultancy Services	471,735.00	82,401.18
Subscription/Signboard/Advertisement Expenses	175,137.00	18,515.00
Registration & Land Revenue	51,595.00	51,980.00
Per Diem	219,900.00	209,700.00
Transportation & Documentation	30,054.16	24,333.33
Miscellaneous Expense	25,830.00	17,685.00
Insurance Expenses	188,423.12	193,238.20
Social Activities	78,510.64	7,181.90
Corporate Social Responsibility	107,697.46	177,991.27
Shareholders/Directors Expenses	797,138.51	707,971.52
Directors Meeting Fees	20,000.00	14,500.00
Directors Lodging/Fooding	573,673.76	531,393.53
AGM Other Expenses	-	42,010.00
AGM Preparation Cost	203,464.75	120,067.99
Repair and Maintenance	1,263,805.26	430,498.95
Furniture & Fixture	-	6,860.50
Office Machine	16,650.00	20,650.00
Vehicles	10,625.00	18,750.00
Compound Maintenance Work	156,808.75	112,375.78
Annual Maintenance costs	1,079,721.51	271,862.67
Depreciation and Amortization	76,073.75	37,664.92
Office Equipment	25,670.00	15,964.17
Furniture and Fixtures	11,328.35	11,328.35
Amortization of software	39,075.40	10,372.40
Total	4,679,102.22	2,869,039.55

Total of depreciation and amortization is as follows:

Particulars	2077-78	2076-77
Cost of Revenue	6,313,052.67	6,160,690.11
Administrative and Operating Expenses	76,073.75	37,664.92
Total	6,389,126.42	6,198,355.03



Handwritten signatures and a circular stamp of Salleri Chialsa Electricity Co. Ltd. are visible at the bottom of the page.

Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
For the year ended 31 Ashad 2078

Total of repair and maintenance is as follows:

Particulars	2077-78	2076-77
Cost of Revenue	2,985,563.86	3,584,391.13
Administrative and Operating Expenses	1,263,805.26	430,498.95
Total	4,249,369.12	4,014,890.08

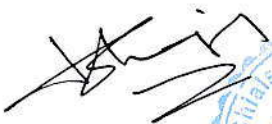




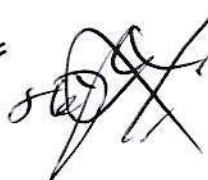


Income Tax Expenses

Note 4.23

Particulars	2077-78	2076-77
Current year tax expenses	3,307,662.85	3,063,379.85
Adjustment of previous year tax expenses	5,905.08	250,181.18
Total	3,313,567.93	3,313,561.03

Reconciliation of current year tax expenses

Particulars	2077-78	2076-77
Profit as per profit or loss statement	19,808,553.62	17,799,127.28
Less: dividend income	(108,319.50)	(385,163.79)
Add: CSR expenses	186,208.10	177,991.27
Add: depreciation as per books	6,389,126.42	6,198,355.03
Add: repair as per books	3,012,838.86	4,014,890.08
Add: gratuity and leave expenses	1,073,471.35	1,480,907.60
Less: depreciation as per tax	(10,661,768.25)	(10,354,260.15)
Less: repair as per tax	(3,161,796.37)	(3,614,948.06)
Profit as per tax	16,538,314.23	15,316,899.26
Tax rate	20%	20%
Income tax expenses	3,307,662.85	3,063,379.85

Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
For the year ended 31 Ashad 2078

5 Additional Information

5.1 Share Capital

Equity Shares: Company has equity shares of Rs. 1000 face value. The composition of shareholders is as

a) follows:

Shareholder Group	Holding %
Swiss Development Corporation (SDC)	33.00%
Nepal Electricity Authority	33.00%
Local residents	34.00%

b) **Preference Shares:** Preference shares of the company are irredeemable and do not bear any dividend. Preference shareholders are not entitled to any residual value of company as like of equity shareholders. Preference shareholders are entitled only their investment amount on liquidation of company.

Composition of preference shareholders is as follows:

Shareholder Group	Holding %
Swiss Development Corporation	50.00%
Nepal Electricity Authority	50.00%

5.2 Other Components of Equity

a) **Fair Value Reserve**

This reserve is created to capture the fair value changes on equity investments made by the company. The company has opted to present the changes in fair value of equity investment through other comprehensive income. The reserve amount is net of deferred tax considered at normal corporate tax rate.

b) **Emergency Fund/Renewal Fund**

These funds have been carried over since many years with the objective of covering any unusual catastrophe or losses to the company.

5.3 Deferred Income

Company has received various assets from SDC during construction phase and from various sources subsequently for the purpose of assets generation. Such amount have been presented under respective heading of assets and the corresponding amount are treated as deferred income. Such deferred income is gradually transferred to statement of profit or loss on annual basis.

5.4 Related Party Transactions

Related parties of the company comprises of key management personnel. This includes Board of Director and the General Manager of Company.

a) **Board of Directors**

The composition of Board on the reporting date is as follows:

Name	Position
Dr. Mingmar Gyelzen Sherpa	Chairman
Chandra Shekhar Chaudhary	Director
Ang Dami Sherpa	Director
Sameer Prasad Pokharel	Director
Jean Francois Cuenod	Director
Dorji Sherpa	Director



Handwritten signatures of the Board of Directors are present below the table. A circular blue stamp of Salleri Chialsa Electricity Co. Ltd. is also visible, along with several other handwritten signatures and marks.

Shaligram Sharma Acharya	Director
Aman Jonchhe	Director
Jun Hada	Director

Board members are paid meeting fees of Rs. 500 per meeting and company bears the expenses of travel and accommodation for directors traveling to attend the meeting.

b General Manager

Mr. Bhoj Raj Tiwari serves as the General Manager in the role of executive chief of the Company since 16 Poush 2077.

General manager is paid salary and allowances as per employment contract. This amount is exclusive of accrued gratuity, leave amount and bonus.

5.5 Lien on company's assets

The assets of company are not pledged as collateral with any party.

5.6 Contingent Liability

a. Bank Guarantee

There is no any bank guarantee outstanding at the reporting date.

b. Litigations or legal cases

i. Tax matters

There is no any pending tax matters.

ii. Legal cases

There is no any pending legal case for or against the company.

c. Unexpired Letter of Credit

There is no unexpired letter of credit at the year end.

d. Capital Commitment

There is no capital commitment at the year end.

5.7 Fair Value Hierarchy of Financial Instrument

Fair value hierarchy of financial instruments for three reporting dates are as follows:

As at 31.03.2078

Particulars	Amount	AC/FV	Level 1	Level 2	Level 3
Financial Assets					
Investments	107,529,854	AC/FV	27,529,854		80,000,000
Trade receivable	8,309,248	AC			8,309,248
Other financial assets	1,022,112	AC			1,022,112
Cash and cash equivalents	7,791,720	AC	7,791,720		
Total	124,652,934	-	35,321,574	-	89,331,360
Financial Liabilities					
Trade payables	1,409,936	AC			1,409,936
Employee benefit liabilities	3,134,742	AC			3,134,742
Other financial liabilities	3,615,077	AC			3,615,077
Total	8,159,756	-	-	-	8,159,756

As at 31.03.2077

Particulars	Amount	AC/FV	Level 1	Level 2	Level 3
Financial Assets					

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Investments	84,959,396	AC/FV	16,959,396		68,000,000
Trade receivable	3,162,744	AC			3,162,744
Other financial assets	1,048,688	AC			1,048,688
Cash and cash equivalents	15,009,763	AC	15,009,763		
Total	104,180,590	-	31,969,159	-	72,211,432
Financial Liabilities					
Trade payables	51,516	AC			51,516
Employee benefit liabilities	3,997,396	AC			3,997,396
Other financial liabilities	1,986,364	AC			1,986,364
Total	6,035,276	-	-	-	6,035,276

As at 01.04.2076

Particulars	Amount	AC/FV	Level 1	Level 2	Level 3
Financial Assets					
Investments	72,414,857	AC/FV	16,910,857		55,504,000
Trade receivable	2,237,068	AC			2,237,068
Other financial assets	2,241,584	AC			2,241,584
Cash and cash equivalents	11,424,571	AC	11,424,571		
Total	88,318,080	-	28,335,428	-	59,982,652
Financial Liabilities					
Trade payables	51,766	AC			51,766
Employee benefit liabilities	4,720,976	AC			4,720,976
Other financial liabilities	1,897,510	AC			1,897,510
Total	6,670,252	-	-	-	6,670,252

5.8 Reconciliation pursuant to first time adoption of NFRS

Reconciliation of adjustments that were made in order to transition to NFRS for the first time is separately presented in Note 5.9. Adjustments comprise of rectification of accounting errors made in earlier years, changes in accounting policy from cash basis to accrual basis and NFRS adjustment arising of first time adoption. These adjustments have been carried out in order to fully comply with NFRS as prescribed under Section 108 of Company Act 2063.

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Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
For the year ended 31 Ashad 2078

Note 5.9: Disclosure effect of transition from previous GAAP to NFRS

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by the Institute of Chartered Accountants of Nepal (ICAN) with effect from 1 Shrawan 2077, with a transition date of 1 Shrawan 2076. These financial statements for the year ended 31 Ashad 2078 are the first the Company has prepared under NFRS. For all periods up to and including the year ended 31 Ashad 2077, the Company prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP')

The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the Company has prepared financial statements which comply with NFRS for the year ended 31 Ashad 2078, together with the comparative information as at and for the year ended 31 Ashad 2077 and the opening NFRS Statement of Financial Position as at 1 Shrawan 2076, the date of transition to NFRS.

Reconciliation Statement

The following reconciliations provide the explanations and quantification of the differences arising from the transition from Previous GAAP to NFRS in accordance with NFRS 1:

- i) Reconciliation of Equity as at 1 Shrawan, 2077 and 31 Ashad, 2077.
- ii) Reconciliation of Total Comprehensive Income for the year ended on 31 Ashad 2077.
- iii) Effect of NFRS adoption for the statement of cash flows.
- iv) Statement of changes in statement of financial position as at 1 Shrawan 2076 and 31 Ashad 2077.
- v) Statement of changes in statement of profit or loss for the year ended on 31 Ashad 2077.

i) Reconciliation of Equity as at 1 Shrawan, 2076 and 31 Ashad, 2077.

Particulars	Note	As at 01.04.2076	As at 31.03.2077
Total equity under previous GAAP		186,713,968.58	201,082,226.08
Adjustments under NFRS			
Recalculation			
Share investment adjusted	a	338,243.70	338,243.70
Fair valuation of shares	b	11,191,864.28	11,228,268.53
Regrouping			
Reserves transferred to deferred income	c	(47,992,273.66)	(49,139,821.81)
Total adjustment to equity		(36,462,165.69)	(37,573,309.59)
Total Equity under NFRS		150,251,802.89	163,508,916.50

ii) Reconciliation of Total Comprehensive Income (TCI) for the year ended on 31 Ashad 2077

Particulars	Note	For the year ended on 31 Ashad 2077
TCI as per previous GAAP		13,220,709.37
Adjustments under NFRS		
Fair valuation of shares, net of deferred tax	b	36,404.25
Total adjustment to TCI		36,404.25
Total comprehensive income under NFRS		13,257,113.62

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Notes to reconciliation

a) Adjustment of cost of shares

The shares had cost value in manual records which exceeded the cost of shares presented in books. Such differential amount has been added to investment in shares with corresponding credit to retained earnings.

b) Fair valuation of shares

Shares were carried at cost in previous GAAP. Under NFRS, such shares have been measured at fair value and the difference amount has been presented under fair value reserve through other comprehensive income.

c) Deferred Income

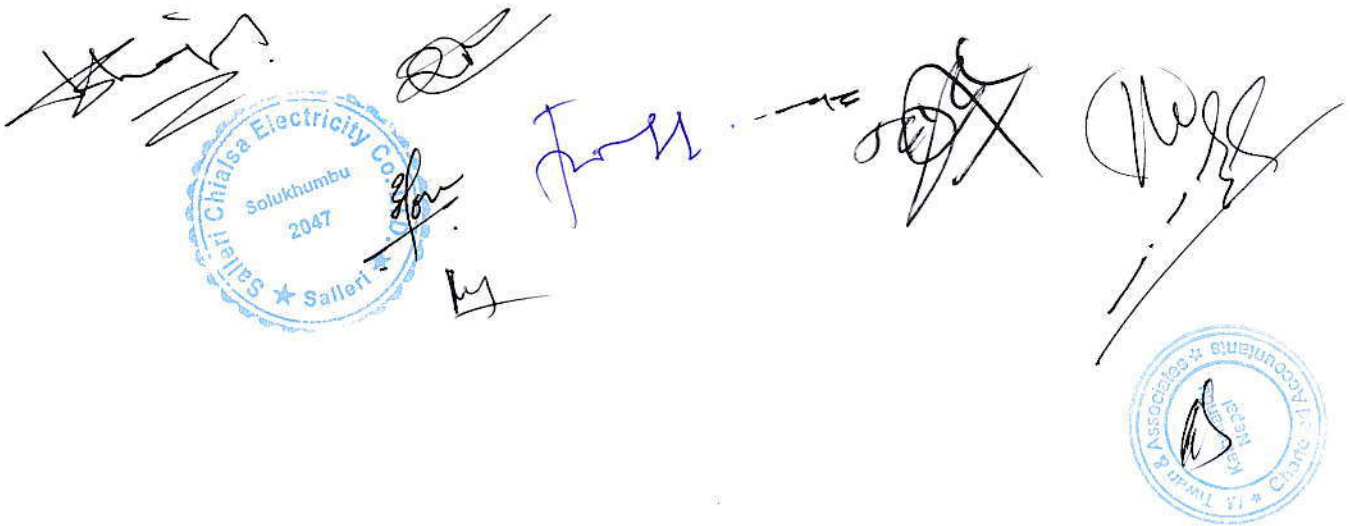
There were few headings under reserves under previous GAAP namely:

Capital Reserve

Back Stopping Materials

Grant Aid in Reserve

These reserves were accounted in previous GAAP by debiting corresponding assets. Under NFRS, such amount are required to be either netted off with the cost of assets or presented as deferred income. Company used the second option to treat as deferred income. Deferred income is then presented under non-current liability.



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Salleri Chialsa Electricity Company Ltd.
Notes to Financial Statements
For the year ended 31 Ashad 2078

iii) Summary showing changes in the Statement of Financial Position as per previous GAAP and as per NFRS

Particulars	As at 01.04.2076				As at 31.03.2077			
	As per previous GAAP	Regrouping	Remeasurement	As per NFRS	As per previous GAAP	Regrouping	Remeasurement	As per NFRS
ASSETS								
Non-Current Assets								
Property, plant and equipment	117,885,072			117,885,072	119,210,978			119,210,978
Intangible assets	10,373			10,373	1			1
<u>Financial assets</u>				-				-
Investments	7,490,813	(5,840,686)	15,260,729	16,910,857	5,630,638	(3,980,510)	15,309,268	16,959,396
Trade receivable	-			-	-			-
Other financial assets	-			-	-			-
Total Non-Current Assets	125,386,259	(5,840,686)	15,260,729	134,806,303	124,841,617	(3,980,510)	15,309,268	136,170,375
Current assets								
Inventories	9,069,956			9,069,956	8,513,436	-	-	8,513,436
<u>Financial assets</u>				-				-
Investment	55,504,000			55,504,000	68,000,000	-	-	68,000,000
Trade receivables	2,714,073	(477,005)		2,237,068	3,695,017	(532,273)	-	3,162,744
Cash and cash equivalents	11,424,571			11,424,571	15,009,763	-	-	15,009,763
Other financial assets	1,816,467	425,117		2,241,584	521,860	526,828	-	1,048,688
Other current assets	64,601		51,887	116,488	376,340	-	5,445	381,785
Current tax (net)	3,311,468	(2,117,400)		1,194,068	2,755,135	(3,313,561)	-	(558,426)
Total current assets	83,905,135	(2,169,287)	51,887	81,787,735	98,871,551	(3,319,006)	5,445	95,557,990
Total assets	209,291,394	(8,009,973)	15,312,617	216,594,038	223,713,168	(7,299,517)	15,314,714	231,728,365
EQUITY AND LIABILITIES								
Equity								
Share capital	61,412,000			61,412,000	61,412,000	-	-	61,412,000
Retained Earning	74,383,488		338,244	74,721,732	87,604,197	-	338,244	87,942,441
Other equity	50,918,481	(47,992,274)	11,191,864	14,118,071	52,066,029	(49,139,822)	11,228,269	14,154,476
Total Equity	186,713,969	(47,992,274)	11,530,108	150,251,803	201,082,226	(49,139,822)	11,566,512	163,508,916

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Liabilities									
Non-Current Liabilities									
<u>Financial liabilities</u>									
Borrowings									
Employee benefit liabilities	7,771,822	(4,162,940)		3,608,882	5,090,331	(2,367,586)	-	2,722,744	
Other financial liabilities	945,500			945,500	1,173,000	-	-	1,173,000	
Deferred Income	-	47,992,274		47,992,274	-	49,139,822	-	49,139,822	
Deferred tax	7,748,255		3,730,621	11,478,876	9,013,112	-	3,742,756	12,755,868	
Provisions	-			-	-	-	-	-	
Total Non-Current Liabilities	16,465,577	43,829,333	3,730,621	64,025,532	15,276,442	46,772,235	3,742,756	65,791,434	
Current Liabilities									
<u>Financial liabilities</u>									
Borrowings				-					
Trade payables	51,766			51,766	51,516	-	-	51,516	
Employee benefit liabilities	1,112,095			1,112,095	1,274,651	-	-	1,274,651	
Other financial liabilities	952,010			952,010	813,364	-	-	813,364	
Other current liabilities	200,833			200,833	288,483	-	-	288,483	
Provisions	3,795,145	(3,795,145)		-	4,926,485	(4,926,485)	-	(0)	
Total Current Liabilities	6,111,849	(3,795,145)	-	2,316,703	7,354,499	(4,926,485)	-	2,428,014	
Total Liabilities	22,577,425	40,034,188	3,730,621	66,342,235	22,630,942	41,845,750	3,742,756	68,219,448	
Total Equity and Liabilities	209,291,394	(7,958,086)	15,260,729	216,594,038	223,713,168	(7,294,071)	15,309,268	231,728,365	

iv) Summary showing changes in statement of profit or loss and other comprehensive income on previous GAAP and in NFRS for FY 2076-77

Particulars	AS per GAAP	Regrouping	Remeasurement	As per NFRS
Revenue from operation	31,109,513			31,109,513
Cost of revenue	(9,247,329)	(10,763,227)	(24,482)	(20,035,039)
Gross profit	21,862,184	(10,763,227)	(24,482)	11,074,474
Finance income	6,931,595		24,482	6,956,077
Other income	2,637,616			2,637,616
Administrative and other operating expenses	(13,632,267)	10,763,227		(2,869,040)
Finance cost	-			-
Profit before tax	17,799,127	-	-	17,799,127
Income tax expense	-			-
Current tax	(3,313,561)			(3,313,561)
Deferred tax credit/(charge)	(1,264,857)			(1,264,857)
Profit from continuing operations	13,220,709	-	-	13,220,709
Net Profit for the year	13,220,709	-	-	13,220,709
OCI net of tax	-		36,404	36,404
Total Comprehensive gain/(loss) for the year, net of tax	13,220,709		36,404	13,257,114



v) Statement of Changes in Cash Flow Statement for FY 2076-77

Particulars	As per previous GAAP	Regrouping	Remeasurement	As per NFRS
Cash flow from operating activities	11,018,146	1,835,693		12,853,840
Cash flow fro financing activities	(7,432,954)	(1,835,693)		(9,268,648)
Cash flow from investing activities				-
Net cash flow for the period	3,585,192	-	-	3,585,192
Opening cash and cash equivalent	11,424,571			11,424,571
Closing cash and cash equivalent	15,009,763			15,009,763

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