

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SJVN ARUN-3 POWER DEVELOPMENT COMPANY PVT LTD****Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of SJVN Arun-3 Power Development Company Pvt Ltd (the Company), which comprise the statement of financial position as at 31 Ashadh 2080 (16 July 2023), and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 Ashadh 2080 (16 July 2023), and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the code of ethics for professional accountants issued by the Institute of Chartered Accountants of Nepal (ICAN) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2063 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's Code of Ethics for professional accountants. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended on 31 Asadh 2080 (16 July 2023). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.



Key audit matters	How our audit addressed the key audit matter
Capital Work in Progress (Refer Note 2.9 "Capital Work in Progress" and Note 5 of the financial statements)	
The company is involved in various capital works like construction of access roads and bridges, installation of new plant and machinery, civil works, electrical works, electro mechanical works, transmission lines etc. These projects/works take a substantial period of time to get ready for intended use and due to their materiality in the context of the balance sheet of the Company, this is considered to key area on the overall audit strategy and allocation of resources in planning and completing our audit.	Our audit procedures included the following: <ul style="list-style-type: none"> ▪ Reviewed the accounting principles for consistency with prior periods and compliance with current best accounting practice. ▪ Performed an understanding and evaluation of the system of internal control over the capital work-in-progress and identification and testing of associated key controls. ▪ Assessed the progress of the project and the intention and ability of the management to carry forward and bring the asset to its state of intended use. ▪ Assessed cut off procedures applied in recognizing CWIP at the end of reporting date. ▪ Selected sample of CWIP as at the reporting date and perform test of details through vouching, cross checking with respective supporting documents and cut off procedures (verify transaction pertaining to addition and transfer during end week of reporting period of CWIP to respective class of PPE/Intangible)

Responsibilities of management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with NFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, the statement of financial position as at 31 Ashadh 2080 (16 July 2023), the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended have been prepared in accordance with the requirements of the Companies Act, 2063 and are in agreement with the books of account of the Company and proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.



To the best of our information and according to explanations given to us and so far appeared from our examination of the books of account of the Company necessary for the purpose of our audit, we have not come across cases where the Board of Directors or any employees of the Company have acted contrary to the provisions of law relating to the accounts or committed any misappropriation or caused loss or damage to the Company relating to the accounts in the Company.


Sanjeev Kumar Mishra
Partner



PKF T R Upadhyaya & Co.
Chartered Accountants

Place: Kathmandu
Date: 26 December 2023

UDIN: 231226CA001608HzAu

SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Financial Position
As at Ashad 31, 2080 (July 16, 2023)

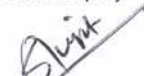
<u>Particulars</u>	<u>Notes</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
ASSETS			
Non-current assets:			
Property, plant and equipment	3	4,907,055,596	2,867,779,808
Right of use Assets	4	161,313,148	71,351,077
Capital Work-in-progress	5	63,295,239,949	41,866,286,096
Intangible asset	6	2,897	191,963
Financial assets			
Advance and deposits	7	1,463,715	1,038,605
Other non current assets	8	469,735,037	1,201,328,902
Total non-current assets		68,834,810,342	46,007,976,451
Current assets:			
Financial assets			
Advance and deposits	7	20,497,283	98,391,879
Cash and cash equivalents	9	41,221,083	277,358,188
Bank balance other than cash and cash equivalents	10	461,313,091	442,164,249
Current Tax Assets	17	10,511,617	
Other current assets	8	2,469,527,460	2,494,691,463
Total current assets		3,003,070,534	3,312,605,779
Total Assets		71,837,880,876	49,320,582,230
EQUITY AND LIABILITIES			
Equity:			
Equity share capital	11	33,686,560,000	33,686,560,000
Retained earnings		648,317,817	584,263,727
Total equity		34,334,877,817	34,270,823,727
Liabilities:			
Non-current liabilities			
Financial liabilities			
Advance and other payables	12	2,565,476,329	1,619,817,381
Borrowings	13	27,506,473,245	8,085,023,280
Lease Liability	14	159,927,001	75,429,887
Total non-current liabilities		30,231,876,575	9,780,270,548
Current liabilities			
Provisions			
Provisions	15	15,608,264	14,138,348
Financial liabilities			
Advance and other payables	12	425,481,177	831,041,377
Borrowings	13	400,000,000	400,000,000
Lease Liability	14	16,722,107	2,104,711
Other current liabilities	16	6,413,314,936	4,021,903,386
Current Tax Liability (Net)	17	-	300,133
Total current liabilities		7,271,126,484	5,269,487,955
Total Liabilities		37,503,003,059	15,049,758,503
Total Equity and Liabilities		71,837,880,876	49,320,582,230

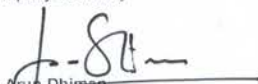
Significant Accounting Policies

1-2

The accompanying notes are an integral part of these financial statements

For and on behalf of the Company


 Sujit Jha
 Company Secretary


 Anup Dhiman
 Chief Executive Officer


 Nabin Kumar Jha
 Chief Financial Officer


 Nand Lal Sharma
 Chairman

As per our attached report of even date


 Sanjeev Kumar Mishra
 Partner
 PKF TR Upadhyaya & Co
 Chartered Accountants

Place: Kathmandu / Skimla
 Date: 26.12.2023



SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Profit or Loss and Other Comprehensive Income
For the year ended Ashad 31, 2080 (July 16, 2023)

<u>Particulars</u>	<u>Notes</u>	Year ended Ashad 31, 2080 (July 16, 2023) (NRS)	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)
Income			
Revenue		-	-
Other income	18	169,580,076	282,815,472
Total Income		169,580,076	282,815,472
Expenses			
Employee benefit expenses	19	8,092,312	5,672,356
Other expenses	20	76,082,311	26,512,507
Total expenses		84,174,623	32,184,863
Operating profit/(loss) before tax		85,405,453	250,630,609
Income tax		21,351,363	62,657,652
Net profit/(loss) after tax		64,054,090	187,972,957
Other comprehensive income			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
Defined benefit plan actuarial gain/(losses)		-	-
Total other comprehensive income		-	-
Total Comprehensive Income		64,054,090	187,972,957

Significant Accounting Policies

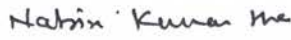
1-2

The accompanying notes are an integral part of these financial statements

For and on behalf of the Company

As per our attached report of even date


Sujit Jha
 Company Secretary


Nabin Kumar Jha
 Chief Financial Officer


Sanjeev Kumar Mishra
 Partner

PKF TR Upadhyaya & Co
 Chartered Accountants


Arun Dhiman
 Chief Executive Officer


Nand Lal Sharma
 Chairman



Place: Kathmandu / *Shimla*
 Date: 26/12/2023

SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Cash Flows
For the year ended Ashad 31, 2080 (July 16, 2023)

Particulars	Year ended Ashad 31, 2080 (July 16, 2023) (NRS)	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)
A. Cash flows from operating activities		
Profit/(Loss) for the year from continuing operations	64,054,090	187,972,957
Adjustment for operating assets and liabilities:		
(Increase)/decrease in Advance to Contractors	(1,254,841,525)	937,255,134
Net cash used by operating activities-(A)	(1,190,787,435)	1,125,228,091
B. Net cash used by investing activities		
Purchase of property, plant and equipment (including IA)	(2,124,492,345)	(943,160,434)
Increase in Project WIP (net of depreciation)	(19,807,240,231)	(16,483,892,566)
(Increase)/decrease in Financial Assets	156,996,777	(52,797,285)
(Increase)/decrease in Other Assets	1,589,573,730	(1,558,596,443)
Increase/(decrease) in Provisions	1,469,916	2,533,598
Increase/(decrease) in Financial Liabilities	491,916,167	1,097,969,728
Increase/(decrease) in Other Liabilities	2,391,111,417	(817,533,318)
Net cash used by investing activities-(B)	(17,300,664,569)	18,755,476,720
C. Cash flows from financing activities		
Proceeds from the issue of equity share capital	-	9,251,787,800
Interest and Finance Charges	(1,478,972,979)	(119,977,797)
Borrowings	19,753,436,720	8,991,000,000
Net cash generated by investing activities-(C)	18,274,463,741	18,122,810,003
Net increase in cash and cash equivalents-(A+B+C)	(216,988,263)	492,561,374
Cash and cash equivalents at the beginning of the year	719,522,437	226,961,063
Cash and cash equivalents at the end of the year	502,534,174	719,522,437
Reconciliation of Cash and Cash Equivalents: (Note No.9 & 10)		
Bank Balance	41,221,083	277,358,188
Restricted Balances (FD pledged as margin against LC/BG and balances kept on lien)	461,313,091	442,164,249
	502,534,174	719,522,437

Significant Accounting Policies

1-2

The accompanying notes are an integral part of these financial statements

For and on behalf of the Company

As per our attached report of even date


Sujit Jha
Company Secretary


Nabin Kumar Jha
Chief Financial Officer


Sanjeev Kumar Mishra
Partner
PKF TR Upadhyaya & Co
Chartered Accountants


Arun Dhiman
Chief Executive Officer


Nand Lal Sharma
Chairman





Place: Kathmandu, Chimla
Date: 26/12/2023

SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Changes in Equity
For the year ended Ashad 31, 2080 (July 16, 2023)


<u>Particulars</u>	<u>Issued Capital (NRS)</u>	<u>Retained Earnings (NRS)</u>	<u>Total (NRS)</u>
FY 2078-79			
Balance as at July 16, 2021 (corresponding to Shrawan 1, 2078)	24,434,772,200	396,290,770	24,831,062,970
Total Comprehensive Income attributable to owners			
Profit/(Loss) for the year	-	187,972,957	187,972,957
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	187,972,957	187,972,957
Transaction with owners recorded directly in equity			
Issue of ordinary share	9,251,787,800	-	9,251,787,800
Total contributions by owners	9,251,787,800	-	9,251,787,800
Balance as at July 16, 2022 (corresponding to Ashad 32, 2079)	<u>33,686,560,000</u>	<u>584,263,727</u>	<u>34,270,823,727</u>
FY 2079-80			
Balance as at July 17, 2022 (corresponding to Shrawan 1, 2079)	33,686,560,000	584,263,727	34,270,823,727
Total Comprehensive Income attributable to owners			
Profit/(Loss) for the year	-	64,054,090	64,054,090
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	64,054,090	64,054,090
Transaction with owners recorded directly in equity			
Issue of ordinary share	-	-	-
Total contributions by owners	-	-	-
Balance as at July 16, 2023 (corresponding to Ashad 31, 2080)	<u>33,686,560,000</u>	<u>648,317,817</u>	<u>34,334,877,817</u>

For and on behalf of the Company


 Sujit Jha
 Company Secretary


 Arun Dhiman
 Chief Executive Officer

Place: Kathmandu / Shimla
 Date: 26/12/2023


 Nabin Kumar Jha
 Chief Financial Officer


 Nand Lal Sharma
 Chairman

As per our attached report of even date


 Sanjeev Kumar Mishra
 Partner
 PKF TR Upadhy & Co
 Chartered Accountants



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2080 (July 16, 2023)

1. General Information

SJVN ARUN-3 Power Development Company Pvt. Ltd. ("SAPDC" or "Company") was incorporated as private limited company under the Company Act 2063 on 25th April 2013 which is duly floated by single shareholder company SJVN Limited (a joint venture of Government of India and Government of Himachal Pradesh) with an aim to plan, promote, organize and execute Arun-3 Hydroelectric Project on BOOT basis, to be operated by SJVN for 25 years after construction and thereafter transfer back to Government of Nepal. The registered address and the address of project office of the Company is Arun Sadan, SAPDC Complex, Ward No 9, Tumlingtar, Khandbari, Sankhusabha, Nepal.

The Company is developing the Arun-3 Hydroelectric Project with capacity of 900 MW ("the Project") identified in Arun Khola by utilizing the water of Arun River located in Num, Diding, Pathivara and Yaphu Village Development Committee (VDC) of Sankhuwasabha district to generate, transmit and sell electricity. The project is a run-of the river scheme with 4 hours peaking and will generate 3924 MU of energy.

The Project was techno-economically appraised by CEA, Gol on 09th June 2014. On 25th November 2014, the Company entered into Project Development Agreement (PDA) with GoN represented by the Investment Board of the Government of Nepal with defined terms and condition to execute the project activities for the development of 900 MW ARUN-3 Hydro Power Project. As per PDA, it is scheduled to be completed in 5 years reckoned from financial closure. Financial Closure of Arun-3 was achieved on Feb 06, 2020.

Government of India has accorded investment approval for generation component of the project at an estimated cost of INR 5723.72 Crores at May 2015 price level. Investment Board of Nepal (IBN) vide its letter no.640/074-075(640/2017-18) dated May 04, 2018, has issued the Generation Licence to SAPDC. Further, Department of Electricity Development (GoN) vide its letter no. 075/76-1066 dated February 12th 2019 has issued the 400 Kv transmission license to SAPDC.

The Company has entered into lease agreement with Government of Nepal, Ministry of Forest and Soil Conservation, Department of Forest, Department of National Parks and Wildlife Conservation on 23rd August 2017. The Company has complied with certain requirements of the PDA and believes that it will comply with the remaining requirements as well to finalize the Power Purchase Agreement (PPA) and achieve other milestones within the stipulated time frame. As per PDA, GoN granted to the Company the right to generate, sell and supply electrical energy and make capacity available from the Power Station.

The Company has issued Letter of award for all major works details as under: -

Civil Package-1 i.e., Dam area civil works plus 3.1 km HRT was awarded to M/s Jaiprakash Associates Limited on 22nd September, 2017. Work is under progress at various fronts. River diverted through Diversion tunnel in Jan-21. HRT heading excavation under this package is completed while benching and Lining in HRT is under process and DAM Concreting has been started.

Civil Package - 2 i.e., Power House civil works plus 8.6 km HRT was awarded on 19th March, 2018 to M/s Patel Engineering Limited and contract agreement signed on 29.03.2018. Excavation work is nearly completion except benching of HRT and construction Work at all fronts is under progress.

Hydro Mechanical Package-3 was awarded on 11th April, 2018 to M/s OM metals Infra projects Limited. Contractor has supplied component of the requirement of project and few other are in the process of manufacturing at their workshop which will be further transported to Site for erection.

Construction power: The work for 46.5 km long construction power line from Tirtire sub-station to project site has been completed and project electricity requirement is met through this TL.

Power Evacuation System: Power Evacuation system consists of 253 km long 400 kV DC transmission line from Diding (project area) in Nepal through Dhalkebar (Nepal Border) to Sitamarhi, India. Out of this, Nepal portion of 217 km from Arun-3 powerhouse (Diding) to Bathnaha (Nepal Border) is being constructed by SAPDC along with 400Kv GIS Substation at Dalkebar.

Government of India accorded investment approval amounting to INR 1236.13 Crores at Price level of June 2017 for the Nepal portion of transmission line to be constructed by SAPDC on 28th February, 2019.



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

For diversion of forest land, case for all 6 districts is under process of forest approval. Approval from Government of Nepal in respect of Revised Initial Environment Examination (RIEE) is accorded on 15 February 2023. Resettlement Action Plan of all districts has been submitted to Investment Board of Nepal and same is under approval. Land verification completed in all districts. Land acquisition is under progress.

The Company has also entered an agreement with M/s PowerGrid Corporation of India Limited for Project Management Consultancy in respect of its 400KV Transmission line. The work for supply and erection of Towers (TW-1 and TW-2) and Sub-station have been awarded to M/s KEC International Limited, India and M/s GE T & D respectively. The Conductor supply package for TW-1 has been awarded to M/s Apar Industries Limited. Bidding for supply of Conductor for TW-2 is under process.

The total cost of Project, is INR 5723.72 Crore for generation part & the cost of transmission line is INR 1236.13 Cr. Hence the total cost of project is INR 6959.85 Cr. The project is to be financed at a Debt Equity Ratio of 70:30. SAPDC has arranged a debt of INR 6333.48 Cr. (including stand by line of credit amounting of INR 1420.86 Cr.) from Nepalese and Indian Lenders led by State Bank of India. Financial Closure of the project has been achieved on 06th February, 2020 and drawl of instalments of term loan has been started in financial year 2078-79 after infusion of 100% upfront equity of NPR 3368.66 Cr. The outstanding balance of term Loan as on 16.07.2023 is NPR 2783.85 Cr

Significant Accounting Policies

2.1 Statement of Compliance

The financial statements have been prepared on a going concern basis in accordance with the Nepal Financial Reporting Standards (NFRS) prepared by the Accounting Standards Board, Nepal (ASB) and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except financial instruments and net defined benefit asset/liability in the accounting policies below. The term NFRS, which includes all the standards, and the related interpretations is consistently used.

This section describes the critical accounting judgement that the Company has identified as having potentially material impact on the financial statements and sets out the significant accounting policies that relate to the financial statements as a whole. Accounting policies along with explanatory notes, wherever such explanation is required, is described in specific relevant sections. The Company's accounting policies require the management to exercise judgement in making accounting estimates.

2.3 Accounting Pronouncements

The Company for its preparation of financial statement has adopted accounting policies to comply with the pronouncements made by The Institute of Chartered Accountants of Nepal (ICAN) effective as on 13 September 2013.

2.4 Critical Accounting Estimates

In the application of the Company's accounting policies, which are described in relevant section below, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

2.5 Presentation

The financial statements are prepared and presented in Nepalese Rupees (NPR), which is the Company's functional and reporting currency. All the financial information has been presented in the Nepalese Rupees and all amounts has been rounded off to the nearest Nepalese Rupees and has been rounded off to nearest rupee, except otherwise indicated.

The figures for previous years are rearranged and reclassified wherever necessary for the purpose of facilitating comparison. Appropriate disclosures are made wherever necessary.

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. The Company classifies an asset as current when it is:

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

All other assets are classified as non-current.

The Company classifies a liability as current when it is:

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

All other liabilities are non-current. The operating cycle has been defined as twelve-month period.

The statement of cash flows has been prepared using indirect method. Cash flows from operating activities includes, in addition to the adjustments from profit for non-cash and non-operating activities, movements in working capital, interest and taxes.

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately, unless they are immaterial.

2.6 Financial periods

The Company prepares financial statements in accordance with the Nepalese financial year using Nepalese calendar. The corresponding dates for Gregorian calendar are as follows:

Particulars	Nepalese Calendar Date/Period	Gregorian Calendar Date/Period
SFP* Date	31 Ashad 2080	16 July 2023
Current Reporting Period	1 Shrawan 2079 - 31 Ashad 2080	16 July 2022 - 16 July 2023
Comparative SFP* Date	32 Ashad 2079	16 July 2022
Comparative reporting period	1 Shrawan 2078 - 32 Ashad 2079	16 July 2021 - 16 July 2022

* Statement of Financial Position



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

2.7 Property, plant and equipment (PPE)

Property, plant and equipment (PPE) are tangible items that are held for use in the production or supply of electricity and ancillary to it, or for administrative purpose; and are expected to be used for more than one period. PPE are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of PPE is recognized as an asset when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. An item of PPE that qualifies for recognition as an asset is measured at its cost. Subsequent expenditure is capitalized only if when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their estimated residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values 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.

As item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use or disposal of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation

Freehold land is not depreciated. Depreciation is provided on all other items of PPE so as to write off their carrying value over the expected useful economic lives.

Depreciation is charged on following items of PPE on straight line method based on the estimated useful life of such PPE:

Class of PPE	Estimated Useful Life (In Years)	Depreciation Rate	Estimated Residual value	
Buildings	30	3.34%	10% of cost except mobile phones and computers whose estimated residual value are nil.	
Plant and Machinery	18	5.28%		
Furniture, fixtures and equipment	Depreciated over 5 to 15 years	6.33%-20%		
Electrical works				
Electrical equipment				
Office equipment				
Data processing equipment	2 years in case of mobile phone	50%		
	3 years in case of Computer & Hardware etc.	33.33%		
Intangible Assets (Software)	3	33.33%		Estimated residual value are nil.

Depreciation is provided on prorata basis from the month in which the assets become available for use. Depreciation on assets declared unserviceable/obsolete is provided till the end of the month in which such declaration is made. Assets costing NPR 8,000 or less are depreciated fully in the year of acquisition. Upon review of useful life, the depreciation is adjusted prospectively, wherever required.

Depreciation on additions to /deductions from Property, Plant & Equipment during the year is charged on pro-rata basis from / up to the month on which the asset is available for use / disposed.

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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

2.8 Lease

The Company has adopted NFRS 16-Leases effective 01 Shrawan, 2078, using the modified retrospective method. The Company has applied the standard to its leases with the cumulative impact recognised on the date of initial application (01 Shrawan, 2078).

Lease is a contract that conveys the right to control the use of identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether: (i) the contract involves use of an identified assets, (ii) the customer has substantially all the economic benefits from the use of the asset through the period of the lease and (iii) the customer has the right to direct the use of the asset.

i) As a lessee

At the date of commencement of lease, the company recognizes a right-of-use asset (ROU) and a corresponding lease liability for all lease arrangements in which it is a lessee, except for lease with a term of twelve months or less (i.e. short term leases) and leases for which the underlying asset is of low value. For these short-term and leases for which underlying asset is of low value, the company recognizes the lease payments on the straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liability includes these options when it is reasonably certain that they will be exercised.

The right-to-use assets are initially recognized at cost, which comprises the amount of initial measurement of the lease liability adjusted for any lease payments made at or before the inception date of lease along with the initial direct costs, restoration obligations and lease incentives received.

Subsequently, the right-to-use assets is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease liability. The Company applies Ind AS 36 to determine whether a ROU asset is impaired and accounts for any identified impairment loss as described in accounting policy 2.10 on "Impairment of non-financial assets".

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The interest cost on lease liability is expensed in the Statement of Profit and Loss, unless eligible for capitalization as per accounting policy 2.22 on "Borrowing Cost".

Lease liability and ROU assets have been separately presented in the financial statements and lease payments have been classified as financing cash flows.

ii) As a Lessor

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

For operating leases, rental income is recognised on a straight line basis over the term of the relevant lease.

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SJVN ARUN-3 Power Development Company Pvt. Ltd.
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2.9 Capital Work in Progress

Capital Work in Progress (CWIP) are assets which are not ready for their intended use and are carried at cost; comprising direct cost, related incidental expenses and attributable interest.

Expenditure incurred on assets under construction (a project) is carried at cost under CWIP. Such cost comprises of purchase price of asset including other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner.

CWIP includes construction of access road, bridge, staff quarters for project staff, consideration paid to Government of Nepal for takeover of project and expenses directly attributable to the development of the project.

Cost directly attributable to CWIP include costs of employee benefits, depreciation on PPE, consultancy charges relating to project, rental expenses and other cost if attributable to construction and development of project. Based on judgement and evaluation, management has considered all expenses incurred during the period as directly attributable cost incurred for development of the project and capitalized under CWIP except the followings which has been charged to statement of profit or loss.

- A. 100% remuneration to Company Secretary and 10% remuneration in case of CEO and CFO
- B. Audit fee and Audit expenses.
- C. Donation, advisory fee and loss due to fire related to project.

Expenditure against deposit works is accounted for on the basis of statement of account received from the concerned agency and acceptance of the same by the company. However, provision is made whenever considered necessary.

2.10 Impairment of non-financial assets

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 group of cash generating units for which a reasonable and consistent allocation basis can be identified.

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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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 the statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. Reversal of an impairment loss is recognised immediately in the statement of profit or loss.

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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

2.11 Financial Instrument

A. Financial Assets

Definition

Financial assets refer to assets that arise from contractual agreements on future cash flows or from owning equity instruments of another entity. It includes loans and advances, accounts receivable, and marketable securities (bonds, notes, shares).

According to the NFRS, a financial asset can be:

- Equity instruments of another entity,
- Contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity,
- A contract that will or may be settled in the entity's own equity instruments and is either a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or a derivative that will or may be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Initial Recognition and Measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through income statement, transaction costs that are attributable to the acquisition of the financial asset. Financial assets are classified, at initial recognition, as financial assets measured at fair value or as financial assets measured at amortized cost using effective interest method.

The Company currently holds only financial assets subsequently measured at amortized cost mainly comprises of advances and deposit.

Advances and deposits

Advances are initially measured at their carrying value which is approximate to their fair value and subsequently measured at amortized cost. These advances are both interest and non-interest bearing and are expected to be settled in the normal course of operations (refer note 7).

B. Financial Liabilities

Definition

A Contractual Obligation:

- a) to deliver cash or another financial asset to another entity; or
- b) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or

A contract that will or may be settled in the entity's own equity instruments and is:

- a) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or
- b) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include: instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments; puttable instruments classified as equity or certain liabilities arising on liquidation classified by NAS 32 as equity instruments.

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SJVN ARUN-3 Power Development Company Pvt. Ltd.
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Initial Recognition and Measurement

All financial liabilities are initially recognized at fair value plus or minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Financial liability of the Company comprises of advances from related parties, Security/retention money payable, consultancy fee payable, audit fee payable and salary and other payables.

Advance and other payables

Advance and other payables are recognized at carrying amount which are approximate to their fair value.

C. Subsequent measurement of financial asset and liabilities

Currently, financial asset and financial liabilities consist of only loans and receivables, cash and cash equivalents and other payables which are subsequently measured at amortized cost using effective interest method, less any impairment.

D. Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount of the financial instrument

E. Impairment of financial assets

Financial assets, being loans and receivables, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

F. De-recognition of financial assets and financial liabilities

The Company de-recognises a financial asset only when the contractual right to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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 asset and an associated liability for amounts it may have to pay.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with bank, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value. Further, margin money kept as Fixed deposit for opening of LC/Bank Guarantee has been considered as restricted balance.

2.13 Share capital and Retained Earnings

The Company's equity shares are classified as equity instruments. Share capital represents the nominal value (NPR 100) of ordinary and retained earnings includes all current and prior period profit/(loss).

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2.14 Provisions

A provision is recognized in the statement of financial position, when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation and the obligation can be measured reliably. Provision includes provision for wage revision and ex-gratia / bonus.

2.15 Employee Benefits

Employee benefits consist of short-term benefits, post-retirement benefits and terminal benefits such as salaries and allowances, provident fund, pension, gratuity, post-retirement medical facilities, leave benefits and other terminal benefits.

All cost relating to employee benefits are considered as directly attributable cost of the project and capitalized under CWIP except 100% remuneration of Company Secretary and 10% remuneration in case of CEO and CFO (refer note 2.9).

a. Short-term employee benefits:

Short-term employee benefits include benefits which are provided on periodic basis during year for the service rendered by employees such as salaries and allowances. A liability is recognized for the amount expected to be paid if the Company has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b. Post-retirement benefits:

Defined Contribution Plan

- i) A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into separate trust and will have an obligation for contributions into separate trust and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the periods during which services are rendered by employees.
- ii) The Company also contributes to National Pension Scheme for providing pension benefit to its employees. Its obligation is to contribute the extent of amount not exceeding 30% basic pay and dearness allowance less employer contributions towards provident fund, gratuity, post-retirement medical facility. The liability for the same is recognized on accrual basis. M/s SBI private limited has been appointed as Pension fund manager.

Defined Benefit Plan

- i) A defined benefit plan is a post-employment plan other than a defined contribution plan.
- ii) The Company pays fixed contribution to provident fund at predetermined rates to a separate trust, which invests the fund in permitted securities. The obligations of the Company are limited to such fixed contribution and to ensure a minimum rate of return to the members as specified by Government of India.
- iii) The gratuity scheme is funded by the company and is managed by a separate trust. Company's liability is determined by the qualified actuary using the projected unit credit method at the year ending 31 March and any shortfall in the fund size maintained by the trust is additionally provided for by the company.
- iv) The company has a retired employee health scheme under which retired employees, spouse and eligible parents of retired employees are provided medical facilities in the company hospitals/empanelled hospitals. They can also avail treatment as out-patient subject to a ceiling fixed by the Company.
- v) The Company also has other benefit plans i.e., leave encashment, allowance on retirement/ death and moments on superannuation.

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- vi) The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The liability is ascertained at the year-ending 31 March by the qualified actuary using the projected unit credit method.

c. Terminal Benefits

Expense incurred on terminal benefits in the form of ex-gratia payments and notice pay on voluntary retirement schemes, if any, are charged to the profit or loss in the year of incurrence of such expense.

The above employee benefits (post-retirement benefits and terminal benefits) are applicable to employees deputed in the Company on secondment basis from holding company.

The employee benefits in respect of employee recruited by SAPDC are provided as per terms of employment and applicable laws.

2.16 Taxation

Income Tax expenses represent the sum of the current tax and deferred tax.

a. Current Tax

Current tax, which comprises expected tax payable, is based on taxable profit or loss for the year based on Nepalese tax laws and including adjustment to the tax payable or receivable in respect of previous years, if any. The Company's liability for tax is computed on the basis of rates as prescribed by Income Tax Act and Finance Act issued thereto from time to time.

Current tax assets and liabilities are offset if certain criteria are met.

Tax Holiday

Under Section 11 (3 gha) (ka) of the Income Tax Act, 2002 (as amended by the Finance Act 2021), 100% of the income from the hydropower project for the first 15 years from the date of commercial operation is exempted and additionally 50% tax rebate will be provided on income for subsequent 6 years if financial closure has been achieved before Chaitra end, 2082. The temporary differences that reverse during a tax holiday period are not recognized.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred Tax Liabilities (DTL) are generally recognized for all taxable temporary differences. Deferred Tax Assets (DTA) are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of DTA 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.

DTL and DTA are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of DTL and DTA reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

DTA and DTL are offset if certain criteria are met.

Deferred tax asset on taxable loss is not recognized as it is highly unlikely that Company will be able to utilize the carried forward losses as they can only be carried forward for 12 years and will therefore

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expire before it is liable to pay income taxes, given the income tax holiday period of 15 years from the commercial operations date on 100% and thereafter on 50% of the income for further 6 years.

2.17 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a noncash nature and any deferrals of accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the company are segregated. The cash flow statement is separately attached with the financial statements of the Company.

Cash and cash equivalents comprise of short-term deposit with bank for the cash flow statement purpose (refer note 9).

2.18 Capital Management

The Company manages its capital to ensure that Company will be able to continue as going concern while maximizing the return to stakeholders. The capital structure of the Company consists of its equity (comprising issued capital and accumulated losses). The Company is not subject to any externally imposed capital requirements.

The Company's Management reviews its capital structure on a regular basis. As part of this review, Management considers the cost of capital and the risk associated with capital. In case of Hydro Projects, 30:70 is considered as appropriate capital mix of Equity and Debts.

As the commercial operations are yet to start, the Company is earning interest income only from the advances given to contractors as per contract conditions and earning of bank interest on surplus equity funds/FD (equity) pledged as margin.

2.19 Financial risk management objectives

The Company's operations expose it to various risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit and liquidity risk.

Risk Management Frameworks

The management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management framework is intended to ensure that risks are managed with due diligence and care.

The Company's risk management policies are established to identify and analyse the risks it faces, 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 its activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a. Market risk

Since the company has started drawing Loan from the Banks therefore the Company currently is exposed primarily to the financial risks of changes in interest rates.

b. Foreign currency risk management

The Company's functional currency is NPR. The Company has certain transaction denominated in foreign currencies. As of the reporting date, Management has analysed the impact of the exposure to foreign currency balances and the impact is NIL.



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c. Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the Company. At the reporting date, the Company is not exposed to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the management of the Company who have established an appropriate liquidity risk management framework for the management of the Company's short term, medium term and long term funding and liquidity management requirements.

2.20 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured and when recognition criteria related to sale i.e. when the significant risks and rewards of ownership of the goods have transferred to the buyer, with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue is measured at fair value of consideration received or receivable.

Revenue from the sale of energy shall be recognized in the statement of profit or loss on accrual basis in accordance with the provisions of the power purchase agreement after commercial operation which is yet to be started.

2.21 Expenses

Expenses incurred which are not directly attributable to the development of the Project are recognized in Statement of Profit or loss on accrual basis. Such expenses include audit and advisory fee and 100% remuneration of Company Secretary and 10% remuneration in case of CEO and CFO.

2.22 Borrowing Cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes interest expense on lease liabilities recognized in accordance with NRFS 16- 'Leases' and exchange differences to the extent regarded as an adjustment to the borrowing costs. Borrowing costs directly attributable to the acquisition, construction/ erection or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended uses are complete. All other borrowing costs are expensed in the period in which they occur. Income earned on temporary investment made out of the borrowings pending utilization for expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalization.



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Note 3: Property, plant and equipments
(see Accounting Policy in Note No. 2.7)

Particulars	Land (NRS)	Buildings (NRS)	Roads and Bridges (NRS)	Plant and Machinery (NRS)	Furniture Fixtures and Equipments (NRS)	Electrical Works (NRS)	Electrical Equipments (NRS)	Office Equipments (NRS)	Data Processing Equipments (NRS)	Capital Assets Not Owned by Company (NRS)	Total (NRS)
Cost											
Balance as at Shrawan 1, 2078 (July 16, 2021)	1,430,192,652	425,672,871	55,102,085	11,567,214	73,514,879	19,011,521	16,505,956	9,841,659	10,658,265	16,883,550	2,068,950,652
Addition during the year	444,262,169	303,459,675	177,900,449	3,555,800	5,317,521	-	5,745,320	1,194,000	1,725,500	-	943,160,434
Adjustment/(Transfer) during the year	-	-	-	-	-	-	-	-	-	-	-
Balance as at Shrawan 1, 2079 (July 17, 2022)	1,874,454,821	729,132,546	233,002,534	15,123,014	78,832,400	19,011,521	22,251,276	11,035,659	12,383,765	16,883,550	3,012,111,086
Addition during the year	30,495,862	205,478,957	1,815,580,808	4,109,509	24,637,429	1,726,640	9,184,684	178,971	4,444,101	-	2,095,836,961
Adjustment/(Transfer) during the year	-	-	-	-	(426,746)	-	(568,799)	(12,253)	(1,622,780)	-	(2,630,578)
Balance as at Ashad 31, 2080 (July 16, 2023)	1,904,950,683	934,611,503	2,048,583,342	19,232,523	103,043,083	20,738,161	30,867,161	11,202,377	15,205,086	16,883,550	5,105,317,469
Accumulated Depreciation											
Balance as at Shrawan 1, 2078 (July 16, 2021)	-	30,115,745	5,521,214	626,467	15,351,832	3,120,136	3,913,244	2,456,364	8,546,166	16,883,550	86,534,718
Depreciation for the year	-	26,173,676	22,072,460	734,480	4,351,982	1,003,808	1,206,999	685,027	1,568,128	-	57,796,560
Depreciation on adjustment/(transfer) during the year	-	-	-	-	-	-	-	-	-	-	-
Balance as at Shrawan 1, 2079 (July 17, 2022)	-	56,289,421	27,593,674	1,360,947	19,703,814	4,123,944	5,120,243	3,141,391	10,114,294	16,883,550	144,331,278
Depreciation for the year	-	29,396,452	12,835,651	834,892	6,352,595	1,026,600	2,574,040	675,412	2,197,789	-	55,893,431
Depreciation on adjustment/(transfer) during the year	-	-	-	-	(372,424)	-	(16,547)	(11,087)	(1,562,778)	-	(1,962,836)
Balance as at Ashad 31, 2080 (July 16, 2023)	-	85,685,873	40,429,325	2,195,839	25,683,985	5,150,544	7,677,736	3,805,716	10,749,305	16,883,550	198,261,873
Net Carrying Value											
Balance as at Ashad 31, 2078 (July 15, 2021)	1,430,192,652	395,557,126	49,580,871	10,940,747	58,163,047	15,891,385	12,592,712	7,385,295	2,112,099	-	1,982,415,934
Balance as at Ashad 31, 2079 (July 16, 2022)	1,874,454,821	672,843,125	205,408,860	13,762,067	59,128,586	14,887,577	17,131,033	7,894,268	2,269,471	-	2,867,779,808
Balance as at Ashad 31, 2080 (July 16, 2023)	1,904,950,683	848,925,630	2,008,154,017	17,036,684	77,359,098	15,587,617	23,189,425	7,396,661	4,455,781	-	4,907,055,596

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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

Note 4: Right to Use Assets

(see Accounting Policy in Note No.2.8)

<u>Particulars</u>	<u>Leased Assets (NRS)</u>	<u>Total (NRS)</u>
<u>Cost</u>		
Balance as at Shrawan 1, 2079 (July 17, 2022)	74,806,557	74,806,557
Addition during the year	98,912,701	98,912,701
Transfer/Adjustment during the year	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	173,719,258	173,719,258
<u>Accumulated Depreciation</u>		
Balance as at Shrawan 1, 2079 (July 17, 2022)	3,455,480	3,455,480
Depreciation for the year	8,950,630	8,950,630
Depreciation on transfer/adjustment during the year	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	12,406,110	12,406,110
<u>Net Carrying Value</u>		
Balance as at Ashad 32, 2079 (July 16, 2022)	71,351,077	71,351,077
Balance as at Ashad 31, 2080 (July 16, 2023)	161,313,148	161,313,148



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

Note 5: Capital Work-in-Progress
(see Accounting Policy in Note No.2.9)

<u>Particulars</u>	As on Ashad 31, 2078 July 15, 2021 (NRS)	Addition during FY 2078/79 (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)	Addition during FY 2079/80 (NRS)	As on Ashad 31, 2080 (July 16, 2023) (NRS)
Access Road & Bridges *	3,666,270,266	(179,496,217)	3,486,774,049	(1,815,580,808)	1,671,193,241
Building under construction *	249,312,948	(115,081,099)	134,231,849	(118,435,829)	15,796,020
Major Civil works	11,465,827,403	10,219,604,056	21,685,431,459	12,885,188,373	34,570,619,832
Electrical works	260,803,874	22,744,445	283,548,319	83,362,912	366,911,231
Electro Mechanical Works	640,011,877	97,930,764	737,942,641	2,015,320,076	2,753,262,717
Expenditure incurred during construction (see Note 5.1)	5,023,775,324	1,456,730,409	6,480,505,732	1,957,526,539	8,438,032,271
Interest and finance charges during Construction (see Note 5.2)	134,927,770	171,780,919	306,708,689	1,626,270,070	1,932,978,759
Transmission Line	2,927,991,083	3,542,591,175	6,470,582,258	4,216,686,787	10,687,269,045
Sub-Station	-	-	1,452,423,967	578,615,733	2,031,039,700
Others**	777,572,517	50,564,616	828,137,133	-	828,137,133
Total	25,146,493,062	15,267,369,068	41,866,286,096	21,428,953,853	63,295,239,949

* During the year, transfer on account of capitalization to Building amounting NPR 202,873,743/- (PY NPR 303,459,675/-) and furniture, fixtures & Equipment amounting NPR 18,315,874 (PY -Nil) is made from total of the Building under construction amounting to NPR 221,189,617/- (inclusive of the PY balance of NPR 134,231,849/- and current year addition of NPR 102,753,788/-) and road amounting NPR 1,815,580,808/- (PY 177,900,449/-) has been capitalised and shown as addition during the year in Note 3. Total additio. The Figure appearing above as addition during FY 2078-79 & FY 2079-80 is net of additions and transfer on account of capitalization to PPE during the year 2078/79 and 2079/80.

** Others includes preliminary cost of NPR 451.4 million paid to Government of Nepal (GON) as consideration for takeover of the project as per MOU between Government of Nepal and SJVN Limited on 2 March 2008 and preliminary cost of NPR 363.16 million relating to project management consultancy services for execution of components of Transmission system.

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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

Note 5.1: Detail breakdown of expenditure incurred during construction

These expenditure includes cost directly attributable to CWIP such as costs of employee benefits, depreciation on PPE, consultancy charges relating to project, rental expenses and other cost attributable to construction and development of project.

<u>Particulars</u>	<u>Year ending Ashad 31, 2080 (July 16, 2023) (NRS)</u>	<u>Year ending Ashad 32, 2079 (July 16, 2022) (NRS)</u>
Employee Benefit Expenses:		
Salaries, Wages, Allowances and Benefits	689,108,115	461,232,905
Contribution to Provident and Other Funds	37,978,097	31,636,286
Other Retirement Benefits-Actuarial	56,687,403	36,256,229
Welfare Expenses	403,541,306	283,849,376
	1,187,314,921	812,974,797
Repair and Maintenance:		
Buildings	4,050,498	12,110,451
Electrical Installations	3,755,357	4,300,625
Roads	19,432,466	82,163,540
Others	164,976	1,012,716
	27,403,297	99,587,332
Project Office Expenses		
Running & maintenance of Office	28,690,803	20,885,921
Rent	10,585,665	10,088,173
Rates & Taxes	65,553	250,000
Insurance	2,458,506	874,284
Security Expense	42,028,687	42,916,696
Electricity Charges	13,060,440	7,374,129
Travelling and Conveyance	20,403,029	11,200,152
Training and Recruitment Expense	4,512,364	3,145,380
Legal Expense	1,414,745	828,570
Professional and Consultancy Charges	192,381,637	172,012,077
Communication Expense	8,241,687	6,998,846
Printing and Stationery	2,105,148	3,879,785
	325,948,264	280,454,013
Other expenses:		
Advertisement & Publicity	1,646,424	400,989
EDP Expense	23,469,609	6,816,272
Hiring of Vehicles	132,276,265	106,316,026
Entertainment Expense	135,455	227,503
Business Promotion Expenses	3,395,082	3,351,396
Fees and subscription	(66,753)	127,386
Environment & Ecology Expenses	24,055,459	13,435,407
Tender Expenses *	268,173	2,529,506
Safety expenses	973,300	749,212
Expenses on departmental meetings	2,205,250	2,219,179
Expenses on visits of dignitaries	18,741,975	20,281,314
Rehabilitation and resettlement expenses	91,749,353	38,829,579
Internal Audit Fees & Expenses	704,999	380,337
Miscellaneous Expenses	17,964,410	12,678,623
Depreciation and Amortization Expense	93,688,511	61,391,509
	411,207,512	269,734,238
Interest and Finance Charges:		
Finance cost-Lease Liability	9,690,772	5,640,414
	9,690,772	5,640,414
Less: Recovery & Receipts:		
Miscellaneous Income ***	4,038,227	11,660,385
	4,038,227	11,660,385
Expenditure incurred during Construction	1,957,526,539	1,456,730,409

Note 5.2 Interest and finance charges during Construction

Interest and Finance Charges:		
Interest on Loan & banks fee	1,610,507,258	131,697,050
Interest on Short term Loan-SJVN Ltd.	35,433,973	12,880,000
Other Finance Costs	1,871,867	5,660,841
Guarantee fee-SJVN Ltd. **	(21,543,028)	21,543,028
Total Expense	1,626,270,070	171,780,919
Net expenditure attributable to capital work in progress	3,583,796,609	1,628,511,328

** SJVN Ltd. (Parent Company) has provided bank guarantee to different banks for borrowing/loan of the company against which company has provided guarantee fee of Rs.2.15 Crore (@1.20% of outstanding balance) being payable to SJVN Ltd during the year 2078-79. The same has been reversed during the year in view of the provision in the facility agreement.

*** Miscellaneous Income are receipt mainly on account of recovery from employees and contractors as per contract provisions.



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

Note 6: Intangible Assets

<u>Particulars</u>	<u>Intangible Assets (NRS)</u>	<u>Total (NRS)</u>
Cost		
Balance as at Shrawan 1, 2078 (July 16, 2021)	960,674	960,674
Addition during the year	-	-
Transfer/Adjustment during the year	-	-
Balance as at Shrawan 1, 2079 (July 17, 2022)	960,674	960,674
Addition during the year	28,655,384	28,655,384
Transfer/Adjustment during the year	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	29,616,058	29,616,058
Accumulated Depreciation		
Balance as at Shrawan 1, 2078 (July 16, 2021)	629,241	629,241
Depreciation for the year	139,470	139,470
Depreciation on transfer/adjustment during the year	-	-
Balance as at Shrawan 1, 2079 (July 17, 2022)	768,711	768,711
Depreciation for the year	28,844,450	28,844,450
Depreciation on transfer/adjustment during the year	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	29,613,161	29,613,161
Net Carrying Value		
Balance as at Ashad 31, 2078 (July 15, 2021)	331,433	331,433
Balance as at Ashad 32, 2079 (July 16, 2022)	191,963	191,963
Balance as at Ashad 31, 2080 (July 16, 2023)	2,897	2,897



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

Note 7: Financial assets- Advance and deposits
(see Accounting Policy in Note No. 2.11.A)

<u>Particulars</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
Advance to employee	15,542,396	12,126,391
Security deposit	1,463,715	2,821,915
Accrued interest on advance to contractors-current	4,954,887	84,482,178
Total	21,960,998	99,430,484
	Current	98,391,879
	Non-Current	1,038,605
	20,497,283	
	1,463,715	

Note 8: Other assets

<u>Particulars</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
Prepaid Expenses	450,000	3,893,739
Mobilization advance to government agencies	578,403,481	182,425,047
Advance to government departments	6,276,479	9,262,793
Advance against bank guarantee including Mobilization	826,089,513	1,208,132,709
Machinery/equipment advance against hypothecation	1,496,191,748	1,246,814,147
Advance to contractors- capital un secured	2,661,241	1,045,309,880
Other advances	29,190,035	182,050
Total	2,939,262,497	3,696,020,365
	Current	2,494,691,463
	Non-Current	1,201,328,902
	2,469,527,460	
	469,735,037	

Note 9: Cash & cash equivalents
(see Accounting Policy in Note No. 2.12)

<u>Particulars</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
Cash in Hand	-	-
Bank Balance including Short term deposit	41,221,083	277,358,188
Total	41,221,083	277,358,188

Note 10: Other Bank Balance
(see Accounting Policy in Note No. 2.12)

<u>Particulars</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
Term deposits (Margin Money for BG/ Letter of Credit)	416,700,335	227,164,249
Other Term Deposits(having original maturity of more than 3 months)	26,699,665	215,000,000
Bank Balance- Liened	17,913,091	-
	461,313,091	442,164,249

* Everest Bank have marked lien over the balance that has been kept separately in a separate account on behalf of Indian lenders for additional interest @0.25% from first anniversary of disbursement upto 16th July 2023. The amount of additional interest is to be paid after the approval of Nepal Rastra Bank



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

Note 11: Share Capital

(see Accounting Policy in Note No. 2.13)

<u>Particulars</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
<u>Authorized Capital</u>		
Ordinary 434,296,000 Shares @ NPR 100 each	43,429,600,000	43,429,600,000
Total	43,429,600,000	43,429,600,000
<u>Issued Capital</u>		
Ordinary 434,296,000 Shares @ NPR 100 each	43,429,600,000	43,429,600,000
Total	43,429,600,000	43,429,600,000
<u>Subscribed and paid up capital (Ordinary)</u>		
Ordinary 336,865,600 Shares (PY: 336,865,600) @ NPR 100 each	33,686,560,000	33,686,560,000
Total	33,686,560,000	33,686,560,000

Reconciliation of number of shares:

<u>Particulars</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
Number of shares at the beginning of the year	336,865,600	244,347,722
Add: Issue during the year	-	92,517,878
Number of Shares at the end of the year	336,865,600	336,865,600

Note 12: Advance and other payables

(see Accounting Policy in Note No. 2.11.B)

<u>Particulars</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
Security deposit collected from contractors	1,442,446,085	1,166,038,588
Earnest money deposit	11,095,366	6,995,480
Retention money	1,377,986,583	1,223,038,029
Audit fee payable	452,000	282,500
Internal audit fee payable	-	141,250
Liability for Employees' Remuneration and Benefits	10,779,637	1,659,045
Financial Charges payable	147,297,091	51,803,122
Other payables	900,744	900,744
Total	2,990,957,506	2,450,858,758
Current	425,481,177	831,041,377
Non- Current	2,565,476,329	1,619,817,381



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

Note 12.1: Disclosure relating to employee benefits

At the year ending 31 March, the obligation relating to Post-retirement benefits including gratuity, medical benefits, leave encashment and terminal benefits of employees are calculated using actuarial techniques by the qualified actuary. As post-retirement benefit is funded and settled by Parent Company, such obligations are booked as payable to related party (SJVN Limited) based on actuarial data provided by the Parent Company (SJVN Limited).

The following are the principal assumptions at the reporting date:

Actuarial Assumptions

	FY 2022-23	FY 2021-22
Mortality Table	IALM (2012-14)	IALM (2012-14)
Discount rate	7.40%	7.00%
Future salary increase	6.50%	6.50%

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotions and other relevant factors. Discount rate is based on the prevailing market yield of Government securities in India as at the period end for the estimated term of the obligation. Assumptions of the future mortality are based on published statistics and mortality table. The calculations of the defined benefit obligation is sensitive to the mortality assumptions.

a) Defined Contribution plans:

i) Employer's contribution to Provident Fund:

Fixed contribution to Provident Fund is paid at a predetermined rate to a separate trust, created by the holding company, which invests the fund in permitted securities. The contribution is charged by Holding company for deputed expat staff of NPR 17,951,049/- (Previous Year: NPR 16,998,890/-) is recognized as expense, charged to Expenditure During Construction (EDC) / Statement of Profit & Loss account. The obligation of the company is limited to fixed contribution and to ensure a minimum rate of return to the members as specified by Government of India. In addition to this, the Company discharges its liability towards approved retirement contribution in respect of contractual employees recruited from Nepal during the year directly while making payment of the monthly salary and same has been charged to Expenditure During Construction (EDC)

ii) Pension:

Holding company has Defined Contribution Pension Scheme as approved by Ministry of Power (MOP) and liability for the same for the year towards employees posted in the company on secondment is NPR 20,284,251/- (Previous Year: NPR 14,834,222) and is recognized on accrual basis. The same is recognised as expense, charged to Expenditure during Construction (EDC) / Statement of Profit & Loss account.

iii) Social Security Fund:

In terms of Labour Act of Nepal, Company has also contributed an amount of NPR 176,114/- (Previous Year: NPR 139,200) on account of Social Security Fund (SSF) in respect of permanent employees recruited from Nepal during the year and same has been charged to Expenditure During Construction (EDC)

b) Defined benefit plans:

i) Gratuity:

Holding company has a defined benefit gratuity plan, which is regulated as per the provisions of Payment of Gratuity Act,1972. The scheme is managed by a separate trust, created by the holding company and liability for the same for the year towards employees posted in the company on secondment is NPR 1,156,365/- including actuarial loss amounting of NPR 2,892,250/- (Previous Year : NPR 4,652,078/-including actuarial gain amounting of NPR 1,328,404) and recognized on the basis of actuarial valuation. The same is recognised as expense charged to Expenditure during Construction (EDC).In addition to this, the Company discharges its liability towards approved retirement contribution in respect of contractual employees recruited from Nepal during the year directly while making payment of the monthly salary and same has been charged to Expenditure During Construction (EDC)

ii) Leave encashment:

Holding Company has a defined leave encashment plan for its Employees. Under this plan they are entitled to encashment of earned leaves and medical leaves subject to certain limits and other conditions specified for the same and liability for the same for the year towards employees posted in the company on secondment is NPR 59,498,719/- including actuarial gain/loss of NPR Nil (Previous Year: NPR 28,219,415/- including actuarial gain/loss of NPR Nil) provided on the basis of actuarial valuation. The same is recognised as expense, charged to Expenditure during Construction (EDC).

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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

iii) Retired Employee Health Scheme:

Holding Company has a Retired Employee Health Scheme, under which retired employee and the spouse are provided Medical facilities in the Company hospitals/empanelled hospitals. They can also avail treatment as out-patient subject to a ceiling fixed by the Company. Liability for the same for the year towards employees posted in the company on secondment is NPR 7,811,604/- including actuarial gain of NPR 465,580/- (NPR 4,302,270/- including actuarial gain of NPR 2,740,806) provided on the basis of actuarial valuation. The same is recognised as expense, charged to Expenditure during Construction (EDC).

iv) Baggage Allowance/Service Reward on Retirement:

Actual cost of shifting from place of duty at which employee is posted at the time of retirement to any other place where he/she may like to settle after retirement shall be paid in accordance with rules of the holding company. In addition to this Gift at the time of retirement shall be given to the employee in accordance with rules of the holding Company. The liability for the same for the year towards employees posted in the company on secondment is NPR 883,682 including actuarial gain of NPR 465,580/- (Previous Year: NPR 100,034 including actuarial gain of NPR 255,652) and provided on the basis of actuarial valuation. The same is recognised as expense, charged to Expenditure during Construction (EDC).

Note: 13 Borrowings

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023) (NRS)	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)
Secured Loan *		
Loan from Indian Banks	24,416,960,000	7,848,000,000
Loan from Nepalese banks	3,421,500,000	743,000,000
Unamortized portion of upfront fee to be amortized in future	(331,986,755)	(505,976,720)
Term Loan from Banks	27,506,473,245	8,085,023,280
Un-Secured Loan **		
Loan from Holding Company	400,000,000	400,000,000
Net	27,906,473,245	8,485,023,280
	Current	400,000,000
	Non- Current	8,085,023,280

* Secured by equitable mortgage/hypothecation of all present and future fixed assets and book debts as first charge of Arun-3 HPS. Further, Holding company has also provided Corporate Guarantee for such Loan.

** The Office of Investment Board of Nepal vide their letter no 078/79/537 Cha no 537 dated 2078/09/22 has approved to obtain short term loan equivalent to INR 800 crore as Bridge Loan from SJVN Limited, India (Parent Company) at interest rate SBI MCLR +.30% = 7.30% Per annum. Accordingly the company has partly received loan from SJVN Limited, India amounting to INR 25 crore equivalent of NPR 40 crore. The company has applied to Nepal Rastra Bank for recording of such transaction and same is in process with them.

Detail regarding maturities of term loan and terms of loan are provided in Other Explanatory Notes 21.5

Note 14: Lease Liability

(see Accounting Policy in Note No.2.8)

<u>Particulars</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
Lease Liability-Land & Building	176,649,108	77,534,598.00
Net	176,649,108	77,534,598.00
	Current	2,104,711
	Non- Current	75,429,887

Note: Liability has been worked out on the basis of lease payments as per agreement over the period of Lease term & discounting factor used is weighted average of cost of term Loan.



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

Note 15: Provisions

(see Accounting Policy in Note No.2.14)

<u>Particulars</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
Provision for Performance Related Pay	15,608,264	14,138,348
Total	15,608,264	14,138,348
Current	15,608,264	14,138,348
Non- Current	-	-

Note 16: Other current liabilities

<u>Particulars</u>	As at Ashad 31, 2080 (July 16, 2023) (NRS)	As at Ashad 32, 2079 (July 16, 2022) (NRS)
Payable to Holding Company-Current A/C	507,342,297	456,283,594
Other liabilities-Construction projects	5,818,290,228	3,472,980,424
TDS payable	85,004,411	92,639,368
VAT payable(under Reverse Charge)	2,678,000	-
Total	6,413,314,936	4,021,903,386

Note 17: Current Tax Assets/(Liability)

(see Accounting Policy in Note No.2.16)

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023) (NRS)	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)
Opening Provision for Income Tax	(300,133)	(9,595,209)
Advance Tax	-	19,600,000
Tax Deducted at Sources	32,163,113	52,352,728
Less: Provision for Tax	(21,351,363)	(62,657,652)
Net	10,511,617	(300,133)

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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2080 (July 16, 2023)

Note 18: Other Income

(see Accounting Policy in Note No.2.20)

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023) (NRS)	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)
Bank interest	41,028,746	90,918,827
Interest on Contractors Advance	128,260,530	191,844,645
Miscellaneous income	290,800	52,000
Total	169,580,076	282,815,472

Note 19: Employee benefits expenses

(see accounting policy in note 2.15)

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023) (NRS)	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)
Salaries, Wages, Allowances and Benefits	4,866,437	3,494,111
Contribution to Provident and Other Funds	433,317	336,026
Welfare Expenses	2,792,558	1,842,219
Total	8,092,312	5,672,356

Note: Above employee benefits expenses includes salary and other related benefits of employees which are not directly attributable to project as per Accounting Policy. This includes full salary benefits to Company Secretary and 10% of salary to Chief Executive Officer (CEO) and Chief Finance Officer (CFO).

Note 20: Other expenses

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023) (NRS)	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)
Audit Fee-Statutory	678,000	282,500
Audit expenses	325,231	134,798
Labour Audit Fee	197,750	-
Fee paid to Registrar of Companies	-	5,605,800
Incidental Interest Expenses*	74,881,330	20,489,409
Total	76,082,311	26,512,507

* Interest expenses incurred for providing advances to contractor in relation to the activities directly attributable to project.



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

21. Other Explanatory Notes:

21.1 Contingent Liability

- Lease Agreement with "Department of Forest" and "Department of National Park and Wildlife Conservation"

The Company has entered into agreements with Forest Department, National Park and Wildlife Conservation Department, Ministry of Forest and Soil Conservation, Government of Nepal, on 2074.05.07 (23 August 2017) and 2074.10.23 (06 February 2018). As per the agreements, a total of 123.218 hectare of forest land has been leased for project construction by GoN. Out of this 123.218 hectare, 79.04 hectare lies in 9 community forests of District Forest area while remaining 44.178 hectare lies in 8 community forests of Makalu Barun National Park area. The company had cleared 8272 trees in 123.218 Ha. of forest land for which compensatory afforestation has to be done by the company. The cost of such plantation cannot be estimated reliably as on date. However, the same is appropriately considered in the DPR cost.

21.2 Contingent Assets

There are no contingent assets as on date.

21.3 Public Interest Litigation

There is no pending litigation by/against the Company as on date.

21.4 Related Party Transactions and balances

A. Details of related party and relationship

Related Party	Nature of Relationship
SJVN Ltd.	Parent company
Fellow Subsidiary Company	None
Directors and Key Management Personnel:	
Sh. Nand Lal Sharma	Chairman
Smt. Geeta Kapur	Director
Sh. Akhileshwar Singh	Director
Sh. Sushil Kumar Sharma	Director
Sh. Arun Dhiman	CEO
Sh. Jitendra Yadav	CFO (Ceases to be CFO w.e.f 30.11.23)
Sh. Nabin Kumar Jha	CFO (Assumed the charge of CFO w.e.f 01.12.23)
Sh. Sujit Jha	Company Secretary

B. Shareholding Pattern:

Name of Holding Entity	Principal Activity/Business	Share holding pattern	
		As at 16.7.2023	As at 16.7.2022
SJVN Limited	Power Generation	100%	100%



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

C. Transactions and Balances with holding Company

Particulars	Nature of transactions	Amount in NPR Crores		
		Balance as at 17 July, 2022	Transactions during FY 2022-23	Balance as at 16 July, 2023
Payable to SJVN Ltd.	Current Account-Payable	47.61	7.11	50.73
Payable to SJVN Ltd.	Consultancy-Payable	3.88	12.69	1.75
Short Term Borrowings	Borrowings from SJVN	40.00	-	40.00
Interest on Short Term Loan Payable	Advance and other payables	1.29	3.54	4.83

D. Remunerations to Key Management Personnel

Particulars	Amount in NPR	
	FY 2022-23	FY 2021-22
Salary	35,191,507	23,039,506
Contribution to Provident Fund & Pension	2,748,131	2,107,458
Other Benefits	26,060,972	17,733,151
Total *	64,000,610	42,880,115

*Out of the above costs, 100% remuneration of Company Secretary and 10% remuneration in case of CEO and CFO have been charged in Profit & Loss Account statement.

21.5 Detail of bank wise outstanding and terms of Loan

Sr. No.	Name of Bank	Amount outstanding	Rate of Interest per Annum
			Amount in NPR Crore
1	State bank of India, India	NPR 987.20	SBI 1 year MCLR + 0.30%
2	Punjab National Bank, India	NPR 492.80	PNB 1 year MCLR or SBI 1 year MCLR + 0.30%, whichever is higher
3	Canara Bank, India	NPR 420.80	Canara 1 year MCLR or SBI 1 year MCLR + 0.30%, whichever is higher
4	Exim Bank, India	NPR 322.50	SBI 1 year MCLR + 0.30%
5	Union Bank of India, India	NPR 218.40	UBI 1 year MCLR or SBI 1 year MCLR + 0.30%, whichever is higher
6	Everest Bank Limited, India	NPR 187.15	Quarterly Base Rate+0.34%
7	Nabil Bank Limited, India	NPR 155.00	Quarterly Base Rate+0.70%

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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2080 (July 16, 2023)

Detail of bank wise outstanding and maturities

Sr. No.	Name of Bank	Amount in NPR Crore		
		Maturities of Loan within 1 year	Maturities of Loan within 2-3 year	Maturities of Loan within beyond 3 years
1	State Bank of India	-	NPR 122.40	NPR 864.80
2	Punjab National Bank	-	NPR 58.03	NPR 434.77
3	Canara Bank	-	NPR 50.76	NPR 370.04
4	Exim Bank	-	NPR 42.17	NPR 280.33
5	Union Bank of India	-	NPR 23.54	NPR 194.86
6	Everest Bank Limited	-	NPR 36.57	NPR 150.58
7	Nabil Bank Limited	-	NPR 20.24	NPR 134.76

21.6 Event after reporting period

No major events have occurred after balance sheet which required to be reported.

21.7 Capital Commitment and Financial Exposure

Estimated amount of contracts remaining to be executed on capital account and not provided for is NPR 2,561.76 Cr. (PY 2,926.12 Cr).

Exposure of company for Bank Guarantees provided to GoN for performance as per PDA and Bank Guarantees submitted to Ministry of Finance, Department of Custom for Import of machineries by the contractor etc is NPR 49.19 Cr (PY 66.80 Cr).

Exposure of company against letter of credit opened in favour of contractor and on behalf of contractor (for purchase of machineries for the project) has been calculated as NPR 54.76 Crore (PY NPR 76.74 Cr).

21.8 Comparative Information and rounding off

Previous Year figures have been regrouped/rearranged wherever necessary to facilitate comparison. Though the books of accounts have been maintained in paisa, figures in the financial statement have been rounded off to the nearest rupees.

