

**SJVN Arun-III Power Development
Company Private Limited**

**Auditor's Report & Annual Accounts for
the F/Y 2078-79 (2021/22)**

B.K. Agrawal & Co.
Chartered Accountants

Member Crowe Global

Audit / Tax / Advisory



**Independent Auditors' Report
to the Members' of
SJVN Arun-3 Power Development Company Pvt. Ltd.**

Opinion:

We have audited the accompanying Financial Statements of M/s SJVN Arun-3 Power Development Company Pvt. Ltd. (hereinafter referred to as 'the Company') which comprise the Statement of Financial Position as at Ashad 32, 2079 (July 16, 2022), and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows attached thereto, for the year then ended and notes to the financial statements, including a summary of Significant Accounting Policies and other Explanatory Notes & information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statement read together with Notes forming part of the financial statement give the information required by the provisions of Nepal Companies Act, 2006, as amended ("the Act") in the manner so required and, give a true and fair view in conformity with the Nepal Financial Reporting Standards (NFRS), of the state of affairs of the Company as at Ashad 32, 2079 (July 16, 2022), its Profit/(Loss) including its Other Comprehensive Income, Cash Flows and the Changes in Equity for the year ended on that date.

Basis of 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 Statement* section of our report. We are independent of the Entity in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Nepal together with the ethical requirements that are relevant to our audit of the Financial Statement under the provisions of the Companies Act, 2006 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the Code of Ethics. We believe that the audit evidences we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of Management and those charged with Governance for the Financial Statements:

The company's Management and Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Entity and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.



In preparing the financial statement, the respective management and Board of Directors are responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibility for the Audit of the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Nepal Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

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 financial statement, 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. We are also responsible for expressing our opinion on whether the Company has adequate internal financial controls in place and the operating effectiveness of such controls.
- 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 auditors' 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 auditors' 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 statement, including the disclosures, and whether the financial statement represents 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be considered to bear on our independence, and where applicable, related safeguards.



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 auditors' 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

On the basis of our examination, we would like to further report that:

- a. We have obtained information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
- c. In our opinion, the Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity attached thereto, for the year then ended and notes to the financial statements, including a summary of Significant Accounting Policies and other Explanatory Notes & information dealt with by this report are in compliance with the provisions of the Companies Act, 2006 and are in agreement with the books of account maintained by the company;
- d. In our opinion, so far as appeared from our examination of the books, the business of the Company has been conducted satisfactorily; and
- e. To the best of our information and according to the explanations given to us and from our examination of the books of accounts of the Company necessary for the purposes of the audit, we have not come across cases where the Board of Directors or any employees of the Company have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused loss or damage to the company or committed any accounting fraud in the company.

Kathmandu
Date: November 9, 2022



B.K. Agrawal, FCA
Managing Partner
For: B.K. Agrawal & Co.
Chartered Accountants
UDIN: 221113CA000180Ef79



SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Financial Position
As at Ashad 32, 2079 (July 16, 2022)

<u>Particulars</u>	<u>Notes</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
ASSETS			
Non-current assets:			
Property, plant and equipment	3	2,867,779,808	1,982,415,934
Right of use Assets	4	71,351,077	-
Capital Work-in-progress	5	41,866,286,096	25,146,493,062
Intangible asset	6	191,963	331,433
Financial assets			
Advance and deposits	7	1,038,605	1,038,605
Other non current assets	8	1,201,328,902	1,252,252,759
Total non-current assets		46,007,976,451	28,382,531,793
Current assets:			
Financial assets			
Advance and deposits	7	98,391,879	71,260,060
Cash and cash equivalents	9	277,358,188	81,270,398
Bank balance other than cash and cash equivalents	10	442,164,249	145,690,665
Other current assets	8	2,494,691,463	2,302,737,549
Total current assets		3,312,605,779	2,600,958,672
Total Assets		49,320,582,230	30,983,490,465
EQUITY AND LIABILITIES			
Equity:			
Equity share capital	11	33,686,560,000	24,434,772,200
Retained earnings		584,263,727	396,290,770
Total equity		34,270,823,727	24,831,062,970
Liabilities:			
Non-current liabilities			
Financial liabilities			
Advance and other payables	12	1,619,817,381	959,264,535
Borrowings	13	8,085,023,280	-
Lease Liability	14	75,429,887	-
Total non-current liabilities		9,780,270,548	959,264,535
Current liabilities			
Provisions	15	14,138,348	11,604,750
Financial liabilities			
Advance and other payables	12	831,041,377	341,821,373
Borrowings	13	400,000,000	-
Lease Liability	14	2,104,711	-
Other current liabilities	16	4,021,903,386	4,830,141,628
Current Tax Liability (Net)	17	300,133	9,595,209
Total current liabilities		5,269,487,955	5,193,162,960
Total Liabilities		15,049,758,503	6,152,427,495
Total Equity and Liabilities		49,320,582,230	30,983,490,465

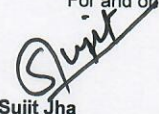
Significant Accounting Policies

1-2

The notes referred to above form an integral part of Financial Statements


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For and on behalf of the Company


Sujit Jha
Company Secretary


Arun Dhiman
Chief Executive Officer


Jitendra Yadav
Chief Financial Officer


Nand Lal Sharma
Chairman and Managing Director

As per our attached report of even date


B.K. Agrawal, FCA
Managing Partner
B.K. Agrawal & Co.
Chartered Accountants



Place: Kathmandu

Date: November 9, 2022

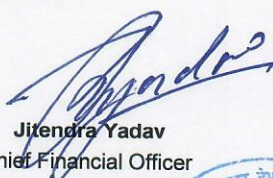
SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Total Profit or Loss
For the year ended Ashad 32, 2079 (July 16, 2022)

<u>Particulars</u>	<u>Notes</u>	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)
Income			
Revenue		-	-
Other income	18	282,815,472	240,491,035
Total Income		282,815,472	240,491,035
Expenses			
Employee benefit expenses	19	5,672,356	5,862,469
Other expenses	20	26,512,507	272,165
Total expenses		32,184,863	6,134,634
Operating profit/(loss) before tax		250,630,609	234,356,401
Income tax		62,657,652	58,647,871
Net profit/(loss) after tax		187,972,957	175,708,530
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		187,972,957	175,708,530
Significant Accounting Policies	1-2		
The notes referred to above form an integral part of Financial Statements	3-21		

For and on behalf of the Company



Sujit Jha
Company Secretary



Jitendra Yadav
Chief Financial Officer

As per our attached report of even date



B.K. Agrawal, FCA
Managing Partner
B.K. Agrawal & Co.
Chartered Accountants





Arun Dhiman
Chief Executive Officer



Nand Lal Sharma
Chairman and Managing Director




Place: Kathmandu

Date: **November 9, 2022**


SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Cash Flows
For the year ended Ashad 32, 2079 (July 16, 2022)

<u>Particulars</u>	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)
A. Cash flows from operating activities		
Profit/(Loss) for the year from continuing operations	187,972,957	175,708,530
Adjustment for operating assets and liabilities:		
(Increase)/decrease in Advance to Contractors	937,255,134	425,168,895
Net cash used by operating activities-(A)	1,125,228,091	600,877,425
B. Net cash used by investing activities		
Purchase of property, plant and equipment (including IA)	(943,160,434)	(335,259,954)
Increase in Project WIP	(16,483,892,566)	(9,669,093,282)
(Increase)/decrease in Financial Assets	(52,797,285)	(28,514,176)
(Increase)/decrease in Other Assets	(1,558,596,443)	(1,187,581,661)
Increase/(decrease) in Provisions	2,533,598	(28,409,217)
Increase/(decrease) in Financial Liabilities	1,097,969,728	290,743,658
Increase/(decrease) in Other Liabilities	(817,533,318)	(668,815,185)
Net cash used by investing activities-(B)	(18,755,476,720)	(11,626,929,817)
C. Cash flows from financing activities		
Proceeds from the issue of equity share capital	9,251,787,800	10,880,000,000
Interest and Finance Charges	(119,977,797)	-
Borrowings	8,991,000,000	-
Net cash generated by investing activities-(C)	18,122,810,003	10,880,000,000
Net increase in cash and cash equivalents-(A+B+C)	492,561,374	(146,052,392)
Cash and cash equivalents at the beginning of the year	226,961,063	373,013,455
Cash and cash equivalents at the end of the year	719,522,437	226,961,063
Reconciliation of Cash and Cash Equivalents: (Note No.9 & 10)		
Bank Balance	277,358,188	81,270,398
Restricted Balances (FD pledge as margin against LC/BG)	442,164,249	145,690,665
	719,522,437	226,961,063

For and on behalf of the Company


Sujit Jha
 Company Secretary


Arun Dhiman
 Chief Executive Officer


Jitendra Yadav
 Chief Financial Officer


Nand Lal Sharma
 Chairman and Managing Director

As per our attached report
of even date


B.K. Agrawal, FCA
 Managing Partner
B.K. Agrawal & Co.
 Chartered Accountants




Place: Kathmandu


Date: November 9, 2022

SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Changes in Equity
For the year ended Ashad 32, 2079 (July 16, 2022)

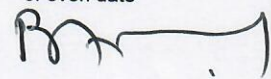
<u>Particulars</u>	<u>Issued Capital (NRS)</u>	<u>Retained Earnings (NRS)</u>	<u>Total (NRS)</u>
FY 2078-79			
Balance as at July 16, 2021 (corresponding to Shrawan 1, 2078)	24,434,772,200	396,290,770	24,831,062,970
<i>Total Comprehensive Income attributable to owners</i>			
Profit/(Loss) for the year	-	187,972,957	187,972,957
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	187,972,957	187,972,957
<i>Transaction with owners recorded directly in equity</i>			
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)	33,686,560,000	584,263,727	34,270,823,727
FY 2077-78			
Balance as at July 16, 2020 (corresponding to Shrawan 1, 2077)	13,554,772,200	220,582,240	13,775,354,440
<i>Total Comprehensive Income attributable to owners</i>			
Profit/(Loss) for the year	-	175,708,530	175,708,530
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	175,708,530	175,708,530
<i>Transaction with owners recorded directly in equity</i>			
Issue of ordinary share	10,880,000,000	-	10,880,000,000
Total contributions by owners	10,880,000,000	-	10,880,000,000
Balance as at July 15, 2021 (corresponding to Ashad 31, 2078)	24,434,772,200	396,290,770	24,831,062,970

For and on behalf of the Company


Sujit Jha
 Company Secretary


Jitendra Yadav
 Chief Financial Officer

As per our attached report
of even date



B.K. Agrawal, FCA
 Managing Partner
B.K. Agrawal & Co.
 Chartered Accountants


Arun Dhiman
 Chief Executive Officer


Nand Lal Sharma
 Chairman and Managing Director





Place: Kathmandu

Date: **November 9, 2022**

SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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 of the Company is Lokhanthali, Madhyapur (Thimi), Bhaktapur, Nepal and project office is located at Tumlingtar, Sankhuwasabha 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.

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 excavation under this package is in progress. 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. 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 few 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 nearly completed and charging of the same is under process.

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. For diversion of forest land, case for all 7 districts is under process of forest approval. 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.



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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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	32 Ashad 2079	16 July 2022
Current Reporting Period	1 Shrawan 2078 - 32 Ashad 2079	16 July 2021 - 16 July 2022
Comparative SFP* Date	31 Ashad 2078	15 July 2021
Comparative reporting period	1 Shrawan 2077 - 31 Ashad 2078	16 July 2020 - 15 July 2021

* Statement of Financial Position

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.



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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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	15	6.33%	
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.

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 1.9 on "Impairment of non-financial assets".



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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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 1.17 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.

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.



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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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.

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 5).

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.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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).

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.



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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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.
- 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

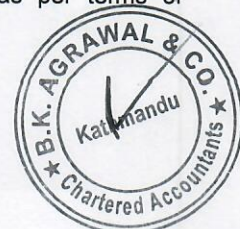
Expense incurred on terminal benefits in the form of ex-gratia payments and notice pay on voluntary retirement schemes, if any, are charged to the profit or loss in the year of incurrence of such expense.

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.



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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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 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 7).

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.



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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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 Ashad 32, 2079 (July 16, 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
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 Ashad 32, 2079 (July 16, 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
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 32, 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

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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

Note 4: Right to Use Assets
(see Accounting Policy in Note No.2.8)

<u>Particulars</u>	<u>Leased land (NRS)</u>	<u>Total (NRS)</u>
<u>Cost</u>		
Balance as at Shrawan 1, 2078 (July 16, 2021)	-	-
Addition during the year	74,806,557	74,806,557
Transfer/Adjustment during the year	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	74,806,557	74,806,557
<u>Accumulated Depreciation</u>		
Balance as at Shrawan 1, 2078 (July 16, 2021)	-	-
Depreciation for the year	3,455,480	3,455,480
Depreciation on transfer/adjustment during the year	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	3,455,480	3,455,480
<u>Net Carrying Value</u>		
Balance as at Ashad 31, 2078 (July 15, 2021)	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	71,351,077	71,351,077

Leased Land included Land measuring 123.218 Ha Govt/Forest Land acquired for Generation Component and Land Measuring 2.864 Ha acquired from NEA in Tumlingtar for office complex.



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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

<u>Particulars</u>	As on Ashad 31, 2077 July 16, 2020 (NRS)	Addition during FY 2077/78 (NRS)	As on Ashad 31,2078 (July 15, 2021) (NRS)	Addition during FY 2078/79 (NRS)	As on Ashad 32, 2079 (July 16, 2022) (NRS)
Access Road & Bridges	2,847,253,247	819,017,019	3,666,270,266	(179,496,217)	3,486,774,049
Building under construction	301,637,522	(52,324,574)	249,312,948	(115,081,099)	134,231,849
Major Civil works	6,071,871,737	5,393,955,666	11,465,827,403	10,219,604,056	21,685,431,459
Electrical works	260,419,061	384,813	260,803,874	22,744,445	283,548,319
Electro Mechanical Works	714,384,110	(74,372,233)	640,011,877	97,930,764	737,942,641
Expenditure incurred during construction (see Note 5.1)	4,087,214,816	1,071,488,278	5,158,703,094	1,628,511,328	6,787,214,421
Transmission Line	-	2,927,991,083	2,927,991,083	3,542,591,175	6,470,582,258
Sub-Station	-	-	-	1,452,423,967	1,452,423,967
Others*	1,167,327,835	(389,755,318)	777,572,517	50,564,616	828,137,133
Total	15,450,108,328	9,696,384,734	25,146,493,062	16,719,793,035	41,866,286,096

* 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.

During the year, Building amounting NPR 30,34,59,675/- (PY NPR 26,67,41,278) and Road amounting NPR 17,79,00,449/- (P/Y NIL) has been capitalised and shown as addition during the year in note-3. The Figure appearing above as addition during FY 2077/78 & FY 2078-79 in Building under Construction & Road and Bridges is net of addition and capitalization during the year 2077/78 and 2078/79.

Note: During the previous year, Balance of CWIP has been reclassified for better presentation of financial Statement. The reconciliation of the same is as follows:-

<u>Description of Expenditure</u>	Electro Mechanical Works	Civil works	Others*	Transmission Line	Total
Amount adjusted in addition during the year (pertaining to previous year)	(107,792,749)	107,792,749	(392,380,273)	392,380,273	-



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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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.

Particulars	Year ending Ashad 32, 2079 (July 16, 2022) (NRS)	Year ending Ashad 31, 2078 (July 15, 2021) (NRS)
Employee Benefit Expenses:		
Salaries, Wages, Allowances and Benefits	461,232,905	443,650,105
Contribution to Provident and Other Funds	31,636,286	31,013,494
Other Retirement Benefits-Actuarial	36,256,229	53,102,323
Welfare Expenses	283,849,376	276,408,704
	812,974,797	804,174,626
Repair and Maintenance:		
Buildings	12,110,451	1,025,247
Electrical Installations	4,300,625	57,487
Roads	82,163,540	-
Others	1,012,716	376,214
	99,587,332	1,458,948
Project Office Expenses		
Running & maintenance of Office	20,885,921	20,628,613
Rent	10,088,173	7,904,925
Rates & Taxes	250,000	-
Insurance	874,284	1,045,077
Security Expense	42,916,696	25,597,620
Electricity Charges	7,374,129	4,665,127
Travelling and Conveyance	11,200,152	2,955,430
Training and Recruitment Expense	3,145,380	1,043,542
Legal Expense	828,570	2,620,750
Professional and Consultancy Charges	172,012,077	56,423,356
Communication Expense	6,998,846	7,057,163
Printing and Stationery	3,879,785	886,841
	280,454,013	130,828,444
Other expenses:		
Advertisement & Publicity	400,989	501,230
EDP Expense	6,816,272	3,595,526
Hiring of Vehicles	106,316,026	84,369,895
Entertainment Expense	227,503	179,872
Business Promotion Expenses	3,351,396	152,567
Fees and subscription	127,386	-
Environment & Ecology Expenses	13,435,407	14,343,527
Tender Expenses *	2,529,506	2,121,129
Safety expenses	749,212	1,218,396
Expenses on departmental meetings	2,219,179	365,296
Expenses on visits of dignitaries	20,281,314	10,074,008
Rehabilitation and resettlement expenses	38,829,579	6,400,859
Internal Audit Fees & Expenses	380,337	233,946
Miscellaneous Expenses	12,678,623	6,797,860
Depreciation and Amortization Expense	61,391,509	27,291,452
	269,734,238	157,645,563
Interest and Finance Charges:		
Interest on Loan & banks fee	131,697,050	-
Interest on Short term Loan-SJVN Ltd.	12,880,000	-
Other Finance Costs	5,660,841	278,788
Guarantee fee-SJVN Ltd. **	21,543,028	-
Finance cost-Lease Liability	5,640,414	-
Total Expense	1,640,171,713	1,094,386,369
Less: Recovery & Receipts:		
Miscellaneous Income ***	(11,660,385)	(22,898,091)
	(11,660,385)	(22,898,091)
Net expenditure attributable to capital work in progress	1,628,511,328	1,071,488,278

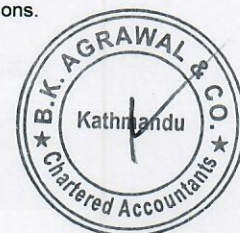
* Tender expenses considered as part of advertisement expenses during previous year has been bifurcated and shown as tender expenses.

** 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.

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



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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

Note 6: Intangible Assets

<u>Particulars</u>	<u>Intangible Assets (NRS)</u>	<u>Total (NRS)</u>
<u>Cost</u>		
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 Ashad 32, 2079 (July 16, 2022)	960,674	960,674
<u>Accumulated Depreciation</u>		
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 Ashad 32, 2079 (July 16, 2022)	768,711	768,711
<u>Net Carrying Value</u>		
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

* Intangible assets includes the value of designing of Official SAPDC website.



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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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

<u>Particulars</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
Advance to employee*	12,126,391	12,443,348
Security deposit	2,821,915	1,038,605
Accrued interest on advance to contractors-current	84,482,178	58,816,712
Total	99,430,484	72,298,665
Current	98,391,879	71,260,060
Non-Current	1,038,605	1,038,605

Note 8: Other assets

<u>Particulars</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
Prepaid Expenses #	3,893,739	496,466,670
Mobilization advance to government agencies	182,425,047	27,197,438
Advance to government departments	9,262,793	442,583,132
Advance against bank guarantee including Mobilization	1,208,132,709	1,524,880,805
Machinery/equipment advance against hypothecation	1,246,814,147	528,939,374
Advance to contractors- capital un secured	1,045,309,880	534,846,889
Other advances	182,050	76,000
Total	3,696,020,365	3,554,990,308
Current	2,494,691,463	2,302,737,549
Non-Current	1,201,328,902	1,252,252,759

Pre-paid appearing in previous year represent upfront fee paid to Bankers at the time of execution of Loan Agreement. SAPDC has started drawing term loan during the financial year 2078-79, therefore the same has been shown in Note No.13 which is to be adjusted/amortized as per NFRS 9.

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

<u>Particulars</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
Cash in Hand	-	-
Bank Balance including Short term deposit	277,358,188	81,270,398
Total	277,358,188	81,270,398

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

<u>Particulars</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
Margin Money for BG/ Letter of Credit and Pledged deposits	227,164,249	145,690,665
Other Term Deposits(having original maturity of more than 3 months)	215,000,000	-
Total	442,164,249	145,690,665



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

Note 11: Share Capital

(see Accounting Policy in Note No. 2.13)

<u>Particulars</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
Authorized Capital		
Ordinary 43,42,96,000 Shares @ NPR 100 each	43,429,600,000	24,750,000,000
Total	43,429,600,000	24,750,000,000
Issued Capital		
Ordinary 43,42,96,000 Shares @ NPR 100 each	43,429,600,000	24,750,000,000
Total	43,429,600,000	24,750,000,000
Subscribed and paid up capital (Ordinary)		
Ordinary 3368,65,600 Shares (PY: 24,43,47,722) @ NPR 100 each	33,686,560,000	24,434,772,200
Total	33,686,560,000	24,434,772,200

Reconciliation of number of shares:

<u>Particulars</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
Number of shares at the beginning of the year	244,347,722	135,547,722
Add: Issue during the year	92,517,878	108,800,000
Number of Shares at the end of the year	336,865,600	244,347,722

Note 12: Advance and other payables

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

<u>Particulars</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
Security deposit collected from contractors	1,166,038,588	1,014,423,867
Earnest money deposit	6,995,480	6,641,777
Retention money	1,223,038,029	274,832,445
Audit fee payable	282,500	226,000
Internal audit fee payable	141,250	226,000
Leave and pension contribution payable	-	2,183,757
Gratuity payable	-	267,691
Liability for Employees' Remuneration and Benefits	1,659,045	1,383,627
Financial Charges payable	51,803,122	-
Other payables	900,744	900,744
Total	2,450,858,758	1,301,085,908
Current	831,041,377	341,821,373
Non- Current	1,619,817,381	959,264,535



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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 2021-22	FY 2020-21
Mortality Table	IALM (2012-14)	IALM (2012-14)
Discount rate	7.00%	6.75%
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 of NPR 1,69,98,890 (Previous Year: NPR 1,46,72,236) 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 Company has also contributed an amount of NPR Nil (Previous Year: NPR Nil) on account of PF in respect of employees recruited from Nepal during the year 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 1,48,34,222 (Previous Year: NPR 1,40,76,870) 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 1,39,200 (Previous Year: NPR 8,74,563) on account of Social Security Fund (SSF) in respect of 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 46,52,078/- including actuarial loss amounting of NPR 13,28,404/- (Previous Year : NPR 41,33,427 including actuarial gain amounting of NPR 4,81,272) and recognized on the basis of actuarial valuation. The same is recognised as expense charged to Expenditure during Construction (EDC). In addition to this an amount of NPR : Nil (Previous Year : NPR NIL) has also recognized as gratuity expenses in respect of employees recruited from Nepal during the year and same has been charged to Expenditure during Construction.

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 2,82,19,415/- including actuarial gain/loss of NPR Nil (Previous Year: NPR 4,59,34,739 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). In addition to this an amount of NPR Nil (Previous Year: NPR NIL) has also recognized provision on account of accrued leave upto 15.07.2022 in respect of employees recruited from Nepal during the year and same has been charged to Expenditure during Construction.



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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

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 43,02,270/- including actuarial gain of NPR 27,40,806 (NPR 23,75,176 including actuarial gain of NPR 10,08,798) 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 1,00,034 including actuarial gain of NPR 2,55,652 (Previous Year: NPR 6,59,664 including actuarial gain of NPR 5,62,118) 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>	<u>Year ended Ashad 32, 2079 (July 16, 2022) (NRS)</u>	<u>Year ended Ashad 31, 2078 (July 15, 2021) (NRS)</u>
Secured Loan *		
Loan from Indian Banks	7,848,000,000	
Loan from Nepalese banks	743,000,000	
Unamortized portion of upfront fee to be amortized in future	(505,976,720)	
Term Loan from Banks	8,085,023,280	-
Un-Secured Loan **		
Loan from Holding Company	400,000,000	-
Net	8,485,023,280	-
	Current	-
	Non- Current	-

* 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 17.5.



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 32, 2079 (July 16, 2022)

Note 14: Lease Liability

(see Accounting Policy in Note No.2.8)

<u>Particulars</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
Lease Liability-Land	77,534,598	-
Net	77,534,598	-
	2,104,711	-
Current		
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.

Note 15: Provisions

(see Accounting Policy in Note No.2.14)

<u>Particulars</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
Provision for Performance Related Pay	14,138,348	11,604,750
Total	14,138,348	11,604,750
	14,138,348	11,604,750
Current		
Non- Current	-	-

Note 16: Other current liabilities

<u>Particulars</u>	As at Ashad 32, 2079 (July 16, 2022) (NRS)	As at Ashad 31, 2078 (July 15, 2021) (NRS)
Advance against Equity (SJVN Limited)	-	3,720,000,000
Payable to Holding Company-Current A/C	456,283,594	433,578,953
Other liabilities-Construction projects	3,472,980,424	594,550,453
TDS payable	92,639,368	52,828,222
Fund received-SJVN Ltd-Lower Arun A/C	-	1,152,000,000
Less: Utilized for SJVN-Lower Arun**	-	(1,122,816,000)
Total	4,021,903,386	4,830,141,628

Note 17: Current Tax Assets/(Liability)

(see Accounting Policy in Note No.2.16)

<u>Particulars</u>	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)
Advance Tax	19,600,000	24,000,000
Tax Deducted at Sources	42,757,519	25,052,662
Less: Provision for Tax	62,657,652	58,647,871
Net	(300,133)	(9,595,209)



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 32, 2079 (July 16, 2022)

Note 18: Other Income

(see Accounting Policy in Note No.2.20)

<u>Particulars</u>	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)
Bank interest	90,918,827	10,865,255
Interest on Contractors Advance	191,844,645	229,436,549
Miscellaneous income	52,000	189,231
Total	282,815,472	240,491,035

Note 19: Employee benefits expenses

(see accounting policy in note 2.15)

<u>Particulars</u>	Year ended Ashad 32, 2079 (July 16, 2022) (NRS)	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)
Salaries, Wages, Allowances and Benefits	3,494,111	3,996,027
Contribution to Provident and Other Funds	336,026	318,806
Welfare Expenses	1,842,219	1,547,636
Total	5,672,356	5,862,469

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 32, 2079 (July 16, 2022) (NRS)	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)
Audit Fee-Statutory	282,500	226,000
Audit expenses	134,798	46,165
Fee paid to Registrar of Companies	5,605,800	-
Incidental Interest Expenses*	20,489,409	-
Total	26,512,507	272,165

* 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 for the year ended Ashad 32, 2079 (July 16, 2022)

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. Surinder Pal Bansal	Director
Sh. Akhileshwar Singh	Director
Sh. Sushil Kumar Sharma	Director
Sh. Arun Dhiman	CEO
Sh. Jitendra Yadav	CFO
Sh. Sujit Jha	Company Secretary

B. Shareholding Pattern:

Name of Holding Entity	Principal Activity/Business	Share holding pattern	
		As at 16.7.2022	As at 15.7.2021
SJVN Limited	Power Generation	100%	100%



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 32, 2079 (July 16, 2022)

C. Transactions and Balances with holding Company

Particulars	Nature of transactions	(Amount in NPR)			
		Balance as at 16 th July, 2021	Transactions during FY 2021-22	Equity share issued/Payment made during the FY 2021-22	Balance as at 16 th July, 2022
		1	2	3	4 (1+2-3)
Payable to SJVN Ltd.	Advance against Equity	372 Crore	553.18 Crore	925.18 Crore	Nil
Payable to SJVN Ltd.	Current Account	43.36 Crore	3.36 Crore	-	46.62 Crore Cr.
Short Term Borrowings	Borrowings	Nil	40.00 Crore	-	40.00 Crore Cr.
SJVN Ltd.-Lower Arun Account	For Lower Arun Project-Payable	2.92 Crore	5.97 Crore	7.90 Crore	0.99 Crore Dr.
Interest on Short Term Loan Payable	Advance and other payables	-	3.06 Crore	-	3.06 Crore

D. Remunerations to Key Management Personnel

Particulars	(Amount in NPR)	
	FY 2021-22	FY 2020-21
Salary	23,039,506	24,171,627
Contribution to Provident Fund & Pension	2,107,458	1,897,845
Other Benefits	17,733,151	13,313,207
Total *	42,880,115	39,382,679

*Out of above 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 Cr.
1	State bank of India, India	NPR 262.40	SBI 1 year MCLR + 0.30%
2	Punjab National Bank, India	NPR 240.00	PNB 1 year MCLR or SBI 1 year MCLR + 0.30%, whichever is higher
3	Canara Bank, India	NPR 108.80	Canara 1 year MCLR or SBI 1 year MCLR + 0.30%, whichever is higher
4	Exim Bank, India	NPR 123.20	Exim 1 year GSEC Plus Spread/Premium (minimum 260 bps) equivalent to SBI 1 year MCLR+ .30 bps which ever is higher
5	Union Bank of India, India	NPR 50.40	UBI 1 year MCLR or SBI 1 year MCLR + 0.30%, whichever is higher
6	Everest Bank Limited, India	NPR 31.30	Quarterly Base Rate+0.34%
7	Nabil Bank Limited, India	NPR 43.00	Quarterly Base Rate+0.70%



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 32, 2079 (July 16, 2022)

Detail of bank wise outstanding and maturities

Sr. No.	Name of Bank	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 262.40
2	Punjab National Bank	-	-	NPR 240.00
3	Canara Bank	-	-	NPR 108.80
4	Exim Bank	-	-	NPR 123.20
5	Union Bank of India	-	-	NPR 50.40
6	Everest Bank Limited	-	-	NPR 31.30
7	Nabil Bank Limited	-	-	NPR 43.00

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 2926.12 Cr. (PY 3453.30 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 66.80 Cr (PY 45.03 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 76.74 Crore (PY NPR 27.20 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.

