

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

Opinion:

We have audited the accompanying Financial Statements of M/s SJVN Arun-III Power Development Corporation Pvt. Ltd. (hereinafter referred to as 'the Company') which comprise the Statement of Financial Position as at Ashad 31, 2078 (July 15, 2021), 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 31, 2078 (July 15, 2021), 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) issued by the Auditing Standard Board of Nepal. 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: 2078.09.23



B.K. Agrawal, FCA
Managing Partner

For: B.K. Agrawal & Co.
Chartered Accountants

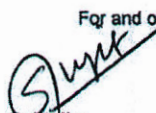
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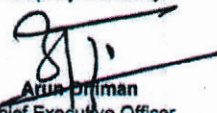


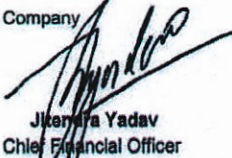
SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Financial Position
As at Ashad 31, 2078 (July 15, 2021)


<u>Particulars</u>	<u>Notes</u>	<u>As at Ashad 31, 2078 (July 15, 2021) (NRS)</u>	<u>As at Ashad 31, 2077 (July 15, 2020) (NRS)</u>
ASSETS			
Non-current assets:			
Property, plant and equipment	3	1,982,415,934	1,674,439,632
Capital Work-in-progress	4	25,146,493,062	15,450,108,328
Intangible asset	5	331,433	339,233
Financial assets			
Advance and deposits	6	1,038,605	898,105
Other non current assets	7	1,252,252,759	1,706,190,943
Total non-current assets		28,382,531,793	18,631,976,241
Current assets:			
Financial assets			
Advance and deposits	6	71,260,060	58,980,883
Cash and cash equivalents	8	226,961,063	373,013,455
Other current assets	7	2,302,737,549	1,070,292,100
Total current assets		2,600,958,672	1,502,286,438
Total Assets		30,983,490,465	20,334,262,679
EQUITY AND LIABILITIES			
Equity:			
Equity share capital	9	24,434,772,200	13,554,772,200
Retained earnings		396,290,770	220,582,240
Total equity		24,831,062,970	13,775,354,440
Liabilities:			
Non-current liabilities			
Financial liabilities			
Advance and other payables	11	959,264,535	582,107,991
Total non-current liabilities		959,264,535	582,107,991
Current liabilities			
Provisions			
Financial liabilities	10	11,604,750	40,013,967
Advance and other payables			
Financial liabilities	11	770,828,930	857,241,816
Other current liabilities	12	4,401,134,071	5,086,487,867
Current Tax Liability (Net)	13	9,595,209	13,056,598
Total current liabilities		5,193,162,960	5,976,800,248
Total Liabilities		6,152,427,495	6,558,908,239
Total Equity and Liabilities		30,983,490,465	20,334,262,679
Significant Accounting Policies	1-2		
The notes referred to above form an integral part of Financial Statements	3-17		

For and on behalf of the Company

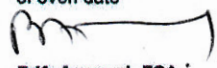

Sujit Jha
Company Secretary


Arun Pradhan
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

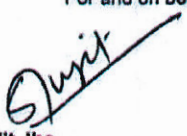
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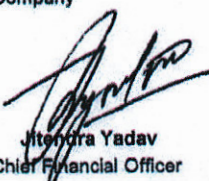


SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Total Profit or Loss
For the year ended Ashad 31, 2078 (July 15, 2021)


<u>Particulars</u>	<u>Notes</u>	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)	Year ended Ashad 31, 2077 (July 15, 2020) (NRS)
Income			
Revenue		-	-
Other income	14	240,491,035	219,016,113
Total Income		240,491,035	219,016,113
Expenses			
Employee benefit expenses	15	5,862,469	5,771,947
Other expenses	16	272,165	311,240
Total expenses		6,134,634	6,083,187
Operating profit/(loss) before tax		234,356,401	212,932,926
Income tax		58,647,871	53,233,232
Net profit/(loss) after tax		175,708,530	159,699,694
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		175,708,530	159,699,694
Significant Accounting Policies	1-2		
The notes referred to above form an integral part of Financial Statements	3-17		

For and on behalf of the Company


Sujit Jha
 Company Secretary


Jitendra Yadav
 Chief Financial Officer


Arun Chhman
 Chief Executive 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

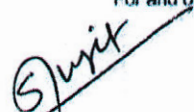
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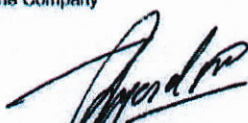


SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Changes in Equity
For the year ended Ashad 31, 2078 (July 15, 2021)


<u>Particulars</u>	<u>Issued Capital (NRS)</u>	<u>Retained Earnings (NRS)</u>	<u>Total (NRS)</u>
<u>FY 2020-21</u>			
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
<u>FY 2019-20</u>			
Balance as at July 17, 2019 (corresponding to Shrawan 1, 2076)	7,916,372,200	60,882,546	7,977,254,746
<i>Total Comprehensive Income attributable to owners</i>			
Profit/(Loss) for the year	-	159,699,694	159,699,694
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	159,699,694	159,699,694
<i>Transaction with owners recorded directly in equity</i>			
Issue of ordinary share	5,638,400,000	-	5,638,400,000
Total contributions by owners	5,638,400,000	-	5,638,400,000
Balance as at July 15, 2020 (corresponding to Ashad 31, 2077)	13,554,772,200	220,582,240	13,775,354,440


For and on behalf of the Company

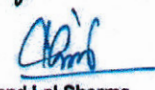

Sujit Jha
 Company Secretary


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 Dhillon
 Chief Executive Officer


Nand Lal Sharma
 Chairman and Managing Director

Place: Kathmandu
 Date: 2078.09.23




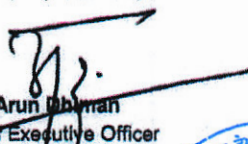
SJVN Arun-3 Power Development Company Pvt. Ltd.
Statement of Cash Flows
For the year ended Ashad 31, 2078 (July 15, 2021)

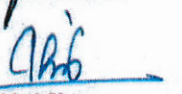
<u>Particulars</u>	<u>Year ended Ashad 31, 2078 (July 15, 2021) (NRS)</u>	<u>Year ended Ashad 31, 2077 (July 15, 2020) (NRS)</u>
A. Cash flows from operating activities		
Profit/(Loss) for the year from continuing operations	175,708,530	159,699,694
Adjustment for operating assets and liabilities:		
(Increase)/decrease in Advance to Contractors	425,168,895	532,219,964
Net cash used by operating activities-(A)	600,877,425	691,919,658
B. Net cash used by investing activities		
Purchase of property, plant and equipment (including IA)	(335,259,954)	(229,685,503)
Increase in Project WIP	(9,669,093,282)	(8,223,890,155)
(Increase)/decrease in Financial Assets	(28,514,176)	81,169,962
(Increase)/decrease in Other Assets	(1,187,581,661)	(1,570,668,077)
Increase/(decrease) in Provisions	(28,409,217)	(30,443,029)
Increase/(decrease) in Financial Liabilities	290,743,658	708,717,963
Increase/(decrease) in Other Liabilities	(668,815,185)	2,802,091,845
Net cash used by investing activities-(B)	(11,626,929,817)	(6,662,708,994)
C. Cash flows from financing activities		
Proceeds from the issue of equity share capital	10,880,000,000	5,638,400,000
Interest and Finance Charges		496,916,670
Net cash generated by investing activities-(C)	10,880,000,000	6,135,316,670
Net increase in cash and cash equivalents-(A+B+C)	(146,052,392)	164,529,334
Cash and cash equivalents at the beginning of the year	373,013,455	208,484,121
Cash and cash equivalents at the end of the year	226,961,063	373,013,455
Reconciliation of Cash and Cash Equivalents:- (Note-8)		
Bank Balance	81,270,398	372,113,455
Restricted Balances (FD pledge as margin against LC/BG)	145,690,665	900,000
	226,961,063	373,013,455

For and on behalf of the Company



Sujit Jha
 Company Secretary


Jitendra Yadav
 Chief Financial Officer

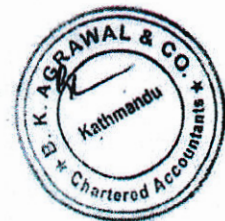

Arun Bhuyan
 Chief Executive Officer


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: 2078.09.23



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2078 (July 15, 2021)

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 also 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. Dam abutment stripping at left and right bank is nearly completion.

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 is manufacturing/processing various components of HM works at their workshop which will be further transported to Site for erection.

Electromechanical Package-4 was awarded on 30th April, 2018 to M/s BHEL Ltd The design of major electro-mechanical components has been completed and manufacturing of various components 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 is under execution.

Power Evacuation System: Power Evacuation system consists of 310 km long 400 kV DC transmission line from Diding (project area) in Nepal through Dhalkebar (Nepal Border) to Muzzafarpur, 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 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 31, 2078 (July 15, 2021)

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 and TW-2 has been awarded to M/s Apar Industries Limited and M/s Necon infra projects Limited respectively.

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. Equity contribution from SJVN Ltd. is proposed to be used upfront for financing the project cost. 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 Company has been achieved on 06th Febuary,2020 and drawl of instalments of term loan is scheduled during the financial year 2078-79.

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.

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.



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2078 (July 15, 2021)

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 does not have any item covered under finance lease which needs disclosure as per NFRS. All other leases are classified as operating leases. Lease payments made under operating leases are recognized under Capital Work in Progress (CWIP) on contractual rent amount basis over the lease term unless another systematic basis is more representative of the time pattern of the lessee's benefit.

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.

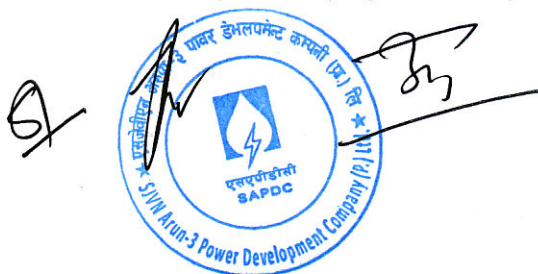
Expenditure incurred on assets under construction (a project) is carried at cost under CWIP. Such cost comprises of purchase price of asset including other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner.

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.

- 100% remuneration to Company Secretary and 10% remuneration in case of CEO and CFO
- Audit fee and Audit expenses.
- 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.



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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2078 (July 15, 2021)

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.

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).



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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2078 (July 15, 2021)

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.

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 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.



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SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2078 (July 15, 2021)

- 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.

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.

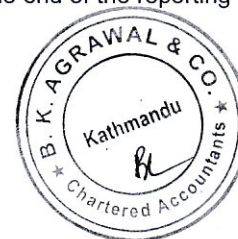
b. Deferred tax

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.



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2078 (July 15, 2021)

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.

As the Company is not yet operational, it has been earning income only from the advances given (out of equity) to contractors as per contract conditions and earning of bank interest on surplus fund/FD 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

The Company currently has no transactions, which expose it 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 not material.

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.



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2078 (July 15, 2021)

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, loss due to fire, donation and 100% remuneration of Company Secretary and 10% remuneration in case of CEO and CFO.



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2078 (July 15, 2021)

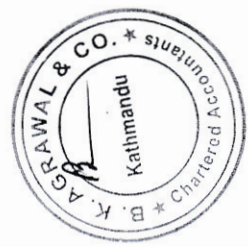
Note 3: Property, plant and equipments
(see accounting policy in note 2.7)

<u>Particulars</u>	<u>Land (NRS)</u>	<u>Buildings (NRS)</u>	<u>Roads and Bridges (NRS)</u>	<u>Plant and Machinery (NRS)</u>	<u>Furniture Fixtures and Equipments (NRS)</u>	<u>Electrical Works (NRS)</u>	<u>Electrical Equipments (NRS)</u>	<u>Office Equipments (NRS)</u>	<u>Data Processing Equipments (NRS)</u>	<u>Capital Assets Not Owned by Company (NRS)</u>	<u>Total (NRS)</u>
<u>Cost</u>											
Balance as at Shrawan 1, 2077 (July 16, 2020)	1,393,903,287	158,931,593	55,102,085	2,773,804	61,462,223	11,325,296	15,065,066	10,018,791	10,891,865	16,883,550	1,736,357,560
Addition during the year	36,289,365	266,741,278	-	8,793,410	12,052,656	7,686,225	1,440,890	113,000	1,846,400	-	334,963,224
Adjustment/(Transfer) during the year	-	-	-	-	-	-	-	(290,132)	(2,080,000)	-	(2,370,132)
Balance as at Ashad 31, 2078 (July 15, 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
<u>Accumulated Depreciation</u>											
Balance as at Shrawan 1, 2077 (July 16, 2020)	-	14,534,289	3,680,808	176,216	10,924,155	2,303,654	2,914,014	2,117,184	8,384,058	16,883,550	61,917,928
Depreciation for the year	-	15,581,456	1,840,406	450,251	4,427,677	816,482	999,230	613,650	2,242,108	-	26,971,260
Depreciation on adjustment/(transfer) during the year	-	-	-	-	-	-	-	(274,470)	(2,080,000)	-	(2,354,470)
Balance as at Ashad 31, 2078 (July 15, 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
<u>Net Carrying Value</u>											
Balance as at Ashad 31, 2077 (July 15, 2020)	1,393,903,287	144,397,304	51,421,277	2,597,588	50,538,068	9,021,642	12,151,052	7,901,607	2,507,807	-	1,674,439,632
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



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SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2078 (July 15, 2021)

Note 4: Capital Work-in-Progress
(see accounting policy in note 2.9)

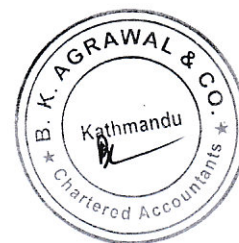
<u>Particulars</u>	<u>July 17, 2019 (NRS)</u>	<u>Addition during FY 2076/77 (NRS)</u>	<u>July 15, 2020 (NRS)</u>	<u>Addition during FY 2077/78 (NRS)</u>	<u>Ashad 31, 2078 (July 15, 2021) (NRS)</u>
Access Road	2,119,564,223	727,689,024	2,847,253,247	819,017,019	3,666,270,266
Building under construction	209,376,160	92,261,362	301,637,522	(52,324,574)	249,312,948
Civil works	1,254,990,655	4,816,881,082	6,071,871,737	5,393,955,666	11,465,827,403
Electrical works	146,340,776	114,078,285	260,419,061	384,813	260,803,874
Electro Mechanical Works	198,568,163	515,815,947	714,384,110	(74,372,233)	640,011,877
Expenditure incurred during construction (see Note 4.1)	2,849,579,818	1,237,634,998	4,087,214,816	1,071,488,278	5,158,703,094
Transmission Line	-	-	-	2,927,991,083	2,927,991,083
Others*	910,230,457	257,097,378	1,167,327,835	(389,755,318)	777,572,517
Total	<u>7,688,650,252</u>	<u>7,761,458,076</u>	<u>15,450,108,328</u>	<u>9,696,384,734</u>	<u>25,146,493,062</u>

* 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.

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

During the year, Building amounting NPR 26,67,41,278/- has been capitalised and shown as addition during the year 2077-78 in note-3. The Figure appearing above as addition during FY 2077/78 in Building under Construction is net of addition and capitalization during the year 2077/78.



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2078 (July 15, 2021)

Note 4.1: 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, 2078 (July 15, 2021) (NRS)</u>	<u>Year ending Ashad 31, 2077 (July 15, 2020) (NRS)</u>
Employee Benefit Expenses:		
Salaries, Wages, Allowances and Benefits	490,627,550	480,874,965
Contribution to Provident and Other Funds	34,665,649	32,401,745
Welfare Expenses	278,881,427	281,576,215
	804,174,626	794,852,925
Repair and Maintenance:		
Buildings	1,025,247	3,526,481
Electrical Installations	57,487	1,804,547
Others	376,214	1,081,386
	1,458,948	6,412,414
Project Office Expenses		
Running & maintenance of Office	20,628,613	15,263,816
Rent	7,904,925	6,843,126
Insurance	1,045,077	898,170
Security Expense	25,597,620	14,386,224
Electricity Charges	4,665,127	3,586,359
Travelling and Conveyance	2,955,430	14,481,549
Training and Recruitment Expense	1,043,542	3,210,443
Legal Expense	2,620,750	3,532,114
Professional and Consultancy Charges	56,423,356	236,344,817
Communication Expense	7,057,163	3,365,686
Printing and Stationery	886,841	26,324
	130,828,444	301,938,628
Other expenses		
Advertisement & Publicity	2,622,359	2,136,753
EDP Expense	3,595,526	5,600,874
Hiring of Vehicles	84,369,895	65,648,249
Entertainment Expense	179,872	65,935
License Fee	-	900,000
Business Promotion Expenses	152,567	7,016,338
Environment & Ecology Expenses	14,343,527	4,591,079
Safety expenses	1,218,396	256,163
Expenses on departmental meetings	365,296	1,010,592
Expenses on visits of dignitaries	10,074,008	10,236,550
Rehabilitation and resettlement expenses	6,400,859	2,344,235
Internal Audit Fees & Expenses	233,946	372,662
Miscellaneous Expenses	6,797,860	5,313,859
Depreciation and Amortization Expense	27,291,452	34,484,591
	157,645,563	139,977,880
Interest and Finance Charges:		
Other finance charges	278,788	5,437,017
	278,788	5,437,017
Total Expense	1,094,386,369	1,248,618,864
Less: Recovery & Receipts		
Employees	-	-
Contractors	-	-
Misc. Income	(22,898,091)	(10,983,866)
	(22,898,091)	(10,983,866)
Net expenditure attributable to capital work in progress	1,071,488,278	1,237,634,998

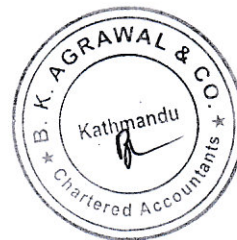


SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2078 (July 15, 2021)

Note 5: Intangible Assets

<u>Particulars</u>	<u>Intangible Assets (NRS)</u>	<u>Total (NRS)</u>
<u>Cost</u>		
Balance as at Shrawan 1, 2077 (July 16, 2020)	648,281	648,281
Addition during the year	312,393	312,393
Transfer/Adjustment during the year	-	-
Balance as at Ashad 31, 2078 (July 15, 2021)	960,674	960,674
<u>Accumulated Depreciation</u>		
Balance as at Shrawan 1, 2077 (July 16, 2020)	309,048	309,048
Depreciation for the year	320,193	320,193
Depreciation on transfer/adjustment during the year	-	-
Balance as at Ashad 31, 2078 (July 15, 2021)	629,241	629,241
<u>Net Carrying Value</u>		
Balance as at Ashad 31, 2076 (July 15, 2020)	339,233	339,233
Balance as at Ashad 31, 2078 (July 15, 2021)	331,433	331,433

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



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2078 (July 15, 2021)

Note 6: Financial assets- Advance and deposits

(see accounting policy in note 2.11.A)

<u>Particulars</u>	As at Ashad 31, 2078 (July 15, 2021) (NRS)	As at Ashad 31, 2077 (July 15, 2020) (NRS)
Advance to employee*	12,443,348	16,258,670
Security deposit	1,038,605	898,105
Accrued interest on advance to contractors-current	58,816,712	42,722,213
Total	72,298,665	59,878,988
	71,260,060	58,980,883
Current		
Non-Current	1,038,605	898,105

*Advance to employee includes interest free advances for transfer advance, furniture and multi purpose. Such advances are recovered from monthly remuneration of respective employees.

Note 7: Other assets

<u>Particulars</u>	As at Ashad 31, 2078 (July 15, 2021) (NRS)	As at Ashad 31, 2077 (July 15, 2020) (NRS)
Prepaid Expenses	496,466,670	496,916,670
Mobilization advance to government agencies	27,197,438	30,583,890
Advance to government departments	442,583,132	68,623,784
Advance against bank guarantee including Mobilization	1,524,880,805	1,245,006,654
Machinery/equipment advance against hypothecation	528,939,374	440,130,878
Advance to contractors- capital un secured	534,846,889	494,455,140
Other advances	76,000	766,027
Total	3,554,990,308	2,776,483,043
	2,302,737,549	1,070,292,100
Current		
Non-Current	1,252,252,759	1,706,190,943

Note 8: Cash & cash equivalents

(see accounting policy in note 2.12)

<u>Particulars</u>	As at Ashad 31, 2078 (July 15, 2021) (NRS)	As at Ashad 31, 2077 (July 15, 2020) (NRS)
Cash in Hand	-	-
Bank Balance including Short term deposit	81,270,398	372,113,455
Restricted Balances-		
Margin Money deposited with banks	145,690,665	900,000
Total	226,961,063	373,013,455



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2078 (July 15, 2021)

Note 9: Share Capital

(see accounting policy in note 2.13)

<u>Particulars</u>	As at Ashad 31, 2078 (July 15, 2021) (NRS)	As at Ashad 31, 2077 (July 15, 2020) (NRS)
Authorized Capital		
Ordinary 24,75,00,000 Shares @ NPR 100 each	24,750,000,000	24,750,000,000
Total	<u>24,750,000,000</u>	<u>24,750,000,000</u>
Issued Capital		
Ordinary 24,75,00,000 Shares @ NPR 100 each	24,750,000,000	24,750,000,000
Total	<u>24,750,000,000</u>	<u>24,750,000,000</u>
Subscribed and paid up capital (Ordinary)		
Ordinary 24,43,47,722 Shares (PY: 13,55,47,722) @ NPR 100 each	24,434,772,200	13,554,772,200
Total	<u>24,434,772,200</u>	<u>13,554,772,200</u>

Reconciliation of number of shares

<u>Particulars</u>	As at Ashad 31, 2078 (July 15, 2021) (NRS)	As at Ashad 31, 2077 (July 15, 2020) (NRS)
Number of shares at the beginning of the year	135547722	79163722
Add: Issue during the year	108800000	56,384,000
Number of Shares at the end of the year	<u>244347722</u>	<u>135547722</u>

Note 10: Provisions

(see accounting policy in note 2.14)

<u>Particulars</u>	As at Ashad 31, 2078 (July 15, 2021) (NRS)	As at Ashad 31, 2077 (July 15, 2020) (NRS)
Provision for Performance Related Pay	11,604,750	40,013,967
Total	<u>11,604,750</u>	<u>40,013,967</u>
Current	<u>11,604,750</u>	<u>40,013,967</u>
Non- Current	<u>-</u>	<u>-</u>



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2078 (July 15, 2021)

Note 11: Advance and other payables
(see accounting policy in note 2.11.B)

<u>Particulars</u>	<u>As at Ashad 31, 2078 (July 15, 2021) (NRS)</u>	<u>As at Ashad 31, 2077 (July 15, 2020) (NRS)</u>
Security deposit collected from contractors	1,014,423,867	6,361,558
Earnest money deposit	6,641,777	5,634,439
Retention money	274,832,445	662,397,245
Audit fee payable	226,000	226,000
Internal audit fee payable	226,000	226,000
Leave and pension contribution payable	2,183,757	2,183,757
Gratuity payable	267,691	267,691
Liability for Employees' Remuneration and Benefits	1,383,627	1,876,513
Other payables	429,908,301	760,176,604
Total	1,730,093,465	1,439,349,807
	Current	857,241,816
	Non- Current	582,107,991

Note 11.1: 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

	<u>FY 2020-21</u>	<u>FY 2019-20</u>
Mortality Table	IALM (2012-14)	IALM (2012-14)
Discount rate	6.75%	6.78%
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

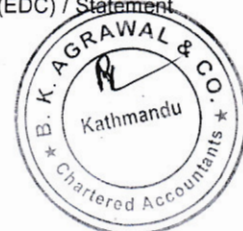
a) Defined Contribution plans:-

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 1,46,72,236 (Previous Year: NPR 14,609,547) 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 1,40,76,870 (Previous Year : NPR 13,094,961) and is recognized on accrual basis. The same is recognised as expense, charged to Expenditure during Construction (EDC) / Statement of Profit & Loss account.



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2078 (July 15, 2021)

iii) Social Security Fund:

In terms of Labour Act of Nepal, Company has also contributed an amount of NPR 874563 (Previous Year: NPR 996,076) 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 41,33,427 including actuarial gain/loss amounting of NPR 4,81,272 (Previous Year : NPR 73,50,039 including actuarial gain/loss of NPR 33,25,335) 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 4,59,34,739 (Previous Year: NPR 31,611,206 including actuarial gain/loss of NPR 18,946,413) 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 15.07.2021 in respect of employees recruited from Nepal during the year and same has been charged to Expenditure during Construction.

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 23,75,176 including actuarial gain/loss of NPR 10,08,798 (Previous Year: NPR 7,637,505 including actuarial gain/loss of NPR 5,433,022) 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 6,59,664 including actuarial gain/loss of NPR 562118 (Previous Year: NPR 659,372 including actuarial gain/loss of NPR 304,759) and provided on the basis of actuarial valuation. The same is recognised as expense, charged to Expenditure during Construction (EDC).

11.2 Disclosure Related to Reclassification:

TDS Payable has been reclassified in PY from Financial Liability to Other Current Liabilities in Current Year.



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2078 (July 15, 2021)

Note 12: Other current liabilities

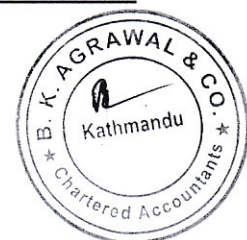
<u>Particulars</u>	As at Ashad 31, 2078 (July 15, 2021) (NRS)	As at Ashad 31, 2077 (July 15, 2020) (NRS)
Advance against Equity (SJVN Limited)	3,720,000,000	4,600,000,000
Payable to Holding Company-Current A/C	433,578,953	407,566,005
Other liabilities-Construction projects	165,542,896	6,477,611
TDS payable *	52,828,222	52,444,251
Fund received-SJVN Ltd-Lower Arun A/C	1,152,000,000	
Less: Utilized for SJVN-Lower Arun**	1,122,816,000	-
Total	4,401,134,071	5,066,487,867

* TDS Payable has been reclassified in PY from Financial Liability to Other Current Liabilities.

** Includes Fixed Deposit of NPR 78.00 Cr. pledged as margin against BG to IBN, GoN for Lower Arun

Note:- 13 Current Tax Assets/(Liability)

<u>Particulars</u>	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)	Year ended Ashad 31, 2077 (July 15, 2020) (NRS)
Advance Tax	24,000,000	31,913,134
Tax Deducted at Sources	25,052,662	31,644,871
Less: Provision for Tax	58,647,871	76,614,603
Net	(9,595,209)	(13,056,598)



SJVN Arun-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts for the year ended Ashad 31, 2078 (July 15, 2021)

Note 14: Other Income

<u>Particulars</u>	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)	Year ended Ashad 31, 2077 (July 15, 2020) (NRS)
Bank interest	10,865,255	4,450,591
Interest on Contractors Advance	229,436,549	206,541,432
Miscellaneous income	189,231	8,024,090
Total	240,491,035	219,016,113

Note 15: Employee benefits expenses
(see accounting policy in note 2.15)

<u>Particulars</u>	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)	Year ended Ashad 31, 2077 (July 15, 2020) (NRS)
Salaries, Wages, Allowances and Benefits	3,996,027	3,877,358
Contribution to Provident and Other Funds	318,806	323,543
Welfare Expenses	1,547,636	1,571,046
Total	5,862,469	5,771,947

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 of Company Secretary and 10% of salary of Chief Executive Officer (CEO) and Chief Finance Officer (CFO).

Note 16: Other expenses

<u>Particulars</u>	Year ended Ashad 31, 2078 (July 15, 2021) (NRS)	Year ended Ashad 31, 2077 (July 15, 2020) (NRS)
Consultancy charges	-	-
Audit Fee-Statutory	226,000	226,000
Audit expenses	46,165	85,240
Total	272,165	311,240



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2078 (July 15, 2021)

17. Other Explanatory Notes:

17.1 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 should plant 8,272 numbers of plants within a said land area of 123.18 hectares. The cost of such plantation cannot be estimated reliably as on date.

17.2 Contingent Assets

There are no contingent assets as on date.

17.3 Public Interest Litigation

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

17.4 Related Party Transactions and balances

A. Details of related party and relationship

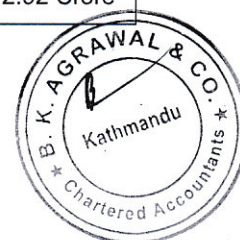
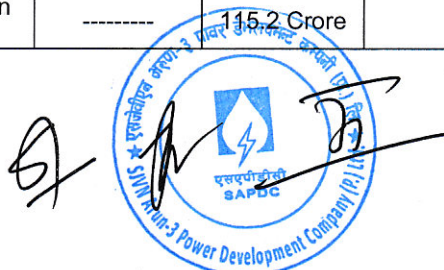
Related Party	Nature of Relationship
SJVN Ltd.	Parent company
Fellow Subsidiary Company	None
Directors and Key Management Personnel:	
Sh. Nand Lal Sharma	Chairman and Managing Director (CMD)
Sh. Rakesh Kumar Bansal	Director (up to 31.07.2020)
Smt. Geeta Kapur	Director
Sh. Surinder Pal Bansal	Director
Sh. Akhileshwar Singh	Director
Sh. Sushil Kumar Sharma	Director (w.e.f. 01.08.2020)
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 15.7.2021	As at 15.07.2020
SJVN Limited	Power Generation	100%	100%

C. Transactions and Balances with holding Company

Particulars	Nature of transactions	(Amount in NPR)			
		Balance as at 16 th July, 2020	Transactions during FY 2020-21	Equity share issued during the FY 2020-21	Balance as at 15 th July, 2021
		1	2	3	4 (1+2-3)
Payable to SJVN Ltd.	Advance against Equity	460 Crore	1000 Crore	1088 Crore	372 Crore
Payable to SJVN Ltd.	Current Account	40.76 Crore	2.60 Crore	-	43.36 Crore
SJVN Ltd-Lower Arun Account	For Lower Arun Project	-----	115.2 Crore	-	2.92 Crore



SJVN ARUN-3 Power Development Company Pvt. Ltd.
Notes forming part of the Accounts as on Ashad 31, 2078 (July 15, 2021)

D. Remunerations to Key Management Personnel

Particulars	(Amount in NPR)	
	FY 2020-21	FY 2019-20
Salary	24,171,627	25,933,122
Contribution to Provident Fund & Pension	1,897,845	1,937,721
Other Benefits	13,313,207	15,710,458
Total *	39,382,679	43,581,301

*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.

17.6 Event after reporting period

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

17.7 Capital Commitment

Estimated amount of contracts remaining to be executed on capital account and not provided for is NPR 3,453.3 Cr.

17.8 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.



कर लेखापरीक्षण प्रतिवेदन

श्री एसजेभीएन अरुण ३ पावर डेभलपमेन्ट कम्पनी प्रा.लि. (स्थायी लेखा नम्बर ६०१३२९६३६) ले आयकर ऐन २०५८ को दफा ८१ बमोजिम आ.व. २०७७/७८ को लागि राखेको कागजातहरु जांच गरेका छौं । आय विवरण तथा सोसंग संलग्न विवरणहरु प्रतिको उत्तरदायित्व कम्पनीको व्यवस्थापनमा रहेको छ । प्राप्त विवरण तथा जानकारीले कारोवारको स्थितिको हाम्रो रायमा यथार्थ चित्रण गरेको देखिन्छ । यो आय विवरण प्रमाणित गर्ने सम्बन्धमा हाम्रो टिप्पणीहरु यसै साथ संलग्न छन् ।

टिप्पणी:

१. कम्पनी निर्माणाधीन अवस्थामा रहेकोले कुनै कारोवार गरेको छैन । यस आ.व.मा कम्पनीले आर्जन गरेको व्याज तथा अन्य आम्दानी करयोग्य आय भएकोले सो लाई मुनाफा तथा लाभमा समावेश गरी विवरण १ मा देखाइएको छ ।
२. आयकर ऐन २०५८ बमोजिम अन्य कट्टी हुने खर्चहरुको गणना विवरण २ मा गरीएको छ ।
३. प्रशासकिय खर्चहरुलाई यस वर्षको आयमा घटाई कर योग्य नाफा/(नोक्सान) को गणना गरीएको छ । तथा आयोजना निर्माणसंग सम्बन्धित खर्चहरुलाई पूंजीकृत गरीएको छ ।
४. वित्तीय विवरणको अनुसूचीहरुमा उल्लेख भएको "प्रमुख लेखा नीति तथा लेखा सम्बन्धी टिप्पणी" को समेत आधार लिई कर लेखापरीक्षण गरिएको छ ।
५. आय विवरणको अनुसूची १३ "वित्तीय तथा खरीद विक्री विवरण" मा देखाइएका खरिद (विक्री नभएको), आसामी तथा साहुको सम्बन्धमा सम्बन्धित निकायहरुको समर्थन पत्र (Confirmation) हामीलाई उपलब्ध गराइएको छैन ।
६. आय विवरणमा उल्लेखित हिसाबहरु लेखापरीक्षण सिद्धान्त अनुसार छड्के परीक्षणमा आधारित छ ।
७. कम्पनीले आर्जन गरेको मुनाफा तथा लाभबाट आयकर ऐन, २०५८ बमोजिम कट्टी हुने खर्च कट्टी गरी आ.व. २०७७/७८ को व्यवसायको निर्धारणयोग्य आय/(नोक्सानी) को गणना संलग्न अनुसूची "५" मा गरिएको छ ।

काठमाडौं

मिति: २०७८.०९.२३

लेखापरीक्षकको दस्तखत:

नाम : वि.के. अग्रवाल, चार्टर्ड एकाउण्टेण्ट

वि.के. अग्रवाल एण्ड कं.

ठेगाना : सिफल वडा नं. ७, काठमाडौं

स्थायी ले.नं. ५०००६५०६६

व्य.ले.प्र.प.नं.: ८

UDIN: 220109CA00018s0CRZ



एसजेभीएन अरुण ३ पावर डेभलपमेन्ट कम्पनी प्रा.लि.

आ.ब.२०७७/७८

आय विवरणसंग सम्बन्धित विवरणहरू

विवरण - १

आयबाट प्राप्त रकमहरू

विवरण	वास्तविक आय	समावेश नहुने आय	समावेश हुने आय
Sales	-	-	-
Sub Total (A)	-	-	-
Investment Income			
Bank Interest	१०,८६५,२५५	-	१०,८६५,२५५
Interest on Contractors' Advance	२२९,४३६,५४९	-	२२९,४३६,५४९
Sub Total (B)	२४०,३०१,८०४	-	२४०,३०१,८०४
Other Income:			
Miscellaneous income	१८९,२३१	-	१८९,२३१
Sub Total (C)	१८९,२३१	-	१८९,२३१
Total (A+B+C)	२४०,४९१,०३५	-	२४०,४९१,०३५

विवरण - २

आयकर ऐन बमोजिम कट्टा हुने अन्य खर्चहरू

विवरण	वास्तविक खर्च	मिन्हा नहुने खर्च	मिन्हा हुने खर्च
Administrative Expenses			
Audit Fee-Statutory	२२६,०००		२२६,०००
Audit expenses	४६,१६५		४६,१६५
Total (A)	२७२,१६५	-	२७२,१६५
Others			
Salaries, Wages & Other Benefits	३,९९६,०२७	-	३,९९६,०२७
Contribution to Provident and Other Funds	३१८,८०६	-	३१८,८०६
Welfare Expenses	१,५४७,६३६	-	१,५४७,६३६
Total (B)	५,८६२,४६९	-	५,८६२,४६९
Total (A+B)	६,१३४,६३४	-	६,१३४,६३४

