Samling Power Company Limited
Lalitpur, Nepal

Statement of Financial Position
For the period ending 1st and 2nd Quarter, 2077

Amount in NPR

Particulars	Note	29.09.2077	30.06.2077	31.03.2077
Assets				
Non-Current Assets				
Property, Plant and Equipment	3	15,639,285	15,639,285	15,639,285
Intangible Assets	4	6,554	6,554	6,554
Capital Work-in-progress	5	1,186,369,640	1,059,708,590	962,489,180
Financial Assets				
Financial Investments - Held to Maturity	6.6	5,000,000	5,000,000	5,000,000
Total Non-Current Assets		**1,207,015,479**	**1,080,354,429**	**983,135,020**
Current Assets				
Financial Assets				
Cash and Cash Equivalents	6.7	6,868,819	47,428,502	5,712,574
Bank balance other than cash and cash equivalents	6.8	16,308,008	17,708,508	26,561,609
Trade Receivables	6.9	-	-	-
Other Financial Assets	6	471,475,761	534,641,113	432,413,622
Total Current Assets		**494,652,589**	**599,778,123**	**464,687,804**
Total Assets		**1,701,668,068**	**1,680,132,552**	**1,447,822,824**
Equity and Liabilities				
Equity				
Equity Share capital	7	377,000,000	377,000,000	377,000,000
Advance for Share Capital	8	-	-	-
Reserve and Surplus	9	(4,629,847)	(4,629,847)	(4,629,847)
Total Equity		**372,370,153**	**372,370,153**	**372,370,153**
Liabilities				
Non-Current Liabilities				
Financial Liabilities				
Borrowings	6.10	1,284,516,961	1,248,132,061	991,159,497
Total Non-Current Liabilities		**1,284,516,961**	**1,248,132,061**	**991,159,497**
Current Liabilities				
Financial Liabilities				
Trade and other payables	6.11	43,097,207	58,395,367	82,049,766
Provisions	11	471,928	471,928	471,928
Other Current Liabilities	12	1,211,819	763,041	1,771,479
Total Current Liabilities		**44,780,954**	**59,630,336**	**84,293,174**
Total Liabilities		**1,329,297,915**	**1,307,762,398**	**1,075,452,671**
Total Equity and Liabilities		**1,701,668,068**	**1,680,132,552**	**1,447,822,824**

Samling Power Company Limited
Lalitpur, Nepal

Statement of Profit or Loss And Other Comprehensive Income
For the period ending 1st and 2nd Quarter, 2077

Amount in NPR

Particulars	Note	29.09.2077	30.06.2077	31.03.2077
Revenue				
Sale of Electricity		-	-	-
Cost of Sales				
Generation Expenses		-	-	-
Distribution Expenses		-	-	-
Gross Profit/(Loss)		**-**	**-**	**-**
Other Income				-
Depreciation		-	-	904,917
Amortization		-	-	6,554
Administrative and Other Operating Expenses		-	-	124,300
Profit from Operation		**-**	**-**	**(1,035,771)**
Finance Income		-	-	-
Profit Before Tax		**-**	**-**	**(1,035,771)**
Income Tax Expenses				
Current Tax				-
Deferred tax credit/charge				-
Profit for the year		**-**	**-**	**(1,035,771)**
Other Comprehensive Income:				
Other comprehensive Income not to be classified to profit or loss in subsequent periods				
i. Re-measurement (losses)/gains on post employment defined benefit plans				-
ii. Equity instruments through Other comprehensive Income				-
iii. Tax relating to items that will not to be reclassified to Profit and Loss				-
Other comprehensive gain/(loss) for the year, net of tax		-	-	-
Total comprehensive gain/(loss) for the year, net of tax		**-**	**-**	**(1,035,771)**
Earnings per equity share of Rs. 100 each				
Basic Earning per share		-	-	-
Diluted Earning per share		-	-	-

Samling Power Company Limited
Lalitpur, Nepal

Statement of Changes in Equity
For the period ending 1st and 2nd Quarter, 2077

Amount in NPR

Particulars	Share Capital	Reserves and Surplus	Calls in Advances	Total
Closing Balance as at Ashad 31, 2077	**377,000,000**	**(4,629,847)**	**-**	**372,370,153**
Issue of Share Capital	-		-	-
Comprehensive Income				
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Dividend to shareholders				-
Prior Year Adjustment				-
Closing Balance as at Ashad 31, 2077	**377,000,000**	**(4,629,847)**	**-**	**372,370,153**
Issue of Share Capital	-		-	-
Comprehensive Income				
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Dividend to shareholders				-
Prior Year Adjustment				-
Closing Balance as at Ashad 31, 2077	**377,000,000**	**(4,629,847)**	**-**	**372,370,153**

Samling Power Company Limited
Lalitpur, Nepal

Statement of Cash Flows
For the period ending 1st and 2nd Quarter, 2077

Amount in NPR

Particulars	29.09.2077	30.06.2077	31.03.2077
Cash Flows from Operating Activities			
Profit for the year	**-**	**-**	**(1,035,771)**
Adjustments			
Depreciation on Property, Plant and Equipments	-	-	904,917
Amortization of Intangible Assets	-	-	6,554
Working Capital Adjustments			
(Increase)/ Decrease in Other Current Assets	63,165,351	(102,227,491)	(11,383,756)
Increase/(Decrease) in Current liabilities	(14,849,382)	(24,662,838)	66,816,957
Cash generated from Operations			
Income Tax Paid	-	-	-
Prior Year Adjustment	-	-	-
Net Cash Flows from Operating Activities	**48,315,969**	**(126,890,329)**	**55,308,902**
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipments	-	-	(266,382)
Proceeds from sale of Property, Plant and Equipment	-	-	-
(Increase)/Decrease in Project work in progress	(126,661,050)	(97,219,409)	(564,678,534)
Net Cash Flows from Investing Activities	**(126,661,050)**	**(97,219,409)**	**(564,944,916)**
Cash Flows from Financing Activities			
Issue of Share Capital	-	-	70,950,000
Advance for Share Capital Increase (Decrease)	-	-	(5,500,000)
Borrowing (repaid)/ taken(net)	36,384,900	256,972,564	452,329,686
Dividend paid	-	-	-
Interest Paid	-	-	-
Net Cash Flows from Financing Activities	**36,384,900**	**256,972,564**	**517,779,686**
Increase/ (Decrease) in Cash and Cash Equivalents	**(41,960,182)**	**32,862,826**	**8,143,671**
Net Foreign exchange difference on Cash and Cash Equivalents			
Cash and Cash Equivalents at the beginning of the period	**65,137,010**	**32,274,183**	**24,130,513**
Cash and Cash Equivalents at the end of the period	**23,176,827**	**65,137,010**	**32,274,183**

Accounting Policies and Explanatory Notes to Financial Statements
Samling Power Co. Ltd.
For the period ending 1st and 2nd Quarter, FY 2077-78

1 General Information

Samling Power Co. Ltd. (herein after referred as "SPCL") is a limited liability company established in year 2070 B.S. (2014 A.D.) situated at Sanepa -2, Lalitpur, with an aim to develop Mai Beni Hydropower Project 9.51 MW using appropriate training, technology transfer and human resources. SPCL was converted into a public limited company in the year 2076 B.S. (2019 A.D.). The corporate office of SPCL is located at Sanepa-2, Lalitpur, Nepal.

The core business of SPCL includes:

- Generation of Hydroelectricity
- Distribution of Hydroelectricity
- Project development
- Investment in the shares of projects and other companies

2 Significant accounting policies:

2.1 Basis of Preparation and measurement

- **Statement of compliance**

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standard (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN) to the extent applicable. The financial statements have also been prepared in accordance with the relevant presentational requirements of Company Act, 2063 of Nepal.

- **Basis of Preparation**

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

- **Presentation Currency**

The financial statements are prepared in functional and presentation currency of the company i.e., Nepalese Rupee "NPR" which is the currency of the primary economic environment in which the company operates.

- **Basis of Measurement**

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

- **Accounting Convention**

The financial statements have been prepared on a historical cost convention except for certain financial elements that have been measured at fair value, wherever standard requires or allowed such measurement. The fair values, wherever used, are discussed in relevant Notes.

The financial statements are prepared on accrual basis. The financial statements have been prepared on a going concern basis. The company has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future.

- **Rearrangement and Reclassification**

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

2.2 Critical accounting estimates and judgments:

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the company's accounting policies. The company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

3 Property, Plant & Equipment

3.1 Accounting Policy

Property, Plant and Equipment (PPE) are those tangible assets that;

- Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Are expected to be used during more than one period.

PPE are stated in the SFP at their cost less accumulated depreciation and accumulated impairment losses, if applicable.

Assets are recognized as PPE, if and only if it is probable that future (i.e., for more than one accounting period) economic benefits associated with the items will flow to the Company; and the cost of the item can be measured reliably. But, currently, as the construction of hydropower project is on-going, only those assets are presented as PPE and are being depreciated, which are being used directly or indirectly for the construction of project.

PPE are stated in the SFP at their cost less accumulated depreciation and accumulated impairment losses, if applicable.

Cost

The initial cost of PPEs includes purchase price and directly attributable cost to bringing the asset to the location and conditions necessary for it to be capable of operating in the manner intended by management. Subsequent costs that do not qualify the recognition criteria under NAS 16 are expensed as and when incurred.

NAS 16 and IFRIC 1 require cost of PPE to include the estimated cost for dismantling and removal of the assets, and restoring the site on which they are located. Management perceives that such costs are difficult to estimate and considering the past practice the amount of such costs will not be material to affect the economic decision of the user as a result of such non-inclusion. Therefore, asset retirement obligation has not been recognized.

Depreciation

The management has estimated that the cost equals depreciable amount of the asset and thus the cost is systematically allocated based on the expected useful life of an asset.

If an item of PPE consists of several significant components with different estimated useful lives and if the cost of each component can be measured reliably, those components are depreciated separately over their individual useful lives. The residual values, useful lives and the depreciation methods of assets are reviewed at least annually, and if expectations differ from previous estimates, changes are made in the estimates and are accounted for as a change in accounting estimates in accordance with NAS 8.

Management has considered that the land used in the project will have the definite useful life under Built Own Operate and Transfer (BOOT) arrangement. As the company is not yet under operation, the management has determined that depreciation on land will commence from the year of its operation.

Whereas, if the management considers the assets to have an indefinite useful life (like Land except those land properties under BOOT project), no amortization/ depreciation is charged.

De-recognition

Assets that have been decommissioned or identified as damaged beyond economic repair or rendered useless due to obsolescence, are derecognized whenever identified. On disposal of an item of PPE or when no economic benefits are expected from its use or disposal, the carrying amount of an item is derecognized. The gain or loss arising from the disposal of an item of PPE is the difference between net disposal proceeds, if any, and the carrying amount of that item and is recognized in the Statement of Profit and Loss.

Estimation of Useful Lives and Depreciation Method used

Depreciation method has been selected considering the pattern of inflow of economic benefits to the organization and thereby assets are depreciated using diminishing balance method.

Class	Useful Life	Rate of Depreciation	Method
Land – Project	-	-	
Machineries & Equipment	18-20 years	15%	DBM
Office Equipment	10-11 years	25%	DBM
Furniture & Fixtures	10-11 years	25%	DBM
Vehicles	14-15 years	20%	DBM
Other Assets	10-11 years	25%	DBM

*DBM – Diminishing Balance Method

4 Intangible Assets

Acquired Intangible Assets

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits associated in the asset will flow to SPCL, and are amortized on the basis of their expected useful lives.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortized on the basis of expected useful life. Costs associated with maintaining software are recognized as an expense as incurred.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

5 Capital Work in Progress:

Accounting Policy

Assets in the course of acquisition and installation of new plant and equipment till the date of commissioning, or civil works under construction before the date of completion & all other attributable cost (including project administrative cost) are recognized as Capital Work in Progress (CWIP) and are carried at cost, less accumulated impairment losses, if any.

Depreciation on these assets commence when these assets are ready for their intended use. These items are shown at cost (including apportionment of directly attributable costs & capitalization of borrowing cost) and disclosed as CWIP.

Capital Work in Progress shall be recognized into Intangible Asset upon commencement of operation and amortization shall be calculated on the basis of the BOOT Arrangement.

The expenses which are directly attributable for the development of project are grouped as Capital Work in Progress. This majorly includes Project Management expenses, Environmental Mitigation and Social Management, Borrowing Cost, Infrastructure Development Expenses and Detailed Engineering and Supervision.

Particulars	FY 2077-78 2nd Quarter	Addition for the Period	FY 2077-78 1st Quarter	Addition for the Period	FY 2076-77
Civil Works	593,917,894	69,490,876	524,427,018	11,018,356	513,408,663
Electromechanical Equipments	172,598,567	11,669,740	160,928,827	16,160,458	144,768,369
Environmental Mitigation & Social Contribution	17,553,537	-	17,553,537	-	17,553,537
Hydromechanical Cost	126,787,486	24,193,669	102,593,817	36,992,667	65,601,151
Infrastructure Dev/ Access Road	22,119,450	-	22,119,450	-	22,119,450
Finance Costs	154,286,353	18,332,170	135,954,184	30,357,045	105,597,138
Project Management & Supervision	52,788,339	2,968,236	49,820,104	2,690,884	47,129,220
Site Expenses	11,656,929	6,360	11,650,569	-	11,650,569
Site Office Building & Camping Facility	4,661,084	-	4,661,084	-	4,661,084
Pre-operating Expenses	30,000,000	-	30,000,000	-	30,000,000
Total	**1,186,369,640**	**126,661,050**	**1,059,708,590**	**97,219,409**	**962,489,180**

5.1 Impairment of Property, Plant and Equipment

5.1.1 Application of Impairment Tests

Impairment of an item of PPE is identified by comparing the carrying amount with its recoverable amount. If individual asset does not generate future cash flows independently of other assets, recoverability is assessed on the basis of cash generating unit (CGU) to which the asset can be allocated.

At each reporting date the company assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. The recoverable amount of a CGU is determined at the higher of fair value less cost to sell on disposal and value-in-use. Generally recoverable amount is determined by means of discounted cash flows unless it can be determined on the basis of a market price. Cash flow calculations are supported by past trend and external sources of information and discount rate is used to reflect the risk specific to the asset or CGU.

5.1.2 Impairment Indication

There has been no apparent indication of impairment of PPE and/ or Capital Work in Progress taken as cash generating units (CGU). The recoverability of economic benefits from the existing PPE & CWIP is considered more than the carrying amount.

6 Financial Instruments

The company classifies financial assets and financial liabilities in accordance with the categories specified in NAS 32 and NAS 39.

6.1 Financial Instruments: Financial Assets

Financial asset is any asset that is:

a. cash
b. an equity instrument of another entity;
c. a contractual right
   i. to receive cash or another financial asset from another entity; or
   ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or
d. a contract that will or may be settled in the entity's own equity instruments and is:
   i. 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
   ii. 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.

Financial assets are classified under four categories as required by NAS 39, namely,

- Fair Value through Profit or Loss,
- Held to Maturity,
- Loans and Receivables and
- Available for Sale.

Financial assets of the Company comprise of Advances &Deposits, Trade Receivables and Cash and Bank Balances.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial resource will be recovered, other than because of credit deterioration.

Held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that SPCL's management has the intention and ability to hold to maturity.

Available-for-sale

Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

6.2 Financial Liabilities

A financial liability is any liability that is:

a. contractual obligation:
   i. to deliver cash or another financial asset to another entity; or
   ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
b. a contract that will or may be settled in the entity’s own equity instruments and is:
   (i) 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
   (ii) 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.

Financial Liabilities under NAS 39 are to be classified as Fair Value through Profit or Loss and those Held at Amortized Cost. All financial liabilities held by the Company are classified as financial liabilities held at amortized cost using effective interest rate.

Financial liabilities held by the company are non-interest bearing. The non-interest-bearing instruments’ carrying value represents the amortized cost

Financial liabilities held at amortized cost

Financial liabilities, not classified as held at fair value through statement of profit or loss which includes borrowings, are classified as amortized cost instruments.

6.3 Initial recognition

All financial instruments are initially recognized at fair value, which is normally the transaction price plus, for those financial assets and liabilities not carried at fair value through profit and loss, directly attributable transaction costs. Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and financial assets classified as held-to-maturity or available-for-sale are initially recognized on the trade-date (the date on which the SPCL commits to purchase or sell the asset).

6.4 Subsequent measurement

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the net trading income line in the statement of profit or loss.

Available-for-sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value taken to the available-for-sale reserve within equity until the asset is sold, or is impaired, at which point the cumulative gain or loss is transferred to the statement of profit or loss.

Loans and receivables and held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest rate method. However, it has not been done as the difference of using effective interest rate method and current method gives immaterial impact and the cost to generate the effective interest rate exceeds its benefit.

Financial liabilities are subsequently measured at amortized cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

6.5 Derecognition

Financial assets are derecognized when the right to receive cash flows from the assets have expired or where the SPCL has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and SPCL has retained control, the assets continue to be recognized to the extent of SPCL's continuing involvement.

Financial liabilities are derecognized when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expired.

Financial Assets

6.6 Financial Investments - Held to Maturity

Financial Investments includes the equity investments. None of these investments result in control or significant influence over the invested entities. These investments have been classified held to maturity. The movement in fair value of these instruments has been adjusted through other comprehensive income.

6.7 Cash and Cash Equivalent

Cash and cash equivalents include deposits account balances maintained with banks and financial institutions. These enable the Company to meet its short-term liquidity requirements.

The carrying amount of cash and cash equivalents approximates their fair value. They are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

These balances have been used as Cash and Cash Equivalents for the presentation of Statement of Cash Flows as well. Banks and financial institution in Nepal are closely regulated by the Central Bank. The Company closely assesses the risks of these instruments and there are no apparent indications of impairment of these balances.

6.8 Bank Balance other than cash and cash equivalent

Bank balance other than cash and cash equivalents includes the amount which is not convertible as and when required. Such amount includes but is not limited to the fixed deposits for period up to three months and Margin Deposits.

6.9 Trade Receivables

As a standard requirement of the PPA and IFRS 15 Revenue from Contracts with Customers, a hydropower generation company is required to sell the generated electricity to NEA (the sole distributor of electricity in Nepal) & therefore, such receivables will be classified as Trade Receivables upon incurrence.

Financial Liabilities

6.10 Borrowings

Term loan includes loan obtained from consortium arrangement of Nepal SBI Bank Limited and Siddhartha Limited.

6.11 Trade and other payables

Trade and other payables mainly consist of amounts the company owes to suppliers and government authority that have been invoiced or are accrued. These also include taxes due in relation to the company's role as an employer. These amounts have been initially recognized at cost and it is continued at cost as it fairly represents the value to be paid since it does not include interest on payment.

6.12 Valuation hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. SPCL recognizes transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

Level 1 - fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 - portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

Fair value of Financial Instruments held at Amortized Costs on recurring basis

The following table shows the carrying amounts and incorporates SPCL's estimate of fair value of those financial assets and liabilities not presented on the SPCL's statement of financial position at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instruments. For certain instruments, fair value may be determined using assumptions for which no observable prices are available.

6.13 Impairment of financial assets

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

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

7 Share Capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction net of taxes from the proceeds.

Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared.

8 Advance for Share Capital

Advance for Share Capital represents the capital received from the shareholders in advance that is yet to be registered in shareholder's register book;

Advance for Share capital of previous years has been transferred to Share capital during the reporting period as and when required.

9 Reserve and Surplus

Accounting Policy

The reserves include Retained earnings and other reserves. Movements in the reserves are given in detail in Statement of Changes in Equity.

10 Taxation

10.1 Current Tax

Current tax payable (or recoverable) is based on the taxable profit for the year. Taxable profit differs from the profit reported in the Statement of Profit or Loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible.

Mai Beni Hydropower Project will be granted a 10 years of full tax holiday plus 5 years of partial tax holiday starting from the date of generating electricity for commercial purpose under Income Tax Act, 2058 provided the commercial date of operation is before Chaitra end, 2080 B.S. the management of SPCL has estimated to operate the project commercially before Chaitra end, 2080 B.S.

However, the company has the policy of accounting for income tax liability pertaining to other incomes except electricity income in accordance with the Income Tax Act, 2058 enacted and as applicable in Nepal.

10.2 Deferred Tax

Deferred Tax is the tax expected to be payable or recoverable in future arising from:

a. temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit,

b. unused tax losses and/or

c. unused tax credits.

Deferred Tax Liabilities are generally recognized for all taxable temporary differences and Deferred Tax Assets recognized to the extent that is probable that taxable profit will be available against which Deferred Tax Assets can be utilized.

Mai Beni Hydropower Project will be granted a 10 years of full tax holiday plus 5 years of partial tax holiday starting from the date of generating electricity for commercial purpose under Income Tax Act, 2058 and, any tax losses incurred during tax holiday period is not allowed to be carried forward to the period or periods after the expiry of tax holiday period. Hence, only those portions of Deferred Taxes that will arise in tax holiday period & will reverse in the period or periods thereafter have been recognized in the financial statements.

11 Provisions

When the Company has a present obligation (legal or constructive) as a result of a past event, provisions are recognized only if it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. These provisions relate to provision for expenses.

12 Other Current Liabilities:

The management assessed that the fair values of other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

13 Revenue

Revenue from Sale of Electricity

SPCL has adopted the policy to recognize revenue from sale of electricity as per the rates specified in Power Purchase Agreement (PPA) signed between Nepal Electricity Authority and the Company. However, the project is under construction and no sale of electricity energy is in place. Therefore, revenue from sale of electricity has not been recognized.

14 Employee Benefits

14.1 Retirement benefit obligations

SPCL operates a defined contribution plan as provident fund contribution of its employees and defined benefit plan for the Gratuity payment requirement under its staff rules.

For defined contribution plan, SPCL pays contributions to an independently administered retirement fund on a mandatory basis, and such amounts are charged to operating expenses. SPCL has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the liability recognized in the statement of financial position (SFP) is the present value of the defined benefit obligation less the fair value of plan assets.

The defined benefit obligations are estimated on the basis of the prevailing Labor Act, 2074 of Nepal.

15 Administrative and Other Expenses

Since, all the costs are directly attributable cost of project, all the expenses have been capitalized to the project and no administrative expenses have been incurred.

16 Finance / Borrowing Cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are expensed in the period in which they occur.

Finance cost has been grouped to pre-operating expenses.

17 Related Party Transactions

17.1.1 Accounting Policy

The company has carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Nepal Accounting Standard - NAS 24 - ‘Related Party Disclosures’, except for the transactions that Key Management Personnel (KMPs) have availed under schemes uniformly applicable to all staff at concessionary rates. Those transactions include lending activities, acceptance of deposits, Off-Balance Sheet transactions and provision of other banking and finance services.

The Company identifies the following as the related parties under the requirements of NAS 24.

i. Directors of the Company and their close family members, if any
ii. Key Managerial Personnel and their close family members, if any
iii. Other Related Party

17.1.2 Those charged with Governance

Those charged with governance of the SPCL include members of Board of directors namely:

Name	Designation
Mr. Bijay Bahadur Rajbhandari (Representative of CE Construction)	Chairperson
Mr. Mohan Das Manandhar (Representative of Urja Developers)	Director
Mr. Shyam Milan Shrestha	Director
Mr. Gopal Manandhar	Director
Mr. Shambhu Prasad Phuyal	Director
Mr. Mohan Bikram Karki	Director
Mr. Bhanu Bhakta Pokharel	CEO/Director
Ms. Mangala Amatya	Director
Mr. Dinesh Shrestha	Independent Director
Mr. Raju Shakya	Independent Director

Meeting Allowance - The Board Members have not received any meeting allowances in the Current Fiscal Year.

17.1.3 Transactions with Key Management Personnel

SPCL considers Chief Executive Officer (CEO), Mr. Bhanu Bhakta Pokharel to be the Key Management Personnel. CEO has not drawn any salary and benefits during the reporting period.

17.2 Earnings per share:

Since the company has not earned income from production and distribution of electricity, earnings per share has not been calculated for the fiscal year.

18 Operating Segment

NFRS 8 Operating Segments requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers.

The Company has only one reportable operating segment (both in terms of geography and products) and therefore, identification, classification and disclosure of separate reportable operating segments in accordance with NFRS 8 is not disclosed separately.

19 Contingent Liabilities and Commitments

19.1 Contingent Liabilities

A contingent liability is identified as follows:

a. a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
b. a present obligation that arises from past events but is not recognized because:
    (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    (ii) the amount of the obligation cannot be measured with sufficient reliability. SPCL discloses contingent liabilities unless the possibility of an outflow of resources embodying economic benefits is remote.