

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF Sagarmatha Jalabidhyut Company Ltd.

Opinion

we have audited the accompanying financial statements of **Sagarmatha Jalabidhyut Company Ltd.** ('the company') which comprise the Statement of Financial Position as at **32 Ashad 2079, (16 July, 2022)**, Statement of Profit & Loss and Other Comprehensive Income, Statement of Changes of Equity, Statement of Cash flow for the year ended and Notes to The Financial Statements including summary of significant Accounting Policies.

In our opinion and best of our information and explanation provided to us, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at **32 Ashad 2079 (16 July, 2022)** and its financial performance and its cash flow for the year ended in accordance with Nepal Financial Reporting Standards (NFRS) and Companies Act 2063.

Basis for Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirement that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

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

Management of the company is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Nepal Financial Reporting Standards, including the accounting policies as adopted and for such internal control as management determines, is necessary to enable preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of 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. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements


On the basis of our examination and explanations given to us, we would like to report that:

- We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
- Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account subject to advance and party conformations.
- The Statement of Financial Position, Statement of Profit & Loss and Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity dealt with by this report are in agreement with the books of account maintained by the Company.
- During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company,
- Company has not deducted the amortization on the land advance (refer note 2 N) due to this profit of the company has been overstated.
- We have not come across any fraudulence in the accounts.

Place: Kathmandu

Date: 2079-04-20

For: G. Paudyal & Associates
Chartered Accountants


CA Anoj Kumar Neupane
Partner

UDIN Number:220809CA01618j96og

Sagarmatha Jalabidhyut Company Ltd.
Statement of Financial Position
As at 32 Ashad 2079 (16 July 2022)


Figures in NPR

Particular	Note	FY 2078-79	FY 2077-78
Assets			
Non Current Assets			
Property, Plant and Equipment	3	13,708,046	2,309,197
Intangible Assets	4	1,671,588,817	1,683,180,709
Total Non-Current Assets		1,685,296,863	1,685,489,906
Current Assets			
Investments	5.1.1	53,440,563	-
Investments In Term Deposit	5.1.2	20,000,000	
Trade Receivables	5.1.3	54,033,700	46,052,720
Cash and Cash Equivalents	5.1.4	8,480,757	43,318,214
Advance & Depsoits	6	82,663,694	49,121,589
Total Current Assets		218,618,715	138,492,523
Total Assets		1,903,915,578	1,823,982,429
Equity			
Share Capital	7	571,200,000	451,732,500
Reserves	8	65,201,342	54,811,901
Total Equity		636,401,342	506,544,401
Liabilities			
Non Current Liabilities			
Loans and Borrowings	9.1	1,163,652,166	1,253,317,475
Total Non-Current Liabilities		1,163,652,166	1,253,317,475
Current Liabilities			
Loans and Borrowings	9.2	93,654,438	47,704,000
Trade and Other Payables	5.2.1	5,710,767	12,247,372
Statutory Tax Liability	10	620,925	421,838
Employee Benefits Liabilities	11	3,229,966	3,747,344
Provisions	12	645,973	
Total Current Liabilities		103,862,070	64,120,553
Total Liabilities		1,267,514,236	1,317,438,028
Total Equity and Liabilities		1,903,915,578	1,823,982,429


The accompanying notes 1-27 are an integral part of these financial statements.

Date: 2079-04-20
Kathmandu

As per our report of even date


Accountant


Chairman


CA Anoj Kumar Neupane
Partner
G.Paudyal & Associates
Chartered Accountants


Director




Director

Sagarmatha Jalabidhyut Company Ltd.
Statement of Profit or Loss and Other Comprehensive Income
(On the basis of function)
For the year ended 32 Ashad 2079 (16 July, 2022)

Figures in NPR

Particular	Note	FY 2077-78	FY 2077-78
Revenue	13	269,010,189	228,414,566
Direct Expenses	14	20,020,210	7,475,447
Royalty Expenses	14.1	6,339,846	5,528,132
Gross Profit		242,650,133	215,410,987
Administrative Expenses	15	7,941,661	2,174,607
Employee Benefits Expenses	16.1	1,924,160	1,235,000
Depreciation Expenses	3	3,475,011	689,698
Amortization Expenses	4	55,719,627	51,934,550
Profit From Operations		173,589,674	159,377,132
Finance Income	15	803,749	-
Other Income	16	1,558,678	1,536,000
Finance Costs	17	109,033,079	108,624,657
Gain or (Loss) from Financial Assets	18	(370,841)	-
Profit Before Tax, Bonus & CSR		66,548,181	52,288,475
Staff Bonus		1,304,866	842,644
Profit Before Tax and CSR		65,243,315	51,445,831
Corporate Social Responsibility		645,973	-
Profit Before Tax and CSR		64,597,341	51,445,831
Income Tax Expense		-	-
Net Profit for The Year		64,597,341	51,445,831
Other Comprehensive Income			
Other Comprehensive Income Not to be		-	-
Reclassified to Profit or Loss in Subsequent			
Periods			
Loss on Revaluation		-	-
Cash Flow Hedges		-	-
Tax Relating to Components of Other		-	-
Comprehensive Income		-	-
Other Comprehensive Gain/(loss) For The		-	-
Year, Net of Tax			
Total Comprehensive Gain/(loss) For The		64,597,341	51,445,831
Year, Net of Tax			

The accompanying notes 1-27 are an integral part of these financial statements.

Date: 2079-04-20
Kathmandu

As per our report of even date

Accountant
Director

Chairman
Director

CA Anoj Kumar Neupane
Partner
G.Paudyal & Associates
Chartered Accountants



Sagarmatha Jalabidhyut Company Ltd.
Statement of Cash Flows
(Indirect Method)
For the year ended 32 Ashad 2079 (16 July 2022)

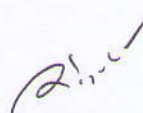
Figures in NPR

Particular	FY 2078-79	FY 2077-78
Cash Flows from Operating Activities		
Profit for the Year	64,597,341	51,445,831
Adjustment for:		
Depreciation and Amortization	59,194,638	52,624,248
Finance Income	(803,749)	-
Finance Expense	109,033,079	108,624,657
Loss/ (Gain) on Investment	370,841	-
Loss/ (Gain) on Sale of Property, Plant and Equipment	-	18,827
Income Tax Expense Charged to profit or loss Statement	-	-
Cash flow Before Changes in Working Capital	232,392,151	212,713,563
(Increase)/ Decrease in Trade Receivables, Advance & Deposits	(41,523,086)	542,482
Increase/ (Decrease) in Current Liabilities	(6,208,924)	(55,287,680)
Cash generated from Operations	184,660,141	157,968,365
Income Tax Paid	-	-
Net Cash Flows from Operating Activities	184,660,141	157,968,365
Cash Flow from Investing Activities		
Proceeds From Sale of Property, Plant and Equipment	-	25,000
Purchase of Property, Plant and Equipment	(14,873,860)	(21,960)
Purchase of Investments	(73,811,404)	-
Interest Received	803,749	-
Dividends Received	-	-
Purchase of Intangibles and CWIP	(44,127,734)	(132,235,917)
Net Cash flows from Investing Activities	(132,009,249)	(132,232,877)
Cash Flow from Financing Activities		
Proceeds From Advance for Share Capital	-	11,000,000
Issue of Share Capital	119,467,500	-
Increase/ (Decrease) in Loans & Borrowing	(26,358,647)	111,802,081
Finance Cost Paid	(126,389,303)	(108,624,657)
Dividend paid	(54,207,900)	-
Net Cash Flows from Financing Activities	(87,488,350)	14,177,424
Net Increase in Cash and Cash Equivalents	(34,837,457)	39,912,912
Cash and Cash Equivalents at The Beginning of The Fiscal Year	43,318,214	3,405,302
Cash and Cash Equivalents at The End of The Fiscal Year	8,480,757	43,318,214

Date: 2079-04-20
Kathmandu


Accountant


Director


Chairman


Director


CA Anoj Kumar Neupane
Partner
G. Paudyal & Associates
Chartered Accountants



Sagarmatha Jalabidhyut Company Ltd.
Statement of Changes in Equity
For the year ended 30 Chaitra 2078 (13 April 2022)

Figures in NPR

Particular	Share Capital	Retained Earning	Total
Balance at 1 Shrawan 2077	440,732,500	3,366,070	444,098,570
Profit for the year	-	51,445,831	51,445,831
Other Comprehensive Income	-	-	-
Surplus on revaluation of Properties	-	-	-
Deficit on revaluation of Investments	-	-	-
Issue of Share Capital	-	-	-
Issue of Advance for Share Capital	11,000,000	-	11,000,000
Balance at 31 Ashad 2078	451,732,500	54,811,901	506,544,401
Profit For The Year	-	64,597,341	64,597,341
Other Comprehensive Income	-	-	-
Surplus on Revaluation of Properties	-	-	-
Deficit on Revaluation of Investments	-	-	-
Issue of Share Capital	119,467,500	-	119,467,500
Dividends to Shareholders	-	(54,207,900)	(54,207,900)
Balance at 32 Ashad 2079	571,200,000	65,201,342	636,401,342

Date: 2079-04-20



Kathmandu


Accountant


Director


Chairman


Director



CA Anoj Kumar Neupane
Partner
G.Paudyal & Associates
Chartered Accountants





Sagarmatha Jalabidhyut Company Ltd.
Notes to The Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

1 Reporting Entity

Sagarmatha Jalabidhyut Company Ltd. (from hereon referred to as "SJCL" or "Company") was established and registered as a private limited company under Company Act 2063 on Mangsir 14, 2072 with the objectives to generation and distribution of electricity. The company was converted as Public Limited under Company Act 2063 on Falgun 18, 2077. The registered office of the Company is located at Anamanagar, Kathmandu. The hydroelectricity project undertaken by the company is "Super Mai A Hydropower Project" in Ilam district of Nepal with the capacity of 9.6 MW. The company entered into a power purchase agreement (PPA) with Nepal Electricity Authority (NEA) on Falgun 14, 2074. The project is constructed under BOOT Model i.e. project is required to transfer to the Government of Nepal on 2109/11/17.

The Company does not have any subsidiary or an interest in associates or joint venture. Thus, these financial statements are separate financial statements of the Company.

2 Significant Accounting Policies Of Financial Statements

A Basis of preparation

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the period presented in the financial statements. All assets and liabilities have been classified as current and non current as per the Company's normal operating cycle. Based on the the nature of 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 twelve months for the purpose of current or non current classification of assets and liabilities.

The financial statements comprise Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and Notes, comprising significant accounting policies and other explanatory information.

B Statement of Compliance

The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). The Financial Statements have also been prepared in accordance with the relevant presentational requirements of the Company Act, 2063. The Financial Statements were authorized for issue by the Board of Directors on

C Basis for measurement

Financial statements are prepared and/or presented based on the following considerations:

- Financial statements are prepared on going concern basis.
- Financial statements are presented in Nepalese rupees (NPR) which is the functional and presentation currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.
- Financial statements are prepared applying accrual basis of accounting (except as otherwise stated therein)
- Statement of Financial Position has been prepared with bifurcation of assets and liabilities into current and non-current nature, Statement of Profit and loss and Other Comprehensive Income has been prepared using classification 'by function' method, as permitted by NAS 1.

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Sagarmatha Jalabidhyut Company Ltd.
Notes to The Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

D Use of Estimates, Assumptions 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. In the future, actual result may differ from these estimates and assumptions. Any revision to accounting estimates is recognized prospectively in current and future year. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are explained in the following notes.

D.1 Useful life of property, plant and equipment

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

D.2 Impairment of property, plant and equipment

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

E Provisions, Contingencies and commitments

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate assets, but only when the reimbursement is virtually certain.

The expenses relating to a provision is presented in the statements of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provision are discounted using a current pre-tax rate that reflects, when appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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Sagarmatha Jalabidhyut Company Ltd.

Notes to The Financial Statements

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

A provisions for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognized any impairment loss on the assets associated with that contract.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare case where there is a liability that cannot be recognized because it cannot be measured reliably. the Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the entity.

Commitments includes the amount of purchase order (net of advances) issued to parties for completion of assets.

Provisions, Contingent liabilities, Contingent assets and commitments are reviewed at each reporting period.

F Accounting policies

The policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements requires the use of certain accounting estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are to be disclosed.

G Going Concern

The financial statements are prepared on going concern basis, as the Board of the Company is satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

H Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Subsequent costs are included in the assets' carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repair and maintenance are charged to profit and loss during the reporting period in which they are incurred.

The Company identifies and determines cost of each component/part of the asset separately, if the component/part have a cost which is significant to the total cost of the assets having useful life that is materially different from that of the remaining assets. These components are depreciated over their useful lives; the remaining assets is depreciated over the life of the principal assets.

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Sagarmatha Jalabidhyut Company Ltd.

Notes to The Financial Statements

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the statements of profit and loss when the asset is derecognized.

Assets in the courses of construction are capitalized in the assets under capital work in progress account (CWIP). At the point when an assets is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences.

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

I Depreciation

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their carrying value over the expected useful economic lives.

Depreciation has been computed on Written Down Method. Estimated useful life and Rates of depreciation used are as follows:

Category of asset	Estimated useful life	Depreciation Rate
Freehold Buildings	20 years	5%
Plant and Machinery	6.67 years	15%
Fixtures and Fittings	4 years	25%
Computer Equipment	4 years	25%
Vehicles	5 years	20%

Depreciation on additions of property, plant and equipment is charged on pro-rata basis in the year of purchase.

J Intangible Assets & Amortization

Other Intangible Assets - Service Concession Agreements

IFRIC 12- Service Concession Agreement applies to public private service concession agreements if:

- The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices; and
- The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

Infrastructure used in a public to private service concession arrangement for its entire useful life is within the scope of this IFRIC, if the conditions above are met.

These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant laws.

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Sagarmatha Jalabidhyut Company Ltd.
Notes to The Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

Financial Asset Model

The financial asset model applies if the operator has a contractual right to receive cash from or at the direction of the grantor and the grantor has little, if any, discretion to avoid payment. This will be the case if the grantor contractually guarantees to pay the operator:

- specified or determinable amounts; or
- the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts.

The operator measures the financial assets at fair value.

Intangible Asset Model

The intangible asset model applies if the operator receives a right (a licence) to charge users, or the grantor, based on usage of the public service. There is no unconditional right to receive cash as the amounts are contingent on the extent that the public uses the service.

The intangible asset generates a second stream of revenue when the operator receives cash from users or from the grantor based on usage. This is in contrast with the financial asset model in which monies received are treated as partial repayment of the financial asset. In the intangible asset model, the intangible asset is reduced by amortisation rather than repayment.

The company manages service concession arrangement of power supply from its hydro power plant. The company maintains and services the infrastructures during the concession period. This concession arrangement sets out rights and obligations related to the infrastructure and the services to be provided. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied.

Amortization

The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the company, starting from the date when the right to operate starts to be used. Based on these principle, the intangible asset is amortized in line with the actual usage of the specific public facility, with the maximum of the duration of the concession.

K Revenue

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

Revenue from sale of electricity is recognized at the time of issuing invoice to Nepal Electricity Authority (NEA) as per the Power Purchase Agreement (PPA) held in between Nepal Electricity Authority and the Company.

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Sagarmatha Jalabidhyut Company Ltd.
Notes to The Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

L) Borrowing costs

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 qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

M) Income Tax

M.1) Current Tax

Although the company has started commercial operation, the company is entitled a Tax holiday of 10 years from commencement of commercial operation, hence there is no tax liability to the company in the current fiscal year.

M.2) Deferred Tax

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

- a. temporary difference 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 assets have not been recognized as management estimates that it is not probable that future taxable profit will be available against which unused tax losses can be utilized due to tax holiday.

Deferred tax assets or liabilities have not been recognized as temporary differences are not material enough due to the tax holiday.

N Site Land advances

Site land advances of Rs 41,339,848 includes the cost of land area of 40-14-0-2 which is in the name of Mr. Mohan Bikaram Karki, due to celling of land limit. The land was purchase in the Name of Mr. Mohan Bikram Karki, the Company has agreement with him to transfer the land after getting approval from concerned authority.

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Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

3. Property Plant & Equipments

Particular	Furniture and Fixtures 25%	Office Equipment 25%	Computer and Accessories 25%	Vehicles 20%	Plant & Machinery 15%	Total
Depreciation Rate						
Cost						
Balance at 31.03.2078	1,680,980	1,941,219	379,587	2,698,000	-	6,699,786
Additions			303,860	13,837,000	733,000	14,873,860
Disposals	-	-	-	-	-	-
Balance at 32.3.2079	1,680,980	1,941,219	683,447	16,535,000	733,000	21,573,646
Depreciation and impairment losses						
Balance at 31.03.2078	1,118,244	1,282,245	252,514	1,737,586		4,390,589
Charge for the year	140,684.00	164,744	100,150	2,959,483	109,950	3,475,011
Disposals	-	-	-	-	-	-
Balance at 32.03.2079	1,258,928	1,446,989	352,664	4,697,069	109,950	7,865,600
Carrying amount						
At 31.03.2078	562,736	658,974	127,073	960,414	-	2,309,197
At 32.03.2079	422,052	494,230	330,783	11,837,931	623,050	13,708,046

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Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July,2022)

4 Intangible Assets (Service Concession Agreement)

Particular	Amount	Total
Cost		
Balance at 31.03.2078	1,739,300,324	1,739,300,324
Additions	44,127,734	44,127,734
Disposals	-	-
Balance at 32.3.2079	1,783,428,058	1,783,428,058
Amortization and impairment losses		
Balance at 31.03.2078	56,119,614	56,119,614
Charge for the year	55,719,627	55,719,627
Disposals	-	-
Balance at 32.03.2078	111,839,241	111,839,241
Carrying amount		
At 31.03.2078	1,683,180,710	1,683,180,709
At 32.12.2079	1,671,588,817	1,671,588,817

Remaining generation licensee period of the project is 30 year from the date of the commercial operation date. However, the remaining power purchase agreement period is 28 Year.

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Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

5. Financial Instruments

The company classifies financial assets and financial liabilities as follows:

5.1 Financial Instruments: Financial Assets

Financial assets is any asset that is

- a) Cash
- b) an equity instruments of another entity;
- c) A contractual right:
 - i) to receive cash or another financial assets 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 'own equity instruments.

These instruments are interest bearing and non-interest bearing. Where interest component is present, the implicit interest rate approximates effective interest rate. It is assumed that the carrying amount represents the amortized cost of the assets.

5.1.1 Investments

The Company made has made investments in equity share and provided advance for investment. The company recognizes investment in share at cost on initial recognition, where cost is assumed to be the fair value of investments.

Company remeasure the these investment in " fair value through profit & loss" in each reporting period.

Particular	32 Ashad, 2079	31 Ashad, 2078
Investments in Unlisted Companys		
Advance for Investment in Samridi Energy Pvt. L	22,590,000	-
Advance for Investment Suiri Naydi Power Ltd	30,000,000	-
Total	52,590,000	
Investments in Listed Companys		
SRBL Equity Share (No. 4109)	850,563	-
Total	850,563	
Total	53,440,563.00	-

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Sagarmatha Jalabidhyut Company Ltd.

Notes to Financial Statements

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

5.1.2 Investments in Term Deposits

The company has following term deposits with the commercial bank of Nepal. These instruments have maturity of one year at maximum and are interest bearing.

The rates implicit on these deposits approximate the effective interest rates and the same rate are used to calculate the interest (finance) income and for the purpose of calculating the amortized cost of these assets. The carrying value of these assets represents the amortized cost.

Particular	32 Ashad, 2079	31 Ashad, 2078
Sunrise Bank Ltd. (Fixed Deposit)	20,000,000.00	-
Total	20,000,000.00	-

These instruments are held with intention for settlement of principal and interest only, with no other costs or premium/ discounts being involved, the intrinsic rate is taken as effective interest rate for term deposit.

The Company has intention and capacity to hold these instruments until their respective maturity dates. The Investment will be mature on 18/07/2022.

Impairment

Fixed Deposits are made with class "A" commercial bank of Nepal which are closely regulated by the Nepal Rastra Bank. There has been no indication of impairment of these instruments.

5.1.3 Trade Receivables

Particular	32 Ashad, 2079	31 Ashad, 2078
Trade Receivables (NEA)	54,033,700	46,052,720
Total	54,033,700	46,052,720

The fair values of trade receivables are not materially different to their carrying values. Trade receivable is non-interest bearing and refer to the receivable balance from Nepal Electricity Authority. All of these receivables is non interest bearing receivables.

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Sagarmatha Jalabidhyut Company Ltd.

Notes to Financial Statements

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

5.1.4 Cash and Cash Equivalent

Cash & cash equivalents includes deposit account balances maintained with banks or financial institution. These enables 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 & Cash Equivalents of the presentations of Statements of Cash Flows as well

Bank and financial instruments in Nepal are closely regulated by the Central Bank. The Company closely assesses the risk of these instruments and there is no apparent indication of impairment of these balances.

The detail of cash and Cash Equivalents are given below:

Particular	32 Ashad, 2079	31 Ashad, 2078
Cash in Hand	12,997	-
Century Commercial Bank Ltd.	156,508.05	1
Jyoti Bikas Bank Ltd.	26,728	33,575
Machhapuchchhre Bank Ltd.	8,781	8,781
Machhapuchchhre Bank Ltd. (Site)	1,174	1,174
NCC Bank Ltd.	91,522	15,752
NMB Bank Ltd.	6,173	58,375
Sanima Bank Ltd.	87,215	2,550,485
Sanima Bank Ltd.(Control A/c)	-	30,642,134
Sanima Bank Ltd. (Reserve A/c)	-	10,000,000
Sunrise Bank Ltd	8,081,721	
Sanima Bank Ltd. (Site)	7,937	7,937
Total	8,480,757	43,318,214

5.2 Financial Instruments: 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 condition 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 assets for a fixed number of the entity's own equity instruments or

All Financial Liabilities held by the company are classified as financial liabilities held at amortized cost using effective interest rate.

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Sagarmatha Jalabidhyut Company Ltd.

Notes to Financial Statements

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

5.2.1. Trade & Other Payables

Trade & other payables are mainly consist of amounts the Company owes to suppliers and government authority that have been invoiced or are accrued. These amounts have been initially recognized at cost and is continued to be recognized at cost and it fairly represents the value to be paid since it does not include interest on payment.

Particular	32 Ashad, 2079	31 Ashad, 2078
Audit Fee Payable	278,750	78,050
Bhugol Infrastructure Co. Pvt. Ltd.	267,815	6,213,903
Bills Payable		468,691
Dawn Hydromechanical Works Pvt Ltd		830,557
Kandel & Associates		11,500
Rent Payable		25,000
Dhaulagiri Construction & Deveopment Pvt Ltd	2,994,576	
Sandeep Adhikari	15,620	
Khim Lal Kafle	1,000,000	-
Pal Engineering Trade Center	29,998	-
Pay It Technolgy Pvt Ltd	25,655	
Royalty Payable	1,080,739	2,453,957
Illami Pathivara Enterprises	17,615	
Site Payable - Anish Khadka		625,343
Site Bills Payables		231,230
Social Mitigation Payable		814,600
Units Engineering Consultant Pvt. Ltd.		494,541
Total	5,710,767	12,247,372



Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

6. Advance & Deposits

Particular	32 Ashad, 2079	31 Ashad, 2078
Asian Hydropower Ltd.	-	446,824
Mewa Developers Ltd.	-	3,191,599
ABP Real Times Associate Pvt. Ltd.	20,000	-
Mecamidi HPP India Pvt. Ltd.	798,748	-
Samling Power Company Ltd.	-	808,706
Advance to Employees	51,528	-
Ankita Traders	20,534	20,534
Bhagwati Steel Industries Pvt. Ltd.	208	208
Office Advance -Yadav	6,332	-
Advance to Rajendra Parsad Gautam	16,560,000	-
Advance to Subash	10,302	-
Office Advance- Yadab	-	13,009
Social Mitigation Advance	75,000	-
Advance for Civil Work	13,910,328	-
Ramanuj Advance	2,238,500	-
Site- Land Advance	41,339,848	40,867,900
Prepaid Expenses (Insurance)	7,329,866	3,740,309
Cash Margin	300,000	30,000
ClassicTech (Internet) Deposit	2,000	2,000
World Link (Internet) Deposit	500	500
Total	82,663,694	49,121,589

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Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

7. Share Capital

Particular	32 Ashad, 2079	31 Ashad, 2078
Authorized Share Capital (11,200,000 Shares @ 100/- each) (5,712,000 Shares @ 100/- each)	1,120,000,000	571,200,000
Issued Share Capital (11,200,000 Shares @ 100/- each) (4,700,000 Shares @ 100/- each)	1,120,000,000	470,000,000
Paid up Capital (5,712,000 Shares @ 100/- each)	571,200,000	360,000,000
Add: Advance for share capital		91,732,500
Total	571,200,000	451,732,500

The Company has single class of equity shares having face value of Rs. 100 per share. Every member holding equity shares therein shall have voting rights in proportion to the member's share of the paid up equity share capital.

Reconciliation of no. of shares outstanding

Particular	31 Ashad, 2078	31 Ashad, 2077
Balance at the beginning of the year	3,600,000	3,600,000
Add: Issue of paidup shares	2,112,000	-
Add: Bonus shares	-	-
Balance at the end of the year	5,712,000	3,600,000

Recocillation of Share Outstanding

It is the Company 's policy to net off share issue expenses with the capital/equity collected under NFRS.

8. Reserves

Particular	32 Ashad, 2079	31 Ashad, 2078
Retained Earing	65,201,342	54,811,901
Total	65,201,342	54,811,901

Company has not created any specific reserve besides retained earning which represents the net profit earned net of any distributed to shareholders.

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Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

9 Loans and Borrowings

9.1 Non Current Loans and Borrowing

Particular	32 Ashad, 2079	31 Ashad, 2078
Non Current		
Term loans	1,245,537,475	1,253,317,475
Current Portion Of Long Term Loans	(64,529,086)	
NFRS Adjustments	(17,356,223)	
Total	1,163,652,166	1,253,317,475
9.2 Current Loans and Borrowing		
Current Portion Of term Loans	64,529,086	47,704,000
Short Term Loans	29,125,353	-
Total	93,654,438	47,704,000

10. Statutory Tax Liabilities

Particular	32 Ashad, 2079	31 Ashad, 2078
TDS on Access Road	6,030	
TDS on Audit Fee	3,750	2,100
TDS on Allowance	-	58,616
TDS- Salary	27,477	38,462
TDS on Transportation	-	9,350
TDS on Wages	-	84,760
TDS -SST	103,768	224,897
TDS-Pvt Ltd	478,850	3,653
TDS -Individual Firm	1,050	
Total	620,925	421,838

11. Employee Benefits Liabilities

Particular	32 Ashad 2079	31 Ashad, 2078
Salary and Wages Payable	1,925,100	2,364,546
Staff Bonus Payable	1,304,866	1,382,798
Total	3,229,966	3,747,344

12. 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.

Particulars	32 Ashad, 2079	31 Ashad, 2078
Corporate Social Responsibility	645,973	
Total	645,973	-

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Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

13. Revenue

Particular	F/Y 2078/079	F/Y 2077/078
Electricity Sale to NEA	269,010,189	228,432,506
Short Supply Charges	-	(17,940)
Total	269,010,189	228,414,566

14. Direct Expenses

Particular	F/Y 2078/079	F/Y 2077/078
Back feed Energy	21,117	23,781
Bay Charge	432,000	432,000
Insurance	4,521,606	351,698
Repair & Maintenance- Site	1,979,564	221,676
Current Employee Benefits	8,573,800	5,020,800
Site Office Management	4,492,123	1,425,492
Total	20,020,210	7,475,447

14.1 Royalty

The company has booked royalty expense payable to Government of Nepal as per the provisions of Electricity Act and Regulation which is as follows:

Particular	F/Y 2078/079	F/Y 2077/078
Installed Capacity (9.6 MW @ of Rs 100 per KW)	960,000	960,000
Revenue from sales of Electricity (2%)	5,379,846	4,568,132
Total	6,339,846	5,528,132

Expenses are accounted on accrual basis where there are reasonable basis to estimate the obligation and rationality of such obligation.

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Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

15. Administrative Expenses

Particular	F/Y 2078/079	F/Y 2077/078
Audit Fee	282,500	79,100
Bank Charge & Commission	13,095	43,194
Credit Rating Fees	515,494	-
Communication Expenses	27,000	20,600
Consultancy & Other Expenses	79,100	113,000
Courier Expenses	-	1,580
ERC Charges	950,000	
CSR Expenses	1,710,000	
Fine and Penalties	-	20,560
Fuel Expense	285,800	243,412
Internet Expenses	-	24,295
Government Fee	430,000	-
Kitchen Accessories	-	12,170
Legal Service Fee	-	20,269
Lodging and Fooding	-	95,066
Loss on Disposal	-	18,827
Lunch expenses	40,652	281,960
Local Transportaion	529,040	-
Medical Expenses	3,624	727
Meeting Allowance	-	14,000
Miscellaneous Expenses	227,785	5,390
Office Accessories	1,684	66,387
Travelling & Dailly Expenses	117,597	-
Printing & Stationery	23,140	96,128
Registration & Renewal	64,698	195,325
Rent Expense	1,050,000	300,000
Repair & Maintenance	-	92,663
Social Mitigation	1,000,000	
Site Visit Expenses	15,100	
Software Expenses	-	9,605
Staff Bonus	-	207,271
Membership Fee	25,000	-
Vechile Renewal	50,900	-
Transportation Expenses	-	26,100
Travelling Expenses	499,452	156,400
Water and Electricity		30,578
Total	7,941,661	2,174,607

Expenses are accounted on accrual basis where there are reasonable basis to estimate the obligation and rationality of such obligation.

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Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

16. Employee Benefits

The Company classified & recognized employee benefits in accordance with NAS 19 "Employee Benefits". The employee benefits are classified as current employment benefits.

16.1 Current Employee Benefits

Particulars	32 Ashad, 2079	31 Ashad, 2078
Salary & Allowance (Head office)	1,924,160	1,235,000
Salary & Allowances (Site)	8,573,800	5,020,800
Less: Transfer to Direct Expenses	(8,573,800)	(5,020,800)
Total	1,924,160	1,235,000

**16.2 Other
Staff Bonus**

Staff are provided annual bonus under the provision of the Electricity Act and rules 2049 (at the rate of 2% of Profit Before Income Tax and after Bonus) in current year.

Particulars	32 Ashad, 2079	31 Ashad, 2078
Staff Bonus (Statutory)	1,304,866	842,644
Total	1,304,866	842,644

17. Finance Income

Finance income comprises of the interest income received or receivables from cash & cash equivalents.

Particular	F/Y 2078/079	F/Y 2077/078
Interest on cash and cash equivalent	803,749	-
Total	803,749	

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Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

18. Other Income

Particular	F/Y 2078/079	F/Y 2077/078
Compensation Income	1,318,678.16	-
Other Income	240,000.00	1,536,000
Total	1,558,678	1,536,000

19. Finance Costs

Particular	F/Y 2078/079	F/Y 2077/078
Interest on Loans & Borrowing	108,824,003	107,480,337
Bank Commission & Charges	17,565,300	1,144,320
NFRS Adjustment	(17,356,223)	-
Total	109,033,079	108,624,657

20. Gain or Loss From Financial Assets

Particular	F/Y 2078/079	F/Y 2077/078
Carrying Amount of the Investment	1,221,404	
Less: Fair Value of the Investments	(850,563)	
Total	370,841	-

21. Segment Reporting

The management evaluates the company's performance and allocates resources based on the analysis of various performance indicators, however the company is primarily engaged in only one segment, i.e., "Generation and sale of electricity" and that all its operations are in Nepal. Hence the company does not have any reportable segments as per NFRS 8 "Operating Segments".

22. Financial Assets & Financial Liabilities

22.1 Capital Management

The Company has been set-up to construct and operate hydropower plant and capital structure is designed accordingly that ensure that the company will able to continue as a going concern while maximizing the return to stakeholders. Currently, the company is not subject to any externally imposed capital requirements. the company's management reviews the capital structure of the company on a regular basis.

The Company has invested significant portion of its capital in Super Mai A project along with significant debt funding from banks.

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Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July 2022)



22.2 Financial Assets

As at 16 July 2022

Financial Assets as per the Statements of Financial Positions	Notes	Assets at fair value			Assest at Amortized Cost	Total
		Trading	Designated at FVTPL	Available for sale	Loans & Held to Maturity Receivables	
Investments in Unlisted Companies		52,590,000.00				52,590,000.00
Investment In Listed Companies		850,563.00				850,563.00
Investments in Term Deposits					20,000,000.00	20,000,000.00
Cash Balances						12,997.00
Bank Balances					12,997.00	12,997.00
Trade Receivables					8,467,759.91	8,467,759.91
Total		53,440,563.00	-	-	54,033,700.29	54,033,700.29
As at 15 July 2021					62,514,457.20	135,955,020.20

Financial Assets as per the Statements of Financial Positions	Notes	Assets at fair value			Assest at Amortized Cost	Total
		Trading	Designated at FVTPL	Available for sale	Loans & Held to Maturity Receivables	
Investments in Unlisted Companies						-
Investment In Listed Companies						-
Investments in term Deposits						-
Cash Balances						-
Bank Balances					43,318,213.98	43,318,213.98
Trade Receivables					46,052,719.73	46,052,719.73
Total		-	-	-	89,370,933.71	89,370,933.71

22.3 Financial Liabilities

As at 16 July 2022

Financial Liabilities as per the Statements of Financial Positions	Notes	Assets at fair value		Liabilities at Amortised Costs	Total
		Trading	Designated at FVTPL		
Trade & Other Payables				5,710,767.38	5,710,767.38
TDS Payables				620,925.00	620,925.00
Employee Benefit Payable				3,229,966.00	3,229,966.00
Total		-	-	9,561,658.38	9,561,658.38
As at 15 July 2021					

Financial Liabilities as per the Statements of Financial Positions	Notes	Assets at fair value		Liabilities at Amortised Costs	Total
		Trading	Designated at FVTPL		
Trade & Other Payables				12,247,371.89	12,247,371.89
TDS Payables				421,837.54	421,837.54
Employee Benefit Payable				3,747,344.00	3,747,344.00
Total		-	-	16,416,553.43	16,416,553.43

Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July 2022)

22.4 Financial Instruments Measurement at Fair Value- Fair Value Hierarchy

Assets & Liabilities 2021-22	Carrying Amount	Fair value	Quoted Market price (level-1)	Observable Inputs (level-2)	Unobservable inputs (level-3)
Assets					
Investments in Unlisted Companies	52,590,000.00	52,590,000.00		52,590,000.00	
Investment In Listed Companies	1,221,404.00	850,563.00	850,563.00		
Investments in Term Deposits	20,000,000.00	20,000,000.00		20,000,000.00	
Cash Balances	12,997.00	12,997.00		12,997.00	
Bank Balances	8,467,759.91	8,467,759.91		8,467,759.91	
Trade Receivables	54,033,700.29	54,033,700.29		54,033,700.29	
Liabilities					
Trade & Other Payables	5,710,767.38	5,710,767.38			5,710,767.38
TDS Payables	620,925.00	620,925.00		620,925.00	
Employee Benefit Payable	3,229,966.00	3,229,966.00		3,229,966.00	
Assets & Liabilities 2020-21	Carrying Amount	Fair value	Quoted Market price (level-1)	Observable Inputs (level-2)	Unobservable inputs (level-3)
Assets					
Investments in Unlisted Companies	-	-			
Investment In Listed Companies	-	-			
Investments in term Deposits	-	-			
Cash Balances	-	-			
Bank Balances	43,318,213.98	43,318,213.98		43,318,213.98	
Trade Receivables	46,052,719.73	46,052,719.73		46,052,719.73	
Liabilities					
Trade & Other Payables	12,247,371.89	12,247,371.89			12,247,371.89
TDS Payables	421,837.54	421,837.54		421,837.54	
Employee Benefit Payable	3,747,344.00	3,747,344.00		3,747,344.00	

22.5 Risk Management

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

a) Risk management Framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyses the risk faced by the Company to set appropriate risk limits and control and to monitor risks and adherence to limits. Risk management policies and system are reviewed regularly to reflect changes in market conditions and Company's activities. the Company aims to maintain a disciplined and constructive control environments in which all employees understand their roles and obligations.

b) Credit Risk Managements

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instruments fail to meet its contractual obligation. The company is exposed to credit risk from its operating activities (primarily for trade receivable) and from its financial activities, including deposits with banks and financial instructions and other financial instruments.

b) Market Risk Managements

Market risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market prices. Market prices comprise three type of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial Instruments affected by market risk include: loans and borrowing , deposit, AFS financial assets and derivative financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rate. The company's exposures to the risk of changes in market interest rates relates primarily to the Company's short term borrowing. However for the long term debt, company has a fixed interest rate agreement with Bank except in the case of pre payment and swap.

The company is exposed to currency risk to the extend that there are payable in currencies in which goods and service have been imported and are denominated in the respective functional currencies. The functional currencies of the Company are Nepalese Rupees. The currencies in which these transactions are primarily denominated in Indian Rupee. However there have been no currency fluctuations of Indian Rupees vis-a vis Nepalese Rupee during the past few year.

Liquidity Risk Management

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure , as far as possible, that will always have sufficient liquidity to meet both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputations.

23. Earning Per Share

Basic

Basic earning per shre is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary share in issue.

Diluted

Diluted earining per share is calculated by adusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive ordinary shares. Currently, the company does not have any outstanding dilutive potential ordinary shares.

Particulars	F/Y 2078/079	F/Y 2077/078
Net Profit for the year	64,597,341.28	51,445,831.00
Total Comprehensive Gain/(loss) for the year	64,597,341.28	51,445,831.00
Weighted Average Number of Share.	4,830,791.58	3,600,000.00
Earning Per share (Rs) - Basic (Net Profit)	13.37	14.29
Earning Per share (Rs) - Basic (Total Comprehensive)	13.37	14.29

Weighted average number of equity share outstanding is calculated as follow

Period	No. of shares	Days	WANS
2078/04/01 to 2078/05/19	3,600,000.00	50	493,150.68
2078/05/20 to 2078/8/15	4,626,325.00	89	1,128,062.81
2078/8/16 to 2078/12/11	4,700,000.00	118	1,519,452.05
2078/8/16 to 2078/12/11	5,712,000.00	108	1,690,126.03
Total			4,830,791.58



Sagarmatha Jalabidhyut Company Ltd.
Notes to Financial Statements
For the year ended 32 Ashad 2079 (16 July, 2022)

24. Related party transactions

Outstanding balances at the year are unsecured, interest-free and settlement occurs in cash/equity.

Disclosures has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is charged.

The related party and respective transactions with related party as follows:

a) List of Board of Director

List of Board of directors of the Company is as follows:

Mr. Dr. Bhogendra Kumar Guragain
Mr. Sailendra Guragain
Mr. Dr. Bhusan Guragain
Mr. Robin Guragain
Mr. Shrijesh Guragain
Mrs. Rili Gurung
Mrs. Jamuna Padyal

b) Salary & Allowances to Key Management Personnel

Salary and allowances to key management personnel is as follows:

Name	Position	Amount
Mr. Dr. Bhogendra Kumar Guragain	Director	510,560.00
Mr. Sailendra Guragain	Chairman	510,560.00
Total		1,021,120.00

c) Outstanding Balances With Other Related Parties

Company has a following outstanding balances at year end as follows:

Particular	Amount	Remarks
Advance for Investment in Samridi Energy Pvt. Ltd.	22,590,000.00	Investment
Advance for Investment Suiri Naydi Power Ltd	30,000,000.00	Investment

d) During the year Company purchased the vehicle of Rs 7,650,000 from the Mr. Dr. Bhusan Guragain (Director).

e) Nagdi Group power limited is the Parent Company of the Sagarmatha Jalabidhyut Company Limited by holding 60.52 % of share.

25. Contingent Liabilities and Commitments

Where appropriate, the Company recognizes a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation(s). Company has no any contingent liabilities and commitments at year end

26. The previous year figure has been reclassified wherever necessary.

27. The significant control over the company has been changed as on 2078.06.17

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Date: 2079/03/20

To,

The Board Of Directors,
Sagarmatha Jalabidhyut Company Limited;
Lalitpur , Nepal.

Sub: Engagement Letter for statutory audit of Fiscal Year 2078/079

Dear Sir,

We have been appointed to conduct statutory audit of Sagarmatha Jalabidhyut Company Limited (the entity) for fiscal year 2078/079, Which Comprise Statement of financial position, Statement of profit or loss and other comprehensive income, statement of changes in equity, statements of cash flows, notes comprising significant policies and other explanatory information and comparative figures in respect of preceding period, as per your appointment letter dated Magh 15, 2078 We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

Our assignment will be conducted with the objective of express opinion to the shareholders as a body whether financial statements give true and fair view, have been prepared in accordance with NFRSs and Company Act, 2063.

We conduct our audit as per the requirement of Nepal Standards on Auditing.

We express professional judgment and maintain professional skepticism throughout our audit. We also:

- Identify and assess the risks of material misstatement of the financials statements and obtain evidence that is sufficient and appropriate to provide a basis for our report. 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial Statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- In addition to our report on the financial statements, we expect to provide you with a separate letter concerning any significant deficiencies in accounting and internal control systems which come to our notice including the appropriateness of the accounting policies and estimation

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techniques and disclosures. Any such report may not be provided to third parties without our prior written consent. Such consent will be granted only on the basis that such reports are not prepared with the interests of anyone other than the company in mind, and that we accept no duty or responsibility to any other party as concerns the reports.

- As part of our normal audit procedures, we will request you to provide written confirmation of certain oral representations, that we may require during the course of the audit. In particular, where we bring misstatements in the financial statements to your attention, we shall require representations on the reasons why they are not adjusted. In connection with representations and the supply of information to us generally, it is an offence for anyone to recklessly or knowingly supply information to the auditors that is false or misleading and to fail to promptly provide information requested.
- Management is responsible for safeguarding the company's assets and for the prevention and detection of fraud, error and any non-compliance with law or regulations. We will plan our audit so that we can reasonably expect to detect significant misstatements in the financial statements or accounting records (including those resulting from fraud, error or non-compliance with law or regulations). Our examination should not though be relied upon to disclose all significant misstatements or frauds, errors or instances of non-compliance with law and regulations that may exist.
- We shall not held responsible for the information provided to members of our firm other than those engaged on the audit regarding information related to accounting, taxation and other services.
- Once we have issued our report, we expect you to inform us of any material event occurring between the date of our report and that of the Annual General Meeting / distribution of the financial statements to members, which may affect the financial statements.
- As per Nepal Standards on Auditing, we are required to communicate with auditor of subsidiaries companies to obtain the information concerning audit of the financial statements.

Our assignment will be conducted on the basis that management acknowledges and understand that they have responsibility:

- a. For the preparation of fair presentation of the Financial Statements in accordance with the requirement of NFRSs and Company Act, 2063.
- b. For such internal control as management determines necessary to enable the presentation & disclosures of Financial statements that are free from material misstatements, whether due to fraud and error; and
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation of the financial Statements such as records, documentation and other matters;
 - ii. Additional information that we may request from management for the purpose of financial statements ; and
 - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

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As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the financial statements

We look forward to full cooperation from your staff during our audit assignment.

Our fees, exclusive of Value Added Tax, will be as under:

S.N.	Detail of Fee	Amount (NRs.)
1.	Fee for Statutory Audit	250,000
	Total	

In words: Two Lakh Fifty Thousand (excluding VAT) Only

This letter will be effective for future years unless it is terminated, amended or superseded.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assignment including our respective responsibilities.

Yours Faithfully,

CA Anoj Kumar Neupane

Partner

G. Paudyal & Associates

Chartered Accountants



Acknowledgement on behalf of
Sagarmatha Jalabidhyut Company Limited.

.....
Name:

Position:

Date:



Entry Meeting Minute

Date: 2079/03/19

Place: Sagarmatha Jalabidhyut Company Ltd, Kathmandu

Presence:

i) Dr.Bhogendra Kumar Guragain ,Chairman

ii) Mr Shailendra Guragain, Director

iii) Dr Bhusan Guragain, Director

iii) CA Anoj Kumar Neupane, Auditor

iv) Mr Sudip Phokrel, Audit Manager



Agendas:

i) Statutory Audit of Fiscal Year 2078/79 of Sagarmatha Jalabidhyut company Ltd

ii) Others

Resolved:

i) As the company is planning to call AGM within end of Sharwan 2079, the audit of fiscal year 2078/79 shall be start from 2079/03/21.