

Audited Financial Statements

Project Number:40553-013

Loan /Grant: 2587/0182/0183

Period covered:16 July 2015- 17 July 2016

NEP: Energy Access and Efficiency Improvement Project (EAEIP)

Prepared by Nepal Electricity Authority for the Asian Development Bank.

The audited financial statement are documents owned by the borrower. The views expressed herein do not necessarily represents those of ADB's Board of Director, Management or staff. These documents are made publicly available in accordance with ADB's Public Communication Policy (2011).



NEPAL ELECTRICITY AUTHORITY

(Nepal Government's Undertaking)



Ref. No. 118

Head Office
Ratna Pari, Kathmandu
Phone # 977-14153007
977-14153116
977-14153117
977-14153119
Fax # 977-14153118

November 16, 2017

The Country Director
The Asian Development Bank
Country Office
Lazimpat
Kathmandu, Nepal.

16 NOV 2017

Subject :- Submission of Approved Financial Statement for the F/Y 2015/16.

Dear Sir,

Please find enclosed herewith the Approved Financial Statements of Nepal Electricity Authority together with Audit Report for the year ended 2015/16 for your kind information and needful actions.

Thanking You

Sincerely Yours,

(Lekhanath Koirala)

Act. Deputy Managing Director
Finance Directorate

CC:

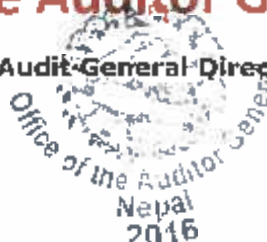
Managing Director, NEA



महालेखापरीक्षकको कार्यालय Office of the Auditor General

(Public Entities Audit General Directorate)

Ref. No. : 2074/75/ 171



Date : 15 November, 2017
29 Kartik, 2074

The Chairman,
Nepal Electricity Authority,
Bagbazar, Kathmandu.

बबरमहल, काठमाडौं नेपाल
Babar Mahal, Kathmandu, Nepal

Phone : 4258174
4266034
4255707
AG Fax : 977-1-4268309
Fax : 977-1-4262798
Post Box : 13328

Subject : Independent Auditor's Report

1. Report on the Annual Financial Statement

We have audited the accompanying Statement of Financial Position of **Nepal Electricity Authority (NEA)**, as at Ashad 31, 2073, (July 15, 2016) and the Income Statement, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and a summary of significant accounting policies and explanatory notes.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial Statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

3. Auditor's Responsibility

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended 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 entity'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 entity'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 our audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

J. Nepal
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4. Basis for Qualified Opinion

4.1 Property Plant and Equipment (PPE)

4.1.1 Verification of PPE

NEA has not provided complete schedule of assets owned detailing cost, location and condition. Total area of the land, cost thereof and ownership certificates are not verifiable as NEA has not carried out complete physical verification of Property, Plant and Equipment to identify the existence and condition of the assets. Hence, we could not verify whether the amount recognized in financial statements corresponds to the actual existence and condition of PPE. The total PPE recognized in financial statements is NRs. 88,521.09 million. Concerned officers should be made responsible to maintain the proper records of these assets.

4.1.2 Transfer and adjustment

Net-position/effect of transfer/adjustment column of PPE schedule should have nil balance as such transfers/adjustments are between inter-budget centers/heads. However, transfer/adjustment column of PPE and Depreciation reports net credit balance of NRs. 64.29 million and net debit balance of NRs. 91.46 million respectively. This has resulted in net understatement of PPE by NRs. 155.75 million that would impact depreciation for the year, which cannot be commented upon.

4.1.3 Capitalization of unidentified assets

In the financial year 2003/04 (BS 2060/61) assets of NRs. 316.11 million was capitalized as Property, Plant and Equipment under various class in bulk without identifying individual asset. Hence, we cannot comment upon existence and correctness of such assets and the capitalisation.

4.1.4 Impairment of PPE

In prior years, NEA has made provision of NRs. 479.02 million against PPE on an ad-hoc basis. Details of such provision was not made available for our verification. Moreover, NEA has not done assessment of impairment as required by NAS-36 "Impairment of Assets".

4.1.5 Insurance of assets

NEA has policy of making apportionment of NRs. 20 million at the end of each financial year to Insurance Reserve Fund. Up to the financial year 2065/66, apportionment to Insurance Reserve Fund was made irrespective of operation result but not invested in plan assets, thereby exposing NEA assets against insurable risks.

However, apportionment of NRs. 20 million was discontinued from the financial year 2066/67 and decision of BOD/Management was not provided for our verification.

4.1.6 Capitalization of consumer service

Meter provided to Dalit/Community amounting to NRs. 199.54 million as part of Government Incentive capitalized has been capitalized under Consumer Service instead of charging it to revenue as expenses.

J. Nepal



4.1.7 Earthquake damage assessment

NEA has not identified the assets damaged by the earthquake for derecognizing such assets. Furthermore, NEA has received assets from external source to replace assets so damaged to resume supply of electricity to consumers but these assets are not recognized in the books. This has direct impact on depreciation charged by NEA.

4.2 Capital Work in Progress (CWIP)

4.2.1 Physical verification of CWIP

NEA has not carried out physical verification of CWIP to identify the existence, location, condition as per the financial administration by laws 2068. Thus, we could not verify the total amount of NRs. 66,684.09 million net of provision recognised in the financial statement as CWIP. Concerned officers should be made responsible for physical verification of CWIP.

4.2.2 Impairment of CWIP

Out of total CWIP of NRs. 66,684.09 million, NEA has carried forward 100 projects amounting to NRs. 3,913.63 million since long without any physical progress. Further, ageing detail of projects with balance amount of NRs. 304.54 million was not made available.

NEA has provided NRs. 287.91 million as provision for possible losses of CWIP on ad-hoc basis. However, NEA has not done assessment for impairment in compliance with NAS-36 "Impairment of Assets", in absence such impairment assessment, we are not able to provide our comment on compliance of NAS-36 "Impairment of Assets".

4.2.3 Capitalization of CWIP

NEA capitalized CWIP of NRs. 5,741.11 million as PPE. This amount has been taken as balance figure from the PPE schedule instead of individually identifying them from CWIP consolidated schedule for capitalization. Hence, the total amount capitalized during the year and the amount shown under CWIP for the current year cannot be commented upon. We have observed that the various assets reported under CWIP amounting to NRs. 70.55 million have already been put to intended use by the management at different dates but remained to be capitalised in the respective heads as per the policy adopted by NEA at the reporting date. This has resulted in under reporting of fixed assets and under charging of depreciation to Income Statement.

4.2.4 Capitalization of administrative cost to CWIP

Based on adopted accounting policy, at the end of the financial year 2072/2073, NEA has charged administrative and central office overhead cost of NRs. 5,641.77 million to CWIP. Out of which NRs. 678.39 million of administrative and central office overhead cost is charged to the projects without any physical progress.

NAS-16 "Property, Plant & Equipment" allows capitalization of cost directly attributable to bringing assets to the location and condition necessary for it to be capable of operating in the manner intended by management but this standard does not allow capitalization of administration and other general overhead costs. Such expenses should be charged to Profit or Loss Account.

J. Nepal



4.2.5 Interest capitalization:

NEA has total assets under project cost amounting to NRs. 7,575.94 million that has been capitalized independently. However, the interest on same is continuously capitalized instead of charging it to profit and loss account. Thus, continually capitalization of interest costs on completed part of assets after ready for put to intended use is not in line with NAS-23 "Borrowing Cost".

Further, NEA could not provide detail of interest so capitalized segregating between CWIP and capital assets, thus impact of interest capitalized on Profit and Loss cannot be commented upon. All the interest costs on completed part of assets after ready for put to intended use should be charged to revenue as expenses.

4.2.6 Feasibility study cost

Feasibility study cost incurred by Engineering directorate amounting to NRs. 257.24 million and Transmission directorate amounting to NRs. 28.16 million have been booked as CWIP even though there is no further progress since study report. Present recognition practice adopted by NEA is not in line with NAS 16 and 38 which require research phase expenses to be charged to Profit or Loss Account.

4.3 Inventory valuation

NEA has valued inventory at cost and made provision of NRs. 331.38 million for loss and obsolescence of inventory since long period on ad-hoc basis. Inventory identified as obsolete/damaged, slow/non-moving and shortage since long amounting to NRs. 48.21 million has been included under inventory items. Thus, inventory valuation policy adopted by NEA is not in line with NAS-2 "Inventory".

4.4 Trade Receivables

4.4.1 Trade receivable outstanding

Receivable of NRs. 11,186.84 million outstanding at the year-end has not been analyzed for its recoverability. Quantification of the doubtful receivables that have been netted off lacks specific basis. Advance revenue of NRs. 58.62 million received from customers has been netted-off against receivable outstanding. Credit balance amounting to NRs. 12.70 million in rechargeable works has been netted off against the receivables.

Further, NEA has provided NRs. 567.00 million in addition for doubtful receivables on ad-hoc basis. In absence of proper analysis of recoverability, the adequacy and reasonability of such provisions could not be commented upon.

4.4.2 Reconciliation of receivable

Trade debtors balance as per accounting records (CAIS) exceeds revenue records by NRs. 266.65 million. Complete reconciliation of the consumer ledger and general ledger has not been carried out by NEA. Hence the accuracy of debtor's balance as recognized in financial statements could not be commented upon.

4.4.3 Impairment of trade debtors

NEA has receivable of NRs. 677.68 million from blacklisted customer with doubtful recoverability. Moreover, NEA has not done assessment of impairment as required by applicable NAS/IAS. Hence, we are unable to comment upon on compliance of applicable NAS/IAS.

J. Nepal
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4.5 Prepaid, Advances, Loans and Deposits

4.5.1 Provision for loans and advances

Out of total Prepaid, Advances, Loans and Deposits NRs. 3,804.28 million, NEA has made provision of NRs. 88.65 million on ad-hoc basis. This provision has been carried forward from previous year without reassessment of recoverability of the said accounts. Therefore, we could not comment upon the adequacy, reasonableness of such ad-hoc provisions and fair presentation of loans and advances, which is also not in line with applicable NAS/IAS.

4.5.2 Netting of advances

Loans and Advances have been netted off with credit balances of NRs. 148.99 million resulting in understatement of loans and advances by the same amount which is against the principle laid out in NAS-1.

4.5.3 Claim on government

Claim amounting to NRs. 172.16 million and NRs. 189.51 million recoverable from Government of Nepal and others respectively have not been confirmed by the concerned parties. Such claims should be confirmed and recovered with concerned parties.

4.6 Cash and cash equivalents

Out of total bank balance of NRs. 15,121.44 million as per financial statements, the bank reconciliation and balance statement of NRs. 58.73 million (ledger balance) were not available for review. Even on the reconciliation statement, there are long pending balances, which are unidentifiable and unadjusted. Furthermore, provision for loss in lieu of shortage amounting to NRs. 35.39 million is provided without any basis. Hence, in absence of complete bank reconciliation of all the bank accounts, we cannot comment upon reported bank balance.

4.7 Share capital

The government confirmation for the amount of Share Capital of NRs. 37,364.91 million has not been obtained. Further, share capital reported under Share Allotment Suspense of NRs. 21,162.95 million is not reconciled with Financial Comptroller General Office (FCGO). Share capital has a balance of NRs. 58,527.86 million which exceeds authorized capital of NRs. 50,000 million.

4.8 General reserve

Reserves and surplus has been netted off against debit balances of NRs. 25.28 million under Capital Reserve, which has understated the reserve by the said amount. Furthermore, we were not provided with the documents relating to Grant-in-Aid-Reserve amounting to NRs. 220.47 million of DMD Generation for our verification.

4.9 Capital reserve

As per NEA accounting policy, contributions received from consumers for Installation/ commissioning of PPE are to be shown as Capital Reserve and subsequently adjusted to income in the same proportion as the depreciation charged on the assets acquired out of said grants/consumer contribution. However, no such effect has been given in the financial statements and the details of assets acquired out of grant/consumer

contribution are also not available. Hence, we could not quantify the impact of such practice.

4.10 Confirmation of borrowing

The total outstanding non-current borrowings amounting to NRs. 111,303.64 million cannot be confirmed in the absence of loan documents, reconciliation and confirmation from lending agencies upon request. As a result, we cannot comment upon existence and accuracy of loan amount reported in the financial statements. Moreover, financials reported borrowing is less by NRs. 447.18 million from records maintained at Central Account Department.

4.11 Interest expenses

NEA has recognized interest expenses on reduced principal amount based on repayment schedule agreed with the Government of Nepal, where instances of non-payment is noted. Thus, interest expenses are understated and we cannot comment upon extent of understatement of interest expenses in the absence of reconciliation of loan amount and computation of interest expenses on accrual basis.

4.12 Creditors and payables

NEA has not ascertained the true status of sundry creditors and other payables amounting to NRs. 51,324.45 million. The impact on the financial statements for any adjustments that may be required could not be quantified. Furthermore, Debt balances in creditors, liabilities to employees and deposit liabilities amounting to NRs. 1.47 million, NRs. 22.15 million and NRs. 25.19 million respectively has been netted off against creditors further understating creditors and payables.

4.13 Inter - unit account

Inter-unit account has net debit balance of NRs. 398.54 million (net of debit balance of NRs. 24,943.93 million and credit balance of NRs. 24,545.39 million) at the year-end. Amounts in this account have been accumulated since many years and various departments appear to be using this account as residual account for parking items pending reconciliation. We consider this is an area, which should be focused by the management with seriousness. Pending clearance out of this account with systematic timely reconciliation, it is difficult to rule out impact on various other head of statement of Financial Position and Income Statement.

4.14 Income tax liabilities

NEA reported substantial loss for the period under audit, thus has no income tax liability under Section 3 of Income Tax Act. However, NEA has not calculated fee under sec 117 of income tax act, which is NRs. 32.15 million up to Bhadra-end 2074. This has resulted in understatement of loss by NRs. 32.15 million in the Income statement.

4.15 Property tax

NEA has not made accrual provision for property tax since the financial year 2066/67 and provision of NRs. 46.81 million made prior to financial year 2065/66 has not been deposited up to the audit period.

4.16 Revenue

4.16.1 Sales reconciliation

Accounting records shows excess revenue of NRs. 287.79 million over revenue records. Complete reconciliations of the accounting records and revenue records have not been carried out.

4.16.2 Netting off of cost against revenue

Sale of electricity goods amounting to NRs. 12.66 million has been accounted on net basis i.e. sale price less cost, resulting the understatement of revenue and cost. We were not provided the detail of cost price and selling price of such electricity goods hence, we cannot quantify the impact on Income Statement.

4.17 Loss in power trading

As per the decision of 8th Indo-Nepal Power Exchange Committee meeting, Nepal could trade 70 million unit of free power received and during periods of need, it could also buy the desired power through PTC. However, it has been observed that NEA was not able to fully utilize the free power of 70 million units as there was no workout between NEA and PTC to facilitate power trading. Due to underutilization of 70 million unit of free power received under the agreement resulted in financial loss to Government of Nepal and NEA respectively.

Out of the total supplied power of 202.27 MU, subsidy of only 52.64 million has been obtained by Nepal after deducting the 149.62 million unit of power supplied as per PPA. In our opinion, 70 million unit of power subsidy should be first utilized and then payment should be made only on residual unit balance. Therefore, as per our calculation power purchase payment shall be made only for 132.27 million units as stated in table given below:

Particulars	MU
Total Supplied Power	202.27
Subsidy	70.00
Net unit to be paid (A)	132.27
Actual power unit paid (B)	149.62
Excess Power unit paid (B)-(A)	17.35

This has resulted the Loss of NRs. 82.41 million to Nepal Government and NRs. 13.38 to NEA respectively.

4.18 Others

In the absence of complete details from the units not visited by us, it is not possible for us to ensure that the information in respect of these units, included in the financial statements, are complete and accurate. Information in respect of such is incorporated in the accounts on the basis of management representation.

4.19 Changes in reported expenses

Expenses reported in the financial statements were changed after completion of audit. Supporting for changes were not made available for our verification; hence, we could not comment upon such changes in reported expenses.

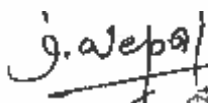
Office/ Account Head	Old Balance	New Balance	Difference
Birgunj DCS/ Depreciation	19,412,953.43	19,291,232.09	121,721.34
Kathmandu RO/Depreciation	1,030,494.31	593,438.65	437,055.66
Dhading DCS /Depreciation	23,509,516.41	22,749,730.13	759,786.28
Ratnapark DCS/Depreciation	69,326,115.42	71,131,535.62	(1,805,420.20)
Ghorahi DCS /Depreciation	19,162,131.78	52,982,480.03	(33,820,348.25)
Mahendranagar DCS/Daily Wages	5,101,575.00	4,697,385.00	404,190.00
Dallakh DCS/Daily Wages	1,401,600.00	32,700.00	1,368,900.00
Dallekh DCS/Salary	2,256,553.50	3,648,403.50	(1,391,850.00)


5 Management Letter

A separate management letter consisting of additional audit observations and recommendation on weaknesses of internal control system has been issued to the management along with this report for improving financial management.

6 Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph 4.1 to 4.19, the financial statements present fairly, in all material respects, the financial position of Nepal Electricity Authority (NEA) as at Ashadh 31, 2073 (July 15, 2016), and the results of operations and its cash flows for the year then ended in accordance with the attached Notes to Accounts.



 (Iswar Nepal)
Deputy Auditor General

 Office of the Auditor General
 Nepal
 2016

NEPAL ELECTRICITY AUTHORITY

(NEPAL GOVERNMENT UNDERTAKING)

(Incorporated under Nepal Electricity Act, 2041)



FINANCIAL STATEMENTS

31 ASHADH, 2073 (16 JULY, 2016)

STATEMENT OF FINANCIAL POSITION
STATEMENT OF PROFIT OR LOSS
STATEMENT OF CASH FLOWS
STATEMENT OF CHANGES IN EQUITY
SIGNIFICANT ACCOUNTING POLICIES
AND
EXPLANATORY NOTES

KATHMANDU, NEPAL



Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2011)

Statement of Financial Position as at July 15, 2016 (Ashad 31, 2073)

(Figures in Rupees)
Ashad 31, 2072

	<u>Schedule</u>	<u>Ashad 31, 2073</u>	
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	1	88,521,086,560.91	86,439,048,923.22
Capital Work in Progress	2	66,684,094,710.63	58,052,383,534.89
Investments	3	21,755,053,830.92	17,550,909,683.29
Total Non-Current Assets		176,960,235,102.46	162,042,344,141.40
Current Assets			
Inventories	4	3,376,414,072.72	3,169,779,010.24
Trade Receivables	5	11,186,837,214.03	9,927,451,582.02
Cash and Cash Equivalents	6	15,361,603,927.06	10,621,601,510.18
Prepaid, Advances, Loans and Deposits	7	3,804,282,734.09	3,782,990,172.27
Total Current Assets		33,729,137,947.90	27,501,822,274.71
Total Assets		210,689,373,050.36	189,544,166,416.11
Equity and Liabilities			
Capital and Reserves			
Share Capital	8	58,527,855,179.41	49,275,069,864.03
Reserves and Accumulated Profits	9	(32,519,232,475.92)	(23,729,547,520.45)
Total Equity		26,008,622,703.49	25,545,522,343.58
Non-Current Liabilities			
Long-term Borrowings	10	111,303,643,264.02	98,253,079,580.50
Deferred Tax Liabilities		693,204,887.00	693,204,887.00
Total Non-Current Liabilities		111,996,848,151.02	98,946,284,467.50
Current Liabilities			
Sundry Creditors and Other Payables	11	51,324,447,359.85	45,742,904,769.03
Provisions	12	21,359,454,836.00	19,309,454,836.00
Total Current Liabilities		72,683,902,195.85	65,052,359,605.03
Total Liabilities		184,680,750,346.87	163,998,644,072.53
Total Equity & Liabilities		210,689,373,050.36	189,544,166,416.11

Schedule 1 to 12 form an integral part of this statement

As per our annexed report

Sudarshan Raj Pandey, FCA
Partner, S.R. Pandey & Co
Chartered Accountants



Parakram Nish Shrestha, FCA
Principal, Parakram Sharma & Associates
Chartered Accountants



J. Nepal
Deputy Auditor General
Office of the Auditor General



Board of Directors

Arup Kumar Upadhyay
Secretary
Ministry of Energy
Chairman

Chandra Prasad
Member

Bhakti Bahadur
Member

Dr. Shanta Raj Subedi
Secretary
Ministry of Finance
Member

Umesh Prasad Thapa
Member

Chet Raj Joshi
Member

Kul Mani Ghising
Managing Director
Member Secretary

Date: 2074-03-14
Place: Kathmandu

Lekshmi Koirala
Acting Deputy Managing Director
Finance Directorate

Chet Raj Joshi
Director
Accounts Department



Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)

Income Statement

For the year ended July 15, 2016 (Ashad 31, 2073)

(Figures in Rupees)

	<u>Schedule</u>	<u>This Year</u>	<u>Previous Year</u>
Sales Revenue	13	31,824,213,295.33	30,168,773,225.75
Cost of Sales	14	(25,643,240,102.35)	(22,066,229,786.97)
Gross profit		6,180,973,192.98	8,102,543,438.78
Other Income	15	3,249,330,309.76	3,116,259,859.33
Distribution Expenses	16	(5,671,348,057.37)	(5,341,479,275.08)
Administrative Expenses	17	(1,218,580,186.65)	(1,339,022,541.85)
Finance Cost		(5,079,727,924.90)	(4,670,214,128.99)
Depreciation		(3,554,359,366.75)	(3,471,018,183.94)
Gain/(Loss) on Foreign Exchange		(746,482,820.90)	523,174,694.11
Provision under Employees' Benefits Plan		(2,050,000,000.00)	(2,050,000,000.00)
Net Profit/(Loss) before Tax		(8,890,194,853.83)	(5,129,756,137.64)
Provisions for Income Tax		-	-
Net Profit/(Loss) taken to Statement of Changes in Equity		(8,890,194,853.83)	(5,129,756,137.64)

Schedules 13 to 17 form an integral part of this Statement


Sudarshan Raj Pandey, FCA
Partner, S.R. Pandey & Co.
Chartered Accountants

As per our annexed report

Parakram Nath Sharma, FCA
Principal, Parakram Sharma & Associates
Chartered Accountants




Iswar Nepal
Deputy Auditor General
Office of the Auditor General
Nepal
2076





Lekhanath Koirala
Acting Deputy Managing Director
Finance Directorate


Lok Hari Limtel
Director
Accounts Department

Date: 2074-03-14
Place: Kathmandu



Anup Kumar Upadhyay
Secretary
Ministry of Energy
Chairman

Chandana Tandon
Member


Bhakta Bahadur Pun
Member


Kul Man Ghising
Managing Director
Member Secretary

Board of Directors

Dr. Shanta Raj Subedi
Secretary
Ministry of Finance
Member


Umesh Prasad Thani
Member


Chet Raj Joshi
Member



Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)

Statement of Cash Flows

For the year ended July 15, 2016 (Ashad 31, 2073)

(Figures in Rupees)

	<u>This Year</u>	<u>Previous Year</u>
A. Cash Flows from Operating Activities:		
1. Net Profit/(Loss) Before Taxes	(8,890,194,853.83)	(5,129,756,137.64)
<u>Add: Adjustment for:</u>		
Interest on Loans	5,079,727,924.90	4,670,214,128.99
Depreciation on Property, Plant & Equipment	3,554,359,366.75	3,471,018,183.94
Prior Year's Income/(Expense)	33,631,074.03	(18,757,887.06)
Staff Loan and Property, Plant & Equipment Written off	33,984,999.96	3,503,281.04
Bad Debt Written Off	139,086.91	-
Loss on Stock	466,399.33	4,434,812.32
Prior Year's Administrative Expenses	492,311.67	(848,687.63)
Loss/(Gain) on Foreign Exchange	746,482,820.90	(523,174,694.11)
Provision for Gratuity	10,560,000.00	10,560,000.00
Provision for Pension	1,703,779,000.00	1,703,779,000.00
Provision for Accumulated Leave & Medical Facilities	335,661,000.00	335,661,000.00
Interest on Loan & Deposits	(1,309,462,140.56)	(965,517,948.89)
Dividend Income	(148,042,702.08)	(156,167,877.00)
2. Cash Flows from Operation before Working Capital Changes	1,151,584,287.98	3,404,947,173.96
<u>Adjustment for Working Capital Changes</u>		
Decrease/(Increase) in Inventories	(207,101,461.81)	(314,775,487.25)
Decrease/(Increase) in Accounts Receivable	(1,259,524,718.92)	(911,838,055.02)
Decrease/(Increase) in Loan & Advances	(55,277,561.78)	(141,789,244.61)
(Decrease)/Increase in Current liabilities	2,542,166,854.05	3,384,541,552.07
Cash Generated from Operation	2,171,847,399.52	5,421,085,939.15
Payment of Interest on Loans	(2,040,352,188.13)	(649,070,172.93)
Net Cash Flows from Operating Activities	131,495,211.39	4,772,015,766.20
B. Cash Flows from Investing Activities		
Interest on Loan & Deposits	1,309,462,140.56	965,517,948.89
Dividend Income	148,042,702.08	156,167,877.00
Net Addition to Property, Plant & Equipment	(5,637,373,087.32)	(6,034,826,584.98)
Addition to Capital Work in Progress	(8,631,709,175.74)	(11,058,453,384.50)
Addition to Investment	(4,204,144,147.63)	(5,262,649,047.83)
Net Cash Flows from Investing Activities	(17,015,721,568.05)	(21,234,243,191.42)

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Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)


Statement of Cash Flows

For the year ended July 15, 2016 (Ashad 31, 2073)


(Figures in Rupees)

	<u>This Year</u>	<u>Previous Year</u>
<u>C. Cash Flows from Financing Activities</u>		
Increase in Share Capital	9,252,785,315.38	4,764,322,976.62
Increase/(Decrease) in Consumer Contribution	67,362,595.54	95,911,665.33
General Reserve	-	17,438,288.68
Long-Term Borrowing	12,304,080,862.62	16,084,584,806.60
Net Cash Flows from Financing Activities	21,624,228,773.54	20,962,257,737.23
Net Change in Cash (A+B+C)	4,740,002,416.88	4,500,030,312.01
Cash and Cash Equivalent at the Beginning of the Year	10,621,601,510.18	6,121,571,198.17
Cash and Cash Equivalent at the End of the Year	15,361,603,927.06	10,621,601,510.18

As per our annexed report


Sudarshan Raj Pandey, FCA
Partner, S.R. Pandey & Co.
Chartered Accountants




Parakram Nath Sharma, FCA
Principal, Parakram Sharma & Associates
Chartered Accountants




Iswar Nepal
Deputy Auditor General
Office of the Auditor General
Nepal
2016

Board of Directors


Anup Kumar Upadhyay
Secretary
Ministry of Energy
Chairman

Dr. Shanta Raj Subedi
Secretary
Ministry of Finance
Member


Lekhanath Koirala
Acting Deputy Managing Director
Finance Directorate


Chandra Taidon
Member


Umesh Prasad Thani
Member


Lek Hasi Luintel
Director
Accounts Department


Bhakta Bahadur Pun
Member


Chet Raj Joshi
Member


Kul Man Ghising
Managing Director
Member Secretary



Nepal Electricity Authority (Incorporated under the Electricity Authority Act, 2041)

Statement of Shareholders' Equity

For the year ended 31st March 2073

(Figures in Rupees)

Particulars	Share Capital	Share Allotment Suspense	Revaluation Reserve	Capital Reserve	General Reserve	Insurance Fund	Accumulated Profit (Loss)	Shareholders' Equity
Balance as at 31st March 2072	37,364,905,655.71	7,145,841,231.70	-	1,408,495,407.74	80,032,168.53	360,000,000.00	(20,238,585,467.36)	26,180,689,996.32
Changes in Accounting Policies	-	-	-	-	-	-	-	-
Net Gain or Loss from Errors in Last Years	-	-	-	-	-	-	-	-
Restated Balance	37,364,905,655.71	7,145,841,231.70	-	1,408,495,407.74	80,032,168.53	360,000,000.00	(20,238,585,467.36)	26,180,689,996.32
Changes in Equity for FY 2072/73	-	-	-	-	-	-	-	-
Net Gain or Loss not Recognised in the Income Statement	-	-	-	-	-	-	-	-
Net Profit for the Period	-	-	-	-	-	-	-	-
Addition towards Share Capital	-	-	-	-	-	-	-	-
Balance as at 31st March, 2073	37,364,905,655.71	7,145,841,231.70	-	1,408,495,407.74	80,032,168.53	360,000,000.00	(20,238,585,467.36)	26,180,689,996.32
Changes in Equity for FY 2073/74	-	-	-	-	-	-	-	-
Net Gain or Loss not Recognised in the Income Statement	-	-	-	-	-	-	-	-
Net Profit for the Period	-	-	-	-	-	-	-	-
Addition towards Share Capital	-	-	-	-	-	-	-	-
Balance as at 31st March, 2074	37,364,905,655.71	7,145,841,231.70	-	1,408,495,407.74	80,032,168.53	360,000,000.00	(20,238,585,467.36)	26,180,689,996.32

Balance as at 31st March, 2073

For and on behalf of the Board of Directors



Sudharshan Raj Pandey, FCA
Partner, P. Pandey & Co.
Chartered Accountants

Lekhanath Koirala
Acting Deputy Managing Director
Finance Directorate

Eok Hori Lunel
Director
Accounts Department

Board of Directors

Dr. Shanta Raj Subedi
Secretary
Ministry of Finance
Member

Chet Raj Joshi
Member

Chandana Tapdon
Member

Kul Man Chhang
Managing Director
Member Secretary



Parikram Nath Sharma, FCA
Principal, Parikram Sharma & Associates
Chartered Accountants

Group Kumar Upadhyay
Secretary
Ministry of Energy
Chairman

Bhadra Rajadurai Pun
Member

Office of the Auditor General
Umesh Prasad Thapa
Member



Nepal Electricity Board
(Incorporated under the Companies Act, 2062)
Schedule of Depreciation

Schedule- 1 Property Plant & Equipment

GROUP CODE	Current Description	CUMULATIVE			DEPRECIATION			W.D.V. Upm	
		QID	Addition	Transfer (Adjustment)	Disposing	On Addition	Transfer (Adjustment)	2013/2014	2014/2015
1 101	Land	2,460,864,000.15	1,732,210,916.41	42,304,000.00				1,633,814,917.66	2,496,215,999.78
1 2	Building	7,833,690,305.50	2,904,497,829.11	(12,702,125.41)				5,783,219,034.01	5,669,554,219.27
1 101	Plant & Machinery - Hydroelectric Works	27,040,004,394.24	1,244,644,322					18,372,638,314.27	31,850,801,587.77
1 102	Plant & Machinery - Hydroelectric Plant & Machinery	36,618,112,643.89	16,779,087,648					24,572,002,139.83	40,866,132,914.02
1 301	Plant & Machinery - Hydroelectric Equipment	2,124,919,928.47	2,052,147.80					1,058,271,091.63	1,028,890,101.84
1 302	Transmission Line	11,691,293,761.07	1,014,314,184.91	(4,954,931.77)				7,427,667,508.01	6,213,922,638.22
1 303	Transmission Substation, Transformer & Switchgear	11,810,632,212.00	886,892,059.44	58,182,712.85				9,983,397,867.61	10,615,915,470.90
1 306	Discharge Line	10,259,473,040.93	1,049,856,488.52	(178,648,739.53)				14,230,607,882.04	13,549,716,669.55
1 308	Distribution Substation, Transformer & Switchgear	4,841,643,745.78	271,161,799.56	248,566.25				5,021,875,377.84	2,597,176,239.38
1 110	Meter & Measuring	716,410,643.55	109,590,274.51	84,782.69				210,671,361.77	210,671,361.77
1 121	Customer Service	195,915,959.42	6,406,992.09	136,970,274				46,912,584.24	35,422,246.04
1 112	Public Lighting & Traffic Signal	609,186,402.41	106,898.76	4273,704,871				101,267,201.10	107,244,921.60
1 123	Tools & Equipments	516,129,162.49	335,715,595.87	43,163,994.05				383,918,103.55	134,100,826.57
1 114	Workshop Plant & Equipment	143,611,166.00	9,090,190.04	1241,106,209				14,018,714.50	8,080,314.27
1 115	Vehicle & Hand Motors	1,666,709,114.48	107,408,404.16	21,041,706.13				1571,108,855.28	218,217,134.42
1 401	Furniture & Fixture	218,691,094.66	23,011,748.25	1,094,706.13				41,990,154.46	30,416,854.04
1 402	Office Equipments	1,618,523,537.94	127,443,235.54	65,007,222.78				205,121,933.82	340,143,285.25
1 601	Miscellaneous Property	114,980,060.59	13,862,772.61	101,59,950.39				24,114,355.92	27,123,003.33
Total		129,419,919,285.58	5,805,400,138.35	(60,285,052,820)				10,000,107,666.60	66,918,070,627.91
Provision for Losses		1,479,021,104.60						1270,621,104.60	1,176,021,104.60
Grand Total		130,898,940,390.18	5,805,400,138.35	(60,285,052,820)				10,000,107,666.60	66,918,070,627.91
Previous Year Total		123,904,078,641.28	4,160,550,649.92	1,976,488,349.69				66,439,648,924.22	86,129,045,923.22





Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)

Schedules forming part of the financial statements
For the year ended July 15, 2016 (Ashad 31, 2073)

(Figures in Rupees)

Ashad 31, 2073

Ashad 31, 2072

Schedule 2: Capital Work in Progress

Opening Balance	58,340,297.185.10	47,281,843,800.60
Additions during the Year	12,639,563,716.96	14,953,354,519.26
Advance to Suppliers	1,733,259,677.11	2,241,898,864.85
Less: Capitalized during the Year	(5,741,114,218.33) 66,972,006,360.84	(6,136,799,999.61) 58,340,297,185.10
Less: Provision for Obsolescence	(287,911,650.21)	(287,911,650.21)
Total	<u>66,684,094,710.63</u>	<u>58,052,385,534.89</u>

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Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)

Schedules forming part of the financial statements
For the year ended 31/12/2016 (Ashad 31, 2073)

(Figures in Rupees)
Ashad 31, 2072

Ashad 31, 2073

Schedule 3: Investments

Shares in Unlisted Companies

(i) Nepal Engineering Consultancy Services Pvt. Ltd.	2,277,000.00	2,277,000.00
(ii) Khushu Bijulie Co. Pvt. Ltd.	20,649,000.00	20,649,000.00
(iii) Salleri Chyalsa Hydro Electric Co. Ltd.	29,006,000.00	29,006,000.00
(iv) Upper Tamakoshi Hydro Power Ltd (NEA's Subsidiary)	4,341,900,000.00	4,341,900,000.00
(v) Nepal Hydro Lab Pvt. Ltd.	1,000,000.00	1,000,000.00
(vi) Power Transmission Company Nepal Ltd.	130,000,000.00	130,000,000.00
(vii) Sunjen Hydro Power Company Ltd.	365,000,000.00	365,000,000.00
(viii) Rashuvagadhi Hydro Power Company Limited	1,165,000,000.00	825,000,000.00
(ix) Trishuli Jal Bidhyut Co. Limited	249,993,542.51	246,993,542.51
(x) Middle Bhotekoshi Hydropower Co. Limited	570,000,000.00	470,000,000.00
(xi) Tunshun Hydropower Limited (NEA's Subsidiary)	1,565,196,460.27	1,082,196,539.25
(xii) Cross Border Power Transmission Co. Limited	64,097,905.77	51,968,225.82

Share in Listed Companies

(i) Chitima Hydropower Company Ltd (NEA's Subsidiary)	489,600,000.00	489,600,000.00
(ii) Butwal Power Company Ltd.	16,010,500.00	16,010,500.00

Other Investment

(i) Loan Investment in Upper Tamakoshi Hydropower Co. Ltd.	10,622,300,242.70	7,790,765,987.32
(ii) Loan Investment in Power Transmission Company Nepal Ltd.	808,365,420.76	567,133,718.20
(iii) Deposits in Citizen Investment Trust for Gratuity and Pension	1,306,934,758.91	1,113,686,170.19
(iv) Retirement Fund	10,000,000.00	10,000,000.00

Sub-Total

	21,757,330,830.92	17,553,186,683.29
Less: Provision for Diminution in the Value of Shares	(2,277,000.00)	(2,277,000.00)
Total	21,755,053,830.92	17,550,909,683.29

Schedule 4: Inventories

Stores, Spares and Consumables	3,707,789,967.27	3,501,154,904.79
Less: Provision for Loss and Obsolescence	(331,375,894.55)	(331,375,894.55)
Total	3,376,414,072.72	3,169,779,010.24

Schedule 5: Trade Receivables

Sundry Debtors - Unsecured	11,253,617,272.78	9,963,759,990.43
Rechargeable Works	500,219,941.25	530,691,591.59
Total	11,753,837,214.03	10,494,451,582.02
Less: Provision for Doubtful Debts	(567,000,000.00)	(567,000,000.00)
Total	11,186,837,214.03	9,927,451,582.02

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Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)

Schedules forming part of the financial statements
For the year ended July 15, 2016 (Ashad 31, 2073)

(Figures in Rupees)

	<u>Ashad 31, 2073</u>		<u>Ashad 31, 2072</u>	
Schedule 6: Cash and Cash Equivalents				
Cash/cheques in Hand		2,317,757.61		2,097,525.04
Cash-in-Transit		273,237,769.96		304,666,956.72
Cash at Bank				
Current Accounts	9,315,278,262.51		4,378,467,559.56	
Call Deposit Account	5,806,160,590.98	15,121,438,853.49	5,971,759,923.06	10,350,227,482.42
		<u>15,396,994,381.06</u>		<u>10,656,991,964.18</u>
Less: Provision for Loss in Lieu of Shortage		<u>(35,390,454.00)</u>		<u>(35,390,454.00)</u>
Total		<u>15,361,603,927.06</u>		<u>10,621,601,510.18</u>

Schedule 7: Prepaid, Advances, Loans and Deposits

Loans and Advances

Staff Loans	650,820,603.89		624,744,866.06	
Advance to Staffs	19,317,944.93	670,138,548.82	21,021,423.98	645,766,290.04
Trade/ Security Deposits		271,335,375.88		234,679,358.56
Advance to Suppliers and Others		1,016,217,316.04		1,234,847,275.02
Advance Income Tax		1,402,089,247.53		1,292,281,006.01
Claims Recoverable				
From Nepal Govt.	172,159,887.04		128,406,067.44	
From Others	189,509,078.05	361,668,965.09	144,176,894.47	272,582,961.91
Index Loan		171,485,850.03		171,485,850.03
Sub-Total		<u>3,892,935,303.39</u>		<u>3,871,642,741.57</u>
Less: Provision for Doubtful Advances		<u>(88,652,569.30)</u>		<u>(88,652,569.30)</u>
Total		<u>3,804,282,734.09</u>		<u>3,782,990,172.27</u>

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Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)

Schedules forming part of the financial statements
For the year ended July 2073 (Ashad 31, 2073)

(Figures in Rupees)
Ashad 31, 2072

Ashad 31, 2073

Schedule 8: Share Capital

Authorized			
(500,000,000 Ordinary Shares of Rs 100 each)	<u>50,000,000,000.00</u>		<u>50,000,000,000.00</u>
Issued and paid up			
Opening Paid-up Capital	37,364,905,655.71		37,364,905,655.71
Total	37,364,905,655.71		37,364,905,655.71
Sub-Total		37,364,905,655.71	37,364,905,655.71
Share Allotment Suspense			
Balance as at 1st Shrawan, 2072	11,910,164,208.32		7,145,841,231.70
Addition during the Year FY 2072/073	9,252,785,315.38		4,764,322,976.62
Sub-Total		21,162,949,523.70	11,910,164,208.32
Total		<u>58,527,855,179.41</u>	<u>49,275,069,864.03</u>

Schedule 9: Reserve and Accumulated Profits

Reserves

Capital reserve

Consumer Contribution	1,474,283,754.29		1,405,768,938.51
Capital Gain	157,485,914.32	1,631,769,668.61	158,638,134.56
General Reserve		97,471,457.21	97,471,457.21
Insurance Fund		360,000,000.00	360,000,000.00
Sub-Total		<u>2,089,241,125.82</u>	<u>2,021,878,530.28</u>

Accumulated Profits/(Losses)

Balance as at Shrawan 1, 2072	(25,751,426,050.73)		(20,238,585,467.36)
Adjustment for Change in Accounting Policy and Errors	33,147,302.82		(383,084,445.73)
Profit/(Loss) as Per Income Statement	(8,890,194,853.83)		(5,129,756,137.64)
Sub-Total		<u>(31,608,473,601.74)</u>	<u>(25,751,426,050.73)</u>
Total		<u>(32,519,232,475.92)</u>	<u>(23,729,547,520.45)</u>

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Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)



Schedules forming part of the financial statements
For the year ended July 15, 2016 (Ashad 31, 2073)

(Figures in Rupees)
Ashad 31, 2072

Ashad 31, 2073

Schedule 10 : Borrowings

Non- Current

Long- term Borrowings under the Subsidiary Loan Agreement with Government of Nepal

Asian Development Bank	20,869,332,229.02	18,884,384,762.27
French Loan	73,122,536.92	73,122,536.92
KfW German Loan	14,624,814,775.61	14,624,814,775.61
Nepal Government Loan - Local Source	31,733,034,545.07	23,446,436,042.30
World Bank		
Multilateral	3,043,967,196.75	3,043,967,196.75
IDA	16,352,377,573.45	14,275,113,717.75
JBIC - Japan Loan	12,385,686,894.00	11,605,650,063.06
Nordic Development Fund Loan	1,051,144,696.86	1,051,144,696.86
OPEC Loan	460,370,725.14	460,370,725.14
Exim Banks		
Korean Government	3,589,528,034.36	3,589,528,034.36
China Government	5,500,652,034.40	5,848,020,676.90
Indian Government	1,619,612,022.44	1,350,526,352.58
Total	111,303,643,264.02	98,253,079,580.50

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Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)



Schedules forming part of the financial statements
For the year ended July 15, 2016 (Ashad 31, 2073)

(Figures in Rupees)

Ashad 31, 2073

Ashad 31, 2072

Schedule 11: Sundry Creditors and Other Payables

Creditors for Power Purchase	4,887,242,186.43	4,271,052,153.39
Deposit from Customers	917,963,217.05	801,919,745.56
Other Deposits	2,956,077,826.77	2,908,961,737.44
Creditors for Goods	631,642,992.29	310,397,994.74
Other Creditors	868,026,732.01	592,594,021.77
Interest During Construction Period	4,477,355,587.56	2,400,268,332.52
Liabilities to Employees	134,171,324.49	123,515,040.75
Audit Fee Payable	3,616,000.00	3,220,500.00
Property Tax Payable	46,811,311.46	46,811,311.46
Royalty Payable	-	37,612,380.00
Interest Payable to Government of Nepal	35,581,117,605.22	33,132,104,736.05
Inter Unit Transactions	(398,542,012.55)	59,229,933.95
Other Payables	1,218,964,589.12	1,055,216,881.40
Total	51,324,447,359.85	45,742,904,769.03

Schedule 12: Provisions

Gratuity	100,175,085.00	89,615,085.00
Pension	18,214,026,307.00	16,510,247,307.00
Medical	1,507,152,794.00	1,312,491,794.00
Accumulative Leave	1,538,100,650.00	1,397,100,650.00
Total	21,359,454,836.00	19,309,454,836.00

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Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)



Schedules forming part of the financial statements
For the year ended July 15, 2016 (Ashad 31, 2073)

	<u>This Year</u>	<u>(Figures in Rupees)</u> <u>Previous Year</u>
Schedule 13: Sales Revenue		
<u>Revenue From Sale of Electricity</u>		
Domestic	14,833,654,455.99	12,706,545,393.64
Commercial	3,788,761,851.06	3,735,001,028.30
Non-commercial	1,995,103,099.49	1,644,448,495.80
Industrial	10,182,318,445.06	11,064,836,953.75
Temples	33,915,013.81	29,167,834.31
Street Lights	602,368,672.16	629,649,151.28
Water Supply & Irrigation	525,293,418.28	480,707,381.51
Transport	39,742,015.15	41,444,342.65
Temporary Supply	29,250,632.03	27,394,369.15
Exports to India	32,074,224.68	39,357,554.04
Community Sale	411,499,043.66	400,118,332.53
Gross Revenue	<u>32,473,980,871.37</u>	<u>30,798,670,836.96</u>
Less: Rebate	<u>649,767,576.04</u>	<u>629,897,611.21</u>
Net Revenue	<u>31,824,213,295.33</u>	<u>30,168,773,225.75</u>





Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)

Schedules forming part of the financial statements
For the year ended July 15, 2016 (Ashad 31, 2073)

(Figures in Rupees)

	<u>This Year</u>	<u>Previous Year</u>
Schedule 14: Cost of Sales		
A Generation		
Staff Cost	534,014,155.37	584,593,580.21
Staff Welfare	21,570,297.70	23,514,458.73
Terminal Benefits	98,787,616.83	100,143,204.97
Fuel - Generation	4,327,123.31	42,063,787.87
Mobil-Generation	2,715,022.10	3,479,398.04
Spare Parts- Operations	98,800,806.70	143,490,551.65
Loose Tools	757,196.27	482,405.02
Water & Electricity	2,657,134.47	3,254,135.80
Other Services	27,892,616.27	24,932,569.55
Repairs & Maintenance	470,057,231.54	379,146,020.92
Vehicle Expenses	44,156,946.47	51,332,383.80
Administrative Expenses	27,396,110.84	27,518,528.90
Sub - Total	<u>1,333,132,257.87</u>	<u>1,383,951,025.46</u>
B Power Purchase		
Internal (Nepal)	8,278,798,386.27	8,461,896,010.70
External (India)	14,053,593,162.15	10,748,296,749.69
Sub- Total	<u>22,332,391,548.42</u>	<u>19,210,192,760.39</u>
C Royalty to Government of Nepal	<u>883,133,752.00</u>	<u>892,460,020.00</u>
D Transmission		
Staff Cost	351,432,632.24	342,004,480.31
Staff Welfare	13,963,474.54	13,114,401.86
Terminal Benefits	38,895,936.86	30,986,203.28
Stores & Services	42,712,444.60	18,459,517.99
Repairs & Maintenance	164,959,607.42	140,453,381.11
Vehicle Expenses	15,685,967.34	17,094,060.48
Administrative Expenses	20,798,110.76	17,513,936.09
Sub - Total	<u>648,448,173.76</u>	<u>579,625,981.12</u>
E Transmission/Wheeling Charges	<u>446,134,370.30</u>	<u>-</u>
Total (A+B+C+D+E)	<u>25,643,240,102.35</u>	<u>22,066,229,786.97</u>

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Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)

Schedules forming part of the financial statements
For the year ended July 15, 2016 (Ashad 31, 2073)

(Figures in Rupees)
Previous Year

Schedule 15: Other Income

	<u>This Year</u>	<u>Previous Year</u>
Sale of Electricity Goods	66,985,374.79	68,450,921.87
Surcharge for Delayed Payment	944,666,033.42	984,507,210.52
Penalty on Power Purchase	148,202,273.18	189,359,119.56
Income from Lease Rent	4,674,324.43	7,124,890.88
Interest Income	1,309,462,140.56	965,517,948.89
Dividend Income	148,042,702.08	156,167,877.00
Income from Other Services	123,096,485.32	122,252,013.80
Miscellaneous Income	504,200,975.98	622,879,876.81
Total	<u>3,249,330,309.76</u>	<u>3,116,259,859.33</u>

Schedule 16 : Distribution Expenses

Staff Cost	2,649,966,424.67	2,607,616,048.49
Staff Welfare	124,961,743.27	128,213,758.40
Terminal Benefits	562,448,503.18	503,624,364.30
Stores & Services	265,654,928.84	234,346,330.65
Repairs & Maintenance	1,497,585,459.10	1,241,743,966.32
Vehicle Expenses	227,985,832.47	254,892,314.70
Administrative Expenses	342,745,165.84	371,042,492.22
Total	<u>5,671,348,057.37</u>	<u>5,341,479,275.08</u>

Schedule 17: General Administrative Expenses

A. Engineering

Staff Cost	117,644,313.95	110,706,198.75
Staff Welfare	7,145,923.78	6,090,820.47
Terminal Benefits	9,273,610.49	14,107,647.62
Stores & Services	4,946,598.81	5,079,146.93
Repairs & Maintenance	17,167,948.45	19,592,618.71
Vehicle Expenses	9,501,515.29	9,715,152.69
Administrative Expenses	9,183,739.04	8,367,978.61
Sub- Total	<u>174,863,649.81</u>	<u>173,659,563.78</u>

B. Training Center

Staff Cost	13,725,705.05	14,398,516.14
Staff Welfare	624,395.50	589,471.40
Terminal Benefits	1,211,407.21	1,121,429.08
Stores & Services	2,337,996.98	1,845,671.51
Repairs & Maintenance	3,619,291.47	1,480,844.99
Vehicle Expenses	2,160,874.39	1,942,009.00
Administrative Expenses	12,108,592.59	5,982,556.86
Sub- Total	<u>35,788,263.19</u>	<u>27,360,498.98</u>

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SR PANDEY & CO
Chartered Accountants
Kathmandu

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Prakash Sharma & Associates
Chartered Accountants

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Nepal Electricity Authority
(Incorporated under Nepal Electricity Authority Act, 2041)

Schedules forming part of the financial statements
For the year ended July 31, 2016 (Ashad 31, 2073)

	<u>This Year</u>	<u>Previous Year</u>
C. Project Management		
Staff Cost	9,360,826.95	4,074,909.73
Staff Welfare	527,776.00	16,675.00
Terminal Benefits	2,245,452.98	-
Stores & Services	1,023,411.36	416,044.29
Repairs & Maintenance	619,236.41	366,498.55
Vehicle Expenses	1,271,122.65	557,227.59
Administrative Expenses	1,353,252.69	838,543.88
Sub- Total	16,401,079.04	6,269,899.04
D. General Administrative Expenses		
Salaries, Wages, Insurance and Other Employee Costs	776,238,463.64	943,360,194.12
Contribution to Provident Fund, Gratuity Fund/Leave	23,280,145.02	22,702,950.76
Plant Repair & Maintenance	10,226,752.62	6,121,413.67
Travelling Expenses	10,846,814.66	10,540,766.38
Vehicle Repair and Maintenance	19,635,246.63	22,323,171.62
Entertainment	4,350,850.67	5,800,146.56
Statutory Audit Fees	2,147,000.50	1,582,000.00
Tax Audit Fees	904,000.00	904,000.00
Audit Expenses	1,960,702.18	1,259,535.80
Legal Fee and Expenses	2,687,907.00	556,488.60
Board Meeting Allowance	312,500.00	698,500.00
Rates and Taxes (Postage, Telegram, Telephone)	3,853,942.43	3,709,246.36
Bank Charges	9,241,515.66	7,934,096.72
Examination Expenses	33,349,890.45	13,652,755.48
License Fees	2,397,630.00	2,197,906.30
Consultancy Expenses	3,014,671.94	2,125,149.22
Printing & Stationeries	4,240,669.83	4,810,481.01
Advertisement	2,920,576.00	4,751,343.00
Training	11,779,335.49	11,612,876.78
Books & Periodicals	1,288,918.35	764,285.60
Property Tax	36,220.00	4,220.00
Organizational Development	3,828,613.90	5,506,614.66
Stores & Supplies	15,745,230.01	11,481,863.28
Bad Debts Written Off	139,086.91	-
Staff Loan & Property, Plant & Equipment Written Off	33,984,999.96	3,503,281.04
Obsolete/Loss Stock Written Off	466,399.33	4,434,812.44
Miscellaneous Expenses	12,649,111.43	39,394,480.97
Sub- Total	991,527,194.61	1,131,732,580.05
Total (A+B+C+D)	1,218,580,186.65	1,339,022,541.85





NEPAL ELECTRICITY AUTHORITY

Financial Year 2072/073 (2015/2016)



Significant Accounting Policies and Explanatory Notes For the year ended July 15, 2016 (Ashad 31, 2073)

Constitution and Ownership

Nepal Electricity Authority ('NEA') was incorporated on Bhadra 1, 2042 (16 August, 1985) under the Nepal Electricity Authority Act, 1984, through the merger of the Department of Electricity of Ministry of Water Resources, Nepal Electricity Corporation and related Development Boards. The merger was necessitated to remedy the inherent weaknesses associated with these fragmented electricity organizations with overlapping and duplication of works, and became necessary to achieve efficiency and reliable service.

The principal objectives of NEA include generation, transmission and distribution of adequate, reliable and affordable electric power by planning, constructing, operating such facilities in Nepal's power system both interconnected and isolated.

1 Significant Accounting Policies

1.1 Basis of preparation of Financial Statements

- a. The financial statements have been prepared in accordance with Nepal Accounting Standards (NAS) and Generally Accepted Accounting Principles and practices following historical cost conventions. These standards and practices are substantially in line with the principles set out in IFRS.

The preparation of financial statements requires NEA's management to make estimates and assumptions that affect the reported balance of assets and liabilities, revenues and expenses and disclosures relating to the contingent liabilities. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable and management is aware that future results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods. Examples of such estimates include provision for employee benefits, net realisable value of inventory, diminution in value of long-term investments and non-recoverability of receivable balances etc.

- b. The figures for the previous year are rearranged and reclassified wherever necessary for the purpose of comparison.
- c. Appropriate disclosures are made for the effect of any change in accounting policy, accounting estimate and adjustment of error.
- d. The financial statements are prepared, generally, on accrual basis. However, some income and expenses are accounted on a cash basis, for practical reasons. Management believes that the impact of recognising those revenues on cash basis will not be materially different from the current practice.
- e. Management has applied estimation while presenting financial statements. Such specific estimates are disclosed in individual sections wherever they have been applied.

1.2 Foreign Currency Transactions

The transactions in foreign currency are recognised at the prevailing rate on transaction date. The balances of monetary assets and liabilities in foreign currencies are translated at closing rate. The resulting gain or loss due to the translation is taken to profit and loss.





1.2.1 Functional and Presentation Currency

Items included in the financial statements of the authority are measured and presented using the currency of the primary economic environment in which the Authority operates (the functional currency), which is the Nepalese Rupees (indicated as Rs. in short).

1.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost of acquisition and/or cost of construction less accumulated depreciation. The cost of property, plant and equipment include cost of acquisition or construction/erection together with other incidental costs and charges attributable to bringing the asset to its working condition for its intended use and also include borrowing costs directly attributable to the acquisition, construction/erection of qualifying asset.

1.4 Depreciation

Depreciation is provided on Property, Plant and Equipment, except land, on straight-line method, based on the estimated useful lives of those assets. The rates of depreciation applied on property, plant and equipment are as follows:

Assets Category		Depreciation Rate (per annum)
(a)	Land	-
(b)	Buildings	2%
(c)	Hydro Electric Structures	2%-3%
(d)	Hydro Electric Plant & Machinery	3%
(e)	Internal Combustion on plant & machinery	2.5%
(f)	Transmission lines (66 KV, 132 KV and above)	3%
(g)	Transmission lines (33 KV)	3%
(h)	Transmission Substations	3%
(i)	Distribution system (including below 11 KV Transmission lines)	3%-4%
(j)	Solar Power	3%
(k)	Meter & metering equipment	10%
(l)	Consumer Services	7%
(m)	Public lighting	3%
(n)	Vehicles, tools and instruments, furniture and fixtures.	20%
(o)	Office Equipment	15%
(p)	Miscellaneous properties	50%
(q)	Additions during the year	50% of applicable rates

1.5 Capital Work in Progress (CWIP)

All expenditures in developing property, plants and equipment not yet completed or not ready to use are categorised as CWIP. The value of Capital works-in-progress includes stock of equipment lying in store or in transit for the purpose of use in the construction or development. It also includes the balances with contractors and suppliers for the value yet to be received. These are capitalised upon commissioning or identified as being ready to use.

1.6 Investments in Shares

All investments in shares are carried at cost. Write-downs are made for impairment, if any, in the value of such investments. Bonus shares issued by investee companies have not been accounted in books. However, total number of bonus shares received has been disclosed with initial investment.

1.7 Inventories

Inventories include goods in hand being held for use, sale or as spares.





- b. Inventories are valued at lower of cost or net realisable value, using the weighted average method.
- c. Net realizable value is the sale price as estimated by the management in the ordinary course of business, less estimated costs, if any, necessary to make the sale. Further, adjustments are made for those inventories identified by management as obsolete or otherwise.

1.8 Trade Receivables

Trade receivable are stated at carrying values except for those identified by the management as being doubtful on recovery. Such estimations for doubtful recovery are reviewed by the management regularly.

1.9 Cash and Cash equivalents

Cash and cash equivalents are carried at cost. They include cash-in-hand, cash-in-transit (bank transfers and cheques in collection which are collected in the subsequent period), and deposits with banks in the various forms of deposit accounts which may or may not bear interest, but which are not of the nature of investments.

1.10 Finance Cost

Borrowings that are due after 12 months from the date of the financial position are classified as non-current liabilities and those less than 12 months are classified as current liabilities. Finance costs that are directly attributable to the construction of a qualifying asset are included in the cost of that asset irrespective of the physical progress. Other borrowing costs are treated as an expense in the period in which it occurs.

1.11 Foreign Currency Loans

Liabilities on foreign currency loans at the year end are converted into Nepali Rupees by applying prevailing year-end exchange rates. The gain /loss arising there from such transaction are recognised as profit or loss.

1.12 Trade and Other Payables

Liabilities for creditors and other payables are carried at cost which is the fair value of the consideration to be paid in the future for the goods / services received, whether or not billed to the Authority.

1.13 Provisions

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

Recognition of Provisions involves substantial degree of estimation in measurement. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

1.14 Employee Benefits

- a. Employee benefits, other than retirement benefits, are accounted for in the period during which the services have been rendered on accrual basis.

For Retirement Benefits Plans

- Defined Contribution Plans (such as Provident Fund, Retirement Fund and Insurance Schemes) expenses are charged to income statement on the basis of the liability recognised for the period.





- Defined Benefit Plans (such as Gratuity, Pension, Leave Encashment and Medical Benefits) expenses are charged to the income statement on the basis of management estimate.

1.15 Grant-in-Aid, Contribution from Customer/Local Authority

Grants-in-Aid received from the GoN or other Agencies towards capital expenditure as well as consumers' contribution to capital work are treated initially as Capital Reserve and subsequently adjusted as income in the same proportion as depreciation is charged on such assets.

1.16 Contingent Liabilities

Contingent liabilities are disclosed in respect of possible present obligations that have arose from past events but their existence can only be confirmed on occurrence or non occurrence of one or more uncertain future events not wholly within the control of NEA and possibility of outflow of resources is not determinable.

1.17 Revenue from Sale of Electricity

- Revenue from sale of electricity is recognised at the time of raising bills to the customers as per the billing cycle. Revenue from the billing cycle date up to Ashad End (Mid-July) has been recognised on estimated basis. Revenue from sale of electricity is shown net of rebate.
- Rebate on payment before due date, surcharge on delayed payment etc. are accounted for on cash basis.

1.18 Income from Other Sources

- Interest on investments and rental income are recognised on accrual basis.
- Dividend on investment in shares is recognized when right to receive has been established.
- Revenue from other services, including services provided by Engineering Services, is recognised on cash basis.
- Penalty chargeable on late commercial operation date (COD) under power purchase agreement (PPA) are accounted for on cash basis.

1.19 Insurance Fund

Insurance fund is created by setting aside a sum of Rs. 20 million every year, in case of profit for the year, to cover any loss of property, plant and equipment, for any eventuality.

1.20 Taxes

- Current tax
Current Tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred tax

Deferred tax is recognised on temporary difference, being the difference between tax base of assets and liability and carrying amount thereto. Where there is carry forward losses, deferred tax asset are recognized only if there is virtual certainty of realization of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.



**2 Explanatory Notes to Accounts:****2.1 Property, Plant & Equipment (PPE)***Physical Verification of Property, Plant and Equipment*

The physical verification of property, plant and equipment is partially carried out by the majority budget centres.

Title Deeds of Land

Some title deeds of land Property, which had not been in NEA's name, has been taken during the year and recorded accordingly. Title deeds of some land properties still remained to be transferred in NEA's name, however all such lands are recognised and shown in the financial statements.

Leased Small Hydro Power Units (SHP)

NEA has leased out some isolated SHP units to outside parties.

Capitalization of completed works

During the FY 2072/73, Capital projects work in progress Rs. 5,741.11 million was transferred to Property, Plant & Equipment based upon the certificate of completion issued by the concerned projects and budget centres. The balance represents the value of the capital works in progress, not yet completed or yet to be transferred to Property, Plant & Equipment.

Impairment of PPE

Management is in the process of implementing the detailed system for asset management including identification of impairment of PPE. However, as an interim measure, based on the information available, management had in the previous period(s) written down PPE by Rs. 479.02 million as impairment provision. This represents the value of assets lost/destroyed/damaged completely or partially and whose economic value has therefore reduced. No additional write down has been recognised in the current reporting period.

Derecognition of PPE

NEA has carried out post earthquake impact assessment following the Gorkha Earthquake on April 25, 2015 and its aftershocks. The assessment included collection of rapid visual damage assessment data on existing power - houses, transmission lines, distribution networks, ongoing construction projects and office buildings. NEA suffered huge damages to its buildings because majority of its buildings especially at the distribution and consumer services and the staff quarters are load bearing. However, in the absence of detail assessment of monetary loss, no write off has been affected in the carrying value of those buildings.

2.2 Relief Material

Government of India has supplied certain quantities of distribution network related equipments and materials in order to restore the power supply immediate after the major Earthquake on April 25, 2015 as a relief aid to Nepal Electricity Authority via Nepal Government. However, Nepal Government has not provided the value of those equipments and materials to NEA up to the end of fiscal year. Therefore, such assets have not been recognized in the book due to the lack of complete information regarding the value of the assets supplied.

2.3 Capital Work in Progress

Management had in the previous period(s) provided Rs. 287.91 million in the value of CWIP for possible impairment due to obsolescence or otherwise. No additional write down has been recognised in the current reporting period.





2.4 Share Investments

Details of NEA's investments in share capital at the end of FY 2072/73 are listed below:

Particulars	No. of Shares	Proportion of Ownership		Rs. in Million	
		Current Year	Previous Year	Current Year	Previous Year
Subsidiary					
Chilime Hydropower Company Ltd.	11,583,936 (Including 6,687,936 Bonus shares) Equity Shares of Rs 100 each fully paid up Market price Rs. 1,440 per share	51.00%	51.00%	489.60	489.60
Upper Tamakoshi Hydro Power Limited	43,419,000 equity shares of Rs 100 each fully paid up	54.67%	80.39%	4,341.90	4,341.90
Tamahun Hydro Power Limited	15,651,965 equity shares @ Rs. 100 each	100%	100%	1,565.20	1082.20
Joint Venture					
Power Transmission Company Nepal Ltd.	1,300,000 equity shares of Rs 100 each fully paid up	50%	50%	130.00	687.14
Associates					
Sanjen Hydro Power Company Ltd. (Refer Note: 1 below)	3,650,000 equity shares of Rs 100 each fully paid up	10%	10%	365.00	365
Salleri Chyalsa Electricity Co. Ltd.	28,756 Pref. shares of Rs 1,000 each and 25,000 equity shares of Rs 10 each	25%	25%	29.01	29.01
GMR Upper Kamali Hydropower Limited (Refer Note: 2 below)	405,000 equity shares @ Rs. 100 each issued free of cost	27%	27%	-	-
Rashuwagadhi Hydro Power Co. Ltd. (Refer Note: 3 below)	11,650,000 equity shares @ Rs. 100 each	18%	18%	1,165.00	825.00
Middle Bhotekooshi Hydro Power Co. Limited. (Refer Note: 4 below)	5,700,000 equity shares @ Rs. 100 each	10%	10%	570.00	470.00
Trishuli Jal Bidhyut Company Limited.	2,499,935 equity shares @ Rs. 100 each	56.22%	52.38%	249.99	246.99
Others					
Khumbu Bijuli Co. Pvt. Ltd.	2,064,900 equity shares of Rs 10 each fully paid up	15%	15%	20.65	20.65
Nepal Engineering Consultancy P. Ltd. (Refer Note: 5 below)	24,993 equity shares of Rs 100 each fully paid up	-	-	2.28	2.28
Hydro Lab. Pvt. Ltd.	10,000 equity shares of Rs 100 fully paid	10%	10%	1.00	1.00
Butwal Power Company Ltd.	107,229 equity shares of Rs 100 each fully paid up (Market price Rs. 830 per share)	1%	1%	16.01	16.01
Cross Boarder Power Transmission Co. Limited	640,979 equity shares @ Rs. 100 each	10%	10%	64.10	51.97





- Note: 1 Investments in Sanjen Hydropower Company Ltd. is 10% by NEA and 38% by Chilime Hydropower Company Ltd. (CHCL) effective 29.38%.
- Note: 2 Pursuant to Memorandum of Understanding (MoU) between Government of Nepal and GMR, 405,000 equity shares of Rs.100/- each (27% of the total share capital) has been allotted to NEA as free equity.
- Note: 3 Investments in Rasuwagadhi Hydropower Company Ltd. is 18% by NEA and 33% by CHCL effective 34.83%.
- Note: 4 Investments in Middle Bhotekoshi Hydropower Company Ltd. is 10% by NEA and 38% by CHCL effective 29.38%.
- Note: 5 As on the date of the financial position, Nepal Engineering Consultancy Pvt. Ltd. is under liquidation. Therefore, management has provided for the diminution in the value of investment made to nil value.

2.5 Investment in Loan

NEA has maintained significant amount of loan investment in Upper Tamakoshi Hydropower Company Limited & Power Transmission Company Nepal Ltd. During the year, interest receivables from such companies amounting to Rs. 831.53 million have been capitalized in loan investment.

2.6 Inventory

Provision for obsolescence in value of inventory

Based on the information available, NEA management has adjusted (less) Rs. 331.38 million up to FY 2072/73 towards the possibility of reduction in Net Realisable value of the inventory due to obsolescence or otherwise.

2.7 Trade Receivables

Reconciliation of Consumers' Ledger with Control Accounts

Receivables shown under the heading sundry debtors are subject to reconciliation and/or confirmation. In some collection centres, reconciliation of general ledger balances and customer ledger balances are under progress.

Recoverable from Streetlights

Street light dues from various Municipalities and VDCs amounting to Rs. 3,150.19 million is yet to be received.

Impairment of Receivables

As on the reporting date, management has estimated Rs. 567 Million to be doubtful of recovery and the Trade Receivables have been written down by the same amount. No additional write down has been recognised in the current reporting period.

Claims Recoverable

Claims recoverable include Rs. 172.16 million from Government of Nepal which is subject to confirmation. The recoverable represents rate concessions and other subsidies provided to consumers on behalf of Government of Nepal.

2.8 Cash in Transit

Cash in transit at the year end stands at Rs. 273.24 million (previous year Rs. 304.67 million) is to be settled.

2.9 Specially Designated Bank Account

NEA has maintained special designated bank accounts with certain banks amounting NRs. 842.65 million (US\$ 7.90 million) at the end of the financial year 2072/73. These accounts are operated by





NEA for specific purpose governed by the terms and conditions of World Bank. Therefore, these accounts have not been incorporated in the books of NEA.

2.10 Borrowings

The borrowings held under non-current liabilities are unsecured and are under subsidiary agreement with Government of Nepal.

2.11 Other Miscellaneous Liabilities:

NEA has terminated the contract with IVRCL Ltd. in connection with Rahughat Hydroelectric Project due to poor performance of the civil contractor in project execution. This resulted seizing of performance bank guarantee equivalent to Rs. 899.95 million. This amount has been treated as other miscellaneous liabilities till the final settlement.

2.12 Deferred Taxes

NEA had provided for Deferred Tax Liability of Rs. 693.20 million in the year 2065/66 which is being carried forward since. Furthermore NEA has been carrying forward unused tax losses that can be set off against future profit (if any) for which NEA will have to recognise deferred tax assets in the current financial year. Considering the trend of losses that NEA has been bearing year on and year on, it is not probable that future taxable profit will be available against which unused tax losses can be utilised. Therefore no deferred tax income has been recognised for the period.

2.13 Index Loan to community

Danish government had invested for rural electrification at Kailaili and Kanchanpur districts in the last few years. After completion of the project, assets created were transferred to the local community through NEA. As per the agreement with GoN, the cost of the project should be recovered from the community by making an index loan. Accordingly, Consumers shall have to pay instalment along with their monthly electricity bill. The recoverable amount of index loan from the community as of 31/03/2073 is as under which have not been recovered;

Community under NEA Distribution Centre	Amount (Rs. in Million)
Mahendranagar	64.08
Tikapur	73.80
Dhangadhi	33.61
Total	171.49

2.14 Inter Unit Account

Inter unit account (IUT) represents Rs. 24,943.93 million debit and 24,545.39 million credit outstanding as at the date of financial position leaving a net debit balance of Rs. 398.54 million (previous year net credit Rs. 59.23 million).

2.15 Employee Benefits

In respect of the retirement benefit, NEA is liable to pay two types of benefits namely defined contribution plan in the form of Employees' Provident Fund (EPF), insurance and defined benefit plan in the form of pension, gratuity, accumulated leave encashment and medical expenses.

Defined Contribution Plan

The expense during the year pertaining to Provident Fund, Retirement Fund (employer's contribution) and insurance schemes amounted to Rs. 486.63 million.



**Retirement Benefits Plan Fund**

NEA has established retirement benefits fund to the employees who appointed on or after 17th July, 2006 under defined contribution plan scheme. This fund has been approved by the Inland Revenue Department. A sum of Rs. 10 million has been deposited to setup the fund as NEA's investment as per the requirement of prevailing Income Tax Act.

Defined Benefit Plan

NEA has made actuarial valuation up to the fiscal year 2070/71 for all defined benefit plans. Current year's entire liabilities of Rs. 2,050.00 million have been provided in the Income Statement based on the management estimates. The movement of Defined Benefit Plan Liabilities during the Financial Year 2072/73 is as under:

(Rs. in Million)

Description	Benefit Plan				Total
	Pension	Gratuity	Leave	Medical	
Opening Liabilities	16,510.25	89.62	1,397.10	1,312.49	19,309.46
Addition for the Year	1,703.78	10.56	141	194.66	2,050.00
Closing Liabilities	18,214.03	100.18	1,538.10	1,507.15	21,359.46

An amount of Rs.1,306.93 million has been deposited with CIT as benefit plan assets. The description of which is under:

Defined Benefit Plan Assets

(Rs. in Million)

Opening Assets	1,113.69
Addition during the year:	150.00
Investment Returns	43.25
Payments during the year	-
Closing Assets	1306.93

2.16 Contingent liabilities**Claims against NEA not acknowledged as debt**

Name of the Project	Amount (million)	Claim filed by
Chameliya Hydro electric Project	Rs. 316.32	CGGC Company
Kulekhani III Hydro electric Project	Rs. 100.00	Sino Hydro Corporation*
Other (Under litigation)	Rs. 318.00	Various parties

* Claims against NEA included Rs. 20.27 million against litigation by Sino Hydro Corporation.





2.17 Capital Commitments

Capital commitment against the ongoing construction project under different business groups are as follows:

Business groups	Name of the Project	Amounts (million)	Committed to
Generation Construction	Chameliya Hydroelectric Project	Rs. 93.55	CGGC Company
	Chameliya Hydroelectric Project	Rs. 72.84 US\$ 0.67	KHNP Consortium
	Chameliya Hydroelectric Project	Rs. 44.48 US\$ 0.42	Various Parties
	Kulekhani III Hydro electric project	Rs. 30.00	Sino Hydro Corporation
	Kulekhani III Hydro electric project	Rs. 376.00	Zhejiang Jinlun Electro Mechanic Co. Ltd
	Kulekhani III Hydro electric project	Rs. 20.00	WAPCOS Ltd., India
Nepal India Electricity Transmission & Trade Project (NIETTP)	Various Transmission Projects	Rs. 4,000.00	Various Contractors

2.18 Tax Liability

Income tax expense includes current tax and deferred tax. During the year current tax expense is nil due to taxable loss. NEA has filed income tax return under self-assessment procedure up to Income year 2071/072. The Tax assessment upto Income year 2068/69 has been completed by Large Tax Payers Office but is pending finalisation due to appeals. The status is as follows:

Particulars	Income Year	Status	Remarks
Under Administrative Review	061/62	Not Concluded	Carry forward loss allowed Rs. 1,645 million instead of Rs 5,247 million and TDS dispute Rs. 716 million.
Pending Revised Assessment by LTO	062/63	Revenue Tribunal has finalised the appeal but revised assessment by Tax Authority still not completed.	Carry forward loss allowed Rs. 1,109 million instead of Rs.4,640 million and TDS dispute Rs. 761 million
Pending Revised Assessment by LTO	063/64	Revenue Tribunal has finalised the appeal but revised assessment by Tax Authority still not completed.	Carry forward loss allowed Rs. 1,909 instead of Rs.2,167 million and TDS dispute Rs. 927 million
Under Administrative Review	064/65	Not Concluded.	Carry forward loss allowed Rs.1,692 million instead of Rs.2,167 million.
Reassessment issued	065/66	Concluded	Carry forward loss allowed Rs.5,046 million instead of Rs.5,417 million.
Under administrative review	066/67	Review Pending	Carry forward loss allowed Rs.5,699 million instead of Rs.5,992 million.





Under administrative review	067/68	Review Pending	Carry forward loss allowed Rs.5,030 million instead of Rs. 5,369 million.
Under administrative review	068/69	Review Pending	Total carry forward losses allowed Rs.10,562 million instead of Rs. 38,034 million.
Self assessment return filed	069/70 to 071/72	Assessment Pending	Large Taxpayer Office, Lalitpur

Note: In addition to deposits for filing appeal, reviews etc., NEA has deposited Rs.1,402.09 million as advance income tax which is yet to be settled.

2.19 Prior Period Adjustment

During the year a total of Rs 33,15 million has been recognised as prior period income by giving equity treatment (previous year Rs. 383.09 million as prior period expenses) due to errors and/or omission in preparation of financial statement on account of various income/expenses as stated under:

Particulars	Amount (Rs.)	
	2072/73	2071/72
Salaries & Wages	(94,219.97)	(1,369,291.31)
Administrative Expenses	492,311.67	(848,687.63)
Interest & Other Income Adjustments	-	53,412,278.63
Excess/Short Booking of Revenue	(39,010,490.03)	110,665,159.58
Repairs & Maintenance	2,290,303.37	(423,822,774.18)
Depreciation	976,082.88	363,477,871.04
Stores	485,478.00	281,487,228.24
Other Expenses	1,713,231.26	82,661.36
Total	(33,147,302.82)	383,084,445.73

2.20 Related Party Disclosure

Following is the list of the related parties as identified in accordance with Provisions of the Nepal Accounting Standard- 24 on Related Party Disclosure:

Name of the related Party	Nature of Transaction during the year	Amount (Rs Million)	Nature of Relationship
Chilime Hydropower Company Ltd.	Power purchase	1,163.14	Subsidiary (NEA holds 51% of equity share Capital)
Trishuli Jal Bidyut Co. Ltd.	Equity contribution	3.00	Subsidiary (NEA holds 56.22 % of paid up share capital)
Upper Tamakoshi Hydro Power Ltd.	Loan provided	2,831.53	Subsidiary (NEA holds 54.67 % of paid up share capital)
Power Transmission Company Nepal Ltd.	Loan provided	241.23	Joint venture company (NEA holds 50% of equity)
Tanahu Hydropower Company Ltd.	Equity contribution & loan provided	483.00	Fully owned subsidiary
Kasuwadhi Hydropower Co. Ltd.	Equity contribution	340.00	Associated Company (NEA holds 34.83% of equity)
Middle Bhotekoshi Hydropower Co. Ltd	Equity contribution	100.00	Associated Company (NEA holds effectively 29.38% of equity with CHECL)



**2.21 Quantitative Details**

The quantitative details of electricity generation, purchase, sales, losses etc. are as follows:

Particulars	FY 2072/73	FY 2071/72
NEA Generation (GWh)	2,133.26	2,366.88
IPP (GWh)	1,166.24	1,268.93
Import (GWh)	1,777.68	1,369.89
Available Energy (GWh)	5,077.18	5,005.70
Sales (GWh)	3,718.97	3,743.75
Adjustment for Sales/Utilization (GWh)	49.249	38.54
Total Energy Utilized (GWh)	3,768.22	3,782.29
Loss (GWh)	1,308.96	1,223.41
Net System Losses (%)	25.78%	24.44
Number of Consumers	2,969,576	2,868,012

2.22 Subsequent Events

There has not been any significant reportable event after the reporting date, which requires be either adjusting or disclosing.

Sudarshan Raj Pandey, FCA
Partner, S.R. Pandey & Co.
Chartered Accountants

Parakram Nath Sharma, FCA
Principal, Parakram Sharma & Associates
Chartered Accountants

Iswar Nepal
Deputy Auditor General
Office of the Auditor General



Head of Directors
Anup Kumar Upadhyay
Secretary
Ministry of Energy
Chairman

Dr. Shama Raj Subedi
Secretary
Ministry of Finance
Member

Lekhanath Koirala
Acting Deputy Managing Director
Finance Directorate

Chandra Tandon
Member

Umesh Prasad Thani
Member

Lok Hari Lalitel
Director
Accounts Department

Bhakta Bahadur Pun
Member

Chet Raj Joshi
Member

Kul Man Ghising
Managing Director
Member Secretary

