

Audited Financial Statements

Project Number:40553-013

Loan /Grant: 2587/0182/0183

Period covered:16 July 2016- 17 July 2017

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 Undertaking)



Ref. No. 213

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

April 11, 2018

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

RECEIVED
12 APR 2018


Subject :- Submission of Approved Financial Statement for the F/Y 2016/17.

Dear Sir,

Please find enclosed herewith the Approved Financial Statements of Nepal Electricity Authority together with Audit Report for the year ended 2016/17 for your kind information and needful actions.

Thanking You

Sincerely Yours,



(Lekhanath Koirala)

Deputy Managing Director
Finance Directorate

CC:

Managing Director, NEA



महालेखापरीक्षकको कार्यालय
Office of the Auditor General
Public Enterprises Audit General Directorate



Phone: 4258174

4266034

4255707

A.G. Fax : 977-1-4268309

Fax : 977-1-4262798

Post Box : 13328

बबरमहल, काठमाडौं, नेपाल

Babar Mahal, Kathmandu, Nepal

Ref No. 2074/75/-508

Date: April 11, 2018

Independent Auditor's Report

To,
The chairman,
Nepal Electricity Authority,
Bagbazar, Kathmandu.

1. Report on the Financial Statements

We have audited the accompanying Financial Statements of Nepal Electricity Authority (NEA), which comprise the Statement of Financial Position as at 31st Ashad, 2074 (July 15, 2017), and the Statement of Profit or Loss, Statement of Cash Flows and Statement of Changes in Equity for then ended, and Significant Accounting Policies and Explanatory Notes.

2. Management's Responsibility for the Financial Statements

NEA management is responsible for the preparation and fair presentation of these financial statements, in accordance with Nepal Financial Reporting Standards and for such internal control as NEA management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

3. Auditors' 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, "Directives to the Auditors for the Audit of Public Sector Enterprises", INTOSAI Standards. Those Standards requires 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 NEA's preparation and fair presentation of 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 NEA's internal control. An audit also includes evaluating the appropriateness of the accounting policies

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used and the reasonableness of accounting estimates made by NEA management, as well as evaluating the overall presentation of the financial statements.

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

4. Basis for Qualified Opinion

4.1 Uncertainties on Going Concern

NEA has incorporated 15 (including 12 during the year) different companies having principal functions of generation, transmission, production, power purchase and engineering etc. The preamble of Nepal Electricity Act 2041 (1984) the purpose of incorporation of NEA is to carry out generation, transmission and distribution of electricity in Nepal. Incorporation of these companies without NEA's long-term strategies has created doubt of NEA's continuation as a going concern.

4.2 Financial Statements not prepared according to applicable reporting framework

The accompanying financial statements have not been prepared based on provisions of Nepal Financial Reporting Standards (NFRSs) and provisions of 17 different applicable NFRSs and Nepal Accounting Standards (NASs) have not been fully complied with while recognizing, measuring and disclosing financial transactions in the financial statements, including preparation of Consolidated Financial Statements.

4.3 Property Plant and Equipment (PPE)

i) Status and carrying amount of PPE not ascertained

Physical verification of PPE was not conducted since long. NEA has not maintained and updated consolidated statements of assets owned by it detailing cost, location and condition. Further, various assets under Hydraulic Plant and Machinery totaling NRs.368.22 million were capitalized cumulatively since 2060/61 (2003/04) without further details and various damaged assets including vehicles were not derecognized.

Various items capitalized earlier under distribution or transmission lines were replaced and costs of replacement were charged off to revenue based on budget allocation without assessing the life or capacity of such items and costs of replaced items were not derecognized. Also, NEA has incurred expenses for various repairs/maintenance activities to rectify damages caused by the massive earthquake of 2072 and has booked such expenses as revenue expenses. A comprehensive assessment of damages caused by the earthquake and costs estimated to make good damaged assets not done.

Land records are updated only up-to fiscal year 2069/70. Out of 31,707-11-03-00 *Ropanies* of land recorded in NEA central records, 1,881-15-2-2 land area (almost 5%) does not have ownership document in the name of NEA. Similarly, land of 1,474-3-1-0 has been encroached by government organizations, public roads, semi government organizations, private organizations and general public.

NEA has made a provision of NRs.479.02 million against loss on fixed assets in earlier years without details available and re-assessment of adequacy of provisions made has not been done based on current status.

ii) Comprehensive insurance of PPE not done

NEA has owned PPE totaling NRs. 141,034 million against which an insurance reserve fund of NRs.380 million has been created. However, there was no separate fund set aside and only vehicles were insured for third party liability.

iii) Depreciation not charged appropriately

NEA has a policy to charge depreciation on assets procured during the year at a flat 50% of the rate of the specified assets prescribed in its Accounts Manual, irrespective of the date of capitalization. Also, same rate of depreciation as fixed has been charged without assessing the remaining useful life of assets. Further, the categories of assets specified by NEA have various separable items that are significant to the total assets and may have variable useful life-span, but depreciated as one single item, for example, Hydel Power Plant, Transmission and Distribution Lines, Sub-stations, Vehicles, Heavy Equipment, Solar Power Plant.

There is an unexplained difference in depreciation amount accounted for in statement of profit or loss and difference between provision for depreciation current and previous year shown in Schedule 1 of the Financial Statements by NRs.97.91 million (short charged in statement of profit or loss).

4.4 Capital Work in Progress (CWIP)

i) Status and carrying amount of PPE not ascertained

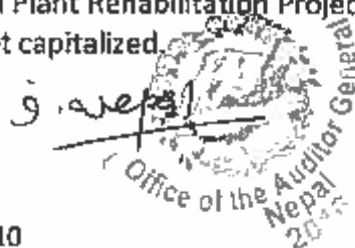
NEA has not carried out physical verification of CWIP to identify the existence, location, condition as per the financial administration By-Laws 2068. There are 90 projects having CWIP balance of NRs. 5,788.02 million being carried forward since long without any physical progress and NRs.252.90 million that were destroyed and have no further economic use. There are also CWIP balances being carried forward in Distribution and Consumer Services since long without further progress.

NEA has made a provision of NRs.287.91 million against obsolescence on CWIP in 2070/71 without details of items against which such provision was made and re-assessment of adequacy of provisions made has not been done based on current status.

ii) Completed projects not capitalized

NEA capitalized CWIP of NRs. 5,673.25 million as PPE during the year. However, there is no details maintained at central office showing individual projects/items capitalized. Further, there are various projects with accumulated assets balance of NRs.728.92 million operating under DCS Directorate already completed but pending capitalization. This has resulted in under reporting of fixed assets and under charging of depreciation to Statement of Profit or Loss. Also, Hetauda Diesel Plant Rehabilitation Project that started in 2066/67 and completed in 2068/69 but not yet capitalized.

iii) Excess Interest included in CWIP


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Nepal
2073

In various projects, interest on total loans outstanding from ADB and GoN is being charged to CWIP although sub-projects have purchased from such fund fixed assets amounting to NRs. 2,431.10 million and put to use for project implementation. This has inflated CWIP and short charging of interest expenses on statement of profit or loss, the amount of which is not quantifiable on want of detailed information.

Although reduction in interest rate on GoN Loan as per approved Financial Restructuring has been done, while interest expenses on GoN Loan in CWIP has not been reduced to 5% from 8% charged.

iv) Capitalization of administrative and general expenses to CWIP

NEA has continued to book administrative and other general expenses in CWIP, without segregating expenses that are directly attributable to qualifying assets against the provision of NAS 16: PPE. Total of such amount as at the reporting date is NRs. 645.7 million, net of IDC, depreciation and miscellaneous income. Further, NEA has stopped charging off head-office expenses to CWIP from Fiscal Year 2072/73; however, such expenses charged to CWIP till Fiscal Year 2072/73 were not reversed.

v) Interest charged on Government of Nepal loan and booked under IDC do not correspond to loan amount actually received and used by the projects

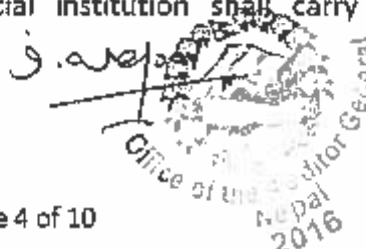
The loan principal and interest on Government of Nepal loan is not accounted for by projects based on actual amount received by the projects for use in project activities but on the basis of allocation made by central office. This has resulted in receivable balance from central office implying that such funds are held and used by NEA for other purposes.

4.5 Investment

i) Valuation of investment not in line with NFRS

Investment includes investment in shares of subsidiary, associates and other corporate bodies, loans to subsidiary and JV Company and loans/deposits for special purpose. Although, accounting policies on investment states that all investments in the form of shares and long-term loans are carried at cost and write downs are made for impairment. However, there was no evidence of assessing impairment of the investments in shares (e.g. calculation of net assets from audited financial statements of investee) and calculation of amortized costs for debt instruments. Amount lent to its subsidiaries as loan payable in fixed instalments (NRs. 13,600 million) and in the nature of deposits (NRs. 1,705 million) are also included in investment.

ii) Loans provided to subsidiaries against Bank and Financial Institutions Act, 2073
NEA has provided loan of NRs. 12,724.81 million to Upper Tamakoshi Hydropower Co. Ltd. and NRs.873.82 million in Power Transmission Company Nepal Ltd. against the provision of Section 31 of Banking and Financial Institutions Act, 2073 which states that "no one other than a bank or financial institution shall carry on the financial transactions."



iii) Share Certificates not obtained

Share certificates from 6 investee companies worth NRs. 2,125.36 million have not been obtained.

4.6 Inventory

i) Valuation of inventory not done as per NFR5

NEA has valued its inventory at cost and none of the offices has carried out assessment of net realizable value of its inventory, on account of obsolescence and usefulness.

NEA has made a provision of NRs.331.38 million (7.28 %of total inventory) against provision for loss and obsolescence many years ago, without details analysis. There was no action taken to assess adequacy of such provision amount as at the reporting date although 78 of the units audited showed need of provisions at the rate of 13%.

4.7 Trade Receivables

i) Recoverability status not assessed and provide for

Against total receivables of NRs. 14,152.86 million, NEA has made a provision for doubtful debts of NRs.567 million few years ago without further details. Although there has been increase in debtors outstanding, NEA has not assessed the recoverability status and adequacy of the provision made. There was very low recovery from blacklisted consumers (10.83% of outstanding balances in black listed customers of NRs.472.65 million) and street light (1.76% of outstanding balances in street light of NRs. 3,722.59 million).

ii) Reconciliation and confirmation of receivables not done

There are huge differences in balances of debtors between accounting software (CAIS) and Revenue Software (M-Power). Differences could not be qualified as the figures in M-Power kept on changing due to adjustment made in subsequent period. There was excess balance in M-power in some units and vice versa. Also, advance collected from customer amounting to NRs. 306.97 million has been netted off against receivables. The accuracy of debtor's balance as recognized in financial statements could not be commented upon.

4.8 Cash and cash equivalents

i) Exact balance of cash/bank not determined

Balance of NRs.24,859.15 million under cash and cash equivalents as at the reporting date includes cash in transit balance of NRs.16.58 million being carried forward since 2068/69 detail of which was not available, NRs.1.15 million stolen from 2 DCS visited, NRs.2.32 million cash deposited but not credited by bank since long, NRs.2.69 million debited and NRs.2.07 million excess charged by bank but not adjusted in book, NRs.3.42 million states cheques pending adjustment since long, NRs.25.03 million unknown deposits since long, negative balances in 6 units visited.

Furthermore, a provision for loss in lieu of shortage of NRs.35.39 million is provided in earlier years without details. There were also instances where bank reconciliation statements were not prepared and bank confirmations were not obtained. It was not possible to comment on the accuracy of the balances reported.

4.9 Prepaid Advance, Loan and Deposits

i) Recoverability status not assessed and provide for

Recovery of "Index Loan" related to Danish Government Loan for rural electrification at Kailali and Kanchanpur district has stopped from 2064/65 and recoverability of outstanding balance of NRs.171.49 million is not assessed. Accounting for penal interest of 2% is also not done. Further, NRs.130.57 million under Other Claim Receivable and NRs. 162.55 million under Claim Recoverable from GON are pending since long period. Claim Recoverable from other included Shortage on collection NRs. 5.79 million. There is no confirmation of balances from the parties with respect to deposits and receivables

NEA has not prepared aging analysis of loan and advances to determine recoverability status and of the provision made in earlier year of NRs.88.65 million.

ii) Inappropriate disclosure of outstanding balances

Loans and advances balance is net off credit balances of NRs.484.45 million resulting in understatement of loans and advances by the same amount.

Term loans provided staff are not segregated to current and non-current portion but included in current liability. These treatments are against the provision of NAS 1: Presentation of financial statements.

4.10 Share capital

i) Balances under share capital and allotment suspense not reconciled

The government confirmation for amount of Share Capital of NRs.37,364.91 million and Share Allotment Suspense of NRs.45,046.35 million has not been obtained.

Further, NEA has a practice of transferring share capital balances to various units where activities from such amounts are expected to be carried out. However, Central Finance Department (CFD) has a balance of NRs.601.57 million pending allotment without further details and Bhojpur DCS has not booked Share Capital transferred by CFD of NRs.10.60 million in its books of account.

ii) No adjustment in grant-in-aid reserve account

There was a balance of NRs.79.06 million carried over in grant-in-aid reserve account since 2070/71 without further details. Further, documents relating to Grant-in-Aid-Reserve amounting to NRs. 220.47 million appearing in DMD Generation were not available. Also, in 2 DCSs visited, there was debit balances of NRs.4.92 million without further details since long.

4.11 Reserves and Accumulated Profit: Capital Reserve

i) Adjustment in Consumer contribution not substantiated

Consumer contribution balances have been reduced by NRs.292.72 million. However, there is no details regarding the adjustment made. Further, there was NRs.2.90 million debit balances in consumer contribution account at Surkhet DCS without further details.

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, details of assets acquired out of grant/consumer contribution and depreciation thereof are not available to comment on the accuracy of the capital reserve and compliance with its own policy.

4.12 Non-current liabilities

i) Loans obtained by NEA beyond its jurisdiction

NEA has obtained loans from Government/Funding Agencies for construction of hydroelectricity projects against the provision of Section 7 of Nepal Electricity Authority Act, 2041 (1984), that states that NEA may obtain necessary loans in cash or in kind or accept grants for use as working capital with the approval of Government of Nepal.

ii) Confirmation of long term borrowings not obtained

NEA has not reconciled and obtained conformation for long term borrowings (loans) from GoN amounting to NRs. 110,681.69 million outstanding as at 31.03.2074 under the subsidiary loan agreement for various projects financed by funding agencies.

iii) Current and non-current portion of loans not determined

The loan deeds (*Tamasukha*) with GoN loans for the projects have repayment schedule with bi-annual payment of principal and interest for 20 years and also for other loans after the commencement of projects. However, NEA has not prepared a statement with the loans and interest payable within 12 months and/or overdue amounts and whole of the loans and interest amounts are shown under non-current borrowings and current liabilities/Provisions/IDC, respectively.

iv) Deferred tax assets/liabilities not calculated

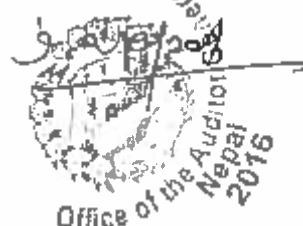
Balance in deferred tax liabilities of NRs 693.2 million has been carried forward since 2065/66 and rec-calculation of deferred tax assets/liabilities not done on account of losses during the periods without assessing certainty of realization of unused tax losses in future.

4.13 Non-current liabilities

i) Liability not booked

NEA has not booked liability for claims made by IPP for posted rate on account that they have not received amount from GoN related to this claim made by NEA. There was NRs.719.07 million payables to various IPPs by NEA but no liability has been booked.

ii) Payable status not assessed



There was no practice of preparing ageing analysis of payables and initiate the process of adjusting the balances. There were long pending payables outstanding of NRs. 4.28 million in respect of outsiders and NRs.17.87 million in respect of employees as at the reporting date. Also, there are debit balances of NRs.1.15 million in 5 units visited pending adjustment since long.

iii) Inter-unit account not reconciled

NEA has a practice of reconciling inter-unit accounts in the following year. There were huge balances remain unreconciled for previous years. Out of net debit balance of NRs.739.38 million, NRs. 21,230.10 million in debit balances and NRs. 12,442.10 million in credit balances remained unreconciled. In the absence of reconciliation, it is not possible to ascertain impact on assets, liabilities, income and expenses reported in the financial statements.

4.14 Provisions

i) Provision for employee benefits not done properly

NEA has started making provisions for retirement benefit plans such as gratuity, pension, leave encashment and medical benefits based on actuary valuation. However, actuary valuation for last three years has not been done and NRs. 2,050 million has been provisioned on ad-hoc basis. There was increase in salary scale by 25% this year, which may have significant impact on provision for employee benefits.

ii) Penalties for late submission of Income Tax Returns not booked

NEA reported net Profit of NRs. 1,467.25 million for the period this year. Since, NEA has accumulated losses of NRs. 32,519.23 million up to 2072/73, there is no income tax liability under Section 3 of Income Tax Act, 2058 and hence provision for income tax is not required. However, NEA has not calculated fee of NRs.25.85 million under Section 117 for late submission of income tax returns as per Income Tax Act 2058 up to Chaitra end 2074. This has resulted in overstatement of profit for the year.

4.15 Revenue

i) Penalty charged to suppliers for a project recognized as income

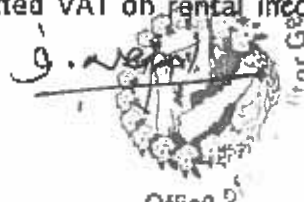
Euro. 422,948 (equivalent to NRs.49.29 million) fined by Middle-Marsyangdi Dumre Damauli 132 KV Transmission Line Project to its supplier has been recognized as income, instead of netting off with project costs.

ii) Netting off of cost against revenue

Sale of electricity goods of NRs.125.04 million has been accounted on net basis i.e. sale price less cost, resulting understatement of revenue and cost. Complete lists of cost price and selling price of electricity goods are not provided by NEA management and hence impact on Statement of Profit or Loss is not quantifiable.

iii) VAT not collected on sale of taxable transactions

Under group 11 of schedule 1, Value Added Tax Act, 2052 has provided exemption for electricity supply only. However, NEA has not collected VAT on rental income, sale of



tender form, meter sales, rechargeable works, consultancy service, feasibility study, tender of other inventories etc.

iv) Reconciliation of incomes not done

In most of the DCS visited, income recorded in revenue software (M-Power) and accounting software (CAIS) were not reconciled and huge differences were noted. It was not possible to assess the impact of reconciliation on revenue recognized.

4.16 Expenses

i) Appropriateness of Interest expenses not confirmed

NEA has reduced charge of interest on GON Loan from 8% to 5% as per the letter issued by the Ministry of Energy dated 2074/02/09 related to NEA Financial Restructuring for whole of the year. However, the letter didn't specify the date from when the interest shall be re-calculated at 5% per annum.

Further, interest expenses are calculated on the loan outstanding stated in NEA record which is pending reconciliation and confirmation with GON. Thus, appropriateness of interest expenses booked cannot be confirmed.

ii) Property tax not booked/paid

Majority offices have not paid/made provision for property taxes since 2065/66 and only few has paid/made provision for this year. NRs. 46.81 million provision made till 2065/66 has not been deposited till the end of fiscal year 2073/2074. Further, additional provision made by few offices amounting to NRs. 15.66 million made this year has also not been deposited.

iii) Expenses for prior period not restated

Net expenses related to previous year (Expenses NRs.272.11 million and income NRs.38.03 million) were booked in current year and adjusted directly with Accumulated Profits/(Losses) under Reserve and Accumulated Profits. Previous year figures in the statement of profit or loss are not restated.

iv) Others

In the absence of complete details from the units not visited by us, it is not possible 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.

5. Qualified Opinion

In our opinion, except for the possible effects of the matter described in Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of Nepal Electricity Authority (NEA) as at 31st Ashad, 2074 (Corresponding July 15, 2017) and financial performance and its cash flows for the year ended in accordance with Nepal Financial Reporting Standards.

6. Management Letter



A separate management letter consisting of detailed audit observations and recommendations on issues related to financial statements, weaknesses in accounting and internal control system, and compliances with laws and regulations has been issued to the management along with this report for improving financial management.



I. Nepal
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Deputy Auditor General

NEPAL ELECTRICITY AUTHORITY

(NEPAL GOVERNMENT UNDERTAKING)

(Incorporated under Nepal Electricity Act, 2041)



FINANCIAL STATEMENTS 31 ASHADH, 2074 (15 JULY, 2017)

**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, 2041)

Statement of Financial Position

As at Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)
Ashad 31, 2073

	<u>Schedule</u>	<u>Ashad 31, 2074</u>	<u>Ashad 31, 2073</u>
Assets			
Non-Current Assets			
Property, Plant & Equipments	1	90,341,198,724.27	88,521,086,560.91
Capital Work in Progress	2	80,272,328,483.95	66,684,094,710.63
Investments	3	25,845,365,719.02	21,755,053,830.92
Total Non-Current Assets		196,458,892,927.24	176,960,235,102.46
Current Assets			
Inventories	4	4,217,986,601.14	3,376,414,072.72
Trade Receivables	5	13,585,859,450.95	11,186,837,214.03
Cash and Cash Equivalents	6	24,823,792,106.59	15,361,603,927.06
Prepaid, Advances, Loans and Deposits	7	5,875,852,425.92	3,804,282,734.09
Total Current Assets		48,503,490,584.60	33,729,137,947.90
Total Assets		244,962,383,511.84	210,689,373,050.36
Equity and Liabilities			
Capital and Reserves			
Share Capital	8	82,411,252,286.45	58,527,855,179.41
Reserves and Accumulated Profits	9	(26,334,845,491.33)	(32,519,232,475.92)
Total Equity		56,076,406,795.12	26,008,622,703.49
Non-Current Liabilities			
Long-term Borrowings	10	110,681,686,497.71	111,303,643,264.02
Deferred Tax Liabilities		693,204,887.00	693,204,887.00
Total Non-Current Liabilities		111,374,891,384.71	111,996,848,151.02
Current Liabilities			
Sundry Creditors and Other Payables	11	54,085,279,896.56	51,324,447,359.85
Provisions	12	23,425,805,435.45	21,359,454,836.00
Total Current Liabilities		77,511,085,332.01	72,683,902,195.85
Total Liabilities		188,885,976,716.72	184,680,750,346.87
Total Equity & Liabilities		244,962,383,511.84	210,689,373,050.36

Schedule 1 to 12 form an integral part of this Statement of Financial Position

Mr. Lok Hari Luintel
Director
Accounts Department

Mr. Lekhanath Koirala
Deputy Managing Director
Finance Directorate

Mr. Kul Man Ghising
Managing Director
Member Secretary
Board of Directors

As per our report of even date.

Office of the Auditor General

Mr. Iswar Nepal
Deputy Auditor General
Office of the Auditor General

Mr. Barsha Man Pun 'Ananda'
Honourable Minister
Ministry of Energy, Water Resources
and Irrigation
Chairman

Board of Directors

Mr. Anup Kumar Upadhyay
Secretary
Ministry of Energy, Water Resources
and Irrigation
Member

Mr. Shankar Prasad Adhikari
Secretary
Ministry of Finance
Member

CA. Nanda Kishor Sharma
Joint Auditor

Mr. Chandra Tandon
Member

Mr. Umesh Prasad Thani
Member

Mr. Bhokta Bahadur Pun
Member

CA. Gyandendra Bahadur Bhari
Joint Auditor

Mr. Chet Raj Joshi
Member

CA. Hem Kumar Kalle
Joint Auditor

Date: 2074-12-19
Place: Kathmandu



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

Statement of Profit or Loss

For the year ended Ashad 31, 2074 (July 15, 2017)

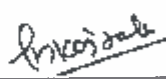
(Figures in Rupees)

	<u>Schedule</u>	<u>Current Year</u>	<u>Previous Year</u>
Sales Revenue	13	46,795,775,710.59	31,824,213,295.33
Cost of Sales	14	(32,586,973,221.58)	(25,643,240,102.35)
Gross profit		14,208,802,489.01	6,180,973,192.98
Other Income	15	4,907,334,361.57	3,249,330,309.76
Distribution Expenses	16	(7,041,578,356.88)	(5,671,348,057.37)
General Administrative Expenses	17	(1,601,569,603.05)	(1,218,580,186.65)
Finance Cost		(3,546,149,277.56)	(5,079,727,924.90)
Depreciation		(3,755,223,738.80)	(3,554,359,366.75)
Gain/(Loss) on Foreign Exchange		410,702,344.51	(746,482,820.90)
Provision under Employees' Benefits Plan		(2,050,000,000.00)	(2,050,000,000.00)
Provision for Employees' Bonus		(30,045,455.27)	-
Net Profit/(Loss) before Tax		1,502,272,763.53	(8,890,194,853.83)
Provision for Income Tax		-	-
Net Profit/(Loss) for the Year		1,502,272,763.53	(8,890,194,853.83)
Appropriations:-			
Corporate Social Responsibility Fund		15,022,727.64	-
Insurance Fund		20,000,000.00	-
Net Profit Transferred to Statement of Financial Position		1,467,250,035.89	(8,890,194,853.83)

Schedules 13 to 17 form an Integral part of this Statement of Profit or Loss



Mr. Lok Hari Luintel
Director
Accounts Department



Mr. Lekhanath Koirala
Deputy Managing Director
Finance Directorate



Mr. Kul Man Ghising
Managing Director
Member Secretary
Board of Directors



Mr. Iswar Nepal
Deputy Auditor General
Office of the Auditor General



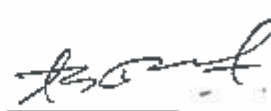
Mr. Barsingh Man Pun 'Ananta'
Honourable Minister
Ministry of Energy, Water Resources
and Irrigation
Chairman



Mr. Anup Kumar Upadhyay
Secretary
Ministry of Energy, Water Resources
and Irrigation
Member



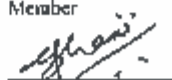
Mr. Shankar Prasad Adhikari
Secretary
Ministry of Finance
Member



CA. Nanda Kishor Sharma
Joint Auditor



Mr. Chandan Tandon
Member



Mr. Umesh Prasad Thani
Member



Mr. Bhakta Bahadur Puri
Member



CA. Gyanendra Bahadur Bhari
Joint Auditor

Mr. Chet Raj Joshi
Member



CA. Han Kumar Kafle
Joint Auditor

Date: 2074-12-19
Place: Kathmandu



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

Statement of Cash Flows

For the year ended Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)

	<u>Current Year</u>	<u>Previous Year</u>
A. Cash Flows from Operating Activities		
1. Net Profit/(Loss) Before Taxes	1,502,272,763.53	(8,890,194,853.83)
<u>Add: Adjustment for:</u>		
Interest on Loans	3,546,149,277.56	5,079,727,924.90
Depreciation on Property, Plant & Equipment	3,755,223,738.80	3,554,359,366.75
Prior Year's Income/(Expense)	(274,484,624.62)	33,631,074.03
Staff Loan and Property, Plant & Equipment Written off	2,739,824.46	33,984,999.96
Bad Debt Written Off	-	139,086.91
Loss on Stock	444,933.58	466,399.33
Prior Year's Administrative Expenses	43,039,808.86	492,311.67
Loss/(Gain) on Foreign Exchange	(410,702,344.51)	746,482,820.90
Provision for Gratuity	26,910,599.45	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
Provision for Employees' Bonus	30,045,455.27	-
Interest on Loan & Deposits	(2,273,990,580.43)	(1,309,462,140.56)
Dividend Income	(162,278,834.92)	(148,042,702.08)
2. Cash Flows from Operation before Working Capital Changes	7,824,810,017.03	1,151,584,287.98
<u>Adjustment for Working Capital Changes</u>		
Decrease/(Increase) in Inventories	(842,017,462.00)	(207,101,461.81)
Decrease/(Increase) in Accounts Receivable	(2,399,032,236.92)	(1,259,524,718.92)
Decrease/(Increase) in Loan & Advances	(2,074,309,516.29)	(55,277,561.78)
(Decrease)/Increase in Current liabilities	3,876,584,223.00	2,542,166,854.05
Cash Generated from Operation	6,386,045,024.82	2,171,847,399.52
Payment of Interest on Loans	(1,745,681,048.92)	(2,040,352,188.13)
Payment of Taxes	-	-
Net Cash Flows from Operating Activities	4,640,363,975.90	131,495,211.39

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



Statement of Cash Flows

For the year ended Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)

	<u>Current Year</u>	<u>Previous Year</u>
<u>B. Cash Flows from Investing Activities</u>		
Interest on Loan & Deposits	2,273,990,580.43	1,309,462,140.56
Dividend Income	162,278,834.92	148,042,702.08
Net Addition to Property, Plant & Equipment	(5,577,975,487.41)	(5,637,373,087.32)
Addition to Capital Work in Progress	(13,588,233,773.32)	(8,631,709,175.74)
Addition to Investment	(4,090,311,388.10)	(4,204,144,147.63)
Net Cash Flows from Investing Activities	(20,820,251,733.48)	(17,015,721,568.05)
<u>C. Cash Flows from Financing Activities</u>		
Increase in Share Capital	5,941,621,247.08	9,252,785,315.38
Increase/(Decrease) in Consumer Contribution	(290,984,822.93)	67,362,595.54
Long-Term Borrowing	21,828,753,516.53	12,304,080,862.62
Repayment of Long-Term Loan	(1,837,314,003.57)	-
Net Cash Flows from Financing Activities	25,642,075,937.11	21,624,228,773.54
Net Change in Cash during the Year (A+B+C)	9,462,188,179.53	4,740,002,416.88
Cash and Cash Equivalent at the Beginning of the Year	15,361,603,927.06	10,621,601,510.18
Cash and Cash Equivalent at the End of the Year	24,823,792,106.59	15,361,603,927.06

Mr. Lok Hari Luitel
Director
Accounts Department

Mr. Lekhanath Koirala
Deputy Managing Director
Finance Directorate

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Managing Director
Member Secretary
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Office of the Auditor General

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Member

CA. Hem Kumar Kafle
Joint Auditor

Date: 2074-12-19
Place: Kathmandu



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

Statement of Changes in Equity

For the year ended Ashad 31, 2074 (July 15, 2017)

(Amounts in Rupees)

Particulars	Share Capital	Share Allotment Suspense	Corporate Social Responsibility Fund	Capital Reserve	General Reserve	Insurance Fund	Accumulated Profit (Loss)	Shareholders' Equity
Balance as at Shrawan 1, 2072	37,364,905,655.71	11,910,164,208.32	-	1,864,407,073.07	97,471,457.21	368,000,000.00	(25,751,426,660.73)	25,545,523,445.58
Changes in Accounting Policies	-	-	-	-	-	-	-	-
Net Gain or Loss from Errors in Last Years	-	-	-	-	-	-	-	-
Restated Balance	37,364,905,655.71	11,910,164,208.32	-	1,864,407,073.07	97,471,457.21	368,000,000.00	(25,751,426,660.73)	25,545,523,445.58
Changes in Equity for FY 2072/73	-	-	-	-	-	-	-	-
Net Gain or Loss not Recognised in the Statement of Profit or Loss	-	-	-	67,362,595.54	-	-	31,147,202.82	100,509,898.36
Net Profit for the Period	-	9,252,785,315.38	-	-	-	-	(8,890,194,853.83)	(6,637,408,538.45)
Addition towards Share Capital	-	-	-	-	-	-	-	-
Balance as at 31 Ashad, 2073	37,364,905,655.71	21,162,949,523.70	-	1,931,769,668.61	97,471,457.21	368,000,000.00	(34,604,223,617.91)	26,008,622,703.59
Changes in Equity for FY 2073/74	-	-	-	-	-	-	-	-
Net Gain or Loss not Recognised in the Statement of Profit or Loss	-	-	-	-	-	-	-	-
Adjustments as per Financial Restructuring Proposal- II	-	-	-	(290,964,812.93)	-	-	-	(290,964,812.93)
Prior Period Items directly adjusted with Equity	-	-	-	-	-	-	-	-
Net Profit for the Period	-	-	-	-	-	-	3,207,183,445.00	3,207,183,445.00
Addition towards Share Capital	-	-	-	-	-	-	-	-
Balance as at 31 Ashad, 2074	37,364,905,655.71	21,162,949,523.70	-	-	-	-	(31,397,040,172.91)	26,008,622,703.59

Splendid
Mr. Lokesh Kumar
Director
Accounts Department

Mr. Lokesh Kumar
Director
Accounts Department

Board of Directors

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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 March 31, 2017 (July 15, 2017)

Schedule- 1 Property Plant & Equipments

Group Description	COST			DEPRECIATION				W.D.V. Equip 2017-03-31	W.D.V. Equip 2017-03-31
	Opening Balance	Additions	Transfer/ Adjustment	Total	Opening Balance	On Depreciation	On Addition	Transfer/ Adjustment	Up to This Year
	1	2	3	4 (1+2+3)	5	6	7	8	9 (5+6+7+8)
Land	5,615,853,917.66	1,402,326,847.60	62,152,981.43	7,080,313,746.69	-	-	-	-	4,213,526,885.21
Building	8,641,286,098.74	325,746,960.43	44,916,378.69	9,012,049,437.86	2,252,576,054.67	155,173,093.90	4,924,790.82	6,863,389.20	5,602,462,543.19
Plant & Machinery - Hydroelectric Works	27,090,347,049.06	1,614,890.52	-	27,092,063,939.58	4,717,608,235.79	541,624,625.02	10,348.98	9,256,291,769.79	17,851,983,237.79
Plant & Machinery - Hydroelectric Plant & Machinery	16,655,192,031.37	103,932,976.88	41,090,924.08	16,899,115,932.33	12,083,189,901.54	1,090,646,110.99	6,748,154.72	9,100,260.25	33,703,251,198.03
Plant & Machinery - Hydroelectric Equipments	2,127,012,106.27	3,267,834.70	-	2,130,279,940.97	1,068,790,114.62	52,481,919.06	44,406.47	1,121,256,560.25	1,008,083,383.22
Transmission Line	12,110,652,094.21	-	1,624,195,918.75	13,734,848,012.96	5,286,984,496.13	1,122,485.24	-	14,156,405,861	6,230,545,516.98
Transmission Substation, Transformer & Switchgear	14,265,257,234.28	2,597,335,424.96	1,181,507,619.03	18,043,099,278.27	5,182,159,166.67	358,093,648.47	11,285,088.53	14,062,815,193	5,207,025,458.48
Distribution Line	19,171,280,789.92	1,852,466,958.53	1,461,219,156.14	22,484,866,904.59	5,246,425,907.85	1,000,479,122.72	45,067,703.59	4,043,719.91	6,300,015,534.72
Distribution Substation, Transformer & Switchgear	5,163,153,111.89	422,709,871.10	2,111,513.37	5,587,376,496.36	2,141,278,294.08	194,022,693.88	9,183,202.65	3,218,878.67	2,447,708,475.27
Wires & Cables	835,816,001.75	206,095,521.71	755,615,191	1,847,526,714.47	565,236,171.48	41,980,875.60	5,144,064.87	16,58,768,709	1,099,250,644.81
Consumer Service	200,306,215.17	8,199,253.32	4,572,351,999	2,002,757,467.41	153,391,630.93	4,044,146.59	101,246.90	18,22,199,189	50,073,259.26
Public Lighting & Traffic Signal	160,319,509.35	1,972,860.60	-	1,605,181,369.95	58,953,403.25	2,672,450.40	39,003.25	68,355.04	98,015,343.01
Tools & Equipments	848,900,764.31	54,720,858.72	298,021,519.59	1,197,643,142.62	265,392,460.86	59,434,086.62	5,591,440.58	46,625,554,351	111,215,060.67
Workshop Plant & Equipment	153,422,209.83	18,345,381.21	-	171,767,591.04	339,383,493.32	1,808,234.56	1,834,510.17	-	291,784,423.41
Vehicle & Earth Movers	2,911,667,342.86	216,357,175.16	27,550,884.60	3,155,375,502.62	1,594,527,607.58	45,926,440.87	17,604,770.69	82,043,837.14	1,770,197,696.28
Furniture & Fixture	231,538,046.95	31,723,470.71	11,237,770.11	274,500,287.77	199,521,692.00	9,437,842.13	2,643,580.48	2,991,760.46	214,741,881.20
Office Equipments	1,180,939,550.67	104,825,741.16	27,681,596.08	1,313,446,887.91	985,637,616.85	55,015,126.55	4,012,437.86	5,433,079.87	949,560,256.13
Miscellaneous Property	139,237,242.59	17,504,204.88	43,479,496.26	199,220,943.73	115,052,786.21	9,465,800.78	3,985,170.68	12,249,515.08	136,164,676.43
Total	1,15,361,834,083.91	5,216,478,444.59	457,105,368.24	1,21,035,681,896.74	46,340,978,238.31	3,405,018,234.93	1,553,726,075.54	94,490,859.30	59,214,603,908.08
Provision for Losses	1,479,021,104.69	-	-	1,479,021,104.69	-	-	-	-	-
Grand Total	1,16,840,855,188.60	5,216,478,444.59	457,105,368.24	1,22,516,459,001.43	46,340,978,238.31	3,405,018,234.93	1,553,726,075.54	94,490,859.30	60,693,512,816.16
Previous Year Total	1,18,149,898,680.80	5,805,480,128.35	643,255,552.02	1,24,600,734,361.17	47,201,849,257.67	3,503,276,199.31	63,810,276.41	91,256,004.91	61,309,216,964.91

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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 Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)

Ashad 31, 2074

Ashad 31, 2073

Schedule 2: Capital Work in Progress

Opening Balance	66,972,006,360.84	58,340,297,185.10
Additions during the Year	16,577,373,134.11	11,752,700,308.53
Advance to contractor for capital works	680,096,828.57	404,002,085.08
Advance to Suppliers	2,246,760.27	74,851,967.66
Advance for Import	251,206,105.20	393,114,420.92
Advance Payments	1,008,475,518.67	861,291,203.45
Project Stocks	742,091,239.63	886,863,408.43
Less: Capitalized during the Year	<u>(5,673,255,813.13)</u>	<u>(5,741,114,218.33)</u>
Grand Total	<u>80,560,240,134.16</u>	<u>66,972,006,360.84</u>
Less: Provision for Obsolescence	<u>(287,911,650.21)</u>	<u>(287,911,650.21)</u>
Total	<u>80,272,328,483.95</u>	<u>66,684,094,710.63</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 Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)
Ashad 31, 2073

Schedule 3: Investments

Shares in Unlisted Companies

	Ashad 31, 2074	Ashad 31, 2073
(i) Nepal Engineering Consultancy Services Pvt. Ltd.	2,277,000.00	2,277,000.00
(ii) Khumbu Bjulice 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.	200,000,000.00	130,000,000.00
(vii) Sanjen Hydro Power Company Ltd.	378,143,000.00	365,000,000.00
(viii) Rastuwagadhi Hydro Power Company Limited	1,231,578,000.00	1,165,000,000.00
(ix) Trishuli Jal Bidhyut Co. Limited	284,993,542.51	249,993,542.51
(x) Middle Bhotekoshi Hydropower Co. Limited	600,000,000.00	570,000,000.00
(xi) Tamahun Hydropower Limited (NEA's Subsidiary)	2,645,588,360.46	1,565,196,460.27
(xii) Cross Boarder Power Transmission Co. Limited	78,206,336.04	64,097,905.77
(xiii) Electricity Generation Co. Ltd.	190,000,000.00	-
(xiv) Betan Karnali Sanchayakarta HEP Co. Ltd.	20,000,000.00	-
(xv) NEA Engineering Co. Ltd. (NEA's Subsidiary)	7,650,000.00	-
(xvi) Nepal Power Trading Co. Ltd. (NEA's Subsidiary)	7,650,000.00	-

Share in Listed Companies

(i) Chilime 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.	12,724,808,117.22	10,622,300,242.70
(ii) Loan Investment in Power Transmission Company Nepal Ltd.	873,818,836.21	808,365,420.76
(iii) Deposits in Citizen Investment Trust for Gratuity and Pension	1,694,764,026.58	1,306,934,758.91
(iv) Retirement Fund	10,000,000.00	10,000,000.00

Sub-Total

Less: Provision for Diminution in the Value of Shares

Total

25,847,642,719.02	21,757,330,830.92
(2,277,000.00)	(2,277,000.00)
25,845,365,719.02	21,755,053,830.92

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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 Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)

Ashad 31, 2074

Ashad 31, 2073

Schedule 4: Inventories

Stores, Spares and Consumables	4,549,362,495.69	3,707,789,967.27
Less: Provision for Loss and Obsolescence	(331,375,894.55)	(331,375,894.55)
Total	4,217,986,601.14	3,376,414,072.72

Schedule 5: Trade Receivables

Sundry Debtors - Unsecured	13,423,657,928.30	11,253,617,272.78
Rechargeable Works	729,201,522.65	500,219,941.25
Total	14,152,859,450.95	11,753,837,214.03
Less: Provision for Doubtful Debts	(567,000,000.00)	(567,000,000.00)
Total	13,585,859,450.95	11,186,837,214.03

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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 Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)

	<u>Ashad 31, 2074</u>		<u>Ashad 31, 2073</u>	
Schedule 8: Cash and Cash Equivalents				
Cash/cheques in Hand		2,447,593.60		2,317,757.61
Cash-in-Transit		601,374,047.89		273,237,769.96
Cash at Bank				
Current Accounts	8,308,282,054.06		9,315,278,262.51	
Call Deposit Account	15,947,078,865.04	24,255,360,919.10	5,806,160,590.98	15,121,438,853.49
		<u>24,859,182,560.59</u>		<u>15,396,994,381.06</u>
Less: Provision for Loss in Lieu of Shortage		<u>(35,390,454.00)</u>		<u>(35,390,454.00)</u>
Total		<u>24,823,792,106.59</u>		<u>15,361,603,927.06</u>

Schedule 7: Prepaid, Advances, Loans and Deposits

Loans and Advances

Staff Loans	690,514,402.95		650,820,603.89	
Advance to Staffs	53,619,116.72	744,133,519.67	19,317,944.93	670,138,548.82
Trade/ Security Deposits		285,283,026.79		271,333,375.88
Advance to Suppliers and Others		2,524,611,224.66		1,016,217,316.04
Advance Income Tax		1,611,357,141.47		1,402,089,247.51
Interest Accrued		82,067,572.23		-
Claims Recoverable				
From Nepal Govt.	279,652,394.00		172,159,887.04	
From Others	265,914,266.37	545,566,660.37	189,509,078.05	361,668,965.09
Index Loan		171,485,850.03		171,485,850.03
Sub - Total		<u>5,964,504,995.22</u>		<u>3,892,935,303.39</u>
Less: Provision for Doubtful Advances		(88,652,569.30)		(88,652,569.30)
Total		<u>5,875,852,425.92</u>		<u>3,804,282,734.09</u>

(Signatures and stamps of officials)



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

Schedules forming part of the financial statements
For the year ended Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)
Ashad 31, 2073

Schedule 8: Share Capital

Authorized

	<u>Ashad 31, 2074</u>	<u>Ashad 31, 2073</u>
Authorized Share Capital	125,000,000.00	50,000,000.00
Issued and paid up		
Opening Paid-up Share 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, 2073	21,162,949,523.70	11,910,164,208.32
Addition during the Year FY 2073/74	23,883,397,107.04	9,252,785,115.38
Sub-Total	45,046,346,630.74	21,162,949,523.70
Total	<u>82,411,252,286.45</u>	<u>58,527,855,179.41</u>

Schedule 9: Reserves and Accumulated Profits

Reserves

Capital reserve

Consumer Contribution	1,181,562,252.88	1,474,283,754.29	
Capital Gain	159,222,592.80	1,340,784,845.68	1,631,769,668.61
General Reserve		97,471,457.21	97,471,457.21
Insurance Fund		380,000,000.00	360,000,000.00
Corporate Social Responsibility Fund		15,022,727.64	
Sub-Total	<u>1,833,279,030.53</u>		<u>2,089,241,125.82</u>

Accumulated Profits/(Losses)

Balance as at Shrawan 1, 2073	(34,608,473,601.74)	(25,751,426,050.73)	
Adjustment for Change in Accounting Policy and Errors	(234,084,401.01)	33,147,302.82	
Adjustment as per Financial Restructuring Proposal-II	5,207,183,445.00		
Profit/(Loss) as Per Income Statement	1,467,250,035.89	(8,890,194,853.83)	
Sub-Total	<u>(28,168,124,521.86)</u>		<u>(34,608,473,601.74)</u>
Total	<u>(26,334,845,491.33)</u>		<u>(32,519,232,475.92)</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 Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)

Ashad 31, 2074

Aslad 31, 2073

Schedule 10 : Long-term Borrowings

Non-Current

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

Asian Development Bank	19,673,117,806.67	20,869,332,229.02
French Loan	-	73,122,536.92
KfW German Loan	29,607,751.50	14,624,814,775.61
Nepal Government Loan - Local Source	47,672,709,218.97	31,733,034,545.07
World Bank		
Multilateral	2,918,307,249.57	3,043,967,196.75
IDA	13,907,219,986.94	16,352,377,573.45
JBIC - Japan Loan	11,969,397,808.06	12,385,686,894.00
Nordic Development Fund Loan	862,690,544.96	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	5,557,727,285.06	5,500,652,034.40
Indian Government	2,041,010,085.59	1,619,612,022.44
Total	110,681,686,497.71	111,303,643,264.02

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(Incorporated under Nepal Electricity Authority Act, 2041)

Schedules forming part of the financial statements
For the year ended Ashad 31, 2074 (July 15, 2017)

Ashad 31, 2074

Ashad 31, 2073

Schedule 11: Sundry Creditors and Other Payables

Creditors for Power Purchase	3,598,548,644.24	4,887,242,186.43
Deposit from Customers	1,213,461,133.97	917,963,217.05
Other Deposits	3,616,800,166.55	2,956,077,826.77
Creditors for Goods	403,351,026.66	631,642,992.29
Other Creditors	790,013,777.45	868,026,732.01
Interest During Construction Period	6,197,338,463.59	4,477,355,587.56
Liabilities to Employees	114,804,870.96	134,171,324.49
Audit Fee Payable	4,682,437.50	3,616,000.00
Property Tax Payable	62,473,884.56	46,811,311.46
Royalty Payable	-	-
Interest Payable to Government of Nepal	37,381,585,833.86	35,581,117,605.22
Inter Unit Transactions	(739,382,270.35)	(398,542,012.55)
Provision for Employees' Bonus	30,045,455.27	-
Other Payables	1,411,556,472.30	1,218,964,589.12
Total	54,085,279,896.56	51,324,447,359.85

Schedule 12: Provisions

Gratuity	127,085,684.45	100,175,085.00
Pension	19,917,805,307.00	18,214,026,307.00
Medical	1,701,813,794.00	1,507,152,794.00
Accumulative Leave	1,679,100,650.00	1,538,100,650.00
Total	23,425,805,435.45	21,359,454,836.00

~~50%~~ Increased ~~1/2~~ ~~of~~ ~~the~~ ~~gain~~ ~~in~~ ~~the~~ ~~past~~ ~~year~~



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

Schedules forming part of the financial statements
For the year ended Ashad 31, 2074 (July 15, 2017)

	<u>Current Year</u>	(Figures in Rupees) <u>Previous Year</u>
Schedule 13: Sales Revenue		
<u>Revenue From Sale of Electricity</u>		
Domestic	20,320,637,235.92	14,833,654,455.99
Non- Domestic	654,528,138.30	-
Commercial	5,114,292,687.15	3,788,761,851.06
Non-commercial	2,478,239,477.95	1,995,103,099.49
Entertainment Business	16,964,029.41	-
Industrial	16,964,523,127.42	10,182,318,445.06
Temples	39,101,072.57	33,915,013.81
Street Lights	665,621,367.05	602,368,672.16
Water Supply & Irrigation	727,507,827.54	525,293,418.28
Transport	43,873,142.38	39,742,015.15
Temporary Supply	53,270,452.89	29,250,632.03
Exports to India	45,742,451.94	32,074,224.68
Community Sale	630,652,449.15	411,499,043.66
Gross Revenue	47,754,953,459.67	32,473,980,871.37
Less: Rebate	959,177,749.08	649,767,576.04
Net Revenue	46,795,775,710.59	31,824,213,295.33

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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 Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)

Schedule 14: Cost of Sales

	<u>Current Year</u>	<u>Previous Year</u>
A Generation		
Staff Cost	647,889,580.55	534,014,155.37
Staff Welfare	23,641,530.57	21,570,297.70
Terminal Benefits	117,436,237.49	98,787,616.83
Fuel - Generation	13,359,600.41	4,327,123.31
Mobil-Generation	3,002,354.02	2,715,022.10
Spare Parts- Operations	92,099,785.17	98,800,806.70
Loose Tools	612,146.68	757,196.27
Water & Electricity	6,244,765.73	2,657,134.47
Consultancy Expenses	2,836,970.00	-
Other Services	35,102,944.45	27,892,616.27
Repairs & Maintenance	445,011,111.57	470,057,231.54
Vehicle Expenses	44,577,579.82	44,156,946.47
Administrative Expenses	32,125,054.75	27,396,110.84
Sub - Total	<u>1,463,939,661.21</u>	<u>1,333,132,257.87</u>
 B Power Purchase		
Internal (Nepal)	12,280,906,752.36	8,278,798,386.27
External (India)	16,051,931,171.26	14,053,593,162.15
Sub- Total	<u>28,332,837,923.62</u>	<u>22,332,391,548.42</u>
 C Royalty to Government of Nepal	<u>967,372,429.48</u>	<u>883,133,752.00</u>
 D Transmission		
Staff Cost	445,484,312.47	351,432,632.24
Staff Welfare	17,096,744.65	13,963,474.54
Terminal Benefits	48,102,158.47	38,895,936.86
Stores & Services	24,600,236.19	42,712,444.60
Repairs & Maintenance	202,820,465.26	164,959,607.42
Vehicle Expenses	18,691,179.84	15,685,967.34
Administrative Expenses	48,614,176.48	20,798,110.76
Sub - Total	<u>805,409,273.36</u>	<u>648,448,173.76</u>
 E Transmission/Wheeling Charges	<u>1,017,413,933.91</u>	<u>446,134,370.30</u>
Total (A+B+C+D+E)	<u>32,586,973,221.58</u>	<u>25,643,240,102.35</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 Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)
Previous Year

Schedule 15: Other Income

	Current Year	
Sale of Electricity Goods	121,789,174.81	66,985,374.79
Surcharge for Delayed Payment	1,276,052,917.40	944,666,033.42
Penalty on Power Purchase	151,905,435.65	148,202,273.18
Income from Lease Rent	6,628,827.55	4,674,324.43
Interest Income	2,273,990,580.43	1,309,462,140.56
Dividend Income	162,278,834.92	148,042,702.08
Income from Other Services	183,610,867.69	123,096,485.32
Miscellaneous Income	731,077,723.12	504,200,975.98
Total	4,907,334,361.57	3,249,330,309.76

Schedule 16 : Distribution Expenses

Staff Cost	3,548,397,646.21	2,649,966,424.67
Staff Welfare	147,181,489.54	124,961,743.27
Terminal Benefits	709,419,988.14	562,448,503.18
Stores & Services	317,056,103.53	265,654,928.84
Repairs & Maintenance	1,587,721,465.67	1,497,585,459.10
Vehicle Expenses	278,285,525.02	227,985,832.47
Administrative Expenses	453,516,138.77	342,745,165.84
Total	7,041,578,356.88	5,671,348,057.37

Schedule 17

General Administrative Expenses

A. Engineering		
Staff Cost	139,003,678.42	117,644,313.95
Staff Welfare	7,191,707.00	7,145,923.78
Terminal Benefits	16,363,017.84	9,273,610.49
Stores & Services	6,392,207.72	4,946,598.81
Repairs & Maintenance	32,591,846.12	17,167,948.45
Vehicle Expenses	10,240,942.56	9,501,515.29
Administrative Expenses	13,292,844.04	9,183,739.04
Sub- Total	225,076,243.70	174,863,649.81

B. Training Center

Staff Cost	15,494,680.76	13,725,705.05
Staff Welfare	709,040.50	624,395.50
Terminal Benefits	1,353,982.32	1,211,407.21
Stores & Services	2,558,566.67	2,337,996.98
Repairs & Maintenance	6,128,833.16	3,619,291.47
Vehicle Expenses	2,383,940.31	2,160,874.39
Administrative Expenses	13,951,176.66	12,108,592.59
Sub- Total	42,580,220.38	35,788,263.19

C. Project Management

Staff Cost	11,190,647.19	9,360,826.95
Staff Welfare	502,451.00	527,776.00
Terminal Benefits	1,219,251.26	2,245,452.98
Stores & Services	481,795.43	1,023,411.36
Repairs & Maintenance	152,955.77	619,236.41
Vehicle Expenses	1,135,354.62	1,271,122.65
Administrative Expenses	1,708,054.34	1,353,252.69
Sub- Total	16,390,509.61	16,401,079.04

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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 Ashad 31, 2074 (July 15, 2017)

(Figures in Rupees)

	<u>Current Year</u>	<u>Previous Year</u>
D. General Administrative Expenses		
Salaries, Wages, Insurance and Other Employee Costs	1,000,253,116.10	776,238,463.64
Contribution to Provident Fund, Gratuity Fund/Leave	36,271,846.60	23,280,145.02
Plant Repair & Maintenance	11,248,262.52	10,226,752.62
Travelling Expenses	40,795,716.85	10,846,814.66
Vehicle Repair and Maintenance	24,687,122.24	19,635,246.63
Entertainment	6,916,334.38	4,350,850.67
Statutory Audit Fees	2,398,424.50	2,147,000.50
Tax Audit Fees	904,000.00	904,000.00
Audit Expenses	1,523,354.91	1,960,702.18
Legal Fee and Expenses	4,681,173.76	2,687,907.00
Board Meeting Allowance	1,203,950.00	312,500.00
Rates and Taxes (Postage, Telegram, Telephone)	4,369,230.15	3,853,942.43
Bank Charges	58,865,230.79	9,241,515.66
Examination Expenses	29,788,264.98	33,349,890.45
License Fees	4,493,330.80	2,397,630.00
Consultancy Expenses	2,595,945.00	3,014,671.94
Printing & Stationeries	6,321,054.98	4,240,669.83
Advertisement	1,345,565.09	2,920,576.00
Training	23,867,094.07	11,779,335.49
Books & Periodicals	1,409,515.30	1,288,918.35
Property Tax	177,372.97	36,220.00
Organizational Development	4,074,031.24	3,828,613.90
Stores & Supplies	16,073,627.07	15,745,230.01
Bad Debts Written Off	-	139,086.91
Staff Loan & Property, Plant & Equipment Written Off	2,739,824.46	33,984,999.96
Obsolete/Loss Stock Written Off	444,933.58	466,399.33
Miscellaneous Expenses	28,887,038.44	12,649,111.43
Sub- Total	1,317,522,629.36	991,517,194.61
Total (A+B+C+D)	1,601,569,603.05	1,218,580,186.65

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NEPAL ELECTRICITY AUTHORITY

Fiscal Year 2073/074 (2016/2017)

Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2074 (July 15, 2017)

1 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.

2 Significant Accounting Policies

2.1 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 (GAAP) and practices following historical cost conventions. These NAS, GAAP 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.

2.2 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).

**2.3 Property, Plant and Equipments**

Property, plant and equipments are stated at cost of acquisition and/or cost of construction less accumulated depreciation. The cost of property, plant and equipments 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. Write-downs are made for impairment, if any, in the value of such Property, plant and equipments.

2.4 Depreciation/Amortisation

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 equipments 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

2.5 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 capitalized upon commissioning or identified as being ready to use. Provisions are made for impairment and obsolescence, if any, in the value of such CWIP.

2.6 Investments in Shares

All investments in the form of shares and long term loans are carried at cost. Provision for Diminution in the values 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.

2.7 Inventories

- Inventories include goods in hand being held for use, sale or as spares.
- 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, and any necessary to make the sale. Further, provision for losses and obsolescence are made for those inventories identified by management as obsolete or otherwise.

2.8 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. Provisions for doubtful debts are made for doubtful trade receivables, if any, in the value of such receivables.

2.9 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 short-term 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. Provision for loss in lieu of shortage of cash and cash equivalents are made for, if any, in the value of such cash and cash equivalents.

2.10 Share Capital

Share capital amount received in the form of cash and cash equivalent from Government of Nepal are accounted as and when received. Such amount includes initial contribution made by Government of Nepal. Eligible amounts are capitalised as share capital such as interest during construction period, grant amount received from Government of Nepal and on behalf of Government of Nepal as per the decision of Government of Nepal (Council of Ministers). Share capital is accounted as share allotment suspense until reconciliation pending with Government of Nepal and share allotment suspense presented under share capital.

2.11 Reserves

Non-revenue nature income are accounted directly to reserves and surplus which includes capital reserve, general reserve, insurance fund and corporate social responsibility fund. Assets created by utilizing consumer contribution are recognised at gross value corresponding amount is recognised as consumer contribution as reserve.

2.12 Corporate Social Responsibility Fund

Corporate Social fund is created by setting aside one percent of net profits as per the provision of Industrial Enterprises Act.

2.13 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.

2.14 Provision Employees' Bonus

Provision for employees' bonus is made at the rate of 2% of Net Profits as per the provision of Electricity Regulations, 2050.

2.15 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.

2.16 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.

2.17 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 NEA.

2.18 Provisions

Provisions are recognised when the NEA 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.

2.19 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.
- b. 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.

2.20 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.

2.21 Contingent Assets and Liabilities

Contingent assets and 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.

2.22 Revenue from Sale of Electricity

- a. 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 amount.



- b. Rebate amount on payment before due date, surcharge on delayed payment etc. are accounted for on cash basis.

2.23 Income from Other Sources

- Interest on loan 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.

2.24 Cost of Sales

Cost of Sales includes cost of generation, power purchase, royalties to Government of Nepal, transmission and wheeling charges. Cost of generation includes cost directly attributable to generation of electricity of NEA's power plants. Power purchase cost comprises power purchase from independent power producers and power imports. Royalties to Government of Nepal accounted as per the provisions of Electricity Act and Regulations. Transmission and wheeling cost involves cost that are directly attributable to transmission of power within NEA transmission networks and wheeling charges for cross boarder power transmission.

2.25 Distribution Expenses

Distribution expenses includes cost that are attributable to distribution of power & expenses relating consumer services and expenses of community rural electrification expenses. Distribution expenses includes maintenance of low voltage transmission lines and system operation costs also.

2.26 Taxes

- Current tax
Current Tax is determined as the amount of tax payable in respect of taxable income for the year considering the applicable provisions of Income Tax Act.
- 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.

2.27 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 statement of Profit or Loss.

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**3 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 2073/74, Capital projects work in progress Rs 5,673.26 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.

2.2 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.

2.3 Share Investments

Details of NEA's investments in share capital as at the end of FY 2073/74 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.	20,222,077 (Including 153,26,077 Bonus shares) Equity Shares of Rs 100 each fully paid up Market price Rs. 798 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%	54.67%	4,341.90	4,341.90
Tanahun Hydro Power Limited	26,455,884 equity shares @ Rs. 100 each	100%	100%	2,645.59	1,565.20
NEA Engineering Co. Ltd.	76,500 equity shares @ Rs. 100 each	51%	0.00	7.65	0.00



Nepal Power Trading Co. Ltd.	76,500 equity shares @ Rs. 100 each	51%	0.00	7.65	0.00
Joint Venture					
Power Transmission Company Nepal Ltd.	2,000,000 equity shares of Rs 100 each fully paid up	50%	50%	200.00	130.00
Associates					
Sanjen Hydro Power Company Ltd. (Refer Note: 1 below)	3,781,430 equity shares of Rs 100 each fully paid up	10%	10%	378.14	365.00
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 Karnali Hydropower Limited (Refer Note: 2 below)	405,000 equity shares @ Rs. 100 each issued free of cost	27%	27%	-	-
Rasuwagadhi Hydro Power Co. Ltd. (Refer Note: 3 below)	12,315,780 equity shares @ Rs. 100 each	18%	18%	1,231.58	1,165.00
Middle Bhotekooshi Hydro Power Co. Limited. (Refer Note: 4 below)	6,000,000 equity shares @ Rs. 100 each	10%	10%	600.00	570.00
Trishuli Jal Bidhyut Company Limited.	2,849,935 equity shares @ Rs. 100 each	56.22%	56.22%	284.99	249.99
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
Nepal Hydro Lab. Pvt. Ltd.	10,000 equity shares of Rs 100 fully paid	10%	10%	1.00	1.00
Butwal Power Company Ltd.	191,225 equity shares (including 31,120 bonus and 71,486 right shares) of Rs 100 each fully paid up (Market price Rs. 620 per share)	1%	1%	16.01	16.01
Cross Boarder Power Transmission Co. Limited	7,820,634 equity shares @ Rs. 10 each	10%	10%	78.21	64.10
Electricity Generation Co. Ltd.	1,900,000 equity shares @ Rs. 100 each	10%	0.00	190.00	0.00
Betan Karnali Sanchayakarta HEP Co. Ltd.	200,000 equity shares @ Rs. 100 each	10%	0.00	20.00	0.00

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 Bhote Koshi 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.

2.4 Investment in Loan

NEA has maintained significant amount of loan investment in Upper Tamakoshi Hydropower Company Limited & Power Transmission Company Nepal Ltd. At the end of FY 2073/74, total loan investment balance in such companies stands Rs. 13,598.63 million.

2.5 Inventory

Provision for obsolescence in value of inventory

Management has provided (less) Rs. 331.38 million up to FY 2073/74 towards the possibility of reduction in Net Realisable value of the inventory due to obsolescence or otherwise.

2.6 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 control accounts balances and customer accounts balances are under progress. The billing, collection and maintenance of consumers' accounts are being maintained in M-power software system.

Recoverable from Streetlights

Street light dues from various Municipalities and Village Municipalities amounting to Rs. 3,750.05 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 provisions have been estimated by the management in the current reporting period.

Claims Recoverable

Claims recoverable include Rs. 279.65 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.

2.7 Cash in Transit

Cash in transit at the year end stands at Rs. 601.37 million (previous year Rs. 273.24 million) is yet to be settled.

2.8 Specially Designated Bank Account

NEA has maintained special designated bank accounts with certain banks amounting Rs. 1,157.12 million (US\$ 11.25 million) at the end of the financial year 2073/74. These accounts are operated by NEA for specific purpose governed by the terms & conditions of World Bank and Asian Development Bank. Therefore, these accounts have not been incorporated in the books of NEA.

2.9 Borrowings

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

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2.10 NEA Financial Restructuring Proposal (FRP- II)

Council of ministers, GoN, via its cabinet decision (cabinet meeting no. 11/074) dated 2074/02/09 had endorsed the New Financial Restructuring Proposal of NEA. Major decisions included increasing authorized share capital to Rs. 125 billion from Rs. 50 billion, converting foreign grants into share capital, reversal of Interest Payable during the construction period into share capital for loan received from GoN, converting the power import cost payable to GoN from Tanakpur point into share capital, reducing interest rate from 8% to 5% for GoN funded loans and allowing NEA to reverse share capital into operating income which was previously reimbursed for import loss from India.

Accordingly, necessary accounting adjustments have been made in the books which affected an increase in net equity capital by Rs. 12,376 million, conversion of long term borrowing into equity share and adjustments of accumulated loss and payable to GoN for power purchase from Tanakpur point by Rs. 14,625, Rs. 5,207.18 and Rs. 2,946.27 million respectively. Interest Payable during the construction period stands Rs. 6,197.34 which is being identified for appropriate adjustments as per the decision of Cabinet.

Similarly, interest bearing loan received for rural electrification projects have been converted into share capital amounting to Rs. 5,577.88 million. Conversion of loan amount into share capital and reduction of interest rate from 8% to 5% contributed interest cost saving by Rs. 2,265.83 million for the current year.

2.11 Power Import Losses

NEA has made request to GoN, as per Rastriya Urja Sankat Nibaran Tattha Bidyut Bikas Karya Yojana, 2072, for reimbursement of power import losses from India amounting to Rs. 3,263.76 million for the FY 2072/73 and Rs. 1,667.06 million for the FY 2073/74 which under consideration of GoN. On receipt of such amount, the accumulated loss will reduce by Rs. 3,263.76 million and an increase in net profit by Rs. 1,667.06 million for the FY 2073/74.

2.12 Deferred Taxes

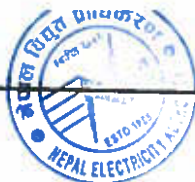
NEA had provided for Deferred Tax Liability of Rs. 693.20 million in the year 2065/66 which is being carried forward since. Furthermore NEA has been carrying forward unused tax losses that can be set off against future profit (if any) for which NEA will have to recognise deferred tax assets in the current 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 Kailali 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 31/03/2074 is as under:

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

Goshal 1/10/2024

**2.14 Inter Unit Account**

Inter unit transactions (IUT) represents Rs. 21,230.10 million debit and Rs. 20,490.72 million credit outstanding as at the date of financial position leaving a net debit balance of Rs. 739.38 million (previous year net credit Rs. 398.54 million).

2.15 Revision of Retail Tariff

During the year, Electricity Tariff Fixation Committee (ETFC), vide Meeting No. 108 dated 2073/03/16, has endorsed upward revision of retail consumer tariff petition of NEA with effect from 2073 Shrawan.

2.16 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 scheme.

Defined Contribution Plan

The expense during the year pertaining to Provident Fund, Retirement Fund (employer's contribution) and insurance schemes amounted to Rs. 637.37 million.

Retirement Benefits Plan Fund

NEA has established retirement benefits fund to the employees who appointed on or after 2063 Shrawan 1 (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. 2,066.35 million have been provided in the Income Statement based on the management estimates. The movement of Defined Benefit Plan Liabilities during the Financial Year 2073/74 is as under:

Description	Benefit Plan				(Rs. in Million)
	Pension	Gratuity	Leave	Medical	Total
Opening Liabilities	18,214.03	100.18	1,538.10	1,507.15	21,359.46
Addition for the Year	1,703.78	26.91	141.00	194.66	2,066.35
Closing Liabilities	19,917.81	127.09	1,679.10	1,701.81	23,425.81

An amount of Rs. 1,694.76 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:	310.04
Investment Returns	77.79
Payments during the year	0.00
Closing Assets	1,694.76

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

Name of the Project	Amount (million)	Claim filed by
Kulekhani III Hydroelectric Project	Rs. 520.00	Sino Hydro Corporation*
Rahughat Hydroelectric Project	RS. 13.59	Lama Construction
Chapali 132 kV Substation Project	Rs. 400.00	M/S AIL-SYEC JV, Nepal
Others (Under litigation)	RS. 293.60 US\$ 1.88	Various Claims

2.18 Capital Commitments

Major capital commitments 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. 588.23	CGGC Company
	Chameliya Hydroelectric Project	Rs. 20.21 US\$ 4.13	KHNP Consortium
	Chameliya Hydroelectric Project	Rs. 52.96 US\$ 0.86	Various Parties
	Kulekhani III Hydro electric project	Rs. 20.00	Sino Hydro Corporation
	Kulekhani III Hydro electric project	Rs. 320.00	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. 3,200.00	Various Contractors
Rahughat Hydroelectric Project	Various Contractor	Rs. 123.81 US\$ 0.68	Various Contractors

**2.19 Tax Assessment**

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 2072/073. The Tax assessment up to Income year 2069/70 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.
Under administrative review	069/70	Review Pending	Total carry forward losses allowed Rs. 12,493.70 million instead of Rs. 34,773.18 million.
Self assessment return filed	070/71 to 072/73	Assessment Pending	Large Taxpayer Office, Lalitpur

Note: In addition to deposits for filing appeal, reviews etc., NEA has deposited Rs. 1,611.36 million as advance income tax which is yet to be settled.

**2.20 Prior Period Adjustment**

During the year a total of Rs 234.08 million has been recognised as prior period expenses by giving equity treatment (previous year Rs. 33.15 million as prior period income) due to errors and/or omission in preparation of financial statements on account of various income/expenses as stated under:

Particulars	Amount (Rs.)	
	2073/74	2072/73
Salaries & Wages	52,100,283.19	(94,219.97)
Administrative Expenses	43,039,808.86	492,311.67
Interest & Other Income Adjustments	130,334,756.05	-
Excess/Short Booking of Revenue	(38,025,576.82)	(39,010,490.03)
Repairs & Maintenance	4,427,990.43	2,290,303.37
Depreciation	2,639,585.25	976,082.88
Stores	-	485,478.00
Other Expenses	39,567,554.05	1,713,231.26
Total	234,084,401.01	(33,147,302.82)

2.21 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	1,312.60	Subsidiary (NEA holds 51% of equity share Capital)
Trishuli Jal Bidyut Co. Ltd.	Equity contribution	35.00	Subsidiary (NEA holds 56.22 % of paid up share capital)
Upper Tamakoshi Hydro Power Ltd.	Loan provided	2,102.50	Subsidiary (NEA holds 54.67 % of paid up share capital)
Power Transmission Company Nepal Ltd.	Equity Contribution Loan provided	70.00 65.45	Joint venture company (NEA holds 50% of equity)
Tanahu Hydropower Company Ltd.	Equity contribution	1,080.39	Fully owned subsidiary
Rasuwagadhi Hydropower Co. Ltd.	Equity contribution	66.58	Associated Company (NEA holds 34.83% of equity)
Middle Bhotekoshi Hydropower Co. Ltd	Equity contribution	30.00	Associated Company (NEA holds effectively 29.38% of equity with CHECL)
Sanjen Hydropower Co. Ltd.	Equity contribution	13.14	Associated Company (NEA holds effectively 29.38% of equity with CHECL)

**2.22 Quantitative Details**

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

Particulars	FY 2073/74	FY 2072/73
NEA Generation (GWh)	2,305.45	2,133.26
IPP (GWh)	1,777.24	1,166.24
Import (GWh)	2,175.04	1,777.68
Available Energy (GWh)	6,257.73	5,077.18
Sales (GWh)	4,776.53	3,718.97
Adjustment for Sales/Utilization (GWh)	48.19	49.249
Total Energy Utilized (GWh)	4,824.72	3,768.22
Loss (GWh)	1,433.01	1,308.96
Net System Losses (%)	22.90%	25.78%
Number of Consumers	3,257,812	2,969,576
Number of Employees	8,259	7,894

2.23 Subsequent Events

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

Mr. Lok Hari Luimel
Director
Accounts Department

Mr. Lekhanath Koirala
Deputy Managing Director
Finance Directorate

Mr. Kul Man Ghising
Managing Director
Member Secretary
Board of Directors

Mr. Iswar Nepal
Deputy Auditor General
Office of the Auditor General

Board of Directors

Mr. Barsha Man Pun 'Ananta'
Honourable Minister
Ministry of Energy, Water
Resources and Irrigation
Chairman

Mr. Anup Kumar Upadhyay
Secretary
Ministry of Energy, Water
Resources and Irrigation
Member

Mr. Shankar Prasad Adhikari
Secretary
Ministry of Finance
Member

CA. Nanda Kishor Sharma
Joint Auditor

Mr. Chandra Tandon
Member

Mr. Umesh Prasad Thani
Member

Mr. Bhakta Bahadur Pun
Member

CA. Gyanendra Bahadur Bhari
Joint Auditor

Mr. Chet Raj Joshi
Member

CA. Hem Kumar Kafle
Joint Auditor

Date: 2074-12-19

Place: Kathmandu