K.A.S ASSOCIATES

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEPAL OIL CORPORATION LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Nepal Oil Corporation Limited (the 'Company'), Babarmahal, Kathmandu which comprise the Statement of Financial Position as at Ashadh 31, 2077, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and Notes to the Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at Ashadh 31, 2077 and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

Basis for Qualified Opinion

As discussed in note 2.4.16 of the Notes of financial statement, the company assesses impairment based on expected credit losses (ECL) model. However, the model as per the policy is not prepared and impairment provision for financial assets is done as per management estimate.

As presented in Notes 13, there is unreconciled inter branch net credit balance of Rs 3,430,494/-. The impact of such unreconciled balance due to pending reconciliation is not determinable.

As per clause 4 of contract entered between Nepal Oil Corporation (NOC) and National Park and Wildlife Conservation Department dated 2075/10/17, NOC shall replant the trees in the ratio of 1:25 for the total of 88163 trees of various species cut down by the pipeline project in the area of Parsa Wildlife Reserve (Total of 2204075 trees) and conserve the same for 5 years. However, NOC can opt to value the cost for the same and pay the amount to Parsa Wildlife Reserve at once within 5 years. This provision is mandatory according to prevailing Forest Act. However, company has not estimated and provisioned such amount in books resulting in understating of expenses/liabilities.

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

Emphasis of Matter

We draw attention to note 2.4.4 of the Notes of financial statement, which describes about charging the pipeline project related expenses as administrative expenses.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Except for the matters described in *Basis for Qualified Opinion* para and *Emphasis of Matter* para, we have determined that there are no other key audit matters to communicate in our report.

Page 1 of 2

UDIN: 201226CA001162YSt

Baneshwor

UDIN: 201226CA00097c0OQz

G&G Associates

Chartered Accountants

K.A.S ASSOCIATES

Chartered Accountants

Responsibilities of Management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so. Board of Director is responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on Requirements of the Companies Act, 2063

We report, based on our audit, on the requirements of the Companies Act, 2063, that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of such books of accounts;
- iii) In our opinion, the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow dealt with by this report are in agreement with the books of accounts.
- iv) To the best of our information and according to explanation given to us and from our examination of the books of account of the company necessary for the purpose of our audit, we have not come across cases where the board of directors or any representative or any employee of the company have acted contrary to the provisions of laws relating to accounts or committed any misappropriation or caused any loss or damage to the company.

v) During the year, the company has paid interim dividend to Government of Nepal amounting Rs 2,000,000,000/- without complying with Section 182(7) of Companies Act 2063.

CA Bijaya Raj Ghimire G & G Associates ed Acc

Chartered Accountants

CA Binay Prakash Shrestha K.A.S. Associates

Baneshwo

Chartered Accountants

Place :

Kathmandu 2077/09/07

Page 2 of 2

Statement of Financial Position For the year ended on 31 Ashadh 2077



Amount in NPR

Particulars	Notes	As at	As at	As at
ACCETO		31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
ASSETS Non- Current Assets				
		5 057 004 000	5 704 050 400	
Property, Plant and Equipment	4	5,857,601,229	5,731,056,126	6,229,767,199
Intangible Assets	5	4,020,903	526,398	131,646
Capital Work-in-Progess (CWIP)	6	35,829,467	41,490,543	59,151,363
Financial Assets	6			
Investment	7	27,272,316,240	1,013,517,485	12,609,887
Loans & Advances	8	153,227,982	140,795,146	89,898,855
Deposits	9	89,387,573	87,941,438	92,444,209
Deferred Tax Assets	10	259,038,765	168,643,960	123,162,822
Other Non-Current Assets	11	126,198,270	116,924,312	71,100,879
		33,797,620,428	7,300,895,407	6,678,266,862
Current Assets				
Inventories	12	6,225,103,780	4,435,859,310	4,325,509,298
Financial Assets				
Trade Receiveables	13	488,527,405	766,796,179	1,116,874,705
Cash & Cash Equivalents	14	17,140,933,599	27,475,399,778	16,950,723,218
Loans & Advances	8	10,945,694	7,790,276	11,168,471
Other financial assets	15	18,500,000	18,500,000	18,500,000
Other Current Assets	16	5,281,114,198	2,756,580,039	2,812,291,812
Total Current Assets		29,165,124,677	35,460,925,581	25,235,067,504
Total Assets		62,962,745,105	42,761,820,988	31,913,334,365
LIABILITIES Equity				
Share Capital	17	11 000 000 000	11 000 000 000	202 205 700
Other Equity	18	11,000,000,000	11,000,000,000	292,395,700
Total Equity	10	21,271,820,761 32,271,820,761	11,637,420,026 22,637,420,026	14,278,400,285 14,570,795,985
Liabilities		32,271,020,701	22,037,420,020	14,570,795,965
Non Current Liabilities				
Financial Liabilities				
Dealer & Airlines Deposits	19	1,815,986,736	1,751,372,495	1,710,536,626
Provisions	20	1,015,900,730	1,731,372,493	1,710,550,620
Provision for Defined Benefits Obligation Plan	20	739,756,652	436,740,613	432,685,988
Provision for Staff housing facilities		3,258,420,957	3,258,420,957	3,258,420,957
Other Non Current Liabilities	21	0,200,420,001	0,200,420,007	3,230,420,337
Other Payables		167,664,339	229,117,392	227,905,904
Total Non-Current Liabilities		5,981,828,683	5,675,651,456	5,629,549,475
Current Liabilities		0,001,020,000	0,070,001,400	0,020,040,470
Provision	20			
Provision for Bonus	20	3,473,299,338	3.299.030.197	3,182,313,020
Other Current Liabilities	21	0,470,200,000	5,233,000,137	3, 102,313,020
Price Stabilization Fund	[-	11,573,173,906	8,969,789,734	6,345,882,832
Other Payables		9,662,622,416	2,179,929,574	2,184,793,054
Total Current Liabilities		24,709,095,661	14,448,749,506	11,712,988,906
Total Liabilities		30,690,924,345	20,124,400,962	17,342,538,380
		00,000,024,040	20,127,400,302	17,042,000,000

Schedules forms an integral part of this Balance Sheet

Significant Accounting Policies and Notes to Financial Statement

2 - 30

As per our report of even date

Sushama Kumari Kama

Acting Director Finance Department Nagendra Sah Acting Deputy

Surendra Kumar Poudel Executive Director

Gopal Chandra Rai

Invited BOD Member

Netra Prasad Subedi

Biswobabu Pudasaini

BOD Member

BOD Member

BOD Member

Prem Kumar Shrestha

Executive Director

BOD Member

CORPORATION LO

Binay Prakash Shrestha

Baneshwor

Tathm

K.A.S. Associates

Bijaya Raj Ghimire G&G Associates

事

Date: Poush 7, 2077 Place: Kathamandu

Nepal Oil Corporation Babarmahal, Kathmandu

Statement of Profit or Loss and other comprehensive income For the year ended 31 Ashadh 2077

Amount in NPR

Particular	Notes	For the year ended 31 Ashadh 2077	For the year ended
Revenue from operations	22	205,745,293,899	246,699,236,050
Cost of Goods Sold	23	182,745,956,818	230,367,740,187
Gross Profit		22,999,337,081	16,331,495,863
Other Income	24	1,769,683,922	765,603,009
Selling and Distribution Expenses Administrative Expenses Depreciation and Amortization Expenses Pollution Control Expenses Corona Infection Control & Treatment Fund Expense Coroporate Social Responsibility Expenses Price Stabilization Fund Expenses Provision for Bad Debt Foreign Exhange (Gain) / Loss Profit from Operations Finance Costs Provision for Bonus Profit Before Tax Income Tax Expense Deferred Tax Income / (Expense) Net Profit for the year	25 26 4,5	205,328,957 1,575,168,467 126,035,918 2,942,097,000 500,000,000 14,570,315 2,057,452,939 - (78,546,711) 17,426,914,118 - 174,269,141 17,252,644,977 4,414,267,155 76,466,159 12,914,843,981	213,933,970 1,174,265,069 45,377,435 1,574,119,607 - 3,574,649 2,466,992,361 1,200,000 6,675,576 11,610,960,205 - 116,717,178 11,494,243,028 2,932,303,515 57,967,985 8,619,907,497
Statement of Other Comprehensive Income			
Particular	Notes	For the year ended 31 Ashadh 2077	For the year ended 31 Ashadh 2076
Net Profit for the year as per Profit or Loss Statements		12,914,843,981	8,619,907,497
Other Comprehensive Income			
Items that will not be subsequently reclassified to profit or loss Actuarial gain / (loss) on remeasurement of defined benefit plans Revaluation gain or losses of property		(56,092,386)	49,039,791
Tax relating to non-recycleable components of other comprehensive income		14,023,097	(12,259,948)
Items that may be subsequently reclassified to profit or loss Exchange Gain/Loss arising on translation of foreign operations		377,798	907,598
Gain / loss on hedging instrument in a cash flow hedges Net fair value gain or losses on available for sale financial assets	1 1		
Gain / loss on hedging instrument in a cash flow hedges		(94,450)	(226,899)
Gain / loss on hedging instrument in a cash flow hedges Net fair value gain or losses on available for sale financial assets Share of Associates's other comprehensive income		(94,450) (41,785,941)	(226,899) 37,460,541

Schedules forms an integral part of this Balance Sheet

Significant Accounting Policies and Notes to Financial Statement

2 - 30

As per our report of even date

Nagendra Sah

Acting Deputy

Surendra Kumar Poudel

Gopal Chandra Rai

Netra Prasad Subedi

Biswobabu Pudasaini

Acting Director Finance Department

Executive Director

Executive Director

Invited BOD Member

BOD Member

BOD Member

G & G Associates

Date: Poush 7, 2077

BOD Member

BOD Member

BOD Chairman

K.A.S. Associates Chartered Accountants Chartered Accountants



Amount in NPR

Nepal Oil Corporation Limited Babarmahal, Kathmandu

For the year ended 31 Ashadh 2077 Statement of Changes in Equity

Particular	Shares Capital	Retained Earning	Other Comprehensive	Other Equity	Total Equity
			Income	figure 1 cmost	
Restated balance at 1 Shrawan 2075	292,395,700	14,282,319,645	(3,919,359)	14,278,400,285	14,570,795,985
Prior period adjustment	,	(27,185,877)		(27,185,877)	(27,185,877)
Profit for the year	ĭ	8,619,907,497		8,619,907,497	8,619,907,497
Other Comprehensive Income	ì	1	37,460,541	37,460,541	37,460,541
Issue of Share Capital	10,707,604,300	21		1	10,707,604,300
Dividend distribution	ì	(11,271,162,421)		(11,271,162,421)	(11,271,162,421)
Balance at 31 Ashadh 2076	11,000,000,000	11,603,878,844	33,541,182	11,637,420,026	22,637,420,026
Change in Accounting Policies	ī			1	ı
Prior period adjustment	ı	(1,038,657,305)		(1,038,657,305)	(1,038,657,305)
Profit for the year	1	12,914,843,981		12,914,843,981	12,914,843,981
Other Comprehensive Income	ï		(41,785,941)	(41,785,941)	(41,785,941)
Issue of Share Capital	i			ţ	ı
Dividend distribution	Ĩ	(2,200,000,000)		(2,200,000,000)	(2,200,000,000)
Balance at 31 Ashadh 2077	11,000,000,000	21,280,065,520	(8,244,759)	21,271,820,761	32,271,820,761

As per our report of even date

Biswobabu Pudasaini

Netra-Prased Subedi **BOD Member**

Invited BOD Member Gopal Chandra Rai

BOD Member

Sushama Kumari Karna Acting Director

Finance Department

Nagendra Sah Acting Deputy

Surendra Kumar Poudel

Executive Director

Executuve Director

Dr. Baikuntha Aryal Prem Kumar Shrestha

Paraswor Bhungana parasen

BOD Member

K.A.S. Associates.

Binay Prakash Shrestha

Chartered Accountants

BOD Chairman

BOD Member

K Baneshwor

CONTRACTION OF STREET

G & G Associates
Chartered Accountants

Date: Poush 7, 2077

Nepal Oil Corporation Limited Babarmahal, Kathmandu

Statement of Cash Flow For the year ended 31 Ashadh 2077



Amount in NPR

	rticulars	Current Year	Previous Year
A.	Cash Flow from Operating Activities		
	Profit After Tax	12,838,377,822	8,561,939,512
	Adjustments for:		
	Depreciation and Amortization	126,035,918	45,377,435
	Loss / (Profit) on sale of Assets (net)	-	(86,790,997)
	Previous year expenses adjustment	(1,038,657,305)	(27,185,877)
	Provision for Income tax	2,708,608,964	2,932,303,515
	Additional Provision as per actuarial valuation	292,607,753	226,143,703
	Receipt of Dealer deposit	64,614,241	40,835,869
	Payment to refundable deposit	(1,446,135)	4,502,771
	Payment of Other Liabilities	(61,453,053)	1,211,488
	Net Disbursement of staff loan	(19,461,812)	(93,734,852)
	Interest income (Concessional Loan - NFRS Adjustment)	(9,321,854)	(9,494,614)
	Employee Benefit Cost (Concessional loan - NFRS Adjustment)	7,076,872	6,509,741
	Actual contribution to CIT (Gratuity, Leave and Medical)	(45,684,100)	(173,049,289)
	Operating Profit before Working Capital Changes	14,861,297,312	11,428,568,408
	Change in Working Capital (excluding Cash & Cash Equivalents):		
	(Increase) / Decrease in Current Assets	(4,035,629,051)	442,362,226
	Increase / (Decrease) in Current Liability	7,656,961,983	111,853,698
	Changes in Working Capital	3,621,332,932	554,215,925
	Cash Generated From Operations		
	Less: Taxes Paid	(2,711,645,188)	(3,075,847,259)
	Net Cash Flow From Operating Activities	15,770,985,056	8,906,937,074
В.	Cash Flow from Investing Activities:	2	
	Proceeds from sale of Property, Plant & Equipment / Transfer of Assets	(256,075,527)	677,191,000
	Purchase of Property, Plant and Equipment	1 - 1	(137,461,116)
	Expenditure on Construction Work In Progress	5,661,077	17,660,820
	Investment in FD	(26,258,420,957)	(1,000,000,000)
	Net Cash Generated / (Used) in Investing Activities:	(26,508,835,406)	(442,609,296)
C.	Net Cash Flow From Financing Activities:		
-	Increase in share	-	10,707,604,300
	Price estabilisation fund	2,603,384,173	2,623,906,901
	Dividend / Dividend Tax Paid	(2,200,000,000)	(11,271,162,421)
	Net Cash Generated / (Used) from Financing Activities:	403,384,173	2,060,348,780
D	Net Change in Cash & Cash Equivalents (A+B+C)	(10,334,466,178)	10,524,676,560
٥.	Cash & Cash Equivalents as at the beginning of year	27,475,399,778	16,950,723,218
	Cash & Cash Equivalents as at the beginning of year	17,140,933,599	27,475,399,778

As per our report of even date

Sushama Kumari Karna

Acting Director Finance Department Nagendra Sah Acting Deputy

Executive Director

Surendra Kumar Poudel

Executive Director

Gopal Chandra Rai

Invited BOD Member

Netra Prasad Subedi

Biswobabu Pudasaini

BOD Member

BOD Member

Paraswor Dhungana

BOD Member

Paraswor Dhungana Prem Kumar Shrestha

BOD Member

Dr. Baikuntha Aryal

Ball a Alyan

Birray Prakash Shrestha

Baneshwor

athmand

KAS Associates.

ha Bijaya Raj Ghimire G & G Associates Date: Poush 7, 2077

Nepal Oil Corporation Babarmahal, Kathmandu

Notes to Financial Statement

3. I. A. Reconciliation of Equity



Amount in NPR

POR			As at 31.03.2076
	Explanatory Note	As at 01.04.2075 (Date of transition)	(End of last period presented under previous GAAP)
Total equity under previous GAAP		14,767,318,714	22,930,148,496
Adjustments under NFRSs:			
Remeasurement adjustment of Employee Benefit provision as per Actuarial Valuation	Previously provision for employee benefit obligations were based on management estimates which is now remeasured as per Actuarial Valuation.	(259,636,700)	(391,056,512)
Deferred tax impact of actuarial adjustment	25% of increase in defined benefit liability	64,909,175	97,764,128
Remeasurement of Concessioanal Employee loan (Financial Asset at	Creation of Employee Benefit Prepayment asset	71,100,879	(111,815,284)
amortized cost) as per NFRS.	Readjustment of Employee Loan as per NFRS	(68,976,724)	116,924,312
Fair Value adjustment of investment		(5,225,813)	(4,318,215)
Deferred tax impact of fair value adjustment	25% of fair valuation of investment	1,306,453	(226,899)
Remeasurement Impact	Subtotal	(196,522,728)	(292,728,470)
Total adjustment to equity		(196,522,728)	(292,728,470)
Total Equity under NFRSs		14,570,795,985	22,637,420,026

		For the year ended
		31.03.207
Explanatory Note		(the latest period
		presented under
		previous GAAF
Previous GAAP		8,753,573,780
Adjustments under NFRSs:		
Interest Income	Increase due to remeasurement of interest income on concessional loan as per NFRS	9,494,614
Employees Benefit amortization under	Increase in Employee Benefit Cost related to Concessional loan measured as per NFRS	
staff loan		(6,509,741
Defined benefit obligation of employee	Increase in employee benefit expense as per actuarial valuation	
gan an a	me add in employed benefit expense as per actualital valuation	(180,459,604
Total adjustment to profit & loss		(177,474,731
Net Profit of the year		8,576,099,049
Movement in Deferred Tax Assets	Adjustment in deferred tax credit as tax on OCI item is transferred to OCI	31,321,601
	Transfer of current year OCI part of deferred tax expense	12,486,847
Adjusted Net Profit After Tax		8,619,907,497
Other Comprehensive Income	Other Comprehensive income for the year from actuarial and fair value gain.	37,460,541
Total Comprehensive Income of the y	ear	8,657,368,039

Spon

hr. Dun

NEPALO

auto des de sinue

May &

II. Reconciliation of Statement of Financial Position (including Equity)

A. Reconciliation of Statement of Financial Position as at 1 Shrawan 2075



Amount in NPR

	Notes	Local GAAP	Adjustments	NI	RS
<u>ASSETS</u>			Reclassification	Remeasurement	
Non Current Assets					
Net Fixed Asset	[0]	6,229,898,846	(6 220 808 846)		
Property and equipment	[a]	6,229,696,646	(6,229,898,846)		
	[a]	- 5 2	6,229,767,199		6,229,767,19
Intangible assets	[a]		131,646		131,64
Capital Work-in-Progess (CWIP)		59,151,363	•		59,151,36
Investment	[b & g]	17,835,700		(5,225,813)	12,609,88
Loans and advances	[c & h]		158,875,578	(68,976,724)	89,898,85
Other Non Current Assets	[h]	= 1	-	71,100,879	71,100,87
Deferred tax assets	[9]	56,947,194	100	66,215,628	123,162,82
Current Assets					
Loans and advances	[c]		11,168,471		11,168,47
Trade receivable		1,116,874,705	•		1,116,874,70
Cash and Bank Balance	[b]	16,950,723,218	(16,950,723,218)		
Cash and cash equivalents	[b]	-	16,950,723,218		16,950,723,21
Other financial assets	[c]	≅	18,500,000		18,500,00
Inventory	[c]	4,325,509,298	-		4,325,509,29
Advances, Deposit and Prepayments	[0]	9,430,571,349	(9,430,571,349)		1,020,000,20
Deposit	[c]	-	92,444,209		92,444,20
Other current assets	[c]	<u>.</u>	2812291812		2,812,291,81
Total ASSETS		38,187,511,672	(6.227.204.278)	00 440 074	24 042 224 2
Total Adde 13		30,107,511,072	(6,337,291,278)	63,113,971	31,913,334,36
EQUITY					
Share Capital		292,395,700	-	-	292,395,70
General Reserve & Retained Earning	[g & h]	14,474,923,014	120	(196,522,728)	14,278,400,28
Total share capital and reserve funds		14,767,318,714	•	(196,522,728)	14,570,795,98
LIABILITIES					
Non Current Liabilities					
Price Establishment Fund	[d]	6,345,882,832	(6,345,882,832)		_
Deposits	[e]	1,710,536,626	(1,710,536,626)		-
Dealer & Airlines Deposits	[e]	-	1,710,536,626		1,710,536,62
Provisions			111 101000,020		1,7 10,550,02
Other payable	[f]	2	227,905,904		227 005 00
Provision for Defined Benefits Obligation Plan (Non	1.1		227,303,304		227,905,90
current portion)	[f & i]		173,049,289	259,636,700	432,685,98
Current Liabilities					
Short term provision	TET.	0.540.770.707	(0.540.770.707)		
Employee housing provision	[f]	9,519,776,737	(9,519,776,737)		
Bonus	re	3,258,420,957			3,258,420,95
	[f]		3,182,313,020		3,182,313,02
Income tax provision	[f]		-		
Price Establishment Fund	[d]		6,345,882,832		6,345,882,83
Other Payables	[f]	2,585,575,807	(400,782,754)		2,184,793,05
Total Liabilities		23,420,192,959	(6,337,291,278)	259,636,700	17,342,538,38
Total Equity and Liabilities		38,187,511,672	(6,337,291,278)	63,113,971	31,913,334,36

Note:

 $\hbox{ [a],[b],[c],[d],[e],[f]: Represents reclassifications within the respective heads.}$

fight. J

[g]: Represents remeasurement of the investment by fair valuation method

[h] : Represents remeasurement of the loans to employee adjustment and consequent employee benefit prepayment.

Baneshwor

Tathmat

[i]. Represents remeasurement of employee benefit provisions as per the actuarial valuation.

parad

B. Reconciliation of Statement of Financial Position as at 31 Ashadh 2076

			C S P I	IF 'S	
	Notes	Local GAAP	Adjustments Por		NFRS
<u>ASSETS</u>			Reclassification	Remeasurement	
Non Current Assets					
Net Fixed Asset	[a']	5.731.582.523	(5,731,582,523)	
Property and equipment	[a']	-	5,731,056,126	*	5,731,056,126
Intangible assets	[a']	-	526,398		526,398
Capital Work-in-Progess (CWIP)	[-]	41,490,543	323,333		41,490,543
Investment	[b' & a']	1,017,835,700		(4,318,215)	1,013,517,485
Loans and advances	[c' & h']	1,017,000,700	252,610,430		140,795,146
Other Non Current Assets	[h']		232,010,400	116,924,312	116,924,312
Deferred tax assets	[g' & l']	71,106,731		97,537,229	168,643,960
Current Assets					
Loans and advances	[c']		7,790,276		7,790,276
Trade receivable		766,796,179			766,796,179
Cash and Bank Balance	[b']	27,475,399,778	(27,475,399,778)	2
Cash and cash equivalents	[b']		27,475,399,778		27,475,399,778
Other financial assets	[c']		18,500,000		18,500,000
Inventory	[c']	4,435,859,310			4,435,859,310
Advances, Deposit and Prepayments	[c']	12,393,016,976	(12,393,016,976)	1, 100,000,010
Deposit	[c']	12,555,515,515	87,941,438		87,941,438
Other current assets	[c']		2,756,580,039		2,756,580,039
Total ASSETS		51,933,087,739	(9,269,594,793	98,328,041	42,761,820,988
FOUNTY					
EQUITY Share Capital		11,000,000,000			11,000,000,000
General Reserve & Retained Earning		11,930,148,496		(292,728,471)	
Total share capital and reserve funds		22,930,148,496		(292,728,471)	11,637,420,025 22,637,420,025
				(,,)	
LIABILITIES Non Current Liabilities					
Price Establishment Fund	ran.	0.000.700.704	(0.000.700.704		
Deposits	[d']	8,969,789,734	(8,969,789,734		_ !
Dealer & Airlines Deposits	[e']	1,751,372,496	(1,751,372,496	10	
Provisions	[e']	-	1,751,372,496		1,751,372,496
	7.03				
Other payable	[f]		229,117,392		229,117,392
Provision for Defined Benefits Obligation Plan (Non Current portion)	[f' & i']		45,684,100	391,056,512	436,740,613
Current Liabilities	wav (25 ≥€)		and the same of the same	Company Company And State	2
					•
Provision for Defined Benefits Obligation Plan					
(Current portion)	101	10 500 707 155	/40 === === :==		
Short term provision	[f]	12,568,797,430	(12,568,797,430)	2 200
Employee housing provision	7.03	3,258,420,957			3,258,420,957
Bonus	[f]		3,299,030,197		3,299,030,197
Income tax provision	[f]				bootstate and an are
Price Establishment Fund	[d']		8,969,789,734		8,969,789,733.84
Other Payables	[f]	2,454,558,627	(274,629,053		2,179,929,574
Total Liabilities		29,002,939,243	(9,269,594,793		20,124,400,963
Total Equity and Liabilities		51,933,087,739	(9,269,594,793	98,328,041	42,761,820,987

[a'],[b'],[c'],[d'],[e'],[f']: Represents reclassifications within the respective heads.

[a'],[b'],[c'],[d'],[e'],[r']: Represents reclassifications within the respective fleads.

[g']: Represents remeasurement of the investment by fair valuation method

[h']: Represents remeasurement of the loans to employee adjustment and consequent employee benefit prepayment.

[i']: Represents remeasurement of employee benefit provisions as per the actuarial valuation.

Tathm3

PEPAL

			CEPI	15 40	
	Notes	Local GAAP	Adjustments RPO	RATIO	IFRS
			Reclassification	Remeasurement	
Revenue from operations	[יט	-	246,699,236,050		246,699,236,050
Sales	[ינ]	246,699,236,050	(246,699,236,050	-	
Other Income	[k']	669,317,399	(669,317,399	-	
Assets sale or auction sale	[k']	86,790,997	(86,790,997) -	-
Cost of Sales	[1]		(230, 367, 740, 187	-	(230, 367, 740, 187
Gross Profit		247,455,344,445	(231,123,848,583	•	16,331,495,863
Cost of Sales	[1']	230,367,740,187	(230,367,740,187		% = 3
Other Income	[k' & n']	-	756,108,396	9,494,614	765,603,009
Selling and Distribution Expenses	104.00	213,933,970	-	-	213,933,970
Depreciation and Amortization Expenses		45,377,435	-	*	45,377,435
Administrative Expenses	[n']	987,295,724		186,969,345	1,174,265,069
Pollution control expenses	[m']	1,574,119,607	: <u>-</u> :	-	1,574,119,607
Price establisation fund expenses	[m']	2,466,992,361		-	2,466,992,361
Provision for bad debt	[m']	1,200,000			1,200,000
Social responsibility expenses	[m']	3,574,649	-	-	3,574,649
Foreign exchange loss	[m']	6,675,576	:-	-	6,675,576
Profit From Operations		11,788,434,936		(177,474,731)	11,610,960,205
Finance Costs					
Provision for Bonus		116,717,178			116,717,178
Provision for Staff Housing Facilities					-
Profit Before Tax		11,671,717,759		(177,474,731)	11,494,243,028
Income Tax Expense		2,932,303,515			2,932,303,515
Deferred Tax (Expense) / Income	[0']	14,159,537		43,808,448	57,967,985
Adjusted Net Profit for the year		8,753,573,780		(133,666,283)	8,619,907,497
Actuarial Adjustment		·		49,039,791	49,039,791
Tax on above				(12,259,948)	(12,259,948
Fair valuation gain				907,598	907,598
Γax on above				(226,899)	(226,899
TOTAL Comprehensive Income		8,753,573,780		(96,205,742)	8,657,368,039

Note:

[j'],[k'] [l'] & [m'] : Represents reclassifications within the respective heads.

[n']: Represents employee benefit cost adjustment due to remeasurement of employee loan

[o']: Represents deferred tax impact in previous year balance

IV. Adjustments to Statement of Cash flows

Reconciliation of Statement of Cash Flow (For the year ended 31 Ashadh 2076)

Particular	As per GAAP	As per NFRS	Difference
Cash flow from Operating Activities	8,906,937,074	8,906,937,074	
Cash flow from Investing Activities	(442.609.296)	(442,609,296)	
Cash flow from financing Activities	2,060,348,780	2,060,348,780	_
Net change in cash and cash equivalent	10,524,676,559	10,524,676,559	
Opening cash and cash equivalent	16,950,723,218	16,950,723,218	
Closing cash and cash equivalent	27,475,399,777	27,475,399,777	

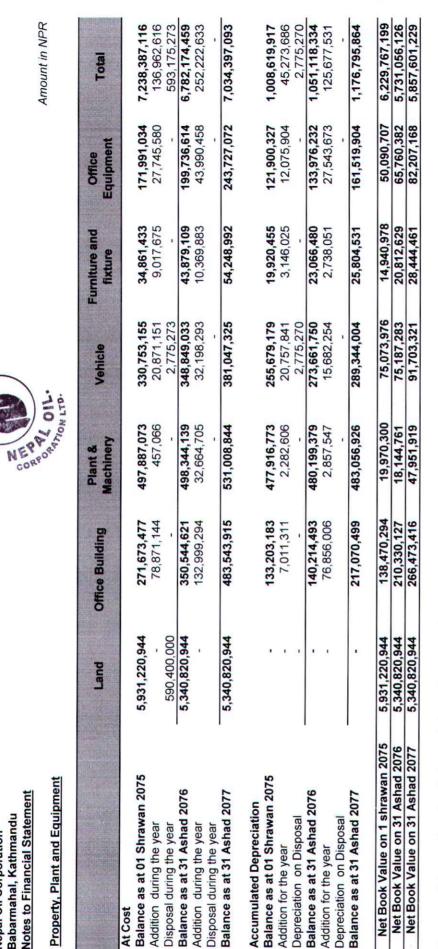
Soon for Ann

parash.

CORPAL ONO



Property, Plant and Equipment 4



Management has reviewed and changed the estimated useful life of the assets as per the application guidance by ASB, Nepal and depreciation has been accounted prospectively in SLM basis resulting increase in depreciation charges compared to previous method by NPR 6,64,46,581.52

ociates *Countant ර්ග Chartered

CORPORATION OF A SEPAL OIL.

Notes to Financial Statement Babarmahal, Kathmandu Nepal Oil Corporation



5 Intangible assets

Amount in NPR

	Total
At Cost	
Balance as at 01 Shrawan 2075	262,743
Addition during the year	498,500
Disposal during the year	
Balance as at 31 Ashad 2076	761,243
Addition during the year	3,852,893
Disposal during the year	
Balance as at 31 Ashad 2077	4,614,137
Accumulated Amortization	
Balance as at 01 Shrawan 2075	131,097
Addition for the year	103,749
Amortizaton on Disposal	
Balance as at 31 Ashad 2076	234,846
Addition for the year	358,387
Depreciation on Disposal	
Balance as at 31 Ashad 2077	593,233
Net Book Value on 01 shrawan 2075	131,646
Net Book Value on 31 Ashad 2076	526,397
Net Book Value on 31 Ashad 2077	4,020,903

Management has reviewed and changed the method of amortization during current year and amortization has been accounted prospectively in SLM basis resulting decrease in amotization amount compared to previous method by NPR 46,150

710 Maranos

Baneshwor

ociates

Amount in NPR

Notes to Financial Statement

6 Ca	pital	Work-	in-Progess
------	-------	-------	------------

	As at 31 Ashadh 2077	As at 31 Ashadh 2076	As at 1 Shrawan 2075
Province 1 - Biratnagar Office	3,334,805	-	470,063
Lumbini Province - Bhalbari Office	-	24,356,810	14,132,036
Mid-western regional - Nepalgunj Office	;=	396,750	396,750
Bagmati Province - Thankot Office	-	-	14,568,692
Aviation Fuel Depot - Sinamangal	-	4,843,333	4,893,333
Computer software	·	4,461,750	4,461,750
Pipeline Project	-		12,796,840
Head office	32,494,662	7,431,900	7,431,900
Total	35,829,467	41,490,543	59,151,363
Investment			
	As at	As at	As at

7

	As at 31 Ashadh 2077	As at 31 Ashadh 2076	As at 1 Shrawan 2075
Investment on Listed shares			
Gorakhkali Rubber Udyog (206000 shares)	-	12	_
Nepal Lube Oil Limited (43136 shares)	8,066,432	9,187,968	9,187,968
Nepal Bitumen & Barrel Udyog	-	-	-
Investment on Unlisted shares			
Sajha Pasal Sewa (10000 shares)	5,828,851	4,329,517	3,421,919
Arthik Sewa Kendra (3000 shares)			-
	13,895,283	13,517,485	12,609,887
Other investment			
Fixed Deposit	16,150,000,000	1,000,000,000	_
Fixed Deposit - Price Stabilization Fund	7,850,000,000	-	-
Fixed Deposit - Staff housing facilities	3,258,420,957	-	-
Total	27,272,316,240	1,013,517,485	12,609,887

Bonus Shares of Nepal Lube Oil (4900 & 13737 Units) and Sajha Pasal Sewa (580 & 2900 Units) received in period prior to date of transition has now been included in the investment of NOC retroespectively from date of transition.

Loans & Advances

	As at 31 Ashadh 2077	As at 31 Ashadh 2076	As at 1 Shrawan 2075
Current Portion	7		
Employee Advance	10,945,694	7,790,276	11,168,471
Non Current Portion			
Employee Loan at amortized cost (NFRS)	153,227,982	140,795,146	89,898,855
Total	164,173,676	148,585,422	101,067,326

NEPAL CORPORATION

Amount in NPR

Notes	to	Financial	Statement
9	De	oosits	

	Deposits			
		As at 31 Ashadh 2077	As at 31 Ashadh 2076	As at 1 Shrawan 2075
	Refundble Deposit	89,387,573	87,941,438	92,444,209
	Total	89,387,573	87,941,438	92,444,209
10	Deferred Tax			
	2000000	As at	As at	As at
		31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
	Deferred Tax Assets	259,038,765	168,643,960	123,162,822
	Total	259,038,765	168,643,960	123,162,822
11	Other Non Current Assets			
•	Stilet Non Surrent Assets	As at	As at	As at
		31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
	Prepayment Assets of Concesssional Loan	126,198,270	116,924,312	71,100,879
	Total	126,198,270	116,924,312	71,100,879
12	Inventories			
	<u></u>	As at	As at	As at
		31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
	Store, spares parts, tools etc.	87,672,915	105,871,686	93,099,354
	Petroleum stock stock in depo	3,796,674,100	2,845,274,975	2 600 202 150
	stock in transit	2,340,756,765	1,484,712,649	2,609,383,159 1,623,026,786
	Total	6,225,103,780	4,435,859,310	4,325,509,298
13	Trade Receivable			
		- As at	As at	As at
		31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
	Secured debtor	529,785,401	799,717,057	1,145,603,945
	Unsecured debtor	706,379	5,533	6,472,168
	Less: Provision for doubtful debt	38,533,882	38,533,882	37,333,882
	Describ Delegation	491,957,899	761,188,708	1,114,742,232
	Branch Balance	(3,430,494)	5,607,471	2,132,473
	Total	488,527,404	766,796,179	1,116,874,705
14	Cash and cash equivalents	-		
		As at	As at	As at
		31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
	Petty Cash	690	730	40
	Cheque/Draft in transit	567,619	567,619	567,619
	Cash at bank	11,601,204,647	18,751,795,966	8,424,860,508
	Deposit for Price Stabilization Fund	3,723,173,906	3,713,242,009	3,556,337,468
6500	Rayable Deposit bank balance	1,815,986,736	1,751,372,496	1,710,536,626
1	Deposit - Staff housing facilities		3,258,420,957	3,258,420,957
	Total Total	17/,140,933,599	27,475,399,778	16,950,723,218
1	DE CHATES D.	~	000	

1000

Parosh parosh

16

Notes to Financial Statement



Amount in NPR

33,402,000

2,812,291,812

15	Other	financial	assets	
----	-------	-----------	--------	--

	As at 31 Ashadh 2077	As at 31 Ashadh 2076	As at 1 Shrawan 2075
Margin Deposit (Bank Guarantee)	18,500,000	18,500,000	18,500,000
Total	18,500,000	18,500,000	18,500,000
Other Current Assets			
	As at	As at	As at
	31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
Advance Income tax			
Income Tax Provisions	(11,978,203,757)	(9,269,594,793)	(6,337,291,278)
Less: Advance Income tax paid	14,100,193,263	11,388,548,075	8,312,700,816
Total Advance Income tax	2,121,989,506	2,118,953,281	1,975,409,538
VAT Receivable	720,954,814	432,237,772	561,836,220
Other receivable and prepayment	212,672,824	9,671,593	46,744,384
Letter of credit (Margin Money)	176,968,175	4,206,407	4,213,121
Prepayment	48,520,928	48,019,821	46,945,219
Advance custom duty	7,952	7,952	7,952
Advance to Indian Oil Corporation	,	110,081,213	143,733,378
The state of the s			

2,000,000,000

5,281,114,198

Shara

Advance to Nepal Government on profit

Total

Jur. Mund

parosh Girlan

ered Acco

33,402,000

2,756,580,039

NEPAL TON'S

Notes to Financial Statement

Amount in NPR

17	Equity Share Capital	As at 31 Ashadh 2077	As at 31 Ashadh 2076	As at 1 Shrawan 2075
	Authorized 300,000,000 equity shares of Rs. 100 each	30,000,000,000	30,000,000,000	30,000,000,000
	Issued Capital 300,000,000 Equity Shares of Rs 100 each	30,000,000,000	30,000,000,000	30,000,000,000
	Subscribed and fully paid up 110,000,000 Equity Shares of Rs 100 each	11,000,000,000	11,000,000,000	292,395,700
0	Total	11,000,000,000	11,000,000,000	292,395,700
18	Other Equity	As at	As at	As at
		31 Ashadh 2077		
		31 ASHAUH 2011	31 Ashadh 2076	1 Shrawan 2075
	General Reserves (Less): Dividend distribution Add: Profit/loss for the Year	11,637,420,026 (2,200,000,000)	14,278,400,285 (11,271,162,421)	10,888,416,516
	(Less): Dividend distribution Add: Profit/loss for the Year Add: Previous year income (Less):Previous year expenses	11,637,420,026	14,278,400,285	
	(Less): Dividend distribution Add: Profit/loss for the Year Add: Previous year income (Less):Previous year expenses Add/(Less): NFRS Adjustment Remeasurement of Employee Benefits (Net of tax)	11,637,420,026 (2,200,000,000) 12,914,843,981	14,278,400,285 (11,271,162,421) 8,619,907,497	10,888,416,516 - 3,587,411,753 51,382 (956,637) (194,727,525)
	(Less): Dividend distribution Add: Profit/loss for the Year Add: Previous year income (Less):Previous year expenses Add/(Less): NFRS Adjustment Remeasurement of	11,637,420,026 (2,200,000,000) 12,914,843,981	14,278,400,285 (11,271,162,421) 8,619,907,497	10,888,416,516 - 3,587,411,753 51,382 (956,637)

The corporation has adjusted the expenses relating to prior year which was not taken into consideration during previous year amounting to Rs 1,03,86,57,305.27 (FY: 2075/76 - 2,71,85,876.55) with reserved profit or loss account. The relevant fiscal year self-assessed income tax return has been done till the year 2076.77. The full audit has been carried out till date 2073.74.

19 Dealer & Airlines Deposits

	As at	As at	As at
	31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
Dealer & Airlines Deposits	1,815,986,736	1,751,372,496	1,710,536,626
Total	1,815,986,736	1,751,372,496	1,710,536,626

20 Provisions

Defined Benefit Obligation & Other Long Term Provisions as per Actuarial Valuation	As at _31 Ashadh 2077	As at31 Ashadh 2076	As at 1 Shrawan 2075
Gratuity	307,167,766	173,312,943	196,250,021
Medical Benefit	343,488,945	212,249,718	190,806,916
Leave	89,099,941	51,177,952	45,629,052
	739,756,652	436,740,613	432,685,988
Current Portion			*
Non Current Portion	739,756,652	436,740,613	432,685,988

Stores for for from the stores

NEPAL ONE



Amount in NPR

As at	As at	As at
31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
3,258,420,957	3,258,420,957	3,258,420,957
3,258,420,957	3,258,420,957	3,258,420,957
	31 Ashadh 2077 3,258,420,957	31 Ashadh 2077 31 Ashadh 2076 3,258,420,957 3,258,420,957

Provision for Staff Housing includes the amount of preceding FY 2073/74 the total amount accumulated under provision for employee residence is Rs.3,25,84,20,956.55. The total amount is deposited as a fixed deposit in an A class commercial

	Short Term Provisions	As at31 Ashadh 2077	As at31 Ashadh 2076	As at 1 Shrawan 2075
	Provision for Bonus	3,473,299,338	3,299,030,197	3,182,313,020
	Total	3,473,299,338	3,299,030,197	3,182,313,020
21	Other Liabilities		•	
	Non Current	As at	As at	As at
	Non Current	31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
	Unclaimed Liabilities	36,102,827	34,761,980	33,550,492
	Nepal Government (Subsidy oil from China)	-	62,793,900	62,793,900
	National employee welfare fund	115,052,053	115,052,053	115,052,053
	Interest payable	16,509,460	16,509,460	16,509,460
	Total	167,664,339	229,117,392	227,905,904
		As at	As at	As at
	Current	31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075
	Price Establishment Fund	11,573,173,906	8,969,789,734	6,345,882,832
	Total	11,573,173,906	8,969,789,734	6,345,882,832
	Other Payables			
	Advances from customer	433,653,233	1,145,020,275	1,543,571,517
	Salary payable to staff	30,210,982	22,108,078	9,115,916
	Employee providend fund deduction	268,710	80,547	18,456
	Payable to Indian Oil Corporation	8,261,491,582		-
	Employee welfare fund	20,451,548	21,918,775	55,189,264
	Deduction for Yuva swarozgar	193	193	193
	Nirman Bebasai fund deduction	983,180	345,794	193,961
	TDS Payable	8,390,521	7,557,008	6,603,981
	Custom, transportation and clearing	246,236,225	443,261,992	382,107,362
	Insurance claim	376,803	65,535	65,535
	National insurance company ltd.	106,984,020	60,601,945	40,653,623
	Provision for Other Expenses	1,101,000	172,439	172,439
	Payable to CIT related to salary	226,280	5,098,388	(1,521,021)
	Expenses payable	552,248,139	473,698,603	148,621,826
	Total	9,662,622,416	2,179,929,574	2,184,793,054



Amount in NPR

22	Revenue from operation	For the year ended 31 Ashadh 2077	For the year ended 31 Ashadh 2076
	Sales of petroleum products	191,002,069,021	223,563,891,321
	Sales of Aviation fuel (jet fuel)	14,743,224,878	23,135,344,729
	Total	205,745,293,899	246,699,236,050
23	Cost of sales	For the year ended 31 Ashadh 2077	For the year ended 31 Ashadh 2076
	Petroleum product purchase	145,982,890,218	192,639,185,171
	Custum duty and service fee	15,285,588,822	13,936,610,844
	Transportation Expenses - Terminal	4,185,057,574	5,651,198,457
	Road repairs and maintenance expenses	4,985,962,688	5,697,872,001
	National Park and Wildlife Department	20,000,000	1
	Insurance expenses	114,370,989	128,199,881
	Infrastructure tax	13,979,529,770	12,412,251,512
	Total purchase cost (A)	184,553,400,059	230,465,317,866
	Petroleum product in transit		
	Opening Balance	2,845,274,975	1,623,026,786
	Less: closing balance	2,340,756,765	2,845,274,975
	Difference in stock (B)	504,518,210	(1,222,248,189)
	Stock of petroleum product in depot		
	Opening balance	1,484,712,649	2,609,383,159
	Less: closing balance	3,796,674,100	1,484,712,649
	Difference in stock (C)	(2,311,961,451)	1,124,670,510
	Total	182,745,956,818	230,367,740,187
24	Other Income	For the year ended 31 Ashadh 2077	For the year ended 31 Ashadh 2076
	Interest income	1,378,725,203	509,205,843
	Interest income (Concessional Loan - NFRS Adjustment)	9,321,854	9,494,614
	Dividend income	171,000	142,500
	Business income	35,818,596	30,408,298
	Miscelleneous income	4,392,074	4,888,277
	Rental income	6,195,810	24,137,637
	Duty Drawback income form IOC	335,059,386	100,534,844
	Scrap sale or Auction sale		86,790,997
	Total	1,769,683,922	765,603,009

Show /

Jul. Why

parash

CORPORATION S.



Amount in NPR

	CORPORATION	For the year ended	For the year ende
_	Selling and distribution expenses	31 Ashadh 2077	31 Ashadh 2076
	Transportation Expenses - Local	151,642,071	143,696,85
	Fuel Throughput Expenses	43,825,837	69,287,39
	Supply Facilitation Expenses	9,861,049	458,70
	Locking system instellation	3,001,049	491,01
-	Total	205,328,957	213,933,97
=	1001	203,320,337	213,333,37
			_
		For the year ended 31 Ashadh 2077	For the year ende 31 Ashadh 2076
_	Administration Expenses	31 Ashadh 2077	31 ASHAUN 2076
	Salary, wages and other employee expenses	500,250,374	386,876,48
	Retirement fund expenses	18,167,197	5,199,56
	Employee medical expenses	30,993,027	21,486,32
	Accumulated Leave	15,347,916	12,345,15
	PV Defined Benefit Obligation for Gratuity	132,702,625	124,121,05
	PV Defined Benefit Obligation for Medical	120,971,557	93,598,58
	PV Defined Benefit Obligation for Leave	38,933,571	8,424,06
	Employee providend fund	23,153,487	17,656,69
	Employee Benefit Cost (Concessional loan - NFRS Adjustment)	7,076,872	6,509,74
	Rental expenses	15,753,634	15,721,12
	Repairs and maintenance	215,475,707	130,870,47
	Electricity and water	20,760,771	
	Travelling expenses	36,386,048	18,934,27
	Transportation or fuel	30,677,832	40,943,34
	Office Operating expenses		32,876,00
	Notice and Other Publication expenses	23,903,035	20,081,89
	LPG Awareness & Safety expenses	6,97 4 ,026 9,039,402	6,861,17
	Audit fee		5,721,53
	Audit expenses	925,000	850,00
	Legal expenses	1,734,530	1,814,91
	Tax and fee	16,207,616	8,997,09
		64,163,431	9,661,92
	Board meeting allowances	1,525,367	778,75
	Board meeting expenses	366,338	392,27
	Recruitment and meeting expenses	12,349,104	20,662,76
	Bank commission expenses	374,753	389,97
	Insurance fee	96,350,656	86,115,26
	Communication expenses (post,telephone,telex,internet)	5,589,243	5,178,50
	Printing expenses	10,778,815	10,400,98
	Advertisement expenses	6,300,612	694,56
	Training expenses	3,834,491	7,503,25
	Security expenses	11,951,420	10,314,36
	Books & Paper Expenses	1,415,031	1,192,69
	Business Promotion and Supply Expenses	14,670,769	7,825,39
	Miscellaneous expenses	16,223,514	7,739,99
	Pipeline related expenses	59,264,106	29,656,22
	√AT expenses (ITC not allowed) Examination expenses	1,697,437	574,21
_	Total	2,879,153 1,575,168,467	15,294,430 1,174,265,069

NEPA CORPORA

Nepal Oil Corporation Babarmahal, Kathmandu

Notes to Financial Statement

27 Fair Valuation Measurement

	31		5	Carrying Value			Fair Value		Fair Value
	Particulars	Note	As at	Measurement					
			31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075	31 Ashadh 2077	31 Ashadh 2076	1 Shrawan 2075	hierarchy level
4	Financial Assets								
ŧ	FVTOCI Financial Instruments								
	Investments	7							
	Quoted Equity Shares		16,883,700	16,883,700	16,883,700	8,066,432	9,187,968	9,187,968	Level 1
	Unquoted Equity Shares		952,000	952,000	952,000	5,828,851	4,329,517	3,421,919	Level 3
B	Amortised Cost								
	Loans and advances	80							
	Employee Advance		10,945,694	7,790,276	11,168,471	10,945,694	7,790,276	11,168,471	Refer Notes
	Employee can		010 050 050	000					Level 2,
	Deposit	σ	212,012,242	252,610,430	158,875,578	153,227,982	140,795,146	89,898,855	Refer Notes
	Refundble Deposit		89,387,573	87,941,438	92,444,209	89.387.573	87.941.438	92 444 209	Refer Notes
	Trade Receiveables	13	488,527,405	766,796,179	1,116,874,705	488,527,405	766,796,179	1 116 874 705	Refer Notes
	Cash & Cash Equivalents	14	17,140,933,599	27,475,399,778	16,950,723,218	17,140,933,599	27.475,399,778	16,950,723,218	Refer Notes
	Other financial assets	15	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	Refer Notes
	Financial Liabilities								
ď	Amortised Cost								
	Dealer & Airlines Deposits	19	1,815,986,736	1,751,372,495	1,710,536,626	1,815,986,736	1,751,372,495	1,710,536,626	Refer Notes

Notes:

The management assessed that fair value of Trade Receiveables, Cash & Cash Equivalents, Bank Guarantee, Dealer & Airlines Deposits, Other Refundable Deposit & Employee Advance approximate their carrying amounts. Employee Loan has been measured at amortised cost for House & Land Loan and House Maintenance Loan.

Methods and assumptions

The following methods and assumptions were used to estimate the fair values at the reporting date:

A. Level 1 Heirarchy

(i) Quoted Equity Shares

Closing quoted price (unadjusted) in Nepal Stock Exchange.

B. Level 2 Heirarchy

(i) Loan to employees:

Discounting future cashflows using rates currently available for items on similar terms, credit risk and remaining maturities.

C. Level 3 Heirarchy

(i) Unquoted Equity Instrument

Simple average of price computed as per Net Assets Value Method (NAV) and Capitalized Earning Method (CEM) has been considered as fair value. Net Assets Value has been calculated by considering total equity i.e. paid up capital and reserves has been considered after adjusting for any earmarked regulatory reserves and capitalized earning has been taken as average of profit after tax from available data of past years



CORPAL ON

Fores



28 Reconciliation of deferred tax as at beginning and end of the year

As at Chromon 207E					
Particulars	Book Carrying Value as at end of the year	Tax Base as at end of the year	Temporary Difference	Tax Rate	Deferred Tax Asset/(Liability)
Temporary Difference for:					
Employee benefit expense	432,685,988	173,049,289	259,636,700	25%	64,909,175
Total deferred tax assets - temporary differences on provisions as at end of the year	432,685,988	173,049,289	259,636,700		64,909,175
Fixed Assets WDV of Assets included under Tax	298,677,902	526,466,676	227,788,774	25%	56,947,194
Total deferred tax assets - temporary difference on fixed assets as at end of the year					56,947,194
	Carrying Value	Fair value	Temporary Difference	Tax Rate	
Fair valuation of Investments	17,835,700	12,609,887	5,225,813	25%	1,306,453
Deferred tax (expense) / income recognized for Fair valuation of Investments					1,306,453
Net deferred tax assets / (liabilities) as at end of the period					123,162,822
Net deferred tax assets / (liabilities) as at end of previous year					46,470,861
Deferred tax (expense) / income recognized in Profit & Loss Deferred tax (expense) / income recognized in Other Comprehensive Income	45				75,385,507



Nepal Oil Corporation Babarmahal, Kathmandu

57,967,985 (12,486,847) Deferred Tax Asset/(Liability) 53,062,429 12,541,593 97,764,128 (226,899) (226,899)32,160,106 71,106,731 168,643,960 123,162,822 71,106,731 Amount in NPR 25% 25% 25% 25% **Tax Rate** Tax Rate Difference (907,598) 284,426,923 128,640,425 212,249,718 50,166,370 Temporary Difference Temporary 45,684,099 44,672,517 1,011,582 675,188,502 13,517,485 Tax Base as at end of the year Fair value 436,740,613 173,312,943 212,249,718 51,177,952 390,761,579 Carrying Value 12,609,887 Value as at end **Book Carrying** of the year O THE OIL OIL Total deferred tax assets - temporary difference on fixed assets as at end of the year Total deferred tax assets - temporary differences on provisions as at end of the year Deferred tax (expense) / income recognized for Fair valuation of Investments Net deferred tax assets / (liabilities) as at end of previous year Deferred tax (expense) / income recognized in Profit & Loss Net deferred tax assets / (liabilities) as at end of the period Particulars WDV of Assets included under Tax Fair valuation of Investments Temporary Difference for: Notes to Financial Statement II. As at Ashadh 2076 Medical Benefit Fixed Assets Provisions Gratuity Leave

Deferred tax (expense) / income recognized in Other Comprehensive Income

200

SEPAL ONLY

rporation	Kathmandu
8	a,
=	ㅠ
ō	E
a	ā
<u>e</u>	a
_	ш

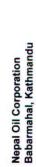
Notes to Financial Statement
III. As at Ashadh 2077

epal Oil Corporation					
And Marinian Commission of the	>				
to Financial Statement	.01				Amount in NPR
I. As at Ashadh 2077					
Particulars	Book Carrying Value as at end	Tax Base as at end of the year	Temporary Difference	Tax Rate	Deferred Tax Asset/(Liability)
Temporary Difference for:					
Provisions					
Gratuity	307,167,766	116774146.7	190,393,620	25%	47,598,405
Medical Benefit	343,488,945	42518553.35	300,970,392	25%	75,242,598
Leave	89,099,941	22257499.29	66,842,442	25%	16,710,610
Total deferred tax assets - temporary differences on provisions as at end of the year	739,756,652	181,550,199			139,551,613
Fixed Assets					
WDV of Assets included under Tax	516,780,285	995,106,691	478,326,406	722%	119,581,602
Total deferred tax assets - temporary difference on fixed assets as at end of the year					119,581,602
	Carrying Value	Fair value	Temporary Difference	Tax Rate	
Fair valuation of Investments	13,517,485	13,895,283	(377,798)	25%	(94,450)
Deferred tax (expense) / income recognized in Fair valuation of Investments					(94,450)
Net deferred tax assets / (liabilities) as at end of the period					259,038,765
Net deferred tax assets / (liabilities) as at end of previous year					168,643,960
Deferred tax (expense) / income recognized in Profit & Loss Deferred tax (expense) / income recognized in Other Comprehensive Income					76,466,159
	(

A STANON ON THE STANON ON THE

npueu

ALL NOILE DE PROPERTOR



Notes to Financial Statement

29 (I) Present Value of Defined Benefit Obligation (Net of Plan Asset)

Particulars	Opeining as at 1st Shrawan 2075	csc	Interest Cost	Act Loss/ (Gain)	Payment	Closing as at
				OCI P&L	From Employer	31 Ashadh 2076
	(A)	(B)	(C)	(D)	(F)	(A+B+C+D+E+F)
Gratuity	196,250,021	62,308,639	61,812,415	(72,003,257)	(75,054,876)	173,312,942
Medical Benefit	190,806,916	45,012,445	48,586,140	22,963,466	(95,119,249)	212,249,718
Leave	45,629,052	17,328,206	12,267,050	(21,171,192)	(2,875,164)	51,177,952
Total	432,685,988	124,649,290	122,665,605	(49,039,791)	(173,049,289)	436,740,612
Particulars	Opening as at	csc	Interest Cost	Act Loss/ (Gain)	Payment	Closing as at
	22 Astiduit 2070		I	OCI P&L	From Employer	31 Ashadh 2077
	(A)	(B)	(c)	(D)	(F)	(A+B+C+D+E+F)
Gratuity	173,312,942	73,329,555	59,373,070	45,824,716	(44,672,518)	307,167,764
Medical Benefit	212,249,718	64,032,095	56,939,462	10,267,670		343,488,945
Leave	51,17,952	15,747,980	12,284,796	10,900,795	(1,011,582)	89,099,941
Total	436,740,612	153,109,630	128,597,328	56,092,386	(45,684,100)	739,756,650
	0	\		de		
STATE OF THE PROPERTY OF THE P	J. J.	(rale-	0,0	
	0	C	X	+	Jan Williams	0
>						Maria /
		\				1
	Suga		. ,			\
	CHATA		6	7/		
	3/2/5/5/5/5/5/5/5/5/5/5/5/5/5/5/5/5/5/5/	3	1	170		
	* Only	artie of		No.		
	np Soule S	red	1	CORPORE		
	DO THE STATE OF TH	AC	ocia			
	Kall Kall	Colling	105			
	6	cillo				

Babarmahal, Kathmandu

Notes to the financial Statements`



1. COMPANY INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Nepal Oil Corporation Limited ("NOC" and "Corporation") is a state owned trading enterprise of Nepal that imports, stores and distributes various petroleum products in the country. It was established on 2027/09/26 as private limited company under the Company Act 2021. Subsequently it was converted into public limited company on 2033/04/06 by the Government of Nepal under the "Company Act, 2021. The government owns 99.46% of its share and rest is contributed by four other state owned enterprises: Rastriya Beema Sansthan, Food Management & Trading Company Ltd., Nepal Bank Ltd. and Rastriya Banijya Bank. The corporate office of the company is situated at Babarmahal, Kathmandu. NOC, headquartered in Kathmandu, has over the years expanded and now has seven provincial offices in every province of Nepal, three branch offices, three fuel depots, one petrol pump, seven aviation fuel depots, and three aviation fuel refueling station with total existing storage capacity of 71,558 kilolitres (kl). Currently projects of international oil pipeline that connects with Motihari in Bihar of India and Amlekhgunj Depot in Parsa district of Nepal has been completed. This will make transportation of Oil easier and safer and faster to all the corners of Nepal.

2. BASIS OF PREPARATION, MEASUREMENT AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation and measurement

(a) Basis of preparation:

The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by Accounting Standard Board, Nepal.

These financial statements for the year ended 31 Ashadh, 2077 is the first financial statements the Corporation has prepared under NFRS. For all periods up to and including the year ended 31 Ashadh, 2076, the Corporation has prepared its financial statements in accordance with previously applicable Generally Accepted Accounting Principles (hereinafter referred to as 'Previous GAAP') used for its statutory reporting requirement in Nepal immediately before adopting NFRS. The financial statements for the year ended 31 Ashadh, 2076 and the opening Balance Sheet as at 1st of Shrawan, 2075 have been restated in accordance with NFRS for comparative information. Reconciliations and explanations of the effect of the transition from Previous GAAP to NFRS on the Corporation's Statement of Financial Position, Statement of Profit or Loss and Statement of Cash Flows are provided in Note 3.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements, including the preparation of the opening NFRS Statement of Financial Position as at 1 Shrawan, 2075 being the 'date of transition to NFRS'. All assets and liabilities have been classified as current or non-current as per the Corporation 's normal operating cycle. Based on the nature of services and the time between acquisition of assets for processing and their realization in Cash and Cash Equivalents, the Corporation has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

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

(b) Basis of measurement:

These Financial Statements are prepared under the historical cost convention unless otherwise indicated.

2.2. Critical Accounting Estimates

The preparation of Financial Statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Any revision in accounting estimates is recognized prospectively in the period of change and material revision, including its impact on Financial Statements, is reported in the Notes to Financial Statements in the

atte Span

In Dun

W. H

PORATION POUT OF

Babarmahal, Kathmandu



year of incorporation of revision. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

2.3. Functional and Presentation Currency

The financial statement is prepared in Nepalese Rupees (NPR), which is the corporation's official functional currency.

2.4. Significant accounting policies

2.4.1. Current versus non-current classification:

The corporation presents assets and liabilities in the Statement of Financial Position based on Current / Non-Current classification. Based on the nature of service and the time of their realization in cash and cash equivalents, the corporation has ascertained its operating cycle as 12 months for the purpose of Current/Non-Current classification of Assets and Liabilities.

The corporation classifies an asset as current when it is:

- i) Expected to be realized or intended to be consumed in normal operating cycle.
- ii) Held primarily for the purpose of trading.
- iii) Expected to be realized within twelve months after the reporting period or
- iv) Cash or Cash Equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

The corporation classifies a liability as current when:

- Expected to be settled in normal operating cycle.
- ii) Held primarily for the purpose of trading.
- iii) Settled within twelve months after the reporting period or
- v) No unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4.2. Property, Plant and Equipment (PPE)

This includes tangible assets are held for use in supply of services or for administrative purposes. These are recognized and carried under cost model i.e. cost less accumulated depreciation and impairment loss, if any which is akin to recognition criteria under erstwhile GAAP, except freehold land which are carried at historical cost. Cost includes purchase price/construction cost including applicable freight, duties, taxes after deducting any discounts and rebates, and other expenses directly incidental to acquisition, bringing the asset to its working condition and the location and installation including site restoration up to the time when the asset is ready for its intended use and present value of any estimated cost of dismantling and removing the item and restoring the site on which it is located. These costs are capitalized until the asset is ready for use and includes borrowing cost capitalized as per NFRS. When a major inspection/repair occurs, its cost is recognized in the carrying amount of the Plant and Equipment as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of previous inspection/repair is derecognized. All other repair and maintenance costs are recognized in Profit or Loss as incurred.

Recognition:

The cost of an item of PPE is recognized as an asset if, and only if:

(a) It is probable that future economic benefits associated with the item will flow to the company;

(b) And the cost of the item can be measured reliably.

in accordance with the above criteria, subsequent costs are included in the asset's carrying amount

or/recognized as a separate asset, as appropriate.

Subsequently Property, Plant and Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Dyring sales of fixed assets any profit earned / loss sustained

& glass

ociar

for the

7/2

itio. pares

Babarmahal, Kathmandu



towards excess / shortfall of sale value vis-a-vis carrying cost of assets is accounted for in Statement of Profit or Loss.

Spare parts are capitalized when they meet the definition of PPE. i.e. when the corporation intends to use these during more than a period of 12 months.

The acquisition of some items of PPE although not directly increasing the future economic benefits of any particular existing item of PPE, may be necessary for the corporation to obtain the future economic benefits from its other assets. Such items of PPE are recognised as assets.

On transition to NFRS, the company has elected to continue the carrying value of all of its PPE recognised as at 1 Shrawan 2075 measured as per the previous GAAP and use that carrying value as the deemed cost of the PPE.

2.4.3. Intangible Assets

Recognition:

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalized development cost, are not capitalized and the related expenditure is reflected in the statement of profit and loss in the period in which the expenditure is incurred.

Cost incurred on computer software/license purchased resulting in future economic benefits, other than specific software that are integral part of the related hardware, are capitalized as Intangible Assets and amortized on straight line basis over the 5 years period. The amortization expense on intangible assets with finite lives is recognized in the Statement of Profit and Loss unless such expenditure forms part of the carrying value of another asset.

De-recognition of PPE and Intangible Assets:

PPE and Intangible Assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE or Intangible Asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the Statement of Profit And Loss.

2.4.4. Capital Work in Progress

Tangible assets not ready for the intended use on the date of Statement of Financial Position are disclosed as "Capital work-in-progress". Expenses exclusively attributable to projects incurred during construction are capitalized.

Petroleum Pipeline Project (PPP)

Under the G2G Agreement between Government of Nepal & India for construction of pipeline for supply of petroleum from Motihari Bihar of India to Amlekhgunj of Bara District of Nepal the project has been successfully inaugurated by the PM of Nepal and India on 24 Bhadra 2076. Currently, the line is used for import of diesel only. The expenditure such as salary, allowance, wages, travelling, petroleum, repair & maintenance etc. for the FY: 2076/77 amounting to Rs.5,92,64,105.95 has been recorded as administrative expenditure. However, since the final report has not been received from the contractor (i.e Indian Oil Corporation) the total expenditure of the project could not be determined The total projected investment in the project by Nepalese & Indian government were as follows:

Country	Project Investment Amount (INR)	% of Investment
Nepal	75,00,00,000.00	27.27
India	2,00,00,00,000.00	72.73
Total	2,75,00,00,000.00	100.00

Jeffer Stora.

gn. Elry

2

CORPORATION OF THE PARTIES OF THE PA

Babarmahal, Kathmandu



Depreciation & Amortization:

Cost of PPE net of residual value excluding freehold land is depreciated or amortized (in case of intangible assets) on the Straight Line Method based on the estimated useful lives of the assets determined by the management. Depreciation on assets under construction (amortization in case of software under development) does not commence until they are complete and available for use. Depreciation / amortization on additions to fixed assets/ intangible assets is charged on pro-rata basis in the year of purchase. The useful life of the assets and the corresponding rates at which the assets are depreciated / amortized are as follows:

Particulars	Useful life (Years)
Building	60
Compound Wall	30
Motor cycles, scooters and other mopeds	10
Motor buses, motor lorries and motor cars	8
Office Equipment	5
Office Furniture & Fittings	10
Leasehold improvements	10
Electrical Equipment and installations	10
Computer server & networks	6
End user devices, such as, desktops, laptops, etc	3
Intangible assets	5

Components relevant to fixed assets, where significant, are separately depreciated on written down basis in terms of their life span assessed by technical evaluation in item specific context. Residual value is determined considering past experience and generally the same as between 0% and 5% of the cost of assets.

The residual values, useful lives and methods of depreciation of PPE / amortization of intangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.4.5. Impairment of non-financial assets

An asset is deemed impairable when recoverable value is less than its carrying cost and the difference between the two represents provisioning exigency. Recoverable value is the higher of the 'Value in Use' and "Fair Value as reduced by cost of disposal". Test of impairment of PPE and other non-financial assets are undertaken under Cash Generating Unit (CGU) concept.

Test of impairment of assets are generally undertaken based on indication of impairment, if any, from external and internal sources of information outlined in para 12 of NAS-36. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.4.6. Investment Property

Investment property is stated at fair value determined annually by an independent valuer. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement. When an item of property, plant and equipment becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement.

2.4.7. Leases

Finance Lease

Lease Agreements are classified as finance leases, if substantially all the risks and rewards incidental to ownership of the leased asset is transferred to the lessee.

Operating Lease

Stone

&n. Cerr

hie of

Babarmahal, Kathmandu



Lease Agreements which are not classified as finance leases are considered as operating lease. Payments made under operating leases are recognised in Statement of Profit and Loss with reference to lease terms and other relevant considerations. Lease incentives received / lease premium paid (if any) are recognised as an integral part of the total lease expense, over the term of the lease. Payments made under Operating Leases are generally recognised in Statement of Profit and Loss on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern of the lessee's benefit.

As per the notice issued by ICAN for applicability of NFRS 2018, standard prescribed for accounting of leases i.e. NFRS 16 – Leases, is effective only after 1 Shrawan 2078.

2.4.8. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.4.9. Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals of accruals of past or future cash receipts or payments. The cash flows from regular revenue generating & investing activities of the corporation are segregated.

2.4.10. Inventories

Inventories are stated at cost or net realizable value, whichever is lower. Cost of inventories comprises of expenditure incurred in the normal course of business in bringing inventories to their present location including appropriate overheads apportioned on a reasonable and consistent basis and are determined on the following basis:

- Closing stock of Petroleum products are valued at cost determined on First in First out basis.
- Goods in transit are valued on the basis of cost or net realizable value whichever is lower.
- Stores and spare parts are valued on cost basis.

The net realizable value (NRV) of stock in trade are based on the final selling price less cost required to make the sale.

2.4.11. Non-current assets held for sale:

Non-current assets and disposals are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or the plan will be withdrawn;
- Active program to locate a buyer has been initiated;
- Asset or disposal company is being marketed at a reasonable price in relation to its fair value and
- Sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposals classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the Company's accounting policy; and
- Fair value less costs to sell.

After their classification as held for sale, non-current assets (including those in a disposal company) are not depreciated. The results of operations disposed during the year are included in the statement

of comprehensive income up to the date of disposal.

The off

Tie of

paro

Babarmahal, Kathmandu



2.4.12. Insurance Claims:

In case of accident of tanker carrying petroleum product all the payments relating to such tanker owner is suspended until the insurance claim is settled for the same and actual insurance claim received amount is recognized in cash basis and remaining unclaimed loss is claimed from the tanker owner.

2.4.13. Revenue Recognition

Sale of Goods: Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, revenue and the associated costs can be estimated reliably and it is probable that economic benefits associated with the transaction will flow to the Corporation.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable (after including fair value allocations related to multiple deliverable and/or linked arrangements), net of returns, taxes or duties collected on behalf of the Government and applicable trade discounts or rebates. Where corporation acts as an agent on behalf of a third party, the associated income is recognised on a net basis.

Interest income: Interest income on call deposits and employee advances is recognised in accrual basis / effective interest method as applicable.

Dividend Income: Dividends is recognised when the shareholder's right to receive payment is established.

Other Income: Corporation also earns various other incomes which are recognised following the revenue recognition prescribed as per applicable accounting standard.

2.4.14. Provisions for expenses

A provision is recognized in the Statement of Financial Position, when the corporation has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation and the obligation can be measured reliably.

2.4.15. Employment benefits

Liabilities in respect of employee benefits to employees are provided for as follows:

Short-term employee benefits

Short-term employee benefits include benefits which are provided on periodic basis during year for the service rendered by employees during current period such as salaries and allowances. A liability is recognized for the amount expected to be paid if the corporation has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long Term Employee Benefit Plan

Contributory Nature:

A defined contribution plan is a post-employment benefit plan under which a company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an expense in statement of profit or loss when incurred.

(i) Provident Fund: The defined contribution expenses include employer's contribution to provident fund. These amounts have been deposited in Employee Provident Fund, a 100% Government of Nepal undertaking.

Defined Nature:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The corporation's net obligation in respect of defined benefit plans is calculated separately for each plan.

(

DUT The form

Babarmahal, Kathmandu



by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The corporation recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The corporation recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognized.

Defined benefit scheme surplus and deficit are measured at the fair value of plan assets at the reporting date; less plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus, unrecognized past service costs; less the effect of minimum funding requirements agreed with scheme trustees. Any difference between the expected return on assets and that actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognized in other comprehensive income in the period in which they arise. Past service costs are recognized directly in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortized on a straight line basis over the vesting period.

(a) Post Retirement Benefit:

- (i) Gratuity: Gratuity Liability is recognised on the basis of actuarial valuation as per NAS-19. Liability recognised in the date of Statement of Financial Position. in respect of gratuity is the present value of the defined benefit obligation at the end of each reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The present value of defined benefit is determined by discounting the estimated future cash outflows by reference to market yield at the end of each reporting period on government bonds that have terms approximate to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss. Gratuity is funded and deposited to a separate entity administered by an independent trust towards meeting the gratuity obligation.
- (ii) Life Insurance: The organization maintains life insurance for permanent employees for 6 years salary and is currently done at M/S Rastriya Beema Sansthan Ltd.
- (iii) Medical Expenses: Corporation recognizes this liability for medical fund to be provided to the employees at the time of withdrawal or retirement. Due to its defined nature the basis of determining liability is done by actuarial valuation as per NAS-19.

(b) Other Long Term Benefits:

(i) Leave Encashment: Corporation has a policy on compensated absences which are of accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each date of Statement of Financial Position using projected unit credit method on the additional amount expected to be paid / availed as a result of the unused entitlement that has accumulated at the date of Statement of Financial Position. Encashment of leave is recognized as expense in the period in which the encashment occurs.

2.4.16. Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets or liabilities are recognized when the company becomes a party to the contractual provisions of the instruments.

fall store

In Els

wis of the mistral

nts.

Babarmahal, Kathmandu



(a) Financial Assets

The corporation classifies its financial assets into the following measurement categories:

- a) Financial assets measured at fair value through profit or loss showing separately;
 - those designated as such upon initial recognition and
 - those mandatorily measured at fair value in accordance with NFRS-9 on financial instrument.
- b) Financial assets measured at fair value through Other Comprehensive Income, and
- c) Financial assets measured at amortized cost.

Initial Recognition and Measurement:

At initial recognition, company shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial assets or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

However, if the fair value of the financial assets or financial liabilities at initial recognition differs from the transaction price, the company shall account for that instrument at that date as follows:

- (a) If that fair value is evidenced by quoted price in an active market for an identical assets or liabilities (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The company shall recognize the difference between the fair value at initial recognition and the transaction price as a gain or loss.
- (b) In all other cases, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the company shall recognize the deferred difference as a gain or loss only to the extent that it arises from a change in factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent Measurement: For purpose of subsequent measurement financial assets are classified in two broad categories:

- Financial Assets at fair value.
- Financial assets at amortized cost.

Where assets are measured at fair value, gains and losses are either recognized entirely in the statement of profit and loss, or recognized in other comprehensive income.

A financial asset that meets the following two conditions is measured at amortized cost.

- Business Model Test: The objective of the corporation's business model is to hold the financial asset to collect the contractual cash flows.
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding.

A financial asset that meets the following two conditions is measured at fair value through OCI:

- Business Model Test: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding.

All other financial assets are measured at fair value through profit and loss.

Impairment of financial assets:

The corporation assesses impairment based on expected credit losses (ECL) model at an amount

- 12 months expected credit losses, or
- Lifetime expected credit losses depending upon whether there has been a significant increase in credit risk since initial recognition.

(b) Financial Liabilities

The corporation classifies its financial liabilities into the following measurement categories:

a) Held at fair value through profit or loss (FVTPL) for

b) Held at amortized cost.

Babarmahal, Kathmandu



All financial liabilities are initially recognized at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

A financial liability is classified as FVTPL if it is classified as held for trading, or it is a derivative or is designated as such on initial recognition. Financial Liabilities at FVTPL are measured at fair value and net gain or losses, including any interest expense, are recognised in statement of profit and loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit and loss. Any gain or loss on de-recognition is also recognized in statement of profit and loss.

De-recognition of financial assets and financial liabilities:

Corporation de-recognises a financial asset only when the contractual right to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Corporation derecognises financial liabilities when, and only when, the corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss.

2.4.17. Fair value measurement:

The Company measures financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants in the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the assets or transfer the liability takes place either in the principal market for the assets or liability or in the absence of the principal market, in the most advantageous market for the assets or liability. The principal or the most advantageous market must be accessible to the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the assets or liability, assuming that market participants act in their economic best interest.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1: Quoted (unadjusted) market price in active market.

Level 2: Valuation techniques for which the lowest level input is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

In case of level 3 valuations, external valuers are also involved in some cases for valuation of assets and liabilities, such as unquoted financial assets, loans to related parties, etc.

fru f sto

Spary

W. Const

related parties, etc

, etc.

Babarmahal, Kathmandu



For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy as explained above.

2.4.18. Financial risk management objectives

The corporation's operations expose it to various risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit and liquidity risk.

Risk Management Frameworks

The management of the corporation has overall responsibility for the establishment and oversight of the corporation's risk management framework. The risk management framework is intended to ensure that risks are managed with due diligence and care.

The corporation's risk management policies are established to identify and analyze the risks it faces, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and its activities. The corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. The major components of market risks are interest rate risk, foreign currency risk, other price risks viz. equity shares, etc. Financial instrument affected by market risk include deposits and FVTOCI investments.

i. Interest Rate Risk:

The corporation is exposed to interest rate risk from the possibility that changes in interest rate will affect future cash flows of a financial instrument. Corporation currently has investment in Bank and Financial Institutions, which expose it primarily to the financial risks of changes in interest rates.

ii. Foreign Currency Risk:

The corporation's primary functional currency is NPR but the corporation has few transactions denominated in foreign currencies so far therefore corporation is exposed to risk related to foreign currency rate fluctuation which may change the fair value or future cash flows of such items.

iii. Equity Price Risk:

The corporation's investments in listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

b. Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the corporation. Outstanding receivables are regularly monitored and any indications for its impairment is analysed at the end of the reporting period.

c. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the management of the corporation who have established an appropriate liquidity risk management framework for the management of the corporation's short term, medium term and long term funding and liquidity management requirements.

2.4.19. Foreign currency transactions

Foreign currency transactions are accounted at exchange rates prevailing on the date of the transactions. All foreign currency monetary assets and liabilities, if any, as at the date of Statement of Financial Position are restated at the applicable exchange rates prevailing on that date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a new investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Babarmahal, Kathmandu



2.4.20. Taxation

Income Tax:

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the Statement of Profit or Loss except to the extent that it relates to items recognized directly to equity.

Current tax:

Current tax is the expected tax payable on the taxable income for the year using tax rates at the date of Statement of Financial Position and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to corporation: 25%

Deferred tax:

Deferred tax is provided using balance sheet approach on temporary differences at the reporting date as difference between the tax base and the carrying amount of assets and liabilities. Deferred tax asset is recognized subject to the probability that taxable profit will be available against which the temporary differences can be reversed. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Deferred tax assets and deferred tax liabilities are set off if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4.21. Administrative Expenses:

Expenses having reasonable certainty is to be recognized on accrual basis and those which are incidental or are not reasonably certain are recognized as and when incurred.

2.4.22. Price Stabilization Fund:

As per the notice issued on part 64 of Nepal Gazette published on 2071, Chaitra 23 under the head Ministry of Commerce and Supplies, 0.5% of amount of retail price of all kind of petroleum products and gas shall be deposited under Price Stabilization Fund(PSF) as specified in clause C of rule 3 of Petroleum and Gas Price Stabilization Fund (Regulations, 2071). Also, as per the notice published in Nepal Gazette on 2074, Jestha 29, 1% of amount of retail selling price of petroleum product and gas shall be deposited in PSF.

Financial Year	Amount
2071/72	2,818,389,238
2072/73	485,159,406
2073/74	830,121,468
2074/75	1,959,423,896
2075/76	2,466,992,361
2076/77	2,057,452,939
Interest income related to PSF balance	955,634,599
Total	11,573,173,906

Total Rs.11,57,31,73,906.00 amount accumulated for PSF up to the end of FY 2076/77.

Out of it Rs. 2,40,66,84,566 is still pending to be deposited into PSF account, other remaining

balances are already deposited into various commercial bank accounts up to 2076/08/08

In follow

En. Strans

Hr.

bank accounts

o to 2076/88/08

Babarmahal, Kathmandu



2.4.23. Dividend:

The amount paid towards cash dividend of Rs. 2,20,00,00,000 during the FY 2076/77 out of total profit earned in FY 2075.76. has been adjusted with general reserve. Further, the corporation has declared cash dividend of 20% of paid up share capital for the FY 2075/76 to its shareholders. Interim dividend paid to Government of Nepal during FY 2076/77 amounting to Rs. 2,00,00,00,000.

2.4.24. Employee bonus:

Employee bonus provision has been apportioned at the rate of 1%, total upto the end of current financial year amounting to **Rs. 3,473,299,338**. Bonus provision has been duly tabulated below:

S.N	Fiscal Year	Amount (Rs.)
1	2065 - 66	198,846,132
2	2071 - 72	902,528,270
3	2072 - 73	1,261,761,721
4	2073 - 74	771,213,051
5	2074 - 75	47,963,845
6	2075 - 76	116,717,178
7	2076 - 77	174,269,141
	Total	3,473,299,338

The bonus has not been distributed due to letter dated 2070.08.24 with Reference No. 2070/71/357 from the Finance Ministry directing not to distribute the bonus till the wholly owned government organization's retained earnings is in positive balance along with other letter dated 2072.12.08 with Reference No. 2072/73/331 and 2073.03.21 with Reference No. 2072/73/473.

2.4.25. Prior period items:

Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods are prior period items. Effects of prior period expenses and income are adjusted against general reserve.

2.4.26. Events Occurring after Balance Sheet Date:

Events which occur between the balance sheet date and the date on which the financial statements are approved, may indicate the need for adjustments to assets and liabilities as at the balance sheet date or may require disclosure. Events providing further evidence of conditions that existed at the reporting date are adjusting events and result in adjustment to the financial statements. Whereas events indicative of a condition that arose after the end of the reporting period and do not result in adjustment to the financial statements are non-adjusting events.

Am Su. 810

frather M

par of

MIN COCIATES

Babarmahal, Kathmandu



3. FIRST TIME ADOPTION OF NERS

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). These financial statements for the year ended 31 Ashadh, 2077 are the first, corporation has prepared under NFRS. For all periods up to and including the year ended 32 Ashadh, 2076 the corporation prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP')

The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, corporation has prepared financial statements which comply with NFRS for year ended 31 Ashadh, 2077, together with the comparative information as at and for the year ended 31 Ashadh, 2076 and the opening NFRS Balance Sheet as at 1 Shrawan, 2075, the date of transition to NFRS. In preparing these NFRS financial statements, the corporation has availed certain exemptions and exceptions in accordance with NFRS 1, as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at the transition date under NFRS and Previous GAAP have been recognised directly in equity (retained earnings or another appropriate category of equity). This note explains the adjustments made by the corporation in restating its Previous GAAP financial statements, including the Statement of Financial Position as at 1 Shrawan, 2075 and the financial statements as at and for the year ended 31 Ashadh, 2076.

A. Exemptions from retrospective application

NFRS 1 allows first-time adopters certain exemptions from retrospective application of certain requirements under NFRS. The corporation has elected to apply the following optional exemptions from retrospective application:

(a) Deemed cost for property, plant and equipment and intangible assets

The corporation has elected to measure all its property, plant and equipment and intangible assets at the Previous GAAP carrying amount (depreciated cost) as its deemed cost on the date of transition to NFRS.

B. Exceptions to retrospective application

The corporation has applied the following exceptions to the retrospective application of NFRS as mandatorily required under NFRS 1:

(a) Estimates

On assessment of the estimates made under the Previous GAAP financial statements, the corporation has concluded that there is no necessity to revise the estimates under NFRS, as there is no objective evidence that those estimates were in error. However, estimates that were required under NFRS but not required under Previous GAAP are made by the corporation for the relevant reporting dates reflecting conditions existing as at that date.

(b) Classification and measurement of financial assets

The classification of financial assets to be measured at amortized cost or fair value through other comprehensive income is made on the basis of the facts and circumstances that existed on the date of transition to NFRS.

C. Transition to NFRS - Reconciliations

The following reconciliations provide the explanations and quantification of the differences arising from the transition from Previous GAAP to NFRS in accordance with NFRS 1:

- I. A. Reconciliation of Equity
 - B. Reconciliation of adjustments in Profit & Loss for the year ended 31 Ashadh 2076.
- II. A. Reconciliation of Statement of Financial Position (including Equity) as at 1 Shrawan, 2075 B. Reconciliation of Statement of Financial Position (including Equity) as at 31 Ashadh, 2076
- III. Reconciliation of Statement of Profit or Loss for the year ended 31 Ashadh, 2076
- IV. Adjustments to Statement of Cash Flows

Previous GAAP information has been reclassified/regrouped in accordance with NFRS,

wherever necessary, based on the audited financial statements of the corporation for the year ended 31 Ashadh, 2076.

Babarmahal, Kathmandu

30. OTHER EXPLANATORY NOTES

30.1. Related Party Disclosures

a) Management Committee:

The constitution of management committee is based on designation hence the constitution keeps on varying depending upon change in official position of such designation. All key management personals receive sitting fee for attended meetings (Rs. 4,000 per meeting) and monthly communication allowance. Apart from above, no other benefits are provided to the management personal this year. Also total management committee meeting expense amounted to Rs. 1,891,705.

Management committee comprises of members as follows:

S. No.	Name of the person	Ministry / Department	Relation with NOC
1	Secretary	Ministry of Industry, Commerce and Supplies	Chairman
2	Joint Secretary	Ministry of Finance	Board Member
3	Joint Secretary	Ministry of Industry, Commerce and Supplies	Board Member
4	Director General	Commerce, Supply and Consumer Protection Department	Board Member
5	Director General	Nepal Bureau of Standards and Metrology	Board Member
6	Specialist	Related to petroleum product	Board Member
7	Executive Director	Nepal Oil Corporation	Board Secretary
8	Chairman	Official Trade Union	Invited Member

- b) Details of remuneration to Chief Executive Officer
- c) Short term benefits Rs. 1,211,309.58 (including salary, allowances and provident fund)
- d) Termination benefits Not provided
- e) Other long term benefits Not provided
- f) Retirement benefits Not provided
- g) Share based payments Not provided

Additional information:

- a) On the date of finalization of this report there are eleven employees involved in top management of the corporations.
- b) The main management employees are receiving the facilities as provided by Employees Facilities Regulations.
- c) During the FY 76/77, the Corporations has paid total insurance premium of Rs.13,39,62,204.40 (FY 2075/76 Rs.14,44,37,563.27) to Rastriya Beema Company Limited against insurance of vehicles, stocks, transits, assets, employees accident, third party insurance and air oil refueling etc.
- d) The corporation has active bank accounts in Nepal Bank Ltd., Rastriya Banijya Bank Ltd. & Agricultural Development Bank Ltd. and almost every other A commercial banks.
- e) During the FY 76/77, the corporation has paid **Rs. 4,38,25,837.30** (FY2075/76 Rs. 6,92,87,398.47) Nepal Civil Aviation Authority for using its land for the purpose of selling and distribution of air oil.

f) During the FY 76/77, the corporation has paid insurance premium of Rs.7,67,59,439.77 (FY 2075/76 Rs. 6,68,95,370.59) to Rastriya Beema Company Limited against group life insurance policy.

Chodo

fr.

/ 5

ON ON SOUNE

Babarmahal, Kathmandu



30.2.Contingent Liabilities

The corporation is involved in various taxes and other disputes for which final outcomes cannot be easily predicted and which could potentially result in significant liabilities. Such cases are listed below:

- a) The corporation has been involved in disputed tax related litigations with the Revenue Tribunal for amount payable to Large Tax Payers (LTP) Office amounting to Rs.63,63,920.00.
- b) The corporation has deposited an amount Rs. 1,85,00,000.00 as guarantee for procurement related to petroleum pipeline project in favor of Department of Custom.
- c) The corporation has deposited amount of Rs. 17,69,68,174.51 for issue of letter of credit for purchasing refueller in the favor of vendor.

30.3.Actuarial Assumptions

The principal assumptions used for reporting period are summarized in the table below. The assumptions as at the balance sheet date are used to determine the defined benefit obligation & employee benefit expense.

Financial Assumptions			
Discount Rate	9.00%		
Salary Escalation Rate	For Officer Level – 10% and Non-Officer Level – 12%		
Expected Return on Assets	0.00%		
Demographic			
Mortality Table *	Nepali Assured Lives Mortality - 2009		
Withdrawal Rate	0.35%		
Retirement Age	58 Years		

* Mortality Rates: Representative mortality rates from Nepali Assured Lives Mortality (2009) are given in the table below:

Timing Related Assumptions		
Time of Retirement	Immediately on achieving normal retirement	
Salary Increase frequency	Once a year	

Age	Rate	Age	Rate
20	0.0010300	50	0.0057240
25	0.0011770	55	0.0094470
30	0.0012190	60	0.0143810
35	0.0014590	65	0.0238270
40	0.0021960	70	0.0400580
45	0.0033650	75	0.0656580

Bases of Assumptions

Discount Rate

Discount Rate for this valuation is based on Yield to Maturity (YTM) available on Government bonds having similar term to decrement-adjusted estimated term of liabilities. For valuation as at 16 July, 2019 the estimated term of liabilities is 17.35 years, we have taken 5 year yields from Citizen Saving Bonds as only 5-year maturity bonds where available is 9.00% as at 16th July, 2019. The discount rate has been suggested based on yield from www.nrb.org.np. Estimated term of liabilities, for selection of discount rate, is calculated as average term of all future benefit payments on account of death, retirement or resignation, weighted by corresponding amount of benefits.

Expected Rate of Return on Assets

It is the average long term rate of return expected on investments of the Trust Fund.

Salary Escalation Rate

Salary escalation assumption has been set in discussions with the enterprise based on their estimates of overall long-term salary growth rates after taking into consideration expected earnings inflation as well as performance and seniority related increases.

Sport

fi.

Babarmahal, Kathmandu



Withdrawal Rate

Assumptions regarding withdrawal rates are also set after discussions with the enterprise based on their estimates of expected long-term future employee turnover within the organization.

Mortality Rate

Nepali Assured Lives Mortality (2009) as issued by Beema Samti, Nepal has been used for the actuarial valuation purpose.

Sushama Kumari Karna **Acting Director**

Nagendra Sah **Acting Deputy** Finance Department Executive Director

Surendra Kumar Poudel **Executive Director**

Gopal Chandra Rai Invited BOD Member

Netra Prasad Subedi BOD Member'

Bijaya Raj Ghimire

fered

wobabu Pudasaini **BOD Member**

Paraswor Dhungana Prem Kumar Shrestha **BOD Member**

Dr. Baikuntha Aryal BOD Chairman BOD Member

CORATION TO

Binay Prakash Shrestha K.A.S. Associates.

G & G Associates Chartered Accountants Chartered Accountants

Date: Poush 7, 2077

