

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF  
CITY HOTELLIMITED

### Opinion

We have audited the Financial Statements of City Hotel Limited, which comprise Statement of Financial Position as on Ashad 31<sup>st</sup>, 2078 (July 15<sup>th</sup>, 2021), Statement of Profit or Loss, Statement of Cash Flows and Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and explanatory information.

In our opinion and to the best of our information and according to the explanation given to us, the financial statements, read together with significant accounting policies and notes to the accounts forming part of the accounts, present fairly, in all material aspects, the financial position of the Company as on Ashad 31<sup>st</sup>, 2078 (July 15<sup>th</sup>, 2021), its financial performance, changes in equity and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that in our professional judgment were of significance in our audit of financial statement of the current period. Based on the circumstances and facts of the audit and the Company, we consider following as key audit matter:

S.N.	Details of key Audit Matters	How the matters were addressed in our audit.
1	<b>Capital Work in Progress:</b> (Refer Note. 6) We identified recognition of Capital Work in Progress as key audit matter	Our audit procedures to access the recognition of revenue, amongst others, included the following: <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process</li> </ul>




S.N.	Details of key Audit Matters	How the matters were addressed in our audit.
	<p>because Property, Plant &amp; Equipment are the core assets of the company. Capital Work in Progress are recognized at the amount of cash or cash equivalents paid or fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.</p>	<p>relating to recording of purchases relating to capital nature expenditure and testing the design, implementation and operating effectiveness of relevant key internal controls;</p> <ul style="list-style-type: none"> <li>• Assessing the appropriateness of company's accounting policies for recording of Capital work in progress and compliance of those policies with applicable accounting standards;</li> <li>• Comparing a sample of purchase transactions recorded during the year with purchase invoices, contractor invoices, running bills, Bill of Quantities, agreements and other relevant underlying documents including performing cut-off date purchase transactions to ensure correct booking of Capital work in progress in concerned period.</li> <li>• Assessing the adequacy of measurement and disclosures in the financial statements.</li> </ul>

#### Other Information

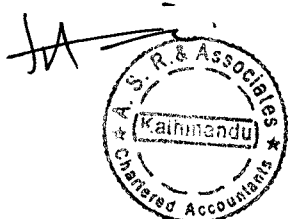
The directors are responsible for the other information such as "Report of Board of Director's/Chairmen's Statement" to be presented in the Annual Report and Accounts for FY 2077/78 (2020-21) of City Hotel Limited. Our opinion on Financial Statements do not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated above, any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether, based on audit work done by us on financial statement, the information, the information therein is materially misstated or inconsistent with the Financial Statements.

However, we have not obtained other information to be part of Annual Report, hence we are unable to report on other information.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

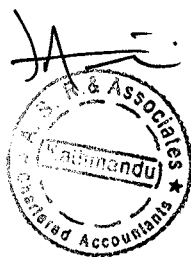
### **Auditors' Responsibility for the Audit of Financial Statements**

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 decision of users taken on the basis of these financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by the Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit.



# City Hotel Limited

## Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2078 ( July 15, 2021)

### 1 Corporate information:

City Hotel Limited is a limited liability company domiciled in Nepal. The registered office address of the company is Ward No. 13, Kathmandu Metropolitan City, Kathmandu, Nepal.

The company's principal activity comprises of providing Hotel services. The Company shall be operating Hotel Business on in Management & Technical assistance from Hyatt International Technical Services, Inc. The Hotel was under construction during the period of financial statement and has started its operation from November 15, 2021.

The Board of Directors of the company acknowledges the responsibility of preparation of Financial Statements of the Company. The composition of Board of Directors as on Ashad 31, 2078 is as follows:

Name	Position
Shakti Kumar Golyan	Chairman
Basudev Golyan	Director
Kumud Golyan	Director
Kamlesh Kumar Agrawal	Director
Harish Chandra Subedi	Director

### 2 Basis of Preparation :

The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standards Board Nepal. These conform, in material respect, to International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB). The financial statements have been prepared on a going concern basis.

This section describes the critical accounting judgement that the company has identified as having potentially material impact on the company's financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Accounting policies along with explanatory notes, wherever such explanation is required, is described in specific relevant sections. The company's accounting policies require the management to exercise judgement in making accounting estimates.

#### 2.1 Accounting Pronouncements:

The company for its preparation of financial statement has adopted accounting policies to comply with the pronouncements made by The Institute of Chartered Accountants of Nepal.

#### 2.2 Presentation:

##### 2.2.1 Presentation of Statement of Profit or loss:

Company has presented Statement of Profit or loss (SOPL) "by Function"

##### 2.2.2 Current Versus Non-Current Classification:

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

The Company classifies an asset as current when it is:

- i Expected to be realized or intended to be sold or 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 reporting date

All other assets are classified as non-current:

The Company classifies a liability as current when:

- i It is expected to be settled in normal operating cycle,
- ii It is held primarily for the purpose of trading,
- iii It is due to be settled within twelve months after the reporting period, or
- iv There is no unconditional right to defer the settlement of the liability for at least twelve months after reporting period,

The Company classifies all other liabilities as non-current.

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

##### 2.2.3 Functional Currency:

The functional currency used in Financial Statement is Local Currency of Nepal denoted as NPR or NRS.

**City Hotel Limited**  
**Significant Accounting Policies and Explanatory Notes**  
**For the Year ended Ashad 31, 2078 ( July 15, 2021)**

**2.2.4 Going Concern:**

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

**2.2.5 Basis of Measurement:**

The financial statements are prepared under the historical cost convention basis except for those explicitly specified in relevant notes and for following material items in Statement of Financial Position:

- a. Inventories are measured at cost of net realizable value whichever is lower.
- b. Impairment of asset is measured at fair value and related disposal cost.

**2.2.6 Cash Flow Statement**

The carrying amount of cash and cash equivalents are measured at cost in the statement of Financial position. Statement of Cash Flow has been prepared by using the "Indirect Method" in accordance with NAS 07 Cash Flow Statements.

**2.3 Accounting Policies:**

NFRS requires adoption of accounting policies that are most appropriate to the company's circumstances determining and applying accounting policies. Directors and management are required to make judgement in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the Company's reported financial position, results or cash flows.

Specific accounting policies have been included in the specific section of the notes for each items of financial statements which requires disclosures of accounting policies or changes in accounting policies. Effect and nature of the changes have been disclosed wherever required.

**2.4 Accounting Estimates**

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual result may differ from these estimates and assumptions.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of the changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

Specific accounting estimates have been included in the relevant section of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

**2.5 Recent Accounting Developments:**

There are no recent accounting developments which has impact on the financial statements of the company.

**2.6 Comparative Information:**

Comparative information for all the periods presented has been disclosed as required under NAS 1.

**2.7 Financial Period:**

The company prepares financial statements in accordance with the Nepalese financial year using Nepalese calendar. The corresponding dates for Gregorian calendar are as follows:

<b>Particulars</b>	<b>Nepalese Calendar Date/Period</b>	<b>Gerqorian Calendar</b>
SFP* Date	Ashad 31, 2078	July 15, 2021
Current Reporting Period	Shrawan 01, 2077 to Ashad 31, 2078	July 16, 2020 to July 15, 2021
Comparative SFP Date	Ashad 31, 2077	July 15, 2020
Comparative Reporting Period	Shrawan 01, 2076 to Ashad 31, 2077	July 17, 2020 to July 15, 2020
Transition SFP Date	Ashad 31, 2076	July 16, 2019

\*Statement of Financial Position

## City Hotel Limited

### Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2078 ( July 15, 2021)

#### 2.8 Prior Period Errors:

Prior Period Errors are omissions or misstatements in an entity's financial statements. Such omissions may relate to one or more prior periods. Correction of an error is done by calculating the cumulative effect of the change on the financial statements of the period as if new method or estimate had always been used for all the effected prior years' financial statements. Sometimes such changes may not be practicable. In such cases, it is applied to the latest period possible by making corresponding adjustment to the opening balance of the period.

#### 2.9 Materiality and Aggregation:

In compliance with NFRS 1 Presentation of Financial Statements, each material class of similar item is presented separately in the financial statement. Item of dissimilar nature or functions are presented separately, unless they are material.

#### 2.10 Discounting:

Discounting has been applied where assets and liabilities are non-current and the impact of the discounting is material.

#### 2.11 Limitation of NFRS implementation:

If the information is not available and the cost to develop would exceed the benefit derived, such exception to NFRS implementation has been noted and disclosed in respective section.

#### 2.12 Determination of Fair Values:

The company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. When applicable, further information about the assumption made in determining fair values is disclosed in the respective notes.

#### 2.13 Lease:

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. When all the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are taken to the Statement of Profit or Loss over the lease term. The Company is both a lessee and a lessor under operating lease arrangements. Payments and receipts under such leases are charged or credited to the Statement of Profit or Loss on a straight-line basis over the primary period of the lease.

#### 2.14 Revenue:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at fair value of the consideration received or receivable net of Value added tax, Discount & Service Charge.

##### a) Interest Income:

Interest income is recognised on accrual basis.

##### b) Rental Income:

Rental income is recognised on accrual basis.

#### 2.15 Events after reporting period:

The company monitors and assess events that may have potential impact to qualify as adjusting and/or non-adjusting events after the end of the reporting period. Where necessary all material events after the reporting date have been considered and appropriate adjustment in the books with additional disclosures have been made in the financial statements as per the NAS 10 Events After the Balance Sheet Date and non-adjusting events are disclosed in the notes with possible financial impact, to the extent ascertainable.

## **City Hotel Limited**

### **Significant Accounting Policies and Explanatory Notes**

#### **For the Year ended Ashad 31, 2078 ( July 15, 2021)**

### **3 Explanotry Notes**

#### **3.1 First Time Adoption of NFRS:**

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) with effect from 1 Shrawan 2074, with a transition date of 1st Shrawan, 2073. These financial statements for the year ended 31st Ashad, 2078 are the first Financial Statement, the Company has prepared under NFRS. For all periods up to and including the year ended 31 Ashad, 2077, the Company 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, the Company has prepared financial statements which comply with NFRS for the year ended 31st Ashad, 2078, together with the comparative information as at and for the year ended 31 Ashad 2077 and the opening NFRS Balance Sheet as at Shrawan 01, 2076, the date of

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 Company in restating its Previous GAAP financial statements, including the Statement of Financial Position as at Ashad 31, 2076 and the financial statements as at and for the year ended 31 Ashad 2077.

#### **3.2 Exemptions from retrospective application**

NFRS 1 allows first-time adopters certain exemptions from retrospective application of certain requirements under NFRS. The Company has not elected any such optional exemptions while transitioning from previous GAAP to NFRS.

#### **3.3 Exceptions to retrospective application**

The Company 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 Company 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 Company for the relevant reporting dates reflecting conditions existing as at that date.

##### **a) Classification and measurement of financial assets**

The classification of financial assets to be measured at amortised 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.

##### **b) Derecognition of financial assets and liabilities**

The Company has applied the derecognition requirements of financial assets and financial liabilities.

#### **3.4 Transition to NFRS-Reconciliations**

The following reconciliations provide the explanations and quantification of the differences arising from the transition from

I. Reconciliation of Equity as at 31 Ashad 2076.

II. Reconciliation of Equity as at 31 Ashad 2077.

III. Reconciliation of Statement of Profit or Loss for the year ended 31 Ashad 2077.

Previous GAAP information has been reclassified/regrouped in accordance with NFRS, wherever necessary, based on the audited financial statements of the Company for the year ended 31 Ashad 2077.

**City Hotel Limited**  
**Significant Accounting Policies and Explanatory Notes**  
**For the Year ended Ashad 31, 2078 ( July 15, 2021)**

**I. Reconciliation of Equity as at 31st Ashad 2076:**

<b>Particulars</b>	<b>NFRS Balance</b>	<b>Reconciliation</b>	<b>Previously Reported Balance</b>
<b>Assets</b>			
<b>Non Current Assets</b>			
<b>Non Financial</b>			
Property Plant & Equipments	2,367,826,146.75	(46,288.74)	2,367,779,858.01
Intangible Assets	62,224.66	(62,224.66)	-
Investment Property	-	-	-
Deferred Tax Assets	15,897,241.46	(15,894,050.09)	3,191.37
Advances	171,364,403.23	(171,364,403.23)	-
<b>Total Non Current Assets</b>	<b>2,555,150,016.10</b>	<b>(187,366,966.72)</b>	<b>2,367,783,049.38</b>
<b>Current Assets</b>			
<b>Non Financial</b>			
Inventories	12,330,245.02	-	12,330,245.02
Prepayments	2,945,168.93	(2,945,168.93)	-
Other Current Assets	162,119,880.71	174,958,195.08	337,078,075.79
<b>Financial Assets</b>			
Cash & Cash Equivalents	947,208.28	-	947,208.28
Advances	648,622.92	(648,622.92)	-
Trade & Other Receivables	-	-	-
<b>Total Current Assets</b>	<b>178,991,125.86</b>	<b>171,364,403.23</b>	<b>350,355,529.09</b>
<b>Total Assets</b>	<b>2,734,141,141.96</b>	<b>(16,002,563.49)</b>	<b>2,718,138,578.47</b>
<b>Equity &amp; Liabilities</b>			
<b>Equity</b>			
Share Capital	780,000,000.00	-	780,000,000.00
Share Application Money	284,864,083.03	(284,864,083.03)	-
Retained Earnings	(83,188,087.02)	(16,002,563.49)	(99,190,650.51)
<b>Total Equity</b>	<b>981,675,996.01</b>	<b>(300,866,646.52)</b>	<b>680,809,349.49</b>
<b>Liabilities</b>			
<b>Non Current Liabilities</b>			
<b>Financial</b>			
Long Term Borrowings	1,670,846,398.42	-	1,670,846,398.42
Other Non Current Liabilities	21,432,001.26	(21,432,001.26)	-
<b>Total Non Current Liabilities</b>	<b>1,692,278,399.68</b>	<b>(21,432,001.26)</b>	<b>1,670,846,398.42</b>
<b>Current Liabilities</b>			
<b>Financial</b>			
Trade Payables	39,679,684.08	(39,679,684.08)	-
Other Financial Liabilities	20,507,062.19	345,975,768.37	366,482,830.56
Short Term Loans	-	-	-
Provisions	-	-	-
<b>Total Current Liabilities</b>	<b>60,186,746.27</b>	<b>306,296,084.29</b>	<b>366,482,830.56</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,734,141,141.96</b>	<b>(16,002,563.49)</b>	<b>2,718,138,578.47</b>



**City Hotel Limited**  
**Significant Accounting Policies and Explanatory Notes**  
**For the Year ended Ashad 31, 2078 ( July 15, 2021)**

**II. Reconciliation of Equity as at 31st Ashad 2077:**

Particulars	NFRS Balance	Reconciliation	Previously Reported Balance
<b>Assets</b>			
<b>Non Current Assets</b>			
<b>Non Financial</b>			
Property Plant & Equipments	3,282,370,037.53	317,197.94	3,282,052,839.59
Intangible Assets	48,624.66	48,624.66	-
Investment Property	-	-	-
Deferred Tax Assets	21,078,326.14	1,562,531.38	19,515,794.76
Advance	133,258,495.52	133,258,495.52	-
<b>Total Non Current Assets</b>	<b>3,436,755,483.85</b>	<b>135,186,849.50</b>	<b>3,301,568,634.35</b>
<b>Non Financial</b>			
<b>Current Assets</b>			
Inventories	4,384,693.81	-	4,384,693.81
Prepayments	880,741.12	880,741.12	-
Other Current Assets	239,689,944.32	239,689,944.32	-
<b>Financial:</b>			
Cash & Cash Equivalents	671,087.48	-	671,087.48
Other Current Assets	151,664.91	(373,829,180.96)	373,980,845.87
Trade & Other Receivables	-	-	-
<b>Total Current Assets</b>	<b>245,778,131.64</b>	<b>(133,258,495.52)</b>	<b>379,036,627.16</b>
<b>Total Assets</b>	<b>3,682,533,615.49</b>	<b>1,928,353.98</b>	<b>3,680,605,261.51</b>
<b>Equity &amp; Liabilities</b>			
<b>Equity</b>			
Share Capital	937,990,000.00	-	937,990,000.00
Share Application Money	547,559,486.03	547,559,486.03	-
Retained Earnings	(104,556,739.26)	1,928,353.98	(106,485,093.24)
<b>Total Equity</b>	<b>1,380,992,746.77</b>	<b>549,487,840.01</b>	<b>831,504,906.76</b>
<b>Liabilities</b>			
<b>Non Current Liabilities</b>			
<b>Financial:</b>			
Long Term Loan	2,140,375,924.67	-	2,140,375,924.67
Other Non Current Liabilities	85,823,490.84	85,823,490.84	-
<b>Total Non Current Liabilities</b>	<b>2,226,199,415.51</b>	<b>85,823,490.84</b>	<b>2,140,375,924.67</b>
<b>Current Liabilities</b>			
<b>Financial:</b>			
Trade Payables	38,452,620.43	38,452,620.43	-
Other Financial Liabilities	36,888,832.78	(671,835,597.30)	708,724,430.08
Short Term Borrowings	-	-	-
Provisions	-	-	-
<b>Total Current Liabilities</b>	<b>75,341,453.21</b>	<b>(633,382,976.87)</b>	<b>708,724,430.08</b>
<b>Total Equity &amp; Liabilities</b>	<b>3,682,533,615.49</b>	<b>1,928,353.98</b>	<b>3,680,605,261.51</b>

**III. Reconciliation of Statement of Profit or Loss for the year ended 31 Ashad 2077.**

Particulars	NFRS Balance	Reconciliation	Previously Reported Balance
<b>Income:</b>			
Revenue From Operations	-	-	-
Other Operating Income	399,667.09	-	399,667.09
<b>Total Income</b>	<b>399,667.09</b>	<b>-</b>	<b>399,667.09</b>
<b>Expenses:</b>			
Cost of Goods Sold	-	-	-
Employee Cost	21,886,321.52	21,886,321.52	-
Administrative & Operating Expenses	3,618,977.87	(21,886,321.52)	25,505,299.39
Finance Cost	-	-	-
Depreciation & Amortization	1,444,104.62	(257,309.20)	1,701,413.82
<b>Total Expenses</b>	<b>26,949,404.01</b>	<b>(257,309.20)</b>	<b>27,206,713.21</b>
Less:			
<b>Profit/(Loss) Before Tax</b>	<b>(26,549,736.92)</b>	<b>257,309.20</b>	<b>(26,807,046.12)</b>
Less:			
Current Tax	-	-	-
Deferred Tax	(5,181,084.68)	14,331,518.71	(19,512,603.39)
<b>Net Profit/(Loss) for the year</b>	<b>(21,368,652.24)</b>	<b>(14,074,209.51)</b>	<b>(7,294,442.73)</b>

**City Hotel Limited**  
**Significant Accounting Policies and Explanatory Notes**  
**For the Year ended Ashad 31, 2078 ( July 15, 2021)**

**3.4.1 Explanatory Notes to Transition to NFRS-Reconciliations:**

**Property Plant & Equipments:**

On the date of Transition to NFRS, depreciation and amortization have been calculated based on the useful life of the assets and depreciation has been charged accordingly thereafter.

**Intangible Assets:**

Software which was previously included under PPE has been classified as Intangible Assets.

**Deferred Tax Assets:**

During the transition to NFRS, there has been changes in the carrying amount of various assets and liabilities which has resulted in deferred tax.

**Non Financial Advance:**

Advance provided for the Capital Nature Purchases which were classified under Current assets under previous GAAP, has now been reclassified as Non Financial advance.

**Prepayments:**

Prepayments which were earlier included under Current Assets, are now classified as Non Financial current assets.

**Non Financial & Financial Other Current Assets:**

Advance provided for the Capital Nature Purchases have been classified under Non-Current Assets, which were previously classified under Current assets.

**Share Application Money**

Share Application money received from the shareholders were earlier classified under Other Financial Liabilities..

**Retained Earnings**

Changes in the accounting policy related to Depreciation & amortization and calculation of deferred tax assets on carry forward losses impact is reflected in the Retained earnings.

**3.5 Bonus Provision:**

Provision for Bonus has not been made in view of taxable losses during the year.

**3.6 Provision for CSR**

Provision of CSR under Section 48 of Industrial Enterprises Act has not been done in view of losses incurred during the

**City Hotel Limited**  
**Statement of Financial Position**  
**As on Ashad 31, 2078 (July 15, 2021)**



CITY HOTEL

Particulars	Notes	As on July 15, 2021	As on July 15, 2020	As on July 16, 2019
<b>ASSETS</b>				
<b>Non Current Assets</b>				
<b>Non Financial</b>				
Property, Plant & Equi	4	3,977,762,775.19	3,282,370,037.53	2,367,826,146.75
Intangible Assets	5	35,024.66	48,624.66	62,224.66
Investment Property	6	337,747,435.81	-	-
Deferred Tax Assets	7	24,395,153.41	21,078,326.14	15,897,241.46
Advances	8.2	92,378,682.47	133,258,495.52	171,364,403.23
<b>Total Non Current Assets</b>		<b>4,432,319,071.54</b>	<b>3,436,755,483.85</b>	<b>2,555,150,016.10</b>
<b>Current Assets</b>				
<b>Non Financial</b>				
Inventories	9	2,422,773.41	4,384,693.81	12,330,245.02
Prepayments	8.3	265,521.99	880,741.12	2,945,168.93
Other Current Assets	8.4	285,017,498.21	239,689,944.32	162,119,880.71
<b>Financial:</b>				
Cash and Bank Equiva	10	802,317.67	671,087.48	947,208.28
Advances	8.5	-	151,664.91	648,622.92
Trade & Other Receivables		-	-	-
<b>Total Current Assets</b>		<b>288,508,111.28</b>	<b>245,778,131.64</b>	<b>178,991,125.86</b>
<b>Total Assets</b>		<b>4,720,827,182.82</b>	<b>3,682,533,615.49</b>	<b>2,734,141,141.96</b>
<b>Equity &amp; Liabilities</b>				
<b>Equity</b>				
Share Capital	11	937,990,000.00	937,990,000.00	780,000,000.00
Share Application Mone	12	548,917,879.32	547,559,486.03	284,864,083.03
Reserves & Surplus	13	228,309,465.61	(104,556,739.26)	(83,188,087.02)
<b>Total Equity</b>		<b>1,715,217,344.93</b>	<b>1,380,992,746.77</b>	<b>981,675,996.01</b>
<b>Non Current Liabilities</b>				
<b>Financial:</b>				
Long Term Borrowings	14	2,754,036,214.47	2,140,375,924.67	1,670,846,398.42
Other Non Current Liab	15	127,160,720.04	85,823,490.84	21,432,001.26
<b>Total Non Current Liabilities</b>		<b>2,881,196,934.51</b>	<b>2,226,199,415.51</b>	<b>1,692,278,399.68</b>
<b>Current Liabilities:</b>				
<b>Financial:</b>				
Trade Payables	16	101,911,395.57	38,452,620.43	39,679,684.08
Other Financial Liabilitie	17	22,501,507.81	36,888,832.78	20,507,062.19
Short Term Borrowings		-	-	-
Provisions		-	-	-
<b>Total Current Liabilities</b>		<b>124,412,903.38</b>	<b>75,341,453.21</b>	<b>60,186,746.27</b>
<b>Total Equity and Liabilities</b>		<b>4,720,827,182.82</b>	<b>3,682,533,615.49</b>	<b>2,734,141,141.96</b>

Notes 1 to 23 form an integral part of this Financial Statement

In terms of our report of even date

For & on behalf of the Board

For: A.S.R & Associates  
Chartered Accountants

**Shakti Kumar Golyan** **Basudev Golyan** **Ishwar Bandhu Regmi** **CA Ankush Kumar**  
Chairperson Director Chief Finance Officer Managing Partner  
COP No. :-512

Place : Kathmandu  
Date : 12-12-2021

Place : Kathmandu  
Date : 12-12-2021

**City Hotel Limited**  
**Statement of Profit or Loss**  
**For the year ended Ashad 31, 2078 (July 15, 2021)**



CITY HOTEL

Particulars	Notes	For the year ended July 15, 2021	For the year ended July 15, 2020
<b>Income:</b>			
Revenue from Operations		-	-
Other Operating Income	18	4,200,764.14	399,667.09
<b>Total Revenue</b>		<b>4,200,764.14</b>	<b>399,667.09</b>
<b>Expenditure:</b>			
Cost of Goods Sold		-	-
Employee Cost	19.1	17,226,579.98	21,886,321.52
Administrative & Operating Expenses	20	3,438,784.22	3,618,977.87
Finance Cost	21	10,433,888.75	-
Depreciation & Amortization	4,5,6	10,474,244.86	1,444,104.62
<b>Total Expenditure</b>		<b>41,573,497.81</b>	<b>26,949,404.01</b>
<b>Profit/(Loss) before tax for the year</b>		<b>(37,372,733.67)</b>	<b>(26,549,736.92)</b>
Less:			
Current Tax		-	-
Deferred Tax		(3,316,827.27)	(5,181,084.68)
<b>Net Profit after tax</b>		<b>(34,055,906.40)</b>	<b>(21,368,652.24)</b>
Less:			
Prior Year Taxes		-	-
<b>Balance Transfer to Reserve &amp; Surplus</b>		<b>(34,055,906.40)</b>	<b>(21,368,652.24)</b>
Basic Earning Per Share	22	(3.63)	(2.61)
Diluted Earning Per Share	22	(3.63)	(2.61)

Notes 1 to 23 form an integral part of this Financial Statement

In terms of our report of even date

**For & on behalf of the Board**

**For: A.S.R & Associates**  
Chartered Accountants

**Shakti Kumar Golyan**  
Chairperson

**Basudev Golyan**  
Direct

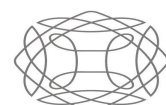
**Ishwar Bandhu Regmi**  
Chief Finance Officer

**CA Ankush Kumar**  
Managing Partner  
COP No. :-512

Place : Kathmandu  
Date : 12-12-2021

Place : Kathmandu  
Date : 12-12-2021

**City Hotel Limited**  
**Statement of Cash Flows**  
For the year ended Ashad 31, 2078 (July 15, 2021)



CITY HOTEL

Amounts in NRs

Particulars	For the year ended July 15, 2021	For the year ended July 15, 2020
<b>A Cash Flow from Operating Activities:</b>		
Profit/(Loss) before Income-tax and extraordinary items:	(37,372,733.67)	(26,549,736.92)
<b>Adjustments For:</b>		
Prior Year Taxes	-	-
Depreciation	10,474,244.86	1,444,104.62
<b>Operating Profit/(Loss) before Working Capital Changes</b>	<b>(26,898,488.81)</b>	<b>(25,105,632.30)</b>
<b>Changes in Working Capital</b>		
(Increase)/Decrease in Inventories	1,961,920.40	7,945,551.21
(Increase)/Decrease Prepayments	615,219.13	2,064,427.81
(Increase)/Decrease Other Current Assets	(45,327,553.89)	(77,570,063.61)
(Increase)/Decrease Advances	151,664.91	496,958.01
Increase/(Decrease) in Current Liabilities	49,071,450.17	342,241,599.52
<b>Cash Generated from Operations</b>	<b>(20,425,788.09)</b>	<b>250,072,840.64</b>
Income Taxes Paid	-	-
<b>Net Cash Flow From Operating Activities</b>	<b>(20,425,788.09)</b>	<b>250,072,840.64</b>
<b>B Cash Flow from Investing Activities :</b>		
Purchase of PPE & Investment Property	(3,298,829.81)	(2,647,747.92)
Capital Work in Progress	(673,379,877.25)	(913,326,647.48)
<b>Net Cash Flow from Investing Activities</b>	<b>(676,678,707.06)</b>	<b>(915,974,395.40)</b>
<b>C Cash Flow from Financing Activities :</b>		
Increase/(decrease) in Medium and long term loan	613,660,289.80	469,529,526.25
(Increase)/Decrease Non Financial Advances	40,879,813.05	38,105,907.71
Increase/(decrease) in Non Current Liabilities	41,337,229.20	-
Issue of Share Capital/Share Application Money	1,358,393.29	157,990,000.00
<b>Net Cash Flow From Financing Activities</b>	<b>697,235,725.34</b>	<b>665,625,433.96</b>
<b>Net Increase in Cash &amp; Cash equivalents</b>	<b>131,230.19</b>	<b>(276,120.80)</b>
Opening Cash balance & Cash equivalents	671,087.48	947,208.28
<b>Closing Cash &amp; Cash Equivalents</b>	<b>802,317.67</b>	<b>671,087.48</b>

Notes 1 to 23 form an integral part of this Financial Statement

In terms of our report of even date

For & on behalf of the Board

For: A.S.R & Associates  
Chartered Accountants

**Shakti Kumar Golyan** Chairperson  
**Basudev Golyan** Director

**Ishwar Bandhu Regmi**  
Chief Finance Officer

**CA Ankush Kumar**  
Managing Partner  
COP No. :-512

Place : Kathmandu  
Date : 12-12-2021

Place : Kathmandu  
Date : 12-12-2021

**City Hotel Limited**  
**Statement of Changes in Equity**  
**For the year ended Ashad 31, 2078 (July 15, 2021)**



CITY HOTEL  
**Amounts in NRs**

Particulars	Share Capital	Share Application Money	Revaluation Reserve	Deferred Tax	Retained Earning	Total
<b>Balance as at Ashad 32, 2076</b>	780,000,000.00	284,864,083.03	-	3,191.37	(99,193,841.88)	965,673,432.52
Change in accounting policy	-	-	-	15,894,050.09	108,513.40	16,002,563.49
Restated Balance	780,000,000.00	284,864,083.03	-	15,897,241.46	(99,085,328.48)	981,675,996.01
Net profit for the period	-	-	-	5,181,084.68	(26,549,736.92)	(21,368,652.24)
Revaluation For the year	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
Issue of Share Capital/Application Money	157,990,000.00	262,695,403.00	-	-	-	420,685,403.00
<b>Balance as at Ashad 31, 2077</b>	<b>937,990,000.00</b>	<b>547,559,486.03</b>	-	<b>21,078,326.14</b>	<b>(125,635,065.40)</b>	<b>1,380,992,746.77</b>
Change in accounting policy	-	-	-	-	-	-
Restated Balance	937,990,000.00	547,559,486.03	-	21,078,326.14	(125,635,065.40)	1,380,992,746.77
Net profit for the period	-	-	-	3,316,827.27	(37,372,733.67)	(34,055,906.40)
Revaluation For the year	-	-	366,922,111.27	-	-	366,922,111.27
Dividend	-	-	-	-	-	-
Issue of Share Capital/Application Money	-	1,358,393.29	-	-	-	1,358,393.29
<b>Balance as at Ashad 31, 2078</b>	<b>937,990,000.00</b>	<b>548,917,879.32</b>	<b>366,922,111.27</b>	<b>24,395,153.41</b>	<b>(163,007,799.07)</b>	<b>1,715,217,344.93</b>

In terms of our report of even date

**For & on behalf of the Board**

**For: A.S.R & Associates**  
Chartered Accountants

**Shakti Kumar Golyan**  
Chairman

**Basudev Golyan**  
Director

**Ishwar Bandhu Regmi**  
Chief Finance Officer

**CA Ankush Kumar**  
Managing Partner  
COP No. :-512

Place : Kathmandu  
Date : 12-12-2021

Place : Kathmandu  
Date : 12-12-2021

## City Hotel Limited

### Significant Accounting Policies and Explanatory Notes

For the Year ended Ashad 31, 2078 ( July 15, 2021)

#### 4. Property, Plant & Equipments

Particulars	Land	Freehold Buildings	Furniture & Fixtures	Computers & Office Equipments	Vehicles	Equipment & Machineries	Capital work-in-progress	Total
<b>Cost</b>								
Gross Block As on July 16, 2019	268,876,616.76	-	2,708,933.71	2,350,245.09	3,073,194.68	5,542,523.17	2,092,264,933.01	2,374,816,446.42
Additions	-	-	927,609.27	1,720,138.65	-	-	913,326,647.48	915,974,395.40
Revaluation Surplus of PPE								-
Transfer to PPE								-
Revaluation & Adjustments								-
Disposals/Adjustments								-
Gross Block As on July 15, 2020	268,876,616.76	-	3,636,542.98	4,070,383.74	3,073,194.68	5,542,523.17	3,005,591,580.49	3,290,790,841.82
Additions			33,306.81		3,219,690.26	45,832.74	669,035,728.00	672,334,557.81
Revaluation Surplus of PPE	-	-	-	-		-	-	-
Transfer to PPE	-	-	-	-		-	-	-
Revaluation & Adjustments	366,922,111.27	-	-	-		-	-	366,922,111.27
Disposals/Adjustments	-	-	-	-		-	-	-
<b>Gross Block As on July 15, 2021</b>	<b>635,798,728.03</b>	<b>-</b>	<b>3,669,849.79</b>	<b>4,070,383.74</b>	<b>6,292,884.94</b>	<b>5,588,355.91</b>	<b>3,674,627,308.49</b>	<b>4,330,047,510.90</b>
<b>Depreciation &amp; Impairment Losses</b>								
Acumulated Balance As on July 16, 2019			2,058,509.11	627,453.64	2,234,492.98	2,069,843.94		6,990,299.67
Charge for the year			163,222.93	544,335.25	147,456.38	575,490.06		1,430,504.62
Adjustment due to Revaluations & others								-
Impairment Losses								-
Transfer to Investment Property								-
Disposals/Adjustments								-
Acumulated Balance As on July 15, 2020	-	-	2,221,732.04	1,171,788.89	2,381,949.36	2,645,334.00	-	8,420,804.29
Charge for the year			240,919.71	739,584.36	350,340.97	575,490.06		1,906,335.10
Adjustment due to Revaluations & others	-	-	-	-		-	-	-
Impairment Losses	-	-	-	-		-	-	-
Transfer to Investment Property	33,256,277.90	-	-	-		-	308,701,318.42	341,957,596.32
Disposals/Adjustments	-	-	-	-		-	-	-
<b>Accumulated Depreciation as on July 15, 2021</b>	<b>33,256,277.90</b>	<b>-</b>	<b>2,462,651.75</b>	<b>1,911,373.25</b>	<b>2,732,290.33</b>	<b>3,220,824.06</b>	<b>308,701,318.42</b>	<b>352,284,735.71</b>
<b>Net Block</b>								
<b>As on July 15, 2021</b>	<b>602,542,450.13</b>	<b>-</b>	<b>1,207,198.04</b>	<b>2,159,010.49</b>	<b>3,560,594.61</b>	<b>2,367,531.85</b>	<b>3,365,925,990.07</b>	<b>3,977,762,775.19</b>
<b>As on July 15, 2020</b>	<b>268,876,616.76</b>	<b>-</b>	<b>1,414,810.94</b>	<b>2,898,594.85</b>	<b>691,245.32</b>	<b>2,897,189.17</b>	<b>3,005,591,580.49</b>	<b>3,282,370,037.53</b>
<b>As on July 16, 2019</b>	<b>268,876,616.76</b>	<b>-</b>	<b>650,424.60</b>	<b>1,722,791.45</b>	<b>838,701.70</b>	<b>3,472,679.23</b>	<b>2,092,264,933.01</b>	<b>2,367,826,146.75</b>

## City Hotel Limited

### Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2078 ( July 15, 2021)

Property, Plant and Equipment are initially measured at cost in the Statement of Financial Position and are inclusive of all cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable for each class of assets. Property, Plant & Equipment are recognized as an asset, if and only if it is probable that future economic benefits associated with the item will flow to the company; and the cost of the item can be measured reliably.

Cost includes the purchase price and other directly attributable costs of Property, Plant & Equipment. Cost also includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in Statement of Profit or Loss as incurred. If an item of Property, Plant & Equipment consists of several components with different estimated useful lives, those components that are significant are depreciated over their individual useful lives. Subsequent costs that do not qualify the recognition criteria under NAS 16 are expensed as and when incurred.

The present value of the expected cost for the decommissioning of an asset after its use is considered for determination of cost of the respective asset if the recognition criteria under NAS 16 and IFRIC 1. Management feels that such cost are difficult to estimate and are not material thus are not considered.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation on these assets will commence when these assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Subsequently PPE is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

#### **De-recognition**

An item of Property, Plant & equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition of the asset is included in Statement of Profit or Loss in the year the asset is derecognised.

#### **4.1 Depreciation:**

The depreciation period is based on the expected useful life of an asset. Depreciation on items of PPE is provided on the straight-line method based on the estimated useful life of the assets determined by the management. Depreciation on additions to PPE is provided on pro-rata basis in the year of purchase. The residual values, useful lives and the depreciation methods of assets are reviewed at least at each financial year end and, if expectations differ from previous estimates are accounted for as a change in accounting estimates in accordance with NAS 8. If an item of PPE consist of several components with different useful lives, those components that are significant are depreciated over their individual useful life.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The estimated useful lives of assets are as follows:

Particulars	Class of assets	Estimated Useful Life (Years)
Building	Building	40
Computers	Computers & Office Equipments	5
Office Furniture	Furniture & Fixtures	7
Office Equipment, Printers & Other	Computers & Office Equipments	7
Vehicles	Vehicles	7
Equipments & Machineries	Equipments & Machineries	7

#### **4.1.1 Change in Accounting Estimate:**

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and accordingly, are not corrections of errors.



## City Hotel Limited

### Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2078 ( July 15, 2021)

#### 4.2 De-recognition:

An item of Property, Plant and Equipment is de-recognized on disposal or when no future economic benefits are expected from the use of that asset. The gain or loss arising from the disposal of an item of Property, Plant and Equipment is the difference between net disposal proceeds, if any, and the carrying amount of that item and is recognized in the statement of profit and loss.

#### 4.3 Revaluation of Land

Land under Property, Plant & Equipment has been revalued at its Fair Market Value based on the valuation report of Sustainable Infrastructure Development Engineering Consultancy Pvt. Ltd. Revaluation Gain has been presented separately under Reserve & Surplus.

#### 4.4 Classification of Land under Investment Property:

The company has partly used land and building for the Rental purpose. Portion of the land & building which has been used for the purpose of Rental, has been classified under Investment Property.

#### 4.5 Capital Work in Progress:

The expenditure incurred in acquisition and installation of Hotel equipments till the date of commissioning or civil works under construction till the date of completion is recognized as Capital works-in-progress. Equipment are capitalized upon commissioning and civil works are capitalized upon handing over after being capable of being used.

Borrowing Costs for the qualifying assets are recognised under Capital work in progress and apportioned to the respective assets proportionately at the time of Capitalization.

Particulars	As on Ashad 31, 2078	As on Ashad 31, 2077
Building	1,045,760,118.94	1,128,617,314.16
Design & Consultancy	129,043,396.02	110,499,683.82
Electrical & Equipments	213,020,390.05	149,062,248.26
Financial Expenses	821,088,980.38	770,215,808.57
Furniture, Interior & Office Equipment	613,153,188.56	454,286,832.75
Machinery & Equipment	489,708,648.94	392,909,692.93
IT Equipment & Software	54,151,267.18	-
<b>Total</b>	<b>3,365,925,990.07</b>	<b>3,005,591,580.49</b>

**City Hotel Limited**  
**Significant Accounting Policies and Explanatory Notes**  
**For the Year ended Ashad 31, 2078 ( July 15, 2021)**

**5. Intangible Assets**

<b>Particulars</b>	<b>Computer Softwares</b>	<b>Others</b>	<b>Total</b>
<b>Cost</b>			
Gross Block As on July 16, 2019	110,375.00		110,375.00
Additions	-		-
Revaluation Surplus of Intangible Assets	-	-	-
Transfer	-	-	-
Revaluation & Adjustments	-	-	-
Disposals/Adjustments	-	-	-
Gross Block As on July 15, 2020	110,375.00	-	110,375.00
Additions	-		-
Revaluation Surplus of Intangible Assets	-	-	-
Transfer	-	-	-
Revaluation & Adjustments	-	-	-
Disposals/Adjustments	-	-	-
<b>Gross Block As on July 15, 2021</b>	<b>110,375.00</b>	<b>-</b>	<b>110,375.00</b>
<b>Accumulated Amortisation</b>			
Accumulated Balance As on July 16, 2019	48,150.34	-	48,150.34
Charge for the year	13,600.00	-	13,600.00
Adjustment due to Revaluations & others	-	-	-
Impairment Losses	-	-	-
Transfer to PPE	-	-	-
Disposals/Adjustments	-	-	-
Accumulated Balance As on July 15, 2020	61,750.34	-	61,750.34
Charge for the year	13,600.00	-	13,600.00
Adjustment due to Revaluations & others	-	-	-
Impairment Losses	-	-	-
Transfer to PPE	-	-	-
Disposals/Adjustments	-	-	-
<b>Accumulated Depreciation as on July 15, 2021</b>	<b>75,350.34</b>	<b>-</b>	<b>75,350.34</b>
<b>Net Block</b>			
<b>As on July 15, 2021</b>	<b>35,024.66</b>	<b>-</b>	<b>35,024.66</b>
<b>As on July 15, 2020</b>	<b>48,624.66</b>	<b>-</b>	<b>48,624.66</b>
<b>As on July 16, 2019</b>	<b>62,224.66</b>	<b>-</b>	<b>62,224.66</b>

**Intangible Assets & Amortization:**

Intangible assets are recognised on the basis of costs incurred to acquire and bring to use the specific software and the asset created is expected to provide future economic benefits where it is probable that it will generate future economic benefits in excess of its cost. Computer software cost are amortised on the basis of expected useful life which is estimated as 5 years (to be reviewed periodically). Costs associated with maintaining software are recognised as and expenses as and when incurred. At each statement of financial position date, these assets are assessed for indication of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the assets is written down immediately.

Computer software cost are amortised on the basis of expected useful life which is estimated as 5 years (to be reviewed periodically). Costs associated with maintaining software are recognised as and expenses as and when incurred. At each statement of financial position date, these assets are assessed for indication of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the assets is written down immediately.

**City Hotel Limited**  
**Significant Accounting Policies and Explanatory Notes**  
**For the Year ended Ashad 31, 2078 ( July 15, 2021)**

**6. Investment Property**

Particulars	Land	Freehold Buildings	Equipment & Machineries	Total
<b>Cost</b>				
Gross Block As on July 15, 2020	-	-	-	-
Additions	-	-	-	-
Revaluation Surplus of IP	-	-	-	-
Transfer from PPE	33,256,277.90	295,005,293.55	18,040,174.12	346,301,745.57
Revaluation & Adjustments	-	-	-	-
Disposals/Adjustments	-	-	-	-
<b>Gross Block As on July 15, 2021</b>	<b>33,256,277.90</b>	<b>295,005,293.55</b>	<b>18,040,174.12</b>	<b>346,301,745.57</b>
<b>Depreciation &amp; Impairment Losses</b>				
Acumulated Balance As on July 15, 2020	-	-	-	-
Charge for the year	-	7,354,926.50	1,199,383.26	8,554,309.76
Adjustment due to Revaluations & others	-	-	-	-
Impairment Losses	-	-	-	-
Transfer to Investment Property	-	-	-	-
Disposals/Adjustments	-	-	-	-
<b>Accumulated Depreciation as on July 15, 2021</b>	<b>-</b>	<b>7,354,926.50</b>	<b>1,199,383.26</b>	<b>8,554,309.76</b>
<b>Net Block</b>				
<b>As on July 15, 2021</b>	<b>33,256,277.90</b>	<b>287,650,367.05</b>	<b>16,840,790.86</b>	<b>337,747,435.81</b>
<b>As on July 15, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Investment Properties are initially measured at cost in the Statement of Financial Position and are inclusive of all cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable for each class of assets. Investment Properties are recognized as an asset, if and only if it is probable that future economic benefits associated with the item will flow to the company; and the cost of the item can be measured reliably.

Cost includes the purchase price and other directly attributable costs of Property, Plant and Equipment. Cost also includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. If an item of Property, Investment Property consists of several components with different estimated useful lives, those components that are significant are depreciated over their individual useful lives. Subsequent costs that do not qualify the recognition criteria under NFRS are expensed as and when incurred.

The entity applies the Cost Model for Investment Property.

**6.1 Depreciation:**

The depreciation period is based on the expected useful life of an asset. Depreciation on items of Investment Property is provided on the straight-line method based on the estimated useful life of the assets determined by the management. Depreciation on additions to IP is provided on pro-rata basis in the year of purchase. The residual values, useful lives and the depreciation methods of assets are reviewed at least at each financial year end and, if expectations differ from previous estimates are accounted for as a change in accounting estimates in accordance with NAS 8. If an item of Investment Property consist of several components with different useful lives, those components that are significant are depreciated over their individual useful life.

The estimated useful lives of assets are as follows:

Particulars	Class of assets	Estimated Useful Life (Years)
Building	Building	40
Air Conditioners	Equipment & Machineries	15
Lift	Equipment & Machineries	15

**6.1.1 Change in Accounting Estimate:**

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and accordingly, are not corrections of errors.

**6.2 De-recognition:**

An item of Investment Property is de-recognized on disposal or when the investment property is permanently withdrawn from use and when no future economic benefits are expected from its disposal. The gain or loss arising from the disposal of an item of Property, Plant and Equipment is the difference between net disposal proceeds, if any, and the carrying amount of that item and is recognized in the statement of profit and loss.

**City Hotel Limited**  
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**7. Taxation:**

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.

**7.1 Income Tax Rate Applicable to the Company:**

The company is a tourism industry and normal applicable tax rate is 25%. However the company has entered into an agreement with Global IME Capital Limited for the purpose of issuing Initial Public Offering to the General public. As per Section 11 of Income Tax Act, tax rebate of 15% on applicable tax rate is allowed to the tourism industry listed in stock exchange. Accordingly effective future Tax Rate is 21.25%.

**7.2 Current Income Tax**

Current tax is the expected tax payable on the taxable income for the year using tax rates at the Statement of Financial Position date. Provision for Current Tax has not been made in view of taxable losses during the year.

**7.3 Deferred Tax**

Particulars	As on July 15, 2021	As on July 15, 2020
Origination and reversal of temporary differences	24,395,153.41	21,078,326.14
<b>Total</b>	<b>24,395,153.41</b>	<b>21,078,326.14</b>

**7.4 Deferred Tax Assets**

Deferred tax assets are recognized for unused tax losses and taxable temporary difference to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Deferred tax in the current year is calculated on temporary differences using the effective future tax rate of 21.25%, however applicable tax rate upto FY 2076-77 was taken 25%. Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the management believe it is probable that these assets will be recovered.

**FY 2077-78**

Particulars	Carrying Amount	Tax Base	Temporary Diff
Property, Plant & Equipment and IP	314,853,321.96	304,485,467.84	(10,367,854.12)
Taxable Carry Forward Losses	125,018,182.06	-	125,018,182.06
Leave Payable (Provision for Expenses to be claimed on actual basis)	150,394.00	-	150,394.00
<b>Total Temporary Difference</b>			<b>114,800,721.94</b>
Tax Rate		21.25%	24,395,153.41
Opening Deferred Tax Assets/(Liability)			21,078,326.14
<b>Deferred Tax asset Credit to PL</b>			<b>3,316,827.27</b>

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**FY 2076-77**

<b>Particulars</b>	<b>Carrying Amount</b>	<b>Tax Base</b>	<b>Temporary Diff</b>
Property, Plant & Equipment and IP	7,950,464.94	7,597,574.73	(352,890.21)
Taxable Carry Forward Losses	84,666,194.78	-	84,666,194.78
Leave Payable (Provision for Expenses to be claimed on actual basis)	-	-	-
<b>Total Temporary Difference</b>			<b>84,313,304.57</b>
Tax Rate		25.00%	21,078,326.14
Opening Deferred Tax Assets/(Liability)			15,897,241.46
<b>Deferred Tax asset Credit to PL</b>			<b>5,181,084.68</b>

**FY 2075-76**

<b>Particulars</b>	<b>Carrying Amount</b>	<b>Tax Base</b>	<b>Temporary Diff</b>
Property, Plant & Equipment and IP	6,746,821.64	6,651,073.71	(95,747.93)
Taxable Carry Forward Losses	63,684,713.76	-	63,684,713.76
Leave Payable (Provision for Expenses to be claimed on actual basis)	-	-	-
<b>Total Temporary Difference</b>			<b>63,588,965.83</b>
Tax Rate		25.00%	15,897,241.46
Opening Deferred Tax Assets/(Liability)			3,989.21
<b>Deferred Tax asset required to be recognised</b>			<b>15,893,252.25</b>
Recognised as per Old NAS			(797.84)
<b>Deferred Tax asset Credit to Reserve &amp; Surplus</b>			<b>15,894,050.09</b>

**City Hotel Limited**  
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**8. Other Assets**

**8.1 Financial Instruments : Financial asset:**

Financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
  - (i) to receive cash or another financial asset from another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

- a) Financial assets held at fair value through profit or loss;
- b) Loans and receivables;
- c) Held to maturity;
- d) and Available - for - Sale.

Management determines the classification of its financial assets and liabilities at initial recognition or, where applicable, at the time of reclassification.

Financial assets of the company comprises of advances and cash & cash equivalents. These instruments are mostly non-interest bearing and where interest component is present the implicit interest rate approximates effective interest rate. These instruments are expected to be settled or recovered within a year. Therefore, it is assumed that the carrying amount represents the amortized cost of the assets.

**Impairment of Financial Assets**

The carrying amounts of the Company's financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Statement of Profit or Loss.

**8.2 Non Current Non Financial Advances**

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Advance to Vendors & Contractors	58,129,615.42	85,619,488.55
Advances-LC's and TT's	20,790,514.65	47,639,006.97
LC/ TT Margin	13,458,552.40	-
<b>Total</b>	<b>92,378,682.47</b>	<b>133,258,495.52</b>

**Advance to Vendors & Contractors**

Advance provided to Vendors/Contractors against works relating to Capital Nature are classified under this group.

**Advances - LC's and TT's**

Advance against LC's and TT's provided for works relating to Capital Nature are classified under this group.

**8.3. Prepayments**

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Prepaid Expenses	265,521.99	880,741.12
<b>Total</b>	<b>265,521.99</b>	<b>880,741.12</b>

**City Hotel Limited**  
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**8.4. Current Non Financial Other Assets**

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Advance Income Tax	528,796.40	73,573.88
Deposits	172,000.00	166,000.00
Mobilization Advance	-	2,957,839.30
VAT Receivable	284,284,247.90	236,132,531.14
Other Receivable	32,453.91	360,000.00
<b>Total</b>	<b>285,017,498.21</b>	<b>239,689,944.32</b>

**Advance Income Tax**

The advance income tax represents the Installment tax paid and Tax deducted at source by parties & Banks which will be adjustable against Income Tax Liabilities.

**VAT Receivable**

VAT Receivable is the Input VAT credit paid on the purchase of goods/services. VAT is eligible for refund after 4 months of hotel coming into operation.

**8.5. Current Financial Other Assets**

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Staff Advances	-	151,664.91
<b>Total</b>	<b>-</b>	<b>151,664.91</b>

## City Hotel Limited

### Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2078 ( July 15, 2021)

#### 9. Inventories

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Materials at Site	2,422,773.41	4,384,693.81
<b>Total</b>	<b>2,422,773.41</b>	<b>4,384,693.81</b>

Inventories are valued at lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the necessary estimated expenses. The cost of obsolescence and other anticipated losses are also considered for determining the net realizable values.

In determining the cost of materials First in First out (FIFO) method is used.

#### 10. Cash and Bank Equivalents

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Cash in hand (As certified by the Management)	329,863.55	442,132.80
<b>Balances with Banks</b>		
Siddhartha Bank Limited (001-06463620)	81,765.59	-
RBB Current Account	6,443.61	210,145.12
Global IME Bank Ltd-7501010001443	326,394.11	
Global IME Bank Ltd-7501010000295	40,041.25	1,000.00
Nepal SBI Bank Ltd (22525240200199)	17,809.56	17,809.56
<b>Total</b>	<b>802,317.67</b>	<b>671,087.48</b>

Cash and cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statements, cash and cash equivalents consist of cash in hand, balance in banks & Fixed Deposit maturing within 3 Months from the Balance Sheet date.

Cash at Global IME Bank Ltd-7501010000295 earns interest at floating rates based on daily balances.

The company does not have any Foreign Currency Bank Account.

The above balances are also considered as the cash & cash equivalents for Statement of Cash Flow purposes.



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**11. Share Capital**

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
<b>Authorised:</b>		
11,200,000 equity shares of 100 eac	1,120,000,000.00	1,120,000,000.00
<b>Issued &amp; Subscribed</b>		
11,200,000 equity shares of 100 each	1,120,000,000.00	1,120,000,000.00
<b>Paid up</b>		
9,379,900 equity shares of 100 each	937,990,000.00	937,990,000.00
<b>Total</b>	<b>937,990,000.00</b>	<b>937,990,000.00</b>

Financial Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's equity shares are classified as equity instruments.

**The shareholding pattern of the company is as follows:**

Shareholder Name	Amount	%
Kumud Golyan	336,250,000.00	35.85%
Surabhi Golyan	271,480,000.00	28.94%
Shakti Kumar Golyan	206,130,000.00	21.98%
Basu Dev Golyan	100,640,000.00	10.73%
Kamlesh Kumar Aggrawal	20,000,000.00	2.13%
Pawan Kumar Golyan	3,480,000.00	0.37%
Harish Chand Subedi	10,000.00	0.00%
<b>Total</b>	<b>937,990,000.00</b>	<b>100.00%</b>

**12. Share Application Money**

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Share Application Money	548,917,879.32	547,559,486.03
<b>Total</b>	<b>548,917,879.32</b>	<b>547,559,486.03</b>

The company has received Share application money from its shareholder, which will be converted into equity and hence considered as equity instruments..

**13. Reserves and Surplus**

Particulars	As on	
	July 15, 2021	July 15, 2020
<b>A. Statement of Profit or Loss</b>		
Upto Last Year	(104,556,739.26)	(83,188,087.02)
Add: For the Year	(34,055,906.40)	(21,368,652.24)
Changes due to Adoption of NFRS	-	-
Sub Total	<b>(138,612,645.66)</b>	<b>(104,556,739.26)</b>
<b>B. Revaluation Reserve:</b>		
Upto Last Year	-	-
Add: For the Year	366,922,111.27	-
Sub Total	<b>366,922,111.27</b>	-
<b>Total</b>	<b>228,309,465.61</b>	<b>(104,556,739.26)</b>

**13.1** Refer to Point No. 3.4 & 3.4.1 of Explanatory Notes regarding Reconciliation of retained Earning as on the date of Transition & as on Opening Date of First NFRS Financial Statement.

**13.2 Revaluation of Land under PPE:**

Land under Property, Plant & Equipment has been revalued at its Fair Market Value based on the valuation report of Sustainable Infrastructre Development Engineering Consultancy Pvt. Ltd. Revluation Gain has been presented under Revaluation Reservece.

**City Hotel Limited**  
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**Financial Liabilities**

**14. Long Term Borrowings**

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
<b>Secured loan</b>		
Bridge Gap Loan (14.1)	317,092,959.53	203,244,298.22
Term Loan (14.2)	2,436,943,254.94	1,937,131,626.45
<b>Total</b>	<b>2,754,036,214.47</b>	<b>2,140,375,924.67</b>

**Financial Instruments- Financial liabilities**

**A financial liability is any liability that is:**

(a) contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is:

(i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

The company classifies financial liabilities as Fair Value through Profit or Loss and those Held at Amortized Cost. All financial liabilities held by the company are classified as financial liabilities held at amortized cost using effective interest rate.

Financial liabilities held by the company are both interest bearing and non-interest bearing.

For interest bearing financial liabilities which comprises of the bank loans, interest charged by the bank approximates effective interest rate and the rate is considered for calculation of amortized cost of liability and the finance cost. The effect of initial charges and its impact on effective interest rate is considered not material and the carrying value is considered to approximate the amortized cost.

**Risks associated with Financial Instrument- Financial Liabilities**

The company has a risk management framework to monitor, access, mitigate and manage risk. The risk management framework is given in Note 32.

**14.1. Bridge Gap Loan**

Particulars	Amount in NRs	
	As on July 15, 2021	As on July 15, 2020
Bridge Gap Loan-Global IME Bank	76,595,161.14	33,624,298.22
Bridge Gap Loan -Import GIBL	46,997,798.39	169,620,000.00
Bridge Gap Loan- Sanima Bank	193,500,000.00	-
<b>Total</b>	<b>317,092,959.53</b>	<b>203,244,298.22</b>

**14.2 Term Loan**

Particulars	Amount in NRs	
	As on July 15, 2021	As on July 15, 2020
Mid Term Loan -Global IME Bank A266010000453	59,515,860.26	55,447,533.75
Mid Term Loan -Nepal SBI Bank	32,867,346.59	30,855,678.03
Mid Term Loan - RBB	13,257,974.64	9,320,000.00
Mid Term Loan -Sanima Bank Ltd	69,665,328.15	30,638,007.89
Mid-Term Loan -Siddhartha Bank Ltd	13,990,738.20	13,990,738.20
Term Loan- Global IME Bank A266010000189	804,019,791.65	712,269,126.23
Term Loan - Nepal SBI Bank	433,813,395.18	406,276,490.72
Term Loan-RBB	83,331,313.48	80,225,144.09
Term Loan - Sanima Bank	417,598,652.62	406,320,752.62
Term Loan - Nepal Bank Ltd	303,924,829.70	-
Term Loan - Siddhartha Bank	204,958,024.47	191,788,154.92
<b>Total</b>	<b>2,436,943,254.94</b>	<b>1,937,131,626.45</b>

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**14.3** As per Supplementary Syndicated Loan Agreement - IV between the company and Global Ime Bank (As Lead Bank) and Participating banks of total NPR 3,302,113,000 dated June 20, 2021, all the credit facilities have been secured against the followings:

First legal charge by way of registered mortgage over the entire fixed assets, present and future, created with or without financing of the Consortium Banks owned by the Borrower on pari-passu basis.

First legal charge by way of charge over the entire current assets, present and future, created with or without financing of the Consortium Banks owned by the Borrower on pari-passu basis up to the loan amount.

Pledge of entire shares issued and any future shares issued of the Borrower's Director/Shareholders to the consortium member banks on pari-passu basis.

Personal Guarantees of Mr. Shakti Kumar Golyan, Mr. Basudev Golyan, Ms. Kumud Golyan and Mr. Pawan Kumar Golyan each covering entire consortium loan amount.

**15. Other Non Current Liabilities**

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Interest Payable	86,579,998.96	48,687,709.52
Retention Money Payable	40,580,721.08	37,135,781.32
<b>Total</b>	<b>127,160,720.04</b>	<b>85,823,490.84</b>

**15.1** As per the minutes of 18th consortium meeting, the bank has deferred the payment of interest for the quarter ending of Chaitra 2077 & Ashad 2077 upto Kartik end 2080 and Mangsir end 2080 respectively. Further interest for the FY 2078-79 is also deferred for two years.

**16. Trade Payables**

Particulars	Schedule 3 Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Sundry Creditors	53,568,228.88	38,452,620.43
LC /TT Payables	48,343,166.69	-
<b>Total</b>	<b>101,911,395.57</b>	<b>38,452,620.43</b>

**Trade & Other Payables:**

The trade payables are non interest bearing.

The Payables that are to be settled within a year is classified as current liabilities.

**17. Other Financial Liabilities**

Particulars	Schedule 3 Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Audit Fee Payable	123,125.00	123,125.00
Retirement Benefits Payable	667,524.92	1,880,473.28
Staff Payable	2,622,877.08	2,078,035.98
VAT Payable under RCM	13,871,865.39	21,807,527.91
Withholding Taxes	5,145,286.37	10,813,067.03
Expense Payable	70,829.05	186,603.58
<b>Total</b>	<b>22,501,507.81</b>	<b>36,888,832.78</b>

Provisions are recognized when the company has a present obligation, legal or constructive, as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of obligation. If these conditions are not met, no provision is recognized.

The amount of provision recognized is the management's best estimate of expenditure required to settle the present obligation at the reporting date.

**Changes in provision:**

Management reviews provisions at each reporting date and is adjusted to reflect the best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

**17.1 Withholding Taxes:**

Withholding taxes includes tax deducted at source by the company on various payments as required under Income Tax Act and which are payable within next month of deduction.

**17.2 Retirement Benefits Payable**

Retirement benefits payable includes the monthly contribution in Social Security Fund on behalf of both employer and employee

## City Hotel Limited

### Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2078 ( July 15, 2021)

#### 18. Other Operating Income

Particulars	Amounts in NRs	
	For the year ended July 15, 2021	For the year ended July 15, 2020
Rental Income	4,128,000.00	360,000.00
Interest Income	42,816.90	-
Other Income	29,947.24	39,667.09
Insurance Claim	-	-
<b>Total</b>	<b>4,200,764.14</b>	<b>399,667.09</b>

Rental Income includes income from lease of Investment property.

Interest income includes interest earned on call deposits

Other Income includes miscellaneous discounts etc.

#### 19. Employee Benefits

##### Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recorded as expense as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus, if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### Post Employment Benefits

##### Social Security Fund

Contributions for social security fund are deposited monthly to the Employee's account at Social Security Fund. The social Security fund is in the nature of Defined Contribution Plan whereby there are no further obligations of the Company except the monthly contributions made to the Fund. Contributions made to the Fund are recognised as expense on accrual basis.

Total contribution under SSF is 31% of the basic salary as per the prevailing Labor laws. Out of the total contribution 20% is contribution from the company and 11% is the contribution of employees.

##### Leave Encashment

The employees of the company are entitled to compensated absences. The employees can carry forward a portion of the unutilised accumulating compensated absences and utilise it in future periods or receive cash at the end of the financial year or at retirement or termination of employment. The company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The company measures the expected cost of compensated absences as the additional amount that the company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The company recognises accumulated compensated absences based on accrual basis. Non-accumulating compensated absences are recognised in the period in which the absences occur.

#### 19.1 Employee Cost

Particulars	Amounts in NRs	
	As on July 15, 2021	As on July 15, 2020
Salary Cost	16,545,691.99	21,100,607.76
Defined Contribution Plan Cost	680,887.99	785,713.76
<b>Total</b>	<b>17,226,579.98</b>	<b>21,886,321.52</b>

**City Hotel Limited**  
**Significant Accounting Policies and Explanatory Notes**  
**For the Year ended Ashad 31, 2078 ( July 15, 2021)**

**20. Administrative & Operating Expenses**

Particulars	Amounts in NRs	
	For the year ended July 15, 2021	For the year ended July 15, 2020
Rates & Taxes	581,510.02	1,337,687.25
AMC Expense	50,000.00	52,500.00
Audit Fee	125,000.00	125,000.00
Audit Expenses	-	-
Bank Charge	161,227.00	198,636.97
Credit Rating Expenses	207,400.00	334,600.00
Computer & Printer Expenses	-	19,980.97
Corporate Social Expenses	80,000.00	150,000.00
Donation	-	-
Electricity	-	60,834.00
Foreign Exchange Gain Or Loss	81,354.31	22,089.03
Fuel Expenses(Office)	-	2,492.00
Hospitality Expenses	10,390.00	6,208.00
Insurance	44,506.42	1,580.63
Internet & Email	10,961.88	183,009.94
Legal and Professional Fee	-	-
Office Expenses	689,848.19	101,991.38
Office Rent	-	284,850.00
Parking Charge	-	520.00
Printing & Stationery	150.00	2,665.00
Puja Expenses	33,000.00	46,429.00
Recruitment Expenses	-	35,000.00
Renewal & Registration	130,850.00	162,795.00
Repair & Maintenance	-	6,782.21
Repair - Vehicle	13,734.55	-
Staff Welfare	-	-
Sundry Balance Written Off	-	-
Telephone & Mobile	105,721.21	123,146.98
Tour & Travelling	49,000.00	93,080.00
Utilities Expenses	-	395.00
Vehicle Running	252,224.66	141,372.63
Advertisement Expenses	-	125,331.88
Pre Opening Expenses	811,905.98	-
<b>Total</b>	<b>3,438,784.22</b>	<b>3,618,977.87</b>

**20.1 Foreign Currency Translation:**

**Initial Recognition:**

Transactions in foreign currency are recorded at the original rates of exchange in force at the time transactions are effected.

**Conversion:**

Foreign currency denominated assets and liabilities are Monetary items are translated into rupees at the exchange rates prevailing at the balance sheet date. Non-Monetary items such as fixed assets are carried at their historical rupee values.

Gains/losses arising on the settlement of foreign currency transactions or restatement of foreign currency denominated assets and liabilities (monetary Items) are recognized in the Statement of Profit or Loss.

**21 Finance Cost**

Finance costs comprises of interest on Term Loan which has been proportionately used for construction of Investment property. Interest bearing borrowings are recognised initially at cost, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using effective interest method.

Particulars	Amounts in NRs	
	For the year ended July 15, 2021	For the year ended July 15, 2020
Interest of Term Loan	10,433,888.75	-
<b>Total</b>	<b>10,433,888.75</b>	<b>-</b>

## City Hotel Limited

### Significant Accounting Policies and Explanatory Notes

For the Year ended Ashad 31, 2078 ( July 15, 2021)

#### 22. Earnings Per Share

Particulars	For the year ended July 15, 2021	For the year ended July 15, 2020
<b>Numerator</b>		
Profit/(Loss) for the year	(34,055,906)	(21,368,652)
<b>Denominator (Weighted Avg No. of Shares)</b>		
Basic	9,379,900	8,185,475
Diluted	9,379,900	8,185,475
<b>Earning Per Share (in NRs) (Face Value Rs 100/- each)</b>		
Basic	(3.63)	(2.61)
Diluted	(3.63)	(2.61)

#### Earning Per Share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all diluted potential equity shares.

#### 23. Contingent Liabilities & Capital Commitment

##### 23.1 Contingent Liabilities

Contingent liabilities are potential future cash out flows, where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

23.1.1 Bank Guarantee has been provided to the Department of Customs for obtaining EXIM Code. As at the reporting date the guarantee amount is NPR 300,000

##### 23.2 Commitment

A commitment is a contractual obligation to make a payment in the future, mainly in relation to leases and agreements to buy assets. These amounts are not recorded in the statement of financial position since the company has not yet received the goods or services from the supplier. The amounts below are the minimum amounts that we are committed to pay.

At end of financial year 2077/78, the Company had Letter of Credit commitments of Rs. 66,371,869/- relating to various imports against which margin money of Rs. 9,523,106/- has been deposited at banks.

## City Hotel Limited

### Significant Accounting Policies and Explanatory Notes

For the Year ended Ashad 31, 2078 ( July 15, 2021)

#### 24. Related Party Transactions

##### 24.1 Relationship

The company identified related parties on the following lines

- 1 Shareholders having shareholding of 5% or more during the year.
- 2 Companies represented by the Directors.
- 3 Directors and their relatives
- 4 Key management personnel and their relatives

##### 24.2 Transactions with Directors & Key Management Personnel

During the year neither any directors nor any key management personnel nor any associate or family member (relative) of the directors and key management personnel was indebted to the company.

There have no material transactions or proposed transactions with directors and key management personnel or their relatives and associates except for the share application money received as per the act and regulations.

##### 24.3 Other Related Party Transaction and Balances

Related Party Transaction	FY 2077-78
<b>Revenue From Related Parties:</b>	
Rental Income from Westar Galaxy Trading Pvt. Ltd.	4,128,000.00
<b>Purchase from Related Parties:</b>	
Consultancy Fee paid to Westar Galaxy Trading Pvt Ltd	8,960,000.00
<b>Amount Receivable from Related Parties:</b>	
Westar Galaxy Trading Pvt. Ltd.	1,256,600.00

## **City Hotel Limited**

### **Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2078 ( July 15, 2021)**

#### **25. Financial risk management objectives and policies**

The Company's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's Capital commitments and construction of the hotel project. The company has not started the operations as on the Financial Statement date, hence the company do not have the financial assets except bank balances.

The Company is exposed to market risk, credit risk and liquidity risk.

The Company's senior management oversees the management of these risks.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

#### **25.1 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings

##### **25.1.1 Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings.

The Company manages its interest rate risk by negotiating with highly reputed commercial banks.

##### **25.1.2 Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's import and payments in foreign currency for the project (when revenue or expense is denominated in a different currency from the Company's functional currency).

The Company manages its foreign currency risk by not holding the payables in foreign currencies for shorter duration.

##### **25.1.3 Commodity price risk**

The Company is affected by the volatility of certain commodities. Construction activities require the of materials domestically and abroad.

The Company manages this risk by purchasing materials and supplies from the supplier identified by the group and the Company has long term relation with the supplier.

#### **25.2 Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is currently less exposed to credit risk from its operating activities .

#### **25.3 Liquidity risk**

The Company monitors its risk to a shortage of funds on a regular basis through fund forecast.

The Company's objective is to maintain a balance between continuity of funding through equity and flexibility through use of bank loans. Access to sources of funding is sufficient.

#### **26. Impact of COVID 19 on financial statements:**

The Government of Nepal had announced complete lockdown from April 29, 2021 (F/Y 2077/78) onwards to control the spread of COVID-19 pandemic in the kathmandu. The management has assessed the effect of lockdown and is of the view that the lockdown has impacted the construction activities and due to which the commercial operations date of the hotel have been pushed further.



## **City Hotel Limited**

### **Significant Accounting Policies and Explanatory Notes**

#### **For the Year ended Ashad 31, 2078 ( July 15, 2021)**

The spread of COVID-19 pandemic has severe impact on global economies including Nepal where businesses were being forced to cease or limit operations resulting in an economic slowdown. Although, the Government has responded with monetary and fiscal interventions to stabilize the economic conditions, there is not much relief available to the Company as on date of issue of these financial statements. Further, the company has assessed its ability to continue as a going concern and reached to conclusion that there is no significant risk of going concern in near future in view of company's sound financial health.

**City Hotel Limited**  
Schedules forming part of Financial Statements

Fixed Assets

Schedule 4

Amounts in NRs

Particulars	Dep Rate	Gross Block				Depreciation			Net Block		
		As on July 15, 2020	Additions	Revaluation	Transfer to Investment Propoerty	As on July 15, 2021	As on July 15, 2020	For the Year	As on July 15, 2021	As on July 15, 2021	As on July 15, 2020
Land & Land Development		268,876,616.76			-	268,876,616.76	-	-	-	268,876,616.76	268,876,616.76
<b>Block B</b> Furnitures & Office Equipments	25%	7,706,926.72	33,306.81		-	7,740,233.53	3,393,520.93	980,504.07	4,374,025.00	3,366,208.53	4,313,405.79
<b>Block C</b> Vehicles	20%	3,073,194.68	3,219,690.26		-	6,292,884.94	2,381,949.36	350,340.97	2,732,290.33	3,560,594.61	691,245.32
<b>Block D</b> Machinery, Equipment & Other Assets	15%	5,542,523.17	45,832.74		-	5,588,355.91	2,645,334.00	575,490.06	3,220,824.06	2,367,531.85	2,897,189.17
<b>Block E</b> Softwares	5 Years	110,375.00	-		-	110,375.00	61,750.34	13,600.00	75,350.34	35,024.66	48,624.66
<b>Sub Total</b>		<b>285,309,636.33</b>	<b>3,298,829.81</b>		<b>-</b>	<b>288,608,466.14</b>	<b>8,482,554.63</b>	<b>1,919,935.10</b>	<b>10,402,489.73</b>	<b>278,205,976.41</b>	<b>276,827,081.70</b>
<b>Capital Work in Progress</b>											
Building in Progress		1,128,617,314.16	57,557,675.73		140,414,870.95	1,045,760,118.94	-	-	-	1,045,760,118.94	1,128,617,314.16
Design & Consultancy		110,499,683.82	22,125,802.20		3,582,090.00	129,043,396.02	-	-	-	129,043,396.02	110,499,683.82
Electrical & Equipments		149,062,248.26	66,429,706.52		2,471,564.73	213,020,390.05	-	-	-	213,020,390.05	149,062,248.26
Financial Expenses		770,215,808.57	176,047,583.87		125,174,412.06	821,088,980.38	-	-	-	821,088,980.38	770,215,808.57
Furniture, Interior & Office Equipment		454,286,832.75	179,371,080.63		20,504,724.82	613,153,188.56	-	-	-	613,153,188.56	454,286,832.75
Machinery & Equipment Work in Progress		392,909,692.93	113,352,611.87		16,553,655.86	489,708,648.94	-	-	-	489,708,648.94	392,909,692.93
IT Equipment		-	54,151,267.18		-	54,151,267.18	-	-	-	54,151,267.18	-
<b>Sub Total</b>		<b>3,005,591,580.49</b>	<b>669,035,728.00</b>		<b>308,701,318.42</b>	<b>3,365,925,990.07</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,365,925,990.07</b>	<b>3,005,591,580.49</b>
<b>Total July 15, 2021</b>		<b>3,290,901,216.82</b>	<b>672,334,557.81</b>		<b>308,701,318.42</b>	<b>3,654,534,456.21</b>	<b>8,482,554.63</b>	<b>1,919,935.10</b>	<b>10,402,489.73</b>	<b>3,644,131,966.48</b>	<b>3,282,418,662.19</b>
<b>Total July 15, 2020</b>		<b>3,288,253,468.90</b>	<b>2,647,747.92</b>		<b>-</b>	<b>3,290,901,216.82</b>	<b>7,146,963.41</b>	<b>1,701,413.82</b>	<b>8,848,377.23</b>	<b>3,282,052,839.59</b>	<b>3,281,106,505.49</b>