

**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF
CITY HOTEL LIMITED**

Opinion

We have audited the Financial Statements of **City Hotel Limited** (hereinafter referred to as “the Company”), which comprise Statement of Financial Position as on Ashad 31st, 2080 (July 16th, 2023), 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 other explanatory Notes and information.

In our opinion and to the best of our information and according to the explanation given to us, the aforesaid financial statement, read together with significant accounting policies and notes forming part of the financial statement give the information required by the provisions of Nepal Companies Act, 2006, as amended (“the Act”) in the manner so required, give a true and fair view in conformity with the Nepal Financial Reporting Standards (NFRS), of the state of affairs of the company as on Ashad 31st, 2080 (July 16th, 2023), its profit or loss, changes in equity and cash flows for the year ended on that date.

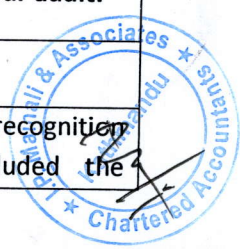
Basis for Opinion

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	Revenue Recognition: (Refer Note 21 of the financial statements)	
	We identified recognition of revenue as key audit matter because revenue is one of key	Our audit procedures to access the recognition of revenue, amongst others, included the



S.N.	Details of key Audit Matters	How the matters were addressed in our audit.
	<p>performance indicator of the Company and recorded in complex IT system and environment, likewise revenue also includes high number of individual and low value transaction therefore gives rise to a risk that revenue is recognized when the significant risk and rewards of ownership of the goods have transferred to the buyer, with the Company retaining neither continuing managerial involvement to the degree usually associated with the ownership, nor effective control over the goods sold.</p> <p>Revenue is measured at the fair value of the consideration received or receivable net of trade discounts. Revenue includes all revenue from ordinary activities of the company that are recorded net of Value Added Taxes collected from the customer that are remitted or are to be remitted to the government authorities.</p>	<p>following:</p> <ul style="list-style-type: none"> • Assessed the appropriateness of company's accounting policies in line with NFRS 15 (Revenue) for recording of sales and compliance of those policies with applicable accounting standards, further testing the accounting of revenue in books of accounts thereof. • Evaluated the integrity of the Company's general information and technology control environment and tested the operating effectiveness of IT application controls over revenue recognition, the detailed process flow of sales, segregation of duties for the process followed, automated steps and manually intervened processes. • Performed detailed analysis of Revenue, analytical testing with sales information filed with tax authorities, testing the timing of its recognition and accuracy of the amounts recognized and verification of the supporting information of the Revenue transactions. • Tested a sample of sales transactions recorded during the year with sales invoices, sales contracts and other relevant underlying documents including performing cut-off date sales transactions to ensure correct booking of revenue in concerned period. • Assessing the adequacy of disclosures in the financial statements.
2	Property, Plant and Equipment: (Refer Note 4 of the financial statements)	
	<p>There are areas where management judgement impacts the carrying value of Property, plant and equipment and their depreciation or amortization rates. These include the decision to capitalize or expense the costs, the annual capitalization of assets and the use of management assumption and estimates for the determination of the measurement and recognition criteria for assets retired from active use. Due to the</p>	<p>We assessed the controls in place over the Property, Plant and Equipment, evaluated the appropriateness of capitalization process, performed tests on costs capitalized, the timeliness of the capitalization of the assets and the derecognition criteria for assets retired from active use in performing these procedures, we reviewed the judgments made by the management including the nature of underlying costs capitalized, impairment, determination of</p>

S.N.	Details of key Audit Matters	How the matters were addressed in our audit.
	materiality in the context of the balance sheet of the company and the level of judgement and estimates required, we consider this to be a Key Audit Matter.	realizable value of the assets retired from the active use, the appropriateness of useful life of assets. We have observed that the management has regularly reviewed the aforesaid judgments and there are no material misstatement of impairment and capitalization of assets.

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

The company's Management and Board of Directors are responsible for preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS), The responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the management and Board of Directors are 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 responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner and achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonable be considered to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe those matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be to outweigh the public interest benefits of such communication.

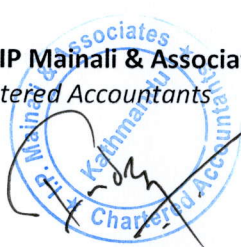


Report on Other Legal and Regulatory Requirements

On the basis of our examination, we further report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, the Statement of Financial Position, Statement of Profit or Loss, Statement of Cash Flows and Statement of Changes in Equity attached thereto, for the year then ended and notes to the financial statements, including a summary of significant Accounting Policies and other Explanatory Notes and information dealt with by this report are in compliance with the provisions of the Companies Act, 2063 and are in agreement with the books of account maintained by the company.
- iii. In our opinion, Proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books;
- iv. To the best of our information and according to the explanations given to us and from our examination of the books of accounts of the Company necessary for the purposes of audit, we have not come across cases where the management group or any employees of the Company have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused loss or damage to the company; and
- v. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the books of accounts.

For: IP Mainali & Associates
Chartered Accountants



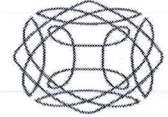
CA Indra Prasad Mainali
Proprietor
COP No.: 978
UDIN - 231213CA01440ovVFi

Date: 26-11-2023 (2080-08-10)
Place: Kathmandu

City Hotel Limited

Statement of Financial Position

For the year ended on Ashad 31, 2080 (July 16, 2023)



CITY HOTEL

Particulars	Notes	As on July 16, 2023	As on July 16, 2022
Assets			
Non Current Assets			
Property, Plant and Equipments	4	4,634,893,851.55	4,682,211,482.16
Intangible Assets	5	37,542,713.09	37,106,980.77
Investment Property	6	368,026,642.57	329,146,124.35
Deferred Tax Assets	7	103,551,498.23	33,869,924.74
Other Assets	8.1	27,368,704.68	37,664,097.68
Total Non Current Assets		5,171,383,410.12	5,119,998,609.70
Current Assets			
Inventories	9	6,267,839.13	5,438,553.50
Cash and Cash Equivalents	10	14,731,534.78	70,425,191.06
Trade Receivables	11	23,133,068.69	21,743,326.76
Prepayments	8.2	3,707,060.01	1,725,748.23
Other Assets	8.3	237,805,785.11	283,864,261.12
Total Current Assets		285,645,287.72	383,197,080.67
Total Assets		5,457,028,697.84	5,503,195,690.37
Equity & Liabilities			
Equity			
Share Capital	12	1,674,000,000.00	1,506,600,000.00
Share Application Money	13	-	-
Other Equity	14	59,474,552.36	284,049,871.54
Total Equity		1,733,474,552.36	1,790,649,871.54
Non Current Liabilities			
Long Term Borrowings	15	3,129,148,566.46	3,120,852,038.37
Lease Liabilities	16.1	47,675,233.69	45,025,669.52
Other Liabilities	17	20,994,545.16	414,137,230.30
Total Non Current Liabilities		3,197,818,345.31	3,580,014,938.19
Current Liabilities:			
Financial:			
Trade Payables	18	76,719,138.09	94,403,334.84
Short Term Borrowings	19	59,664,288.94	18,243,580.00
Lease Liabilities	16.2	3,202,228.78	7,904,407.67
Other Liabilities	20	386,150,144.37	11,979,558.13
Provisions		-	-
Total Current Liabilities		525,735,800.17	132,530,880.64
Total Equity and Liabilities		5,457,028,697.84	5,503,195,690.37

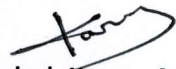
Note 1 to 34 form an integral part of this statement



Shakti Kumar Golyan
Chairperson


Akshay Golyan
Executive Director

As per Our Report of even date


CA Indra Prasad Mainali
Proprietor
IP Mainali & Associates
Chartered Accountants


Kamlesh Kumar Agrawal
Director


Ishwar Bandhu Regmi
Chief Finance Officer

Place : Kathmandu
Date : 08-11-2023

City Hotel Limited
Statement of Profit or Loss
For the year ended on Ashad 31, 2080 (July 16, 2023)




CITY HOTEL

Particulars	Notes	For the year ended July 16, 2023	For the year ended July 16, 2022
Income:			
Revenue from Operations	21	473,151,155.23	189,164,541.27
Miscellaneous Income	22	36,582,973.16	5,566,333.81
Total Revenue		509,734,128.39	194,730,875.08
Expenditure:			
Cost of Goods Sold	23	128,788,922.89	62,837,463.35
Employee Cost	24.3	87,589,187.07	52,442,513.83
Brand Operator Fees	25	16,815,818.66	4,690,272.82
Administrative & Operating Expenses	26	127,219,469.33	42,849,535.00
IPO Issue expenses	27	6,685,115.80	470,750.00
Total Expenditure		367,098,513.75	163,290,534.99
Profit/(Loss) before Interest and Depreciation for the year		142,635,614.65	31,440,340.08
Finance Cost	28	353,420,611.28	47,699,803.50
Depreciation & Amortization	4,5,6	131,117,032.04	37,898,284.39
Profit/(Loss) before tax for the year		(341,902,028.68)	(54,157,747.80)
Less:			
Current Tax		-	-
Deferred Tax		(69,681,573.49)	(9,474,771.33)
Net Profit after tax		(272,220,455.19)	(44,682,976.47)

Note 1 to 34 form an integral part of this statement


Shakti Kumar Golyan
Chairperson


Akshay Golyan
Executive Director

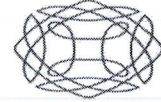
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CA Indra Prasad Mainali
Proprietor
IP Mainali & Associates
Chartered Accountants


Kamlesh Kumar Agrawal
Director


Ishwar Bandhu Regmi
Chief Finance Officer

Place : Kathmandu
Date : 08-11-2023

City Hotel Limited
Statement of Cash Flows
For the year ended on Ashad 31, 2080 (July 16, 2023)



CITY HOTEL

Amounts in NRs

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
A Cash Flow from Operating Activities:		
Profit/(Loss) before Income-tax and extraordinary items:	(341,902,028.68)	(54,157,747.80)
Adjustments For:		
Prior Year Taxes	(4,164,335.46)	-
Gain on Sale of Fixed Assets	(7,246,238.21)	-
Depreciation & Amortization	131,117,032.04	37,898,284.39
Operating Profit/(Loss) before Working Capital Changes	(222,195,570.31)	(16,259,463.41)
Changes in Working Capital		
(Increase)/Decrease in Inventories	(829,285.63)	(3,015,780.09)
(Increase)/Decrease Prepayments	(1,981,311.78)	(1,460,226.24)
(Increase)/ Decrease in Trade Receivables	(1,389,741.93)	(21,743,326.76)
(Increase)/Decrease Other Current Assets	46,058,476.01	1,153,237.09
Increase/(Decrease) in Current Liabilities	393,204,919.53	8,117,977.26
Cash Generated from Operations	212,867,485.89	(33,207,582.15)
Tax Payments	-	-
Net Cash Flow From Operating Activities	212,867,485.89	(33,207,582.15)
B Cash Flow from Investing Activities :		
Purchase of PPE, Intangible Assets & Investment Property	(72,134,942.29)	(670,394,253.61)
Sales of PPE	8,075,000.00	-
Net Cash Flow from Investing Activities	(64,059,942.29)	(670,394,253.61)
C Cash Flow from Financing Activities :		
Increase/(decrease) in Medium and long term loan	8,296,528.09	366,815,823.90
(Increase)/Decrease in Other Assets - Non Current	10,295,393.00	54,714,584.79
Increase/(decrease) in Non Current Liabilities	(390,493,120.97)	332,002,179.78
Issue of Share Capital/Share Application Money	167,400,000.00	19,692,120.68
Net Cash Flow From Financing Activities	(204,501,199.88)	773,224,709.15
Net Increase in Cash & Cash equivalents	(55,693,656.28)	69,622,873.39
Opening Cash balance & Cash equivalents	70,425,191.06	802,317.67
Closing Cash & Cash Equivalents	14,731,534.78	70,425,191.06

Shakti Kumar Golyan
Chairperson

Kamlesh Kumar Agrawal
Director

Akshay Golyan
Executive Director

Ishwar Bandhu Regmi
Chief Finance Officer

As per Our Report of even date

CA Indra Prasad Marnali
Proprietor
IP Mainali & Associates
Chartered Accountants

Place : Kathmandu
Date : 08-11-2023

City Hotel Limited

Statement of Changes in Equity

For the year ended on Ashad 31, 2080 (July 16, 2023)



CITY HOTEL

Particulars	Amounts in NRS					Total
	Share Capital	Deferred Tax Assets	Revaluation Reserve	Retained Earning	FFNE & Replacement Reserve	
Balance as at Ashad 32, 2079	1,506,600,000.00	33,869,924.74	467,345,493.67	(220,673,882.73)	3,508,335.86	1,790,649,871.54
Change in accounting policy Prior Period Adjustment	-	-	-	-	-	-
Restated Balance	1,506,600,000.00	33,869,924.74	467,345,493.67	(4,164,335.46)	3,508,335.86	(4,164,335.46)
Net profit for the period	-	69,681,573.49	467,345,493.67	(224,838,218.19)	3,508,335.86	1,786,485,536.08
Revaluation For the year	-	-	51,809,471.47	(341,902,028.68)	-	(272,220,455.19)
Dividend	-	-	-	-	-	51,809,471.47
FF & E Replacement Reserve	-	-	-	(9,879,942.10)	9,879,942.10	-
FF & E Replacement Reserve	-	-	-	-	-	-
Purchase	-	-	-	-	-	-
Issue of Public Share	167,400,000.00	-	-	-	-	-
Capital/Application Money	-	-	-	-	-	-
Balance as at Ashad 31, 2080	1,674,000,000.00	103,551,498.23	519,154,965.14	(576,620,188.97)	13,388,277.96	1,733,474,552.36

As per Our Report of even date

CA Indra Prasad Mainali
Proprietored Accountants
IP Mainali & Associates
Chartered Accountants

Akshay Golyan
Executive Director

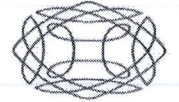
Ishwar Bandhu Regmi
Chief Finance Officer

Shakti Kumar Golyan
Chairperson

Kamlesh Kumar Agrawal
Director

Place : Kathmandu
Date : 08-11-2023

City Hotel Limited
Statement of Other Comprehensive Income
For the year ended on Ashad 31, 2080 (July 16, 2023)



CITY HOTEL

Particulars	For the year ended July 16, 2022	For the year ended July 15, 2021
Profit/(Loss) for the Year	(272,220,455.19)	(44,682,976.47)
Other Comprehensive Income		
Income that will not be reclassified to profit or loss		
Revaluation of Land	51,809,471.47	100,423,382.40
Items that are or may be reclassified subsequently to profit or loss	-	-
Total Other Comprehensive Income, net of tax	51,809,471.47	100,423,382.40
Total Comprehensive Income of the year	(220,410,983.72)	55,740,405.93


Shakti Kumar Golyan
Chairperson


Kamlesh Kumar Agrawal
Director

Place : Kathmandu
Date : 08-11-2023


Akshay Golyan
Executive Director


Ishwar Bandhu Regmi
Chief Finance Officer

As per Our Report of even date


CA Indra Prasad Mainali
Proprietor
IP Mainali & Associates
Chartered Accountants

City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2080 (July 16, 2023)

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 is operating Hotel Business in Management & Technical assistance from Hyatt International Technical Services, Inc.

The composition of Board of Directors is as follows:

Name	Position
Shakti Kumar Golyan	Chairman
Akshay Golyan	Director
Kumud Golyan	Director
Kamlesh Kumar Agrawal	Director
Harish Chandra Subedi	Director
Pradeep Raj Pandey	Independent Director

2 Basis of Preparation :

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss, Statement of Changes in Equity, Statement of Cash flows, Significant accounting policies and explanatory notes.

2.1 Statement of Compliance :

The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) as issued by the Accounting Standards Board Nepal (ASB) and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

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.

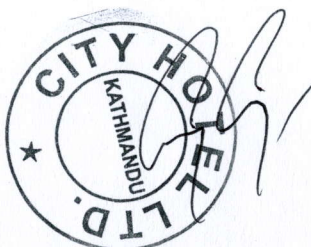
2.2 Basis of Measurement:

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:

- Inventories are measured at cost or net realizable value whichever is lower.
- Financial assets other than those measured at amortized cost, are measured at fair value.
- Land under Investment property is measured at cost.

2.3 Critical 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.



City Hotel Limited
Significant Accounting Policies and Explanatory Notes
For the Year ended Ashad 31, 2080 (July 16, 2023)

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.

2.4 Functional Currency:

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

2.5 Foreign Currency:

Transactions entered into by the company entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency" is Rs.) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss.

2.6 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.

2.7 Comparative Information:

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

2.8 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:

Particulars	Nepalese Calendar Date/Period	Gergorian Calendar Date/Period
SFP* Date	Ashad 31, 2080	July 16, 2023
Current Reporting Period	Shrawan 01, 2079 to Ashad 31, 2080	July 17, 2022 to July 16, 2023
Comparative SFP Date	Shrawan 01, 2078 to Ashad 32, 2079	July 16, 2021 to July 16, 2022

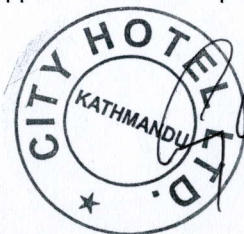
*Statement of Financial Position

2.9 Standalone financial statements:

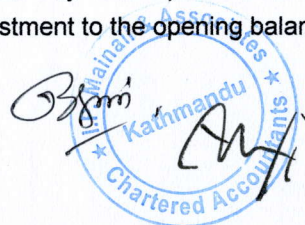
This financial statement is the standalone financial statement of the company.

2.10 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.



Handwritten signatures and initials.



City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2080 (July 16, 2023)

2.11 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.

2.12 Reporting 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.

2.13 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.

3 Significant 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.

3.1 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:

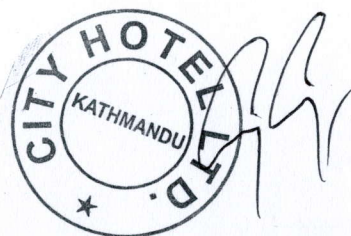
- i It is expected to be settled in normal operating cycle,
- ii It is held primarily for the purpose of trading,
- iii It is due to be settled within twelve months after the reporting period, or
- iv There is no unconditional right to defer the settlement of the liability for at least twelve months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

The Company classifies all other liabilities as non-current.

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

3.2 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.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2080 (July 16, 2023)

3.3 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.

A Recognition:

All financial assets are initially recognized on the date on which the company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

B Classification:

The financial assets are measured at amortized cost or fair value on the basis of the company's business model for managing the financial assets and contractual cash flow characteristics of the financial assets.

The two classes of financial assets are as follows:

i. Financial assets measured at amortized cost:

Financial assets are measured at amortized cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Financial assets measured at fair value:

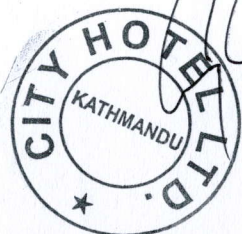
Financial assets other than those are measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

a) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognised in profit or loss as incurred. such assets are subsequently measured at fair value and changes in fair value are recognised in statement of profit or loss.

b) Financial assets at fair value through Other comprehensive Income (FVTOCI)

Investment in an equity instrument that is not held for trading and at the initial recognition, the company makes an irrevocable election that the subsequent changes in fair value of the instrument to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2080 (July 16, 2023)

C Measurement:

The financial assets are measured at amortized cost or fair value on the basis of the company's business model for managing the financial assets and contractual cash flow characteristics of the financial assets.

i. Initial Measurement:

A financial asset, other than those are measured at FVTPL, is measured initially at fair value plus any transaction cost. Transaction costs in relation to financial assets those are measured at FVTPL are charged to statement of profit or loss.

ii. Subsequent Measurement:

A financial asset, is subsequently measured at fair value or amortized cost based on the classification of the financial asset. Financial asset those are classified to be measured at amortized cost, are measured at amortized cost using Effective Interest Rate method.

The amortized cost of a financial asset is the amount at which financial asset is measured at initial recognition minus principal repayments, minus cumulative amortization using the Effective interest rate method of any difference between the initial amount and the maturity amount and minus any reduction for impairment or uncollectibility.

Financial asset classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at FVTPL are charged to statement of profit or loss whereas financial assets at FVTOCI are charged to other comprehensive income.

D Derecognition:

The company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

E Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk.



City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2080 (July 16, 2023)

When available, the company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price - i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variable include only data observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognised in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

All unquoted equity investments are recorded at cost.

F 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.

The company considers evidence of impairment for loans and advances and held to maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity instrument securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for an impairment that has been incurred but not yet identified.

Loans and advances held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the company uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly bench marked against actual outcomes to ensure that they remain appropriate.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2080 (July 16, 2023)

3.4 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.

A Recognition:

All financial assets are initially recognized on the date on which the company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

B Classification:

The company classifies its financial liabilities, other than financial guarantees and loan commitments, as follows:

i. Financial Liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognised in profit or loss as incurred. such assets are subsequently measured at fair value and changes in fair value are recognised in statement of profit or loss.

ii. Financial Liabilities measured at amortized cost:

All financial liabilities other than measured at fair value through profit or loss are classified subsequently measured at amortized cost using Effective interest rate method.

C Measurement:

i. Initial Measurement:

A financial liability, other than those are measured at FVTPL, is measured initially at fair value plus any transaction cost. Transaction costs in relation to financial assets those are measured at FVTPL are charged to statement of profit or loss.

ii. Subsequent Measurement:

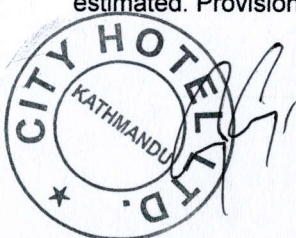
A financial liability, is subsequently measured at fair value or amortized cost based on the classification of the financial liability. Financial liability those are classified to be measured at amortized cost, are measured at amortized cost using Effective Interest Rate method.

The amortized cost of a liability asset is the amount at which financial liability is measured at initial recognition minus principal repayments, minus cumulative amortization using the Effective interest rate method of any difference between the initial amount and the maturity amount and minus any reduction for non-payment.

3.5 Provisions

The Company applies NAS 37 Provisions, Contingent Liabilities and Contingent Assets in accounting for non-financial liabilities.

Provisions are recognized for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated costs when an obligation exists.



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City Hotel Limited
Significant Accounting Policies and Explanatory Notes
For the Year ended Ashad 31, 2080 (July 16, 2023)

3.6 Capital Management

Capital includes paid up capital and all other reserves attributable to the equity holders of the company. The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's aim is to translate profitable growth to superior cash generation through efficient capital management. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Company's focus is on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Company. The Company's will take appropriate steps in order to maintain, or if necessary adjust, its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.

No changes were made in the objectives, policies or processes for managing capital during all the years reported in this financial statement.

3.7 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.

3.8 Lease:

The company as a lessee:

The company enters into an agreement for lease of land, buildings etc for hotel use. Such arrangements are generally for a fixed period but may have extension or termination options. In accordance with NFRS 16 - Lease, at inception of the contract, the company assess whether a contract is, or contain a lease. A lease is defined as a contract, or part of a contract, that conveys the right to control the use of an asset (the underlying asset) for a period of time in exchange for a consideration.

To Assess whether a contract conveys the right to control the use of an identified asset, the company

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

- The company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and.

The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use. At inception or on reassessment of a contract on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which the company is a lessee, the company has elected not to separate non-lease component and account for the lease and non-lease components as a single lease component.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2080 (July 16, 2023)

Measurement and recognition of leases as lessee:

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-to-use asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses (unless such right of use assets fulfills the requirements of NAS 40 - Investment Property and is accounted for as thereunder), if any and adjusted for any re-measurement of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date over the shorter of lease term or useful life of right-to-use asset. Right-to-use assets are tested for impairment whenever there is an indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognized in the statement of profit or loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the company's incremental borrowing rate. Generally, the company uses the incremental borrowing rate as the discount rate.

Lease Payments included in the measurement of the lease liability comprises the following:

- Fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual.
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period of the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero, as the case may be.

The company presents right-of-use assets that do not meet the definition of Investment Property in the Property, Plant and Equipment notes. And lease liability on the face of the Statement of Financial position under Current and Non-current liabilities.

The company has elected not to apply the requirements of NFRS 16-Leases to short term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight line method over the lease term, unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increase.



City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the Year ended Ashad 31, 2080 (July 16, 2023)

The company as a lessor:

When the company acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease. To classify each lease, the company makes an overall assessment whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major economic life of the asset.

The company recognises lease payments received under operating lease as income on a straight line basis over the lease term unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increase, as part of 'other income'.

The accounting policies applicable to the company as a lessor in the comparative period were not different from NFRS 16.





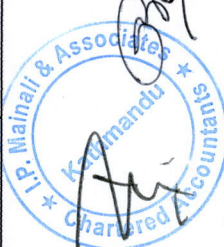




City Hotel Limited
Significant Accounting Policies and Explanatory Notes
For the year ended on Ashad 31, 2080 (July 16, 2023)

4. Property, Plant & Equipments

Particulars	Land	Freehold Buildings	Office Furnitures	Hotel Furnitures	Computers & Office Equipments	Hotel IT Equipments	Vehicles	Equipment & Machineries	Right-to-Use Assets	Capital work-in-progress	Total
Cost											
Gross Block As on July 16, 2022	783,111,652.53	2,777,987,756.32	4,694,714.12	220,483,152.37	5,071,529.41	48,870,471.57	27,549,041.76	791,950,175.42	53,350,955.00	6,095,760.40	4,719,165,208.90
Additions		10,453,257.01		5,949,970.78	280,214.00	1,307,237.50		2,700,230.53		57,553,801.25	78,244,711.07
Revaluation Surplus of PPE											51,809,471.47
Transfer to Investment Property	51,809,471.47	(43,827,629.35)									(43,827,629.35)
Revaluation & Adjustments											
Disposals/Adjustments											
Gross Block As on July 16, 2023	834,921,124.00	2,744,613,383.98	4,694,714.12	226,433,123.15	5,351,743.41	50,177,709.07	27,549,041.76	794,650,405.95	53,350,955.00	63,649,561.65	4,805,391,762.09
Depreciation & Impairment Losses											
Accumulated Balance As on July 16, 2022											
Charge for the year		11,675,159.50		3,108,913.13	2,717,087.63	1,033,643.95	3,719,206.52	10,475,853.95	1,438,934.35		36,953,726.74
Adjustment due to Revaluations & others		54,683,775.33		14,707,638.56	980,986.01	4,927,166.62	3,644,005.97	32,220,640.25	5,755,744.69		117,312,044.45
Impairment Losses											
Transfer to PPE											
Disposals/Adjustments										16,232,139.35	16,232,139.35
Accumulated Depreciation as on July 16, 2023	-	66,358,934.83	3,177,014.73	17,816,551.69	3,698,073.64	5,960,810.57	7,363,212.49	42,696,494.20	7,194,679.04	16,232,139.35	170,497,910.54
Net Block											
As on July 16, 2023	834,921,124.00	2,678,254,449.15	1,517,699.39	208,616,571.46	1,653,669.77	44,216,898.50	20,185,829.27	751,953,911.75	46,156,275.96	47,417,422.30	4,634,893,851.55
As on July 16, 2022	834,921,124.00	2,766,312,596.82	1,909,786.41	217,374,239.24	2,354,441.78	47,836,827.62	23,829,835.24	781,474,321.47	51,912,020.65	6,095,760.40	4,682,211,482.16



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

4.1 Recognition & Measurement

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.

4.2 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	50
Computers	Computers & Office Equipments	5
Office Equipment, Printers & Other	Computers & Office Equipments	5
Hotel IT Equipments	Hotel IT Equipments	10
Office Furniture	Furniture & Fixtures	7
Hotel Furnitures	Hotel Furnitures	15
Vehicles	Vehicles	7
Equipments & Machineris - Office	Equipments & Machineris	7
Equipments & Machineris - Hotel	Equipments & Machineris	25



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

4.3 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.

4.4 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.

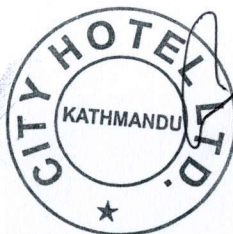
4.5 Revaluation of Land

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. dated July 14th, 2023. Revaluation Gain has been presented separately under Reserve & Surplus.

4.6 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.



City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

5. Intangible Assets

Particulars	Computer Softwares	Others	Total
Cost			
Gross Block As on July 16, 2022	39,852,716.69	-	39,852,716.69
Additions	4,424,778.76	-	4,424,778.76
Revaluation Surplus of Intangible Assets	-	-	-
Transfer	-	-	-
Revaluation & Adjustments	-	-	-
Disposals/Adjustments	-	-	-
Gross Block As on July 16, 2023	44,277,495.45	-	44,277,495.45
Accumulated Amortisation			
Accumulated Balance As on July 16, 2022	2,745,735.92	-	2,745,735.92
Charge for the year	3,989,046.44	-	3,989,046.44
Adjustment due to Revaluations & others	-	-	-
Impairment Losses	-	-	-
Transfer to PPE	-	-	-
Disposals/Adjustments	-	-	-
Accumulated Depreciation as on July 16, 2023	6,734,782.36	-	6,734,782.36
Net Block			
As on July 16, 2023	37,542,713.09	-	37,542,713.09
As on July 16, 2022	37,106,980.77	-	37,106,980.77

Recognition, Measurement & 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 10 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.

Software & Licence 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 an expenses 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.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes
For the year ended on Ashad 31, 2080 (July 16, 2023)

6. Investment Propoerty

Particulars	Land	Freehold Buildings	Equipment & Machineries	Total
Cost				
Gross Block As on July 16, 2022	33,256,277.90	295,005,293.55	18,040,174.12	346,301,745.57
Additions	-	-	-	-
Revaluation Surplus of IP	-	-	-	-
Transfer from PPE	-	49,525,221.16	-	49,525,221.16
Revaluation & Adjustments	-	-	-	-
Disposals/Adjustments	(828,761.79)	-	-	(828,761.79)
Gross Block As on July 16, 2023	32,427,516.11	344,530,514.71	18,040,174.12	394,998,204.94
Depreciation & Impairment Losses				
Acumulated Balance As on July 16, 2022	-	14,750,264.68	2,405,356.54	17,155,621.22
Charge for the year	-	8,613,262.87	1,202,678.28	9,815,941.15
Adjustment due to Revaluations & others	-	-	-	-
Impairment Losses	-	-	-	-
Transfer from PPE	-	-	-	-
Disposals/Adjustments	-	-	-	-
Accumulated Depreciation as on July 16, 2023	-	23,363,527.55	3,608,034.82	26,971,562.37
Net Block				
As on July 16, 2023	32,427,516.11	321,166,987.16	14,432,139.30	368,026,642.57
As on July 16, 2022	33,256,277.90	280,255,028.87	15,634,817.58	329,146,124.35

6.1 Recognition & Measurement

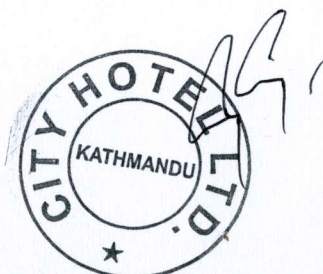
Investment Properties are initially measured at cost in the Statement of Financial Position and are inclusive of all cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable for each class of assets. Investment Properties are recognized as an asset, 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.

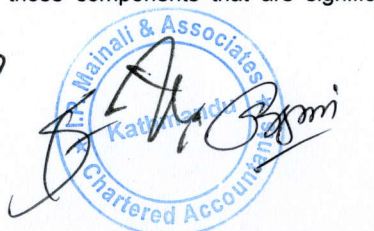
The entity applies the Cost Model for Investment Property.

6.2 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.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the year ended on Ashad 31, 2080 (July 16, 2023)

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

6.3 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.

6.4 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.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

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%. The company has been listed on Nepse and 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 16, 2023	As on July 16, 2022
Origination and reversal of temporary differences	103,551,498.23	33,869,924.74
Total	103,551,498.23	33,869,924.74

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%. 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 2079-80

Particulars	Carrying Amount	Tax Base	Temporary Diff
Property, Plant & Equipment and IP	5,040,463,207.21	4,714,980,703.76	(325,482,503.46)
Adjustment Last Year (Excess Charged)			-
Taxable Carry Forward Losses	760,709,933.22	-	760,709,933.22
Leave Payable (Provision for Expenses to be claimed on actual basis)	1,196,275.73	-	1,196,275.73
Unrealized Currency Exchange Loss	-		-
Lease Liabilities	50,877,462.67		50,877,462.67
Total Temporary Difference (assets)			487,301,168.16
Tax Rate		21.25%	103,551,498.23
Opening Deferred Tax Assets/(Liability)			33,869,924.74
Deferred Tax asset Credit to PL			69,681,573.49




City Hotel Limited

Significant Accounting Policies and Explanatory Notes
For the year ended on Ashad 31, 2080 (July 16, 2023)

FY 2078-79

Particulars	Carrying Amount	Tax Base	Temporary Diff
Property, Plant & Equipment and IP	5,048,464,587.28	4,875,114,016.21	(173,350,571.07)
Adjustment Last Year (Excess Charged)			-
Taxable Carry Forward Losses	278,364,524.02	-	278,364,524.02
Leave Payable (Provision for Expenses to be claimed on actual basis)	707,933.96	-	707,933.96
Unrealized Currency Exchange Loss	735,917.03		735,917.03
Lease Liabilities	52,930,077.19		52,930,077.19
Total Temporary Difference (assets)			159,387,881.13
Tax Rate		21.25%	33,869,924.74
Opening Deferred Tax Assets/(Liability)			24,395,153.41
Deferred Tax asset Credit to PL			9,474,771.33

7.5 Losses not carried forward as per Income Tax return:

Losses for periods upto FY 2072-73 amounting to Rs. 82,888,456.51 are not considered for deferred tax calculation.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

8. Other Assets

8.1 Other Assets - Non Current

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Advance to Vendors & Contractors	21,402,694.55	26,559,804.77
L/C & TT	1,683,957.12	2,959,640.51
LC/ TT Margin	4,282,053.01	8,144,652.40
Total	27,368,704.68	37,664,097.68

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.

8.2. Prepayments

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Prepaid Expenses	3,707,060.01	1,725,748.23
Total	3,707,060.01	1,725,748.23

8.3. Other Assets - Current

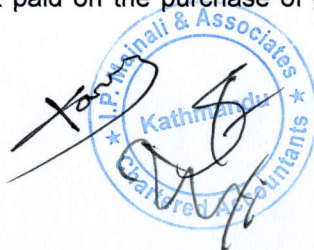
Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Income Tax Receivables	3,698,984.40	1,174,019.59
Advance to Suppliers	724,572.02	9,110,807.25
Deposits	297,000.00	297,000.00
VAT Receivable	227,693,311.98	273,133,584.28
Staff Advances	5,391,916.71	148,850.00
Total	237,805,785.11	283,864,261.12

Income Tax Receivables:

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 adjusted with output vat collected on sales.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the year ended on Ashad 31, 2080 (July 16, 2023)

9. Inventories

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Inventory related to Operations	6,267,839.13	5,438,553.50
Total	6,267,839.13	5,438,553.50

Stock of food, beverages, store and operating supplies are initially recognized at cost and subsequently at the 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.

The cost of Inventory related to operations are determined on FIFO method and includes expenditure incurred directly in acquiring the inventories and bringing them to their present location and condition.

10. Cash and Cash Equivalents

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Cash in hand	1,086,353.82	1,309,580.06
Balances with Banks		
Siddhartha Bank Limited (001-06463620)	144,687.42	346,093.32
RBB Current Account - 1850100000055001	261,558.27	156,746.12
Global IME Bank Ltd-7501010000295		5,059,225.30
Global IME Bank Ltd.(Call)-07511010001837	2,947.08	-
Nepal Bank Ltd-0020010700340900001	1,381.64	-
Nepal SBI Bank Ltd (22525240200199)	30,277.11	17,809.32
NIFRA-00100100000048000001	85,994.60	69,561.61
Sanima Bank A/c No.001010010002174	20,571.95	2,866.56
Global IME Bank - 7501010001443	2,894,753.14	1,345,865.61
Global IME Bank - 7501010015020	-	23,676,896.03
Himalayan Bank Collection - 00306161260028 NPR	3,679,285.49	4,280,066.59
Himalayan Bank Call - 00306161260018 USD	6,523,724.26	34,160,480.54
Total	14,731,534.78	70,425,191.06



City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

10.1 Cash and cash equivalents comprises cash balances, call deposits and other short term highly liquid investments. For the purpose, any cash placement deposits, call deposit or other highly liquid items with the maturity period of 90 days or less from the date of transaction is considered as cash equivalent.

10.2 Balances with banks includes balances in all current and call accounts of the company. Balances in foreign currency are translated at the exchange rate prevailing at the reporting date and any gain/loss is charged to Statement of profit or loss.

11 Trade Receivables

Trade receivables Net of provision for Doubtful Debts comprises of amount receivable from unsecured customers and are non-interest bearing and are generally receivable on terms of 7 to 90 days in the ordinary course of business.

Particulars	As on July 16, 2023	As on July 16, 2022
Sundry Debtors:		
Unsecured, Considered Good	23,133,068.69	21,743,326.76
Less: Provision for Doubtful Debts	-	-
Total	23,133,068.69	21,743,326.76

11.1 Impairment

For allowances, assets with a potential need for a write-down are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment, and written-down, if necessary. Estimated irrecoverable amounts are based on the ageing of the receivable balances, taking previous cases of default into consideration and historical experiences.



City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

12. Share Capital

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Authorised:		
20,000,000 equity shares of 100 each	2,000,000,000.00	2,000,000,000.00
Issued		
16,740,000 equity shares of 100 each	1,674,000,000.00	1,670,000,000.00
Paid up		
15,066,000 Promoter Equity shares of 100 each	1,506,600,000.00	1,506,600,000.00
1,674,000 Public Equity Shares of 100 each	167,400,000.00	-
Total	1,674,000,000.00	1,506,600,000.00

12.1 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.

12.2 The shareholding pattern of the company is as follows:

Shareholder's Name	Amount	%
Akshay Golyan	284,443,600.00	16.99%
Kumud Golyan	336,250,000.00	20.09%
Surabhi Golyan	271,480,000.00	16.22%
Shakti Kumar Golyan	487,806,400.00	29.14%
Basu Dev Golyan	100,640,000.00	6.01%
Kamlesh Kumar Aggrawal	20,000,000.00	1.19%
Pawan Kumar Golyan	3,480,000.00	0.21%
Harish Chandra Subedi	2,500,000.00	0.15%
Public Equity Share	167,400,000.00	10.00%
Total	1,674,000,000.00	100.0%

12.3. Reconciliation of the number of equity shares outstanding at the beginning and end of the year:

Particulars	Nos of Shares	Amount
Total Shares outstanding at 17-07-2022	15,066,000	1,506,600,000.00
Add: Shares issued during the year	1,674,000	167,400,000.00
Total Shares outstanding at 16-07-2023	16,740,000	1,674,000,000.00

12.4 The company has issued 1674000 nos of public equity shares during the year.



City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

13. Share Application Money

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Share Application Money	-	-
Total	-	-

14. Other Equity

Particulars	As on	
	July 16, 2023	July 16, 2022
A. Retained Earnings		
Upto Last Year	(186,803,957.99)	(138,612,645.66)
Add: For the Year	(272,220,455.19)	(44,682,976.47)
Add: Prior Period Adjustment	(4,164,335.46)	-
Less: Transfer to FF & E Replacement Reserve	(9,907,588.35)	(3,508,335.86)
Add: Utilization of FFNE for Assets Purchase	27,646.25	-
Sub Total	(473,068,690.74)	(186,803,957.99)
B. Revaluation Reserve:		
Upto Last Year	467,345,493.67	366,922,111.27
Add: For the Year	51,809,471.47	100,423,382.40
Sub Total	519,154,965.14	467,345,493.67
C. FF & E Replacement Reserve		
Upto Last Year	3,508,335.86	-
Add: For the Year	9,907,588.35	3,508,335.86
Less : FFNE Reserve Use for Purchase for the year	(27,646.25)	-
Sub Total	13,388,277.96	3,508,335.86
Total (A+B+C)	59,474,552.36	284,049,871.54

14.1 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 Infrastructure Development Engineering Consultancy Pvt. Ltd. Revaluation Gain has been presented under Revaluation Reserve. In the current year Revaluation gain on land of Rs. 51,809,471.47/- has been recognised.

14.2 The hotel transfers a fixed percentage of gross revenue from retained earnings to FF&E Replacement Reserve. This reserve can only be used for the replacement/renovation of Hotel property.



City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

Financial Liabilities

15. Long Term Borrowings

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Secured loan		
Bridge Gap Loan (15.1)	219,912,122.38	386,739,690.10
Term Loan (15.2)	2,909,236,444.08	2,734,112,348.27
Total	3,129,148,566.46	3,120,852,038.37

15.1. Bridge Gap Loan

Particulars	Amount in NRs	
	As on July 16, 2023	As on July 16, 2022
Bridge Gap Loan-Global IME Bank	-	142,998,027.71
Bridge Gap Loan- NIFRA	162,585,966.50	181,800,000.00
Bridge Gap Loan -Import GIBL	57,326,155.88	61,941,662.39
Total	219,912,122.38	386,739,690.10

15.2 Term Loan

Particulars	Amount in NRs	
	As on July 16, 2023	As on July 16, 2022
Mid Term Loan -Global IME Bank	59,406,822.59	59,515,860.26
Mid Term Loan -Nepal SBI Bank	30,816,978.74	30,855,678.03
Mid Term Loan - RBB	13,220,606.64	13,257,974.64
Mid Term Loan -Sanima Bank Ltd	69,601,405.76	69,665,328.15
Mid Term Loan - NIFRA	30,841,350.00	31,000,000.00
Mid-Term Loan -Siddhartha Bank Ltd	32,856,590.83	13,990,738.20
Term Loan- Global IME Bank	850,526,997.34	804,019,791.65
Term Loan - Nepal SBI Bank	439,249,530.06	406,276,490.72
Term Loan-RBB	133,807,530.39	115,939,029.33
Term Loan - Sanima Bank	426,518,118.92	417,598,652.62
Term Loan - Nepal Bank Ltd	433,219,600.20	410,849,223.33
Term Loan - Siddhartha Bank	190,406,231.80	191,788,261.80
Term Loan - NIFRA	208,329,633.81	187,598,899.54
Less: Current Maturity of Long term loan	(9,564,953.00)	(18,243,580.00)
Total	2,909,236,444.08	2,734,112,348.27

15.3 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, Mr. Akshay Golyan and Mr. Pawan Kumar Golyan each covering entire consortium loan amount.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the year ended on Ashad 31, 2080 (July 16, 2023)

16. Lease Liabilities

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
16.1 Non-Current		
Maturing more than 12 Months	47,675,233.69	45,025,669.52
	47,675,233.69	45,025,669.52
16.2 Current:		
Maturing within 12 Months	3,202,228.78	7,904,407.67
	3,202,228.78	7,904,407.67
Total	50,877,462.46	52,930,077.19

17. Other Non Current Liabilities

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Interest Payable	-	379,521,272.52
Retention Money Payable	5,476,457.16	24,096,259.78
Security Deposit - Rank Entertainment Holding	15,518,088.00	10,519,698.00
Total	20,994,545.16	414,137,230.30

18. Trade Payables

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Sundry Creditors	58,002,354.26	57,571,739.13
LC /TT Payables	1,685,633.62	6,590,436.71
Other Accrued Payables	17,031,150.21	30,241,159.00
Total	76,719,138.09	94,403,334.84

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.

19 Short Term Borrowings

Particulars	Amount in NRs	
	As on July 16, 2023	As on July 16, 2022
Current Maturity of Long term Borrowings	9,564,953.00	18,243,580.00
Global IME Bank Ltd-7501010000295	42,958,184.66	-
Global IME Bank - 7501010015020	7,141,151.28	-
Total	59,664,288.94	18,243,580.00



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the year ended on Ashad 31, 2080 (July 16, 2023)

20. Other Liabilities - Current

Particulars	Amounts in NRs	
	As on July 16, 2023	As on July 16, 2022
Audit Fee Payable	123,125.00	123,125.00
Retirement Benefits Payable	746,749.65	918,044.15
Staff Payable	1,382,511.21	501,897.37
VAT Payable under RCM	2,013,195.83	1,644,779.05
Withholding Taxes	1,079,418.25	3,959,042.56
Expense Payable	31,758.79	153,115.89
Service Charge Payables	-	3,786,389.24
Guest Deposits	1,175,613.12	893,164.87
Other Payable	76,500.00	-
Interest Payable	379,521,272.52	-
Total	386,150,144.37	11,979,558.13

20.1 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 earlier. all interest need to be paid during the year 2080/81, hence categorized as current liabilities.

20.2 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.

20.3 Reverse VAT Payable upto previous financial year has been adjusted with the VAT Receivable in the current year.

20.4 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.

20.5 Retirement Benefits Payable

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



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the year ended on Ashad 31, 2080 (July 16, 2023)

21. Revenue from Operations

Particulars	Amounts in NRs	
	For the year ended July 16, 2023	For the year ended July 16, 2022
Room Revenue	277,329,925.71	75,302,673.05
Food & Beverage Revenue	179,874,695.68	106,691,802.82
Other Operating revenue	10,822,358.83	2,927,138.14
Service Charge Revenue	5,124,175.01	4,242,927.26
Total	473,151,155.23	189,164,541.27

21. Revenue Recognition:

The Company is involved in the hotel and restaurant service. Its revenue mainly comprises of income from Room services, Food & beverage etc. The revenue is governed by NFRS 15 unless indicated otherwise.

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, Service charge & Discount. The bases of Income recognition are as below:

21.2 Revenue from Sale of Services:

Revenue is recognized at the time of delivery of services and is stated net of Value Added Tax (VAT) and Service Charges.

21.3 Service Charge

Income from service charges is recognized on accrual basis net of contribution to be made to the Hotel Association Nepal (HAN) and the Employees as per Labour Rules as per the agreement between HAN and representatives of the Employees Union. As per the decision of Supreme court, the company has suspended collecting service charge from January 27, 2023.

22. Other Operating Income

Particulars	Amounts in NRs	
	For the year ended July 16, 2023	For the year ended July 16, 2022
Rental Income from Investment Property	26,013,140.03	4,128,000.00
Shop Rent	1,961,352.48	1,029,299.46
Interest Income	7,600.70	29,548.29
Other Income	469,377.62	341.76
Profit on sale of Land	7,246,238.21	-
Currency Exchange Gain	885,264.12	379,144.30
Total	36,582,973.16	5,566,333.81

22.1 Interest Income:

Interest income on fixed deposits and balances in call accounts are recognized on accrual basis.

22.2 Rental Income:

Rental income is recognized on accrual basis when there are reasonable basis to ascertain the amount and there is reasonable basis for recoverability.



City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the year ended on Ashad 31, 2080 (July 16, 2023)

23. Cost of Goods Sold

Particulars	Amounts in NRs	
	For the year ended July 16, 2023	For the year ended July 16, 2022
Food & Beverage cost	77,677,158.49	39,021,174.55
Other Direct Cost	1,836,985.17	721,362.91
Other Operating cost	49,274,779.23	23,094,925.89
Total	128,788,922.89	62,837,463.35

24. Employee Cost:

24.1 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.

24.2 Post Employment Benefits:

24.2.1 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.

24.2.2 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.

24.3 Employee Cost

Particulars	Amounts in NRs	
	For the year ended July 16, 2023	For the year ended July 16, 2022
Salary Cost	57,858,564.48	42,482,810.18
Allowances	14,049,538.13	1,691,492.18
Defined Contribution Plan Cost	4,449,668.88	2,958,390.99
Employee Meal	10,485,580.58	5,075,720.48
Other Benefits	745,835.00	234,100.00
Total	87,589,187.07	52,442,513.83



City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

25. Brand Operator Fees

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
Hyatt Management Fee - Basic	4,160,850.29	1,281,343.33
Hyatt Management Fee - Incentive	8,691,931.93	1,944,537.14
Hyatt Management Fee - License	3,963,036.44	1,464,392.35
Total	16,815,818.66	4,690,272.82

Brand Operator Fees are booked on the basis of Management Service, Licence & Royalty Agreement, which includes Base Fee, Licence Fee & Incentive Fee.

26. Administrative & Operating Expenses

Particulars	Amounts in NRs	
	For the year ended July 16, 2023	For the year ended July 16, 2022
Other Operating Expenses		
Heat Light and Power	52,246,690.75	24,118,259.84
Card Commission	4,810,073.10	1,983,462.36
Agency Commission	11,284,119.54	2,636,112.95
Software License Renewal	8,432,214.01	2,744,161.05
Selling & Business promotion expense		
Selling & Marketing	11,458,195.67	3,688,836.24
Business Promotion	6,792,366.06	259,391.95
Tour & Travelling	2,678,739.00	1,055,981.31
Other General & Administration expenses		
Training & Development	506,976.07	443,664.50
Audit fee	125,000.00	125,000.00
Consultancy Expenses	175,000.00	150,000.00
Bank Charge	570,295.30	13,012.02
Board Meeting Allowances	280,000.00	120,000.00
Rating Fee	323,240.00	234,820.00
Corporate Social Expenses	104,000.00	96,000.00
Hospitality Expenses	-	3,300.00
Insurance Expenses	13,319,748.02	189,219.04
Office Expenses	364,286.14	415,397.85
Administration & General	2,603,247.02	1,281,225.20
Printing & Stationery	569,464.37	130,240.00
Puja Expenses	23,275.00	-
Rates & Taxes	2,251,549.67	61,425.00
Renewal & Registration	902,333.67	156,996.20
Repair & Maintenance	7,397,546.94	2,821,391.17
Security Expenses	-	22,500.00
Telephone & Mobile	1,109.00	65,238.32
Vehicle Running	-	33,900.00
Total	127,219,469.33	42,849,535.00



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes

For the year ended on Ashad 31, 2080 (July 16, 2023)

27. IPO issue related expenses

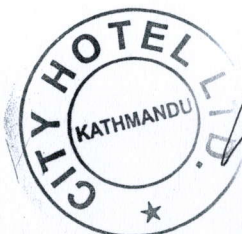
Particulars	Amounts in NRs	
	For the year ended July 16, 2023	For the year ended December 16, 7223
Initial Public Offering Expenses	6,685,115.80	470,750.00
Total	6,685,115.80	470,750.00

28. Finance Cost

Particulars	Amounts in NRs	
	For the year ended July 16, 2023	For the year ended July 16, 2022
Interest of Term Loan	348,273,225.80	46,320,681.31
Interest on Lease Liabilities	5,147,385.48	1,379,122.19
Total	353,420,611.28	47,699,803.50

28.1 Borrowing Cost that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as a part of the cost of such asset till such time the asset is ready for intended use or sale.

28.2 Finance costs comprises of interest on Term Loan which has been proportionately used for construction of Property Plant & Equipments, Investment property and Interest on Lease liabilities. 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 assuming to be bank interest rate.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the year ended on Ashad 31, 2080 (July 16, 2023)

28. Earnings Per Share

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
Numerator		
Profit/(Loss) for the year	(272,220,455.19)	(44,682,976.47)
Denominator (Weighted Avg No. of Shares)		
Basic	15,336,592	11,623,183
Diluted	15,336,592	11,623,183
Earning Per Share (in NRs) (Face Value Rs 100/- each)		
Basic	(17.75)	(3.84)
Diluted	(17.75)	(3.84)

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.

29. Contingent Liabilities & Capital Commitment

29.1 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.

29.1.1 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

29.2 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.



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City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the year ended on Ashad 31, 2080 (July 16, 2023)

30. Related Party Transactions

30.1 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

30.2 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.

30.3 Those charged with Governance

Those charged with governance include the Board of Directors of the Company.

Board members are paid Rs. 5,000 per meeting as meeting fee for attending each meeting of Board. Meeting fee paid to members of Board for Board during the year amounts to Rs. 0.28 million (previous year Rs. 0.12 Million).

30.4 Other Related Party Transaction and Balances

Related Party Transaction	FY 2079-80
Revenue From Related Parties:	
Rental Income from Westar Galaxy Trading Pvt. Ltd.	4,540,800.00
Sales Revenue from Westar Galaxy Trading Pvt Ltd.	5,193,889.15
Sales Revenue from Westar Properties Ltd.	1,795,595.85
Sales Revenue from Elevate Energy Pvt Ltd	259,792.01
Sales Revenue from Golyan Agro	16,878.41
Sales Revenue from Janata Agro & Forestry Limited	161,365.01
Sales Revenue from Nexus Engineering Consultancy And Construction Pvt. Ltd.	1,198,526.52
Sales Revenue from Reliance Spinning Mills Limited	141,845.01
Sales Revenue from Tricot Industries Pvt. Ltd.	76,823.02
Purchase from Related Parties:	
Consultancy Fee paid to Westar Galaxy Trading Pvt Ltd	3,175,000.00
Software Purchase from Westar Galaxy Trading Pvt Ltd	4,424,778.76
Amount Receivable/(Payable) from Related Parties:	
Westar Galaxy Trading Pvt Ltd	2,109,434.71
Golyan Agro Pvt. Ltd.	(130,409.76)
Janata Agro & Forestry Limited	182,342.46
Nexus Engineering Consultancy And Construction Pvt. Ltd.	206,376.86
Reliance Spinning Mills Limited	74,849.40
Tricot Industries Pvt. Ltd.	17,882.64
Westar Properties Ltd.	167,152.77



City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the year ended on Ashad 31, 2080 (July 16, 2023)

31. 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.

31.1 Market risk

In spite of having a very high potentiality of Tourism Sector and its related to services, it is volatile to geopolitical and domestic incidents. With stabilization in the geopolitical and domestic issues, the tourism sector looks for bright future. However, there is risk that any domestic/ international or geopolitical incidents would impact the business of the company. However, the company through years of operations has sustained through such risks over the years in the past.

31.2 Credit risk

The company provides reasonable level of credit facilities to debtors and so does it enjoy credit facility from its creditors as well. In case of impact on tourism sector, it may have impact of company debtors' ability to pay the company within reasonable credit period allowed. Accordingly, there exist the credit risks to that extent. The company through its experience over the many years has been managing such risk well through proper way of close monitoring and supervising the regular recoverability position by the management and the Board.

31.3 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.

31.4 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.

31.5 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 payable in foreign currency. The company manages its foreign currency risk by quoting its tariff and collecting some portion of its revenue in USD. The Company manages its foreign currency risk by not holding the payables in foreign currencies for shorter duration.

31.6 Operational Risk

The Company has been managed by the International Hotel chain brand Hyatt. They have prepared and implemented various Standard Operating Procedures (SOPs) in the form of clear cut delegation of authority for the activities, guidelines regulations etc. Company believes that the controls implemented by the company have minimized the operational risk to acceptably low level. The brand also carries out Control Self Assessment at reasonable interval.

32. Lease:

32.1 Movement in Lease liability during the year:

Particulars	As at Ashad 31, 2080
Opening Balance	52,930,077.19
Add: Recognised during the year	-
Add: Interest accrued during the year	5,147,385.48
Less: Payment of Lease Liabilities	(7,200,000.00)
Less: Derecognition during the year	-
Closing Balance	50,877,462.67



City Hotel Limited

Significant Accounting Policies and Explanatory Notes For the year ended on Ashad 31, 2080 (July 16, 2023)

32.2 Maturity Analysis

Particulars	As at Ashad 32, 2079
Less than one year	3,202,228.78
One to five years	28,230,026.38
More tha Five years	19,445,207.51
	50,877,462.67

32.3 Amount recognized in Statement of Profit or loss:

Particulars	As at Ashad 32, 2079
Interest Payment on Lease Liabilities in Finance Cost	5,147,385.48
Lease Payments charged in Administrative Epenses	-
	5,147,385.48

32.4 Amount recognized in Statement of Cash Flows:

Particulars	As at Ashad 32, 2079
Cash Outflow for Lease Liabiity	7,200,000.00
Cash Outflow for operating lease	-
	7,200,000.00

33. Others

33.1. Bonus Provision:

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

33.2 Provision for CSR:

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

34 Regrouping and Round off:

Figures have been regrouped and rearranged so as to facilitate comparison. Insignificant rounding off differences may exist.



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