



Soaltee Hotel Limited



**44th ANNUAL REPORT
2017/2018
(2074/2075)**

TAHACHAL, KATHMANDU

PRESENT BOARD OF DIRECTORS



Mr. Dinesh Bahadur Bista,
Executive Chairman
Nominee
Soaltee Enterprises Pvt. Ltd



Mr. Ravi Bhakta Shrestha
Nominee
Soaltee Enterprises Pvt. Ltd.



Mr. Rajesh Kazi Shrestha
Nominee
Soaltee Enterprises Pvt. Ltd.



Mrs. Jaya Rajya Laxmi Shah
Nominee
Soaltee Enterprises Pvt. Ltd.



Mr. Sashi Raj Pandey
Elected from
General Public Shareholders



Mr. Niranjana Kumar Tibrewala
Elected from
General Public Shareholders



Mr. Prakash Bikram Khatri
Elected from
General Public Shareholders



Ganesh Bahadur Chand
Nominee
Nepal Airlines Corporation



Mr. Venkatesh Gomatam
Nominee
Holiday Inns Investment (Nepal) Ltd.

Company Secretary



Mr. Lil Bahadur Khatri



NOTICE OF 44TH ANNUAL GENERAL MEETING

Dear Shareholder,

This is to inform all Shareholders of the Company that, as decided at the 220th Meeting of the Board of Directors of the Company held on Thursday, 15th November, 2018 (29th Kartik 2075), the 44th Annual General Meeting of the Company will be held at the following date, time and venue to consider, approve and adopt the agenda:

1 DATE, TIME AND VENUE:

DATE : THURSDAY, 10TH JANUARY 2018 (26TH POUH 2075)

TIME : 11 AM

VENUE : ACADEMY HALL, KAMALADI, KATHMANDU, NEPAL.

2 AGENDA:

A) ORDINARY RESOLUTIONS

- 1 To receive, consider and adopt the **Directors' Report** for the Fiscal Year 2074/75 (2017/2018);
- 2 To Consider and Approve the **Financial Statements** for the fiscal year 2017/18 (2074/75) comprising of **Balance Sheet** (Statement of Financial Position) as on 16th July 2018 (32nd Ashadh 2075); **Profit and Loss Account** (Statement of Profit or Loss and Other Comprehensive Income) for the year ended on 16th July 2018 (32nd Ashadh 2075); **Cash Flow Statement** (Statement of Cash Flow) and **Statement of Changes in Equity** for the year ended on 16th July 2018 (32nd Ashadh 2075) along with the Auditors' Report, and **Consolidated Financial Statement** for the fiscal year 2017/18 (2074/75) comprising the Financial Statement of the subsidiary Companies Soaltee Hospitality Limited and H I Soaltee Hotel Company Pvt. Ltd. for the fiscal year 2017/18 (2074/75) of the Company);
- 3 To consider and adopt the **Cash Dividend** Proposed by the Board of Directors at the rate **16.31578947%** of the paid up capital for the fiscal year 2017/18 (2074/75) to the shareholders;
- 4 To appoint the **Statutory Auditors** of the Company and fixed their remuneration for the Fiscal Year 2075/76 (2018/2019) as recommended by the Audit Committee of the Company;
- 5 To consider and approve the revised **remuneration of the Executive Chairman** of the Company as recommended by the Board of Directors;

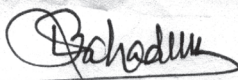
B) SPECIAL RESOLUTIONS

6. To consider and approve the Proposed issue of **10% Bonus Shares** i.e. **1 (one) Bonus Share for every 10 (ten) equity shares** and increase in the subscribed and paid up capital to the extent of Bonus Shares issued to the shareholders of the Company;

C) OTHERS

7. Any other matters with the permission of the Chairman

By Order of the Board of Directors



Lil Bahadur Khatri
Company Secretary

Enclosed documents:-

- 1 Information relating to the **44th Annual General Meeting**, Proxy Application Form, and Admission Card.
- 2 The **Directors' Report** to the shareholders of the Company for the Fiscal Year 2017/18.
- 3 Auditors' Report, and **Consolidated Financial Statement** consolidating with the Financial Statements of the subsidiary Companies Soaltee Hospitality Limited and H I Soaltee Hotel Company Pvt. Ltd. for the fiscal year 2017/18.

GENERAL INFORMATION

RELATING TO THE 44TH ANNUAL GENERAL MEETING

1. The Shareholders' Register shall be closed from **Wednesday, 12th December 2018 to Thursday, 10th January 2019 (26th Mangsir 2075 to 26th Poush 2075)** or till the conclusion of the 44th Annual General Meeting (AGM) (in accordance with the Notice published in the national daily The Arthik Abhiyan dated 23rd November 2018 i.e. 7th Mangsir 2075).
2. The Notice of the 44th Annual General Meeting and the **abstracts (summarized) of the Financial Statement to the shareholders** for the fiscal year 2017/18 (2074/75) pursuant to section 84 of the Companies Act, 2063 will be sent to the shareholders address available in the Company's shareholder register through post, and courier service and also published in the national Daily. Further, the information regarding the 44th Annual General Meeting along with the Annual Report 2017/18 (2074/75) can be viewed by visiting our website: <http://www.soalteehotel.com>.
3. Shareholders wishing to discuss any matters under the agenda should notify the Executive Chairman through the Company Secretary of such issues **7 days before** the Annual General Meeting, by **4th January 2019 (20th Poush 20745)** not be included as a resolution of the meeting for consideration and adoption.
4. Shareholders are requested to come to the meeting with the Admission Card sent along with the Notice and abstracts (summarized) of the Financial Statement to the shareholders. Admission to hall shall be granted only upon compulsory producing of an Admission Card or original share certificate or BOID statement (DMAT Account Number) and Proof of Identity such as citizenship certificate or any other identity card with the photo of the shareholder. Shareholders are hereby requested to be present for the meeting hall half an hour before the stipulated time for the meeting. Shareholder's attendance register will be opened from 9:30 am until the conclusion of AGM for attendance signature of shareholders.
5. Shareholders who wish to send a proxy to the meeting may appoint another shareholder and should register the completed proxy form within office hours at the Company's registered office at least **48 hours** before the start of the Annual General Meeting. In such an event, the proxy shall be allowed to attend and vote at the meeting. If the shareholder giving the proxy himself comes to attend the meeting the shareholder should cancel the proxy and may participate and vote at the meeting. The proxy appointing by the institutional / corporate body should submit their proxy signed by the authorised person of such institutions fixing stamp.
6. Keeping security in consideration, shareholders are kindly requested to co-operate with the security personnel posted at the meeting area. Shareholders are also kindly requested as far as possible not to bring any bags, packets etc. to the meeting venue.
7. For further information relating to the Annual General Meeting, shareholders are requested to contact the registered office of the Company, Tahachal, Kathmandu, Nepal from Monday to Friday between 10:00 AM to 4:00 PM.

APPLICATION TO APPOINT PROXY

**THE BOARD OF DIRECTORS
SOALTEE HOTEL LIMITED
TAHACHAL, KATHMANDU.**

Subject: Appointment of Proxy

Dear Sirs

In the capacity of a shareholder of your Company, I/We resident(s) of District, Municipality / VDC, Ward No., being unable to be personally present and take part in the discussion and decision at the **44th Annual General Meeting** scheduled to be held on **Thursday, 10th January 2018 (26th Poush 2075)**, hereby appoint, a shareholder of the Company and resident of District Municipality/VDC, Ward No. as my/our representative to participate and vote on my/our behalf in the said Annual General Meeting.
Applicant.

Signature

Name:

Address:
.....

Share Certificate No.:
.....

Share Serial Nos from..... to.....

Date:

Note: This Proxy application should be submitted to the Registered Office of the Company at Tahachal, Kathmandu before 48 hours of the Annual General Meeting.



Soaltee Hotel Limited
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ADMISSION CARD

Shareholder's Name :
Shareholder's Code No. :
Share Certificate No :
No of Shares Own :
Shareholder's Signature :

This Admission Card is issued for attending the **44th Annual General Meeting** of the Company scheduled to be held on **10th January 2019 (26th Poush 2075)**.

COMPANY SECRETARY

(This card must be produced for admission to the Meeting Hall)

GENERAL RULES RELATING TO APPOINTMENT OF PROXY

1. Shareholders desirous to send a proxy to the meeting may appoint another shareholder to attend the Annual General Meeting as a representative should register the completed proxy form within office hours in the Company's Registered Office at Tahachal, Kathmandu, at least 48 hours before the commencement of the Annual General Meeting. In such event, the representation through the proxy shall be allowed to participate and vote at the Annual general Meeting.
2. The proxy appointment by a private firm to represent them in the Annual General Meeting shall only be valid if such proxy is appointed by the owner of a private firm. Such proxy appointment application should also be accompanied by a copy of the private firm registration certificate of the shareholder. The proxy appointment by a partnership firm to represent them in the Annual General Meeting shall only be considered valid if such proxy is unanimously appointed and the application is duly signed by all the partners of the firm for proxy appointment. Such appointment of the proxy application should also be accompanied by a copy of the partnership firm registration.
3. Amongst the registered joint owners, the proxy appointed by such shareholders shall only be considered valid if all shareholders jointly sign in the proxy appointment application form. In case of the shareholders not being able to appoint unanimous proxy amongst them, the person whose name is on the top of list among them in the Register Book of the shareholder of the company will be considered to legitimate to submit the proxy application to appoint the proxy.
4. The shares owned by the minor shareholder, the guardian of such minor shareholder is authorised to appoint the proxy if such guardian is mentioned as the authorised person of the minor shareholder in the Shareholder Registration Book maintained by the Company, such guardian should have the right to sign the Proxy Form which will be considered valid.
5. In case, the Company receives more than one Proxy Form appointing a person as a proxy, the Company will treat the first application of proxy registered at its registered office, as valid and such appointed proxy shall have the right to attend the Annual General Meeting and exercise the voting right.
6. The appointment of the proxy by the shareholder shall only be acceptable and considered to be valid only if the signature in Proxy application Form is verified with the signature maintained in the company's shareholders Register Book.
7. If any shareholder desires to cancel the proxy appointed to attend the Annual General Meeting such shareholder shall have to inform in writing the cancellation of proxy 48 hours before the commencement of Annual General Meeting to the registered office of the Company such cancellation letter should be registered within the office hour. A shareholder who had already appointed a proxy and is present in the Annual General Meeting can only attend and participate in the meeting once such shareholder duly cancels earlier Proxy appointment.

CORPORATE INFORMATION
**OPERATORS OF THE SOALTEE CROWNE PLAZA KATHMANDU
 Holiday Inns (China) Limited, Hong Kong**
MANAGEMENT TEAM - CORPORATE

Mr. Dinesh Bahadur Bista	Executive Chairman
Mrs. Durga Shrestha	Chief Accountant
Mr. Lil Bahadur Khatri	Company Secretary
Mr. Kiran Lal Joshi	Director - Business Dev. & Projects
Mr. Mukti Nath Shrestha	Manager – Finance
Mr. Chudamani Parajuli	Manager – Legal & Liaison

HOTEL OPERATIONS**Mr. Upaul Majumdar****General Manager**

Mr. Vijayanaman Shanmugam	Executive Assistant Manager (EAM)
Mr. Sudarshan Chapagain	Director of Finance & Business Support
Mr. Sanjana Laha	Director Sales & Marketing
Mr. Sarju Ranjit	Director Human Resources
Mr. Anurag Dewan	Senior Director Flight Services
Mr. Prakash Gupta	Chief Engineer
Mr. Yubraj Pokharel	Executive Chef
Ms. Binita Shrestha	Director Quality Assurance
Mr. Sagar Chandra B Rai	Director Sales
Mrs. Sumati Shakya	Crowne Meeting Director

INTERNAL AUDITORS**Prabin Joshi & Co.**

Chartered Accountants
 Kathmandu.

LEGAL ADVISORS**Mr. Komal Prakash Ghimire**

Senior Advocate,
 GHIMIRE & COMPANY
 Kathmandu.

Mr. Arjun Prasad Lamsal

Senior Advocate,
 Bijaya Law Firm
 Kathmandu

Mr. Madhab Prasad Bhattarai

Senior Advocate,
 Bhattarai & Associates
 Kathmandu.

Mr. Samir Sharma

Advocate,
 S S LEGAL PVT. LTD.
 Kathmandu.

Mr. Mahesh K Thapa

Advocate,
 SINHA VERMA LAW CONCERN
 KATHMANDU.

AUDITORS**PKF T R UPADHYA & CO.**

Chartered Accountants
 Kathmandu

BANKERS**NABIL BANK LIMITED****NEPAL INVESTMENT BANK LIMITED****EVEREST BANK LIMITED****GLOBAL IME BANK LIMITED****NEPAL SBI BANK LIMITED**

Kathmandu

REGISTERED OFFICE

Tahachal, Kathmandu



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SOALTEE HOTEL LIMITED
SIMPLIFIED STATEMENT OF FINANCIAL POSITION AS AT 16 JULY 2018 (32 ASHADH 2075)

PARTICULARS	Rupees	
	CURRENT YEAR	PREVIOUS YEAR
WHAT THE COMPANY OWNED		
NON-CURRENT ASSETS		
Property, Plant and Equipment	1,151,063,841	852,393,794
Intangible Assets	1,809,677	2,573,366
Investment Property	39,530,332	40,531,296
Deferred Tax Assets	69,587,627	82,127,129
Investments	284,377,323	173,156,695
Trade and Other Receivables	51,177,354	48,553,764
	1,597,546,154	1,199,336,044
CURRENT ASSETS		
Inventories, Investments, Receivables, Prepayments, Cash and Cash Equivalents	629,858,022	731,341,548
Less: Current Liabilities	409,298,526	353,199,193
WORKING CAPITAL	220,559,496	378,142,355
TOTAL ASSETS	1,818,105,650	1,577,478,399
WHAT THE COMPANY OWED		
Non Current Liabilities	380,115,588	382,916,190
SHAREHOLDERS FUND	1,437,990,062	1,194,562,209
REPRESENTED BY		
Share Capital	666,063,740	579,181,300
Retained Earnings and Reserves	771,926,322	615,380,909
	1,437,990,062	1,194,562,209
DEBT/EQUITY RATIO	0.01	0.01

SIMPLIFIED INCOME STATEMENT FOR THE PERIOD ENDED ON 16 JULY 2018 (32 ASHADH 2075)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR	Rupees
			INCREASE/ (DECREASE) %
INCOME			
Rooms, Restaurants, Banquets & Other Services & Other Income	1,664,204,838	1,640,519,145	1.44%
EXPENDITURE			
Employee Benefit Expenses	499,410,727	607,457,495	(17.79%)
Consumption of Food and Beverages	287,556,985	282,810,051	1.68%
Management Fees	44,297,133	40,218,880	10.14%
Operating Expenses	221,281,004	233,350,866	(5.17%)
Depreciation and amortization expense	60,276,017	92,003,103	(34.48%)
Other Expenses	188,466,756	204,061,805	(7.64%)
Finance Cost	816,518	699,268	16.77%
Total Expenditure	1,302,105,140	1,460,601,468	(10.85%)
Profit for the year (before Taxes)	362,099,698	179,917,677	101.26%
Current Tax	(70,321,990)	(48,757,471)	44.23%
Deferred Tax Income/(Expense)	(12,539,502)	7,574,286	(265.55%)
Net Profit for the year	279,238,206	138,734,492	101.27%
Balance of Profit brought forward	555,127,025	527,696,086	
Tax payment of prior years	(780,516)	(455,960)	
Issue of Bonus Share	(86,882,440)	(52,655,240)	
Fraction of Bonus Share recovered/(paid) in cash	5,245	2,634	
Payment of Dividend	(35,055,710)	(58,194,986)	
TRANSFERRED TO GENERAL RESERVE	711,651,810	555,127,025	

**SOALTEE HOTEL LIMITED****DIRECTORS' REPORT****DEAR RESPECTED SHAREHOLDERS,**

The Board of Directors takes immense pleasure in welcoming you all, respected shareholders at the 44th Annual General Meeting of the Company. We have the privilege of presenting before you the 44th Annual Report and Audited Financial Statements for the fiscal year ended 16th July 2018 (32nd Ashadh 2075). In compliance with statutory requirement and pursuant to transition to Nepal Financial Reporting Standard (NFRS), your Company has prepared and presented its Financial Statements in accordance with NFRS from this fiscal year. Accordingly, figures are rearranged, recomputed and regrouped including consideration, adjustments, and requirements under the NFRS.

REVIEW OF THE OPERATING ACTIVITIES

During the fiscal year 2074/75 (2017/18), an increase of 1.44% (previous year 31.86%) was recorded in the total revenue as compared to the previous fiscal year. Total revenue for the fiscal year was Rs. 1,664.20 million (previous year Rs. 1,640.52 million) which is an increase of Rs. 23.68 million (previous year Rs. 396.43 million) compared to last fiscal year. During the year under review, your Company registered a Cash Profit of Rs. 422.38 million (previous year Rs. 271.92 million) which is an increase of Rs. 150.45 million (Previous year Rs 53.92 million) with Net profit after tax being Rs. 279.23 million (previous year Rs. 138.73 million) which is an increase of Rs. 140.49 million (previous year Rs 38.85 million).

PERFORMANCE HIGHLIGHTS**FINANCIAL RESULTS**

The major performance indicators of the Company for the fiscal year 2074/75 (2017/18) and comparative figures are summarised as under:

Rupees in Million

PARTICULARS	FISCAL YEAR		INCREASE / (DECREASE) %
	2017/18	2016/17	
Total Revenue	1,664.20	1,640.52	1.44%
Total Expenditure	1,301.29	1,459.90	(10.86%)
Profit from Operations	362.91	180.62	100.93%
Less : Finance Cost	0.82	0.70	16.77%
Profit before Tax	362.09	179.92	101.26%
Provision for Income Tax	70.32	48.76	44.23%
Deferred Tax Expenses/(Income)	12.54	(7.57)	(265.55%)
Net Profit after Taxation	279.23	138.73	101.27%
Net Transfer to Reserves for the year	279.23	138.73	101.27%

AWARDS AND RECOGNITION

We are immensely delighted and proud to state that your hotel continuously over the period of time has been awarded with the following Awards:-

"Best Managed Company" Award 2018

We are delighted to inform you that Soaltee Hotel Limited was honoured with the award of the "**Best Managed Company**" for the year 2018, conferred by the NewBiz Business Conclave and Award 2018, on 21st September



2018. This is the fifth edition of the business award, which New Business Age (NBA) Pvt Ltd has been organising since 2013.

International Award for “Best Debut Green Hotel”, Soaltee Westend Premier, Nepalgunj

Your Company’s first hotel outside of Kathmandu, “Soaltee Westend Premier Hotel Nepalgunj”, has been awarded with a prestigious award of “**Best Debut Green Hotel**” at the 14th Hospitality India & Explore the World Annual International Travel Awards held at Ashok Hotel, New Delhi on 5th October 2018. The award was presented by the Chief Guest of the event Hon’ble Mr. K.J. Alphons, Union Minister of State for Tourism of India & Hon’ble Mr. Ramdas Athawale, Minister of State for Social Justice and Empowerment of India, alongside the presence of the CEO of Nepal Tourism Board.

Award for “Best Effort to Promote Indian Tourism in Nepal”

Your hotel has bagged an international award for the “**Best effort to promote Indian Tourism in Nepal**”, at the 14th Hospitality India & Explore the World Annual International Travel Awards held at Ashok Hotel, New Delhi on 5th October 2018.

INTERNATIONAL, REGIONAL AND NATIONAL SCENARIOS AND THEIR IMPACTS ON THE BUSINESS

As per the World Economic Outlook (WEO) April 2018, of International Monetary Fund (IMF), the global growth is projected to reach 3.9 % in both Years 2018 and 2019. The global economic growth trend that began around mid-2016 is taking broader and stronger momentum. The world economic growth increased by 3.8 % in 2017, with a notable rebound in global trade. It was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters. The report projects that the advanced economies as a group will continue to expand above their potential growth rates this year and next year also before decelerating, while growth in emerging market and developing economies will rise before levelling off.

The Indian economy which grew by 6.7 % in 2017, is expected to expand by 7.4 % in 2018. The Chinese economy which grew by 6.9 % in 2017, is projected to limit within 6.6 % in 2018. It is also projected that the economic growth will expand in South Asian countries in 2018 except for Nepal, Bangladesh and Afghanistan.

As per UN World Travel Organization (UNWTO) Annual report 2017, the year 2017 was a record year for international tourism. International tourist arrivals grew for the eighth consecutive year, a sequence of uninterrupted growth not recorded since the 1960s. Destinations worldwide welcomed 1,323 million international tourist arrivals, 7 % more than in 2016. It is also important to note that the Asia and the Pacific accounts for 30% of the world’s international tourism recipients, a share that has almost doubled since 2000 from 17 %. Between 2005 and 2016, Asia outperformed all world regions in terms of growth, with international tourists' arrivals increasing an average 7 % per year compared to the world average of 4 %.

The Economic Survey 2017/2018 of Ministry of Finance, which covers the economic activities and overall economic condition of the country for FY 2017/18 has preliminary estimate of economic growth of 5.9 %, while an average annual growth rate over the last decade is 4.3 %. The improvement in supply system, energy availability, expansion of trading activities and speedy construction work have contributed economic growth in the country. The economic growth was

7.4 % in FY 2016/17. As per the report in the FY 2017/18, the growth of overall agriculture production is estimated to limit within 2.8 % mainly because of the paddy production, the major contributor having the share of 20.8% of total agriculture production, decreased by 1.5 % due to unfavourable monsoon and floods in Terai. Due to the improvement in trade and service sector, non-agricultural sector is estimated to expand by 7.1% in



FY 2017/18. Overall economic activities are oriented towards positive directions as a result of conducive environment in investment due to stable government formed after the election of three tiers of government.

The Economic Survey report 2017/2018 states that the arrival of tourist in 2017 has registered an increase of 25 % to 940,218 compared to that of the previous year of 753,000 numbers of tourists. The average length of tourist stay stood 12.6 days and per tourist expenses is USD 54 per day as compared to the Year 2016 where the average length of stay was 13.4 days and per tourist expenditure USD 53 per day.

After Nepal's tourism industry experienced a severe setback by devastating earthquakes and economic blockades in 2015, it gained momentum gradually in the following years. Arrivals of tourist hit a new record in 2017 when the country received 940,218 number of tourists, 25 % more than 2016. However the target of receiving 1 million tourists was not achieved as Legislative elections in November-December 2017 resulted in lower-than-expected growth. Nepal's tourism industry's growth is gradually on track and the government has even set a target to bring two million tourists per annum by 2020 and announced it will observe "**Visit Nepal 2020**".

The overall result of the hotel has showed a satisfactory performance during the fiscal year under review. The Net profit after Tax has increased by 140.49% due to increase in room occupancy to 63.52% from 54.23% year under review compared to previous fiscal year. This was possible because of the effective control over the expenditures of the Company by constant review through management team, same coupled with regular focus by Board of Directors. The hotel had posted a revenue of Rs 1,664.20 million in the year under review compared to previous year Rs 1,640.52 million with an overall growth of 1.44%. The room night occupied was 48,779 in the fiscal year 2017/18 as compared to 55,820 in previous year. The Average Daily Rate (ADR) had improved by 8.09% from Rs 8,391 in the fiscal year 2016/17 to Rs 9,070 in the fiscal year 2017/18. This had resulted in room revenue of Rs 442.42 million as compared to Rs 468.40 million previous year. The Revenue per available room (RevPAR) accordingly had improved from Rs 4,551 to Rs 5,761. The food and beverage segment likewise showed a growth of 4.92 % from Rs 1,061.03 million to Rs 1,113.20 million. The net profit after tax had improved by 140.49% in the fiscal year 2017/18 as compared to previous year.

CURRENT YEAR PERFORMANCE AS AT THE DATE OF REPORT AND FUTURE OUTLOOK

During the current fiscal year 2018/19, the hotel has posted total revenue of Rs 515.45 million till 31st October 2018 against Rs 379.70 million compared to same period last year. The room occupancy till 31st October 2018 is 59.37% for 228 room as compare to 81.01% for 117 rooms same period last year. The Average Room Rate (ARR) and Revenue per Available Room (RevPAR) is Rs 11,430 and 6,786 for 228 rooms against Rs 9,367 and Rs 7,589 for 117 rooms respectively compared to same period last year. The increase in total revenue in current year is mainly attributed due to increase in room revenue by Rs 69.85 million and Food & Beverage revenue by Rs. 61.47 million compared to same period last year as 141 rooms of Himalayan Wing block came in to operation after renovation of second and third floor under heritage concept and after completion of Vertical Shaft (HVAC & Plumbing pipeline) renovation.

World Travel & Tourism Council (WTTC), Economic Impact Annual Report 2018 figures out that the direct contribution of Travel & Tourism to global GDP to be USD 2,570.1 billion (3.2% of total GDP) in 2017, and is forecast to rise by 4.0% in 2018, and to rise by 3.8% per annum, from 2018-2028. In 2017, Travel & Tourism directly supported 118,454,000 jobs (3.8% of total employment and is expected to rise by 2.4% in 2018 and rise by 2.2% per annum to 150,139,000 jobs (4.2% of total employment) in 2028. Travel & Tourism investment in 2017 was USD 882.4 billion, or 4.5% of total investment. There is a forecast of rise by 4.8% in 2018, and rise by 4.3% per annum over the next ten years to USD 1,408.3 billion in 2028 (5.1% of total investment).



The London-based World Travel & Tourism Council's report on Nepal states that the direct contribution of Travel and Tourism to GDP in 2017 was Rs. 99.8 billion, 4.0% of total GDP and has a forecast of rise by 4.9% in 2018, and to rise by 3.8% per annum, from 2018-2028. In 2017, Travel & Tourism directly supported 497,500 jobs (3.2% of total employment). This is expected to rise by 3.9% in 2018 and rise by 2.1% per annum to 638,000 jobs (3.4% of total employment) in 2028. Travel & Tourism investment in 2017 stood Rs. 17.3 billion, 2.3% of total investment and is expected to rise by 7.6% in 2018, and rise by 4.7% per annum over the next ten years to Rs.29.4 billion in 2028, 2.5% of total investment.

Travel & Tourism is one of the world's largest and fastest growing economic sectors and for Nepalese economy, it has been a major source of foreign currency earnings and also has a fair share in employment creation. Nepal's tourism industry has come a long way and evolved over the period of past five decades since Nepal started welcoming foreign tourists. With the number of tourists arrival gradually increasing and flourishing trend of domestic tourism, investment in the five star hotels, boutique hotels and luxury resorts in various cities outside of the capital is gaining momentum, in contrary to capital and few other cities centric large hotels. The travel and tourism business has become a top investment avenue over the past few years. World Travel & Tourism Council's report states that Travel & Tourism investment in Nepal in 2017 was Rs.17.3 billion, 2.3% of total investment. In 2016 it was Rs.16.5 billion, 3 % of the total investment. It is expected to rise by 7.6% in 2018, and rise by 4.7% per annum over the next ten years. However, the major challenge for our tourism industry has always remained to be lack of basic infrastructure and need for new and innovative tourism products despite country's immense potential to attract travellers from across the world, which needs to be properly addressed by all concerned stakeholders.

PRODUCT AND SERVICE UP-GRADATION

As a strategy of continuous improvement and up gradation of the product, the Company has recently completed renovation of the two floors of Himalayan wing and the Company has come up with heritage theme of Basantapur Durbar square for these renovated floors.

Further, the Company has decided construct another large parking area beside the Casino building and Corporate office building. The construction of new parking area will cater to the parking of more than 250 cars at a time.

Similarly, in order to enhance the arrival experience of hotel guests, the Company will also come up with another parking space near tennis court, which can accommodate more than 50 cars at a time.

The existing health club facilities, gymnasium, saloon, steam and sauna rooms situated in Himalayan Wing basement will be moved to newly built Wellness Spa building. These vacant spaces of Himalayan Wing Building basement will be further developed into multiple meeting and conference halls within this fiscal year.

The Company has a plan to renovate existing lobby area that includes bar and reception area. Further, the Company will soon expand its existing Megha Malhar conference hall.

INVESTMENT DIVERSIFICATION

The Company has invested Rs. 250,000,000/- (Rupees Two Hundred Fifty million) in the equity of its wholly owned subsidiary Company Soaltee Hospitality Limited, incorporated under the Companies Act, 2006 (2063) as a strategic decision taken by the Company for investment in hotels outside the Kathmandu valley to be operated under the Company's trademark and brand. Further, the Company has paid aggregating Rs. 12,640,000/- against further equity in its subsidiary Company Soaltee Hospitality Limited as an advance against share Investment. Accordingly, the Company has invested the above amount through its subsidiary, Soaltee



Hospitality Limited; to Soaltee Sibkrim Hotels & Resorts Pvt. Ltd., a Nepalese joint venture Company incorporated with other local corporate promoters to construct and operate hotels in Nepalgunj and Pokhara.

The soft operation of the hotel under the brand name of Soaltee Westend Premier had been started from 28th December 2017. Soaltee Westend Premier hotel Nepalgunj is Nepal's first Eco-friendly Green hotel which has been Certified with the Leadership in Energy and Environmental Design (LEED) Certificate by U.S. Green Building Council (USGBC), an independent, non-profit organization based in Washington DC, USA. Soaltee Westend Premier hotel had adhered to extensive criteria in order to obtain this certification, from the design stage to the eco-friendly energy saving practices followed which reduces pollution and sets very high standard for energy-saving and eco-friendly criteria. The Soaltee Westend Premier sets a new reference point for what hotels in Nepal should be. With additional measures like insulation, temperature calibration, elevators with regen-technology, the hotel manages its electricity, temperature, water and waste that are ecological. Equipped with infrastructure that is luxurious and eco-friendly, the hotel has been successful in differentiating itself from the rest, entering new market which values eco-friendly hotels and in getting larger community support for its effort in sustainable tourism.

The Soaltee Sibkrim Hotels & Resorts Pvt. Ltd. will be operating all its hotel under registered three brands, trade names and trademarks of Soaltee Hospitality Limited, a wholly owned subsidiary of the Company, "Soaltee Westend", "Soaltee Westend Premier" and "Soaltee Westend Resorts", under the arrangement of Trademarks License Agreement between both Companies.

Further, Soaltee Sibkrim Hotels & Resorts Pvt. Ltd has also registered a Division named Hospitality Vocational Training Center. The Division has been in operation since 16th August 2017 under GATE Vocational Westend in Nepalgunj, which is managed and operated by Global Academy of Tourism and Hospitality Education, GATE Vocational Private Limited under a management agreement with Soaltee Sibkrim Hotels & Resorts Pvt. Ltd.

INVESTMENT IN HIMAL INTERNATIONAL POWER CORP (P) LTD

The Company has an investment in Bhote Koshi Power Company (P) Ltd (BKPC) through Himal International Power Corp (P) Ltd (HIPC). Every year dividend from BKPC flows through HIPC to the Company. Your Company received a dividend of Rs. 500,000/- (net of tax) for the fiscal year 2074/75 (2017/18).

BKPC is currently in the process of rehabilitating its Upper Bhote Koshi Hydroelectricity Project that was damaged by Gorkha Earthquake of April 25, 2015 and Glacial Lake Outburst Flood of July 5, 2016. It is undertaking the entire reconstruction works through an Engineering, Procurement and Construction (EPC) contract with a renowned contractor with whom agreement was finalized at the start of year 2018 after following due tendering process and protracted negotiations. The EPC contract includes all the civil, hydro-mechanical and electro- mechanical works that need restoration in the Headworks and Powerhouse except for the rehabilitation of the Generator and Turbines at the Powerhouse, which is being done separately by the Original Equipment Manufacturers (OEM).

Currently the rehabilitation work is progressing satisfactorily. Even though the monsoon season of 2018 adversely impacted the access to site as well as planned construction activities, the BKPC team is working closely with Contractors and relevant stakeholders to make up for the lost time and ensure completion of rehabilitation work within the financial year 2019/2020.

It is likely that there will be no dividend to the shareholders in the coming years until the BKPC Power Plant comes into operation.

**INDUSTRIAL AND BUSINESS OR PROFESSIONAL RELATIONS OF THE COMPANY**

The Board of Directors are pleased to report that the Company's relations with employees have been very cordial and excellent throughout the year. Both the management and employees work in close harmony with a common goal to provide high standard services to the guests of the hotel and to offer the best place to meet.

We would like to place on record our commendation and appreciation to our Soaltee family of employees, and we are confident that all our employees would demonstrate greatest level of commitment and understanding, extending further cooperation to the Management team to help your Company progress further.

Your Company maintains a good professional relationship with its customers, suppliers, and service provider, banks and other agencies, contractors and consultants, travel agencies and airlines, government authorities and regulators.

Your Company is Hospitality Member of internationally acclaimed travel and tourism Pacific Asia Travel Association (PATA). The Company is the Associate member of Federation of Nepalese Chambers of Commerce & Industry (FNCCI), Member of Hotel Association of Nepal (HAN), Nepal India Chamber of Commerce & Industry (NICCI), Nepal- China Chamber of Commerce & Industry (NCCCI), Nepal Britain Chamber of Commerce & Industry (NBCCI), and Nepal Institute of Company Secretaries (NICS).

CHANGES MADE IN THE BOARD OF DIRECTORS AND REASONS THEREFORE

The term of the previous Board of Directors ended at the 43rd Annual General Meeting of the Company. After fresh nominations and elections, the present Board of Directors was constituted at the 43rd Annual General Meeting for four years term held on Thursday, 14th December 2017 (28th Mangsir 2074) with the following Board Members:

Nominated / Appointed from Soaltee Enterprises Pvt. Ltd, Kathmandu

- | | | |
|----|---------------------------|--------------------|
| 1. | Mr. Dinesh Bahadur Bista | Executive Chairman |
| 2. | Ms. Jaya Rajya Laxmi Shah | Director |
| 3. | Mr. Ravi Bhakta Shrestha | Director |
| 4. | Mr. Rajesh Kazi Shrestha | Director |

Nominated / Appointed from Nepal Airlines Corporation, Kathmandu

- | | | |
|----|--------------------------|----------|
| 5. | Mr. Ganesh Bahadur Chand | Director |
|----|--------------------------|----------|

Nominated / Appointed from Holiday Inns Investment (Nepal) Limited, Hong Kong

- | | | |
|----|------------------------|----------|
| 6. | Mr. Ananth Ramchandran | Director |
|----|------------------------|----------|

Elected from the General Public Shareholders

- | | | |
|----|-------------------------------|----------|
| 7. | Mr. Sashi Raj Pandey | Director |
| 8. | Mr. Niranjana Kumar Tibrewala | Director |
| 9. | Mr. Prakash Bikram Khatri | Director |

The 215th Meeting of the Board of Directors of the Company held subsequent to the 43rd Annual General Meeting elected **Mr Dinesh Bahadur Bista as the Executive Chairman.**

Mr. Venkatesh Gomatam has been nominated and appointed as an Alternate Director to Mr. Ananth Ramchandran by the Holiday Inns Investment (Nepal) Limited, Hong Kong.

Further, during the year under review, **Mr. Venkatesh Gomatam** has been again nominated and appointed by the Holiday Inns Investment (Nepal) Limited, Hong Kong as a Member of Board of Directors (Director) of the Company in place of Mr. Ananth Ramchandran .

**MEETING OF THE BOARD OF DIRECTORS**

The Meeting of the Board of Directors of the Company is conducted in accordance with the Companies Act, 2006 (with amendments) of Nepal. The General Manager of Soaltee Crowne Plaza Kathmandu is a permanent invitee on the performance meetings of the Board of Directors of the Company. The Board met six times during the fiscal year 2074/75 (2017/18).

The intervening gap between the meetings was within the period prescribed under the Companies Act, 2006 (2063). Total board meeting sitting fee paid to the members of the Board of Directors of the Company during the fiscal year 2074/75 (2017/18) was Rs. 723,527/-.

MAJOR FACTORS AFFECTING THE BUSINESS OF THE COMPANY

The global economy is experiencing a cyclical recovery due to rebound in investment, manufacturing activity, and trade. Growth in advanced economies gained significant momentum in 2017. The recovery was markedly stronger than expected in the Euro area and, to a lesser degree, in the United States and Japan. International Monetary Fund forecasts that the global growth is projected to reach 3.9 % in both 2018 and 2019.

As per the World Bank's Nepal Development Update report April 2018, economic growth of Nepal in FY2018 is projected at 4.6 % and is expected to average 4.3 % during the forecast period, this projection is significantly lower than the government's economic growth estimate of 5.9 % . The World Bank report mentions that the construction is expected to remain strong, driven by reconstruction efforts, capital projects and construction of several big hotels. The industrial sector is also expected to remain strong with commissioning of new hydropower projects and cement factories, and due to improvements in power supply to industries. The services sectors are, however, expected to be adversely affected by the possibility of a further slowdown in growth of remittances.

UNWTO has explicitly stated that 2017 was exceptional year for international tourism as international tourist arrivals grew for the eighth consecutive year, a sequence of uninterrupted growth not recorded since the 1960. Even for Nepal, 2017 saw remarkable improvement in tourist arrivals as arrivals increased by 25 % compared to 2016. Total numbers of tourist arrival stood 940,218 and as per Nepal Rastra Bank's statistics, Country earned a record NRS67.09 billion in foreign exchange from the tourism industry. The arrival of tourists has increased by 13 % in the first six months of 2018 as compared to the same period last year. As per Nepal Tourism Board's data 520,014 number of tourists during first six months period from January to June 2018 making everyone hopeful that the tourist arrival is likely to increase remarkably in the year 2018. Tourism entrepreneurs are optimistic about a gradual increase in the flow of tourist arrival in the coming years owing to political stability and Government coming up with tourism friendly policies and programmes. Ministry of Culture, Tourism and Civil Aviation has announced that it will observe Visit Nepal 2020 and has set a target of receiving two million tourists by then, with a focus on two giant neighbours India and China which has rising number of outbound travellers. The government has unveiled master plans at various religious and tourists destinations that it expects to complete within next five years. The construction of two regional international airports- Gautam Buddha International Airport in Bhairahawa and Pokhara International Airport Pokhara and upgrading of Tribhuvan International Airport is also expected to be complete by 2022. Nepal's flag carrier, Nepal Airlines has already bought two wide body planes and is due to add more to the fleet by 2019, which is a welcoming news for tourism sector. Similarly, many private airlines had added their flights and new hotels are getting ready to meet the demand by 2020. Tourism growth happens when there is well developed infrastructures in terms of transportation, accommodation and not to forget ever changing technology augmented by rich natural, cultural attraction and new tourism product and services. Nepal Government's determination and initiation to give top



priority to the tourism infrastructure along with private sectors preparedness, the ambitious goal of doubling tourist arrivals from nearly one million to 2 million by 2020 could be achieved and bring in transformation in Nepal's tourism sector and economy as a whole.

BOARD OF DIRECTOR'S REACTION TO REMARKS MADE, IF ANY, IN THE AUDIT

The Auditors Report shows that the Company's operation, its profitability and financial position during the fiscal year under review was satisfactory. The Management has been advised to implement recommendations and suggestions of the Auditors to further improve the operating efficiency of the Company.

THE AMOUNT RECOMMENDED FOR DISTRIBUTION AS DIVIDEND

The Board has recommended a **Cash Dividend** distribution at the rate of **16.31578947%** of the subscribed and paid up share capital aggregating **Rs. 108,673,558** and **Bonus Shares** at the rate of **10%** of Subscribed and Paid up Share Capital held in the Company.

SUBSIDIARY COMPANY

The Subsidiary Companies of your Company M/s H I Soaltee Hotel Company Private Limited had reported that it had not started the business yet.

Soaltee Hospitality Limited, a fully owned Subsidiary of the Company had started its business.

The Audited Financial Statements of both subsidiary Companies comprising the Directors' Report, the Balance Sheet, the Income Statement as at 16 July 2018 (32 Ashadh, 2075) and the Cash Flow Statements for the year ended 16 July 2018 (32 Ashadh, 2075) along with the Auditors' Report are appended as a part of this Annual Report for the information of shareholders in compliance with section 143 and other applicable provisions, if any, of the Companies Act, 2006 (2063).

STATUTORY AUDITORS

The Auditors of the Company Messrs T R Upadhyaya & Co. , Chartered Accountants, Kathmandu, will be completing their tenure with the Company at the conclusion of the ensuring 44th Annual General Meeting.

In terms of the provisions of the Companies Act, 2006 (BS 2063), Statutory auditors need to be rotated on completion of three consecutive terms. They are eligible for their re-appointment pursuant to sub section 3 of section 111 of the Companies Act, 2006 (BS 2063).

Based on due consideration and recommendation of the Audit Committee of the Board, respected shareholders are requested to approve the appointment of statutory Auditors for the Fiscal Year 2018/2019 (2075/2076) and fix their remuneration.

On your behalf and on behalf of the Board, we place on record our sincere appreciation for the services rendered by M/s. T R Upadhyaya & Co., Chartered Accountants during the fiscal year 2017/18 (2074/2075).

AUDIT COMMITTEE

The Audit Committee is constituted in accordance with the provisions of section 164 of the Companies Act, 2006 (BS 2063). The primary objective of the Audit Committee is to review the accounts and financial statements of the Company and ascertain the truth of the facts mentioned in such statements, to review the internal financial control system and risk management system, to monitor, provide effective supervision and review the internal auditing activity, to recommend the names of auditor, fix the remuneration, terms and conditions of appointment of the statutory auditor and present the same in the general meeting for the ratification thereof and to perform such other terms as prescribed by the Board of Directors in respect of the accounts, financial management and audit of the Company.



The Committee met five times during the year, the Committee comprises of Mr. Ravi Bhakta Shrestha (Chairman), Mr. Sashi Raj Pandey (Member), and Mr. Niranjana Kumar Tibrewala (Member). The internal auditor reports functionally to the Audit Committee. Total Audit Committee meeting sitting fee paid to the members of the Audit Committee of the Company during the fiscal year 2074/75 (2017/18) was Rs. 247,058/-.

The Company Secretary acts as the Secretary of the Committee.

TENANT LAND REGISTRATION COMMITTEE

The Tenant Land Registration Committee consists of three Board Members - Mr Dinesh Bahadur Bista, Mr Ravi Bhakta Shrestha, and Mr Niranjana Kumar Tibrewala.

The Board of Directors is glad to report that the Tenant Land Registration Committee had completed its objective to procure the ownership title registration of entire remaining tenant land within Soaltee premises from the owners in the name of the Company during the fiscal year under review. The Committee met one time during the year and total Committee meeting sitting fee paid to the members of the Tenant Land Registration Committee of the Company during the fiscal year 2074/75 (2017/18) was Rs. 35,294/.

ADDITIONAL DISCLOSURES

ADDITIONAL DISCLOSURE INFORMATION UNDER SECTION 109 (4) OF COMPANIES ACT, 2063 (2006) WITH AMENDMENTS.

IN THE EVENT OF FORFEITURE OF SHARES, DETAILS REGARDING THE NUMBER OF FORFEITED SHARES, FACE VALUE OF SUCH SHARES, TOTAL AMOUNT RECEIVED BY THE COMPANY FOR SUCH SHARES PRIOR TO THE FORFEITURE THEREOF, PROCEEDS OF SALE OF SUCH SHARES AFTER THE FORFEITURE THEREOF, AND REFUND OF AMOUNT, IF ANY, MADE FOR SUCH FORFEITED SHARES;

The Company has not forfeited any shares during the fiscal year 2074/75 (2017/18).

PROGRESS OF TRANSACTIONS OF THE COMPANY AND OF ITS SUBSIDIARY COMPANY IN THE PREVIOUS FISCAL YEAR AND REVIEW OF THE SITUATION EXISTING AT THE END OF THAT FISCAL YEAR

The Company has two subsidiary Companies M/s H I Soaltee Hotel Company Private Limited and Soaltee Hospitality Limited, amongst the two M/s H I Soaltee Hotel Company Private Limited has not yet started operational activities.

MAJOR TRANSACTIONS CARRIED OUT BY THE COMPANY AND ITS SUBSIDIARY COMPANY DURING THE FISCAL YEAR AND ANY MATERIAL CHANGE IN THE BUSINESS OF THE COMPANY

The hospitality business as envisaged in the Memorandum of Association of the Company remained the core business of the Company; there was no change in business activities during the year, nor was there any change in the core objectives of the subsidiary Company.

INFORMATION FURNISHED TO THE COMPANY BY ITS SUBSTANTIAL SHAREHOLDERS TO THE COMPANY DURING THE FISCAL YEAR UNDER REVIEW

There has been no information received or disclosure made by the substantial shareholders of the Company to the Company during the fiscal year 2074/75 (2017/18).

PARTICULARS OF THE OWNERSHIP OF SHARES TAKEN BY THE DIRECTORS AND OFFICE-BEARERS OF THE COMPANY DURING THE PREVIOUS FISCAL YEAR, AND IN THE EVENT OF THEIR INVOLVEMENT IN SHARE TRANSACTIONS OF THE COMPANY, INFORMATION RECEIVED BY THE COMPANY FROM THEM ABOUT THEIR INVOLVEMENT;

No information were received for the Shares of the Company owned or acquired or Shares relinquished (sold) by Officials of the Company during the Fiscal year 2074/75 (2017/18).

To the Knowledge of the Company, the Directors, and the office bearers of the Company had not been involved



in the share transactions of the Company, nor they have any information regarding any involvement in the share transactions of the Company's shares in contravention of the prevailing laws of Nepal during the fiscal year 2074/75 (2017/18).

PARTICULARS OF DISCLOSURES FURNISHED BY ANY DIRECTOR OR ANY OF HIS /HER CLOSE RELATIVES ABOUT HIS PERSONAL INTEREST IN ANY AGREEMENT CONNECTED WITH THE COMPANY DURING THE PREVIOUS FISCAL YEAR;

There are no such information furnished by the Directors and any of their close relatives in any agreements/contracts related with the Company during the fiscal year 2074/75 (2017/18).

IN THE EVENT THAT THE COMPANY HAS BOUGHT ITS OWN SHARES (BUY-BACK), THE REASONS FOR SUCH BUYBACK, NUMBER AND FACE VALUE OF SUCH SHARES, AND AMOUNT PAID BY THE COMPANY FOR SUCH BUY-BACK;

The Company has not purchased its own shares during the fiscal year 2074/75 (2017/18). The Company does not have a policy to buy back its own shares.

WHETHER OR NOT THERE IS AN INTERNAL CONTROL SYSTEM IN PLACE, IF THERE IS ANY SUCH SYSTEM DETAILS THEREOF;

The hotel, SOALTEE CROWNE PLAZA KATHMANDU follows the guidelines and system prescribed by the InterContinental Hotels Group for its Internal Control System as practiced internationally. The Company is also guided by detailed financial procedures for the Internal Control System. The following Internal Control Systems are in practice in the Company:-

- (a) Operation Manuals, Procedures and Guidelines for systematic conduct of Operations of the Hotel
- (b) Financial Policies and Accounting Guidelines
- (c) Monthly Reporting on Internal Checks and Control System of InterContinental Hotels Groups
- (d) Internal Audit Unit of the hotel to exercise adequate control on financial transactions
- (e) Internal Audit carried out by outside Independent Certified Auditors.
- (f) Periodic review of Internal Control System by the Management and Audit Committee
- (g) Computerized system of operation for front office, reservations, accounting, and inventory
- (h) Control Self-Assessment conducted by InterContinental Hotels Group every six months.

PARTICULARS OF THE TOTAL MANAGEMENT EXPENSES DURING THE PREVIOUS FISCAL YEAR

Sln	Particulars	Amount Rs.	
		This Year 2017/18 (2074/75)	Previous Year 2016/17 (2073/74)
1	Staff Expenses	499,410,727	607,457,495
2	Operating (Management) Expenses	188,466,756	204,061,805
	Total	687,877,483	811,519,300

The total management expenses for the fiscal year 2074/75 (2017/18) has decreased by 15.23%.

A LIST OF THE MEMBERS OF THE AUDIT COMMITTEE, REMUNERATIONS, ALLOWANCES AND FACILITIES BEING RECEIVED BY THEM, PARTICULARS OF FUNCTIONS DISCHARGED BY THE COMMITTEE, AND DETAILS OF SUGGESTIONS, IF ANY, MADE BY THAT COMMITTEE;

The Company has an Audit Committee comprising of the following members of the Board of Directors:-

Sln	Particulars	Capacity / Position
1	Mr. Ravi Bhakta Shrestha	Chairperson
2	Mr. Sashi Raj Pandey	Member
3	Mr. Niranjana Kumar Tibrewala	Member

All other members of the Audit Committee are non-executive Director thus ensuring complete independence.

The Audit Committee meets on quarterly basis and reviews internal and external audit reports, control and



compliance issues, the Company's financial condition, outstanding receivable etc. The Audit Committee provides feedback to Board of Directors by tabling Audit Committee meeting minutes at the subsequent Board meeting for review.

During the fiscal year under review, the Audit Committee invited the Independent Statutory Auditors, the Independent Internal Auditors, the Executive Chairman, the General Manager, Chief Accountant, Director of Finance and Business Supports, Manager Finance (Corporate), Credit Manager / Assistant Credit Manager to the its Meetings. The preliminary statutory audit report is presented before the Audit Committee by the Independent Statutory Auditors. The Company Secretary acts as the Secretary to the Committee.

During the fiscal year 2074/75 (2017/18) Audit Committee performed the following tasks:-

- (a) Quarterly review were conducted on outstanding receivables of the hotel and appropriate measures were advised to the Management to recover the old pending receivable and to deal properly with debtors; and necessary instructions were also given to the management to keep receivable under control.
- (b) The Audit Committee reviewed the preliminary statutory audit report of the statutory auditors along with the Annual Financial Statements of the fiscal year 2074/75 (2017/18) of the Company and recommended to the Board for adoption.
- (c) Quarterly reviewed the Internal Audit reports and discussions made on the issues raised in the reports and directed the management for resolution.
- (d) The Audit Committee reviewed the performance of the Internal Auditors and made recommendation for the appointment of the independent Internal Auditors of the Company and their remuneration for the fiscal year 2074/75 (2017/18).
- (e) The Committee informed the Board of Directors that the management had taken all possible necessary actions to recover the old outstanding receivables and the status on recovery of the old receivables had been satisfactory.
- (f) The Committee reported the Board of Directors about its meeting and various recommendations and directions issued to the management to be implemented in quarterly basis.
- (g) The Audit Committee recommended the appointment of Statutory Auditors and their remunerations to the 43rd Annual General Meeting of the shareholders of the Company.

The Board of Directors are pleased to report that the management has implemented or is in the process of the implementation of most of the recommendations; and its status is found to be satisfactory.

The Committee members are glad to report that during the fiscal year 2074/75 (2017/18) no major issues have been reported in the Internal Audit Reports of the Company. The Internal Control System of the Company has been reported to be satisfactory.

PAYMENTS DUE, IF ANY, TO THE COMPANY FROM ANY DIRECTOR, MANAGING DIRECTOR CHIEF EXECUTIVE OR SUBSTANTIAL SHAREHOLDER OF THE COMPANY OR ANY OF THEIR CLOSE RELATIVES, OR FROM ANY FIRM, COMPANY, CORPORATE BODY IN WHICH HE/SHE IS INVOLVED;

A sum of Rs. 23.31 million (previous year Rs. 13.40 million) is outstanding receivable to be received from Nepal Airlines Corporation (NAC) which has got corporate share ownership of the Company. The amount pertains to dues receivables against catering to NAC on board flights by LSG Sky Chef – Flight Catering Unit of the Company. The Company has business relationship with NAC for over a number of years in the past.

**AMOUNT OF REMUNERATIONS, ALLOWANCES, AND FACILITIES PAID TO THE DIRECTORS, THE MANAGING DIRECTOR, THE CHIEF EXECUTIVE, AND OFFICE-BEARERS;**

The Directors have not been paid any remuneration, allowances, and facilities except meeting fees of Rs. 15,000/- net of taxes per sitting. The meeting fees paid during the financial year 2074/75 (2017/18) to the non-executive Board of Directors was Rs. 1,005,879/-. The remuneration, allowances and other facilities paid to the Executive Chairman, the General Manager and Managers of the Company during the fiscal year 2074/75 (2017/18) was Rs. 120,655,998/-.

The Company also provides an office car to the Executive Chairman and the General Manager with a driver, fuel, and maintenance as other facilities.

AMOUNT OF DIVIDENDS REMAINING UNCLAIMED BY THE SHAREHOLDERS;

The dividend yet to be collected by the Shareholders amounts to total Rs. 6,534,596 (previous year Rs. 6,062,351 /-) as on 16 July 2018 (32 Ashadh 2075) for the fiscal year which include dividends not collected from the fiscal year 1992/93 to 2016/17 (2049/50 to 2073/74). Out of above mentioned unclaimed dividends, Rs. 1,323,175 (previous year Rs. 1,102,304 /-) pertains to the fiscal years from 1992/93 to 2011/12 (2049/50 to 2068/69) - periods more than five years from the dates of declaration.

Under the Companies law, the dividend not claimed / received by any shareholder even after a period of five years from the date of resolution adopted by the Company in its Annual General Meeting to distribute dividend should be deposited to the Investor Protection Fund to be established by the Government of Nepal. Therefore, shareholders who have not yet collected their Dividend relating to the above fiscal years are requested to kindly contact the Registered Office of the Company at Tahachal, Kathmandu, Nepal.

DETAILS OF SALE AND PURCHASE OF PROPERTIES PURSUANT TO SECTION 141 OF THE COMPANIES ACT, 2006 (2063);

No Acquisition and Sales of properties in pursuant to section 141 of the Companies Act, 2006 (2063) took place during the Fiscal year 2074/75 (2017/18).

DETAILS OF THE TRANSACTIONS CARRIED ON BETWEEN THE ASSOCIATED COMPANIES PURSUANT TO SECTION 175 OF THE COMPANIES ACT, 2006 (2063);

No transaction between associated Companies in pursuant to section 175 of the Companies Act, 2006 (2063) took place during the fiscal year 2074/75 (2017/18).

ANY OTHER MATTERS REQUIRED TO BE SET OUT IN THE REPORT OF BOARD OF DIRECTORS UNDER THE COMPANIES ACT, 2006 (2063) AND THE PREVAILING LAWS OF NEPAL;

There are no other matters to be disclosed in the Director's Report of the Board of Directors in pursuant to the Companies Act, 2006 (2063) and the prevailing law of Nepal during fiscal year 2074/75 (2017/18).

OTHER NECESSARY MATTERS;

There are no other necessary matters to be disclosed by the Board of Directors.

DISCLOSURES OF PARTICULAR IN THE ANNUAL REPORT RELATING TO SCHEDULE 15 OF SUB RULE (2) OF RULE 26 OF SECURITIES REGISTRATION AND ISSUANCE REGULATION, 2073 (2016):**REPORT OF BOARD OF DIRECTORS:**

Report of the Board of Directors is included in the Annual Report 2074/75 (2017/18) under Director's Report section heading.

**AUDITOR'S REPORT:**

The Auditor's Report is included in the Annual Report 2074/75 (2017/18) under Auditors Report section heading.

AUDITED FINANCIAL REPORTS:

The Audited Financial Reports comprising the Balance Sheet, Income Statement (Profit and Loss Account), and Cash Flow Statement, Changes in Equity and Notes to Accounts and related Schedules of the Financial Statements of the Company appended under respective section heading of the Annual Report 2074/75 (2017/18).

LEGAL PROCEEDINGS:

- (a) No Law-suit filed by or against the corporate body during the quarterly period.
- (b) Law-suit filed by or against the promoter or director of the corporate body involving violations of statutory regulations or criminal offences;
The Company has not received any such information during the fiscal year 2074/75 (2017/18).
- (c) Law-suit filed against any promoters or directors for committing economic crimes;
The Company has not received any such information during the fiscal year 2074/75 (2017/18).

ANALYSIS OF STOCK TRANSACTION PERFORMANCE OF THE CORPORATE BODY:**(a) MANAGEMENT'S VIEW ON THE PERFORMANCE OF THE STOCKS OF THE CORPORATE BODY IN THE STOCK EXCHANGE:-**

Since price and transactions of the shares of the Company are, being determined by the open share market operations through Nepal Stock Exchange Ltd.(NEPSE) management's view on the performance of the stocks of the Company is neutral.

(b) MAXIMUM, MINIMUM AND CLOSING PRICE OF THE STOCKS OF THE CORPORATE BODY DURING EACH QUARTER OF THE PRECEDING YEAR ALONG WITH TOTAL VOLUME OF TRADING OF SHARES AND NUMBER OF DAYS TRADED:-

Maximum, Minimum, and Closing price of the stocks of the Company, total volume of transacted shares, total number of transactions and days transacted during each quarter of the Fiscal year 2074/75 (2017/18)are under mentioned: -

Quarters of FY 2074/75 (2017/18)	Share Price (Rupees) 2074/75 (2017/18) Share Price (Face value of Rs. 10 each Share)			Fiscal Year 2074/75 (2017/18) Total Number of		
	Maximum	Minimum	Closing	Trading Days	Transactions	Transacted Shares
1st Quarter - Ashwin 2074 end	400	350	370	55	846	390,529
2nd Quarter - Poush 2074 end	372	261	277	56	826	354,843
3rd Quarter - Chaitra 2074 end	278	222	249	55	601	274,494
4th Quarter - Ashadh 2075 end	283	230	243	59	870	430,381
	Total			225	3,143	1,450,247

(SOURCE: NEPAL STOCK EXCHANGE LTD.)



PROBLEMS AND CHALLENGES:-

(A) INTERNAL

The Company has got no internal problems.

(B) EXTERNAL

- (i) Rise in cost of operation, scarcity of potable water, increasing cost of human resources, goods and services, energy, and cost of products and services;
- (ii) Adverse effects to the tourism because of unfavorable global incidents;
- (iii) Political instability and disturbances, and lack of tourism infrastructures and Government policy;
- (iv) Natural disasters such as earthquake and other catastrophes;

STRATEGY:

- (i) Develop a customer oriented services culture – emphasis on customer care and convenience;
- (ii) Increase market share by following disciplined growth strategy;
- (iii) Develop innovative products and services that attracts customers and market segments;
- (iv) Upgrade the infrastructures of the hotel and continue to develop products and services that reduce cost of funds and explore new avenues for growth and profitability;
- (v) Explore possibility of investing or operating hotels outside Kathmandu;
- (vi) Achieve service excellence and continue enhancement in products and services to exceed customer expectations;

CORPORATE GOVERNANCE:

MANAGEMENT'S INITIATIVES TOWARDS GOOD CORPORATE GOVERNANCE:

Transparency and accountability are the two basic tenets of Corporate Governance. The Board of Directors are committed to sound principles of Corporate Governance in the Company. The Board of Directors of Company are pleased to report that during the year ended 16 July 2018, the Company had complied and followed the corporate governance, which includes:-

- (a) The Company has been complying with the Acts, Directives, Guidelines, and Regulations and Byelaws issued by Government of Nepal, Security Board of Nepal, Nepal Stock Exchange Ltd., and CDS & Clearing Ltd. regarding Corporate Governance.
- (b) Board of Directors and its Committees' (Audit Committee of the Board) meeting are held on regular basis.
- (c) Adequately experienced core management team
- (d) Regular Executive Committee meetings to review the operational activities and progress in various areas of hotel operation
- (e) Adequate Internal Control System, policies, procedures, manuals of the Company and InterContinental Hotels Group and compliance of the relevant laws
- (f) The Company has an external independent Internal Auditors who carries out an internal audit for the review, checking the compliances and internal control system, procedures and policies of the Company and provide independent information on the internal control. The independent Internal Auditors reports directly to the Audit Committee. The Company also has its own Internal Audit unit, which carries out internal review of the hotel.



- (g) Adequate compliances of the regulatory requirement of Company to the Office of Company Registrar, SEBON, NEPSE, CDS & Clearing, Nepal Rastra Bank and Ministry of Tourism & Civil Aviation etc.

ACKNOWLEDGEMENTS

The Board of Directors wishes to express its gratitude to the respected shareholders at large for their valuable insight, guidance, co-operation and support through their personal inputs and their active participation in our Annual General Meetings. The Board of Directors extends sincere appreciation and gratitude to all our valued customers, travel agencies, airlines, vendors, consultants, contractors, suppliers, service providers, banks, business associates, and other agencies for their continued supports, cooperation and patronage to the Company during the fiscal year. We place on record our appreciation of the contribution made by employees at all levels for their dedicated services to this Company.

The Board of Directors would like to express its gratitude to the Government of Nepal, Nepal Rastra Bank, and other Government agencies and regulatory authorities for their support, guidance, cooperation and look forward to their continued support in the future.

DINESH BHADUR BISTA
EXECUTIVE CHAIRMAN

GANESH BHADUR CHAND
VENKATESH GOMATAM
PRAKASH BIKRAM KHATRI
SASHI RAJ PANDEY
JAYA RAJYA LAXMI SHAH
RAVI BHAKTA SHRESTHA
RAJESH KAZI SHRESTHA
NIRANJAN KUMAR TIBREWALA
DIRECTORS

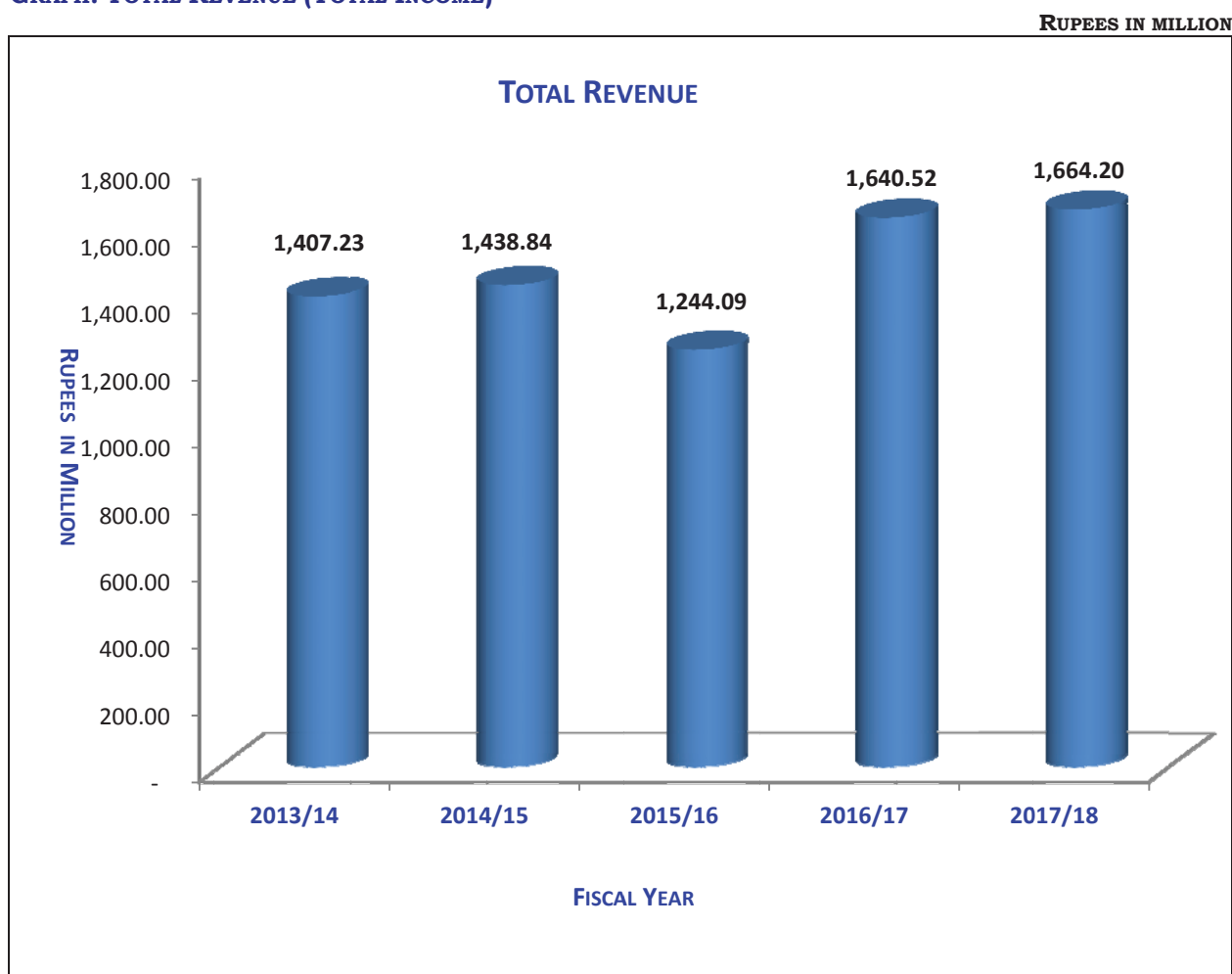
Date: 15th November 2018
(29th Kartik 2075)

Place: Kathmandu

**SOALTEE HOTEL LIMITED****FINANCIAL HIGHLIGHTS**

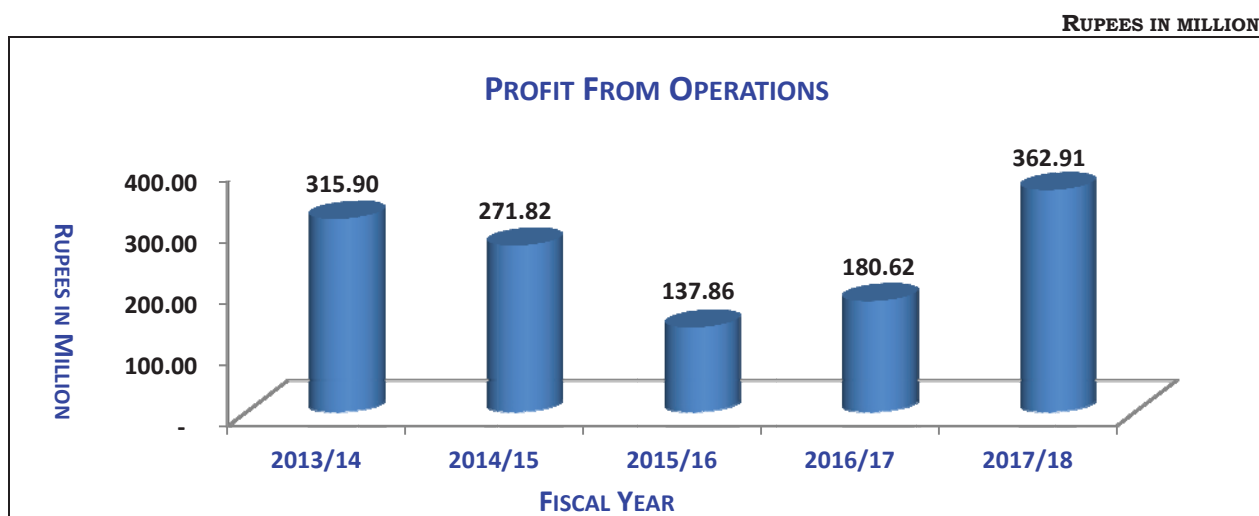
The major performance indicators comparative figures of the Company for the last five years are summarized as under:

PARTICULARS	FINANCIAL YEAR				
	2017/18	2016/17	2015/16	2014/15	2013/14
TOTAL REVENUE	1,664.20	1,640.52	1,244.09	1,438.84	1,407.23
TOTAL EXPENDITURE	1,301.29	1,459.90	1,106.23	1,167.02	1,091.34
PROFIT FROM OPERATIONS	362.91	180.62	137.86	271.82	315.90
LESS : FINANCE COST	0.82	0.70	0.61	0.27	-
PROFIT BEFORE TAXES	362.09	179.92	137.25	271.55	315.90
LESS: PROVISION FOR INCOME TAX	70.32	48.76	31.34	56.77	72.96
LESS: DEFERRED TAX EXPENSES/ (INCOME)	12.54	(7.57)	6.03	(5.32)	(1.05)
NET PROFIT AFTER TAXATION	279.23	138.73	99.88	220.10	243.98
NET TRANSFER TO RESERVES FOR THE YEAR	279.23	138.73	99.88	220.10	243.98

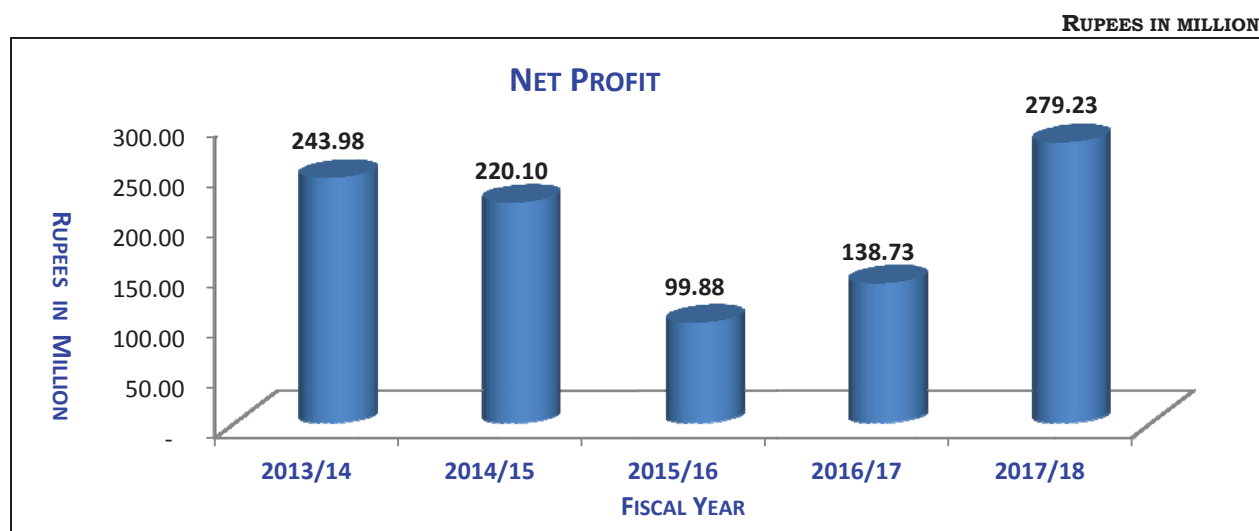
GRAPH: TOTAL REVENUE (TOTAL INCOME)



GRAPH: PROFIT FROM OPERATIONS



GRAPH: NET PROFIT



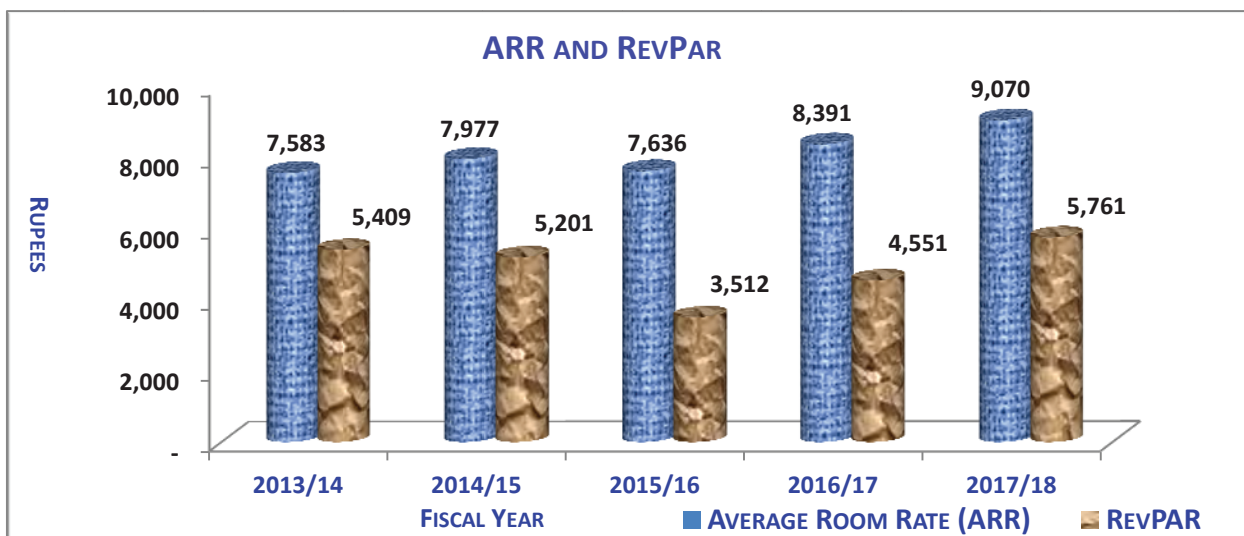
ROOM REVENUE, OCCUPANCY, AVERAGE ROOM RATE (ARR) AND REVPAR

PARTICULARS	FINANCIAL YEAR					INCREASE / (DECREASE) % (THIS FY Vs LAST FY 2016/17)
	2017/18	2016/17	2015/16	2014/15	2013/14	
ROOM COUNT	210	282	282	282	282	(25.53%)
ROOM REVENUE (RS. IN MILLIONS)	442.42	468.40	361.52	524.72	539.53	(5.55%)
ROOM AVAILABLE	76,797	102,930	102,930	100,884	99,747	(25.39%)
SALEABLE ROOM	76,797	102,930	102,930	100,884	99,747	(25.39%)
ROOM OCCUPIED	48,779	55,820	47,341	65,781	71,148	(12.61%)
OCCUPANCY PERCENTAGE	63.52%	54.23%	45.99%	65.20%	71.33%	9.29%
AVERAGE ROOM RATE (ARR) RS.	9,070	8,391	7,636	7,977	7,583	8.09%
REVPAR (REVENUE PER AVAILABLE ROOM) RS.	5,761	4,551	3,512	5,201	5,409	26.59%



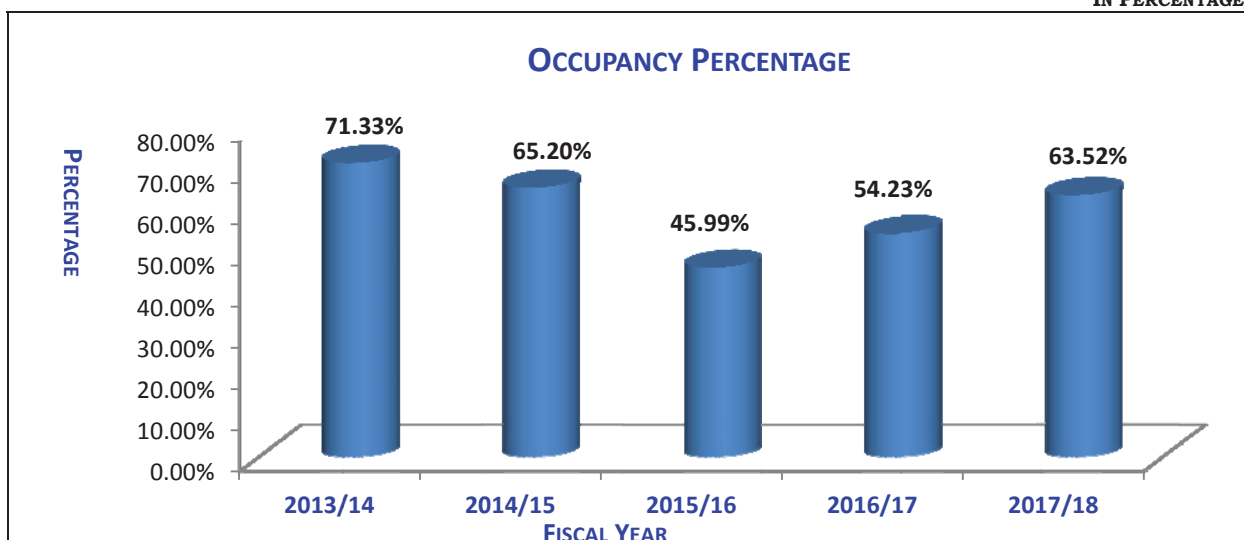
GRAPH- AVERAGE ROOM REVENUE (ARR) AND REVPAR

IN RUPEES



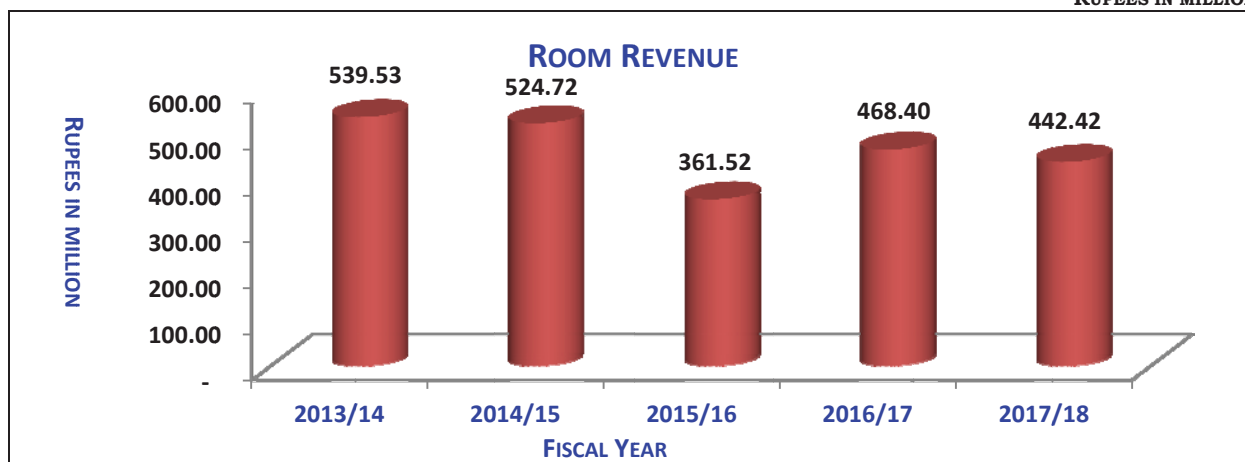
GRAPH - OCCUPANCY PERCENTAGE

IN PERCENTAGE



GRAPH - ROOM REVENUE

RUPEES IN MILLION



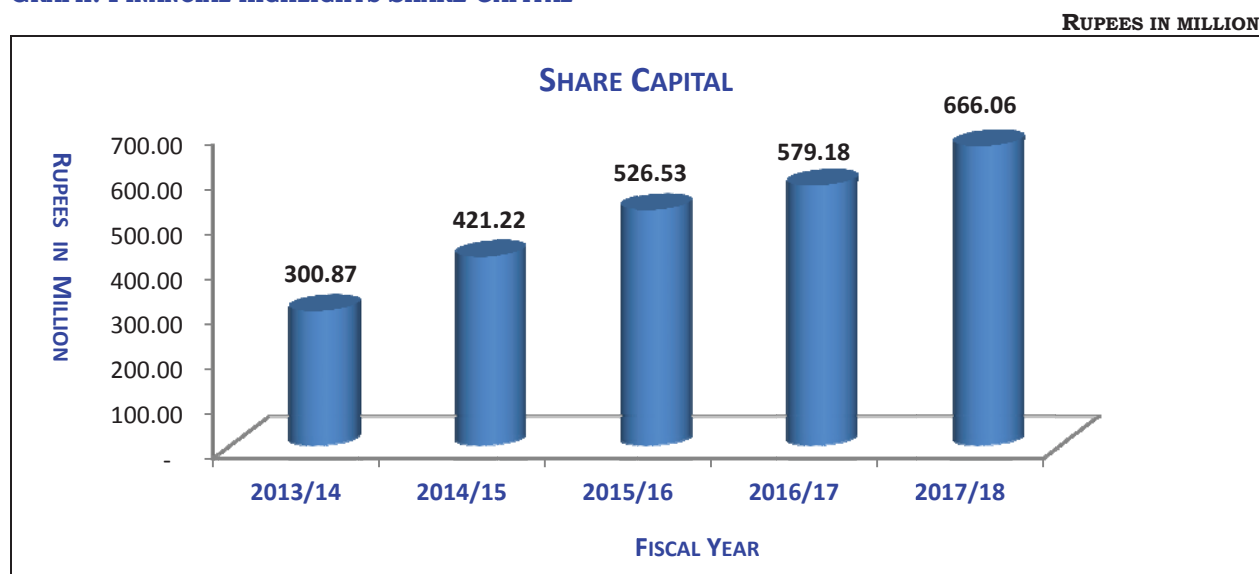


FINANCIAL HIGHLIGHTS

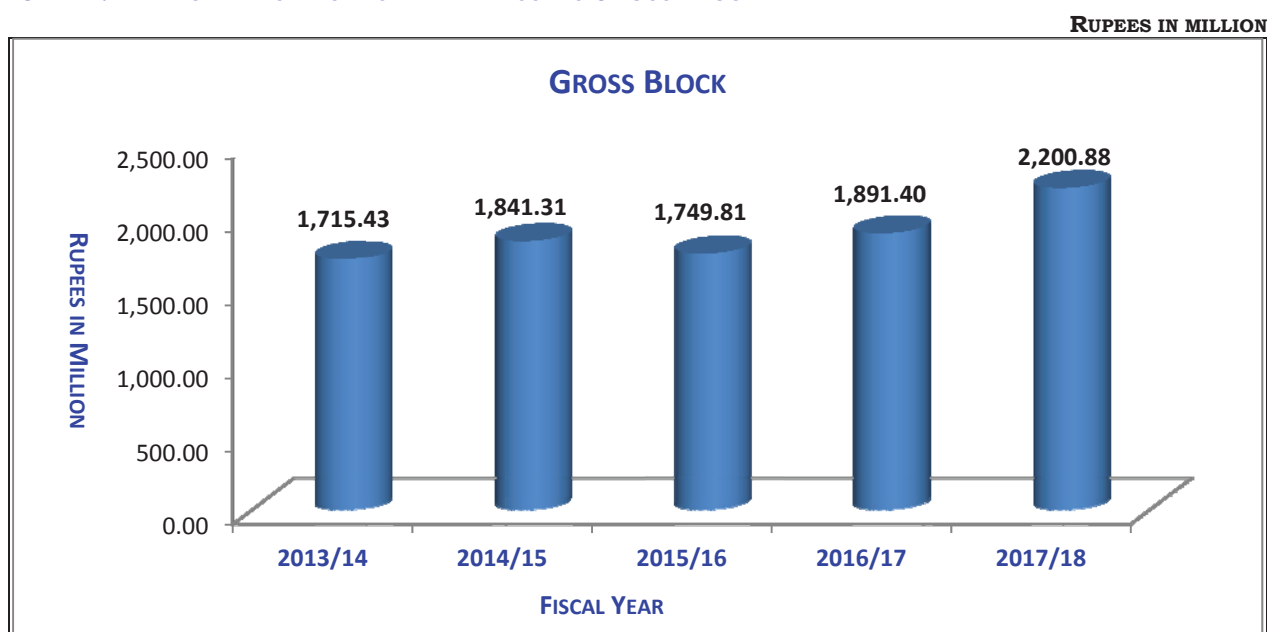
The following are the comparative figures which highlight the Company's performance for last five years: -

PARTICULARS	FINANCIAL YEAR					INCREASE / (DECREASE) % (THIS FYVs LAST FY 2016/17)
	2017/18	2016/17	2015/16	2014/15	2013/14	
SHARE CAPITAL	666.06	579.18	526.53	421.22	300.87	15.00%
FIXED ASSETS GROSS BLOCK	2,200.88	1,891.40	1,749.81	1,841.31	1,715.43	16.36%
TOTAL REVENUE	1,664.20	1,640.52	1,244.09	1,438.84	1,407.23	1.44%
PROFIT FROM OPERATIONS	362.91	180.62	137.86	271.82	315.90	100.93%
NET PROFIT/ (LOSS)	279.23	138.73	99.88	220.10	243.98	101.27%

GRAPH: FINANCIAL HIGHLIGHTS SHARE CAPITAL



GRAPH: FINANCIAL HIGHLIGHTS – FIXED ASSETS GROSS BLOCK



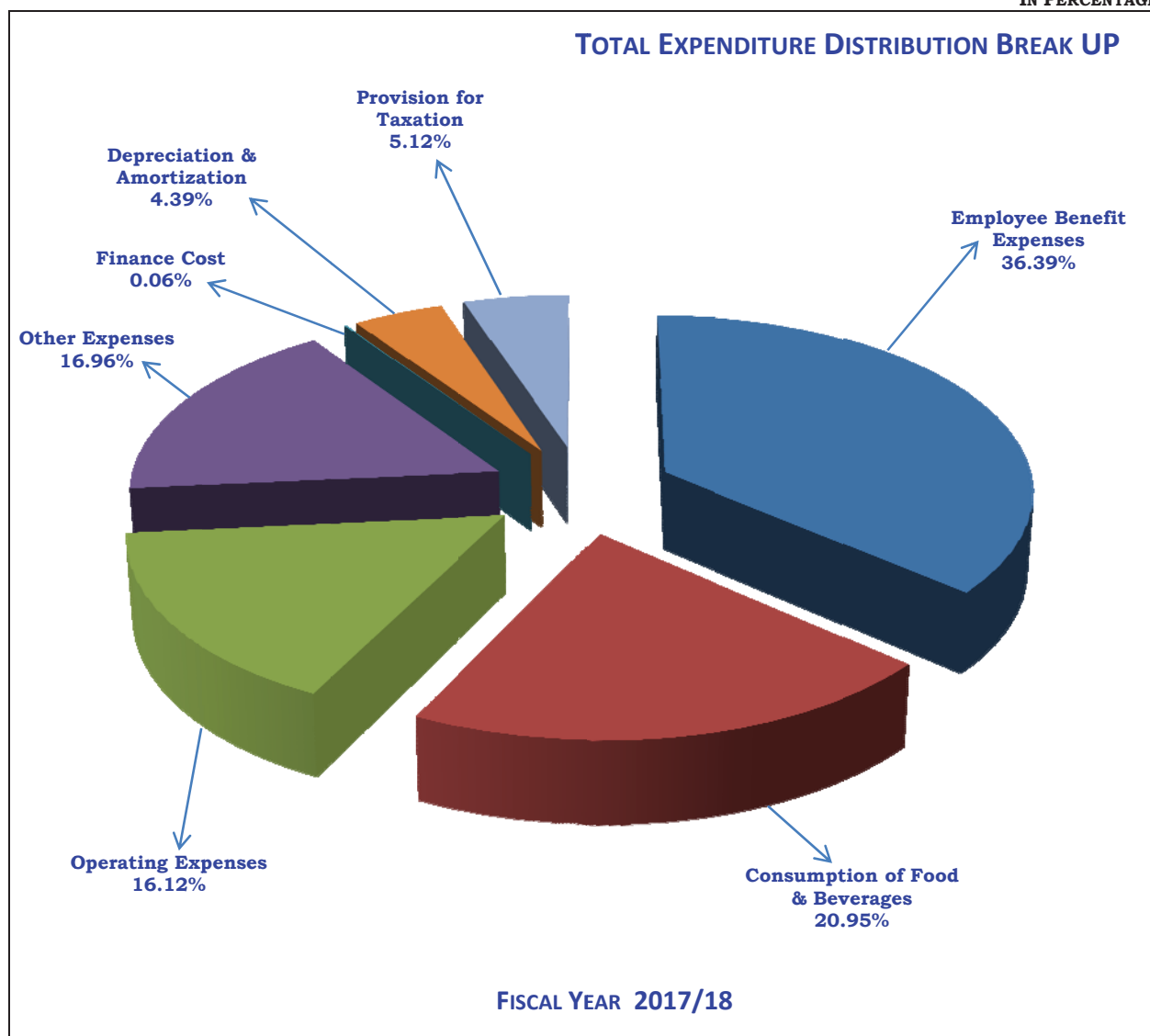
**FINANCIAL HIGHLIGHTS – TOTAL EXPENDITURE DISTRIBUTION BREAK UP**

The following are the break up for Total Expenses made: -

PARTICULARS	CURRENT YEAR (2017/18)	
	RUPEES IN MILLION	PERCENTAGE (%) IN BREAK UP
EMPLOYEE BENEFIT EXPENSES	499.41	36.39%
CONSUMPTION OF FOOD AND BEVERAGES	287.56	20.95%
OPERATING EXPENSES	221.28	16.12%
OTHER EXPENSES	232.76	16.96%
FINANCE COST	0.82	0.06%
DEPRECIATION & AMORTIZATION	60.28	4.39%
PROVISION FOR TAXATION	70.32	5.12%
TOTAL EXPENDITURE	1,372.43	100.00%

GRAPH: FINANCIAL HIGHLIGHTS – DISTRIBUTION BREAK UP OF TOTAL EXPENSES

IN PERCENTAGE



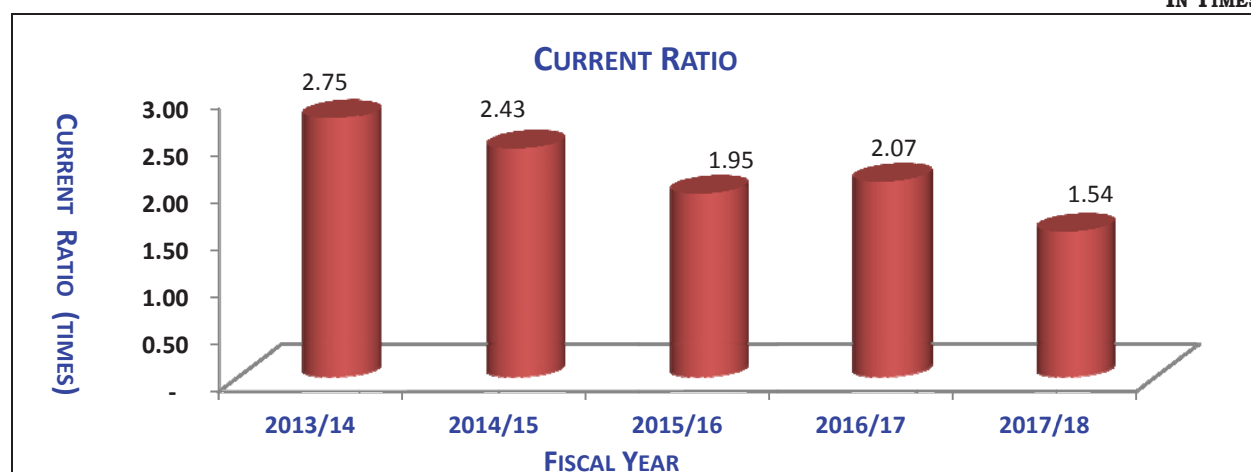
**MAJOR FINANCIAL INDICATORS**

The following are the comparative figures for major Financial Indicators which show the performance of the Company for last five years: -

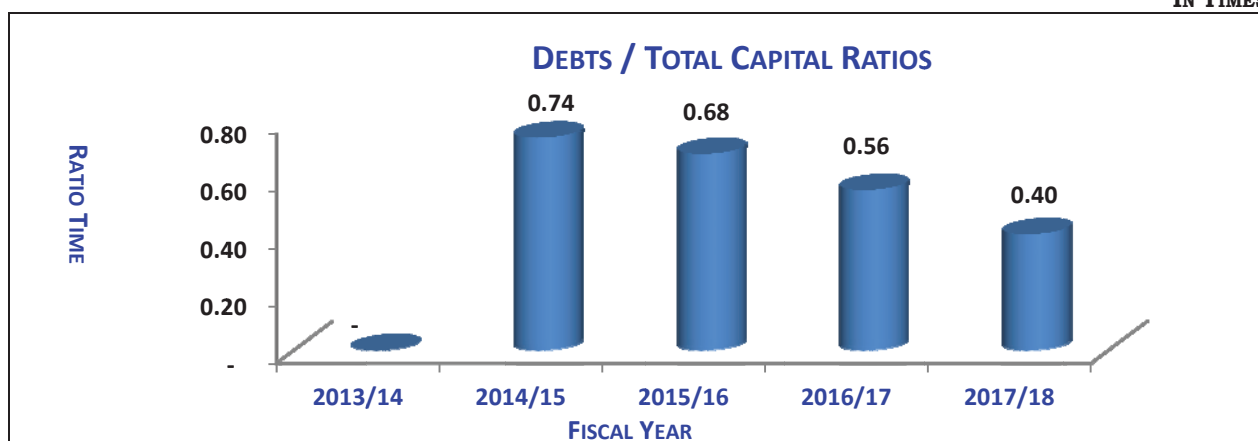
PARTICULARS	FINANCIAL YEAR				
	2017/18	2016/17	2015/16	2014/15	2013/14
DEBT EQUITY RATIO	0.01	0.01	0.01	0.01	-
RETURN ON EQUITY SHAREHOLDERS FUND	0.19	0.12	0.09	0.19	0.25
EARNINGS PER SHARE (RS)	4.19	2.40	1.90	5.23	8.11
NET WORTH PER SHARE (RS)	21.59	20.63	21.17	27.65	32.44
GROSS ASSETS VALUE PER SHARE (RS)	33.44	33.33	34.80	43.54	52.84
MARKET VALUE PER SHARE (SHARE OF RS.10 EACH)	243.00	361.00	375.00	425.00	581.00
PRICE EARNINGS RATIO (TIMES)	57.96	150.71	197.68	81.34	71.65
CURRENT RATIO	1.54	2.07	1.95	2.43	2.75
DEBTS/CAPITAL EMPLOYED RATIO (TIMES)	0.40	0.56	0.68	0.74	-

GRAPH: FINANCIAL HIGHLIGHTS - LIQUIDITY AND CASH POSITION: CURRENT RATIO

IN TIMES

**GRAPH: FINANCIAL HIGHLIGHTS – DEBTS / TOTAL CAPITAL RATIO**

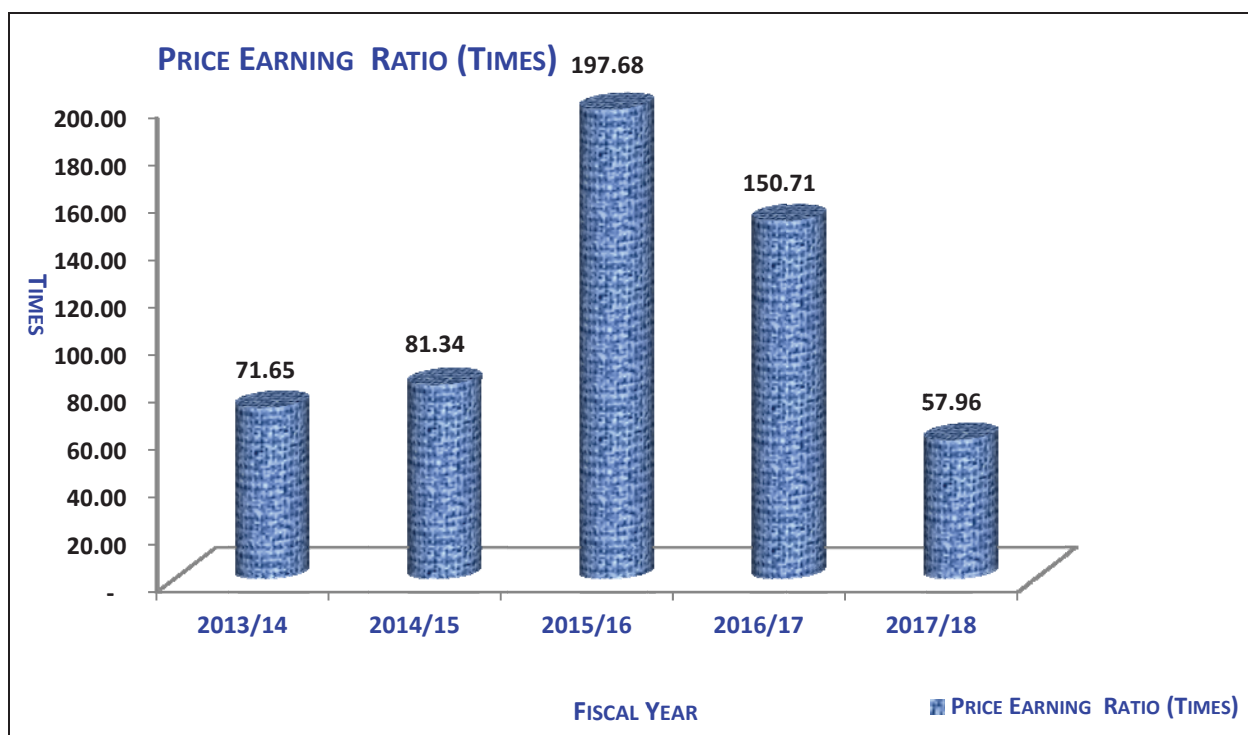
IN TIMES





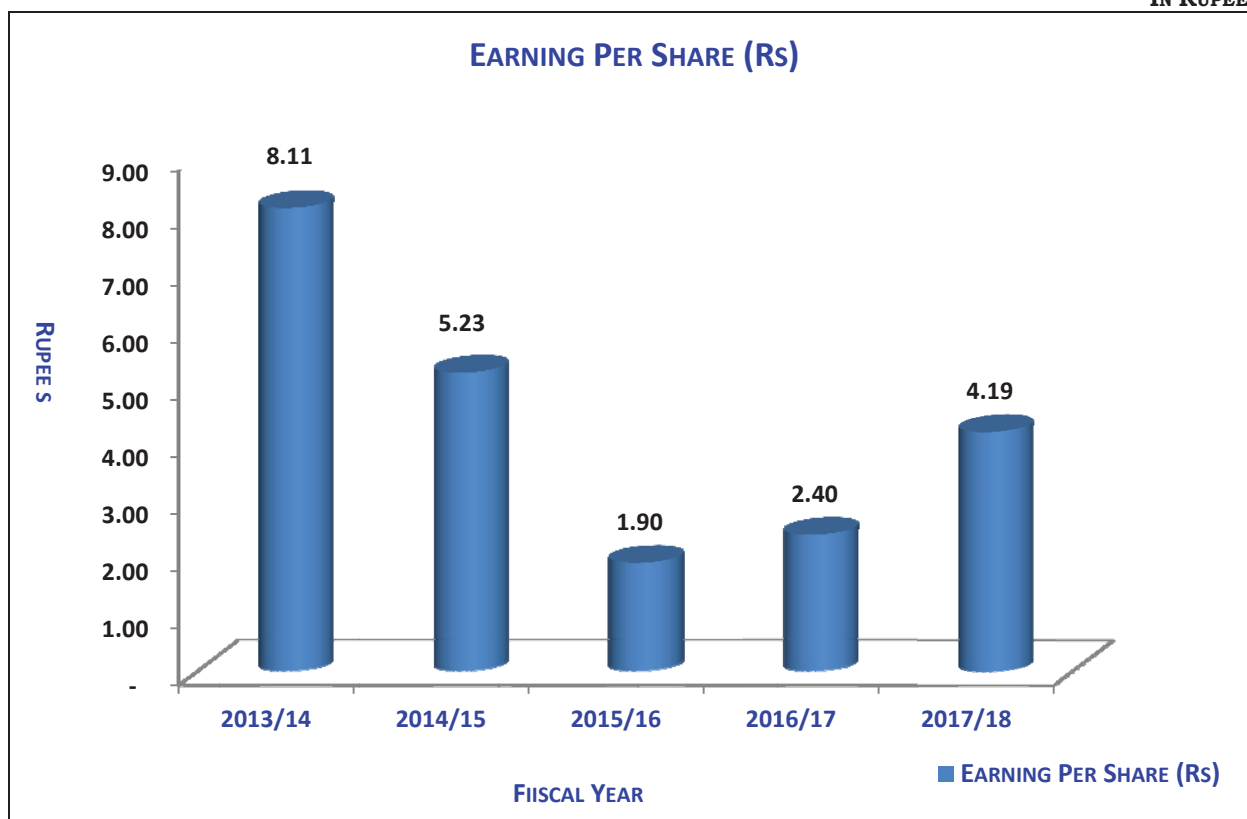
GRAPH: FINANCIAL HIGHLIGHTS – PRICE EARNINGS RATIO

IN TIMES



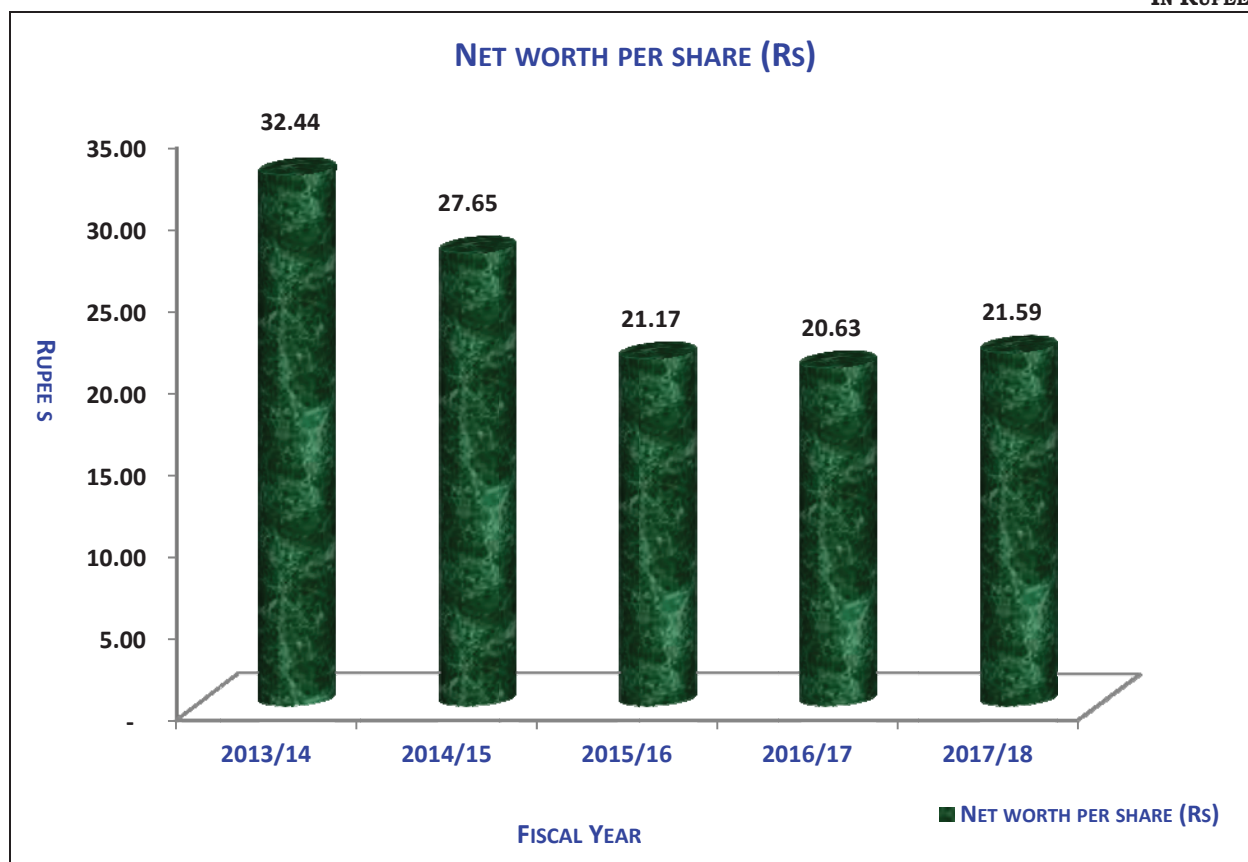
GRAPH: FINANCIAL HIGHLIGHTS – EARNINGS PER SHARE

IN RUPEES



**GRAPH: FINANCIAL HIGHLIGHTS – NET WORTH PER SHARE**

IN RUPEES

**FINANCIAL HIGHLIGHTS - GEARING RATIO, CURRENT ASSETS, LIABILITIES AND CAPITAL EMPLOYED**

The Debts and total capital employed in the Company for last five years are enlisted below with a comparison on current ratio which shows the Company's ability to meet its current obligations: -

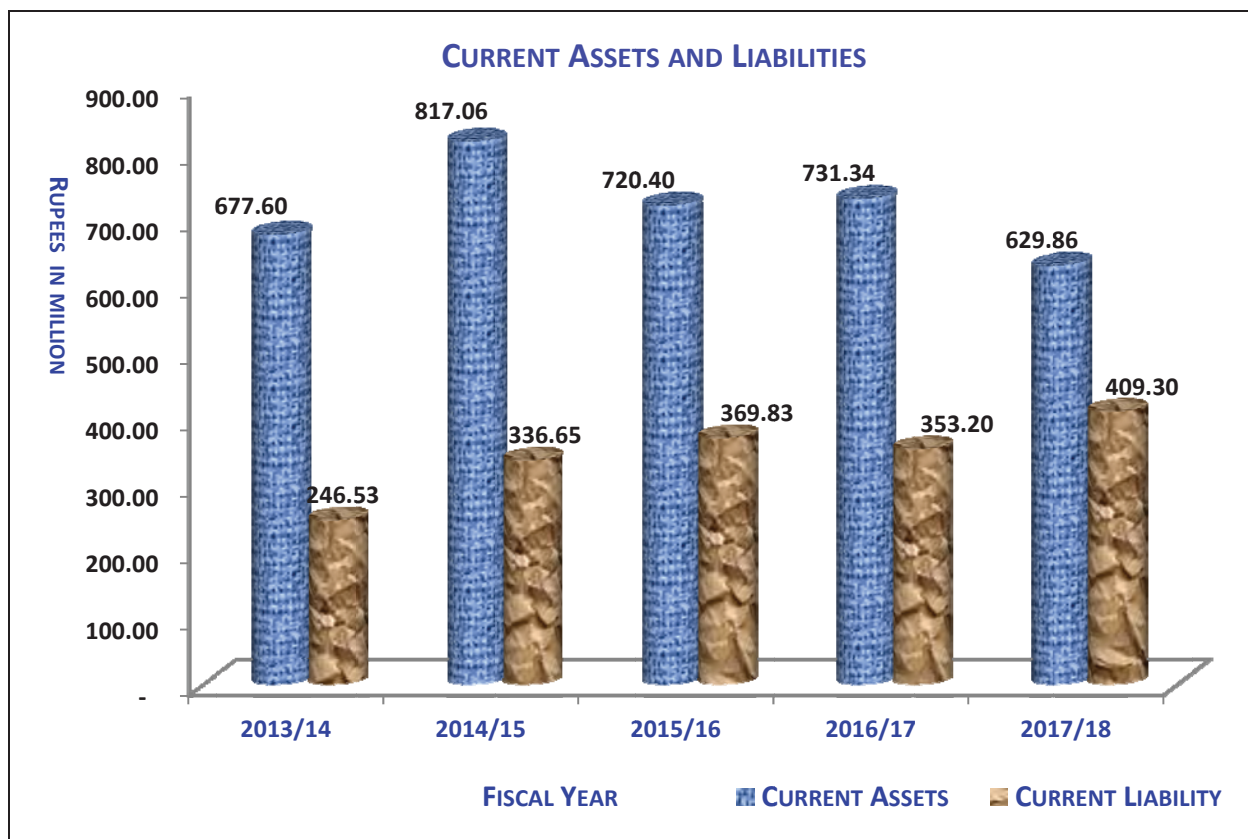
RUPEES IN MILLION

PARTICULARS	FINANCIAL YEAR				
	2017/18	2016/17	2015/16	2014/15	2013/14
CURRENT ASSETS	629.86	731.34	720.40	817.06	677.60
CURRENT LIABILITY	409.30	353.20	369.83	336.65	246.53
DEBTS	5.84	6.69	7.65	8.70	-
TOTAL EQUITY	1,437.99	1,194.56	1,114.65	1,164.81	975.92
CAPITAL EMPLOYED (CE) (SHARE CAPITAL + RESERVES + DEBTS)	1,443.83	1,201.25	1,122.30	1,173.51	975.92



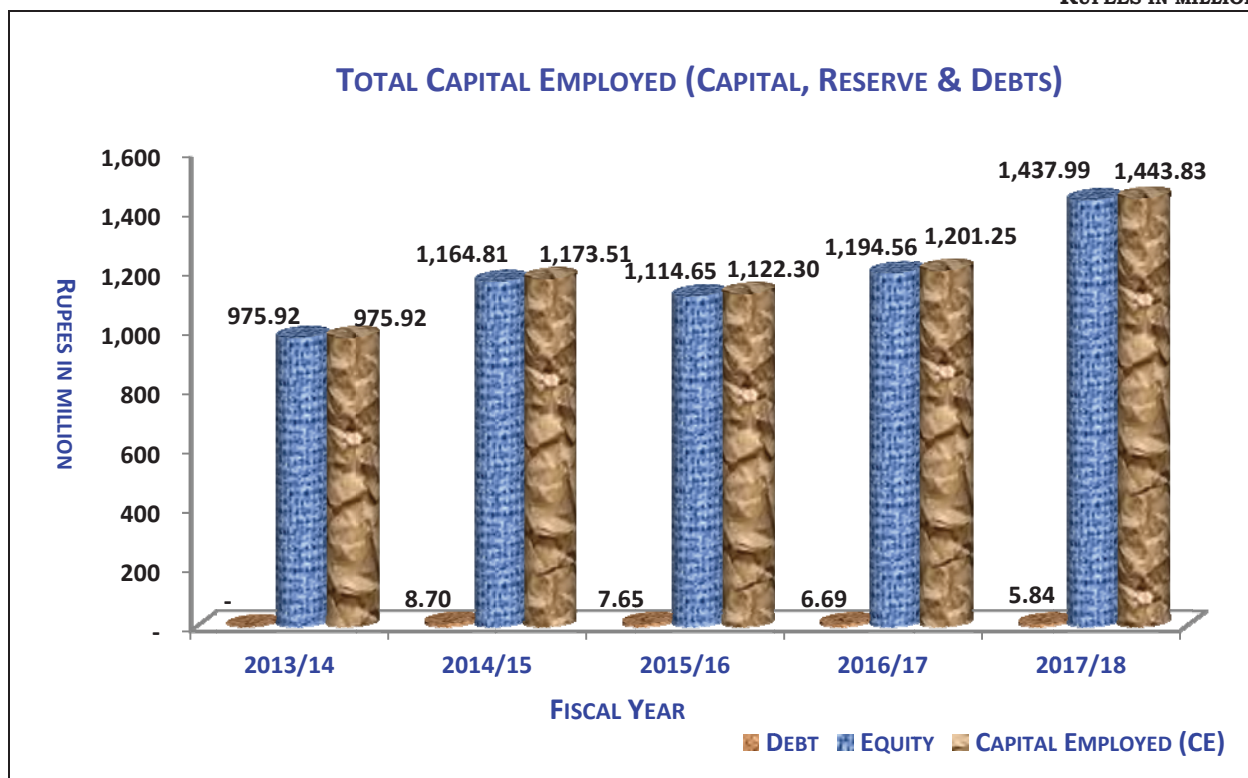
GRAPH: FINANCIAL HIGHLIGHTS - CURRENT ASSETS AND CURRENT LIABILITIES

RUPEES IN MILLION



GRAPH: FINANCIAL HIGHLIGHTS – TOTAL CAPITAL EMPLOYED (SHARE CAPITAL, RESERVE & DEBTS)

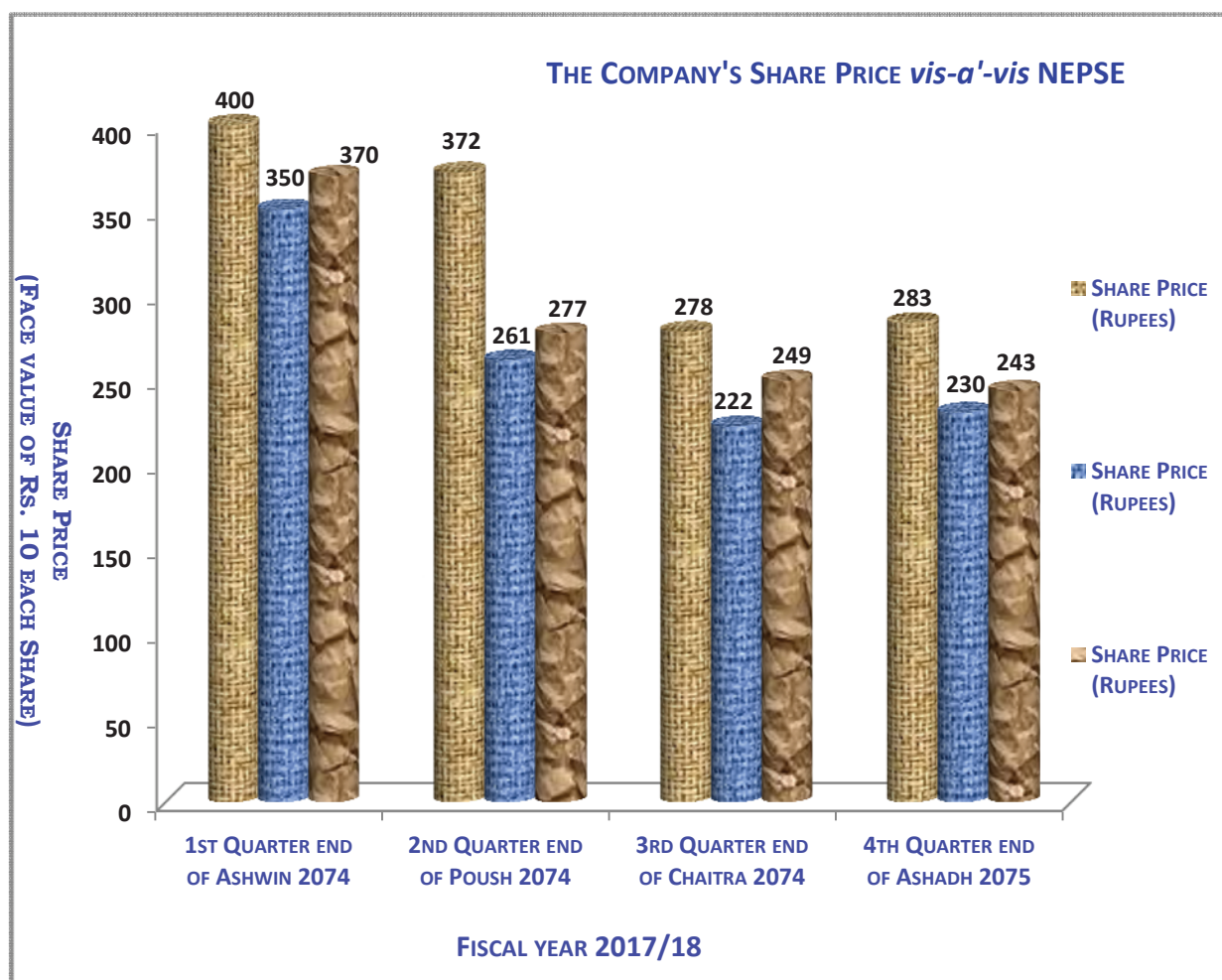
RUPEES IN MILLION



**ANALYSIS OF SHARE TRANSACTIONS**

Maximum, Minimum and Closing price of the stocks of the Company, Total volume of transacted shares, Total number of transactions and Trading days during each quarter of the financial year are: -

QUARTERS OF FY 2017/18	SHARE PRICE (FACE VALUE OF RS. 10 EACH SHARE)			TOTAL NUMBER OF		
	MAXIMUM	MINIMUM	CLOSING	TRADING DAYS	TRANSACTIONS	TRANSACTIONED SHARES
1ST QUARTER (END OF ASHWIN 2074)	400	350	370	55	846	390,529
2ND QUARTER (END OF POUISH 2074)	372	261	277	56	826	354,843
3RD QUARTER (END OF CHAITRA 2074)	278	222	249	55	601	274,494
4TH QUARTER (END OF ASHADH 2075)	283	230	243	59	870	430,381
	TOTAL			225	3,143	1,450,247

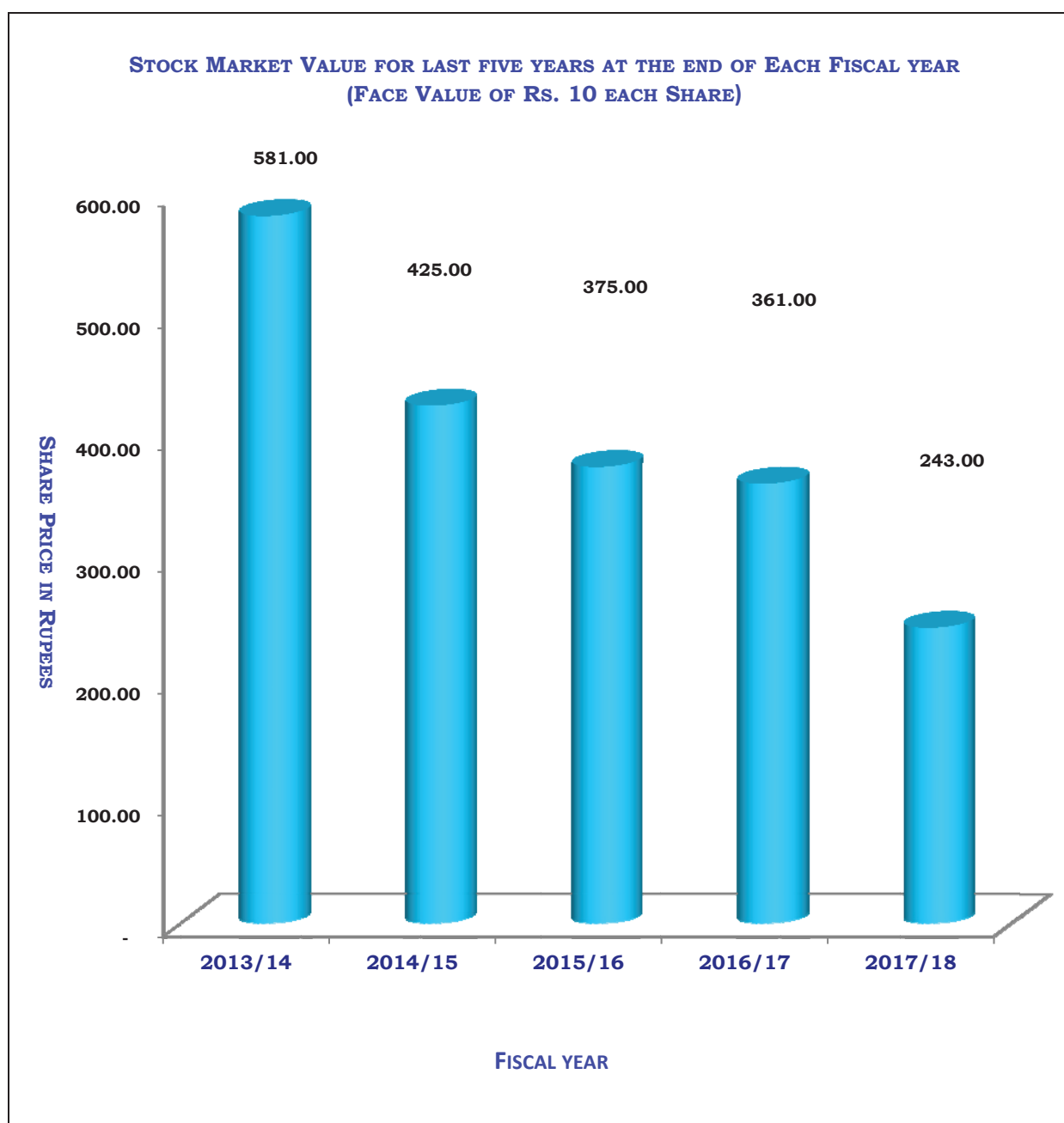
GRAPH: THE COMPANY'S SHARE PRICE VIS-À-VIS NEPSE

**STOCK MARKET VALUE PER SHARE FOR LAST FIVE YEARS AT THE END OF FINANCIAL YEAR**

FINANCIAL YEAR	MARKET VALUE PER SHARE (RS)
2013/14	581.00
2014/15	425.00
2015/16	375.00
2016/17	361.00
2017/18	243.00

GRAPH: FINANCIAL HIGHLIGHTS – MARKET VALUE PER SHARE (SHARE OF RS.10 EACH)

IN RUPEES



**INDEPENDENT AUDITOR'S REPORT
THE SHAREHOLDERS OF SOALTEE HOTEL LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of Soaltee Hotel Limited (the "Company"), which comprise the statement of financial position as at 32 Ashad 2075 (16 July 2018), and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Soaltee Hotel Limited as at 32 Ashad 2075 (16 July 2018), and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows have been prepared in accordance with the requirements of the Companies Act 2063 and are in agreement with the books of account of the Company; and proper books of account as required by law have been maintained so far as it appears from our examination of those books and records of the Company.

To the best of our information and according to explanations given to us and so far appeared from our examination of the books of account of the Company necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Company have acted contrary to the provisions of law relating to the accounts, or committed any misappropriation or caused loss or damage to the Company relating to the accounts in the Company.

Shashi Satyal

Shashi Satyal

Partner

PKF T R Upadhyya & Co.
Chartered Accountants

Kathmandu, Nepal
15 November 2018

124, Lal Colony Marg, Lal Durbar, Kathmandu, Nepal
Tel: +977 01 4410927, +977 01 4420026, Fax: +977 014413307 pkf.trunco.com.np

**SOALTEE HOTEL LIMITED****Statement of Financial Position**

As at 32 Ashad 2075 (16 July 2018)

Amount in Rs.

Particulars	Note	32.03.2075 (16.07.2018)	31.03.2074 (15.07.2017)	01.04.2073 (16.07.2016)
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	3.1	1,151,063,841	852,393,794	837,836,192
Intangible Assets	3.2	1,809,677	2,573,366	1,792,354
Investment Property	3.3	39,530,332	40,531,296	45,675,207
Deferred Tax Assets	3.4	69,587,627	82,127,129	74,552,843
Investments	3.5	284,377,323	173,156,695	115,962,110
Trade and Other Receivables	3.6	51,177,354	48,553,764	36,175,371
Total Non-Current Assets		1,597,546,154	1,199,336,044	1,111,994,077
Current Assets				
Inventories	3.7	88,585,937	86,047,125	59,791,416
Income Tax Receivable	3.13	-	1,531,828	-
Investment	3.5	70,000,000	100,000,000	100,000,000
Trade and Other Receivables	3.6	283,912,969	300,260,786	272,761,437
Prepayments		17,975,969	15,388,182	20,064,399
Cash and Cash Equivalent	3.8	169,383,147	228,113,627	267,787,630
Total Current Assets		629,858,022	731,341,548	720,404,882
Total Assets		2,227,404,176	1,930,677,592	1,832,398,960
EQUITY AND LIABILITIES				
Equity and reserves and Surplus:				
Share Capital	3.9	666,063,740	579,181,300	526,526,060
Retained Earnings and Reserves	3.10	771,926,322	615,380,909	588,123,384
Total Equity		1,437,990,062	1,194,562,209	1,114,649,444
Liabilities				
Non-Current Liabilities:				
Loans and Borrowings	3.11	4,994,449	5,840,287	6,686,125
Employee Benefits	3.12	354,133,877	362,038,242	329,280,285
Trade and other payables	3.14	20,987,262	15,037,661	11,951,073
Total Non-Current Liabilities		380,115,588	382,916,190	347,917,483
Current Liabilities:				
Loans and Borrowings	3.11	845,838	845,838	963,090
Employee Benefits	3.12	52,420,680	38,516,432	26,534,432
Income Tax Payable	3.13	10,398,592	-	507,567
Trade and other payables	3.14	345,633,416	313,836,923	341,826,945
Total Current Liabilities		409,298,526	353,199,193	369,832,034
Total Liabilities		789,414,114	736,115,383	717,749,517
Total Equity and Liabilities		2,227,404,176	1,930,677,592	1,832,398,960

Notes 1 to 4.22 form integral part of this statement

As per our report of even date

Dinesh Bahadur Bista
EXECUTIVE CHAIRMAN**Durga Shrestha (Mrs)**
CHIEF ACCOUNTANT**Shashi Satyal**
Shashi Satyal
Partner
PKF T R Upadhya & Co.
Chartered Accountants**Lil Bahadur Khatri**
COMPANY SECRETARY**Ganesh Bahadur Chand**
Venkatesh Gomatam
Prakash Bikram Khatri
Sashi Raj Pandey
Jaya Rajya Laxmi Shah
Ravi Bhakta Shrestha
Rajesh Kazi Shrestha
Niranjana Kumar Tibrewala
DIRECTORSDate: 15 November 2018
Place: Kathmandu

**SOALTEE HOTEL LIMITED****Statement of Profit or Loss and Other Comprehensive Income****As at 32 Ashad 2075 (16 July 2018)**

Amount in Rs.

Particulars	Note	2074-75 (2017-18)	2073-74 (2016-17)
Revenue from operation	3.15	1,568,907,931	1,550,545,762
Other Income	3.16	95,296,907	89,973,383
Total Revenue		1,664,204,838	1,640,519,145
Consumption of foods and beverage	3.17	287,556,985	282,810,051
Employee Benefit Expenses	3.18	499,410,727	607,457,495
Management Fees		44,297,133	40,218,880
Operating Expenses	3.19	221,281,004	233,350,866
Depreciation and amortization expense	3.1/3.2/3.3	60,276,017	92,003,103
Other Expenses	3.20	188,466,756	204,061,805
Total Expenditures		1,301,288,622	1,459,902,200
Profit from Operations		362,916,216	180,616,945
Finance Cost		816,518	699,268
Profit before tax		362,099,698	179,917,677
Income tax		82,861,492	41,183,185
Current Tax		70,321,990	48,757,471
Deferred Tax Expenses/(Income)	3.4	12,539,502	(7,574,286)
Profit from Continuing Operations		279,238,206	138,734,492
Profit/(Loss) on Discontinued Operations (Net of tax)		-	-
Net Profit for the year		279,238,206	138,734,492
Other Comprehensive Income			
Re-measurement (losses) / gains on post employment defined benefit plans		-	-
Tax relating to items that will not be reclassified to profit or loss		-	-
Revaluation of property, plant and equipment		-	-
Change in fair value of equity shares		20,628	(173,414)
Total Comprehensive Income		279,258,834	138,561,078
Basic Earnings per share (Rs.)		4.19	2.08
Diluted Earnings per share (Rs.)	3.21	4.19	2.08

Notes 1 to 4.22 form integral part of this statement

As per our report of even date

Dinesh Bahadur Bista
EXECUTIVE CHAIRMAN**Durga Shrestha (Mrs)**
CHIEF ACCOUNTANT**Shashi Satyal**
Shashi Satyal
Partner
PKF T R Upadhyaya & Co.
Chartered Accountants**Lil Bahadur Khatri**
COMPANY SECRETARY**Ganesh Bahadur Chand**
Venkatesh Gomatam
Prakash Bikram Khatri
Sashi Raj Pandey
Jaya Rajya Laxmi Shah
Ravi Bhakta Shrestha
Rajesh Kazi Shrestha
Niranjan Kumar Tibrewala
DIRECTORS**Date: 15 November 2018**
Place: Kathmandu

**SOALTEE HOTEL LIMITED****Statement of Cash Flows**

As at 32 Ashad 2075 (16 July 2018)

Amount in Rs.

Particulars	2074-75 (2017/18)	2073-74 (2016/17)
Cash Flows from Operating Activities		
Profit before tax for the Year	362,099,698	179,917,677
Adjustment for:		
Dividend Income	(500,000)	(700,000)
Loss/ (gain) on sale of Property, plant and equipment	(1,325,488)	(64,061)
Interest income on term and call deposits	(8,503,569)	(9,407,024)
Incremental interest income on staff loans on amortized cost	(3,666,491)	(3,627,672)
Amortization of deferred employee benefit expenses	2,484,437	1,640,335
Write off of fixed assets	-	3,258,437
Impairment allowance on trade receivable	5,000,000	5,000,000
Provision for bonus	36,209,969	25,266,710
Provision for employee housing	-	14,628,095
Depreciation/amortization on PPE, Investment Property & Intangible Assets	60,276,017	92,003,103
Finance Cost	816,518	699,268
Operating Cash Flow before changes in Working Capital	452,891,091	308,614,868
(Increase) / Decrease in Trade and Other Receivables	9,906,281	(42,890,405)
(Increase) / Decrease in Inventories	(2,538,812)	(26,255,709)
(Increase) / Decrease in Prepayment	(2,587,787)	4,676,217
Increase / (Decrease) in Trade and Other Payables	37,273,849	(41,743,174)
Increase/ (Decrease) in Employee Benefits	(4,943,375)	33,198,214
Cash generated from Operations.	490,001,247	235,600,010
Bonus Paid	(25,266,710)	(13,724,967)
Income Tax Paid	(59,172,086)	(51,252,826)
Net Cash Flows from Operating Activities (A)	405,562,451	170,622,217
Cash Flow from Investing Activities		
Proceeds from sale of Property, Plant and Equipment,	2,507,566	1,514,979
Acquisition of Property, plant and Equipment, investment property and intangible assets	(358,363,490)	(106,907,158)
Increase in Investments	(81,200,000)	(57,368,000)
Dividend Income	500,000	700,000
Interest income on term and call deposits	8,503,569	9,407,024
Net Cash flows from Investing Activities (B)	(428,052,355)	(152,653,155)
Cash Flow from Financing Activities		
Finance Cost	(816,518)	(699,268)
Repayment of Borrowings	(845,838)	(963,090)
Recovery of cash for fractional bonus shares	5,245	2,634
Dividend Paid net	(34,583,465)	(55,983,341)
Net Cash Flows from Financing Activities (C)	(36,240,576)	(57,643,065)
Net Increase in Cash and Cash Equivalents (A+B+C)	(58,730,480)	(39,674,003)
Cash and Cash Equivalents at the beginning	228,113,627	267,787,630
Cash and Cash Equivalents at the end	169,383,147	228,113,627

As per our report of even date

Dinesh Bahadur Bista
EXECUTIVE CHAIRMAN**Durga Shrestha (Mrs)**
CHIEF ACCOUNTANT**Shashi Satyal**
Shashi Satyal
Partner
PKF T R Upadhyaya & Co.
Chartered Accountants**Lil Bahadur Khatri**
COMPANY SECRETARY**Ganesh Bahadur Chand**
Venkatesh Gomatam
Prakash Bikram Khatri
Sashi Raj Pandey
Jaya Rajya Laxmi Shah
Ravi Bhakta Shrestha
Rajesh Kazi Shrestha
Niranjan Kumar Tibrewala
DIRECTORSDate: 15 November 2018
Place: Kathmandu

SOALTEE HOTEL LIMITED
Statement of Changes in Equity
As at 32 Ashad 2075 (16 July 2018)

Amount in Rs.

Particulars	Share Capital	Share Premium	Revaluation Reserve	Other Reserve	Retained Earning	Fair Value Reserve (OCI)	Total
Opening Balance as at 01.04.2073 as per audited financial statements	526,526,060	16,000,000	35,198,427	7,288,761	620,243,670	-	1,205,256,918
NFRS Transition Adjustments:							
Change in fair value of investment through OCI	-	-	-	-	-	1,940,110	-
Deferred expenditures written off	-	-	-	-	(2,754,337)	-	(2,754,337)
Impairment allowance on investment in associate	-	-	-	-	(16,538)	-	(16,538)
Leave liability	-	-	-	-	(87,415,664)	-	(87,415,664)
Gratuity liability	-	-	-	-	(101,460,471)	-	(101,460,471)
Deferred tax adjustment	-	-	-	-	28,727,833	-	28,727,833
Reversal of management and incentive fees	-	-	-	-	12,176,607	-	12,176,607
Proposed Dividend 2072-73	-	-	-	-	58,194,986	-	58,194,986
Restated Balance as at 01.04.2073	526,526,060	16,000,000	35,198,427	7,288,761	527,696,086	1,940,110	1,114,649,444
Change in fair value of investment through OCI	-	-	-	-	-	(173,414)	(173,414)
Net profit readjusted for year 2073-74	-	-	-	-	138,734,492	-	138,734,492
Payment of Dividend of 2072-73	-	-	-	-	(58,194,986)	-	(58,194,986)
Bonus Shares	52,655,240	-	-	-	(52,655,240)	-	-
Tax payments of earlier year	-	-	-	-	(455,960)	-	(455,960)
Adjustment of fractional bonus shares received/(paid)	-	-	-	-	2,634	-	2,634
Restated Closing Balance as at 31.03.2074	579,181,300	16,000,000	35,198,427	7,288,761	555,127,025	1,766,696	1,194,562,209
Change in fair value of investment through OCI	-	-	-	-	-	20,628	20,628
Net profit for year 2074-75	-	-	-	-	279,238,206	-	279,238,206
Payment of Dividend for 2073-74	-	-	-	-	(35,055,710)	-	(35,055,710)
Bonus Shares	86,882,440	-	-	-	(86,882,440)	-	-
Adjustment of fractional bonus shares received/(paid)	-	-	-	-	5,245	-	5,245
Tax payments of earlier year	-	-	-	-	(780,516)	-	(780,516)
Closing Balance as at 32.03.2075	666,063,740	16,000,000	35,198,427	7,288,761	711,651,810	1,787,324	1,437,990,062

As per our report of even date

Dinesh Bahadur Bista
EXECUTIVE CHAIRMAN

Lil Bahadur Khatri
COMPANY SECRETARY

Durga Shrestha (Mrs)
CHIEF ACCOUNTANT

Ganesh Bahadur Chand
Venkatesh Gomatam
Prakash Bikram Khatri
Sashi Raj Pandey
Jaya Rajya Laxmi Shah
Ravi Bhakta Shrestha
Rajesh Kazi Shrestha
Niranjan Kumar Tibrewala
DIRECTORS

Shashi Satyal
Shashi Satyal
Partner
PKF T R Upadhyaya & Co.
Chartered Accountants

Date: 15 November 2018
Place: Kathmandu



SOALTEE HOTEL LIMITED
For the period ended on 32 Ashad 2075 (16 July 2018)
Notes to the Financial Statements

1. General Information

Soaltee Hotel Limited (the Company or SHL) is a limited liability company registered with Office of Company Registrar as per erstwhile Company Act. Its shares are enlisted with Security Board of Nepal (SEBON) and listed and traded at Nepal Stock Exchange Ltd. (NEPSE). The registered office of the Company and the principal place of business is located at Tahachal, Kathmandu, Nepal. Since its incorporation more than 50 years, SHL has been catering the Tourism sector services with five star quality hotel facilities from the date of commercial operation. SHL has invested in two subsidiaries namely H I Soaltee Hotel Company Pvt. Ltd. and Soaltee Hospitality Ltd. for expanding its hotel business. Through Soaltee Hospitality Ltd., wholly owned subsidiary, it has also invested in Soaltee Sibkrim Hotels and Resorts Pvt. Ltd. with 24% share in the company.

Holiday Inns (China) Limited, an Intercontinental Hotels Group (IHG) owned company operates the 282 saleable rooms ranging from Deluxe, Club to Suites under the Hotel Management Agreement with the Company. The Company also operates a LSG Sky Chef - Flight Catering Unit under a Technical Assistance Agreement with LSG Catering Hong Kong Limited, Hong Kong.

The Financial Statements were authorized for issue by the meeting of the Board of Directors on 15 November 2018 (29 Kartik 2075) and has recommended for approval by shareholders in the Annual General Meeting.

2. Significant Accounting Policies

2.1. Basis of Preparation

2.1.1. Statement of Compliance

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standard Board Nepal and pronounced by The Institute of Chartered Accountants of Nepal.

These financial statements for the year ended 32 Ashad 2075 are the first that the Company has prepared as per NFRS. For all periods up to and including the year ended 31 Ashad 2074, Company prepared its financial statements in accordance with earlier applicable Nepal Accounting Standards. The financial statements for the year ended 31 Ashad 2074 and the opening Statement of Financial Position as at 1 Shrawan 2073 have been restated in accordance with NFRS for comparative information. Reconciliations and explanations of the effect of the transition from NAS to NFRS on the Company's statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows are separately provided in Note 4.22.

2.1.2. Basis of Measurement

These financial statements are prepared under historical cost convention except for the following material items:

- Investment in shares of entities other than subsidiaries, which have been measured at fair value
- Staff loans provided at subsidized interest rate, which have been measured at amortized cost.
- Other long term liabilities (leave liability), which has been measured at present value of the obligation



2.1.3. Critical Accounting Estimates

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards (NFRS) 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

a) Useful life of property, plant and equipment

Management reviews the useful life and residual values of property, plant and equipment at the end of each reporting period. Such life are dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs.

b) Impairment of property plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above mentioned factors could impact on the carrying value of assets.

c) Recognition of deferred tax

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.

Deferred tax is calculated on temporary differences using a known future tax rate (21.25%). Deferred tax assets are recognized in respect of all temporary differences giving rise to deferred tax assets where the management believes it is probable that these assets will be recovered.

d) Other long term employee benefits

Significant judgment is required to determine the estimated liability that shall arise on part of unused/accumulated leave by the staff and which is generally paid out on retirement or termination of employment. Valuation of such is done by qualified actuary using assumption like interest rate, rate of increase in annual compensation, remaining service period etc. Factors considered may change depending on market changes or legal changes which are beyond the control of the company.



2.1.4. Functional and Presentation Currency

The financial statements are prepared and presented in Nepalese Rupees (Rs.), which is also the company's functional currency.

2.2. Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements requires the use of certain accounting estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in relevant areas.

2.2.1. Standalone financial statements

This financial statement is the standalone financial statement of the company. Consolidated financial statement as per NFRS 10 is prepared separately.

2.2.2 Associates

Profits or losses arising on transactions between the company and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

2.2.3 Financial Assets and Financial Liabilities

i. Recognition

The company initially recognizes financial assets on trade date which is the date on which the company becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is measured initially at fair value plus, or an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue.

ii. Classification and Measurement

Financial Assets

The classification and measurement of financial assets depend on how these are managed (the entity's business model) and their contractual cash-flows characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL').

- **At amortized cost:** Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments for which the Company has intent and ability to hold till maturity. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.
- **At fair value through profit or loss:** Financial assets are classified at fair value through profit or loss if the company manages such instruments and makes purchases and sales decisions based on its fair value. Attributable transaction costs and changes in fair value are taken to revenue.



· **At fair value through other comprehensive income:** Financial assets at FVOCI are non-derivative financial assets that are not classified in any of the above category. Financial assets at FVOCI are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, financial assets are measured at fair value, as far as such fair value is available, and changes therein, which are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, gain or loss accumulated in equity is reclassified to retained earnings.

Financial Liabilities

All financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest rate method.

iii. Derecognition

Financial Assets

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

On derecognition of a financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognized) and the sum of (i) the consideration received (including any new assets obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in Other Comprehensive Income (OCI) is recognized in retained earnings.

Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

iv. Offsetting

The financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

v. Amortized cost measurement

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

vi. Fair value measurement

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organized and liquid market. Where quoted market values are not available, fair values are estimated by other techniques.

vii. Identification and measurement of impairment

Financial assets

At each reporting date the Company assesses the objective evidence that a financial asset or group of financial assets is impaired or not. A financial asset or a group of financial assets is impaired and



impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

- Objective evidence that financial assets are impaired includes:
- significant financial difficulty of the debtor
- breach of contract, such as default or delinquency by a debtor
- observable data relating to a group of assets such as adverse changes in the payment status of debtor

The amount of loss is measured as the difference between the asset's carrying amount and amount the management considers it as recoverable on the basis of financial position of the party and appropriate estimation made by the management. Receivables considered as less likely to be received are provided allowance for loss and charged to Statement of Profit or Loss.

In addition, for an investment in an unquoted equity security, a significant or prolonged decline in its net worth is objective evidence of impairment.

Impairment losses are recognized in Statement of Profit or Loss and reflected in an allowance account against debtors. Impairment losses on equity investment are routed through Statement of OCI. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through income statement (OCI in case of available for sale investment).

If, in a subsequent period, the fair value of an equity investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairing loss is reversed through profit or loss; otherwise, any increase in fair value is recognized through OCI.

2.2.4 Impairment of Non Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost and value in use. An impairment loss is recognized in Statement of Profit or Loss. Provisions against impairment are reviewed at each reporting date and adjusted to reflect the current best estimates. Impairment charges are included in profit or loss except to the extent they reverse gains previously recognized in Other Comprehensive Income.

2.2.5 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.

2.2.6 Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within



provisions. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow in to the Company. Ongoing repair and maintenance are expensed as incurred.

The Company identifies and determines cost of each component/ part of the asset separately, if the component/ part has cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting date and adjusted prospectively.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

On transition to NFRS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 31 Ashad 2073 measured as per the previous NAS and use that carrying value as the deemed cost of the property, plant and equipment as on 1 Shrawan 2073 in line with provisions of NFRS.

Capital Work in Progress

Assets in the course of construction are capitalized in the assets under capital work in progress (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences.

Salvage Value

Company has assessed the salvage value of all its property, plant and equipment to be 5% of its original cost. For the assets that have been carried forward since previous years and for which the fair value has been considered as deemed cost as at 1 Shrawan 2073, salvage value is considered at 5% of deemed cost.

Depreciation

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their carrying value over the expected useful economic lives.

Items of property, plant and equipment are depreciated on Straight Line Method over their useful life.

Management of the company has assessed useful life of the following category of assets as mentioned.

Category of Assets	Estimated useful life
Building	35 - 70 years
Other civil structures	20 - 35 years
Plant and machinery	10 - 30 years
Vehicle	10 - 20 years
Computer and accessories	7 years
Office Equipment	10 years
Furniture, fixture and furnishing	10 years



There are assets whose useful life is complete on the date of first time adoption of NFRS which are still in use. Management expects that such assets shall be used for three more years; accordingly, the remaining amount of assets on the date of transition to NFRS is depreciated in subsequent three years.

2.2.7 Intangible Assets

Computer Software

Purchased computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the software. These costs are amortized over the estimated useful lives.

On transition to NFRS, the Company has elected to continue with the carrying value of all of its intangible assets recognized as at 31 Ashad 2073 measured as per the previous NAS and use that carrying value as the deemed cost of the intangible assets as on 1 Shrawan 2073.

Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life of computer software is considered to be five years.

2.2.8 Investment Property

The Company holds certain assets (land and building) for purpose other than its core operating function. Such assets are classified as investment property.

Items of investment property are initially recognized at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow in to the company. Ongoing repair and maintenance are expensed as incurred.

When an item of property, plant and equipment becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognized directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognized in statement of profit or loss.

Incomes arising from use of investment property by third parties are recognized as lease income from operating lease. Lease income is recognized as per the terms of contract with parties. Company has opted to use the carve out provided by ICAN regarding recognizing income from operating lease on annual basis as per contractual terms, whereas NAS 17: Leases require such amount opt be accounted on Straight line basis.

On transition to NFRS, the Company has elected to continue with the carrying value of all of its investment property recognized as at 31 Ashad 2073 measured as per the previous NAS and use that carrying value as the deemed cost as on 1 Shrawan 2073.

Salvage Value

Company has assessed the salvage value of its depreciable investment property to be 5% of its original cost. For the assets that have been carried forward since previous years and for which the fair value has been considered as deemed cost as at 1 Shrawan 2073, salvage value is considered at 5% of deemed cost.



Depreciation

Land that form part of investment property is not depreciated. Depreciation is provided on other items of investment property so as to write-off their carrying value over the expected useful economic lives.

Depreciable investment properties are depreciated on Straight Line Method over their useful life. Management considered the useful life of investment property to be of 55 years.

2.2.9 Investments

Investments in shares of the companies are classified as either at amortized cost or at fair value. The classification of investment and its subsequent measurement is dependent on the business model for managing such investments and contractual cash flow characteristics.

Investments are measured at fair value unless measured at amortized cost. Investments are measured at amortized cost if such investment is held with in order to collect contractual cash flows and 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.

Subsequent changes in the investments measured at amortized cost are charged to Profit or Loss. Investments measured at fair value opting the routing through Other Comprehensive Changes, at initial recognition, for adjusting the changes in fair value are charged through Other Comprehensive that forms part of the equity of the Company. Changes in fair value of other investments are charged to Profit or Loss.

2.2.10 Inventories

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 variable selling expenses.

The cost is determined on weighted average method and includes expenditure incurred directly in acquiring the inventories and bringing them to their present location and condition.

2.2.11 Cash and cash equivalents

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 from the date of transaction is considered as cash equivalent.

2.2.12 Trade and other receivables

Trade and other receivables are stated at transaction value less allowance for impairment.

Staff loan are measured at amortized cost. Discounting rate has been arrived by considering comparable market rates of similar types of loan. Difference of amortized value and book value of loan is charged to profit or loss for the period of staff loan.

2.2.13 Share capital

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.

2.2.14 Employee Benefits

Employee benefits are either defined benefit plan or defined contribution plan. Employee benefits of the company comprise of gratuity, provident fund and accumulated leave. These benefits are provided as per the Employee Service Manual and Collective Bargaining Agreement between Employee Union and the Company.

**Provident Fund-Defined Contribution Plan**

The Company pays pre-defined amount to Employee Provident Fund and does not have any legal or constructive obligation to pay additional amount in future. Contributions to Provident fund are charged to the statement of profit or loss in the year to which they relate.

Gratuity-Defined Contribution Plan

The Company is required to pay pre-defined amount to Social Security Fund as gratuity to employees. Till previous year, gratuity was in the nature of defined benefit plan with employees receiving the amount on the completion of employment based on the years of service and the recent remuneration. Changes in Labour Act has not fixed the amount to be paid on each month and instead require Company to deposit an amount calculated @8.33% of basic salary directly to specific fund account on monthly basis. The amount presented in financial statements is the actual liability of gratuity at each reporting date.

Short term and long-term employment benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Accumulated leaves, encashment of which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the obligation as at the reporting date determined based on an actuarial valuation.

2.2.15 Income Tax**Deferred Tax**

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates that are expected to apply in subsequent periods.

Current Tax

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years. Current tax is calculated reasonably in accordance with the provisions of Income tax Act as per management assumption and bet judgment.

General corporate tax rate is 25%. The Company is entitled to a rebate of 15% on the General tax rate as per the provisions of Income Tax Act 2058, accordingly, tax rate applicable for the company is 21.25% (previous year rate was 21.25%).



2.2.16 Revenue

Revenue is recognized only when it is probable that the future economic benefits will flow to the Company and that revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of Value Added Taxes, Civil Aviation Fee and Service Charges where applicable.

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. Revenue from LSG Sky Chef -Flight Catering Unit sales is stated net of Civil Aviation Fee & Service charge.

Revenue from package sales is disclosed net of credits and refunds, included as part of the package.

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 previous agreement between HAN and representatives of the Employees Union.

Dividend

Dividend income from investment in shares is recognized when the right to receive the payment is established.

Other Income

Other income are recognized on accrual basis when there are reasonable basis to ascertain the amount and there is reasonable basis for recoverability except for certain privilege membership fee and training fees, which are insignificant to the total revenue.

2.2.17 Expenses

Expenses are accounted on accrual basis where there are reasonable basis to estimate ascertain the obligation and rationality of such obligation.

Management Fee

Management fee payable to Holiday Inns (China) Limited for hotel operation is based on fixed percentage of the adjusted Gross Revenue and Gross Operating Profit as specified in the Hotel Management Agreement.

License Fee

License fees payable in relation to technical assistance to LSG Catering Hong Kong Limited, to operate the Flight Catering Unit under the brand name of 'LSG Sky Chefs' is based on a fixed percentage of the Net Sales Value as specified in the Technical Assistance Agreement.

Employee Bonus

Employee bonus is provided in line with the provisions of Bonus Act 2030 BS.

2.2.18 Lease

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. For arrangements entered into prior to 1 Shrawan 2073 the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.



The Company has entered into operating lease arrangement for use of property at LSG Flight Kitchen. The lease rental is adjusted for inflation rate periodically and the same amount is booked as operating lease expenses, which the Company believes is more representative than the straight line method, in line with para 33 of NAS 17: Leases.

The Company has entered into operating lease arrangement allowing to use its facilities and infrastructures to third parties. The lease rental is adjusted for inflation rate periodically and the same amount is booked as operating lease income, which the Company believes is more representative than the straight line method, in line with para 50 of NAS 17: Leases.

2.2.19 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.

2.2.20 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:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

The Company classifies a liability as current when:

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

The Company classifies all other liabilities as non-current.

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

2.2.21 Segment Reporting

The Company's segmental reporting is in accordance with NFRS 8 Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the Company's management, which is responsible for allocating resources and assessing performance of the operating segments. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated centrally. Income and expenses directly associated with each segment are included in determining business segment performance.

2.2.22 Operating Cycle

The Company considers its operating cycle to be of 12 months.

SOALTEE HOTEL LIMITED
As at 32 Ashad 2075 (16 July 2018)
Notes to the Financial Statements
Note 3.1: Property, Plant & Equipment

Amount in Rs.

Particulars	Freehold Land	Building	Plant and Machinery	Furniture and fixture	Office Equipment	Computers	Vehicles	Under Construction	Total
Cost									
Balance at 01.04.2073*	65,389,615	474,998,187	848,395,320	267,684,231	7,198,101	35,752,158	50,388,287	195,198,772	1,945,004,671
Addition	-	59,848,679	50,057,154	35,549,686	172,565	9,410,016	3,752,212	-	158,790,312
Disposal/Transfer	-	(4,180,286)	(5,453,636)	(6,026,430)	(55,461)	(301,182)	(1,174,252)	(54,013,948)	(71,205,195)
Balance at 31.03.2074	65,389,615	530,666,580	892,998,838	297,207,487	7,315,205	44,860,992	52,966,247	141,184,824	2,032,589,790
Addition	84,099,164	79,119,059	102,463,014	65,739,761	87,246	1,631,477	12,942,478	127,119,077	473,201,276
Disposal/Transfer	-	(57,797)	(29,123,361)	(7,293,160)	(135,400)	-	-	(114,962,786)	(151,572,504)
Balance at 32.03.2075	149,488,779	609,727,842	966,338,491	355,654,088	7,267,051	46,492,469	65,908,725	153,341,115	2,354,218,561
Depreciation and impairment loss									
Balance at 01.04.2073	-	230,897,150	590,255,408	216,866,777	6,458,735	29,897,857	32,792,552	-	1,107,168,479
Charge for the year	-	14,856,913	45,464,310	21,486,424	217,471	2,875,743	3,866,986	-	88,767,847
Disposal	-	(3,054,507)	(5,281,237)	(6,001,131)	(54,427)	(296,811)	(1,052,216)	-	(15,740,329)
Balance at 31.03.2074	-	242,699,556	630,438,481	232,352,070	6,621,779	32,476,789	35,607,322	-	1,180,195,997
Charge for the year	-	11,138,661	30,169,377	11,840,236	129,988	2,628,209	2,479,892	-	58,386,363
Disposal	-	(41,912)	(27,983,735)	(7,267,150)	(134,840)	-	-	-	(35,427,638)
Balance at 32.03.2075	-	253,796,305	632,624,123	236,925,156	6,616,927	35,104,998	38,087,214	-	1,203,154,722
Net Book Value									
At 01.04.2073	65,389,615	244,101,037	258,139,912	50,817,454	739,366	5,854,301	17,595,735	195,198,772	837,836,192
At 31.03.2074	65,389,615	287,967,024	262,560,357	64,855,417	693,426	12,384,203	17,358,925	141,184,824	852,393,794
At 32.03.2075	149,488,779	355,931,537	333,714,368	118,728,932	650,124	11,387,471	27,821,511	153,341,115	1,151,063,841

The company availed exemption provided in NFRS 1 and elected to measure all item of property, plant and equipment outstanding at the closure of previous year as deemed cost being its fair value for the purpose of NFRS.

Property, plant and equipment under construction

Assets under construction majorly comprises of the works related to up gradation of rooms of the hotel to Heritage Concept and separate Spa building under construction, includes cost of assets Rs. 84.74 million, capital advance Rs. 56.25 million and other related costs Rs. 12.35 million. The amount shall be capitalized to respective heads as and when the assets are available for use.



SOALTEE HOTEL LIMITED
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Notes to the Financial Statements

Note 3.2: Intangible Assets

Amount in Rs.

Particulars	Software	Total
Cost		
Balance at 01.04.2073*	10,795,649	10,795,649
Addition	2,130,794	2,130,794
Disposal/Transfer	-	-
Balance at 31.03.2074	12,926,443	12,926,443
Addition	125,000	125,000
Disposal	-	-
Balance at 32.03.2075	13,051,443	13,051,443
Amortization		
Balance at 01.04.2073	9,003,295	9,003,295
Charge for the year	1,349,782	1,349,782
Disposal	-	-
Balance at 31.03.2074	10,353,077	10,353,077
Charge for the year	888,689	888,689
Disposal	-	-
Balance at 32.03.2075	11,241,766	11,241,766
Net Book Value		
At 01.04.2073	1,792,354	1,792,354
At 31.03.2074	2,573,366	2,573,366
At 32.03.2075	1,809,677	1,809,677

The company availed exemption provided in NFRS 1 and elected to measure all item of intangible Assets outstanding at the closure of previous year as deemed cost being its fair value for the purpose of NFRS.

Note 3.3: Investment Property

Amount in Rs.

Particulars	Freehold Land	Building	Total
Cost			
Balance at 01.04.2073*	7,965,724	109,516,634	117,482,358
Addition	-	-	-
Disposal/Transfer	(3,258,437)	-	(3,258,437)
Balance at 31.03.2074	4,707,287	109,516,634	114,223,921
Addition	-	-	-
Disposal	-	-	-
Balance at 32.03.2075	4,707,287	109,516,634	114,223,922
Amortization			
Balance at 01.04.2073	-	71,807,151	71,807,151
Charge for the year	-	1,885,474	1,885,474
Disposal	-	-	-
Balance at 31.03.2074	-	73,692,625	73,692,625
Charge for the year	-	1,000,965	1,000,965
Disposal	-	-	-
Balance at 32.03.2075	-	74,693,590	74,693,590
Net Book Value			
At 01.04.2073	7,965,724	37,709,483	45,675,207
At 31.03.2074	4,707,287	35,824,009	40,531,296
At 32.03.2075	4,707,287	34,823,044	39,530,332

The company availed exemption provided in NFRS 1 and elected to measure all item of Investment Property outstanding at the closure of previous year as deemed cost being its fair value for the purpose of NFRS.



SOALTEE HOTEL LIMITED
As at 32 Ashad 2075 (16 July 2018)
Notes to the Financial Statements

Note 3.4: Deferred Tax Assets

Deferred tax is calculated on temporary differences using known future tax rate effective to the Company (21.25%). Deferred tax assets are recognized in respect of all temporary differences giving rise to deferred tax assets where the management believes it is probable that these assets will be recovered.

Amount in Rs.

Particulars	01.04.2074	Credit/(Charge) to SOPL	Credit/(Charge) to OCI	32.03.2075
Fixed Assets	(1,211,548)	(11,171,252)	-	(12,382,800)
Gratuity Provision	56,409,899	(3,295,104)	-	53,114,795
Provision for leave	20,523,228	1,615,426	-	22,138,654
Trade and Other Receivable	6,405,550	311,428	-	6,716,978
Total	82,127,129	(12,539,502)	-	69,587,627

Particulars	01.04.2073	Credit/(Charge) to SOPL	Credit/(Charge) to OCI	31.03.2074
Fixed Assets	(1,775,400)	563,852	-	(1,211,548)
Gratuity Provision	51,396,232	5,013,667	-	56,409,899
Provision for leave	18,575,829	1,947,399	-	20,523,228
Trade and Other Receivable	6,356,182	49,368	-	6,405,550
Total	74,552,843	7,574,286	-	82,127,129

Note 3.5: Investments

Amount in Rs.

Particulars	32.03.2075	31.03.2074	01.04.2073
Non-Current			
At Amortized Cost			
At Fair Value Through Profit or Loss			
At Fair Value Through OCI	284,377,323	173,156,695	115,962,110
Total	284,377,323	173,156,695	115,962,110
Current			
At Amortized Cost	70,000,000	100,000,000	100,000,000
At Fair Value Through Profit or Loss			
At Fair Value Through OCI			
Total	70,000,000	100,000,000	100,000,000

Investment comprises the following:

At Amortized Cost (A)	32.03.2075	31.03.2074	01.04.2073
Term Deposit	70,000,000	100,000,000	100,000,000
Total Investment at Amortized Cost	70,000,000	100,000,000	100,000,000
At Fair Value Through OCI (B)			
Investment in Subsidiaries			
H I Soaltee Hotel Company Pvt. Ltd. (99,500 shares of Rs. 100 each)	9,950,000	9,950,000	9,950,000
Soaltee Hospitality Ltd. (2,500,000 shares of Rs. 100 each)	250,000,000	64,000,000	64,000,000
Advance for investment in Soaltee Hospitality Ltd.	12,640,000	87,440,000	30,072,000
Sub-total	272,590,000	161,390,000	104,022,000
Investment in Associates			
H I Soaltee Management Co. Limited (2,600 shares of HK\$ 1)	16,538	16,538	16,538
Less: allowance for impairment	(16,538)	(16,538)	(16,538)
Sub-total	-	-	-
Investment in other Entities			
Himal International Power Corp. Pvt. Ltd. (100,000 shares of Rs. 100 each)	11,787,323	11,766,695	11,940,110
Sub-total	11,787,323	11,766,695	11,940,110
Total Investment through OCI	284,377,323	173,156,695	115,962,110
Proportion of voting rights			
H I Soaltee Hotel Company Pvt. Ltd.	73.63%	73.63%	73.63%
Soaltee Hospitality Ltd.	100%	100%	100%
H I Soaltee Management Co. Limited	26%	26%	26%
Himal International Power Corp. Pvt. Ltd.	5.97%	5.97%	5.97%

The net worth of H I Soaltee Management Co. Ltd. is negative since many years and accordingly, impairment has been accounted.

**SOALTEE HOTEL LIMITED**
As at 32 Ashad 2075 (16 July 2018)
Notes to the Financial Statements**Note 3.6: Trade and Other Receivable**

Amount in Rs.

Particulars	32.03.2075	31.03.2074	01.04.2073
Non-Current			
Other Receivable	7,051,419	7,051,419	7,051,419
Deposit for Appeal	2,992,083	2,992,083	2,992,083
Deposits	3,401,504	3,326,504	3,598,065
Loans and advances to Employees	41,030,583	38,960,295	28,518,068
Deferred Employee Benefit Expenses	3,753,184	3,274,882	1,067,155
Total	58,228,773	55,605,183	43,226,790
Less: Allowance for impairment	(7,051,419)	(7,051,419)	(7,051,419)
Total	51,177,354	48,553,764	36,175,371
Current			
Trade Receivable			
Trade Receivable	260,668,900	241,228,014	263,818,845
Less: allowance for impairment	(24,557,890)	(23,092,345)	(22,860,028)
Trade Receivable-Net	236,111,010	218,135,669	240,958,817
Other Receivable			
Loans and advances to Employees	14,953,517	14,482,760	9,989,886
Loans and advances to Other	13,213,876	17,294,859	5,732,303
Advances to contractor and suppliers	10,206,963	39,512,850	15,688,094
Management Fees Recoverable	8,047,756	9,630,647	-
Deferred Employee Benefit Expenses	1,379,847	1,204,001	392,337
Total Other Receivable	47,801,959	82,125,117	31,802,620
Total	283,912,969	300,260,786	272,761,437

Additional information on other receivable included in non-current receivable is provided in Note 4.10. Trade receivables are normally collected as per credit terms with the parties, generally within a period of 90 days. Trade receivable is non-interest bearing.

Note 3.7: Inventories

Particulars	32.03.2075	31.03.2074	01.04.2073
Stores and Spares	14,167,943	9,454,770	7,904,009
Provision, Beverage and Others	21,811,802	23,197,342	20,661,478
Uniform and Linen	24,059,452	28,724,105	8,991,949
Crockery, Cutlery etc.	28,546,740	24,670,908	22,233,980
Total	88,585,937	86,047,125	59,791,416

Note 3.8: Cash and Cash Equivalent

Particulars	32.03.2075	31.03.2074	01.04.2073
Cash in Hand	2,954,082	2,394,625	1,877,776
Cheques in Hand	236,398	294,300	14,278,089
Balances with Bank	166,192,667	225,424,702	251,631,765
Total	169,383,147	228,113,627	267,787,630



SOALTEE HOTEL LIMITED
As at 32 Ashad 2075 (16 July 2018)
Notes to the Financial Statements

Note 3.9: Share Capital

Amount in Rs.

Particulars	32.03.2075	31.03.2074	01.04.2073
Authorized Share Capital			
150,000,000 Shares of Rs. 10/- each	1,500,000,000	1,500,000,000	1,500,000,000
Issued Share Capital			
75,000,000 Shares of Rs. 10/- each	750,000,000	750,000,000	750,000,000
Subscribed and Fully Paid up			
66,606,374 Shares of Rs.10/- each	666,063,740	579,181,300	526,526,060
Total	666,063,740	579,181,300	526,526,060

Reconciliation of no. of shares outstanding

Particulars	32.03.2075	31.03.2074	01.04.2073
Balance at the beginning of the year	57,918,130	52,652,606	42,121,768
Add: Bonus Issue	8,688,244	5,265,524	10,530,838
Add: Right Issue	-	-	-
Balance at the end of year	66,606,374	57,918,130	52,652,606

Details of Shareholding

Major Corporate Shareholders	69%	69%	69%
General Shareholders	31%	31%	31%

Note 3.10: Retained Earning and Reserves

Particulars	32.03.2075	31.03.2074	01.04.2073
Share Premium	16,000,000	16,000,000	16,000,000
Other Reserve	7,288,761	7,288,761	7,288,761
Revaluation Reserve	35,198,427	35,198,427	35,198,427
Fair Value Reserve for Equity Investment	1,787,324	1,766,696	1,940,110
Retained Earnings	711,651,810	555,127,025	527,696,086
Total	771,926,322	615,380,909	588,123,384

Note 3.11: Loans and Borrowings

Particulars	32.03.2075	31.03.2074	01.04.2073
Non-Current			
Bank loans			
Secured- Hire Purchase	4,994,449	5,840,287	6,686,125
Total	4,994,449	5,840,287	6,686,125
Current			
Current portion of Hire Purchase Loan	845,838	845,838	963,090
Total	845,838	845,838	963,090

Note 3.12: Employee Benefits

Particulars	32.03.2075	31.03.2074	01.04.2073
Non-Current			
Gratuity	317,491,891	302,770,945	288,131,014
Less: Plan Assets	(67,539,915)	(37,312,598)	(46,266,393)
Net Gratuity Liability	249,951,976	265,458,347	241,864,621
Accumulated Leave	104,181,901	96,579,895	87,415,664
Total	354,133,877	362,038,242	329,280,285
Current			
Salary and Wages Payable	16,210,711	13,249,722	12,809,465
Bonus Payable	36,209,969	25,266,710	13,724,967
Total	52,420,680	38,516,432	26,534,432

**SOALTEE HOTEL LIMITED**
As at 32 Ashad 2075 (16 July 2018)
Notes to the Financial Statements**Note 3.13: Income Tax Receivable/(Payable)**

Amount in Rs.

Particulars	32.03.2075	31.03.2074	01.04.2073
Advance Income Tax	59,923,398	50,289,299	30,829,687
Income Tax liability	(70,321,990)	(48,757,471)	(31,337,254)
Total	(10,398,592)	1,531,828	(507,567)

Note 3.14: Trade and Other Payable

Particulars	32.03.2075	31.03.2074	01.04.2073
Non-Current			
Retention and Security Deposit	14,452,666	8,975,310	8,100,367
Unclaimed Dividend	6,534,596	6,062,351	3,850,706
Total	20,987,262	15,037,661	11,951,073
Current			
Sundry Creditors	142,353,488	145,050,287	162,688,204
Other Payable			
Advances Received	67,251,560	32,071,719	31,960,767
Civil Aviation Fee	-	6,365,372	13,757,228
Management Fee	-	-	14,753,328
Flight Kitchen Franchise Fee	1,185,308	6,964,832	9,583,620
VAT Payable	3,535,496	59,159	466,908
Service Charge	44,905,028	41,117,395	36,132,823
Housing Fund	36,334,029	56,334,029	41,705,934
Others Liabilities	50,068,507	25,874,130	30,778,133
Total	345,633,416	313,836,923	341,826,945

Trade and other payable are non-interest bearing in nature.
Please refer Note 4.5 for additional information on advances received.

Note 3.15: Revenue from Operation

Particulars	2074-75	2073-74
Room	442,420,291	468,399,915
Food	1,060,626,267	1,002,904,471
Beverage	52,574,848	58,128,708
Cigar and Cigarettes	391,715	409,075
Telephone	237,225	483,484
Laundry Income	7,500,632	10,909,230
Beauty Parlor	640,343	1,241,073
Swimming Pool, Health Club, Guest Membership Fee	4,410,641	7,946,392
Business Centre	105,969	123,414
Total	1,568,907,931	1,550,545,762

Note 3.16: Other Income

Particulars	2074-75	2073-74
Premises Rental Charge	26,799,554	25,888,052
Interest on Loans & Advances at amortized cost	6,412,861	6,068,508
Interest on Call Account/Time Deposit	8,503,569	9,407,024
Miscellaneous Receipts	8,584,539	8,480,762
Income from Service Charge	35,811,425	37,785,146
Dividend Income	500,000	700,000
Profit on sale of assets	1,325,488	64,061
Exchange gain	7,255,019	-
Unclaimed Balance Written Back	104,452	1,579,830
Total	95,296,907	89,973,383



SOALTEE HOTEL LIMITED
As at 32 Ashad 2075 (16 July 2018)
Notes to the Financial Statements

Note 3.17: Consumption of Food and Beverage

Amount in Rs.

Particulars	2074-75	2073-74
Food	273,864,950	265,238,578
Beverage	13,530,000	17,404,454
Cigarettes	162,035	167,019
Total	287,556,985	282,810,051

Note 3.18: Employee Benefit Expenses

Particulars	2074-75	2073-74
Salary and Wages	240,053,552	228,248,760
Allowances	95,243,801	89,275,852
Festival Allowance	19,689,532	20,464,465
Overtime	12,324,673	13,782,628
Employees Meal	22,413,330	23,842,079
Soaltee Staff Welfare/SSF Contribution	4,882,792	7,668,880
Gratuity	31,231,538	92,770,001
Leave	15,290,670	26,642,481
Provident Fund	18,249,957	19,300,893
Clinic Expenses	1,336,476	1,953,792
Amortization of staff loan	2,484,437	1,640,335
Retirement Scheme Expenses (VRS)	-	56,600,619
Bonus	36,209,969	25,266,710
Total	499,410,727	607,457,495

Note 3.19: Operating Expenses

Particulars	2074-75	2073-74
Linen	10,062,645	5,358,600
Laundry Supplies	2,889,990	6,606,014
Crockery & Cutlery	3,584,437	2,805,297
Silverware	744,468	86,971
Cleaning Supplies	9,602,449	10,702,507
F & B Paper Supplies	9,116,335	8,752,360
Guest Supplies	18,442,064	19,280,653
Water & Water Treatment	16,787,737	21,122,209
Garden Maintenance	-	3,395
Pest Control	2,160,000	2,137,500
Waste Removal	1,004,637	884,159
Power and Fuel	121,044,061	120,906,497
Repair and Maintenance	25,842,181	34,704,704
Total	221,281,004	233,350,866

**SOALTEE HOTEL LIMITED**
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Notes to the Financial Statements**Note 3.20: Other Expenses**

Amount in Rs.

Particulars	2074-75	2073-74
Rental Charges	976,484	1,135,844
Travelling	9,230,378	6,289,139
Transport and Conveyance	22,852,007	21,839,094
Audit Fee	399,300	399,300
Legal and Professional Fees	8,400,067	5,559,102
Directors' Meeting Fees	1,005,879	1,023,526
Licence & Taxes	27,206,321	25,433,764
Bank Charges	8,765,808	7,154,609
Annual General Meeting Expenses	1,091,772	1,124,457
Commissions	4,950,194	4,484,081
Insurance	16,475,883	19,808,863
Communication Expenses	7,071,529	5,358,515
Printing and Stationery	4,997,589	8,409,618
Advertisement and Sales Promotion	16,256,633	18,324,789
Marketing and Reservation Expenses	14,586,891	15,274,589
Training and Conference	2,527,774	1,411,006
Donation	30,000	30,000
Books and Newspaper	425,687	413,297
Membership & Subscription	1,695,777	1,295,820
Security Services	5,182,422	4,972,763
Uniform Expenses	6,670,145	1,249,784
Entertainment	1,641,247	1,371,001
Allowance for impairment	5,000,000	5,000,000
Software Service Charges	4,918,756	5,758,680
Assets Written Off	-	3,258,437
Banquet Expenses	5,587,500	2,742,427
Kitchenette Expenses	4,273,462	102,514
Exchange loss	-	9,967,464
Corporate Social Responsibility	2,792,382	2,035,459
Housing Fund Allocation	-	14,628,095
Miscellaneous	3,454,869	8,205,768
Total	188,466,756	204,061,805

Note 3.21: Earnings per Share

Basic earnings per share is calculated by dividing the total profit or loss attributable to equity shareholders. Diluted earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by weighted average number of equity shares for the effects of all dilutive potential equity shares. If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively.

The Company has issued bonus shares in previous years. Calculation of basic and diluted earnings per share shall have been done as stated above.

Particulars	2074-75	2073-74
Basic Earnings per Share		
Profit for the year	279,238,206	138,734,492
Number of shares	66,606,374	66,606,374
Basic Earnings per Share (Rs.)	4.19	2.08
Diluted Earnings per Share		
Profit for the year	279,238,206	138,734,492
Weighted average number of shares	66,606,374	66,606,374
Diluted Earnings per share (Rs.)	4.19	2.08



SOALTEE HOTEL LIMITED
As at 32 Ashad 2075 (16 July 2018)
Notes to the Financial Statements

Note 3.22: Financial Instruments Classification and Fair Value Measurement

Financial Instruments are classified in accordance with Note 2.2.3.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values are determined according to the following hierarchy:

The Company has used fair value model for measurement of its financial assets and financial liabilities. Fair value hierarchy levels presented represent the available inputs considered to arriving at the fair value of category of financial assets/liabilities.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. The Company has used its own data (accounting value) and considered if there exists factors that would otherwise result in changes to the book value of assets or liabilities.

As at 32.03.2075	Carrying Amount	Level 1	Level 2	Level 3
Financial Assets				
Financial Assets at Amortized Cost				
Trade and Other Receivable	333,630,831			333,630,831
Investment	70,000,000			70,000,000
Cash and Cash Equivalent	169,383,147			169,383,147
Total At Amortized Cost	573,013,978			573,013,978
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)				
Investment	284,377,323			284,377,323
Total Financial Assets	857,391,301	-	-	857,391,301
Financial Liabilities				
Financial Liabilities at Amortized Cost				
Trade and Other Payable	366,620,678			366,620,678
Loans and Borrowings	5,840,287			5,840,287
Total Financial Liabilities	372,460,965	-	-	372,460,965

As at 31.03.2074	Carrying Amount	Level 1	Level 2	Level 3
Financial Assets				
Financial Assets at Amortized Cost				
Trade and Other Receivable	344,335,667			344,335,667
Investment	100,000,000			100,000,000
Cash and Cash Equivalent	228,113,627			228,113,627
Total At Amortized Cost	672,449,294			672,449,294
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)				
Investment	173,156,695			173,156,695
Total Financial Assets	845,605,989	-	-	845,605,989
Financial Liabilities				
Financial Liabilities at Amortized Cost				
Trade and Other Payable	328,874,584			328,874,584
Loans and Borrowings	6,686,125			6,686,125
Total Financial Liabilities	335,560,709	-	-	335,560,709

**SOALTEE HOTEL LIMITED**
As at 32 Ashad 2075 (16 July 2018)
Notes to the Financial Statements**Note 3.22: Financial Instruments Classification and Fair Value Measurement**

As at 01.04.2073	Carrying Amount	Level 1	Level 2	Level 3
Financial Assets				
<u>Financial Assets at Amortized Cost</u>				
Trade and Other Receivable	303,803,777			303,803,777
Investment	100,000,000			100,000,000
Cash and Cash Equivalent	267,787,630			267,787,630
Total At Amortized Cost	671,591,407			671,591,407
<u>Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)</u>				
Investment	115,962,110			115,962,110
Total Financial Assets	787,553,517	-	-	787,553,517
Financial Liabilities				
<u>Financial Liabilities at Amortized Cost</u>				
Trade and Other Payable	353,778,018			353,778,018
Loans and Borrowings	7,649,215			7,649,215
Total Financial Liabilities	361,427,233	-	-	361,427,233

**SOALTEE HOTEL LIMITED****For the period ended on 32 Ashad 2075 (16 July 2018)****Notes to the Financial Statements****4 Additional Information****4.1 Share Capital**

The Company has single class of equity shares having face value of Rs. 10 per share. Every member holding equity shares therein shall have voting rights in proportion to the member's share of the paid up equity share capital.

4.2 Dividend

Dividend is proposed by the Board of Directors and approved by shareholders in the Annual General Meeting.

Board of Directors have proposed 10% bonus shares and 16.31578947% cash dividend for the year 2074-75 (previous year approved 15% bonus shares and 6.0526% cash dividend). Accordingly, the total distribution by the company from the profits arising from 2074-75 is as follows:

Particulars	Bonus Shares	Cash Dividend
Proposed for 2074-75	66,606,374	108,673,558
Number of shares	6,660,637	
Paid for 2073-74 (Amount)	86,882,440	35,055,710
No. of shares	8,688,244	

4.3 Reserves and Retained Earnings**a. Share premium**

The Company had issued shares in premium on 1992-93. The amount collected by the company in excess of its face value is credited to this account. Use of share premium shall be as provided in Company Act 2063.

b. Other Reserves

The Company had created other reserves out of capital profits on 1995. There is no movement on this reserve since then.

c. Retained Earning

Net profit for each year is added to this reserve. Company uses this to provide dividend to its shareholders.

d. Fair Value Reserve

This reserve is created to account for changes in fair value of investments for those investments that are opted to be measured at fair value through Other Comprehensive Income.

e. Revaluation Reserve

Revaluation Reserve was created in 1986 when the land of the company was revalued. For the first time adoption of NFRS, the revalued amount of land has been considered at deemed cost which as allowed by NFRS 1.

4.4 Employee Benefits**a. Gratuity**

Up to the previous fiscal year, gratuity was in the form of defined benefit liability in which Company was required to pay gratuity to staff considering the number of years in service and the recent salary of the staff. Changes in Labour laws in the current fiscal year has changed the nature of gratuity and this is now a defined contribution plan whereby Company is required to provide 8.33% of monthly basic remuneration as gratuity to employee with effect from 19 Bhadra 2074. Such amount is required to be paid / deposited to Social Security Fund.



Particulars	2074-75	2073-74
Opening liability	302,770,945	288,131,014
Payment made	(16,510,592)	(78,130,070)
Additional provision (as per then existing provision)	17,671,099	92,770,001
Additional @8.33%	13,560,439	-
Closing liability	317,491,891	302,770,945

The Company is yet to make payout of the gratuity because of pending establishment of Social Security Fund.

b. Leave

Leave is classified as other long term employee liability. Liability is measured by way of actuarial valuation for accumulated leave balance at the end of reporting periods. Changes in value of liability is as follows:

Particulars	2074-75	2073-74
Opening liability	96,579,895	87,415,664
Service Cost	10,817,879	5,001,086
Interest Cost	6,491,488	5,507,356
Plan amendment	(342,102)	1,205,688
Actuarial gain/(loss)	(1,676,595)	14,928,351
Benefit paid	(7,688,664)	(17,478,250)
Closing liability	104,181,901	96,579,895

Basic assumptions considered for measurement of leave liability related to leave are as follows:

Particulars	2074-75	2073-74
Discount rate	7%	7%
Rate of compensation increase	6%	6%
Expected return on plan assets	-	-
Average expected future service	15	12
Average duration of liabilities	16	17

Plan assets have not been created for funding of payment of leave liability.

Sensitivity Analysis

The following table demonstrates the impact of 1% increase in discount rate considered for calculating the present value of long term leave liability.

Particulars	2074-75	2073-74
Effect on:		
- Service Cost	(1,507,740)	(583,612)
- Interest Cost	927,623	786,764
- Leave Liability	(11,310,316)	(14,253,412)

The following table demonstrates the impact of 1% decrease in discount rate considered for calculating the present value of long term leave liability.

Particulars	2074-75	2073-74
Effect on:		
- Service Cost	1,858,466	703,626
- Interest Cost	(927,353)	(786,764)
- Leave Liability	13,468,773	16,944,118

**4.5 Lease**

The Company has entered into a lease arrangement of premises for a period of 15 years. The future minimum lease rental payment to be made is as follows:

Period	2074-75	2073-74
Up to one year	962,052	964,688
One to five years	4,810,260	3,848,208
Above five years	598,317	2,527,693
Total	6,370,629	7,340,589

The Company has entered into operating lease arrangement allowing to use some part of its assets on lease. Minimum lease amount receivable under such lease is as follows:

Period	2074-75	2073-74
Up to one year	25,680,027	26,315,433
One to five years	110,299,348	88,766,816
Above five years	399,517,808	450,032,622
Total	535,497,183	565,114,871

Health Club/Spa property under construction

The Company has entered into a leasing arrangement allowing to use some part of its assets with cancellable condition and clauses with Dhanwantari Spa And Wellness Pvt. Ltd. (party) for construction and subsequent use of wellness center (building for Health Club-Spa) at the premise of the Company. As per the arrangement, all the construction works of the building is being done by the party on behalf of the Company and such assets being developed is included in Assets under Construction of the company with corresponding booking as liability until the date of completion of construction. The party will operate the Spa for the defined period under the agreement for which the party shall pay some portion of its total lease rental in cash and remaining portion is adjusted against the cost incurred by the party for construction. Amortization of the financial liability that will be finalized on completion of construction of assets shall be done, as required.

4.6 Corporate Social Responsibility

During the year, the Company has provided Rs. 27.92 million (1% of net profit after tax) as Corporate Social Responsibility as per the Section 48 (1) of the Industrial Enterprises Act 2073.

4.7 Risk Management objectives and policies

The Company's business activities expose to a variety of risks, namely primarily to fluctuations in foreign currency exchange rates, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company's Board and senior management has overall responsibility for the establishment and oversight of the Company's risk management. The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

i. 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.

ii. 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 impact on tourism sector 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.

iii. Liquidity Risk

The Company has very less amount of debt funding and will not be impacted significantly. The Company monitors its liquidity position on regular basis through effective planning and forecasting.

The company current assets aggregate positively against the current liabilities and accordingly, the liquidity risk or risk that the company may not be able to settle its liabilities as they become, due does not exist.

iv. Operational Risk

The Company has been in operation since more than 50 years and have prepared and implemented various Standard Operating Procedures (SOPs) in the form of clear cut delegation of authority for the activities, guidelines regulations etc. Beside the company is required to also follow specific operating guidelines issued by its franchise. Company believes that the controls implemented by the company have minimized the operational risk to acceptably low level. The franchise also carries out Control Self Assessment at reasonable interval where the company scored high level marks placing it as one among better managed hotel among hotels being managed by Franchise.

v. Exchange Rate Fluctuation Risk

The Company's revenue will be impacted coming from any fluctuation of exchange rate fluctuation so be on the certain level of supplies of the company as such exchange rate fluctuation will contribute certain level of inflations. Since its tariffs are quoted in USD, any rate fluctuation will have the risk of impacting the income of the company. It has been the tendency that the exchange rate fluctuation has generally been upward movement except of occasional down turn movement as well. The Company has practiced not to hold foreign currency monetary assets and liabilities for substantial period so as to minimize the risk of exchange rate fluctuation.

4.8 Related Party Transactions

Related parties of the company comprises of key management personnel, organization having significant influence on the company, subsidiaries of the company and Board of Directors.

a. Subsidiary Companies

The Company has made investment in two subsidiary companies. The Company has presence on the Board of these two companies in proportion of its shareholding. Company provides office space to the two subsidiaries on operating lease. Other than this, there is no any transaction with subsidiary companies.

Name of Subsidiary	Holding %	Rental Charge		Outstanding balance	
		This Year	Last Year	This Year	Last Year
H I Soaltee Hotel Company Pvt. Ltd.	73.63				
Lease rental income		66,667	66,667	-	-
Soaltee Hospitality Ltd.	100				
Lease rental income		66,667	66,667	-	-

b. Significant Influence

Entities having significant influence over the Company is as follows:

**i. Soaltee Enterprise Pvt. Ltd. (SEPL)**

Soaltee Enterprise Pvt. Ltd. is major shareholder of the company. This company has four representatives in the current Board of Soaltee Hotel Ltd. (SHL). SEPL has paid Rs. 66,667 (previous year Rs. 66,667) to SHL as operating lease rent. There is no outstanding balance at the year end.

c. Other related entities**i. Nepal Airlines Corporation (NAC)**

Nepal Airlines Corporation is institutional shareholder of the company. NAC has one representative in the Board of SHL.

SHL provides flight catering services to the international flights of Nepal Airlines Corporation. Transactions and outstanding balance with Nepal Airlines Corporation are as follows:

Particulars	Revenue (in million)		Receivable (in million)	
	This Year	Last Year	This Year	Last Year
Flight Catering Services	110.19	99.64	23.31	13.40
Tickets Purchase	1.56	0.04		

ii. Sibkrim Holdings Pvt. Ltd.

There is no transaction of this company with SHL.

d. Those charged with Governance

Those charged with governance include the Board of Directors of the Company. The composition of Board on the reporting date is as follows:

Name	Position	Representative of
Mr. Dinesh Bahadur Bista	Executive Chairman	Soaltee Enterprises Pvt. Ltd.
Mr. Ravi Bhakta Shrestha	Member	Soaltee Enterprises Pvt. Ltd.
Mr. Rajesh Kazi Shrestha	Member	Soaltee Enterprises Pvt. Ltd.
Mrs. Jaya Rajya Laxmi Shah	Member	Soaltee Enterprises Pvt. Ltd.
Mr. Ganesh Bahadur Chand	Member	Nepal Airlines Corporation
Mr. Ananth Ramchandran	Member (till 30.06.2018)	Holiday Inns Investment (Nepal) Ltd.
Mr. Prakash Bikram Khatri	Member (from 14.12.2017)	Public Shareholder
Mr. Shashi Raj Pandey	Member	Public Shareholder
Mr. Bijay Bahadur Shrestha	Member (till 14.12.2017)	Public Shareholder
Mr. Niranjana Kumar Tibrewala	Member	Public Shareholder
Mr. Venkatesh Gomatam	Member (from 01.07.2018)	Holiday Inns Investment (Nepal) Ltd.

Mr. Lil Bahadur Khatri serves as Company Secretary of the Company.

Board members are paid Rs. 15,000 (net of withholding tax) per meeting as meeting fee for attending each meeting of Board. Meeting fee paid to members of Board for Board as well as Other Committee meetings during the year amounts to Rs. 1.00 million (previous year Rs. 1.02 million).

e. Key Management Personnel

The company's key management personnel are Executive Chairman and General Manager.

Total compensation to key management personnel during the year is Rs. 32.03 million (previous year Rs. 29.21 million). The compensation paid to Executive Chairman also includes the performance incentive paid based on the profit of the Company.

4.9 Unpaid Dividend

Total unpaid dividend amounted to Rs. 6.53 million (previous year Rs. 6.06 million).

**4.10 Civil Aviation Fee recoverable from Airlines**

Civil Aviation Fees levied on In flight catering services provided on international flights by the company to three different airlines have been disputed and not paid by the respective airlines which amounted to Rs 7.051 million (previous year Rs. 7.051 million) is still pending recovery. This has been reflected under Non-current Trade and other receivables.

4.11 Lien on company's assets

The company current and non-current assets where applicable has been pledged hypothecated to bankers providing the credit facilities. The credit facility as of the reporting date included term loan against a vehicle only amounting to Rs. 5.84 million (previous year Rs. 6.69 million).

4.12 Contingent Liability

The Company recognizes contingent liability when a possible obligation arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or company as a present obligation as a result of past events which is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. All adjusting events are considered for appropriate reflection in the current financial year.

4.13 Bank Guarantee

Unexpired bank guarantee issued by the company amounted to Rs. 2.9 million (previous Rs. 2.6 million)

4.13 Litigations or legal cases**i. Income tax Matters**

Revenue Tribunal has decided in company's favour against the appeal made relating to assessment pertaining to FY 2068-69. However reassessment as required following such decision is still yet to be done by the Revenue Office. It has come to the knowledge of the management the Revenue Office has filed appeal in the Honourable Supreme Court. Notice of such appeal made has not been received by the company yet. The company is of the opinion that there would not be significant obligation relating such appeal being considered at the Court.

ii. Assessment status

The Revenue Offices have completed reassessment of its self assessment return till financial year 2070-71. Generally there is time limitation of four years from the date of its self assessment return filing. The management considers no significant obligation that would arise that would be required to be provided for. Any tax claim will be directly charged to accumulated profit as per its practice.

iii. Casino Royalty

Pursuant to the litigation case filed by the company against Government of Nepal for its demand of Casino Royalty for the financial year 2005/06 (2062/63) till November 2012 (24 Kartik 2069) from the company instead of then Lessee, Nepal Recreation Centre Pvt. Ltd, the decision has been made in favour of the company. Accordingly no further obligation arises under such demand by the GON for such Royalty.

iv: Arbitration

The company has filed a writ petition in the Supreme Court of Nepal challenging the judgment of Honourable High Court, Patan for the appointment of arbitrator in a case filed by the Nepal Recreation Centre Pvt Ltd. for the appointment of arbitrators pursuant to the Casino Lease Agreement. The matter is sub-judice before the Honourable Supreme Court.

v. Legal cases

The company has filed a few cases for recovery of dues from some debtors in the course of its regular business.

**4.14 Capital Commitment**

Capital contract remaining to be executed on capital accounts net of advances to Rs. 131.55 million (Previous year 223.74 million).

4.15 Letter of Credit

There is no outstanding letter of credit as at the reporting date.

4.16 Housing Fund

This fund was created as per the requirement of erstwhile Labour laws. Owing to changes in Labour law in this fiscal year, this fund is no longer required and no provision has been made in the current year. The Company has not provided additional amount on this fund. Company has paid Rs. 20 million during the year out of this fund to a separate entity called Employee Housing.

4.17 Operating Segment

Management of the company has considered the total operation to be segregable into two operating segment based on the nature of operation and services rendered.

- i. Core hotel business segment:** The operation of hotel that includes sale of rooms, food, related recreational facilities etc. that is directly linked to operation of hotel is considered as major segment.
- ii. Flight catering segment:** The Company provides flight catering services to airlines. This is different nature to the core operating nature of the company, which is operation of hotel and related facilities to meet its standards.

The financial information about the identified segments are as follows:

(Amount in millions)

Operating Segment	Hotel Operation	Flight Catering	Total
Revenue			
- Food	451.05	609.58	1060.63
- Room	442.42		442.42
- Beverage	49.47	3.15	52.62
- Others	9.60	3.64	13.24
Interest Income	17.66		17.66
Other Income	77.63		77.63
Total Revenue	1,047.83	616.37	1,664.20
Expenses*			-
Consumption cost	135.12	152.44	287.56
Employee Benefit Expenses	314.44	184.97	499.41
Management, Operating and Other Expenses	285.88	168.16	454.04
Depreciation and amortization	54.35	5.93	60.28
Interest	0.82		0.82
Total Expenses	790.60	511.50	1,302.10
Segment Result	257.23	104.87	362.10
Income Tax			82.86
Profit for the period			279.24
Segment Assets	2,075.61	151.79	2,227.40
Segment Liabilities**			2,227.40



- * Directly associated and identifiable segment cost has been reported on actual basis while common segment costs are allocated based on ratio of segment revenue.
- ** Segment wise liabilities have not been prepared due to absence internal reporting system of segment liability.

4.18 Capital Management

Capital includes issued 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.

4.19 Recomputation and adjustment of management fees and performance allowance

Due to adjustment arising on accounting values of gratuity, leave, staff related costs, recomputation of management fees and performance allowance has also been adjusted retrospectively to the tune of 15.72 million with corresponding adjustment in payables and advances.

4.20 Regrouping and around off

Pursuant to first time adoption of NFRS, figures have been regrouped and rearranged and rounded off to nearest rupee. Insignificant rounding off differences may exist.

4.21 Reconciliation pursuant to first time adoption of NFRS

Reconciliation of adjustments that were made in order to transition to NFRS for the first time is separately presented in Note 4.22. Adjustments comprise of rectification of accounting errors made in earlier years, changes in accounting policy from cash basis to accrual basis and NFRS adjustment arising of first time adoption. These adjustments have been carried out in order to fully comply with NFRS as prescribed under Section 108 of Company Act 2063.

**SOALTEE HOTEL LIMITED****For the period ended on 32 Ashad 2075 (16 July 2018)****Reconciliation of financial statements as per NFRS and NAS****Note 4.22: First Time Adoption of NFRS**

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standard Board, Nepal and pronounced by Institute of Chartered Accountants of Nepal (ICAN) with effect from 1 Shrawan 2074, with a transition date of 1 Shrawan 2073. These financial statements for the year ended 32 Ashad 2075 are the first the Company has prepared under NFRS. For all periods up to and including the year ended 31 Ashad 2074, the Company prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP').

The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the Company has prepared financial statements which comply with NFRS for the year ended 32 Ashad 2075, together with the comparative information as at and for the year ended 31 Ashad 2074 and the opening NFRS Statement of Financial Position as at 1 Shrawan 2073, the date of transition to NFRS.

In preparing these financial statements in line with NFRS, the Company has availed certain exemptions and exceptions in accordance with NFRS 1, as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at the transition date under NFRS and Previous GAAP have been recognized directly in equity (retained earnings). This note explains the adjustments made by the Company in restating its Previous GAAP financial statements, including the Statement of Financial Position as at 1 Shrawan 2073 and the financial statements as at and for the year ended 31 Ashad 2074.

A. Exemptions from retrospective application

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

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

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

B. Exceptions to retrospective application

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

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

C. Reconciliations

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

- i) Reconciliation of Equity as at 1 Shrawan 2073.
- ii) Reconciliation of Equity as at 31 Ashad 2074.
- iii) Reconciliation of Statement of Profit or Loss and other Comprehensive income for the year ended 31 Ashad 2074.
- iv) Adjustments to Statement of Cash Flows.



SOALTEE HOTEL LIMITED
For the period ended on 32 Ashad 2075 (16 July 2018)
Reconciliation of financial statements as per NFRS and NAS

i) **Reconciliation of Statement of Financial Position (As at 01 Shrawan 2073)**

Particulars	Note	Audited balance as per GAAP	Adjustments	Restated balance as per NFRS
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	1	883,511,399	(45,675,207)	837,836,192
Intangible Assets		1,792,354	-	1,792,354
Investment Property	1	-	45,675,207	45,675,207
Deferred Tax Assets	2	45,825,010	28,727,833	74,552,843
Investments	3	83,966,538	31,995,572	115,962,110
Trade and Other Receivables	4	-	36,175,371	36,175,371
Total Non-Current Assets		1,015,095,301	96,898,776	1,111,994,077
Current Assets				
Inventories		59,791,416	-	59,791,416
Income Tax Receivable		-	-	-
Investment	3	-	100,000,000	100,000,000
Trade and Other Receivables	4	418,859,226	(146,097,789)	272,761,437
Prepayments		20,064,399	-	20,064,399
Cash and Cash Equivalent	3	367,787,630	(100,000,000)	267,787,630
Total Current Assets		866,502,671	(146,097,789)	720,404,882
Total Assets		1,881,597,972	(49,199,012)	1,832,398,960
EQUITY AND LIABILITIES				
Equity				
Share Capital		526,526,060	-	526,526,060
Reserves and Retained Earnings	3/4/5	678,730,858	(90,607,474)	588,123,384
Total Equity		1,205,256,918	(90,607,474)	1,114,649,444
Liabilities				
Non-Current Liabilities				
Loans and Borrowings	6	7,649,215	(963,090)	6,686,125
Employee Benefits	5/6	-	329,280,285	329,280,285
Trade and other payables	5/6	-	11,951,073	11,951,073
Total Non-Current Liabilities		7,649,215	340,268,268	347,917,483
Current Liabilities				
Loans and Borrowings	6	-	963,090	963,090
Employee Benefits	5/6	200,395,510	(173,861,078)	26,534,432
Income Tax Payable	4	31,337,254	(30,829,687)	507,567
Trade and other payables	5/6	436,959,075	(95,132,130)	341,826,945
Total Current Liabilities		668,691,839	(298,859,805)	369,832,034
Total Liabilities		676,341,054	41,408,463	717,749,517
Total Equity and Liabilities		1,881,597,972	(49,199,012)	1,832,398,960



SOALTEE HOTEL LIMITED
For the period ended on 32 Ashad 2075 (16 July 2018)
Reconciliation of financial statements as per NFRS and NAS

ii) **Reconciliation of Statement of Financial Position (As at 31 Ashad 2074)**

Particulars	Note	Audited Balance as per GAAP	Adjustments	Restated Balance as per NFRS
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	1	892,925,090	(40,531,296)	852,393,794
Intangible Assets		2,573,366	-	2,573,366
Investment Property	1	-	40,531,296	40,531,296
Deferred Tax Assets	2	45,461,308	36,665,821	82,127,129
Investments	3	83,966,538	89,190,157	173,156,695
Trade and Other Receivables	4	-	48,553,764	48,553,764
Total Non-Current Assets		1,024,926,302	174,409,742	1,199,336,044
Current Assets				
Inventories		86,047,125	-	86,047,125
Income Tax Receivable	4	-	1,531,828	1,531,828
Investment	3	-	100,000,000	100,000,000
Trade and Other Receivables	4	553,272,209	(253,011,423)	300,260,786
Prepayments		15,388,182	-	15,388,182
Cash and Cash Equivalent	3	328,113,627	(100,000,000)	228,113,627
Total Current Assets		982,821,143	(251,479,595)	731,341,548
Total Assets		2,007,747,445	(77,069,853)	1,930,677,592
EQUITY AND LIABILITIES				
Equity				
Share Capital		579,181,300	-	579,181,300
Reserves and Retained Earnings	3/4/5	794,112,510	(178,731,601)	615,380,909
Total Equity		1,373,293,810	(178,731,601)	1,194,562,209
Liabilities				
Non-Current Liabilities				
Loans and Borrowings	6	6,686,125	(845,838)	5,840,287
Employee Benefits	5/6	-	362,038,242	362,038,242
Trade and other payables	5/6	-	15,037,661	15,037,661
Total Non-Current Liabilities		6,686,125	376,230,065	382,916,190
Current Liabilities				
Loans and Borrowings	6	-	845,838	845,838
Employee Benefits	5/6	195,738,478	(157,222,046)	38,516,432
Income Tax Payable	4	48,757,471	(48,757,471)	-
Trade and other payables	5/6	383,271,561	(69,434,638)	313,836,923
Total Current Liabilities		627,767,510	(274,568,317)	353,199,193
Total Liabilities		634,453,635	101,661,748	736,115,383
Total Equity and Liabilities		2,007,747,445	(77,069,853)	1,930,677,592



SOALTEE HOTEL LIMITED
For the period ended on 32 Ashad 2075 (16 July 2018)
Reconciliation of financial statements as per NFRS and NAS

iii) Reconciliation of Statement of Profit or Loss and Other Comprehensive Income (Fiscal year 2073-74)

Particulars	Note	Audited balance as per GAAP	Adjustments	Restated balance as per NFRS
Revenue from Operations		1,550,545,762	-	1,550,545,762
Other Income	4	86,345,711	3,627,672	89,973,383
Total Revenue		1,636,891,473	3,627,672	1,640,519,145
Consumption of foods and beverage		282,810,051	-	282,810,051
Employee Benefit Expenses	5	528,684,617	78,772,878	607,457,495
Management Fees	5	42,614,660	(2,395,780)	40,218,880
Operating Expenses		233,350,866	-	233,350,866
Depreciation and amortization expense		92,003,103	-	92,003,103
Other Expenses		204,061,805	-	204,061,805
Profit From Operations		253,366,371	(72,749,426)	180,616,945
Finance Costs		699,268	-	699,268
Profit Before Tax		252,667,103	(72,749,426)	179,917,677
Income Tax Expense		49,121,173	(7,937,988)	41,183,185
Current Tax		48,757,471	-	48,757,471
Deferred Tax Expenses/(Income)	2	363,702	(7,937,988)	(7,574,286)
Profit from Continuing Operations		203,545,930	(64,811,438)	138,734,492
Profit /(Loss) on Discontinued Operations (Net of tax)			-	-
Net Profit for the year		203,545,930	(64,811,438)	138,734,492
Other Comprehensive Income				
Change in fair value of equity shares	3	-	(173,414)	(173,414)
Total Other Comprehensive Income		-	(173,414)	(173,414)
Total Comprehensive Income		203,545,930	(64,984,852)	138,561,078

iv) Adjustment to Statement of Cash Flow (For the year ending on 31 Ashad 2074)

Call deposit with banks has been classified as cash and cash equivalent, which was earlier considered as investing activity. Other than this, this is no material adjustment made to cash flow statements.

**SOALTEE HOTEL LIMITED****For the period ended on 32 Ashad 2075 (16 July 2018)****Explanatory Notes to Reconciliation****1 Property, Plant and Equipment (PPE)**

On the date of transition to NFRS, land and building held for capital appreciation and assets provided in operating lease has been classified as Investment Property which was previously included under PPE. Depreciation has been charged accordingly thereafter.

2 Deferred Tax

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

3 Investments

- i) Advance amount provided for investment in shares was included in trade and other receivable under previous GAAP which has been presented along with investment under NFRS.
- ii) During the transition to NFRS, investment in shares of companies (except subsidiaries) is measured at fair value which was at cost in previous GAAP. Resultant impact has been provided to respective Reserves and Retained Earning.
- iii) Under previous GAAP, all term deposits were included in cash and cash equivalent which have now been presented as investment under NFRS.

4 Trade and Other Receivable

- i) During the transition to NFRS, few items of trade and other receivable have been classified as non-current assets.
- ii) Plan assets created for funding of gratuity has been netted off with gratuity liability and advance tax and income tax liability has been netted off with each other, which were presented separately under current assets under previous GAAP.
- iii) Amount paid for staff voluntary retirement scheme was previously included as deferred expenditure which has been adjusted to opening retained earnings or profit or loss as applicable.
- iv) Under previous GAAP, subsidized staff loan has been measured at cost. Under NFRS, such loan has been accounted on amortized cost and accordingly, interest income has been accounted. Unwinding of discount (difference of amortized cost and transaction cost) is done over the period of loan.

5 Reserves and Retained Earnings

- i) Dividend proposed by the Board was presented as liability in earlier financial statements, which under NFRS, has been adjusted to retained earnings or profit or loss account, as applicable.
- ii) On the date of transition to NFRS, leave liability has been accounted for the first time with total impact taken to retained earnings. Additional impact in subsequent year has been provided to Statement of Profit or Loss.
Due to changes in Labour law, gratuity liability is now in form of defined contribution plan (previously it was in form of defined benefit liability) accordingly, the differential amount of liability on each year from the amount already accounted for, has been provided in opening retained earnings on the date of transition. Additional impact in subsequent year has been provided to Statement of Profit or Loss.
- iii) Upon transition to NFRS, incentive management fee and performance allowance was required to be recalculated due to adjustment arising on accounting values of gratuity, leave and staff related costs. These have been recomputed and the resultant impact has been provided in corresponding period either in equity or through profit or loss, as applicable with corresponding impact to payable or receivable as deemed appropriate.

6 Current and non-current segregation

- i) Loan and borrowing as included as single line item previously which has been segregated to current and non-current portion in NFRS.
- ii) Some of the items of trade and other payable has been presented as non-current items in NFRS.
- iii) All employee related liabilities were included in current liabilities included under previous GAAP have now been segregated to current and non-current portion in NFRS.



**INDEPENDENT AUDITOR'S REPORT
THE SHAREHOLDERS OF SOALTEE HOTEL LIMITED
(GROUP)**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Soaltee Hotel Limited and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 32 Ashad 2075 (16 July 2018) and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Parent Company's preparation and fair presentation of the consolidated financial statements 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 Parent Company and its subsidiaries internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Parent Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 32 Ashad 2075 (16 July 2018) and their consolidated financial performance and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Other Matters

We did not audit the financial statements and other financial information of 2 subsidiaries, whose financial statements reflect total assets of Rs 289.28 million and net assets of Rs 288.79 million as at 16 July 2018

and net profit of Rs 1.44 million and net cash inflows amounting to Rs1.74million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements in so far as it relates to the accounts and disclosures included in respect of these subsidiaries, are based solely on the report of the other auditors.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the consolidated statements of financial position, profit or loss and other comprehensive income, cash flows and the changes in equity have been prepared in accordance with the requirements of the Companies Act, 2063 and are in agreement with the books of account maintained by the Parent Company and its subsidiaries included in the Group; and proper books of account as required by law maintained by the Parent Company and its subsidiaries included in the Group including relevant records relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and records of the Parent Company and the reports of the other auditors.

To the best of our information and according to explanations given to us and so far appeared from our examination of the books of account of the Parent Company and the audit reports issued by other auditors necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Parent Company and its subsidiaries have acted contrary to the provisions of law relating to the accounts, or committed any misappropriation or caused loss or damage to the Group relating to the accounts in the Parent Company and its subsidiaries.

Shashi Satyal

Shashi Satyal

Partner

PKF T R Upadhya & Co.

Chartered Accountants

Kathmandu, Nepal

15 November 2018

**SOALTEE HOTEL LIMITED****Consolidated Statement of Financial Position**

As at 32 Ashad 2075 (16 July 2018)

Amount in Rs.

Particulars	Note	32.03.2075 (16.07.2018)	31.03.2074 (15.07.2017)	01.04.2073 (16.07.2016)
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	3.1	1,151,063,841	852,393,794	837,836,192
Intangible Assets	3.2	1,809,677	2,573,366	1,792,354
Investment Property	3.3	39,530,332	40,531,296	45,675,207
Deferred Tax Assets	3.4	69,587,628	82,127,129	74,552,843
Investments	3.5	273,627,323	162,406,695	105,212,110
Trade and Other Receivables	3.6	51,197,354	48,573,764	36,195,371
Total Non-Current Assets		1,586,816,155	1,188,606,044	1,101,264,077
Current Assets				
Inventories	3.7	88,585,937	86,047,125	59,791,416
Income Tax Receivable	3.14	-	1,983,882	-
Investment	3.5	80,000,000	110,000,000	110,000,000
Trade and Other Receivables	3.6	284,207,100	300,260,786	272,761,437
Prepayments		17,975,969	15,388,182	20,064,399
Cash and Cash Equivalent	3.8	186,252,719	243,241,922	282,420,471
Total Current Assets		657,021,725	756,921,897	745,037,723
Total Assets		2,243,837,880	1,945,527,941	1,846,301,800
EQUITY AND LIABILITIES				
Equity and reserves and Surplus:				
Share Capital	3.9	666,063,740	579,181,300	526,526,060
Retained Earnings and Reserves	3.10	781,046,149	623,492,220	595,577,362
Total Equity of Parent		1,447,109,889	1,202,673,520	1,122,103,422
Non Controlling Interest	3.11	7,082,125	6,648,314	6,377,509
Total Equity		1,454,192,014	1,209,321,834	1,128,480,931
Liabilities				
Non-Current Liabilities:				
Loans and Borrowings	3.12	4,994,449	5,840,287	6,686,125
Employee Benefits	3.13	354,133,877	362,038,242	329,280,285
Trade and other payables	3.15	20,987,262	15,037,661	11,951,073
Total Non-Current Liabilities		380,115,588	382,916,190	347,917,483
Current Liabilities:				
Loans and Borrowings	3.12	845,838	845,838	963,090
Employee Benefits	3.13	52,420,680	38,516,432	26,534,432
Income Tax Payable	3.14	10,144,439	-	488,520
Trade and other payables	3.15	346,119,321	313,927,647	341,917,345
Total Current Liabilities		409,530,278	353,289,917	369,903,387
Total Liabilities		789,645,866	736,206,107	717,820,870
Total Equity and Liabilities		2,243,837,880	1,945,527,941	1,846,301,800

Notes 1 to 4.22 form integral part of this statement

As per our report of even date

Dinesh Bahadur Bista
EXECUTIVE CHAIRMANDurga Shrestha (Mrs)
CHIEF ACCOUNTANTShashi Satyal
Shashi Satyal
Partner
PKF T R Upadhy & Co.
Chartered AccountantsLil Bahadur Khatri
COMPANY SECRETARYGanesh Bahadur Chand
Venkatesh Gomatam
Prakash Bikram Khatri
Sashi Raj Pandey
Jaya Rajya Laxmi Shah
Ravi Bhakta Shrestha
Rajesh Kazi Shrestha
Niranjan Kumar Tibrewala
DIRECTORSDate: 15 November 2018
Place: Kathmandu



SOALTEE HOTEL LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

As at 32 Ashad 2075 (16 July 2018)

Amount in Rs.

Particulars	Note	2074-75 (2017-18)	2073-74 (2016-17)
Revenue from operation	3.16	1,568,907,931	1,550,545,762
Other Income	3.17	97,794,072	91,374,903
Total Revenue		1,666,702,003	1,641,920,665
Consumption of foods and beverage	3.18	287,556,985	282,810,051
Employee Benefit Expenses	3.19	499,410,727	607,457,495
Management Fees		44,297,133	40,218,880
Operating Expenses	3.20	221,281,004	233,350,866
Depreciation and amortization expense	3.1/3.2/3.3	60,276,017	92,003,103
Other Expenses	3.21	188,973,236	204,179,756
Total Expenditures		1,301,795,102	1,460,020,151
Profit from Operations		364,906,901	181,900,514
Finance Cost		816,518	699,268
Profit before tax		364,090,383	181,201,246
Income tax		83,409,847	41,538,617
Current Tax		70,870,345	49,112,903
Deferred Tax Expenses/(Income)	3.4	12,539,502	(7,574,286)
Profit from Continuing Operations		280,680,536	139,662,629
Net Profit for the year		280,680,536	139,662,629
Other Comprehensive Income			
Change in fair value of equity shares		20,628	(173,414)
Total Other Comprehensive Income		20,628	(173,414)
Total Comprehensive Income		280,701,164	139,489,215

Net Profit Attributable to:

The Parent		280,246,725	139,391,824
Non-Controlling Interest		433,811	270,805

Other Comprehensive Income Attributable to:

The Parent		20,628	(173,414)
Non-Controlling Interest		-	-

Basic Earnings per share (Rs.)		4.21	2.10
Diluted Earnings per share (Rs.)	3.22	4.21	2.10

Notes 1 to 4.22 form integral part of this statement

As per our report of even date

Dinesh Bahadur Bista
EXECUTIVE CHAIRMAN

Durga Shrestha (Mrs)
CHIEF ACCOUNTANT

Shashi Satyal
Shashi Satyal
Partner
PKF T R Upadhyaya & Co.
Chartered Accountants

Lil Bahadur Khatri
COMPANY SECRETARY

Ganesh Bahadur Chand
Venkatesh Gomatam
Prakash Bikram Khatri
Sashi Raj Pandey
Jaya Rajya Laxmi Shah
Ravi Bhakta Shrestha
Rajesh Kazi Shrestha
Niranjan Kumar Tibrewala
DIRECTORS

Date: 15 November 2018
Place: Kathmandu

**SOALTEE HOTEL LIMITED**
Consolidated Statement of Cash Flows
As at 32 Ashad 2075 (16 July 2018)

Amount in Rs.

Particulars	2074-75 (2017/18)	2073-74 (2016/17)
Cash Flows from Operating Activities		
Profit before tax for the Year	364,090,383	181,201,246
Adjustment for:		
Dividend Income	(500,000)	(700,000)
Loss/ (gain) on sale of Property, plant and equipment	(1,325,488)	(64,061)
Interest income on term and call deposits	(10,839,938)	(10,941,878)
Incremental interest income on staff loans on amortized cost	(3,666,491)	(3,627,672)
Amortization of deferred employee benefit expenses	2,484,437	1,640,335
Write off of fixed assets	-	3,258,437
Impairment allowance on trade receivable	5,000,000	5,000,000
Provision for bonus	36,209,969	25,266,710
Provision for employee housing	-	14,628,095
Depreciation/amortization on PPE, Investment Property & Intangible Assets	60,276,017	92,003,103
Finance Cost	816,518	699,268
Operating Cash Flow before changes in Working Capital	452,545,407	308,363,583
(Increase) / Decrease in Trade and Other Receivables	9,612,150	(42,890,405)
(Increase) / Decrease in Inventories	(2,538,812)	(26,255,709)
(Increase) / Decrease in Prepayment	(2,587,787)	4,676,217
Increase / (Decrease) in Trade and Other Payables	37,669,030	(41,746,889)
Increase/ (Decrease) in Employee Benefits	(4,943,376)	33,198,214
Cash generated from Operations.	489,756,612	235,345,011
Bonus Paid	(25,266,710)	(13,724,967)
Income Tax Paid	(59,522,543)	(52,037,228)
Net Cash Flows from Operating Activities (A)	404,967,359	169,582,816
Cash Flow from Investing Activities		
Proceeds from sale of Property, Plant and Equipment,	2,507,566	1,514,980
Acquisition of Property, plant and Equipment, investment property and intangible assets	(358,363,490)	(106,907,158)
Increase in Investments	(81,200,000)	(57,368,000)
Dividend Income	500,000	700,000
Interest income on term and call deposits	10,839,938	10,941,878
Net Cash flows from Investing Activities (B)	(425,715,986)	(151,118,300)
Cash Flow from Financing Activities		
Finance Cost	(816,518)	(699,268)
Repayment of Borrowings	(845,838)	(963,090)
Recovery of cash for fractional bonus shares	5,245	2,634
Dividend Paid net	(34,583,465)	(55,983,341)
Net Cash Flows from Financing Activities (C)	(36,240,576)	(57,643,065)
Net Increase in Cash and Cash Equivalents (A+B+C)	(56,989,203)	(39,178,549)
Cash and Cash Equivalents at the beginning	243,241,922	282,420,471
Cash and Cash Equivalents at the end	186,252,719	243,241,922

As per our report of even date

Dinesh Bahadur Bista
EXECUTIVE CHAIRMAN**Durga Shrestha (Mrs)**
CHIEF ACCOUNTANT**Shashi Satyal**
Shashi Satyal
Partner
PKF T R Upadhyaya & Co.
Chartered Accountants**Lil Bahadur Khatri**
COMPANY SECRETARY**Ganesh Bahadur Chand**
Venkaresh Gomatam
Prakash Bikram Khatri
Sashi Raj Pandey
Jaya Rajya Laxmi Shah
Ravi Bhakta Shrestha
Rajesh Kazi Shrestha
Niranjana Kumar Tibrewala
DIRECTORS**Date: 15 November 2018**
Place: Kathmandu

SOALTEE HOTEL LIMITED
Consolidated Statement of Changes in Equity
As at 32 Ashad 2075 (16 July 2018)

Amount in Rs.

Particulars	Share Capital	Share Premium	Revaluation Reserve	Other Reserve	Retained Earning	Fair Value Reserve (OCI)	Total Equity of Parent	Non-Controlling Interest	Total
Opening Balance as at 01.04.2073 as per audited financial statements	526,526,060	16,000,000	35,198,427	7,288,761	627,697,648	-	1,212,710,896	6,377,509	1,219,088,405
NFRS Transition Adjustments:									
Change in fair value of investment through OCI	-	-	-	-	-	1,940,110	1,940,110	-	1,940,110
Deferred expenditures written off	-	-	-	-	(2,754,337)	-	(2,754,337)	-	(2,754,337)
Impairment allowance on investment in associate	-	-	-	-	(16,538)	-	(16,538)	-	(16,538)
Leave liability	-	-	-	-	(87,415,664)	-	(87,415,664)	-	(87,415,664)
Gratuity liability	-	-	-	-	(101,460,471)	-	(101,460,471)	-	(101,460,471)
Deferred tax adjustment	-	-	-	-	28,727,833	-	28,727,833	-	28,727,833
Reversal of management and incentive fees	-	-	-	-	12,176,607	-	12,176,607	-	12,176,607
Proposed Dividend 2072-73	-	-	-	-	58,194,986	-	58,194,986	-	58,194,986
Restated Balance as at 01.04.2073	526,526,060	16,000,000	35,198,427	7,288,761	535,150,064	1,940,110	1,122,103,422	6,377,509	1,128,480,931
Change in fair value of investment through OCI	-	-	-	-	-	(173,414)	(173,414)	-	(173,414)
Net profit readjusted for year 2073-74	-	-	-	-	139,391,824	-	139,391,824	270,805	139,662,629
Payment of Dividend of 2072-73	-	-	-	-	(58,194,986)	-	(58,194,986)	-	(58,194,986)
Bonus Shares	52,655,240	-	-	-	(52,655,240)	-	-	-	-
Tax payments of earlier year	-	-	-	-	(455,960)	-	(455,960)	-	(455,960)
Adjustment of fractional bonus shares received/(paid)	-	-	-	-	2,634	-	2,634	-	2,634
Restated Closing Balance as at 31.03.2074	579,181,300	16,000,000	35,198,427	7,288,761	563,238,336	1,766,696	1,202,673,520	6,648,314	1,209,321,834
Change in fair value of investment through OCI	-	-	-	-	-	20,628.00	20,628	-	20,628
Net profit for year 2074-75	-	-	-	-	280,246,725	-	280,246,725	433,811	280,680,536
Payment of Dividend for 2073-74	-	-	-	-	(35,055,710)	-	(35,055,710)	-	(35,055,710)
Bonus Shares	86,882,440	-	-	-	(86,882,440)	-	-	-	-
Adjustment of fractional bonus shares received/(paid)	-	-	-	-	5,245	-	5,245	-	5,245
Tax payments of earlier year	-	-	-	-	(780,519)	-	(780,519)	-	(780,519)
Closing Balance as at 32.03.2075	666,063,740	16,000,000	35,198,427	7,288,761	720,771,637	1,787,324	1,447,109,889	7,082,125	1,454,192,014

As per our report of even date

Dinesh Bahadur Bista
EXECUTIVE CHAIRMAN

Lil Bahadur Khatri
COMPANY SECRETARY

Durga Shrestha (Mrs)
CHIEF ACCOUNTANT

Ganesh Bahadur Chand
Venkatesh Gomatam
Prakash Bikram Khatri
Sashi Raj Pandey
Jaya Rajya Laxmi Shah
Ravi Bhakta Shrestha
Rajesh Kazi Shrestha
Niranjan Kumar Tibrewala
DIRECTORS

Shashi Satyal
Shashi Satyal
Partner
PKF T R Upadhyaya & Co.
Chartered Accountants

Date: 15 November 2018
Place: Kathmandu

**SOALTEE HOTEL LIMITED****For the period ended on 32 Ashad 2075 (16 July 2018)****Notes to the Consolidated Financial Statements****1. General Information**

Soaltee Hotel Limited (the Company or SHL) is a limited liability company registered with Office of Company Registrar as per erstwhile Company Act. Its shares are enlisted with Security Board of Nepal (SEBON) and listed and traded at Nepal Stock Exchange Ltd. (NEPSE). The registered office of the Company and the principal place of business is located at Tahachal, Kathmandu, Nepal. Since its incorporation more than 50 years, SHL has been catering the Tourism sector services with five star quality hotel facilities from the date of commercial operation. SHL has invested in two subsidiaries namely H I Soaltee Hotel Company Pvt. Ltd. and Soaltee Hospitality Ltd. for expanding its hotel business. Through Soaltee Hospitality Ltd., wholly owned subsidiary, it has also invested in Soaltee Sibkrim Hotels and Resorts Pvt. Ltd. with 24% share in the company.

Holiday Inns (China) Limited, an Intercontinental Hotels Group (IHG) owned company operates the 282 saleable rooms ranging from Deluxe, Club to Suites under the Hotel Management Agreement with the Company. The Company also operates a LSG Sky Chef - Flight Catering Unit under a Technical Assistance Agreement with LSG Catering Hong Kong Limited, Hong Kong.

The consolidated financial statements is prepared by consolidating the financial statements of Soaltee Hotel Limited (the Parent or SHL), H I Soaltee Hotel Company Pvt. Ltd. (Subsidiary with 72.63% holding) and Soaltee Hospitality Ltd. (100% Subsidiary), collectively stated as "the Group" hereinafter. The Group's principal activity is to invest in hotel industry. The Group has invested hotels in Kathmandu and Nepalgunj.

The Consolidated Financial Statements were authorized for issue by the meeting of the Board of Directors on 15 November 2018 (29 Kartik 2075) and has recommended for approval by shareholders in the Annual General Meeting.

2. Significant Accounting Policies**2.1. Basis of Preparation****2.1.1. Statement of Compliance**

The consolidated financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standard Board Nepal and pronounced by The Institute of Chartered Accountants of Nepal.

These financial statements for the year ended 32 Ashad 2075 are the first that the Group has prepared as per NFRS. For all periods up to and including the year ended 31 Ashad 2074, Group prepared its financial statements in accordance with earlier applicable Nepal Accounting Standards. The financial statements for the year ended 31 Ashad 2074 and the opening Statement of Financial Position as at 1 Shrawan 2073 have been restated in accordance with NFRS for comparative information. Reconciliations and explanations of the effect of the transition from NAS to NFRS on the Group's statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows are separately provided in Note 4.22.

2.1.2. Basis of Measurement

These consolidated financial statements are prepared under historical cost convention except for the following material items:

- Investment in shares of entities other than subsidiaries, which have been measured at fair value
- Staff loans provided at subsidized interest rate, which have been measured at amortized cost.



Other long term liabilities (leave liability), which has been measured at present value of the obligation

2.1.3. Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with Nepal Financial Reporting Standards (NFRS) requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The Group 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

a) Useful life of property, plant and equipment

Management reviews the useful life and residual values of property, plant and equipment at the end of each reporting period. Such life are dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs.

b) Impairment of property plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above mentioned factors could impact on the carrying value of assets.

c) Recognition of deferred tax

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 Group 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 Group.

Deferred tax is calculated on temporary differences using a known future tax rate. Deferred tax assets are recognized in respect of all temporary differences giving rise to deferred tax assets where the management believes it is probable that these assets will be recovered.

d) Other long term employee benefits

Significant judgment is required to determine the estimated liability that shall arise on part of unused/accumulated leave by the staff and which is generally paid out on retirement or termination of employment. Valuation of such is done by qualified actuary using assumption like interest rate, rate of increase in annual compensation, remaining service period etc. Factors



considered may change depending on market changes or legal changes which are beyond the control of the Group.

2.1.4. Functional and Presentation Currency

The Consolidated financial statements are prepared and presented in Nepalese Rupees (Rs.), which is also the Group's functional currency.

2.2. Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements requires the use of certain accounting estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in relevant areas.

2.2.1. Basis of Consolidation

Where the Group has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group and its subsidiaries ("the Group") as if they formed a single entity.

Consolidation of financial statements of subsidiaries has been done in line with NFRS 10: Consolidated Financial Statements. In preparing the consolidated financial statements, the financial statements are combined line by line by adding the like items of assets, equity, income, expenses and cash flows of the parent with those of its subsidiaries. The carrying amount of the parent's investment in subsidiary and the parent's portion of equity of subsidiary are eliminated. All intra group assets and liabilities, equity, income, expenses and cash flows relating to SHL has opted for carve out alternative accounting treatment issued by ICAN relation to use uniform accounting policies for like transactions in consolidation of financial statements. Under the carve out alternative treatment, the investment made in associate by SHL's fully owned subsidiary is measured at cost instead of measuring it using equity method.

2.2.2 Associates

Profits or losses arising on transactions between the Group and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Investment in associates of the subsidiaries are recorded at cost in line with the carve out issued by ICAN for alternative accounting treatment as described in note 2.2.1.

2.2.3 Financial Assets and Financial Liabilities

i. Recognition

The Group initially recognizes financial assets on trade date which is the date on which the Group becomes a party to the contractual provisions of the instruments.



A financial asset or financial liability is measured initially at fair value plus, or an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue.

ii. Classification and Measurement

Financial Assets

The classification and measurement of financial assets depend on how these are managed (the entity's business model) and their contractual cash-flows characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL').

· **At amortized cost:**

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments for which the Group has intent and ability to hold till maturity. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

· **At fair value through profit or loss:**

Financial assets are classified at fair value through profit or loss if the company manages such instruments and makes purchases and sales decisions based on its fair value. Attributable transaction costs and changes in fair value are taken to revenue.

· **At fair value through other comprehensive income:**

Financial assets at FVOCI are non-derivative financial assets that are not classified in any of the above category. Financial assets at FVOCI are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, financial assets are measured at fair value, as far as such fair value is available, and changes therein, which are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, gain or loss accumulated in equity is reclassified to retained earnings.

Financial Liabilities

All financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest rate method.

iii. Derecognition

Financial Assets

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

On derecognition of a financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognized) and the sum of (i) the



consideration received (including any new assets obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in Other Comprehensive Income (OCI) is recognized in retained earnings.

Financial Liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

iv. Offsetting

The financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

v. Amortized cost measurement

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

vi. Fair value measurement

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organized and liquid market. Where quoted market values are not available, fair values are estimated by other techniques.

vii. Identification and measurement of impairment

Financial assets

At each reporting date the Group assesses the objective evidence that a financial asset or group of financial assets is impaired or not. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the debtor
- breach of contract, such as default or delinquency by a debtor
- observable data relating to a group of assets such as adverse changes in the payment status of debtor

The amount of loss is measured as the difference between the asset's carrying amount and amount the management considers it as recoverable on the basis of financial position of the party and appropriate estimation made by the management. Receivables considered as less likely to be received are provided allowance for loss and charged to Statement of Profit or Loss.

In addition, for an investment in an unquoted equity security, a significant or prolonged decline in its net worth is objective evidence of impairment.

Impairment losses are recognized in Statement of Profit or Loss and reflected in an allowance account against debtors. Impairment losses on equity investment are routed through Statement of OCI. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If



an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through income statement (OCI in case of available for sale investment).

If, in a subsequent period, the fair value of an equity investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairing loss is reversed through profit or loss; otherwise, any increase in fair value is recognized through OCI.

2.2.4 Impairment of Non Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost and value in use. An impairment loss is recognized in Statement of Profit or Loss. Provisions against impairment are reviewed at each reporting date and adjusted to reflect the current best estimates. Impairment charges are included in profit or loss except to the extent they reverse gains previously recognized in Other Comprehensive Income.

2.2.5 Foreign currency

Transactions entered into by the Group 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.

2.2.6 Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow in to the Group. Ongoing repair and maintenance are expensed as incurred.

The Group identifies and determines cost of each component/ part of the asset separately, if the component/ part has cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting date and adjusted prospectively.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

On transition to NFRS, the Group has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 31 Ashad 2073 measured as per the previous NAS and use that



carrying value as the deemed cost of the property, plant and equipment as on 1 Shrawan 2073 in line with provisions of NFRS.

Capital Work in Progress

Assets in the course of construction are capitalized in the assets under capital work in progress (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences.

Salvage Value

The Group has assessed the salvage value of all its property, plant and equipment to be 5% of its original cost. For the assets that have been carried forward since previous years and for which the fair value has been considered as deemed cost as at 1 Shrawan 2073, salvage value is considered at 5% of deemed cost.

Depreciation

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their carrying value over the expected useful economic lives.

Items of property, plant and equipment are depreciated on Straight Line Method over their useful life.

Management of the Group has assessed useful life of the following category of assets as mentioned.

Category of Assets	Estimated useful life
Building	35 - 70 years
Other civil structures	20 - 35 years
Plant and machinery	10 - 30 years
Vehicle	10 - 20 years
Computer and accessories	7 years
Office Equipment	10 years
Furniture, fixture and furnishing	10 years

There are assets whose useful life is complete on the date of first time adoption of NFRS which are still in use. Management expects that such assets shall be used for three more years; accordingly, the remaining amount of assets on the date of transition to NFRS is depreciated in subsequent three years.

2.2.7 Intangible Assets

Computer Software

Purchased computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the software. These costs are amortized over the estimated useful lives.

On transition to NFRS, the Group has elected to continue with the carrying value of all of its intangible assets recognized as at 31 Ashad 2073 measured as per the previous NAS and use that carrying value as the deemed cost of the intangible assets as on 1 Shrawan 2073.

**Amortization**

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life of computer software is considered to be five years.

2.2.8 Investment Property

The Group holds certain assets (land and building) for purpose other than its core operating function. Such assets are classified as investment property.

Items of investment property are initially recognized at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow in to the Group. Ongoing repair and maintenance are expensed as incurred.

When an item of property, plant and equipment becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognized directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognized in statement of profit or loss.

Incomes arising from use of investment property by third parties are recognized as lease income from operating lease. Lease income is recognized as per the terms of contract with parties. The Group has opted to use the carve out provided by ICAN regarding recognizing income from operating lease on annual basis as per contractual terms, whereas NAS 17: Leases require such amount opt be accounted on Straight line basis.

On transition to NFRS, the Group has elected to continue with the carrying value of all of its investment property recognized as at 31 Ashad 2073 measured as per the previous NAS and use that carrying value as the deemed cost as on 1 Shrawan 2073.

Salvage Value

Group has assessed the salvage value of its depreciable investment property to be 5% of its original cost. For the assets that have been carried forward since previous years and for which the fair value has been considered as deemed cost as at 1 Shrawan 2073, salvage value is considered at 5% of deemed cost.

Depreciation

Land that form part of investment property is not depreciated. Depreciation is provided on other items of investment property so as to write-off their carrying value over the expected useful economic lives.

Depreciable investment properties are depreciated on Straight Line Method over their useful life. Management considered the useful life of investment property to be of 55 years.

2.2.9 Investments

Investments in shares of the companies are classified as either at amortized cost or at fair value. The classification of investment and its subsequent measurement is dependent on the business model for managing such investments and contractual cash flow characteristics.

Investments are measured at fair value unless measured at amortized cost. Investments are measured at amortized cost if such investment is held with in order to collect contractual cash flows and



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.

Subsequent changes in the investments measured at amortized cost are charged to Profit or Loss. Investments measured at fair value opting the routing through Other Comprehensive Changes, at initial recognition, for adjusting the changes in fair value are charged through Other Comprehensive that forms part of the equity of the Company. Changes in fair value of other investments are charged to Profit or Loss.

2.2.10 Inventories

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 variable selling expenses.

The cost is determined on weighted average method and includes expenditure incurred directly in acquiring the inventories and bringing them to their present location and condition.

2.2.11 Cash and cash equivalents

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 from the date of transaction is considered as cash equivalent.

2.2.12 Trade and other receivables

Trade and other receivables are stated at transaction value less allowance for impairment.

Staff loan are measured at amortized cost. Discounting rate has been arrived by considering comparable market rates of similar types of loan. Difference of amortized value and book value of loan is charged to profit or loss for the period of staff loan.

2.2.13 Share capital

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

2.2.14 Employee Benefits

Employee benefits are either defined benefit plan or defined contribution plan. Employee benefits of the company comprise of gratuity, provident fund and accumulated leave. These benefits are provided as per the Employee Service Manual and Collective Bargaining Agreement between Employee Union and the Company.

Provident Fund-Defined Contribution Plan

Companies of the Group pays pre-defined amount to Employee Provident Fund and does not have any legal or constructive obligation to pay additional amount in future. Contributions to Provident fund are charged to the statement of profit or loss in the year to which they relate.

Gratuity-Defined Contribution Plan

Group is required to pay pre-defined amount to Social Security Fund as gratuity to employees. Till previous year, gratuity was in the nature of defined benefit plan with employees receiving the amount on the completion of employment based on the years of service and the recent remuneration. Changes in Labour Act has not fixed the amount to be paid on each month and instead require Company to



deposit an amount calculated @8.33% of basic salary directly to specific fund account on monthly basis. The amount presented in financial statements is the actual liability of gratuity at each reporting date.

Short term and long-term employment benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Accumulated leaves, encashment of which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the obligation as at the reporting date determined based on an actuarial valuation.

2.2.15 Income Tax

Deferred Tax

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates that are expected to apply in subsequent periods.

Current Tax

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years. Current tax is calculated reasonably in accordance with the provisions of Income tax Act as per management assumption and bet judgment.

General corporate tax rate is 25%. The Company is entitled to a rebate of 15% on the General tax rate as per the provisions of Income Tax Act 2058, accordingly, tax rate applicable for the company is 21.25% (previous year rate was 21.25%).

2.2.16 Revenue

Revenue is recognized only when it is probable that the future economic benefits will flow to the group and that revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of Value Added Taxes, Civil Aviation Fee and Service Charges where applicable.

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. Revenue from LSG Sky Chef -Flight Catering Unit sales is stated net of Civil Aviation Fee & Service charge.



Revenue from package sales is disclosed net of credits and refunds, included as part of the package.

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 previous agreement between HAN and representatives of the Employees Union.

Dividend

Dividend income from investment in shares is recognized when the right to receive the payment is established.

Other Income

Other income are recognized on accrual basis when there are reasonable basis to ascertain the amount and there is reasonable basis for recoverability except for certain privilege membership fee and training fees, which are insignificant to the total revenue.

2.2.17 Expenses

Expenses are accounted on accrual basis where there are reasonable basis to estimate ascertain the obligation and rationality of such obligation.

Management Fee

Management fee payable to Holiday Inns (China) Limited for hotel operation is based on fixed percentage of the adjusted Gross Revenue and Gross Operating Profit as specified in the Hotel Management Agreement.

License Fee

License fees payable in relation to technical assistance to LSG Catering Hong Kong Limited, to operate the Flight Catering Unit under the brand name of 'LSG Sky Chefs' is based on a fixed percentage of the Net Sales Value as specified in the Technical Assistance Agreement.

Employee Bonus

Employee bonus is provided in line with the provisions of Bonus Act 2030 BS.

2.2.18 Lease

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. For arrangements entered into prior to 1 Shrawan 2073 the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

SHL has entered into operating lease arrangement for use of property at LSG Flight Kitchen. The lease rental is adjusted for inflation rate periodically and the same amount is booked as operating lease expenses, which the Group believes is more representative than the straight line method, in line with para 33 of NAS 17: Leases.

Group has entered into operating lease arrangement allowing to use its facilities and infrastructures to third parties. The lease rental is adjusted for inflation rate periodically and the same amount is



booked as operating lease income, which the Company believes is more representative than the straight line method, in line with para 50 of NAS 17: Leases.

2.2.19 Provisions

The Group 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.

2.2.20 Current versus non-current classification

The Group 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 Group classifies an asset as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

The Group classifies a liability as current when:

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

The Group classifies all other liabilities as non-current.

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

2.2.21 Segment Reporting

The Group's segmental reporting is in accordance with NFRS 8 Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the Company's management of the Group, which is responsible for allocating resources and assessing performance of the operating segments. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated centrally. Income and expenses directly associated with each segment are included in determining business segment performance.

2.2.22 Operating Cycle

The Company considers its operating cycle to be of 12 months.

SOALTEE HOTEL LIMITED
As at 32 Ashad 2075 (16 July 2018)
Notes to the Consolidated Financial Statements
Note 3.1: Property, Plant & Equipment

Amount in Rs.

Particulars	Freehold Land	Building	Plant and Machinery	Furniture and fixture	Office Equipment	Computers	Vehicles	Under Construction	Total
Cost									
Balance at 01.04.2073*	65,389,615	474,998,187	848,395,320	267,684,231	7,198,101	35,752,158	50,388,287	195,198,772	1,945,004,671
Addition	-	59,848,679	50,057,154	35,549,686	172,565	9,410,016	3,752,212	-	158,790,312
Disposal/Transfer	-	(4,180,286)	(5,453,636)	(6,026,430)	(55,461)	(301,182)	(1,174,252)	(54,013,948)	(71,205,195)
Balance at 31.03.2074	65,389,615	530,666,580	892,998,838	297,207,487	7,315,205	44,860,992	52,966,247	141,184,824	2,032,589,790
Addition	84,099,164	79,119,059	102,463,014	65,739,761	87,246	1,631,477	12,942,478	127,119,077	473,201,276
Disposal/Transfer	-	(57,797)	(29,123,361)	(7,293,160)	(135,400)	-	-	(114,962,786)	(151,572,504)
Balance at 32.03.2075	149,488,779	609,727,842	966,338,491	355,654,088	7,267,051	46,492,469	65,908,725	153,341,115	2,354,218,561
Depreciation and impairment loss									
Balance at 01.04.2073	-	230,897,150	590,255,408	216,866,777	6,458,735	29,897,857	32,792,552	-	1,107,168,479
Charge for the year	-	14,856,913	45,464,310	21,486,424	217,471	2,875,743	3,866,986	-	88,767,847
Disposal	-	(3,054,507)	(5,281,237)	(6,001,131)	(54,427)	(296,811)	(1,052,216)	-	(15,740,329)
Balance at 31.03.2074	-	242,699,556	630,438,481	232,352,070	6,621,779	32,476,789	35,607,322	-	1,180,195,997
Charge for the year	-	11,138,661	30,169,377	11,840,236	129,988	2,628,209	2,479,892	-	58,386,363
Disposal	-	(41,912)	(27,983,735)	(7,267,150)	(134,840)	-	-	-	(35,427,638)
Balance at 32.03.2075	-	253,796,305	632,624,123	236,925,156	6,616,927	35,104,998	38,087,214	-	1,203,154,722
Net Book Value									
At 01.04.2073	65,389,615	244,101,037	258,139,912	50,817,454	739,366	5,854,301	17,595,735	195,198,772	837,836,192
At 31.03.2074	65,389,615	287,967,024	262,560,357	64,855,417	693,426	12,384,203	17,358,925	141,184,824	852,393,794
At 32.03.2075	149,488,779	355,931,537	333,714,368	118,728,932	650,124	11,387,471	27,821,511	153,341,115	1,151,063,841

The Group has availed exemption provided in NFRS 1 and elected to measure all item of property, plant and equipment outstanding at the closure of previous year as deemed cost being its fair value for the purpose of NFRS.

Property, plant and equipment under construction

Assets under construction majorly comprises of the works related to up gradation of rooms of the hotel to Heritage Concept and separate Spa building under construction, includes cost of assets Rs. 84.74 million, capital advance Rs. 56.25 million and other related costs Rs. 12.35 million. The amount shall be capitalized to respective heads as and when the assets are available for use.

**SOALTEE HOTEL LIMITED**

As at 32 Ashad 2075 (16 July 2018)

Notes to the Consolidated Financial Statements**Note 3.2: Intangible Assets**

Particulars	Amount in Rs.	
	Software	Total
Cost		
Balance at 01.04.2073*	10,795,649	10,795,649
Addition	2,130,794	2,130,794
Disposal/Transfer	-	-
Balance at 31.03.2074	12,926,443	12,926,443
Addition	125,000	125,000
Disposal	-	-
Balance at 32.03.2075	13,051,443	13,051,443
Amortization		
Balance at 01.04.2073	9,003,295	9,003,295
Charge for the year	1,349,782	1,349,782
Disposal	-	-
Balance at 31.03.2074	10,353,077	10,353,077
Charge for the year	888,689	888,689
Disposal	-	-
Balance at 32.03.2075	11,241,766	11,241,766
Net Book Value		
At 01.04.2073	1,792,354	1,792,354
At 31.03.2074	2,573,366	2,573,366
At 32.03.2075	1,809,677	1,809,677

The Group has availed exemption provided in NFRS 1 and elected to measure all item of intangible Assets outstanding at the closure of previous year as deemed cost being its fair value for the purpose of NFRS.



SOALTEE HOTEL LIMITED

As at 32 Ashad 2075 (16 July 2018)

Notes to the Consolidated Financial Statements

Note 3.3: Investment Property

Amount in Rs.

Particulars	Freehold Land	Building	Total
Cost			
Balance at 01.04.2073*	7,965,724	109,516,634	117,482,358
Addition	-	-	-
Disposal/Transfer	(3,258,437)	-	(3,258,437)
Balance at 31.03.2074	4,707,287	109,516,634	114,223,921
Addition	-	-	-
Disposal	-	-	-
Balance at 32.03.2075	4,707,287	109,516,634	114,223,922
Amortization			
Balance at 01.04.2073	-	71,807,151	71,807,151
Charge for the year	-	1,885,474	1,885,474
Disposal	-	-	-
Balance at 31.03.2074	-	73,692,625	73,692,625
Charge for the year	-	1,000,965	1,000,965
Disposal	-	-	-
Balance at 32.03.2075	-	74,693,590	74,693,590
Net Book Value			
At 01.04.2073	7,965,724	37,709,483	45,675,207
At 31.03.2074	4,707,287	35,824,009	40,531,296
At 32.03.2075	4,707,287	34,823,044	39,530,332

The Group has availed exemption provided in NFRS 1 and elected to measure all item of Investment Property outstanding at the closure of previous year as deemed cost being its fair value for the purpose of NFRS.

Note 3.4: Deferred Tax Assets

Deferred tax is calculated on temporary differences using known future tax rate effective to the Company. Deferred tax assets are recognized in respect of all temporary differences giving rise to deferred tax assets where the management believes it is probable that these assets will be recovered.

Amount in Rs.

Particulars	01.04.2074	Credit/(Charge) to SOPL	Credit/(Charge) to OCI	32.03.2075
Fixed Assets	(1,211,548)	(11,171,252)	-	(12,382,800)
Gratuity Provision	56,409,899	(3,295,104)	-	53,114,795
Provision for leave	20,523,228	1,615,426	-	22,138,654
Trade and Other Receivable	6,405,550	311,428	-	6,716,978
Total	82,127,129	(12,539,502)	-	69,587,627

Particulars	01.04.2073	Credit/(Charge) to SOPL	Credit/(Charge) to OCI	31.03.2074
Fixed Assets	(1,775,400)	563,852	-	(1,211,548)
Gratuity Provision	51,396,232	5,013,667	-	56,409,899
Provision for leave	18,575,829	1,947,399	-	20,523,228
Trade and Other Receivable	6,356,182	49,368	-	6,405,550
Total	74,552,843	7,574,286	-	82,127,129



SOALTEE HOTEL LIMITED

As at 32 Ashad 2075 (16 July 2018)

Notes to the Consolidated Financial Statements

Note 3.5: Investments

Amount in Rs.

Particulars	32.03.2075	31.03.2074	01.04.2073
<u>Non-Current</u>			
At Amortized Cost	-	-	-
At Fair Value Through Profit or Loss	-	-	-
At Fair Value Through OCI	273,627,323	162,406,695	105,212,110
Total	273,627,323	162,406,695	105,212,110
<u>Current</u>			
At Amortized Cost	80,000,000	110,000,000	110,000,000
At Fair Value Through Profit or Loss	-	-	-
At Fair Value Through OCI	-	-	-
Total	80,000,000	110,000,000	110,000,000

Investment comprises the following:

At Amortized Cost (A)	32.03.2075	31.03.2074	01.04.2073
Term Deposit	80,000,000	110,000,000	110,000,000
Total Investment at Amortized Cost	80,000,000	110,000,000	110,000,000
<u>At Fair Value Through OCI (B)</u>			
Investment in Associates			
H I Soaltee Management Co. Limited (2,600 shares of HK\$ 1)	16,538	16,538	16,538
Less: allowance for impairment	(16,538)	(16,538)	(16,538)
Net investment	-	-	-
Soaltee Sibkirm Hotels and Resorts Pvt. Ltd.	261,840,000	150,640,000	93,272,000
Sub-total	261,840,000	150,640,000	93,272,000
Investment in other Entities			
Himal International Power Corp. Pvt. Ltd. (100,000 shares of Rs. 100 each)	11,787,323	11,766,695	11,940,110
Sub-total	11,787,323	11,766,695	11,940,110
Total Investment through OCI	273,627,323	162,406,695	105,212,110
Proportion of voting rights			
Soaltee Sibkirm Hotels and Resorts Pvt. Ltd.	24%	24%	24%
H I Soaltee Management Co. Limited	26%	26%	26%
Himal International Power Corp. Pvt. Ltd.	6%	6%	6%

The net worth of H I Soaltee Management Co. Ltd. is negative since many years and accordingly, impairment has been accounted.

**SOALTEE HOTEL LIMITED**

As at 32 Ashad 2075 (16 July 2018)

Notes to the Consolidated Financial Statements**Note 3.6: Trade and Other Receivable**

Particulars	32.03.2075	31.03.2074	01.04.2073
Non-Current			
Other Receivable	7,051,419	7,051,419	7,051,419
Deposit for Appeal	2,992,083	2,992,083	2,992,083
Deposits	3,421,504	3,346,504	3,618,065
Loans and advances to Employees	41,030,583	38,960,295	28,518,068
Deferred Employee Benefit Expenses	3,753,184	3,274,882	1,067,155
Total	58,248,773	55,625,183	43,246,790
Less: Allowance for impairment	(7,051,419)	(7,051,419)	(7,051,419)
Total	51,197,354	48,573,764	36,195,371
Current			
Trade Receivable			
Trade Receivable	260,668,900	241,228,014	263,818,845
Less: allowance for impairment	(24,557,890)	(23,092,345)	(22,860,028)
Trade Receivable-Net	236,111,010	218,135,669	240,958,817
Other Receivable			
Loans and advances to Employees	14,953,517	14,482,760	9,989,886
Loans and advances to Other	13,213,876	17,294,859	5,732,303
Advances to contractor and suppliers	10,206,963	39,512,850	15,688,094
Management Fees Recoverable	8,047,756	9,630,647	-
Others	294,130	-	-
Deferred Employee Benefit Expenses	1,379,847	1,204,001	392,337
Total Other Receivable	48,096,089	82,125,117	31,802,620
Total	284,207,099	300,260,786	272,761,437

Additional information on other receivable included in non-current receivable is provided in Note 4.10.

Trade receivables are normally collected as per credit terms with the parties, generally within a period of 90 days. Trade receivable is non-interest bearing.

Note 3.7: Inventories

Particulars	32.03.2075	31.03.2074	01.04.2073
Stores and Spares	14,167,943	9,454,770	7,904,009
Provision, Beverage and Others	21,811,802	23,197,342	20,661,478
Uniform and Linen	24,059,452	28,724,105	8,991,949
Crockery, Cutlery etc.	28,546,740	24,670,908	22,233,980
Total	88,585,937	86,047,125	59,791,416

Note 3.8: Cash and Cash Equivalent

Particulars	32.03.2075	31.03.2074	01.04.2073
Cash in Hand	2,954,082	2,394,625	1,877,776
Cheque in Hand	236,398	294,300	14,278,089
Balances with Bank	183,062,239	240,552,997	266,264,606
Total	186,252,719	243,241,922	282,420,471



SOALTEE HOTEL LIMITED

As at 32 Ashad 2075 (16 July 2018)

Notes to the Consolidated Financial Statements

Note 3.9: Share Capital

Amount in Rs.

Particulars	32.03.2075	31.03.2074	01.04.2073
Authorized Share Capital			
150,000,000 Shares of Rs. 10/- each	1,500,000,000	1,500,000,000	1,500,000,000
Issued Share Capital			
75,000,000 Shares of Rs. 10/- each	750,000,000	750,000,000	750,000,000
Subscribed and Fully Paid up			
66,606,374 Shares of Rs.10/- each	666,063,740	579,181,300	526,526,060
Total	666,063,740	579,181,300	526,526,060

Reconciliation of no. of shares outstanding

Particulars	32.03.2075	31.03.2074	01.04.2073
Balance at the beginning of the year	57,918,130	52,652,606	42,121,768
Add: Bonus Issue	8,688,244	5,265,524	10,530,838
Add: Right Issue	-	-	-
Balance at the end of year	66,606,374	57,918,130	52,652,606

Details of Shareholding

Major Corporate Shareholders	69%	69%	69%
General Shareholders	31%	31%	31%

Note 3.10: Retained Earning and Reserves

Particulars	32.03.2075	31.03.2074	01.04.2073
Share Premium	16,000,000	16,000,000	16,000,000
Other Reserve	7,288,761	7,288,761	7,288,761
Revaluation Reserve	35,198,427	35,198,427	35,198,427
Fair Value Reserve for Equity Investment	1,787,324	1,766,696	1,940,110
Retained Earnings	720,771,637	563,238,336	535,150,064
Total	781,046,149	623,492,220	595,577,362

Note 3.11: Non-Controlling Interest

Particulars	32.03.2075	31.03.2074	01.04.2073
Share Capital	3,563,600	3,563,600	3,563,600
Retained Earnings	3,518,525	3,084,714	2,813,909
Total	7,082,125	6,648,314	6,377,509

Note 3.12: Loans and Borrowings

Particulars	32.03.2075	31.03.2074	01.04.2073
Non-Current			
Bank loans			
Secured- Hire Purchase	4,994,449	5,840,287	6,686,125
Total	4,994,449	5,840,287	6,686,125
Current			
Current portion of Hire Purchase Loan	845,838	845,838	963,090
Total	845,838	845,838	963,090

Note 3.13: Employee Benefits

Particulars	32.03.2075	31.03.2074	01.04.2073
Non-Current			
Gratuity	317,491,891	302,770,945	288,131,014
Less: Plan Assets	(67,539,915)	(37,312,598)	(46,266,393)
Net Gratuity Liability	249,951,976	265,458,347	241,864,621
Accumulated Leave	104,181,901	96,579,895	87,415,664
Total	354,133,877	362,038,242	329,280,285
Current			
Salary and Wages Payable	16,210,711	13,249,722	12,809,465
Bonus Payable	36,209,969	25,266,710	13,724,967
Total	52,420,680	38,516,432	26,534,432



SOALTEE HOTEL LIMITED

As at 32 Ashad 2075 (16 July 2018)

Notes to the Consolidated Financial Statements

Note 3.14: Income Tax Receivable/(Payable)

Amount in Rs.

Particulars	32.03.2075	31.03.2074	01.04.2073
Advance Income Tax	60,725,906	51,092,748	31,100,031
Income Tax liability	(70,870,345)	(49,108,866)	(31,588,551)
Total	(10,144,439)	1,983,882	(488,520)

Note 3.15: Trade and Other Payable

Particulars	32.03.2075	31.03.2074	01.04.2073
Non-Current			
Retention and Security Deposit	14,452,666	8,975,310	8,100,367
Unclaimed Dividend	6,534,596	6,062,351	3,850,706
Total	20,987,262	15,037,661	11,951,073
Current			
Sundry Creditors	142,788,339	145,094,887	162,732,803
Other Payable			
Advances Received	67,251,560	32,071,719	31,960,767
Civil Aviation Fee	-	6,365,372	13,757,228
Management Fee	-	-	14,753,328
Flight Kitchen Franchise Fee	1,185,308	6,964,832	9,583,620
VAT Payable	3,535,496	59,159	466,908
Service Charge	44,905,028	41,117,395	36,132,823
Housing Fund	36,334,029	56,334,029	41,705,934
Others Liabilities	50,119,561	25,920,254	30,823,934
Total	346,119,321	313,927,647	341,917,345

Trade and other payable are non-interest bearing in nature.

Please refer Note 4.5 for additional information on advances received.

Note 3.16: Revenue from Operation

Particulars	2074-75	2073-74
Room	442,420,291	468,399,915
Food	1,060,626,267	1,002,904,471
Beverage	52,574,848	58,128,708
Cigar and Cigarettes	391,715	409,075
Telephone	237,225	483,484
Laundry Income	7,500,632	10,909,230
Beauty Parlor	640,343	1,241,073
Swimming Pool, Health Club, Guest Membership Fee	4,410,641	7,946,392
Business Centre	105,969	123,414
Total	1,568,907,931	1,550,545,762

Note 3.17: Other Income

Particulars	2074-75	2073-74
Premises Rental Charge	26,666,220	25,754,718
Interest on Loans & Advances at amortized cost	6,412,861	6,068,508
Interest on Call Account/Time Deposit	10,839,938	10,941,878
Miscellaneous Receipts	8,584,539	8,480,762
Income from Service Charge	35,811,425	37,785,146
Dividend Income	500,000	700,000
Profit on sale of assets	1,325,488	64,061
Exchange gain	7,255,019	-
Others	294,130	-
Unclaimed Balance Written Back	104,452	1,579,830
Total	97,794,072	91,374,903

**SOALTEE HOTEL LIMITED**

As at 32 Ashad 2075 (16 July 2018)

Notes to the Consolidated Financial Statements**Note 3.18: Consumption of Food and Beverage**

Amount in Rs.

Particulars	2074-75	2073-74
Food	273,864,950	265,238,578
Beverage	13,530,000	17,404,454
Cigarettes	162,035	167,019
Total	287,556,985	282,810,051

Note 3.19: Employee Benefit Expenses

Particulars	2074-75	2073-74
Salary and Wages	240,053,552	228,248,760
Allowances	95,243,801	89,275,852
Festival Allowance	19,689,532	20,464,465
Overtime	12,324,673	13,782,628
Employees Meal	22,413,330	23,842,079
Soaltee Staff Welfare/SSF Contribution	4,882,792	7,668,880
Gratuity	31,231,538	92,770,001
Leave	15,290,670	26,642,481
Provident Fund	18,249,957	19,300,893
Clinic Expenses	1,336,476	1,953,792
Amortization of staff loan	2,484,437	1,640,335
Retirement Scheme Expenses (VRS)	-	56,600,619
Bonus	36,209,969	25,266,710
Total	499,410,727	607,457,495

Note 3.20: Operating Expenses

Particulars	2074-75	2073-74
Linen	10,062,645	5,358,600
Laundry Supplies	2,889,990	6,606,014
Crockery & Cutlery	3,584,437	2,805,297
Silverware	744,468	86,971
Cleaning Supplies	9,602,449	10,702,507
F & B Paper Supplies	9,116,335	8,752,360
Guest Supplies	18,442,064	19,280,653
Water & Water Treatment	16,787,737	21,122,209
Garden Maintenance	-	3,395
Pest Control	2,160,000	2,137,500
Waste Removal	1,004,637	884,159
Power and Fuel	121,044,061	120,906,497
Repair and Maintenance	25,842,181	34,704,704
Total	221,281,004	233,350,866

**SOALTEE HOTEL LIMITED**

As at 32 Ashad 2075 (16 July 2018)

Notes to the Consolidated Financial Statements**Note 3.21: Other Expenses**

Amount in Rs.

Particulars	2074-75	2073-74
Rental Charges	976,484	1,135,844
Travelling	9,230,378	6,289,139
Transport and Conveyance	22,852,007	21,844,094
Audit Fee	489,700	489,700
Legal and Professional Fees	8,795,567	5,559,102
Directors' Meeting Fees	1,005,879	1,023,526
Licence & Taxes	27,206,321	25,433,764
Bank Charges	8,765,808	7,154,859
Annual General Meeting Expenses	1,091,772	1,124,457
Commissions	4,950,194	4,484,081
Insurance	16,475,883	19,808,863
Communication Expenses	7,073,789	5,368,064
Printing and Stationery	5,000,598	8,409,618
Advertisement and Sales Promotion	16,256,633	18,324,789
Marketing and Reservation Expenses	14,586,891	15,274,589
Training and Conference	2,527,774	1,411,006
Donation	30,000	30,000
Books and Newspaper	425,687	413,297
Membership & Subscription	1,695,777	1,295,820
Security Services	5,182,422	4,972,763
Uniform Expenses	6,670,145	1,249,784
Entertainment	1,641,247	1,371,001
Allowance for impairment	5,000,000	5,000,000
Software Service Charges	4,918,756	5,758,680
Assets Written Off	-	3,258,437
Banquet Expenses	5,587,500	2,742,427
Kitchenette Expenses	4,273,462	102,514
Exchange loss	-	9,967,464
Corporate Social Responsibility	2,792,382	2,035,459
Housing Fund Allocation	-	14,628,095
Miscellaneous	3,470,180	8,218,520
Total	188,973,236	204,179,756

Note 3.22: Earnings per Share

Basic earnings per share is calculated by dividing the total profit or loss attributable to equity shareholders. Diluted earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by weighted average number of equity shares for the effects of all dilutive potential equity shares. If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively.

SHL has issued bonus shares in previous years. Calculation of basic and diluted earnings per share has been done as stated above.

Particulars	2074-75	2073-74
Basic Earnings per Share		
Profit for the year	280,680,536	139,662,629
Number of shares	66,606,374	66,606,374
Basic Earnings per Share (Rs.)	4.21	2.10
Diluted Earnings per Share		
Profit for the year	280,680,536	139,662,629
Weighted average number of shares	66,606,374	66,606,374
Diluted Earnings per share (Rs.)	4.21	2.10

**SOALTEE HOTEL LIMITED**

As at 32 Ashad 2075 (16 July 2018)

Notes to the Consolidated Financial Statements**Note 3.23: Financial Instruments Classification and Fair Value Measurement**

Financial Instruments are classified in accordance with Note 2.2.3. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values are determined according to the following hierarchy:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. The Company has used its own data (accounting value) and considered if there exists factors that would otherwise result in changes to the book value of assets or liabilities.

As at 32.03.2075	Carrying Amount	Level 1	Level 2	Level 3
Financial Assets				
Financial Assets at Amortized Cost				
Trade and Other Receivable	330,271,423			330,271,423
Investment	80,000,000			80,000,000
Cash and Cash Equivalent	186,252,719			186,252,719
Total At Amortized Cost	596,524,142			596,524,142
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)				
Investment	273,627,323			273,627,323
Total Financial Assets	870,151,465	-	-	870,151,465
Financial Liabilities				
Financial Liabilities at Amortized Cost				
Trade and Other Payable	367,106,583			367,106,583
Loans and Borrowings	5,840,287			5,840,287
Total Financial Liabilities	372,946,870	-	-	372,946,870

As at 31.03.2074	Carrying Amount	Level 1	Level 2	Level 3
Financial Assets				
Financial Assets at Amortized Cost				
Trade and Other Receivable	344,355,667			344,355,667
Investment	110,000,000			110,000,000
Cash and Cash Equivalent	243,241,922			243,241,922
Total At Amortized Cost	697,597,589			697,597,589
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)				
Investment	162,406,695			162,406,695
Total Financial Assets	860,004,284	-	-	860,004,284
Financial Liabilities				
Financial Liabilities at Amortized Cost				
Trade and Other Payable	328,965,308			328,965,308
Loans and Borrowings	6,686,125			6,686,125
Total Financial Liabilities	335,651,433	-	-	335,651,433

**SOALTEE HOTEL LIMITED**

As at 32 Ashad 2075 (16 July 2018)

Notes to the Consolidated Financial Statements

Note 3.23: Financial Instruments Classification and Fair Value Measurement

As at 01.04.2073	Carrying Amount	Level 1	Level 2	Level 3
<u>Financial Assets</u>				
<u>Financial Assets at Amortized Cost</u>				
Trade and Other Receivable	307,497,316			307,497,316
Investment	110,000,000			110,000,000
Cash and Cash Equivalent	282,420,471			282,420,471
Total At Amortized Cost	699,917,787			699,917,787
<u>Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)</u>				
Investment	105,212,110			105,212,110
Total Financial Assets	805,129,897	-	-	805,129,897
<u>Financial Liabilities</u>				
<u>Financial Liabilities at Amortized Cost</u>				
Trade and Other Payable	353,868,418			353,868,418
Loans and Borrowings	7,649,215			7,649,215
Total Financial Liabilities	361,517,633	-	-	361,517,633

**SOALTEE HOTEL LIMITED****For the period ended on 32 Ashad 2075 (16 July 2018)****Notes to the Consolidated Financial Statements****4 Additional Information****4.1 Share Capital**

The Group has single class of equity shares where shares of Soaltee Hotel Limited have face value of Rs. 10 per share and subsidiaries have face value of Rs. 100 per share. Every member holding equity shares therein shall have voting rights in proportion to the member's share of the paid up equity share capital.

4.2 Non-Controlling Interest

Soaltee Hotel Ltd. has made investment in two subsidiaries where holding in one is 100% and on the other is 73.63%. Upon consolidation of the financial statements, total portion of financial statements is added by eliminating the portion of other shareholders by way of non-controlling interest.

4.3 Reserves and Retained Earnings**a. Share premium**

SHL had issued shares in premium on 1992-93. The amount collected by SHL in excess of its face value is credited to this account. Use of share premium shall be as provided in Company Act 2063.

b. Other Reserves

SHL had created other reserves out of capital profits on 1995. There is no movement on this reserve since then.

c. Retained Earning

Net profit for each year is added to this reserve. Group uses this to provide dividend to its shareholders.

d. Fair Value Reserve

This reserve is created to account for changes in fair value of investments for those investments that are opted to be measured at fair value through Other Comprehensive Income.

e. Revaluation Reserve

Revaluation Reserve was created in 1986 when the land of SHL was revalued. For the first time adoption of NFRS, the revalued amount of land has been considered at deemed cost which as allowed by NFRS 1.

4.4 Employee Benefits**a. Gratuity**

Up to the previous fiscal year, gratuity was in the form of defined benefit liability in which SHL was required to pay gratuity to staff considering the number of years in service and the recent salary of the staff. Changes in Labour laws in the current fiscal year has changed the nature of gratuity and this is now a defined contribution plan whereby SHL is required to provide 8.33% of monthly basic remuneration as gratuity to employee with effect from 19 Bhadra 2074. Such amount is required to be paid / deposited to Social Security Fund.

Particulars	2074-75	2073-74
Opening liability	302,770,945	288,131,014
Payment made	(16,510,592)	(78,130,070)
Additional provision (as per then existing provision)	17,671,099	92,770,001
Additional @8.33%	13,560,439	-
Closing liability	317,491,891	302,770,945

SHL is yet to make payout of the gratuity because of pending establishment of Social Security Fund.

**b. Leave**

Leave is classified as other long term employee liability. Liability is measured by way of actuarial valuation for accumulated leave balance at the end of reporting periods. Changes in value of liability is as follows:

Particulars	2074-75	2073-74
Opening liability	96,579,895	87,415,664
Service Cost	10,817,879	5,001,086
Interest Cost	6,491,488	5,507,356
Plan amendment	(342,102)	1,205,688
Actuarial gain/(loss)	(1,676,595)	14,928,351
Benefit paid	(7,688,664)	(17,478,250)
Closing liability	104,181,901	96,579,895

Basic assumptions considered for measurement of leave liability related to leave are as follows:

Particulars	2074-75	2073-74
Discount rate	7%	7%
Rate of compensation increase	6%	6%
Expected return on plan assets	-	-
Average expected future service	15	12
Average duration of liabilities	16	17

Plan assets have not been created for funding of payment of leave liability.

Sensitivity Analysis

The following table demonstrates the impact of 1% increase in discount rate considered for calculating the present value of long term leave liability.

Particulars	2074-75	2073-74
Effect on:		
- Service Cost	(1,507,740)	(583,612)
- Interest Cost	927,623	786,764
- Leave Liability	(11,310,316)	(14,253,412)

The following table demonstrates the impact of 1% decrease in discount rate considered for calculating the present value of long term leave liability.

Particulars	2074-75	2073-74
Effect on:		
- Service Cost	1,858,466	703,626
- Interest Cost	(927,353)	(786,764)
- Leave Liability	13,468,773	16,944,118

4.5 Lease

SHL has entered into a lease arrangement of premises for a period of 15 years. The future minimum lease rental payment to be made is as follows:

Period	2074-75	2073-74
Up to one year	962,052	964,688
One to five years	4,810,260	3,848,208
Above five years	598,317	2,527,693
Total	6,370,629	7,340,589

SHL has entered into operating lease arrangement allowing to use some part of its assets on lease.

Minimum lease amount receivable under such lease is as follows:



Period	2074-75	2073-74
Up to one year	25,546,693	26,214,977
One to five years	110,266,106	88,700,149
Above five years	399,517,808	450,032,622
Total	535,330,607	564,947,748

Health Club/Spa property under construction

SHL has entered into a leasing arrangement allowing to use some part of its assets with cancellable condition and clauses with Dhanwantari Spa And Wellness Pvt. Ltd. (party) for construction and subsequent use of wellness centre (building for Health Club-Spa) at the premise of SHL. As per the arrangement, all the construction works of the building is being done by the party on behalf of SHL and such assets being developed is included in Assets under Construction of the Group with corresponding booking as liability until the date of completion of construction. The party will operate the Spa for the defined period under the agreement for which the party shall pay some portion of its total lease rental in cash and remaining portion is adjusted against the cost incurred by the party for construction. Amortization of the financial liability that will be finalized on completion of construction of assets shall be done, as required.

4.6 Corporate Social Responsibility

During the year, SHL has provided Rs. 27.92 million (1% of net profit after tax) as Corporate Social Responsibility as per the Section 48 (1) of the Industrial Enterprises Act 2073.

4.7 Risk Management objectives and policies

The Group's business activities expose to a variety of risks, namely primarily to fluctuations in foreign currency exchange rates, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Board of each Group and senior management has overall responsibility for the establishment and oversight of the Group's risk management. The Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

i. Market Risk

Inspite 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 group through years of operations has sustained through such risks over the years in the past.

ii. Credit Risk

The Group (SHL, in particular) provides reasonable level of credit facilities to debtors and so does it enjoy credit facility from its creditors as well. In impact on tourism sector may have impact of company debtors' ability to pay SHL within reasonable credit period allowed. Accordingly there exist the credit risks to that extent. The Group 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.

**iii. Liquidity Risk**

The Group has very less amount of debt funding and will not be impacted significantly. Group monitors its liquidity position on regular basis through effective planning and forecasting.

The Group's current assets aggregate positively against the current liabilities and accordingly, the liquidity risk or risk that the company may not be able to settle its liabilities as they become, does not exist.

iv. Operational Risk

Group has been in operation since more than 50 years and have prepared and implemented various Standard Operating Procedures (SOPs) in the form of clear cut delegation of authority for the activities, guidelines regulations etc. Beside the companies of Group is required to also follow specific operating guidelines issued by its franchise. Group believes that the controls implemented by the company have minimized the operational risk to acceptably low level. The franchise also carries out Control Self Assessment at reasonable interval where the SHL scored high level marks placing it as one among better managed hotel among hotels being managed by Franchise.

v. Exchange Rate Fluctuation Risk

SHL's revenue will be impacted coming from any fluctuation of exchange rate fluctuation so be on the certain level of supplies of the company as such exchange rate fluctuation will contribute certain level of inflations. Since its tariffs are quoted in USD, any rate fluctuation will have the risk of impacting the income of the company. It has been the tendency that the exchange rate fluctuation has generally been upward movement except of occasional down turn movement as well. The Group has practiced not to hold foreign currency monetary assets and liabilities for substantial period so as to minimize the risk of exchange rate fluctuation.

4.8 Related Party Transactions

Related parties of the Group comprises of key management personnel, organization having significant influence and Board of Directors.

a. Significant Influence

Entities having significant influence over the Company is as follows:

i. Soaltee Enterprise Pvt. Ltd. (SEPL)

Soaltee Enterprise Pvt. Ltd. is major shareholder of SHL. SEPL has four representatives in the current Board of Soaltee Hotel Ltd. (SHL). SEPL has paid Rs. 66,667 (previous year Rs. 66,667) to SHL as operating lease rent. There is no outstanding balance at the year end.

Entity where the Group has significant influence is:

i. Soaltee Sibkrim Hotels and Resorts Pvt. Ltd.

Soaltee Sibkrim Hotels and Resorts Pvt. Ltd. is associate of the Group. One of the subsidiary of SHL, Soaltee Hospitality Ltd. has 24% shares in this company with investment of Rs. 261.84 million. There is no transaction or outstanding balance of this company with the Group.

b. Other related entities**i. Nepal Airlines Corporation (NAC)**

Nepal Airlines Corporation is institutional shareholder of SHL. NAC has one representative in the Board of SHL.

SHL provides flight catering services to the international flights of Nepal Airlines Corporation. Transactions and outstanding balance with Nepal Airlines Corporation are as follows:

Particulars	Revenue (in million)		Receivable (in million)	
	This Year	Last Year	This Year	Last Year
Flight Catering Services	110.19	99.64	23.31	13.40
Tickets Purchase	1.56	0.04		

ii. Sibkrim Holdings Pvt. Ltd.

There is no transaction of this company with SHL.

c. Those charged with Governance

Those charged with governance include the Board of Directors of the each company. As SHL is the major shareholder of all subsidiaries, the Board of those companies is ultimately controlled by Board of SHL. The composition of Board of SHL on the reporting date is as follows:

Name	Position	Representative of
Mr. Dinesh Bahadur Bista	Executive Chairman	Soaltee Enterprises Pvt. Ltd.
Mr. Ravi Bhakta Shrestha	Member	Soaltee Enterprises Pvt. Ltd.
Mr. Rajesh Kazi Shrestha	Member	Soaltee Enterprises Pvt. Ltd.
Mrs. Jaya Rajya Laxmi Shah	Member	Soaltee Enterprises Pvt. Ltd.
Mr. Ganesh Bahadur Chand	Member	Nepal Airlines Corporation
Mr. Ananth Ramchandran	Member (till 30.06.2018)	Holiday Inns Investment (Nepal) Ltd.
Mr. Prakash Bikram Khatri	Member (from 14.12.2017)	Public Shareholder
Mr. Shashi Raj Pandey	Member	Public Shareholder
Mr. Bijay Bahadur Shrestha	Member (till 14.12.2017)	Public Shareholder
Mr. Niranjan Kumar Tibrewala	Member	Public Shareholder
Mr. Venkatesh Gomatam	Member (from 01.07.2018)	Holiday Inns Investment (Nepal) Ltd.

Mr. Lil Bahadur Khatri serves as Company Secretary of the Company.

Board members are paid Rs. 15,000 (net of withholding tax) per meeting as meeting fee for attending each meeting of Board. Meeting fee paid to members of Board for Board as well as Other Committee meetings during the year amounts to Rs. 1.00 million (previous year Rs. 1.02 million).

d. Key Management Personnel

The Group's key management personnel are Executive Chairman and General Manager of SHL.

Total compensation to key management personnel during the year is Rs. 32.03 million (previous year Rs. 29.21 million). The compensation paid to Executive Chairman of SHL also includes the performance incentive paid based on the profit of the Hotel.

4.9 Unpaid Dividend

Total unpaid dividend of SHL amounted to Rs. 6.53 million (previous year Rs. 6.06 million).

4.10 Civil Aviation Fee recoverable from Airlines

Civil Aviation Fees levied on In flight catering services provided on international flights by SHL to three different airlines have been disputed and not paid by the respective airlines which amounted to Rs 7.051 million (previous year Rs. 7.051 million) is still pending recovery. This has been reflected under Non-current Trade and other receivables.

**4.11 Lien on company's assets**

Current and non-current assets of SHL, where applicable has been pledged hypothecated to bankers providing the credit facilities. The credit facility as of the reporting date included term loan against a vehicle only amounting to Rs. 5.84 million (previous year Rs. 6.69 million).

4.12 Contingent Liability

Group recognizes contingent liability when a possible obligation arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or company as a present obligation as a result of past events which is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. All adjusting events are considered for appropriate reflection in the current financial year.

4.13 Bank Guarantee

Unexpired bank guarantee issued by Group amounted to Rs. 2.9 million (previous Rs. 2.6 million)

4.13 Litigations or legal cases**i. Income tax Matters**

Revenue Tribunal has decided in SHL's favour against the appeal made relating to assessment pertaining to FY 2068-69. However reassessment as required following such decision is still yet to be done by the Revenue Office. It has come to the knowledge of the management of SHL the Revenue Office has filed appeal in the Honourable Supreme Court. Notice of such appeal made has not been received by SHL yet. The Group is of the opinion that there would not be significant obligation relating such appeal being considered at the Court.

ii. Assessment status

The Revenue Offices have completed reassessment of its self assessment return till financial year 2070-71. Generally there is time limitation of four years from the date of its self assessment return filing. The management considers no significant obligation that would arise that would be required to be provided for. Any tax claim will be directly charged to accumulated profit as per its practice.

iii. Casino Royalty

Pursuant to the litigation case filed by SHL against Government of Nepal for its demand of Casino Royalty for the financial year 2005/06 (2062/63) till November 2012 (24 Kartik 2069) from SHL instead of then Lessee, Nepal Recreation Centre Pvt. Ltd, the decision has been made in favour of SHL. Accordingly, no further obligation arises under such demand by the GON for such Royalty.

iv: Arbitration

SHL has filed a writ petition in the Supreme Court of Nepal challenging the judgment of Honourable High Court, Patan for the appointment of arbitrator in a case filed by the Nepal Recreation Centre Pvt Ltd. for the appointment of arbitrators pursuant to the Casino Lease Agreement. The matter is sub-judice before the Honourable Supreme Court.

v. Legal cases

SHL has filed a few cases for recovery of dues from some debtors in the course of its regular business.

**4.14 Capital Commitment**

Capital contract of SHL remaining to be executed on capital accounts net of advances to Rs. 131.55 million (Previous year 223.74 million).

4.15 Letter of Credit

There is no outstanding letter of credit as at the reporting date.

4.16 Housing Fund

This fund was created as per the requirement of erstwhile Labour laws. Owing to changes in Labour law in this fiscal year, this fund is no longer required and no provision has been made in the current year. SHL has paid Rs. 20 million during the year out of this fund to a separate entity called Employee Housing.

4.17 Operating Segment

Management of the companies of the Group has considered the total operation to be segregable into two operating segment based on the nature of operation and services rendered.

- i. Core hotel business segment:** The operation of hotel that includes sale of rooms, food, related recreational facilities etc. that is directly linked to operation of hotel is considered as major segment.
- ii. Flight catering segment:** The Company provides flight catering services to airlines. This is different nature to the core operating nature of the company, which is operation of hotel and related facilities to meet its standards.

The financial information about the identified segments are as follows: (amount in millions)

Operating Segment	Hotel Operation	Flight Catering	Total
Revenue			
- Food	451.05	609.58	1,060.63
- Room	442.42		442.42
- Beverage	49.47	3.15	52.62
- Others	9.60	3.64	13.24
Interest Income	17.25		17.25
Other Income	80.54		80.54
Total Revenue	1,050.33	616.37	1,666.70
Expenses*			-
Consumption cost	135.12	152.44	287.56
Employee Benefit Expenses	314.44	184.97	499.41
Management, Operating and Other Expenses	286.39	168.16	454.55
Depreciation and amortization	54.35	5.93	60.28
Interest	0.82		0.82
Total Expenses	791.11	511.50	1,302.61
Segment Result	259.22	104.87	364.09
Income Tax			83.41
Profit for the period			280.68
Segment Assets	2,092.05	151.79	2,243.84
Segment Liabilities**			2,243.84



- * Directly associated and identifiable segment cost has been reported on actual basis while common segment costs are allocated based on ratio of segment revenue.
- ** Segment wise liabilities have not been prepared due to absence internal reporting system of segment liability.

4.18 Capital Management

Capital includes issued capital and all other reserves attributable to the equity holders of the Group. The Companies of the Group manage their 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 Group 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 Group's aim is to translate profitable growth to superior cash generation through efficient capital management. The Group'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 Group'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 Group. The Group 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 Group'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.

4.19 Recomputation and adjustment of management fees and performance allowance

Due to adjustment arising on accounting values of gratuity, leave, staff related costs, recomputation of management fees and performance allowance has also been adjusted retrospectively to the tune of Rs. 15.72 million with corresponding adjustment in payables and advances.

4.20 Regrouping and around off

Pursuant to first time adoption of NFRS, figures have been regrouped and rearranged and rounded off to nearest rupee. Insignificant rounding off differences may exist.

4.21 Reconciliation pursuant to first time adoption of NFRS

Reconciliation of adjustments that were made in order to transition to NFRS for the first time is separately presented in Note 4.22. Adjustments comprise of rectification of accounting errors made in earlier years, changes in accounting policy from cash basis to accrual basis and NFRS adjustment arising of first time adoption. These adjustments have been carried out in order to fully comply with NFRS as prescribed under Section 108 of Company Act 2063.

**SOALTEE HOTEL LIMITED****For the period ended on 32 Ashad 2075 (16 July 2018)****Reconciliation of financial statements as per NFRS and NAS****Note 4.22: First Time Adoption of NFRS**

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standard Board, Nepal and pronounced by Institute of Chartered Accountants of Nepal (ICAN) with effect from 1 Shrawan 2074, with a transition date of 1 Shrawan 2073. These financial statements for the year ended 32 Ashad 2075 are the first the Group has prepared under NFRS. For all periods up to and including the year ended 31 Ashad 2074, the Group prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP').

The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the Group has prepared financial statements which comply with NFRS for the year ended 32 Ashad 2075, together with the comparative information as at and for the year ended 31 Ashad 2074 and the opening NFRS Statement of Financial Position as at 1 Shrawan 2073, the date of transition to NFRS.

In preparing these financial statements in line with NFRS, the Group has availed certain exemptions and exceptions in accordance with NFRS 1, as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at the transition date under NFRS and Previous GAAP have been recognized directly in equity (retained earnings). This note explains the adjustments made by the Group in restating its Previous GAAP financial statements, including the Statement of Financial Position as at 1 Shrawan 2073 and the financial statements as at and for the year ended 31 Ashad 2074.

A. Exemptions from retrospective application

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

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

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

B. Exceptions to retrospective application

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

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

C. Reconciliations

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

- i) Reconciliation of Equity as at 1 Shrawan 2073.
- ii) Reconciliation of Equity as at 31 Ashad 2074.
- iii) Reconciliation of Statement of Profit or Loss and other Comprehensive income for the year ended 31 Ashad 2074.
- iv) Adjustments to Statement of Cash Flows.

**SOALTEE HOTEL LIMITED**

For the period ended on 32 Ashad 2075 (16 July 2018)

Reconciliation of financial statements as per NFRS and NAS

i) Reconciliation of Consolidated Statement of Financial Position (As at 01 Shrawan 2073)

Particulars	Note	Audited balance as per GAAP	Adjustments	Restated balance as per NFRS
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	1	883,511,401	(45,675,209)	837,836,192
Intangible Assets		1,792,354	-	1,792,354
Investment Property	1	-	45,675,207	45,675,207
Deferred Tax Assets	2	45,825,010	28,727,833	74,552,843
Investments	3	73,216,538	31,995,572	105,212,110
Trade and Other Receivables	4	381,713	35,813,658	36,195,371
Total Non-Current Assets		1,004,727,016	96,537,061	1,101,264,077
Current Assets				
Inventories		59,791,416	-	59,791,416
Income Tax Receivable		-	-	-
Investment	3	10,000,000	100,000,000	110,000,000
Trade and Other Receivables	4	418,497,512	(145,736,075)	272,761,437
Prepayments		20,064,399	-	20,064,399
Cash and Cash Equivalent	3	382,420,471	(100,000,000)	282,420,471
Total Current Assets		890,773,798	(145,736,075)	745,037,723
Total Assets		1,895,500,814	(49,199,014)	1,846,301,800
EQUITY AND LIABILITIES				
Equity				
Share Capital		526,526,060	-	526,526,060
Reserves and Retained Earnings	3/4/5	686,184,837	(90,607,475)	595,577,362
Non-Controlling Interest		6,377,509	-	6,377,509
Total Equity		1,219,088,406	(90,607,475)	1,128,480,931
Liabilities				
Non-Current Liabilities				
Loans and Borrowings	6	7,649,215	(963,090)	6,686,125
Employee Benefits	5/6	-	329,280,285	329,280,285
Trade and other payables	5/6	-	11,951,073	11,951,073
Total Non-Current Liabilities		7,649,215	340,268,268	347,917,483
Current Liabilities				
Loans and Borrowings	6	-	963,090	963,090
Employee Benefits	5/6	200,395,510	(173,861,078)	26,534,432
Income Tax Payable	4	31,318,207	(30,829,687)	488,520
Trade and other payables	5/6	437,049,475	(95,132,130)	341,917,345
Total Current Liabilities		668,763,193	(298,859,807)	369,903,387
Total Liabilities		676,412,408	41,408,461	717,820,870
Total Equity and Liabilities		1,895,500,814	(49,199,014)	1,846,301,800



SOALTEE HOTEL LIMITED

For the period ended on 32 Ashad 2075 (16 July 2018)

Reconciliation of financial statements as per NFRS and NAS

ii) Reconciliation of Consolidated Statement of Financial Position (As at 31 Ashad 2074)

Particulars	Note	Audited balance as per GAAP	Adjustments	Restated balance as per NFRS
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	1	892,925,088	(40,531,294)	852,393,794
Intangible Assets		2,573,366	-	2,573,366
Investment Property	1	-	40,531,296	40,531,296
Deferred Tax Assets	2	45,461,308	36,665,821	82,127,129
Investments	3	73,216,538	89,190,157	162,406,695
Trade and Other Receivables	4	20,000	48,553,764	48,573,764
Total Non-Current Assets		1,014,196,300	174,409,744	1,188,606,044
Current Assets				
Inventories		86,047,125	-	86,047,125
Income Tax Receivable	4	452,054.00	1,531,828	1,983,882
Investment	3	10,000,000	100,000,000	110,000,000
Trade and Other Receivables	4	553,272,209	(253,011,423)	300,260,786
Prepayments		15,388,182	-	15,388,182
Cash and Cash Equivalent	3	343,241,922	(100,000,000)	243,241,922
Total Current Assets		1,008,401,492	(251,479,595)	756,921,897
Total Assets		2,022,597,792	(77,069,851)	1,945,527,941
EQUITY AND LIABILITIES				
Equity				
Share Capital		579,181,300	-	579,181,300
Reserves and Retained Earnings	3/4/5	802,223,820	(178,731,600)	623,492,220
Non-Controlling Interest		6,648,314	-	6,648,314
Total Equity		1,388,053,434	(178,731,600)	1,209,321,834
Liabilities				
Non-Current Liabilities				
Loans and Borrowings	6	6,686,125	(845,838)	5,840,287
Employee Benefits	5/6	-	362,038,242	362,038,242
Trade and other payables	5/6	-	15,037,661	15,037,661
Total Non-Current Liabilities		6,686,125	376,230,065	382,916,190
Current Liabilities				
Loans and Borrowings	6	-	845,838	845,838
Employee Benefits	5/6	195,738,478	(157,222,046)	38,516,432
Income Tax Payable	4	48,757,471	(48,757,471)	-
Trade and other payables	5/6	383,362,283	(69,434,636)	313,927,647
Total Current Liabilities		627,858,233	(274,568,316)	353,289,918
Total Liabilities		634,544,358	101,661,749	736,206,108
Total Equity and Liabilities		2,022,597,792	(77,069,851)	1,945,527,941

SOALTEE HOTEL LIMITED

For the period ended on 32 Ashad 2075 (16 July 2018)

Reconciliation of financial statements as per NFRS and NAS

iii) Reconciliation of Consolidated Statement of Profit or Loss and Other Comprehensive Income (Fiscal year 2073-74)

Particulars	Note	Audited balance as per GAAP	Adjustments	Restated balance as per NFRS
Revenue from Operations		1,550,545,762	-	1,550,545,762
Other Income	4	87,747,231	3,627,672	91,374,903
Total Revenue		1,638,292,993	3,627,672	1,641,920,665
Consumption of foods and beverage		282,810,051	-	282,810,051
Employee Benefit Expenses	5	528,684,617	78,772,878	607,457,495
Management Fees	5	42,614,660	(2,395,780)	40,218,880
Operating Expenses		233,350,866	-	233,350,866
Depreciation and amortization expense		92,003,103	-	92,003,103
Other Expenses		204,179,756	-	204,179,756
Profit From Operations		254,649,940	(72,749,427)	181,900,514
Finance Costs		699,268	-	699,268
Profit Before Tax		253,950,672	(72,749,427)	181,201,246
Income Tax Expense		49,476,606	(7,937,988)	41,538,617
Current Tax		49,112,903	-	49,112,903
Deferred Tax Expenses/(Income)	2	363,703	(7,937,989)	(7,574,286)
Profit from Continuing Operations		204,474,066	(64,811,439)	139,662,629
Profit/(Loss) on Discontinued Operations (Net of tax)		-	-	-
Net Profit for the year		204,474,066	(64,811,439)	139,662,629
Other Comprehensive Income				
Change in fair value of equity shares	3	-	(173,414)	(173,414)
Total Other Comprehensive Income		-	(173,414)	(173,414)
Total Comprehensive Income		204,474,066	(64,984,853)	139,489,215

iv) Adjustment to Statement of Cash Flow (For the year ending on 31 Ashad 2074)

Call deposit with banks has been classified as cash and cash equivalent which was earlier considered as investing activity. Other than this, this is no material adjustment made to cash flow statements.

**SOALTEE HOTEL LIMITED****For the period ended on 32 Ashad 2075 (16 July 2018)****Explanatory Notes to Reconciliation****1 Property, Plant and Equipment (PPE)**

On the date of transition to NFRS, land and building held for capital appreciation and assets provided in operating lease has been classified as Investment Property which was previously included under PPE. Depreciation has been charged accordingly thereafter.

2 Deferred Tax

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

3 Investments

- i) Advance amount provided for investment in shares was included in trade and other receivable under previous GAAP, which has been presented along with investment under NFRS.
- ii) During the transition to NFRS, investment in shares of companies (except subsidiaries) is measured at fair value which was at cost in previous GAAP. Resultant impact has been provided to respective Reserves and Retained Earning.
- iii) Under previous GAAP, all term deposits were included in cash and cash equivalent, which have now been presented as investment under NFRS.

4 Trade and Other Receivable

- i) During the transition to NFRS, few items of trade and other receivable have been classified as non-current assets.
- ii) Plan assets created for funding of gratuity has been netted off with gratuity liability and advance tax and income tax liability has been netted off with each other, which were presented separately under current assets under previous GAAP.
- iii) Amount paid for staff voluntary retirement scheme was previously included as deferred expenditure, which has been adjusted to opening retained earnings or profit or loss as applicable.
- iv) Under previous GAAP, subsidized staff loan has been measured at cost. Under NFRS, such loan has been accounted on amortized cost and accordingly, interest income has been accounted. Unwinding of discount (difference of amortized cost and transaction cost) is done over the period of loan.

5 Reserves and Retained Earnings

- i) Dividend proposed by the Board was presented as liability in earlier financial statements, which under NFRS, has been adjusted to retained earnings or profit or loss account, as applicable.
- ii) On the date of transition to NFRS, leave liability has been accounted for the first time with total impact taken to retained earnings. Additional impact in subsequent year has been provided to Statement of Profit or Loss.
Due to changes in Labour law, gratuity liability is now in form of defined contribution plan (previously it was in form of defined benefit liability) accordingly, the differential amount of liability on each year from the amount already accounted for, has been provided in opening retained earnings on the date of transition. Additional impact in subsequent year has been provided to Statement of Profit or Loss.
- iii) Upon transition to NFRS, incentive management fee and performance allowance was required to be recalculated due to adjustment arising on accounting values of gratuity, leave and staff related costs. These have been recomputed and the resultant impact has been provided in corresponding period either in equity or through profit or loss, as applicable with corresponding impact to payable or receivable as deemed appropriate.

6 Current and non-current segregation

- i) Loan and borrowing as included as single line item previously, which has been segregated to current and non-current portion in NFRS.
- ii) Some of the items of trade and other payable has been presented as non-current items in NFRS.
- iii) All employee related liabilities were included in current liabilities included under previous GAAP have now been segregated to current and non-current portion in NFRS.





Soaltee Westend Premier Nepalgunj Associate Star level hotel



China Garden Restaurant



Garden Terrace Restaurant



Kakori Restaurant



Conference Hall



Regal Suites



Madhavi Multipurpose Hall



LSG Sky Chef - Flight Catering Unit



Soaltee Hotel Limited
★ ★ ★ ★ ★

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