

# P. L. Shrestha & Co.

## Chartered Accountants

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RU RU JALBIDHYUT PARIYOJANA LIMITED

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the accompanying financial statements of **Ru Ru Jalbidhyut Pariyojana Limited ("the Company")**, which comprise the Statement of Financial Position as at Ashad 31, 2077, (July 15, 2020), the Statement of Profit or Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended on that date, and a summary of the significant accounting policies and other explanatory information (hereafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements presents fairly, in all material respects, the financial position of the Company, as at Ashad 31, 2077 (July 15, 2020), and its financial performance, changes in equity, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, are in accordance with Nepal Financial Reporting Standards and comply with Company Act, 2063, and other prevailing laws.

##### Basis for Opinion

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

##### Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Management is responsible for the preparation of the other information. The other information comprises the information included in the Management report, Report of the Board of Directors and Chairman's statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

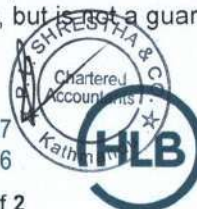
Management is responsible for the preparation and fair presentation of these financials statements in accordance with Nepal Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material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

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

The Board of Directors are responsible for overseeing the Company's financial reporting process.

##### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in



# P. L. Shrestha & Co.

## Chartered Accountants

accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

### Report on Other Legal and Regulatory Requirements

Based on our examination, we would like to further report that:

- i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
- ii. The Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
- iii. The Statement of Financial Position, Statement of Profit or Loss (including other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows and attached Schedules dealt with by this report are in agreement with the books of account maintained by the Company.
- iv. During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
- v. We have not come across any fraudulence in the accounts, based on our sample examination of the books.

For, PL Shrestha & Co.  
Chartered Accountants



Rajesh Poudel, FCA  
Partner

Place: Kathmandu  
Date: September 21, 2020  
UDIN: 200930CA00081Nn5Bj

**Ru Ru Jalbidhyut Pariyojana Limited**  
Kathmandu, Nepal

Statement of Financial Position as at Asad 31, 2077 (July 15, 2020)

Particulars	Notes	Ashad 31, 2077	Ashad 31, 2076
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	5.1	3,151,918	3,457,472
Intangible Assets	5.2	599,003,823	621,107,285
Investment Property	5.3	6,583,500	-
Prepayments	5.4	-	514,395
<b>Financial Assets</b>			
Trade and other Receivables	5.5	13,500	13,500
<b>Total Non-Current Assets</b>		<b>608,752,741</b>	<b>625,092,652</b>
<b>Current Assets</b>			
Inventories	5.6	2,719,792	4,495,371
Prepayments	5.4	6,088,224	11,653,675
<b>Financial Assets</b>			
Cash and Cash Equivalents	5.7	15,751,728	34,512,053
Trade and other Receivables	5.5	62,556,875	35,433,684
<b>Total Current Assets</b>		<b>87,116,619</b>	<b>86,094,783</b>
<b>Total Assets</b>		<b>695,869,360</b>	<b>711,187,435</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	5.8	326,164,400	326,164,400
Reserve and Surplus	5.9	61,446,647	35,673,815
Share Advance		-	-
<b>Total Equity</b>		<b>387,611,047</b>	<b>361,838,215</b>
<b>Non Current Liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	5.10	233,929,048	288,235,997
Trade & Other Payables		-	-
<b>Total Non Current Liabilities</b>		<b>233,929,048</b>	<b>288,235,997</b>
<b>Current Liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	5.10	68,809,155	55,000,000
Employee benefit liabilities	5.11	1,193,140	1,784,581
Trade and other payables	5.12	4,326,970	4,328,642
<b>Total Current Liabilities</b>		<b>74,329,265</b>	<b>61,113,223</b>
<b>Total Equity &amp; Liabilities</b>		<b>695,869,360</b>	<b>711,187,435</b>

The accompanying notes form an integral part of the financial statements.



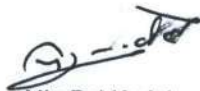
Ashish Subedi  
Chairman



Bharat Prasad Nepal  
Director

For PL Shrestha & Co  
Chartered Accountant  
  
Rajesh Poudel, FCA  
Partner





Min Raj Kadel  
Director



Gan Prasad Reshmi  
Director



Chandra Bahadur Pun  
Director



Baladev Balami  
Accountant

Date: 2077/06/05  
Place: Kathmandu



**Ru Ru Jalbidhyut Pariyojana Limited**  
Kathmandu, Nepal

Statement of Profit or Loss and other Comprehensive Income  
For the Period from Shrawan 1, 2076 to Ashad 31, 2077 (July 17, 2019 to July 15, 2020)

Particulars	Notes	NPR	
		For the Year Ended on Ashad 31, 2077	For the Year Ended on Ashad 31, 2076
Revenue	5.13	146,692,602	123,552,204
Cost of sales	5.14	(42,928,489)	(39,132,578)
<b>Gross profit</b>		<b>103,764,113</b>	<b>84,419,626</b>
Finance income	5.16	250,523	3,171,259
Finance costs	5.16	(36,580,845)	(43,019,143)
Other Income		22,298	-
Administrative expenses	5.15	(7,284,707)	(7,400,585)
Impairment losses		(514,395)	-
<b>Profit before taxes and staff bonus</b>		<b>59,656,987</b>	<b>37,171,157</b>
Staff Bonus		(1,193,140)	(743,423)
<b>Profit before taxes</b>		<b>58,463,847</b>	<b>36,427,734</b>
Income tax expenses			
Current Tax		(74,575)	(776,959)
Previous Year Tax		-	-
Deffered Tax Income / (Expenses)		-	-
<b>Profit for the year</b>		<b>58,389,272</b>	<b>35,650,775</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>58,389,272</b>	<b>35,650,775</b>

**Earning Per Share**

Basic	<b>17.90</b>	<b>10.93</b>
Diluted	<b>17.90</b>	<b>10.93</b>

Total profit and comprehensive income is attributable to the owners of the company.  
The accompanying notes form an integral part of the financial statements.

  
Ashish Subedi  
Chairman

  
Bharat Prasad Nepal  
Director

For PL Shrestha & Co  
Chartered Accountant  
  
Rajesh Poudel, FCA  
Partner  


  
Min Raj Kadel  
Director

  
Gan Prasad Reshmi  
Director

  
Chandra Bahadur Pun  
Director

  
Baladev Balami  
Accountant

Date: 2077/06/05  
Place: Kathmandu



**Ru Ru Jalbidhyut Pariyojana Limited**  
Kathmandu, Nepal

Statement of Changes in Equity  
For the Period from Shrawan 1, 2076 to Ashad 31, 2077 (July 17, 2019 to July 15, 2020)

Particular	NPR		
	Share Capital	Accumulated Profit / (Loss)	CSR Fund
Balance at the Beginning of the Period	326,164,400	32,639,480	-
Transactions with owners recorded directly in equity			
Issue of Share Capital	-	-	-
Bonus Share	-	-	-
Dividend	-	(32,616,440)	-
Share Advance	-	-	-
<b>Total Comprehensive income for the year</b>	-	35,650,775	-
Profit for the Year	-	35,650,775	-
<b>Balance at the End of the FY 2075/76</b>	<b>326,164,400</b>	<b>35,673,815</b>	<b>-</b>
<b>Balance as on 2076/04/01</b>	<b>326,164,400</b>	<b>35,673,815</b>	<b>-</b>
Transactions with owners recorded directly in equity			
Issue of Share Capital	-	-	-
Bonus Share	-	-	-
Dividend	-	(30,985,618)	-
Tax on dividend	-	(1,630,822)	-
Share Advance	-	-	-
<b>Total Comprehensive income for the year</b>	-	58,389,272	-
Profit for the Year	-	58,389,272	-
Corporate Social Responsibility Fund	-	(583,893)	583,893
<b>Balance at the End of the Year FY 2076/77</b>	<b>326,164,400</b>	<b>60,862,754</b>	<b>583,893</b>
			<b>387,611,047</b>

For PL Shrestha & Co  
Chartered Accountant  
Rajesh Poudel, FCA  
Partner

Ashish Subedi  
Chairman

Bharat Prasad Nepal  
Director

Min Raj Kadel  
Director

Gan Prasad Reshmi  
Director

Chandra Bahadur Pun  
Director

Baladev Balami  
Accountant

Date: 2077/06/05  
Place: Kathmandu



**Ru Ru Jalbidhyut Pariyojana Limited**  
Kathmandu, Nepal

**Statement of Cash Flow**

For the Period from Shrawan 1, 2076 to Ashad 31, 2077 (July 17, 2019 to July 15, 2020)


Particulars	NPR	
	For the Year Ended on Ashad 31, 2077	For the Year Ended on Ashad 31, 2076
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax	58,463,847	36,427,734
<b>Adjustments for:</b>		
Depreciation of Property, Plant and Equipment	540,506	573,978
Amortization of Intangible Assets	22,103,462	22,103,462
Provision for Staff Bonus		743,423
Prior Period Adjustments		-
Financial Cost	36,330,322	39,847,884
Interest Income on FD		
Bonus Paid		(710,370)
<b>Adjustments for changes in working capital</b>		
(Increase)/ Decrease in Trade receivables	(27,123,194)	32,545,261
(Increase)/ Decrease in Prepayments	6,079,846	(8,345,941)
(Increase)/ Decrease in Inventories	1,775,579	(1,673,818)
Increase / (Decrease) in Trade and other Payables	(667,688)	1,575,197
<b>Net Cash Flow from Operating Activities (1)</b>	<b>97,502,680</b>	<b>123,086,810</b>
<b>B. Cash Flow from Investing Activities</b>		
Changes in Fixed Deposits		20,000,000
(Increase)/Decrease in Investment	(6,583,500)	-
Interest Income on FD		3,171,259
Sale/(Purchase) of Tangible Fixed Assets	(234,952)	(431,627)
Sale/(Purchase) of Intangible Assets		-
<b>Net Cash Flow from Investing Activities (2)</b>	<b>(6,818,452)</b>	<b>22,739,632</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Share Capital		-
Changes in Borrowings	(40,497,794)	(49,306,948)
Financial Cost	(36,330,322)	(43,019,143)
Dividend Paid	(32,616,440)	(32,616,440)
<b>Net Cash Flow from Financing Activities (3)</b>	<b>(109,444,556)</b>	<b>(124,942,531)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (1+2+3)</b>	<b>(18,760,328)</b>	<b>20,883,911</b>
Cash and Cash Equivalents at beginning of the year	34,512,053	13,628,142
<b>Cash and Cash Equivalents at end of the year</b>	<b>15,751,728</b>	<b>34,512,053</b>
<b>Components of Cash and Cash Equivalents</b>	<b>15,751,728</b>	<b>34,512,053</b>
Cash in hand and Balance with Banks	15,751,728	34,512,053
Collateralised Borrowing and Lending Obligation		-

  
Ashish Subedi  
Chairman

  
Bharat Prasad Nepal  
Director

For PL Shrestha & Co. Chartered Accountants  
  
Rajesh Poudel, FCA  
Partner

  
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Gam Prasad Reshmi  
Director

  
Chandra Bahadur Pun  
Director

  
Baladev Balam  
Accountant

Date: 2077/06/05  
Place: Kathmandu



## 1. Reporting entity

Ru Ru Jalbidhyut Pariyojana Limited ("the Company") operate a 5 MW hydropower plant as per the terms of the license issued by Ministry of Electricity. The generated electricity is sold to Nepal Electricity Authority (NEA) as per rate provided in Power Purchase Agreement (PPA) entered into between NEA and the Company.

The company is a public limited company incorporated in Nepal under the Companies Act, 2063. The registered office of the Company, and the principal place of business, is located at Kathmandu, Nepal and production unit is located in Rupakot and Harewa VDC of Gulmi, Nepal. The company was converted into the Public limited company on 2072/04/07.

The Company does not have any subsidiary or an interest in associate or joint venture. Thus, these financial statements are separate financial statements of the Company.

### 1.1. Board of directors

The composition of Board of Directors as on 31<sup>st</sup> Ashadh 2077 is as follow:

Name	Position
Mr. Ashish Subedi	Chairman
Mr. Bharat Prasad Nepal	Director
Mr. Min Raj Kadel	Director
Mr. Gam Prasad Reshmi	Director
Mr. Chandra Bahadur Pun	Director

## 2. Basis of Preparation

The company while complying with the reporting standards, makes critical accounting judgments as having potentially material impact on the financial statements. The significant accounting policies that relate to the financial statements as a whole along with the judgments made are described herein.

Where an accounting policy is generally applicable to a specific item, the policy is described within that relevant note. NFRS requires the company to exercise judgments in making accounting estimates. Description of such estimates has been given in the relevant sections wherever they have been applied.

### 2.1 Statement of compliance




The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRSs).

An explanation of how the transaction to NFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note.

The financial statements were authorized for issue by the Board of Directors on Ashoj 5, 2077.

### 2.2 Accounting Conventions

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

The financial statements have been prepared on a going concern basis where the accounting policies and judgments as required by the standards are consistently used and in case of deviations disclosed specifically.

## 2.3 Presentation

The financial statements have been presented in the nearest Nepalese Rupees.

For presentation of the statement of financial position assets and liabilities have been bifurcated into current and non-current distinction.

The statement of profit or loss and other comprehensive income has been prepared using classification 'by nature' method.

### 2.3.1 Functional currency

Financial statements are presented in Nepalese Rupees, which is the functional and presentation currency of the company.

### 2.3.2 Current and Non-Current distinction

#### Assets

Apart from the property plant and equipment and deferred taxes assets all the assets are taken as current assets unless specific additional disclosure is made in the notes for current and non-current distinction.

#### Liabilities

Apart from the defined benefit plan obligations all the liabilities assets are taken as current liabilities unless specific additional disclosure is made in the notes for current and non-current distinction.

## 2.4 Accounting Policies and accounting estimates

The company, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further the company is required to make judgements in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate and actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Further, management uses valuation techniques to determine the fair value of financial instruments. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions in observable data as far as possible. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Accounting policies have been included in the relevant notes for each item of the financial statements. The effect and nature of the changes, if any, have been disclosed.





NFRS requires the company to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements.

The company applies estimates in preparing and presenting the financial statements. The estimates and underlying assumptions are reviewed periodically. Revision to accounting estimates are recognized in the period in which the estimates are revised and applied prospectively.

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

## 2.5 Financial Periods

The company follows the Nepalese financial year based on the Nepalese calendar.

## 2.6 Discounting

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

## 2.7 Limitation of NFRS implementation

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

## 3. Risk Management Framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. 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 Company's activities. The Company aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### i. Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The receivables are due for payment from Nepal Electricity Authority for supply of electricity billed in compliance with PPA agreement. The management does not believe that the Company has any exposure to credit risk as the Nepal Electricity is owned by the Government of Nepal and has monopoly in power distribution in Nepal.

### ii. Market risk management

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial



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instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term and short-term debt obligations. Since, the interest rate risk is influenced by market forces, the company has little role to play for minimizing this risk.

**iii. Liquidity risk management**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

**4. Summary of Significant Accounting Policies**

**4.1 Property, plant, and equipment**

Property, plant, and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one period. Property, plant and equipment are stated at the cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimate useful lives of various assets are as follows:

S.N.	Types of assets	Estimated useful lives
1	Furniture and Fixtures	10 Years
2	Office Equipment	10 Years
3	Vehicles	15 Years

As item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**4.2 Intangible assets**

The company obtained operation license from Nepal Electricity Authority (NEA) on 30 Shrawan 2069 B.S. for the period of 35 years to construct and operate a 5 MW hydropower project, and the license expires on 29 Shrawan 2104 B.S. This is service concession arrangement entered into between the Company and NEA, that conferred the right to the Company to implement the project



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and recover the project cost and reasonable return, through the sale of electricity to NEA as per the rate provided by the Power Purchase Agreement (PPA) between the Company and NEA.

Project Assets are amortized over remaining useful life (Operation License period) of 30.10 years. The useful life of project asset is the tenure calculated from commercial date of operation. The amortization expense is included in the Cost of Sales.

The revenue from sale of electricity to NEA is recognized at the rate specified in the Power Purchase Agreement, as per NAS 18 Revenue, which is disclosed in Note.

#### **Owned Intangible assets**

An intangible asset is recognized if it is probable that the extended future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

##### Intangible asset acquired separately with finite lives

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortization is recognized on a straight-line basis over their estimated useful lives, and has been charged to Intangible assets under development.

### **4.3 Investment property**

A property that is held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business, by the company are accounted for as investment properties.

Investment property is recognized as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured.

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably.

After initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 Property, Plant and Equipment – cost less accumulated depreciation and less accumulated impairment losses

All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are derecognized when they have been disposed.



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#### 4.4 Inventories

Cost of inventories includes cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories of stores, spare parts and loose tools are stated at the lower of cost and net realizable

Value. Net realizable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale.

#### 4.5 Financial Instruments: Financial Assets

##### 4.5.1 Recognition and Classification

The company classifies financial assets in accordance with the categories specified in NAS 32 and NAS 39. Financial assets are classified under four categories, namely,

- Fair Value through So PL,
- Held to Maturity,
- Loans and Receivables and
- Available for Sale.

Financial assets of the Company comprise of advances, deposits, trade and other receivables, and cash and bank balances.

These instruments are interest bearing and non-interest bearing. Where interest component is present, the implicit interest rate approximates effective interest rate. It is assumed that the carrying amount represents the amortized cost of the assets.

The Company holds the following categories of financial assets:

As at 15 July 2020

Financial Assets	Assets at fair value		Assets at amortized costs			Total
	Trading	Designated at FVTOCI	Available for sale	Loans and Receivables	Held to maturity	
Balance with Banks		-	-	15,726,097		15,726,097
Trade Receivables	-	-	-	62,556,875		62,556,875
Prepayments		-	-	6,088,224		6,088,224
<b>Total</b>	-	-	-	<b>84,371,196</b>		<b>84,371,196</b>

As at 16 July 2019

Financial Assets	Assets at fair value		Assets at amortized costs			Total
	Trading	Designated at FVTOCI	Available for sale	Loans and Receivables	Held to maturity	
Balance with Banks		-	-	34,490,702		34,490,702
Trade Receivables	-	-	-	35,433,684		35,433,684
Prepayments		-	-	11,653,675		11,653,675
<b>Total</b>	-	-	-	<b>81,578,061</b>		<b>81,578,061</b>

#### 4.6 Prepayments



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These are expenses paid for the period beyond the financial period covered by the Financial Statements. These will be charged as expenses in the respective period for which such expenses pertain to.

Share issue costs have been deferred till issue of share instead of being expensed in profit or loss.

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

#### 4.6.1 Trade and Other Receivables

The trade receivables that fall under the classification of financial instruments are carried at amortized costs and those other assets that do not fall within the definition are carried at cost. These instruments are regularly monitored for impairment.

#### 4.6.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

The carrying amount of cash and cash equivalents are representative of their fair values as at the respective reporting date.

#### 4.6.3 Investment in Term Deposits

These are the instruments which are held with the intention for settlement of principal and interest only, with no other costs or premium/discounts being involved, the intrinsic coupon rate is taken as effective interest rate for all term deposits. The company has intention and capacity to hold these instruments until their respective maturity dates.

The rates implicit on these deposits approximate the effective interest rates and the same rates are used to calculate the interest (finance) income and for the purpose of calculating the amortized costs of these assets. The carrying value of these assets represents the amortized costs.

#### 4.6.4 Impairment of Financial Assets

Financial assets, being loans and receivables, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For all financial assets other than available for sale assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.



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For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### 4.6.5 De-recognition of Financial Assets

The company de-recognizes financial asset only when the contractual right to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership if the asset to another entity. If the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

#### 4.7 Share Capital

Financial instruments issues are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction net of taxes from the proceeds.

Share Capital represents the nominal (par) value of ordinary equity shares that have been issued.

##### Rights, preferences, and restrictions attached to equity shares

The company has a single class of equity shares. According, all equity shares rank equally with regards to dividends and shares in the company's residual assets. The equity shares are entitled to receive dividend was declared from time to time.

#### 4.8 Distributions

The distributions if any to shareholders are recognized in statement of change in equity

#### 4.9 Reserve & Surplus

##### 4.9.1 Accumulated profit / (loss)

It includes the accumulated profit or loss as on the reporting date

##### 4.9.2 Corporate Social Responsibility fund



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It is created at the rate of 1% of net profit after tax as per the requirement of Industrial Enterprises Act, 2076. All the expenses done on behalf of corporate social responsibilities are charged to this fund.

#### 4.10 Financial Instruments: Financial Liabilities

Financial Liabilities under NAS 39 are to be classified as Fair Value through SoPL and those Held at Amortized Cost. All financial liabilities held by the Company are classified as financial liabilities held at amortized cost using effective interest rate.

Carrying value of non-interest-bearing instruments held by the Company represents the amortized cost.

As at 15 July 2020

Financial Liabilities	Liabilities at fair value	Liabilities at Amortized costs
	Designated at FVTPL	
Trade and other payables	-	4,326,970
Borrowing		302,738,203
<b>Total</b>	-	<b>307,065,173</b>

As at 16 July 2019

Financial Liabilities	Liabilities at fair value	Liabilities at Amortized Costs
	Designated at FVTPL	
Trade and other Payables	-	4,328,642
Borrowing- Non-current	-	343,235,997
<b>Total</b>	-	<b>347,564,639</b>

##### 4.10.1 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Incidental cost of borrowings is amortized over the period of borrowings which approximates the finance cost as per effective interest method.



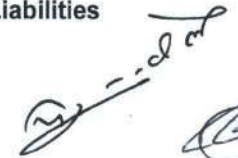




Borrowings are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

All incidental cost of borrowings was previously capitalized to project assets. Now the incidental cost of borrowings up to commercial date of operation has been included in Project Assets and remaining incidental cost is amortized over the period of borrowings. All long-term loans have now been measured at amortized cost with retrospective effect.

##### 4.10.2 Trade and Other Payables

Trade and other payables mainly consist of amounts the Company owes to suppliers and government authority that have been invoiced or are accrued. These amounts have been initially recognized at cost and it is continued to be recognized at cost as it fairly represents the value to be paid since it does not include interest on payment.

##### 4.10.3 De-recognition of Financial Liabilities

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The company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### 4.11 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of electricity is recognized at the time of issuing invoice to Nepal Electricity Authority (NEA) as per the Power Purchase Agreement (PPA).

#### 4.12 Cost of Sales

Cost of sales includes amortization expenses of project assets and other expenses incurred at site for the operation and maintenance of the project assets. Employee benefit expenses of site office staff is also included in cost of sales.

#### 3.1. Income from financial instruments at fair value

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in profit or loss unless an irrevocable selection is done to charge it through Other Comprehensive Income. Once such selection is done the changes in fair value is also charged through Other Comprehensive Income unless the assets is derecognized. The gain or loss on disposal of available for sale financial assets is recognized directly in profit or loss.

Dividends on equity instruments are recognized in the statement of profit or loss within other income when the Company's right to receive payment is established.

Realized gain is the difference between the cost price and realized price on the sale of the shares after deducting the selling expenses.

Unrealized gain is the difference between the cost price and the closing market price available at the end of the reporting period or the latest trading price if the closing price as on the year end is not available.

#### 3.2. Other income

All the incomes that are not qualified to be classified as revenue is treated as other income.

#### 4.13 Administrative Expenses

Expenses incurred for the company during the reporting period for administrative purpose are classified under administrative expenses:

#### 4.14 Finance cost and income

All the interest expenses against the loans and advances and the unwinding of discount on financial liabilities are calculated using effective interest rate method.

Interest income comprising of finance income includes interest received from bank.



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Interest income is recognized in profit or loss for all financial instruments measured at amortized cost using the effective interest method.

Net finance cost represents the net off between the interest incomes and interest expenses.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

#### 4.15 Lease Payments

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are to be recognized on a straight-line basis over the term of the lease according to NAS 17 Lease.

#### 4.16 Taxation

Income Tax expense represents the sum of the current tax and deferred tax.

##### 4.16.1 Current Tax

Current tax which comprises expected tax payable or receivables is based on taxable profit or loss for the year based on Nepalese tax laws and any adjustments to the tax payable or receivable in respect of previous years. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset if certain criteria are met.

The Company has not recognized any current tax expenses with respect to income from sale of electricity. The Company has provided for income tax liability pertaining to incomes other than income from sale of electricity in accordance with the Income Tax Act, 2058 enacted and as applicable in Nepal.

NRs. 776,959 has been provided for as income tax liability for the current financial year by way of self-assessment as per the Income Tax Act, 2058. NRs. 475,389 has been claimed as advance tax on bank interest income during the year. NRs. 308,851 is the brought forward advance tax from previous year.

##### 4.16.2 Deferred Tax

Deferred tax is recognized on temporary difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred Tax Assets (DTA) are generally recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilized.



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The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred Tax Liabilities (DTL) and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The company has no any deferred tax assets and liabilities as on reporting period.

#### 4.16.3 Tax holiday

The Company's operations are subject to tax holiday as per Income Tax Act, 2058. The income generated from electricity generation is fully exempted for first 10 years of operation and 50% exempted for next five years. The temporary differences that reverse during a tax holiday period are not recognized.

#### 4.17 Foreign currency transaction

In preparing the financial statements of the Company, transaction in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items carried at the fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

#### 4.18 Impairment

At the end of each reporting period, the Company reviews the carrying amount of its tangible and intangible assets 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). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.



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If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit and loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit and loss.

#### **4.19 Employee benefits**

The Company provides employee benefits in accordance with its by-laws which is in compliance with the local laws and regulations. The employee benefits are classified as current benefits and post-employment benefits.

##### **4.19.1 Defined contribution plan**

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss in the periods during which services are rendered by employees. Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in accordance with the respective statutes and regulations.

Contributions to defined contribution plans are recognized as an expense in the statement of profit or loss as incurred.

##### **4.19.1.1 Employees' provident fund**

The company has booked the liability of 10% of the basic salary of each employee as per the provisions of Labour Act, 2074 to be contributed to Employees' Provident Fund managed by government of Nepal.

##### **4.19.1.2 Citizens' investment trust**

The company does not contribute to citizens' investment trust, but employee may contribute according to their preference.

##### **4.19.1.3 Gratuity**

The new Labour Act 2074 is applicable from Bhadra 19, 2074 which requires payment of minimum Gratuity of at least 8.33% of basic salary to all staff (equal to one-month salary per year). These benefits are treated as defined contribution plan and provided accordingly.

The company has booked the liability against gratuity of 8.33% of the basic salary of each employee as per the provisions of Labour Act, 2074.

##### **4.19.2 Defined benefit plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the financial statements in respect of defined benefit plans is the



present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated as at the reporting date based on an internally generated model using formula or based on actuary valuation.

Contributions to defined contribution plans are recognized as an expense in the statement of profit or loss as incurred.

#### 4.19.3 Staff Bonus

Staff is provided annual bonus under the provision of the Electricity Act, 2049 and Rules 2050 at the rate of 2% of Profit before staff bonus. It is created as per annual profit and paid in the subsequent period.

#### 4.20 Provisions and contingent liabilities

(i) Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of time value of money and the risks specific to the liability (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(ii) A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognized nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

There are no reportable contingent liabilities or commitments as at the year end.

#### 4.21 Valuation hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the significant inputs used to determine the fair values. The Company recognizes transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of the inputs to the valuation techniques as at the end of the reporting period.

**Level 1** fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2** valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.



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Level 3 portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

#### 4.21.1 Fair value of financial instruments held at amortized costs on recurring basis

The following table shows the carrying amounts and incorporates the Company's estimate of fair value of those financial assets and liabilities not presented on the Company's statement of financial position at fair value. For certain instruments, fair value may be determined using assumptions for which no observable prices are available.

##### Fair value of financial assets held at amortized cost

31st Ashadh, 2077	Level 1	Level 2	Level 3
Trade Receivables			62,556,875
Prepaid			6,088,224
<b>Total</b>			<b>68,645,099</b>
31st Ashadh, 2076	Level 1	Level 2	Level 3
Trade Receivables			35,433,684
Prepaid			11,653,675
<b>Total</b>			<b>47,087,359</b>

##### Fair value of financial liabilities held at amortized cost

31st Ashadh, 2077	Level 1	Level 2	Level 3
Trade and Other Payable			4,326,970
<b>Total</b>			<b>4,326,970</b>
31st Ashadh, 2076	Level 1	Level 2	Level 3
Trade and Other Payable			4,328,642
<b>Total</b>			<b>4,328,642</b>

#### 4.21.2 Fair value Level 3 disclosures

The following sets out the basis of establishing fair values of amortized cost financial instruments. These are not generally traded and there is a significant level of management judgment involved in calculating the fair values.

##### Prepaid expenses & advances

These assets are generally with the residual maturity of less than one year. The impact of discounted cash flows of those assets with maturity period of more than one year is insignificant. Therefore, the fair value of other assets generally approximates the carrying amount.

##### Trade receivables

These assets are generally with the residual maturity of less than one year. The impact of discounted cash flows of those assets with maturity period of more than one year is insignificant. Therefore, the fair value of other assets generally approximates the carrying amount.

#### 4.22 Cash flow statement






low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant, and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on a straight-line basis. In the statement of cash flows, a lessee separates the total amount of cash paid into principal (presented within financing activities) and interest (presented within either operating or financing activities) in accordance with NAS 7.

NFRS 16 substantially carries forward the lessor accounting requirements in NAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The new standard would be effective for annual periods starting from 16 July 2021 and the company intend to adopt the standard.



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The statement of cash flows has been prepared by using the "indirect method" of preparing cash flows in accordance with the Nepal Accounting Standard – NAS 7 on 'Statement of cash flows'. Cash and cash equivalents comprise of cash in hand and cash at bank.

#### 4.23 New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations are not yet effective for the year ended 15 July 2020 and have not been applied in preparing these separate financial statements. These standards and amendments are as below:

##### 4.23.1 NFRS-9: Financial Instruments:

The Nepal Accounting Standard Board (NASB) has published the final completed version of NFRS 9 'Financial Instruments'. NFRS 9 replaces NAS 39 'Financial Instruments: Recognition and measurement'.

NFRS 9 introduces a new model for classification and measurement of financial assets, which is based on the business model in which the financial assets are managed and the nature of its cash flows. Only the assets which are held under the business model of collecting the contractual cash flows, and whose cash flows are solely principal, and interest may be recorded at amortized cost under the standard.

Further, NFRS 9 introduces an impairment model, under which expected credit losses are required to be recognized. Expected credit losses are to be measured based on reasonable and supportable historical, current, and forecasted information. This is a significant change from the erstwhile expected credit loss model of NAS 39.

The new standard is effective for reporting periods beginning on or after 16 July 2021 and the company intend to adopt the standard.

##### 4.23.2 NFRS-15: Revenue from contract with customers:

The NASB issued a new standard for revenue recognition which overhauls the existing revenue recognition standards. The new standard is based on the principle that revenue is recognised when control of goods and service transfer to a customer. The standard requires the following five step model framework to be followed for revenue recognition:

- Identification of the contracts with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract (as identified in step ii)
- Recognition of revenue when the entity satisfies a performance obligation.

The new standard would be effective for annual periods starting from 16 July 2021 and the company intend to adopt the standard.

##### 4.23.3 NFRS 16: Lease

NFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of



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5 Notes to account and explanatory notes

5.1 Property, Plant and Equipment and Depreciation

Particulars	Furniture and Fixture		Office Equipment, Computer, Accessories		Vehicles		Total
<b>Cost</b>							
Opening Balance	1,733,437.00	2,381,775.00	2,611,400.00				6,726,612.00
Addition	157,802.00	77,150.00	-				234,952.00
Deletion	-	-	-				-
<b>Total</b>	<b>1,891,239.00</b>	<b>2,458,925.00</b>	<b>2,611,400.00</b>				<b>6,961,564.00</b>
<b>Depreciation</b>							
Depreciation Upto Last Year	941,483.87	1,202,626.72	1,125,029.41				3,269,140.00
Depreciation for the Year	179,188.73	195,753.98	165,563.33				540,506.04
Depreciation on Deletion	-	-	-				-
<b>Total</b>	<b>1,120,672.60</b>	<b>1,398,380.70</b>	<b>1,290,592.74</b>				<b>3,809,646.04</b>
<b>WDV as on 2077/03/31</b>	<b>770,566.40</b>	<b>1,060,544.30</b>	<b>1,320,807.26</b>				<b>3,151,917.96</b>
<b>WDV as on 2076/03/31</b>	<b>791,953.13</b>	<b>1,179,148.28</b>	<b>1,486,370.59</b>				<b>3,457,472.00</b>

5.2 Intangible Assets and Amortization

Particulars	5 MW Upper Huggi Khola Hydro Project		Total
<b>Cost</b>			
Opening Balance	715,319,940.00		715,319,940.00
Addition	-		-
Deletion	-		-
<b>Total</b>	<b>715,319,940.00</b>		<b>715,319,940.00</b>
<b>Amortization</b>			
Amortization up to the Last Year	94,212,655.00		94,212,655.00
Amortization for the Year	22,103,462.00		22,103,462.00
Amortization on Deletion	-		-
<b>Total</b>	<b>116,316,117.00</b>		<b>116,316,117.00</b>
<b>WDV as on 2077/03/31</b>	<b>599,003,823.00</b>		<b>599,003,823.00</b>
<b>WDV as on 2076/03/31</b>	<b>621,107,285.00</b>		<b>621,107,285.00</b>



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5.3 Investment property

Particulars	Ashad 31, 2077	Ashad 31, 2076
Land	6,583,500	-
<b>Total</b>	<b>6,583,500</b>	<b>-</b>

5.4 Prepayments

Particulars	Ashad 31, 2077	Ashad 31, 2076
Advance to Party	2,077,480	8,787,895
Deferred IPO Issue Expenses	2,099,913	1,412,264
Prepaid Insurance Premium	1,195,342	1,183,671
Advance Tax	42,859	784,240
Letter of Credit	672,630	-
<b>Total</b>	<b>6,088,224</b>	<b>12,168,070</b>
<b>Less: Non-current</b>	<b>-</b>	<b>514,395</b>
<b>Current</b>	<b>6,088,224</b>	<b>11,653,675</b>

Advance to party amounting to NRs. 514,395 has been written off from the books of account as it is impaired at the year end with zero recoverable value.

The company is in the process of issuing IPO. The deferred IPO issue expenses represents the amount paid for different consultancies and regulatory authorities in the process of issuing IPO. The amount will be charged to equity when the IPO will be issued.

5.5 Trade and other Receivables

Particulars	Ashad 31, 2077	Ashad 31, 2076
Trade Receivables (NEA)	62,489,648	35,376,840
Staff Advance	67,225	56,844
Long-term Deposits	13,500	13,500
<b>Total</b>	<b>62,570,375</b>	<b>35,447,184</b>
<b>Less: Non-current</b>	<b>13,500</b>	<b>13,500</b>
<b>Current</b>	<b>62,556,875</b>	<b>35,433,684</b>

5.6 Inventories

Particulars	Ashad 31, 2077	Ashad 31, 2076
Spare Parts	2,719,792	4,495,371
<b>Total</b>	<b>2,719,792</b>	<b>4,495,371</b>

5.7 Cash and cash equivalents

Particulars	Ashad 31, 2077	Ashad 31, 2076
Cash in hand	25,631	21,351
Balances with banks on current account	15,726,097	34,490,702
<b>Total</b>	<b>15,751,728</b>	<b>34,512,053</b>



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5.8 Share Capital

Particulars	Ashad 31, 2077	Ashad 31, 2076
<b>Authorized</b>		
Ordinary shares of NPR 100 each	500,000,000	500,000,000
<b>Issued</b>		
Ordinary shares of NPR 100 each	407,705,500	407,705,500
<b>Subscribed and fully Paid Up</b>		
Ordinary share of NPR 100 each	326,164,400	326,164,400

5.9 Reserves and Surplus

	Ashad 31, 2077	Ashad 31, 2076
Accumulated profit / (loss)	60,862,754	35,673,815
Corporate Social Responsibility Fund	583,893	-
<b>Total</b>	<b>61,446,647</b>	<b>35,673,815</b>

5.10 Borrowings

Particulars	Ashad 31, 2077	Ashad 31, 2076
Bank Borrowings	292,400,000	347,400,000
Less: NFRS Adjustment	(4,164,003)	(4,857,054)
Add: Unwinding of Interest	693,051	693,051
<b>Total non current borrowings</b>	<b>288,929,048</b>	<b>343,235,997</b>
Less: Installment payable within next 12 months	55,000,000	55,000,000
<b>Net non-current borrowings (A)</b>	<b>233,929,048</b>	<b>288,235,997</b>
Installment payable within next 12 months	55,000,000	55,000,000
Overdraft	13,809,155	-
<b>Total current borrowings (B)</b>	<b>68,809,155</b>	<b>55,000,000</b>
<b>Total borrowings (A+B)</b>	<b>302,738,203</b>	<b>343,235,997</b>

5.11 Employee benefit liabilities

Particulars	Ashad 31, 2077	Ashad 31, 2076
Salary Payable	-	606,893
Payable to Citizen Investment Trust	-	114,700
Gratuity Payable	-	268,100
Payable to Provident Fund	-	51,465
Staff Bonus Payable	1,193,140	743,423
<b>Total</b>	<b>1,193,140</b>	<b>1,784,581</b>
Less: Non-current	-	-
<b>Current</b>	<b>1,193,140</b>	<b>1,784,581</b>

5.12 Trade and other payables

Particulars	Ashad 31, 2077	Ashad 31, 2076
Audit Fee Payable	111,500	113,000
Accrued Rent (NFRS adjustment)	25,230	35,217
Income tax liability	74,575	776,959
Royalty Payable	1,194,935	1,565,502
TDS Payable	110,287	100,999
Trade Payable	101,287	101,287
Other Liabilities	2,709,156	1,635,678



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Total	4,326,970	4,328,642
Less: Non-current	-	-
Current	4,326,970	4,328,642

#### 5.13 Revenue

Particulars	For the Year Ended on Ashad 31, 2077	For the Year Ended on Ashad 31, 2076
Electricity Sales	146,692,602	123,552,204
<b>Total</b>	<b>146,692,602</b>	<b>123,552,204</b>

#### 5.14 Cost of Sales

Particulars	For the Year Ended on Ashad 31, 2077	For the Year Ended on Ashad 31, 2076
Salary Expenses Site Office	7,059,687	6,329,295
Gratuity Expenses-Site	285,123	227,696
Contribution to provident Fund Site Office	342,284	273,344
Wages Expenses Site Office	28,400	582,873
Medicine Expense-Site Office	12,235	7,705
Staff Refreshment-Site Office	104,950	93,950
<b>Direct employee benefit expenses (A)</b>	<b>7,832,679</b>	<b>7,514,863</b>
Amortization-Intangible Asset (Note 2)	22,103,462	22,103,462
Royalty expenses	3,433,852	2,968,651
Consumable expense-Site Office	144,841	189,987
Electricity Charges-Site Office	20,844	16,092
Electric Accessories	133,613	107,905
Fuel Expenses-Site Office	501,640	655,588
Guest Entertainment-Site Office	81,418	85,429
Insurance Premium Site Office	1,641,253	1,947,775
Internet and Subscription- Site Office	-	20,060
Staff Apron Site Office	-	68,968
Testing And Calibration Site Office	-	621,500
Sports and entertainment site office	7,670	5,200
Kitchen Ware-Site Office	-	8,130
Repair & Maintenance-Assets Site Office	5,295,471	1,242,000
Printing & Stationery-Site Office	62,658	14,145
Security Expenses-Site Office	1,334,440	1,282,318
Taxes and Charges-Site Office	13,976	12,705
Telephone & Postage-Site Office	44,280	30,700
Travelling & Transportation Expenses-Site Office	276,392	237,100
<b>Other direct expenses (B)</b>	<b>35,095,810</b>	<b>31,617,715</b>
<b>Total cost of sales (A+B)</b>	<b>42,928,489</b>	<b>39,132,578</b>

#### 5.15 Administrative expenses

Particulars	For the Year Ended on Ashad 31, 2077	For the Year Ended on Ashad 31, 2076
Salaries Expenses- Head Office	4,373,472	4,752,142
Gratuity Expenses	50,640	40,405
Contribution to Provident Fund- Head Office	59,466	40,319
Medicine Expense-Head Office	4,288	
<b>Employee benefit expenses (A)</b>	<b>4,487,866</b>	<b>4,832,866</b>



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Depreciation (Note 1)	540,506	573,978
Advertisement Expenses	31,936	48,885
AGM Expenses	93,805	121,184
AMC of computer software	9,040	9,040
Audit Fee	113,000	113,000
Bank Commission & LC Charges	26,127	31,019
Board Meeting Allowances	235,500	303,500
Consumables	61,928	55,922
Donation And Charities	111,111	61,111
Electricity & Water	15,000	20,081
Fuel Expenses	21,500	24,000
Guest Entertainment	1,507	743
House Rent	429,028	327,596
Insurance Premium	19,730	6,188
Internet & Subscription	31,846	32,687
IPO Expenses	717,403	-
Legal Consultant Fee	-	88,235
Janitorial	15,000	30,000
Meeting Expenses	26,957	70,440
Membership Fees	24,000	24,000
Miscellaneous Exp	2,000	1,675
Printing & Stationaries	77,873	80,924
Registration & Renewals	20,175	47,976
Repair & Maintenance	11,185	24,900
Tea & Refreshment	42,435	45,058
Fine and Penalty and charges	-	201,845
Staff Welfare	-	100,000
Telephone & Postage	18,609	12,840
Travelling Expenses	28,450	60,222
Vehicle Renewals	51,190	50,670
Painting Expense	20,000	-
<b>Other administrative expenses (B)</b>	<b>2,796,841</b>	<b>2,567,719</b>
<b>Total administrative expenses (A+B)</b>	<b>7,284,707</b>	<b>7,400,585</b>

#### 5.16 Finance Expense and Finance Income

Particulars	For the Year Ended on Ashad 31, 2077	For the Year Ended on Ashad 31, 2076
Interest on Term Loan	35,525,978	41,904,077
Finance Cost-NFRS Adjustment	693,051	693,051
Loan Arrangement Fee	361,816	422,015
<b>Net finance cost (A)</b>	<b>36,580,845</b>	<b>43,019,143</b>
Interest income on short-term bank deposits	250,523	3,171,259
<b>Total finance income (B)</b>	<b>250,523</b>	<b>3,171,259</b>
<b>Net finance expense (A-B)</b>	<b>36,330,322</b>	<b>39,847,884</b>



## 5.17 Earnings Per share (EPS)

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Currently, the company does not have any outstanding dilutive potential ordinary shares.

Particulars	2076/77	2075/76
Profit attributable to equity holders	58,389,272	35,650,775
Weighted average number of equity shares outstanding	3,261,644	3,261,644
Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share)	17.90	10.93
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	3,261,644	3,261,644
Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share)	17.90	10.93

## 5.18 Operating Segments

The company is engaged in the business of generation of electricity from its hydro-power project situated in Nepal. The generated electricity will be sold to the Nepal Electricity Authority. Accordingly, the company has only 1 operating segment. Since the relevant information is available from the Statement of financial position and the statement of Comprehensive income itself, there are no additional disclosures, to be provided in terms of NFRS 8 on Operating Segments.

## 5.19 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies / decisions of the other, irrespective of whether a price is charged

The Company identifies following as the related parties under the requirements of NAS 24.

- Shareholders having shareholding of 1% or more during the year.
- Companies represented by the Directors.
- Directors of the Company and their close family members if any
- Key Managerial Personnel and their close family members if any



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#### 5.19.1 Significant Shareholders

Share Holder	15-Jul-2020	16-Jul-2019
	% of holding	% of holding
Bharat Prasad Nepal	14.87%	14.87%
Samuchit Investment Company Pvt. Ltd.		10.85%
Shubhakarma Investment Company Pvt. Ltd.		12.39%
Ekraj Pandey	3.91%	
Nira Aryal	2.51%	
Adarsh Nagarik Investment Company Ltd	2.04%	2.04%
Tara Prasad Sanjel	1.67%	1.67%
Hari Prasad Niraula	1.67%	1.67%
Damber Bahadur Deuja	1.67%	1.67%
Purbanchal Investment Company Ltd.	1.34%	1.34%
Dr. Sandip Shah	1.5%	
Sabitri Adhikari	1.44%	1.17%

#### 5.19.2 Transactions with and payments to directors of the Company

Following payments have been made to the directors of the Company:

Particulars	FY 2076/77	FY 2075/76
	Annual Facilities	Annual Facilities
Ashish Subedi	372,000	390,000
Bharat Prasad Nepal	552,000	941,515
Min Raj Kadel	360,000	390,000
Gan Prasad Reshmi	360,000	416,000
Chandra Bahadur Pun	330,000	-
<b>Total</b>	<b>1,974,000</b>	<b>2,137,515</b>

#### 5.20 Events after reporting period

The Company monitors and assess events that may have potential impact to qualify as adjusting and / or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

There are no material events that has occurred subsequent to 31st Ashad 2077 till the signing of this financial statement.

#### 5.21 Tax Assessment

Inland revenue Department has not made amended tax assessment of the company till date. The company has duly submitted its annual tax return on due dates.

#### 5.22 Mortgaged Properties

The company has obtained long term loan and working capital loan from various banks and financial institutions by hypothecation of its Plant and Machinery and Inventory, Assignment of account receivables and mortgage of Land, building and project assets of the company.



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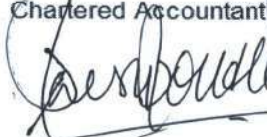
### 5.23 Reclassification and Restatement

Previous year figures have been regrouped/ rearranged wherever necessary and practicable to facilitate comparison as mentioned below.

Particulars	Old Reporting	New Reporting	Difference	Remarks
Trade and other payable	6,113,223	4,328,642	1,784,581	The employee benefit liabilities previously classified as trade and other payable now reclassified
Employee benefit liabilities		1,784,581	(1,784,581)	
Administrative expenses	1,993,741	7,400,585	(5,406,844)	The employee benefit expenses and depreciation related to administrative expenses previously classified separately now reclassified under heading administrative expenses
Employee benefit expenses	4,832,866	.	4,832,866	
Depreciation	573,978		573,978	
Advance to party	1,273,500	8,787,895	(7,514,395)	All of the three headings have same nature of items, so all items are reclassified under same account head
Advance to party	514,395		514,395	
Other advance	7,000,000		7,000,000	

  
Ashish Subedi  
Chairman

  
Bharat Prasad Nepal  
Director

For RL Shrestha & Co  
Chartered Accountant  
  
Rajesh Poudel, FCA  
Partner



  
Min Raj Kadel  
Director

  
Gam Prasad Reshmi  
Director

  
Chandra Bahadur Pun  
Director

  
Baladev Balami  
Accountant

Date: 2077/06/05  
Place: Kathmandu

