

**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 32, 2079 (July 16, 2022), the Statement of Profit or Loss (including Other Comprehensive Income), the Statement of Change 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 the financial statements presents fairly, in all material respects, the financial position of the Company, as at Ashad 32, 2079 (July 16, 2022), 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, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of financial statement as a whole, and in forming the auditor opinion thereon, and the auditor does not provide a separate opinion on these matters.

We have determined that there are no any key audit matters to communicate in our report.

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 financial 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 and 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 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, S. R. Pandey & Co.
Chartered Accountants




Sudarshan Raj Pandey, FCA
Senior Partner

Place: Kathmandu
Date: 2079/06/07
UDIN: 220925CA000318PfoJ

Ru Ru Jalbidhyut Pariyojana Limited
Kathmandu, Nepal

Statement of Financial Position as at Ashad 32, 2079 (July 16, 2022)

Particulars	Notes	Ashad 32, 2079	NPR Ashad 31, 2078
ASSETS			
Non-Current Assets			
Property, Plant and Equipments	5.1	4,240,656	4,498,817
Intangible Assets	5.2	554,796,899	576,900,361
Investment Property	5.3	14,123,311	6,583,500
Trade and other Receivables	5.5	13,500	13,500
Total Non-Current Assets		573,174,366	587,996,178
Current Assets			
Inventories	5.6	4,795,473	6,009,866
Prepayments	5.4	35,589,160	1,733,420
Financial Assets Measured at Amortised Cost	5.17	71,500,000	-
Trade and other Receivables	5.5	104,477,855	84,188,417
Cash and Cash Equivalents	5.7	27,512,752	90,436,693
Total Current Assets		243,875,240	182,368,396
Total Assets		817,049,606	770,364,574
EQUITY AND LIABILITIES			
Equity			
Share Capital	5.8	448,476,050	407,705,500
Reserve and Surplus	5.9	138,016,660	131,847,913
Share Advance		-	-
Total Equity		586,492,710	539,553,413
Non Current Liabilities			
Financial Liabilities			
Borrowings	5.10	133,930,881	169,622,099
Trade & Other Payables	5.12	1,814,347	972,071
Total Non Current Liabilities		135,745,228	170,594,170
Current Liabilities			
Financial Liabilities			
Borrowings	5.10	86,432,164	55,000,000
Employee benefit liabilities	5.11	1,916,501	1,475,339
Trade and other payables	5.12	6,463,003	3,741,652
Total Current Liabilities		94,811,668	60,216,991
Total Equity & Liabilities		817,049,606	770,364,574

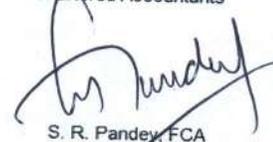
The accompanying notes form an integral part of the financial statements.

As Per Our Report of Even Date
S. R. Pandey & Co.,
Chartered Accountants

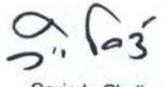

Ashish Subedi
Chairman


Bharat Prasad Nepal
Director


Chandra Bahadur Pun
Director


S. R. Pandey, FCA
Senior Partner

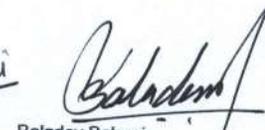



Govinda Chalise
Director


Sagar Pathak
Director


Sarita Shakya Pradhan
Director


Garima Adhikari
Director


Baladev Balami
Accountant

Date: 2079/06/07
Place: Kathmandu



Ru Ru Jalbidhyut Pariyojana Limited
Kathmandu, Nepal

Statement of Profit or Loss and Other Comprehensive Income
For the Period from Shrawan 1, 2078 to Ashad 32, 2079 (July 16, 2021 to July 16, 2022)

Particulars	Notes	For the Year Ended on Ashad 32, 2079	For the Year Ended on Ashad 31, 2078
Revenue	5.13	161,622,841	149,626,443
Cost of sales	5.14	(44,577,338)	(42,787,197)
Gross profit		117,045,503	106,839,246
Finance income	5.16	4,300,978	317,662
Finance costs	5.16	(16,549,402)	(25,156,618)
Other Income		-	-
Administrative expenses	5.15	(8,959,703)	(7,946,686)
Impairment losses		-	-
Loss on Sale of Assets		(12,333)	(286,651)
Profit before taxes and staff bonus		95,825,043	73,766,953
Staff Bonus		(1,916,501)	(1,475,339)
Profit before taxes		93,908,542	72,291,614
Income tax expenses			
Current Tax		(1,070,925)	(80,717)
Previous Year Tax		-	(893,070)
Deffered Tax Income / (Expenses)		-	-
Profit for the year		92,837,617	71,317,827
Other comprehensive income		-	-
Total comprehensive income		92,837,617	71,317,827
Earning Per Share			
Basic		20.70	20.42
Diluted		20.70	20.42

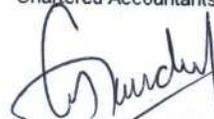
Total profit and comprehensive income is attributable to the owners of the company.
The accompanying notes form an integral part of the financial statements.

As Per Our Report of Even Date
S. R. Pandey & Co.,
Chartered Accountants


Ashish Subedi
Chairman


Bharat Prasad Nepal
Director


Chandra Bahadur Pun
Director

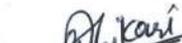

S. R. Pandey, FCA
Senior Partner




Govinda Chalise
Director


Sagar Pathak
Director


Sarita Shakya Pradhan
Director


Garima Adhikari
Director


Baladev Balam
Accountant

Date: 2079/06/07
Place: Kathmandu



Ru Ru Jalbidhyut Pariyojana Limited
Kathmandu, Nepal

Statement of Changes in Equity
For the Period from Shrawan 1, 2078 to Ashad 32, 2079 (July 16, 2021 to July 16, 2022)

Particular	Share Capital	Share Premium	Accumulated Profit / (Loss)	Total	NPR
Balance at the Beginning of the Period	326,164,400	-	60,862,754	387,027,154	
Transactions with owners recorded directly in equity					
Issue of Share Capital	81,541,100	-	-	81,541,100	
Bonus Share	-	-	-	-	
Dividend	-	-	-	-	
Tax on dividend	-	-	-	-	
Share Advance	-	8,154,120	-	8,154,120	
Total Comprehensive income for the year	-	-	71,317,827	71,317,827	
Corporate Social Responsibility Fund	-	-	(713,178)	(713,178)	
Corporate Social Responsibility Fund Reversed	-	-	325,000	325,000	
Share Issue Expenses	-	(8,098,610)	-	(8,098,610)	
Balance at the End of the FY 2077/78	407,705,500	55,510	131,792,403	539,553,413	
Balance as on 2078/04/01	407,705,500	55,510	131,792,403	539,553,413	
Transactions with owners recorded directly in equity					
Issue of Share Capital	40,770,550	-	(40,770,550)	-	
Dividend	-	-	(45,056,044)	(45,056,044)	
Tax on dividend	-	-	-	-	
Share Premium	-	-	-	-	
Total Comprehensive income for the year	-	-	92,837,617	92,837,617	
Corporate Social Responsibility Fund	-	-	(928,376)	(928,376)	
Corporate Social Responsibility Fund Reversed	-	-	86,100	86,100	
Share Issue Expenses	-	-	-	-	
Balance at the End of the Year FY 2078/79	448,476,050	55,510	137,961,150	586,492,710	

As Per Our Report of Even Date
S. R. Pandey & Co.,
Chartered Accountants



S. R. Pandey
S. R. Pandey, FCA
Senior Partner

Chandra Babadur Pun
Chandra Babadur Pun
Director

Bharat Prasad Nepal
Bharat Prasad Nepal
Director

Ashish Subedi
Ashish Subedi
Chairman

Garinha Adhikari
Garinha Adhikari
Director

Sarita Shakya Pradhan
Sarita Shakya Pradhan
Director

Sagar Pathak
Sagar Pathak
Director

Govinda Chalise
Govinda Chalise
Director

Baladev Balam
Baladev Balam
Accountant

Date: 2079/06/07
Place: Kathmandu



Ru Ru Jalbidhyut Pariyojana Limited
Kathmandu, Nepal

Statement of Cash Flow
For the Period from Shrawan 1, 2078 to Ashad 32, 2079 (July 16, 2021 to July 16, 2022)

Particulars	For the Year Ended on Ashad 32, 2079	For the Year Ended on Ashad 31, 2078
NPR		
A. Cash Flow from Operating Activities		
Net Profit before Tax	93,908,542	72,291,614
Adjustments for:		
Depreciation of Property, Plant and Equipment	611,658	602,268
Amortization of Intangible Assets	22,103,462	22,103,462
(Gain) / loss on sale of assets	12,333	286,651
CSR fund	(842,276)	(713,178)
Financial Cost	12,248,424	24,838,956
Interest Income on FD		
Bonus Paid		
Adjustments for changes in working capital		
(Increase)/ Decrease in Trade receivables	(20,289,438)	(21,631,542)
(Increase)/ Decrease in Prepayments	(33,855,740)	4,354,804
(Increase)/ Decrease in Inventories	1,214,393	(3,290,074)
Increase / (Decrease) in Trade and other Payables	2,933,864	329,343
Payment of previous year tax	-	(893,070)
Net Cash Flow from Operating Activities (1)	78,045,222	98,279,234
B. Cash Flow from Investing Activities		
Changes in Fixed Deposits		
(Increase)/Decrease in Investment	(79,039,811)	-
(Purchase) of Property, Plant and Equipments and Intangible assets	(425,830)	(3,140,827)
Sale of Property, Plant and Equipments and Intangible assets	60,000	905,008
Net Cash Flow from Investing Activities (2)	(79,405,641)	(2,235,819)
C. Cash Flow from Financing Activities		
Proceeds from Share Capital		89,695,220
Share Issue Expenses		(8,098,610)
Changes in Borrowings	(4,259,054)	(78,116,104)
Financial Cost	(12,248,424)	(24,838,956)
Dividend Paid	(45,056,044)	-
Net Cash Flow from Financing Activities (3)	(61,563,522)	(21,358,450)
Net Increase/(Decrease) in Cash and Cash Equivalents (1+2+3)	(62,923,941)	74,684,965
Cash and Cash Equivalents at beginning of the year	90,436,693	15,751,728
Cash and Cash Equivalents at end of the year	27,512,752	90,436,693
Components of Cash and Cash Equivalents	27,512,752	90,436,693
Cash in hand and Balance with Banks	27,512,752	90,436,693
Collateralised Borrowing and Lending Obligation		

As Per Our Report of Even Date
S. R. Pandey & Co.,
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Sarita Shakya Pradhan
Director


Ganuna Adhikari
Director


Baladev Balami
Accountant

Date: 2079/06/07
Place: Kathmandu



Significant Accounting Policies and Notes to Accounts

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.

Commercial Operation (COD) date is 2071 Chaitra 09, and the power generated from the project is evacuated to Birbash substation in Gulmi district.

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 32nd Ashadh 2079 is as follow:

Name	Position
Mr. Ashish Subedi	Chairman
Mr. Bharat Prasad Nepal	Director
Mr. Chandra Bahadur Pun	Director
Mr. Govinda Chalise	Independent Director
Mr. Sagar Pathak	Director
Mrs. Sarita Shakya Pradhan	Director
Mrs. Garima Adhikari	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.

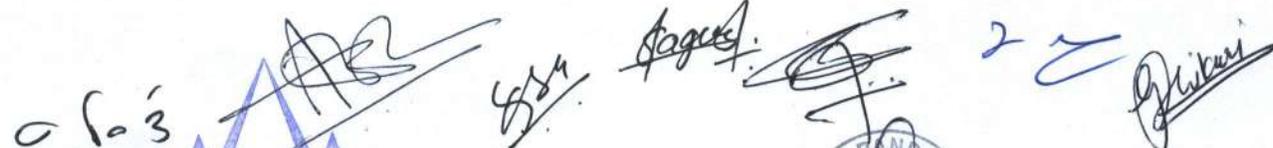
2.1 Statement of compliance

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 2079/06/07.

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Handwritten signatures of board members: Ashish Subedi, Bharat Prasad Nepal, Chandra Bahadur Pun, Govinda Chalise, Sagar Pathak, Sarita Shakya Pradhan, and Garima Adhikari.



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.

2.4 Functional currency

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

2.5 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.

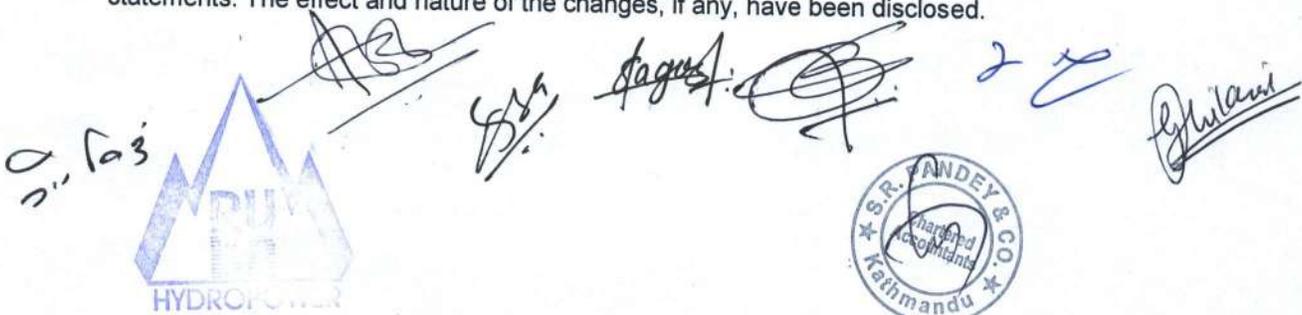
2.6 Accounting Policies and accounting estimates

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.

2.7 Financial Periods

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

2.8 Discounting

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

2.9 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

29/6/23



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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 maintenance and if needed replacement of property, plant and equipment machinery, which is disclosed as Intangible Assets. The company has borrowed the long term loan from bank and financial institutions in local currency which is exposed to the risk of change of interest rates in future.

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 life, 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 life
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

2,63

between the Company and NEA, that conferred the right to the Company to implement the project 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 life

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 life, 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 NAS 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.

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



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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

The company's principal financial assets comprise assets held at fair value through profit and loss, assets measured at amortized cost, loans and receivables. The main purpose of these financial instruments is to generate a return on the investment made by shareholders. The company's principal financial liabilities comprise accrued expenses and other payables which arise directly from its operations.

In accordance with NFRS 9; Financial Instruments: Recognition and Measurement, the company's interest receivables are classified and measured at Amortized cost method. Equity securities / debentures / bonds are classified as fair value through profit and loss or Fair Value through OCI. The amount attributable to shareholders is classified as equity and is carried at the redemption amount being net asset value. Payables are measured at amortized cost.

4.5.1 Classification

The Company's investments are classified as fair value through profit or loss, fair value through OCI and at amortized cost. They comprise:

Financial assets at Amortized Cost

Financial assets whose objective is to collect Contractual Cash flow and Contractual Cash flow received in specified day includes interest and principal is classified at amortized Cost. These includes Fixed Deposit investment, staff loans receivable and trade receivable. There are measured at amortized cost.

Financial assets and liabilities held at fair value through profit or loss

Financial assets whose objective/ business model is not to collect Contractual Cash flow but to gain from movement is fair value is classified at fair value through profit or loss. These includes investment in equity shares. Gain on movement of fair value is charged to statement of profit or loss.

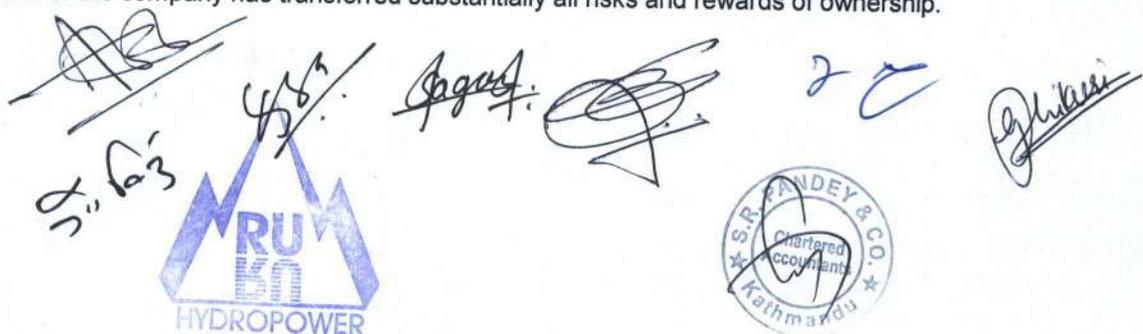
Financial assets and liabilities held at fair value through OCI

In rare circumstances, financial assets whose objective or business model is not to collect Contractual Cash flow is classified at fair value through OCI. Investment in equity which are not regularly traded are classified at fair value through OCI The gain/loss on movement in fair value is charged to OCI. Its tax impact is also charged into OCI. The gain or loss on disposal of investment classified as fair value through OCI is charged to equity.

4.5.2 Recognition / de- recognition

The company recognizes financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognizes changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognized when the right to receive cash flows from the investments have expired or the company has transferred substantially all risks and rewards of ownership.

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Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged or expired.

Realized gains and realized losses on de-recognition are determined and are included in the profit or loss in the period in which they arise. The realized gain is the difference between an instrument's cost and disposal amount.

4.5.3 Measurement

a. Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the company measures a financial asset at its fair value.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of profit or loss and other comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

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 value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the company is the closing price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques.

b. Financial assets measured at amortized cost

Financial assets at this category are measured initially at fair value plus transaction costs and subsequently amortized using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognized in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognized on a financial asset carried at amortized cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

Receivables may include amounts for dividends, interest and trade receivables. Dividends are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment.

Receivable are recognized and carried at amortized cost, less a provision for any uncollectable debts. An estimate for doubtful debt is made when collection of an amount is no longer probable.

Recoverability of receivable is reviewed on an ongoing basis at an individual portfolio level, Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognized when there is objective evidence that the Company will not be able to collect

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the receivable. Financial difficulties of the debtor, default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

4.5.4 Explanatory Note: Classification of Financial Instruments

Financial Assets As at 32nd Ashadh, 2079

Financial Assets	Assets at fair value		Assets at amortized costs		Total
	FVPL	FVTOCI	Fixed Deposit	Loans and Receivables	
Cash and cash equivalent	-	-		27,512,752	27,512,752
Financial Assets Measured at Amortized Cost			71,500,000		71,500,000
Trade Receivables	-	-		104,491,355	104,491,355
Prepayments	-	-		30,000,000	30,000,000
Total	-	-	71,500,000	162,004,107	233,504,107

Financial Assets As at 31st Ashadh, 2078

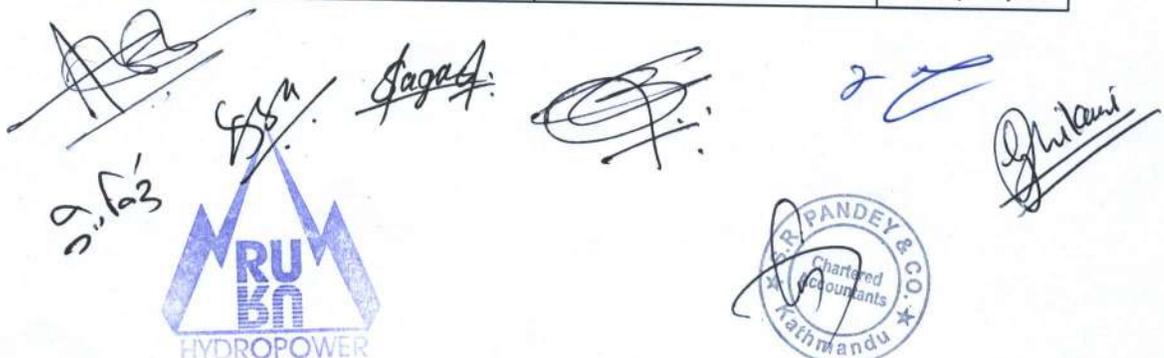
Financial Assets	Assets at fair value		Assets at amortized costs	Total
	FVPL	FVTOCI	Loans and Receivables	
Cash and cash equivalent	-	-	90,436,693	90,436,693
Trade Receivables	-	-	84,201,917	84,201,917
Total	-	-	174,638,610	174,638,610

Financial Liabilities As at 32nd Ashadh, 2079

Financial Liabilities	Assets at fair value		Assets at amortized costs	Total
	FVPL	FVTOCI	Loans and Payables	
Trade and other payables	-	-	5,227,121	5,227,121
Borrowing	-	-	220,363,045	220,363,045
Total	-	-	225,392,246	225,590,166

Financial Liabilities As at 31st Ashadh, 2078

Financial Liabilities	Assets at fair value		Assets at amortized costs	Total
	FVPL	FVTOCI	Loans and Payables	
Trade and other payables	-	-	3,298,110	3,298,110
Borrowing	-	-	224,622,099	224,622,099
Total	-	-	227,920,209	227,920,209



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4.6 Prepayments

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.

4.7 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.

4.8 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.

4.9 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.

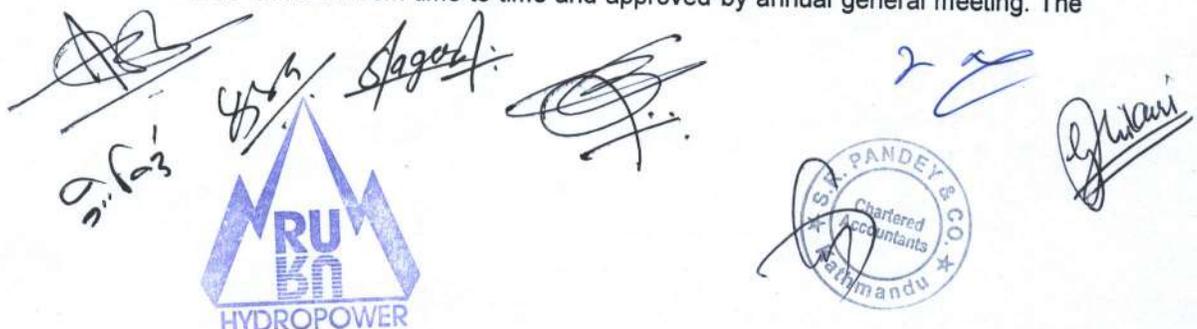
4.10 Share Capital

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 as declared from time to time and approved by annual general meeting. The

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voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

Equity Shares listed with NEPSE on Baisakh 20, 2078.

4.11 Distributions

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

4.12 Reserve & Surplus

It includes share premium and the accumulated profit or loss as on the reporting date

4.13 Corporate Social Responsibility fund

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

4.14 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.

4.15 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.

4.16 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.

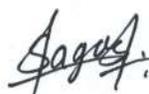
Revenue from sale of electricity is recognized at the time of issuing invoice to Nepal Electricity Authority (NEA) as per the Power Purchase Agreement (PPA).

4.17 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.


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4.18 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.

4.19 Other income

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

4.20 Administrative Expenses

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

4.21 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.

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.

4.22 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.

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HYDROPOWER

S.R. PANDEY & CO.
Chartered Accountants
Wadhwanji

4.23 Taxation

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

4.23.1 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 as it is in full tax concession up to Chaitra 08, 2081. The Company has provided for income tax liability pertaining to other incomes except income from ordinary activities i.e. sale of electricity in accordance with the Income Tax Act, 2058 enacted and as applicable in Nepal.

4.23.2 Tax holiday

The Company's operations are subject to tax holiday as per section 11(3gha) of Income Tax Act, 2058. The Company enjoy the full tax concession for first 10 years of operation and 50% for next five years regarding income generated form electricity generation. The Company enjoy full tax concession up to Chaitra 08, 2081 and 50% tax exemption from Chaitra 09, 2081 to Chaitra 08, 2086. The temporary differences that reverse during a tax holiday period are not recognized in financial statement.

4.23.3 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.

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.

4.24 Foreign currency transaction

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

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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.

4.25 Impairment

At the end of each reporting period, the Company reviews the carrying amount of its tangible and intangible assets other than financial 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.

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.

4.26 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.

4.26.1 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.

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

4.26.1.1 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.

4.26.1.2 Citizens' investment trust

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

4.26.1.3 Gratuity

The new Labour Act 2074 was 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.

4.26.2 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.

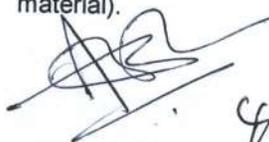
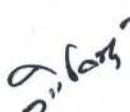
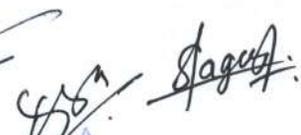
4.26.3 Staff Bonus

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.

4.27 Provisions and contingent liabilities

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

4.28 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.

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.

4.28.1 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.

Hierarchy of fair value of financial assets

32 nd Ashadh, 2079	Level 1	Level 2	Level 3
Cash and cash equivalent			27,512,752
Financial Assets Measured at Amortized Cost			71,500,000
Trade Receivables			104,491,355
Prepayments			30,000,000
Total			233,504,107
31 st Ashadh, 2078	Level 1	Level 2	Level 3
Cash and cash equivalent			90,436,693
Trade Receivables			84,201,917
Total			174,638,610

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Hierarchy of fair value of financial liabilities

32 nd Ashadh, 2079	Level 1	Level 2	Level 3
Trade and other payables			5,227,121
Total			5,227,121
31 st Ashadh, 2078	Level 1	Level 2	Level 3
Trade and other payables			3,298,110
Total			3,298,110

4.28.2 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.

4.29 Cash flow statement

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.

4.30 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, which is adopted in this financial statement.

4.31 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 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 but this standard is not applied in this financial statement because the difference in value from transition from NAS 17 to NFRS 16 is insignificant and the cost of implementation of NFRS 16 outweighs the benefit from it.

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5 Notes to account and explanatory notes

5.1 Property, Plant and Equipment and Depreciation

<u>Particulars</u>	<u>Land (Investment Property)</u>	<u>Furniture and Fixture</u>	<u>Office Equipment Computer Accessories</u>	<u>Vehicles</u>	<u>Total</u>
Cost					
Opening Balance	-	1,990,813	2,700,178	3,218,400	7,909,391
Addition	-	124,120	41,810	259,900	425,830
Deletion	-	-	-	(109,821)	(109,821)
Total	-	2,114,933	2,741,988	3,368,479	8,225,400
Depreciation					
Depreciation Upto Last Year	-	1,281,006	1,644,574	484,994	3,410,574
Depreciation for the Year	-	163,557	242,530	205,571	611,658
Depreciation on Deletion	-	-	-	(37,488)	(37,488)
Total	-	1,444,563	1,887,104	653,077	3,984,744
WDV as on 2079/03/32	-	670,370	854,884	2,715,402	4,240,656
WDV as on 2078/03/31	-	709,808	1,055,604	2,733,406	4,498,817

5.2 Intangible Assets and Amortization

<u>Particulars</u>	<u>5 MW Upper Hugdi Khola Hydro Project</u>	<u>Total</u>
Cost		
Opening Balance	715,319,940	715,319,940
Addition	-	-
Deletion	-	-
Total	715,319,940	715,319,940
Amortization		
Amortization up to the Last Year	138,419,579	138,419,579
Amortization for the Year	22,103,462	22,103,462
Amortization on Deletion	-	-
Total	160,523,041	160,523,041
WDV as on 2079/03/32	554,796,899	554,796,899
WDV as on 2078/03/31	576,900,361	576,900,361

22/03/2020
 Sagar P. Singh
 2079/03/32
 Y. S. Pan
 S. R. Pan
 S. R. Pan



5.3 Investment property

Particulars	Ashad 32, 2079	Ashad 31, 2078
Land	14,123,311	6,583,500
Total	14,123,311	6,583,500

5.4 Prepayments

Particulars	Ashad 32, 2079	Ashad 31, 2078
Advance to Party	275,842	394,445
Advance for Share (Mewa Developers Ltd)	30,000,000	-
Prepaid Insurance Premium	1,448,568	1,232,326
Advance Tax	1,070,471	106,649
Letter of Credit	2,794,279	-
Total	35,589,160	1,733,420
Less: Non-current	-	-
Current	35,589,160	1,733,420

5.5 Trade and other Receivables

Particulars	Ashad 32, 2079	Ashad 31, 2078
Trade Receivables (NEA)-Regular	28,504,994	24,182,853
Trade Receivables (NEA)-Posted	75,928,818	59,952,592
Staff Advance	44,043	52,972
Long-term Deposits	13,500	13,500
Total	104,491,355	84,201,917
Less: Non-current	13,500	13,500
Current	104,477,855	84,188,417

5.6 Inventories

Particulars	Ashad 32, 2079	Ashad 31, 2078
Spare Parts	4,795,473	6,009,866
Total	4,795,473	6,009,866

5.7 Cash and cash equivalents

Particulars	Ashad 32, 2079	Ashad 31, 2078
Cash in hand	10,620	35,833
Balances with banks on current account	27,502,132	90,400,860
Total	27,512,752	90,436,693

5.8 Share Capital

Particulars	Ashad 32, 2079	Ashad 31, 2078
Authorized		
Ordinary shares of NPR 100 each	500,000,000	500,000,000
Issued		
Ordinary shares of NPR 100 each	448,476,050	407,705,500
Subscribed and fully Paid Up		
Ordinary share of NPR 100 each	448,476,050	407,705,500

5.9 Reserves and Surplus

Particulars	Ashad 32, 2079	Ashad 31, 2078
Share Premium	55,510	55,510
Accumulated profit / (Loss)	137,961,150	131,792,403
Total	138,016,660	131,847,913

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5.10 Borrowings

Particulars	Ashad 32, 2079	Ashad 31, 2078
Bank Borrowings	193,290,000	227,400,000
Less: NFRS Adjustment	(3,777,901)	(3,470,952)
Add: Unwinding of Interest	850,946	693,051
Total non current borrowings	190,363,045	224,622,099
Less: Installment payable within next 12 months	56,432,164	55,000,000
Net non-current borrowings (A)	133,930,881	169,622,099
Installment payable within next 12 months	56,432,164	55,000,000
Loan Against FD	30,000,000	-
Total current borrowings (B)	86,432,164	55,000,000
Total borrowings (A+B)	220,363,045	224,622,099

5.11 Employee benefit liabilities

Particulars	Ashad 32, 2079	Ashad 31, 2078
Staff Bonus Payable	1,916,501	1,475,339
Total	1,916,501	1,475,339
Less: Non-current	-	-
Current	1,916,501	1,475,339

5.12 Trade and other payables

Particulars	Ashad 32, 2079	Ashad 31, 2078
Audit Fee Payable	122,650	122,650
Accrued Rent (NFRS adjustment)	78,150	63,690
Income tax liability	1,070,925	80,717
Royalty Payable	2,086,889	1,578,548
TDS Payable	86,807	299,135
Interest Payable	612,173	-
Other Liabilities	2,405,409	1,596,912
Corporate Social Responsibility Fund	1,814,347	972,071
Total	8,277,350	4,713,723
Less: Non-current	1,814,347	972,071
Current	6,463,003	3,741,652

5.13 Revenue

Particulars	For the Year Ended on Ashad 32, 2079	For the Year Ended on Ashad 31, 2078
Electricity Sales	161,622,841	149,626,443
Total	161,622,841	149,626,443

5.14 Cost of Sales

Particulars	For the Year Ended on Ashad 32, 2079	For the Year Ended on Ashad 31, 2078
Salary Expenses Site Office	8,346,855	7,910,249
Gratuity Expenses-Site	351,076	326,445
Contribution to provident Fund Site Office	420,316	391,891
Wages Expenses Site Office	119,415	81,638
Medicine Expense-Site Office	10,522	16,415
Staff Welfare Expenses-Site Office	210,240	179,507
Direct employee benefit expenses (A)	9,458,424	8,906,145

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Amortization-Intangible Asset (Note 2)	22,103,462	22,103,462
Royalty expenses	3,732,457	3,508,942
Consumable expense-Site Office	149,419	187,949
Electricity Charges-Site Office	23,760	23,436
Electric Accessories	106,410	122,855
Fuel Expenses-Site Office	870,587	565,964
Guest Entertainment-Site Office	55,262	76,440
Insurance Premium Site Office	1,798,114	1,624,295
Internet and Subscription- Site Office	28,850	3,500
Staff Personal Protective Equipment-Site Office	134,147	74,949
Repair & Maintenance-Assets Site Office	3,132,169	3,971,021
Painting Expenses- SO	1,194,888	
Printing & Stationery-Site Office	21,960	23,730
Security Expenses-Site Office	1,222,943	1,282,979
Taxes and Charges-Site Office	202,996	15,374
Telephone & Postage-Site Office	66,350	36,110
Travelling & Transportation Expenses-Site Office	275,140	260,046
Other direct expenses (B)	35,118,914	33,881,052
Total cost of sales (A+B)	44,577,338	42,787,197

5.15 Administrative expenses

Particulars	For the Year Ended on Ashad 32, 2079	For the Year Ended on Ashad 31, 2078
Salaries Expenses- Head Office	4,553,858	4,546,490
Gratuity Expenses	62,681	58,206
Contribution to Provident Fund- Head Office	75,247	69,875
Medicine Expense-Head Office	8,370	8,475
Employee benefit expenses (A)	4,700,156	4,683,046
Depreciation (Note 1)	611,658	602,268
Advertisement Expenses	132,152	21,510
AGM Expenses	332,803	-
AMC of computer software	9,040	-
Audit Fee	124,300	124,300
CDS and Clearing	140,228	
Bank Commission & LC Charges	23,989	26,734
Board Meeting Allowances	342,500	217,000
Consultancy Fee	102,750	-
Consumables	46,895	37,855
Donation And Charities (CSR)	86,100	325,000
Electricity & Water	26,775	14,850
Fuel Expenses	31,640	20,100
Guest Entertainment	33,384	17,759
House Rent	530,460	530,460
Insurance Premium	9,469	13,695
Internet & Subscription	30,171	64,963
Land Mortgage Fee	200,000	-
Meeting Expenses	16,899	5,130
Membership Fees	24,000	24,000
Miscellaneous Expenses	17,260	9,861
Printing & Stationaries	154,245	38,637
Rating Expenses	200,575	
Registration & Renewals	38,856	10,525
Repair & Maintenance	47,785	43,005
Tea & Refreshment	50,189	45,740
Sebon Expenses	101,541	-

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Staff Welfare		
RTS Expenses	200,000	-
Telephone & Postage	212,528	95,000
Travelling Expenses	22,050	18,863
Vehicle Renewals	75,605	-
Nepse Expenses	68,700	44,100
Painting Expenses	215,000	-
Feasibility Study Expenses	-	24,500
Other administrative expenses (B)	-	887,785
	4,259,547	3,263,640
Total administrative expenses (A+B)	8,959,703	7,946,686

5.16 Finance Expense and Finance Income

Particulars	For the Year Ended on Ashad 32, 2079	For the Year Ended on Ashad 31, 2078
Interest on Term Loan	14,592,956	24,420,752
Finance Cost-NFRS Adjustment	850,946	693,051
Loan Arrangement Fee	1,105,500	42,815
Net finance cost (A)	16,549,402	25,156,618
Interest income on short-term bank deposits	4,300,978	317,662
Total finance income (B)	4,300,978	317,662
Net finance expense (A-B)	12,248,424	24,838,956

5.17 Financial Assets Measured at Amortised Cost:

Particulars	For the Year Ended on Ashad 32, 2079	For the Year Ended on Ashad 31, 2078
Fixed Deposits	71,500,000	-
Total Fixed Deposit	71,500,000	-

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5.18 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	FY 2078/79	FY 2077/78
Profit attributable to equity holders	92,837,617	71,317,827
Weighted average number of equities shares outstanding	4,484,761	3,492,863
Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share)	20.70	20.42
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	4,484,761	3,492,863
Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share)	20.70	20.42

5.19 Advance for Investment :

With the approval of Board of Directors' minute dated 2079/03/15, NPR. 3 crores has been paid by the company as share advance to Mewa Developers Ltd.

5.20 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 Compressive income itself, there are no additional disclosures, to be provided in terms of NFRS 8 on Operating Segments.

5.21 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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5.21.1 Significant Shareholders

Share Holder	FY 2078/79	FY 2077/78
	% of holding	% of holding
Bharat Prasad Nepal	11.90%	11.90%
Aka Raj Pandey	3.13%	3.13%
Neera Aryal	2.01%	2.01%
Aadarsha Nagarik Investment Company	1.63%	1.63%
Dambar Bahadur Deuja	1.34%	1.34%
Tara Devi Sanjel	1.34%	1.34%
Hari Prasad Niraula	1.34%	1.34%
Sandip Shah	1.20%	1.20%
Sabitri Adhikari	1.15%	1.15%
Purbanchal Investment and Development Pvt. Ltd	1.07%	1.07%
Share Holder Less than 1%	73.91%	73.91%

5.21.2 Transactions with and payments to directors of the Company

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

Particulars	FY 2078/79	FY 2077/78
	Annual Facilities (NRs.)	Annual Facilities (NRs.)
Ashish Subedi	418,000	372,000
Bharat Prasad Nepal	561,000	552,000
Min Raj Kadel	91,500	360,000
Gan Prasad Reshmi	91,500	360,000
Chandra Bahadur Pun	404,000	360,000
Govinda Chalise	560,500	552,000
Sagar Pathak	307,000	
Sarita Shakya Pradhan	301,500	
Garima Adhikari	307,000	
Kishor Prasad Ghemire	593,374	446,549
Total	3,635,374	3,002,549

5.22 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 32nd Ashad 2079 till the signing of this financial statement.

5.23 Tax Assessment

Inland revenue Department has made amended tax assessment of the company for FY 2073/74 on FY 2077/78 and all the additional tax has been settled as per the assessment. Tax authority has


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not done any tax assessment during FY 2078/79. The company has duly submitted its annual tax return on due dates..

5.24 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.

5.25 Reclassification and Restatement

The company has made the following reclassification during the FY.

Particulars	New Reporting	Old Reporting	Differences	Remarks
Accumulated Profit/(Loss)	131,792,403	123,693,793	8,098,610	Share issue expenses of Nrs.8,098,610 for IPO has been set off with share premium collected on issue of Initial Public Offering on FY 2077/78
Share Premium	55,510	815,4120	(8,098,610)	

5.26 Proposed Dividend

Board of directors of the company has proposed share dividend of 10% amounting to NRs. 44,847,605 and cash dividend of 0.5263% amounting to NRs. 2,360,400 for the purpose of payment of tax on share dividend for FY 2078/79.

As Per Our Report of Even Date
S. R. Pandey & Co.,
Chartered Accountants



Ashish Subedi
Chairman



Bharat Prasad Nepal
Director



Chandra Bahadur Pun
Director



S. R. Pandey, FCA
Senior Partner




Govinda Chalise
Director



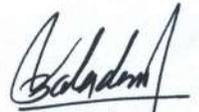
Sagar Pathak
Director



Sarita Shakya Pradhan
Director



Garima Adhikari
Director



Baladev Balami
Accountant

Date: 2079/06/07
Place: Kathmandu

