Kutheli Bukhari Small Hydropower Ltd.

Audit Report
&
Annual Financial Statements
Fiscal Year – 2081-82

2082, Mangsir 25 (2025, December 11)

Sunil Bhandari & Associates
Chartered Accountants

Independent Auditor's Report
To the shareholders of "Kutheli Bukhari Small Hydropower Ltd."

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Kutheli Bukhari Small Hydropower Ltd. ("the Company")**, which comprise the Statement of Financial Position as at Ashad 32, 2082 (July 16th, 2025), the Statement of Profit or Loss and 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 financial statements presents fairly, in all material respects, the financial position of the Company, as at Ashad 32, 2082 (July 16th, 2025), 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 (NFRSs) 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's opinion thereon, and the we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Details of Key Audit Matters	How the matters were addressed in our audit
Property, Plant & Equipment	Inter alia, our principal audit procedures performed, included the following -
There are areas where management judgement impacts the carrying value of property, plant & equipment and their respective depreciation or amortization	We assessed the controls in place over the Property, Plant & Equipment, evaluated the appropriateness of capitalization process, performed tests on costs capitalized, the

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rates. These include the decision to capitalize or expense the costs, the annual assets life review, the timeliness of the capitalization of assets and the use of management assumptions and estimates for the determination or the measurement and recognition criteria for assets. Due to the materiality in the context of the Financial Position of the company and the level of judgement and estimates required, we consider this to be a Key Audit Matter.	timeliness of the capitalization of the assets and the derecognition criteria for assets retired from active use. In performing these procedures, we reviewed the judgments made by the management including the nature of underlying costs capitalized, impairment, determination of realizable value of the assets retired from the active use, the appropriateness of useful life of assets. We have observed that the management has regularly reviewed the aforesaid judgements and there are no material misstatement of impairment and capitalization of assets

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:

a. 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.

b. 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.

c. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d. 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.

e. 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 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.

SUNIL BHANDARI & ASSOCIATES * KATHMANDU, NEPAL * CHARTERED ACCOUNTANTS

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 and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows and a summary of significant accounting policies and other explanatory information 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, Sunil Bhandari & Associates
Chartered Accountants



Sunil Bhandari, CA
Prop.
FRN – 1109
COP No. – 1243

Date – 2082, Mangsir 25
Place – Kathmandu, Nepal

*****UDIN251215CA016363JbVh*****

Kutheli Bukhari Small Hydropower Ltd.

Statement of Financial Position

as at 32-03-2082 (2025, July 16)

Particulars	Notes	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Assets			
Non Current Assets			
Property, Plant and Equipments	5	1,00,23,576	97,75,553
Intangilble Assets	6	19,33,13,174	20,32,31,396
Total Non Current Assets		**20,33,36,750**	**21,30,06,949**
Current Assets			
Inventories	7	-	-
Cash and Cash Equivalents	8	7,18,648	15,13,839
Other financial Assets	9	25,10,240	39,04,988
Prepayments	10	9,75,543	10,12,098
Other Assets	11	43,11,162	23,34,492
Total Current Assets		**85,15,592**	**87,65,417**
Total Assets		**21,18,52,341**	**22,17,72,366**
Equity & Liabilities			
Equity			
Share Capital	12	13,40,54,250	12,18,67,500
Other Equity	13	4,76,58,823	5,29,79,589
Total Equity		**18,17,13,073**	**17,48,47,089**
Non Current Liabilities			
Long Term Borrowings	14	1,52,99,999	4,58,02,999
Other Financial Liabilities	15	-	-
Total Non Current Liabilities		**1,52,99,999**	**4,58,02,999**
Current Liabilities			
Short Term Borrowings	16	1,43,00,000	-
Trade & Other Payables	17	1,12,939	2,49,787
Other Financial Liabilities	15	2,73,119	7,01,196
Provisions	18	1,53,212	1,71,296
Total Current Liabilities		**1,48,39,270**	**11,22,279**
Total Equity and Liabilities		**21,18,52,341**	**22,17,72,366**
Summary of Significant Accounting Policies & Explanatory Notes form an integral part of these financial statements	1-29		

Saroj Kaji Shrestha
Chairperson

Nabin Makaju
Director

Sujan Kumar Shrestha
Director

Narayan Bdr. Karki
Director

Laxman Bdr. Shrestha
Director

Lokesh Pun
Director

Hari Joshi
Accounts Head

Date - 2082, Mangsir 25 (2025, Dec. 11)
Kathmandu, Nepal

As per our report of even date

For Sunil Bhandari & Associates
Chartered Accountants

SUNIL BHANDARI & ASSOCIATES * KATHMANDU, NEPAL * CHARTERED ACCOUNTANTS

Sunil Bhandari, CA
Prop.

Kutheli Bukhari Small Hydropower Ltd.
Statement of Profit or Loss
for the year ended on 2082-03-32 (July 16, 2025)

Particulars	Notes	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Income			
Revenue from Operations	19	3,11,28,127	3,37,63,476
Other Income	20	2,22,605	15,33,911
Total Income		**3,13,50,732**	**3,52,97,387**
Expenditures			
Cost of Plant Operation	21	30,31,778	34,41,953
Employee Cost	22	41,13,200	37,79,788
Administration Expenses	23	34,18,089	36,06,442
Finance Cost	24	31,34,642	59,21,367
Depreciation & Amortization	5 & 6	99,92,420	99,83,039
Total Expenditures		**2,36,90,129**	**2,67,32,589**
Profit / (Loss) before CSR, Bonus & Tax		**76,60,603**	**85,64,798**
Employee Bonus Expenses		1,53,212	1,71,296
Contribution - CSR		-	-
Profit Before Tax		**75,07,391**	**83,93,502**
Less			
Current Tax		-	-
Deferred Tax		-	-
Prior Period Taxes		-	-
Net Profit / (Loss) after Tax		**75,07,391**	**83,93,502**

Summary of Significant Accounting Policies & Explanatory Notes form an integral part of these financial statements 1-29

As per our report of even date

For Sunil Bhandari & Associates
Chartered Accountants

Saroj Kaji Shrestha
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Accounts Head

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Date - 2082, Mangsir 25 (2025, Dec. 11)
Kathmandu, Nepal

Kutheli Bukhari Small Hydropower Ltd.
Statement of Cash Flows
for the year ended on 2082-03-32 (July 16, 2025)

Particulars	Notes	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
A. Cash Flow from Operating Activities			
Profit/(Loss) After Bonus, CSR & Tax		75,07,391	83,93,502
Adjustments for			
Finance Cost		31,34,642	59,21,367
Depreciation & Amortization		99,92,420	99,83,039
Cash Used in Operating Activities before w/c changes		**2,06,34,453**	**2,42,97,908**
(Increase)/Decrease in other Financial assets		13,94,748	(21,471)
(Increase)/Decrease in Inventories		-	-
(Increase)/Decrease in Other Assets		(19,76,670)	12,21,951
(Increase)/Decrease in Prepayments		36,556	(2,28,289)
Increase/(Decrease) in Other Financial Liabilities		(1,36,849)	(6,11,192)
Increase/(Decrease) in Provisions		(18,084)	(29,851)
Increase/(Decrease) in Other Liabilities - Current		(4,28,077)	(24,31,450)
Income Tax Paid		-	-
Cash Generated/(Used) from/for Operating Activities		**1,95,06,078**	**2,21,97,606**
B. Cash Flow from Investing Activities			
(Increase)/Decrease in Fixed Asset		(3,22,221)	(2,88,080)
(Increase)/Decrease in Other Assets - Non Current		-	-
Net Cash Flow From Investing Activities		**(3,22,221)**	**(2,88,080)**
C. Cash Flow from Financing Activities			
Receipt from Share issue		1,21,86,750	1,03,58,800
Finance Cost		(31,34,642)	(59,21,367)
Dividend paid		(1,28,28,157)	-
Receipt/(Payment) - Term Loan		(1,62,03,000)	(2,55,50,000)
Net Cash Flow From Financing Activities		**(1,99,79,049)**	**(2,11,12,567)**
Net Increase in cash & cash equivalents		(7,95,191)	7,96,959
Opening Cash & Cash Equivalents		15,13,839	7,16,880
Closing Cash & Cash Equivalents		**7,18,648**	**15,13,839**

Summary of Significant Accounting Policies & Explanatory Notes form an integral part of these financial statements

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Hari Joshi
Accounts Head

Date - 2082, Mangsir 25 (2025, Dec. 11)
Kathmandu, Nepal

Kutheli Bukhari Small Hydropower Ltd.
Statement of Other Comprehensive Income
for the year ended on 2082-03-32 (July 16, 2025)

Particulars	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Profit/(Loss) for the Year (a)	**75,07,391**	**83,93,502**
Other Comprehensive Income		
Income that will not be reclassified to profit or loss		
Gains/(losses) on revaluation of Land	-	-
Income Tax Relating to above Items	-	-
	-	-
Items that are or may be reclassified subsequently to profit or loss	-	-
Income Tax Relating to above Items	-	-
	-	-
Total Other Comprehensive Income, net of tax (b)	-	-
Total Comprehensive Income of the year (a+b)	75,07,391	83,93,502

Summary of Significant Accounting Policies & Explanatory notes form an integral part of these financial statements.

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Date - 2082, Mangsir 25 (2025, Dec. 11)
Kathmandu, Nepal

Kutheli Bukhari Small Hydropower Ltd.
Statement of Changes in Equity
for the year ended on 2082-03-32 (July 16, 2025)

Particulars	Share Capital	Accumulated Profit/(Loss)	Total
Balance as at Ashad 31, 2080	**11,15,08,700**	**4,45,86,087**	**15,60,94,787**
Net Profit for the period	-	83,93,502	83,93,502
Prior year adjustment	-	-	-
Transfer to Reserve	-	-	-
Dividend	-	-	-
Reduction in Share Capital	-	-	-
Issuance of Shares	1,03,58,800	-	1,03,58,800
Balance as at Ashad 31, 2081	**12,18,67,500**	**5,29,79,589**	**17,48,47,089**
Net Profit for the period	-	75,07,391	75,07,391
Prior year adjustment	-	-	-
Transfer to Reserve	-	-	-
Cash Dividend	-	(6,41,407)	(6,41,407)
Issuance of Bonus Shares	1,21,86,750	(1,21,86,750)	-
Balance as at Ashad 32, 2082	**13,40,54,250**	**4,76,58,823**	**18,17,13,073**

Summary of Significant Accounting Policies & Explanatory Notes form an integral part of these financial statements

As per our report of even date

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Kathmandu, Nepal

Kutheli Bukhari Small Hydropower Ltd.
Significant Accounting Policies and Explanatory Notes
for the year ended on 2082-03-32 (July 16, 2025)

1 Corporate information

1.1 Reporting Entity

Kutheli Bukhari Small Hydropower Ltd. ("the company") is a public limited company incorporated for the developments and operation of hydropower projects in Nepal. The company was initially registered as Private Limited Company with Office of Company Registrar vide Registration number 85490/068/069 on 2068-04-26. Later, the company got converted into public limited company on 2071-10-20. The company is currently engaged in operating the small hydropower project (998 K.W.) at Bhimeshowar Municipality, Ward No. 01 of Dolakha District, Bagmati Province, Nepal.

The company comes under the jurisdiction of Inland Revenue Office, New Baneshwar, Kathmandu, Nepal. The Main objective of the company is to generate power from renewable natural resources. The project has started its commercial operation from 2072-06-03.

1.2 Responsibility for the preparation of Financial Statements

The Board of Directors of the company acknowledges the responsibility of preparation of financial statements of the company as per the provisions of Companies Act, 2006, in accordance with Nepal Financial Reporting Standards (NFRS).

1.3 Approval of Financial Statement by Board of Directors

The accompanied Financial Statements have been authorized by the Board of Directors vide its resolution dated 25 Mangsir, 2082 (2025, Dec. 11), and recommended for approval by the Annual General Meeting of the shareholders.

2. Basis of Preparation

The financial statements have been prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2.1 Statement of Compliance

The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (hereinafter referred to as NFRS) as issued by the Accounting Standards Board, Nepal (ASB) and pronounced for implementation by The Institute of Chartered Accountants of Nepal (ICAN) and in compliance with the requirements of Companies Act, 2006.

2.2 Basis of Measurement

These financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS and explained in the ensuing policies below.

SUNIL BHANDARI & ASSOCIATES
KATHMANDU, NEPAL
CHARTERED ACCOUNTANTS

2.3 Critical Accounting Estimates

The preparation of the financial statements in conformity with NFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

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

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

2.4 Functional and Presentation Currency

These financial statements are presented in Nepalese Rupee (NRs.), which is the company's functional currency. This is also the currency of the primary economic environment in which the company operates.

2.5 Foreign Currency Transactions

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

ii. At the end of each reporting period, monetary items denominated in foreign currencies are re -translated at the rates prevailing at that date. Non - monetary items carried at fair value that are denominated in foreign currencies are re - translated at the rates prevailing at the date when the fair value was determined.

iii. Exchange differences on monetary items are recognized in the Statement of Profit and Loss in the period in which they arise.

2.6 Going Concern

The financial statements are prepared under going concern assumption, as the management of the company is satisfied that the company has the resources to continue in business for the foreseeable future.

In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

SUNIL BHANDARI & ASSOCIATES * KATHMANDU, NEPAL * CHARTERED ACCOUNTANTS

2.7 Prior Period Errors

Prior Period Errors are omissions or misstatements in an entity's financial statements. Such omissions may relate to one or more prior periods. Correction of an error is done by calculating the cumulative effect of the change on the financial statements of the period as if new method or estimate had always been used for all the effected prior years' financial statements.

Sometimes such changes may not be practicable. In such cases, it is applied to the latest period possible by making corresponding adjustment to the opening balance of the period.

2.8 Materiality & Aggregation

In compliance with Nepal Accounting Standard NAS - 1 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard.

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 Significant Accounting Policies, Judgements, Estimates, Assumptions

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

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

3.1 Classification of Current and Non - current Assets and Liabilities

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in NAS 1 - Presentation of Financial Statements based on the nature and the time between the acquisition of assets for processing and their realization in cash and cash equivalents.

The company has classified the assets as current when:

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

All other assets are classified as non-current.

SUNIL BHANDARI & ASSOCIATES * KATHMANDU, NEPAL * CHARTERED ACCOUNTANTS

The company has classified the liability as current when:

a) It expects to be settled in normal operating cycle;
b) It is due to be settled within twelve months after the reporting period;
c) There is no unconditional right to defer the settlement of the liability for at least twelve months after reporting period;
d) Held primarily for the purpose of the trading.
e) The company has classified all other liabilities as non-current.

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

3.2 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.

i) Recognition

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

Subsequent costs are included in the assets carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repair and maintenance are charged to profit and loss during the reporting period in which they are incurred.

ii) Depreciation

Land is not depreciated. 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 (SLM). 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 in accordance with NAS - 8 "Accounting policies, Changes in Accounting Estimates and Errors". Depreciation on assets under construction does not commence until they are complete and available for use.

Useful Life of Property, Plant and Equipment based on SLM is categorized as stated below:

List of Assets	Estimated Life
Furniture & Fixtures	10 Years
Office Equipment & Electrical Appliances	5 Years
Vehicles	8 Years

Depreciation on additions of property, plant and equipment is charged on pro-rata basis in the year of purchase.

SUNIL BHANDARI & ASSOCIATES * KATHMANDU, NEPAL * CHARTERED ACCOUNTANTS *

iii) De - recognition

An item of Property, Plant & Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the Asset. Any gain or loss arising on the disposal or retirement of an item of Property, Plant & Equipment is determined as the difference between the sales proceeds and the carrying amount of the Asset and is recognized in the Statement of Profit or Loss.

iv) Impairment of Assets

The Company assesses at each reporting date as to whether there is any indication that Property, Plant & Equipment may be impaired. If any such indication exists, the recoverable amount of an asset is estimated to determine the extent of impairment, if any. An impairment loss is recognized in the Statement of Profit or Loss to the extent, asset's carrying amount exceeds its recoverable amount.

Where the recoverable amount is higher of an asset's fair value less cost of disposal & value in use. Whereas Value in use is based on the estimated future cash flows, discounted to their present value using pre - tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

v) Capital Work In Progress

These are expenses of capital nature directly incurred in the construction of buildings and major plant and machinery which are to be capitalized. Capital Work in Progress would be transferred to the relevant asset when it is available for use. Capital Work in Progress is stated at cost less any accumulated impairment losses.

3.3 Intangible Assets

Intangible assets of the company include Accounting Software, Licenses, etc. and Service Concession Arrangements (in accordance with IFRIC 12).

i) Service Concession Arrangements - IFRIC 12

IFRIC (International Financial Reporting Interpretation Committee) 12 gives guidance on the accounting by operators for public - to - private service concession arrangements. This interpretation sets out general principles on recognizing and measuring obligations and related rights in service concession arrangements. The company has considered about the applicability of IFRIC - 12 Service Concession Arrangement, issued by International Accounting Standard Board (IASB) for preparation and presentation of financial statements.

A feature of these service arrangements is the public service nature of the obligation undertaken by the operator. Public policy is for the services related to the infrastructure to be provided to the public, irrespective of the identity of the party that operates the services. The service arrangement contractually obliges the operator to provide the services to the public on behalf of the public sector entity. Other common features are:

1. The party that grants the service arrangement (the grantor) is a public sector entity, including a governmental body, or a private sector entity to which the responsibility for the service has been devolved.

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2. The operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent on behalf of the grantor.

3. The contract sets the initial prices to be levied by the operator and regulates price revisions over the period of the service arrangement.

4. The operator is obliged to hand over the infrastructure to the grantor in a specified condition at the end of the period of the arrangement, for little or no incremental consideration, irrespective of which party initially financed.

IFRIC 12, Service Concession Arrangements applies to public - private service concession arrangements if:

a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what prices; and

b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The management considers that the existing relation between the grantor and operator do not meet the scope and criteria of IFRIC 12 – Service Concession Arrangements regarding the controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement. Accordingly, Project Assets has not been recognized as Intangible Assets.

These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

Financial Assets Model

The Financial asset model is used when the Company, being an operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Unconditional contractual right is established when the grantor contractually guarantees to pay the operator.

a) specific or determinable amount;
b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

Intangible Assets Model

The intangible asset model is used to the extent the operator, receives a right (a license) to charge users of the public service. A right to charge users of a public services is not an unconditional right to receive cash because the amounts are contingent on to the extent that public uses the services.

Both type of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a Financial Asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset.

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These concession arrangements set out rights and obligations related to the infrastructure and services to be provided to the public user through Nepal Electricity Authority (NEA). The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model has been applied by the company.

ii) Intangible Assets - Owned

a) Initial Recognition

Intangible assets that the company controls and from which it expects future economic benefits are capitalized upon acquisition and initially measured at cost comprising directly attributable costs to prepare the assets for its intended use.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is reflected in Statement of profit or loss in the year in which the expenditure is incurred.

iii) Amortization

The useful lives of intangible assets are assessed to be either finite or indefinite. An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected generate net cash inflow for the entity.

Amortization is recognized in Statement of Profit or Loss on straight line method (SLM) over the estimated useful life of the intangible assets from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Intangible Assets recognized as per IFRIC - 12, is amortized on Straight Line Method (SLM) over the life of the project as specified in the Power Purchase Agreement (PPA).

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization on intangible assets with finite lives is recognized in the Statement of Profit or Loss.

Useful Life of Intangible Assets based on SLM is categorized as stated below:

List of Asset Categories	Life of Assets
IA - Accounting Software	5 Years
IA - Service Concession Arrangements	23.5 Years

iv) De - recognition

An Intangible Asset is derecognized when no future economic benefits are expected to arise from the continued use of the Asset. Any Gain or Loss arising on the derecognition is determined as the difference between the sales proceeds and the carrying amount of the Asset and is recognized in the Statement of Profit or Loss.

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v) Impairment of Assets

The Company assesses at each reporting date as to whether there is any indication that Intangible Asset may be impaired. If any such indication exists, the recoverable amount of an asset is estimated to determine the extent of impairment, if any. An impairment loss is recognized in the Statement of Profit or Loss to the extent, asset's carrying amount exceeds its recoverable amount

Here the recoverable amount is higher of an asset's fair value less cost of disposal & value in use. Whereas Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

3.4 Financial Instruments

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of such financial assets and liabilities at fair value through profit or loss. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

3.4.1 Financial Instruments

Financial asset

Financial asset is any asset that is:

(a) cash

(b) an equity instrument of another entity

(c) a contractual right;

(i) to receive cash or another financial asset from another entity; or

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

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

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

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

A. Initial Recognition & Measurement

Financial Assets are recognized when, and only when, the Company becomes a party to the contractual provisions of the Financial Instrument. The Company determines the classification of its Financial Assets at initial recognition.

When Financial Assets are recognized initially, they are measured at Fair Value, plus or minus, in the case of Financial Assets not "at Fair value through Profit or Loss", transaction costs that are

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attributable to the acquisition of the Financial Asset. Transaction costs of Financial Assets carried "at Fair Value through Profit or Loss" are expensed in the Statement of Profit or Loss.

B. Classification

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

a) Financial Assets carried at Amortized Cost (AC)

A Financial Asset is measured at amortized cost if both the following conditions are met –

i. if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows, and;

ii. the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income from these financial assets is measured using effective interest rate method.

b) Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

A Financial Asset is measured at FVTOCI, if both the following conditions are met -

i. if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling Financial Assets, and

ii. the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are measured at fair value and changes are taken to statement of other comprehensive income.

c) Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or fair value through other comprehensive income. However, an irrevocable election may be made at initial recognition for investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value through other comprehensive income.

C. Derecognition

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

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

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loss that had been recognized in other comprehensive income is recognized in the Statement of Profit or Loss.

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

D. Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a financial asset or a group of financial assets is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.4.2 Financial Instruments - Financial liabilities

A financial liability is any liability that is -

a) contractual obligation;

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

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

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

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

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

A. Initial Recognition, Classification & Measurement

Financial Liabilities are recognized when, and only when, the Company becomes a party to the contractual provisions of the Financial Instrument. The Company determines the classification of its Financial Liabilities at initial recognition.

All Financial Liabilities are recognized initially at Fair Value, plus or minus, in the case of Financial Liabilities not at fair value through profit or loss, transaction costs that are attributable to the issue of the Financial Liability.

Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

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B. De - Recognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized, and the sum of (i) the consideration paid (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the Statement of Profit or Loss.

3.4.3 Subsequent Measurement

A financial asset or a financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or the financial liability. Financial assets or financial liabilities classified as measured at amortized cost are subsequently measured at amortized cost using effective interest rate method. Financial assets or a financial liability classified at fair value are subsequently measured at fair value.

The subsequent changes in fair value of financial assets or a financial liability at fair value through profit or loss are recognized in Statement of Profit or Loss whereas changes in fair value of financial assets or a financial liability measured at fair value through other comprehensive income are recognized in Other Comprehensive Income.

3.4.4 Compound Financial Instruments

On issuing convertible debt or similar compound financial instruments that contain both a liability and an equity component, the proceeds are allocated between the liability component and the equity component. To make the allocation, firstly the amount of the liability component as the fair value of a similar liability that does not have a conversion feature or similar associated equity component is determined. Then, the residual amount is allocated as the equity component.

Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values. This allocation is not revised in any subsequent periods.

3.4.5 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3.4.6 Amortized Cost Measurement

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

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3.4.7 Determination of Fair Value

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

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

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

All unquoted equity investments are recorded at cost.

3.5 Provisions & Contingencies

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

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and 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 the present value of those cash flows (when the effect of the time value of money is material).

A contingent liability is a possible obligation that arises from past event whose existence will be confirmed by the occurrence of one or more uncertain future events beyond the control of the company or present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations or a reliable estimate of the amount of obligation cannot be made.

A contingent asset is neither recognized nor disclosed in the financial statements.

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3.6 Capital Management

Capital includes paid - up capital and all other reserves attributable to the equity holders of the company. The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders.

The capital structure of the company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

3.7 Events after reporting period

The company monitors and assesses events that may have potential impact to qualify as adjusting and/or non - adjusting events after the end of the reporting period.

Where necessary, all material events after the reporting date have been considered and appropriate adjustment in the books with additional disclosures have been made in the financial statements as per the NAS 10 - Events After the Balance Sheet Date and non - adjusting events are disclosed in the notes with possible financial impact, to the extent ascertainable.

3.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest expense recognized in the profit and loss account over the period of borrowing using effective interest method and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

3.9 Inventories

Inventories are assets -

a. Held for sale in the ordinary course of business
b. In the process of production for such sale; or
c. In the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventory includes Bearing/Transformer oil, Spare parts of Electromechanical equipment, Hydromechanical stock, Gabion box stock and other materials expected to be used in the normal course. Cost of inventories comprises of cost of purchase, costs of conversion and other costs in bringing the asset to the location and condition intended to be used by management. Inventories are initially recognized at lower of cost or Net realizable value. Net Realizable value represents the estimated selling price of the inventory less any estimated costs to sell. Inventory is maintained in First in First out (FIFO) Basis.

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3.10 Cash and cash equivalents

Cash and cash equivalents include cash with self and bank account balances, highly liquid financial assets with original maturity of 3 months from the date of its acquisition and are readily convertible to cash, which are subject to an insignificant risk of changes in value. Cash and Cash equivalent are measured at amortized cost in the statement of financial position.

The statement of cash flows has been prepared using indirect method and the activities has been grouped under three major categories (Cash flows from operating activities, Cash flows from investing activities and Cash flows from financing activities) in accordance with NAS- 07, "Statement of Cash Flows".

3.11 Revenue Recognition

Accrual Basis of accounting has been applied on recognition of revenue.

Sale of Power (Energy)

Revenue from the Sale of Power is recognized to the extent the economic benefits associated with a transaction flows to the company and revenue can be measured reliably in line with NFRS - 15, "Revenue from contract with Customers". Revenue is recognized at the rate agreed as per the Power Purchase Agreement (PPA) based on the approved meter reading. Revenue is recognized, net off any deductions by Nepal Electricity Authority (NEA).

Dividend

Dividend Income is recognized when right to receive is established and is stated net of TDS.

Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the entity and the amount can be measured reliably and stated gross of TDS.

Other Income

Other Miscellaneous Income is recognized when no significant uncertainties as to the amount of consideration that would be derived and to its ultimate collection, exist.

3.12 Events after reporting period

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

3.13 Lease

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

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When all the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are taken to the statement of profit or loss.

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis.
For Short - Term and Low Value Leases, the company recognizes the lease payments as an operating expense on a straight-line basis.

3.14 Provision for Staff Bonus

Two percent (2%) of profit before tax and bonus in line with the provisions of section 15 of the Electricity Act, 2049 & Rule 86 of the Electricity Regulations, 2050 is provided as staff bonus in the year the company earns a profit.

3.15 Taxation

Income Tax for the year comprises current taxes and deferred taxes. Income tax is recognized in the Statement of Profit or Loss except to the extent that it relates to items recognized directly to equity or other comprehensive income.

Current Income Tax

Current Income tax is the expected tax payable on the taxable income for the year using tax rates at the Statement of Financial Position date. Provision for Current Tax is made as per the provisions of Income Tax Act and amendments thereto.

Income Tax Rate

The company is involved in the generation of Electricity and Development of electricity Projects. However, as per, Section 11 (3) Gha) of the Income Tax Act, 2058, hydropower companies are exempt from Income Tax Levy for the first 10 years from date of its commercial operation and 50% concession on Tax Levy, for the forthcoming five years. The company is enjoying such tax holiday and hence, no income is chargeable to tax.

Deferred Tax

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

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

Considering the Tax Holiday Period, applicable Income Tax Rate is Nil and hence, Deferred Tax asset/liability has not been recognized, in the books of accounts.

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3.16 Employee Benefits

Compensation to employees for service rendered have been measured and accounted in accordance with NAS - 19, "Employee Benefits".

Employee cost includes salaries, wages, social security contributions, compensated absences and other terminal benefits. Such benefits that fall due for payment within a period of twelve months, are charged to Profit or Loss in the period in which the service is rendered.

4 Segment Reporting

NFRS 8 "Operating Segments" requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers.

The Company has only one reportable operating segment (both in terms of geography and product) and therefore, identification, classification and disclosure of separate reportable operating segments in accordance with NFRS 8 is not disclosed separately.

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5. Property, Plant and Equipments

Particulars	Land	Office Equipments & Electrical Appliances	Vehicles	Total
Cost				
Gross Block as on 2081, Ashadh 31	93,91,456.00	8,75,536.00	5,05,900.00	1,07,72,892.00
Additions For the year	1,81,220.00	1,41,001.00	-	3,22,221.00
Revaluation Surplus of PPE	-	-	-	-
Transfer to Intangible Assets	-	-	-	-
Revaluation & Adjustments	-	-	-	-
Disposals/Adjustments	-	-	-	-
Gross Block As on Ashad 32, 2082	95,72,676.00	10,16,537.00	5,05,900.00	1,10,95,113.00
Depreciation & Impairment Losses				
Accumulated Balance as on Ashadh 31, 2081	-	7,92,881.50	2,04,457.50	9,97,339.00
Charge for the year	-	27,409.79	46,788.50	74,198.29
Adjustment due to Revaluations & others	-	-	-	-
Impairment Losses	-	-	-	-
Transfer to Intangible Assets	-	-	-	-
Disposals/Adjustments	-	-	-	-
Accumulated Balance As on Ashad 32, 2082	-	8,20,291.29	2,51,246.00	10,71,537.29
Net Block				
As on Ashad 32, 2082	95,72,676.00	1,96,245.71	2,54,654.00	1,00,23,575.71
As on Ashad 31, 2081	93,91,456.00	82,654.50	3,01,442.50	97,75,553.00

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6. Intangible Assets

Particulars	Softwares / Licences	Service Concession Arrrangement	Total
Cost			
Gross Block as on 2081, Ashadh 31	67,412	24,72,13,109	24,72,80,521
Additions	-	-	-
Revaluation Surplus of Intangible Assets	-	-	-
Revaluation & Adjustments	-	-	-
Disposals/Adjustments	-	-	-
Gross Block As on Ashad 32, 2082	**67,412**	**24,72,13,109**	**24,72,80,521**
Accumulated Amortization			
Accumulated Balance as on Ashadh 31, 2081	49,436	4,39,99,689	4,40,49,125
Charge for the year	5,372	99,12,850	99,18,222
Adjustment due to Revaluations & others	-	-	-
Impairment Losses	-	-	-
Disposals/Adjustments	-	-	-
Accumulated Balance As on Ashad 32, 2082	**54,808**	**5,39,12,539**	**5,39,67,347**
Net Block			
As on Ashad 32, 2082	**12,604**	**19,33,00,570**	**19,33,13,174**
As on Ashad 31, 2081	**17,976**	**20,32,13,420**	**20,32,31,396**

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7	Inventories	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
	Inventories	-	-
	Total	-	-

8	Cash and Cash Equivalents	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
	Cash Balance (Certified by Management) (a)	1,263	4,065
	Cheques in Hand (b)	-	-
	Balances with Banks and Financial Institutions (c)	**7,17,385**	**15,09,773**
	Prabhu Bank Ltd.	22,783	22,783
	Nabil Bank Ltd.	5,000	5,000
	Kumari Bank Ltd.	2,000	2,000
	NMB Bank Ltd.	5,87,602	14,79,990
	Reserve Balance - NMBCA	1,00,000	-
	Total (a+b+c)	**7,18,648**	**15,13,839**

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

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

9	Other Financial Assets	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
	Receivable from Nepal Electricity (NEA)	25,10,240	39,04,988
	Less: Provision for Doubtful Debts	-	-
	Total	**25,10,240**	**39,04,988**

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10	Prepayments	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
	Prepaid Insurance	9,75,543	10,12,098
	Total	**9,75,543**	**10,12,098**

11	Other Assets	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
	Advances [11.1]	23,56,640	23,20,000
	Delta Hydro Solution Pvt. Ltd.	8,80,825	-
	Nepal Transformer and Allied Engineering Pvt. Ltd.	10,00,000	-
	Other Receivables	11,800	14,492
	TDS Receivable	61,897	-
	Total	**43,11,162**	**23,34,492**

11.1	Advances	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
	Project Site Work Advance (Land Advance)	22,80,000	23,20,000
	Babu Kaji Mainali - Advance	30,000	-
	Hari Joshi - Work Advance	46,640	-
	Total	**23,56,640**	**23,20,000**

SUNIL BHANDARI & ASSOCIATES * KATHMANDU, NEPAL * CHARTERED ACCOUNTANTS

12 Share Capital	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Authorised		
2500000 nos. of Ordinary Shares of Rs. 100 each	25,00,00,000	-
1218675 nos. of Ordinary Shares of Rs. 100 each	-	12,18,67,500
Issued		
2500000 nos. of Ordinary Shares of Rs. 100 each	25,00,00,000	-
1218675 nos. of Ordinary Shares of Rs. 100 each	-	12,18,67,500
Subscribed & Paid - Up		
1340542.5 nos. of Ordinary Shares of Rs. 100 each	13,40,54,250	12,18,67,500
Less: Calls in arrear	-	-
Total	**13,40,54,250**	**12,18,67,500**

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

12.2 **Rights, Preference and Restrictions attached to equity shares**

The company has one class of equity shares having a face value of Rs. 100 per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the board of directors is subject to the approval of the shareholders in the ensuing annual general meeting, except in the case of interim dividend.

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

Particulars	Nos of Shares	Face Value
Shares outstanding As on Shrawan 1, 2080	11,15,087	11,15,08,700
Add: Shares issued during the year	1,03,588	1,03,58,800
Total Shares outstanding at Ashad 31, 2081	**12,18,675**	**12,18,67,500**
Add: Shares issued during the year	1,21,868	1,21,86,750
Total Shares outstanding at Ashad 32, 2082	**13,40,542.5**	**13,40,54,250**

SUNIL BHANDARI & ASSOCIATES * KATHMANDU, NEPAL * CHARTERED ACCOUNTANTS

13 Other Equity

	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Retained Earnings		
Upto Last Year	5,29,79,589	4,45,86,087
(+/-) Adjustments	-	-
Balance	5,29,79,589	4,45,86,087
Change in Accounting Policy	-	-
For the Year	75,07,391	83,93,502
Cash Dividend	(6,41,407)	-
Issuance of Bonus Shares	(1,21,86,750)	-
Total	4,76,58,823	5,29,79,589

14 Long Term Borrowings

Long term borrowings are interest bearing financial liabilities consisting of bank borrowings. For these financial liabilities interest charged by the bank approximates effective interest rate and such rate is considered for calculation of amortized cost of liability and the finance cost. The effect of intital charges and its impact on effective rate is considered not material and the carrying value is considered approximate amortized cost.

Particulars	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Secured Loan		
NMB Bank Limited		
Term Loan	2,95,99,999	4,58,02,999
(-) Current Maturities of Long Term Debt	(1,43,00,000)	-
Total	1,52,99,999	4,58,02,999

15 Other Financial Liabilities

15.1 Other Financial Liabilities, Non - Current

	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Lease Liabilities	-	-
Total	-	-

15.2 Other Financial Liabilities, Current

	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Audit Fee Payable	1,11,500	1,11,500
NFRS Implementation Fee payable	-	98,673
Consultancy Fee Payable	-	30,000
Other Payable	-	1,55,814
H.O. Staffs Salary Payable	-	2,88,090
Dividend Payable	17,119	17,119
Meeting Allowances Payable	1,44,500	-
Lease Liabilities	-	-
Total	2,73,119	7,01,196

SUNIL BHANDARI & ASSOCIATES * KATHMANDU, NEPAL * CHARTERED ACCOUNTANTS *

16 Short Term Borrowings

Short term borrowings are interest bearing financial liabilities consisting of bank borrowings. For these financial liabilities interest charged by the bank approximates effective interest rate and such rate is considered for calculation of amortized cost of liability and the finance cost. The effect of intital charges and its impact on effective rate is considered not material and the carrying value is considered approximate amortized cost.

Secured Loans	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
(-) Current Maturities of Long Term Debt	1,43,00,000	-
Total	**1,43,00,000**	-

17 Trade & Other Payables

	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Current other Liabilities		
Sundry Creditors	-	1,19,837
Keshu Multi Concern Pvt. Ltd.	19,500	-
Statutory Dues		
TDS Payable - Statutory Audit Fee	1,500	1,500
TDS Payable - Legal & Professional Fee	8,824	5,294
TDS Payable - NFRS Consultant	-	1,327
TDS Payable - Office Rent	20,000	20,000
SST Payable - Salary	-	37,798
TDS Payable - Internet Charges	1,188	-
TDS Payable - Meeting Allowances	53,250	-
TDS Payable - Advertisement Expenses	2,202	-
TDS Payable - CDS and Clearing Ltd.	940	-
TDS Payable - NMB Capital Ltd.	2,160	-
TDS Payable - Others	-	64,031
TDS Payable - NEPSE	2,475	-
TDS Payable - Allowances Others	900	-
Total	**1,12,939**	**2,49,787**

18 Provisions

	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Balance, beginning of the year	1,71,296	1,71,296
(+/-)		
+ Current Year Provision	1,53,212	-
- Employee Bonus Paid	(1,71,296)	-
a) **Balance, end of year**	**1,53,212**	**1,71,296**
b) Provision For Income Tax	-	-
c) Provision towards Corporate Social Responsility	-	-
Total	**1,53,212**	**1,71,296**

SUNIL BHANDARI & ASSOCIATES * CHARTERED ACCOUNTANTS * KATHMANDU, NEPAL

19 Revenue From Operations	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Revenue from Power Sale	3,11,28,127	3,37,63,476
Total	**3,11,28,127**	**3,37,63,476**

Revenue from power sale is recognized when the company has transferred the significant risks and rewards of ownership to the buyer i.e. Nepal Eletricity Authority (NEA) and it is probable that the company will receive the previously agreed upon payment.

20 Other Income	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Insurance Claim Received	-	9,98,240
Interest on Call Deposit	7,249	-
Miscellaneous Income	2,15,357	5,35,671
Total	**2,22,605**	**15,33,911**

21 Cost of Plant Operation	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Electricity Charges	11,448	11,444
Repair & Maintenance (Materials), Project	4,59,949	13,19,071
Insurance Charges -	58,220	
Project	-	24,827
Machinaries	11,63,368	9,28,395
Site Office Expenses	13,38,793	11,58,216
Total	**30,31,778**	**34,41,953**

22 Employee Cost	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Short Term Employee benefits		
Salary & Allowances	41,13,200	37,79,788
Total	**41,13,200**	**37,79,788**

23 Administrative Expenses	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Office Rent	2,00,000	2,00,000
Software AMC	20,000	-
Charges - CDSC / SEBON / NEPSE	3,59,374	-
Legal & Professional Fee	58,824	-
Annual Filing Charges - OCR	41,000	-
Share Structure Change Charges - ERC	10,000	-
Advertisement Expenses	75,634	78,300
Repair (Material) & Fuel Expenses	40,231	-
Demat Processing Fee	18,999	-
NFRS Implementation Fee	-	1,00,000

SUNIL BHANDARI & ASSOCIATES * CHARTERED ACCOUNTANTS * KATHMANDU, NEPAL

Statutory Audit Fee	1,13,000	1,13,000
Fines & Penalties	1,12,498	43,958
Corporate Action Fee (Bonus)	12,666	-
Fooding & Lodging Expenses	5,94,420	77,272
Fuel & Parking Expenses	1,21,250	21,600
IPPAN Membership Fee	18,000	18,000
Meeting Allowances	3,55,000	3,16,000
Miscellaneous Expenses	-	9,372
Office Expenses	16,850	8,230
Printing & Stationary	19,230	58,620
Renewal Charges	30,000	75,000
Telephone & Internet	1,24,025	1,41,928
Site Visit Expenses	21,500	-
Festival Expenses	40,000	-
Land Compensation Expenses	5,50,000	-
Site Office Bike Repairing Expenses	5,850	-
Travelling Expenses	-	24,000
Website Development Expenses	30,000	-
Annual Service Fee - RTS	1,25,000	-
IPO Issue Related Expenses	-	20,97,044
AGM Expenses	2,82,138	1,88,824
Consultant's Fee	22,600	35,294
Total	**34,18,089**	**36,06,442**

24 Finance Cost

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

Borrowing Cost comprises of interest and other cost that an entity incurs in connection with the borrowing of funds. Borrowing costs also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. A qualifying asset is an asset that necessarily requires substantial period of time to get ready for its intended use or sale. All other borrowing cost are recognized as expense in the period in which they are incurred.

Finance Cost	**32-03-2082 [July 16, 2025]**	**31-03-2081 [July 15, 2024]**
Interest on Bank Loan		
NMB Bank - Term Loan	30,13,600	57,24,668
NMB Bank - Cash Credit	24,272	1,83,562
Bank Charges & Commission		
Bank charges	96,771	13,137
Total	**31,34,642**	**59,21,367**

SUNIL BHANDARI & ASSOCIATES * CHARTERED ACCOUNTANTS * KATHMANDU, NEPAL

25 Earning per Share (EPS)	32-03-2082 [July 16, 2025]	31-03-2081 [July 15, 2024]
Numerator		
Profit/(Loss) for the year	75,07,391.09	83,93,501.96
Denominator (Weighted Avg. No. of Shares)		
Basic	13,40,542.50	12,18,675.00
Diluted	13,40,542.50	12,18,675.00
Earning Per Share (in NRs) (Face Value Rs 100/- each)		
Basic	**5.60**	**6.89**
Diluted	**5.60**	**6.89**

Earning Per Share

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

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

26 Related Party Transactions

26.1 Relationship

The company identified related parties on the following lines -

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

26.2 Transaction with Related Parties

During the year , following transactions was carried out with personnel, identified as Related Parties.

Name	Meeting Allowances	Designation
Nabin Makaju	45,000.00	Director
Saroj Kaji Shrestha	60,000.00	Chairperson
Sumitra Kharel	45,000.00	Female Director
Lokesh Pun	45,000.00	Director
Laxman Bahadur Shrestha	50,000.00	Director
Narayan Bahadur Karki	25,000.00	Director
Sujan Kumar Shrestha	25,000.00	Director
Santosh Prasad Mainali	35,000.00	Chairperson, Previous Term
Ratna Bahadur Newar	25,000.00	Member, BOD, Previous Term

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27 **Financial risk management objectives and policies**

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

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.

27.1 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 Authority is owned by the Government of Nepal.

Liquidity Risk Management

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

27.2 Company's objective is to maintain a balance between continuity of funding through equity and flexibility through use of bank loans. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Interest Risk Management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate

27.3 because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's 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.
Further, the company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings by negotiating with highly reputed commercial banks.

28 **Others**

28.1 **Dividend**

Accounting Policy

The distributions are proposed by the Board of Directors (BOD) and approved by the general meeting. The proposed dividend and bonus shares are not adjusted in the books instead disclosed by way of notes.

28.2 **Proposed Distributions (Bonus Shares / Cash Dividend)**

The board of directors has, for FY 2081-82, proposed 10% bonus dividend on paid up capital from its accumulated reserve & surplus till FY 2081-82 on its meeting held on 2082, Mangsir 25. This proposal of Board of Directors is subject to the ratification by the Annual General Meeting of the Shareholders.

29 **Regrouping and Round off**

Figures have been regrouped and rearranged so as to facilitate comparison . The amounts in the financial statement are rounded off to the nearest Rupees , except where otherwise indicated as permitted by NAS 1 - *"Presentation of Financial Statements"*.

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