

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MABILING ENERGY LTD, LALITPUR NEPAL

We have audited the accompanying financial statements of Mabiling Energy Ltd which comprise the Balance sheet as at Ashad 32nd 2079, and the Income Statement and Cash Flow Statement for the year then ended, changes in equity and significant accounting policy and notes to accounts.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

On examination of the financial statements as aforesaid, we report that:

1. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were considered necessary for the purpose of our audit;
2. Proper books of accounts as required by law have been kept as far as appears from our examination of such books;
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement are prepared as per the provisions of the Company Act 2063 and the same are in agreement with the books of accounts maintained by the Company.
4. The business of the company has been conducted satisfactorily;
5. To the best of our information and according to the explanation given to us, the Board of Directors or any employee of the Company have not acted contrary to legal provisions relating to accounts, nor committed any misappropriation or caused loss or damage to the Company.

In our opinion, the financial statements give a true and fair view of, *in all material respects*, the financial position of Mabiling Energy Ltd as of Ashad 32nd 2079, and of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards.

For,

S. Lama & Associates



Suprich Lama

Proprietor

Date: 2079/07/01

Place: Kathmandu



Memb No: 647

Cop No: 553

UDIN No: 221020CA006473KymI

Mabilung Energy Ltd.

Lalitpur-10

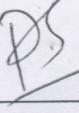
Cash Flow Statements

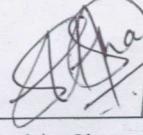
For the period from Shrawan 1, 2078 to Ashadh 32, 2079 (16th July 2021 to 16th July 2022)

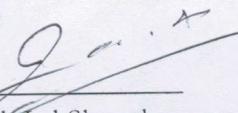
Particulars	Amount In NRs.	
	FY 2078/79	FY 2077/78
Cash Flow From Operating Activities		
Net Profit/(Loss) As Per Income Statement	3,11,884.01	2,83,552.00
Add: Depreciation For The Year	5,84,539.00	5,71,984.60
Add: Amortization For The Year	5,785.00	
Add: Non-Cash Expenses	-	
Cash Flow from operating activities before changes in WC	9,02,208.01	8,55,536.60
(Increase)/Decrease In Current Assets	(9,97,13,730.80)	(1,57,89,891.00)
(Increase)/Decrease In Prepayments	81,060.62	
Increase/ (Decrease) In Current Liabilities	2,62,26,801.51	(4,17,188.00)
Increase/ (Decrease) In Non Current Liabilities	34,28,983.30	
Net Cash Flow From Operating Activities (Sub-Total-A)	(6,90,74,677.36)	(1,53,51,542.40)
Cash Flow From Investing Activities		
Less: Investment In Fixed Deposits	29,70,000.00	
Less: Purchase Of Fixed Assets	(1,86,36,241.00)	(86,37,137.00)
Less: WIP Assets Capitalized (Project Cost)	(9,56,58,657.94)	(1,27,82,817.60)
Net Cash Flow From Investing Activities (Sub-Total-B)	(11,13,24,898.94)	(2,14,19,954.60)
Cash Flow From Financing Activities		
Issue Of Share Capital	-	5,55,00,000.00
Advance Against Share Capital Received	6,13,00,000.00	(1,50,00,000.00)
Medium & Long Term Loan Received	12,81,90,969.08	
Net Cash Flow From Financing Activities (Sub-Total-C)	18,94,90,969.08	4,05,00,000.00
Total Cash Generated In The Year (A+B+C)	90,91,393.78	37,28,504.00
Cash And Equivalent At The Beginning Of The Year	42,81,092.00	5,52,588.00
Cash And Equivalent At The End Of The Year	1,33,72,485.78	42,81,092.00

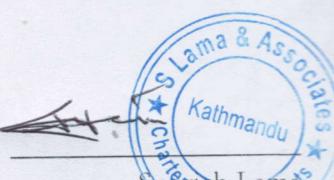
Schedule 1 to 9 forms an integral part of this Financial Statements

As per our attached report of even date.


Priya Shrestha
Account Officer


Dabin Shrestha
Director


Rajesh Lal Shrestha
Chairman


S. Lama & Associates
Chartered Accountants
Kathmandu
Supriya Lama
S. Lama & Associates
Chartered Accountants

Date: 2079/07/01

Place: Lalitpur

Mabilung Energy Ltd.

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Balance Sheet

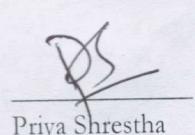
As at Ashadh 32, 2079 (16th July, 2022)

Amount In NRs.

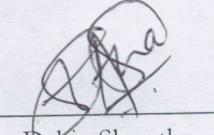
<u>Equity & Liabilities</u>	<u>Schedule</u>	<u>FY 2078/79</u>	<u>FY 2077/78</u>
Shareholder's Fund:			
Share Capital	1	9,55,00,000.00	9,55,00,000.00
Advance for Share Capital		6,23,00,000.00	10,00,000.00
Reserve and Accumulated Profit/(Loss)		9,88,589.01	6,76,705.00
Total Share Holder'S Fund		15,87,88,589.01	9,71,76,705.00
Non Current Liabilities			
Medium & Long Term Loan	2	12,81,90,969.08	-
Withholding & Retentions	3	34,28,983.30	-
Total Non Current Liabilities		13,16,19,952.38	-
Current Liabilities			
Accounts & Other Payables	4	2,66,99,982.51	4,73,181.00
Total Current Liabilities		2,66,99,982.51	4,73,181.00
Total Equity & Liabilities		31,71,08,523.90	9,76,49,886.00
Assets			
Non-Current Assets	5		
Property, Plant and Equipments		3,25,99,619.00	1,45,29,577.00
Less: Depreciation		(5,84,539.00)	(5,66,199.00)
Total Property Plant & Equipments		3,20,15,080.00	1,39,63,378.00
Intangible Assets	5	23,143.00	28,928.00
Less: Amortization		(5,785.00)	(5,785.00)
Total Intangible Assets		17,358.00	23,143.00
Project WIP- Upper Piliwa-3	6	15,07,25,097.94	5,50,66,440.00
Hydropower Project		54,581.38	1,35,642.00
Prepayments	7		
Total Non Current Assets		18,28,12,117.32	6,91,88,603.00
Current Assets			
Cash And Cash Equivalents	8	1,33,72,485.78	42,81,092.00
Investment In Fixed Deposit			29,70,000.00
Prepaid, Loan, Advances & Deposit	9	12,09,23,920.80	2,12,10,191.00
Total Current Assets (A)		13,42,96,406.58	2,84,61,283.00
Total Assets		31,71,08,523.90	9,76,49,886.00

Schedule 1 to 9 forms an integral part of this Financial Statements

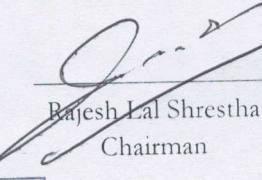
As per our attached report of even date.

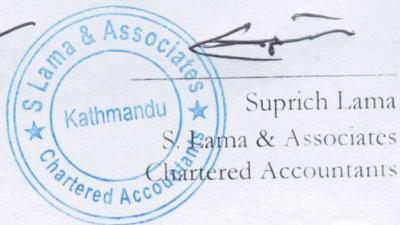

Priya Shrestha
Account Officer

Date: 2079/07/01
Place: Lalitpur


Dabin Shrestha
Director




Rajesh Lal Shrestha
Chairman



Suprich Lama

Mabilung Energy Ltd.

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Income Statement

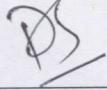
For the period from Shrawan 1, 2078 to Ashadh 32, 2079 (16th July 2021 to 16th July 2022)

Amount In NRs.

<u>Income</u>	Sch	FY 2078/79	FY 2077/78
Sales			
Less, Direct Cost Relating To Sales			
Gross Income		3,32,078.67	3,78,070.00
Add: Other Income		3,32,078.67	3,78,070.00
Total Income		3,32,078.67	3,78,070.00
Less:			
Administrative Expenses			
Depreciation	5		
Profit / Loss Before Staff Bonus		3,32,078.67	3,78,070.00
Staff Bonus			
Profit (Loss) Before Provision For Tax		3,32,078.67	3,78,070.00
Current Tax		(83,020.00)	94,518.00
Previous Year Income Tax Relief		62,825.34	
Profit (Loss) Up To The Previous Year		6,76,705.00	3,93,153.00
Balance Carried To Balance Sheet		9,88,589.01	6,76,705.00

Schedule 1 to 9 forms an integral part of this Financial Statements

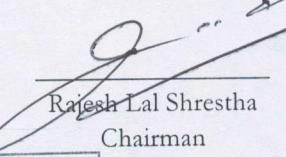
As per our attached report of even date.



Priya Shrestha
Account Officer



Dabin Shrestha
Director



Rajesh Lal Shrestha
Chairman



Suprich Lama
S. Lama & Associates
Chartered Accountants

Date: 2079/07/01
Place: Lalitpur



Mabilung Energy Ltd.

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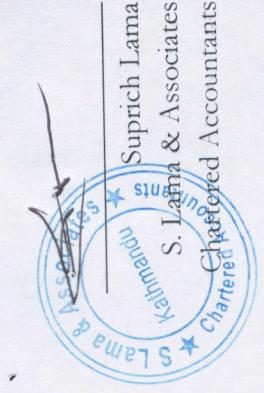
Statement Of Changes In Equity

As at Ashadh 32, 2079 (16th July, 2022)

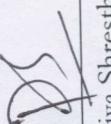
Particulars	Share Capital	Advance for Share Capital	Accumulated Profit/(Loss)	Total
Balance As On 1st Shrawan, 2078	9,55,00,000.00	10,00,000.00	6,76,705.00	9,71,76,705.00
Changes In Accounting Policies	-	-	-	-
Restated Balance	9,55,00,000.00	10,00,000.00	6,76,705.00	9,71,76,705.00
Net Profit/(Loss) For The Period			3,11,884.01	3,11,884.01
Share Capital Issued	-	-	-	-
Share Application		6,13,00,000.00	-	6,13,00,000.00
Balance As on 32nd Asadh 2079	9,55,00,000.00	6,23,00,000.00	9,88,589.01	15,87,88,589.01

Schedule 1 to 9 forms an integral part of this Financial Statements

As per our attached report of even date.




Dabin Shrestha
Director


Priya Shrestha
Account Officer



MABILUNG ENERGY LTD.
Lalitpur, Nepal

Date: 2079/07/01
Place: Lalitpur

Mabilung Energy Ltd.

Lalitpur-10

Schedules Forming Parts Of The Financial Statements

As at Ashadh 32, 2079 (16th July, 2022)

<u>Particulars</u>	<u>FY 2078/79</u>	<u>FY 2077/78</u>
Schedule 1: Share Capital		
Authorized Share Capital		
40,00,000 No. Of Ordinary Share At Rs. 100 Each.	<u>40,00,00,000</u>	<u>40,00,00,000</u>
Issued Share Capital		
26,00,000 No. Of Ordinary Share At Rs. 100 Each.	<u>26,00,00,000</u>	<u>26,00,00,000</u>
Subscribed & Fully Paid Up Share Capital		
955,000 No. Of Ordinary Shares At Rs. 100 Paid Each.	<u>9,55,00,000</u>	<u>9,55,00,000</u>
Advance for Share Capital		
6,23,00,000 No. of Ordinary Shares At Rs. 100 Paid Each	<u>6,23,00,000</u>	<u>10,00,000</u>
Schedule 2: Medium & Longe Term Loans		
Civil Bank Ltd.	4,98,69,215.15	
Laxmi Bank Ltd.	7,83,21,753.93	
Total	<u>12,81,90,969.08</u>	<u>-</u>
Schedule 3: Withholding & Retentions		
Retention-Growth/PES JV	<u>34,28,983.30</u>	<u>-</u>
Total	<u>34,28,983.30</u>	<u>-</u>
Schedule 4 : Accounts & Other Payables		
A. Withholding Tax (TDS)		
TDS-Individual & Firms (11111)	600.00	640.00
TDS-Pvt. Ltd. (11123)	-	37,954.00
TDS- Rent (11131)	-	5,444.00
TDS-Salary & Wages (11112)	398.00	2,507.00
TDS-SST (11211)	-	23,309.00
B. Account Payables		
Payable- Audit Fee	44,600.00	19,735.00
Payble- B.K Agrawal & Co.	-	11,150.00
Payable- Others	14,000.22	1,46,745.00
Payable-Office Rent	20,000.00	32,000.00
Provision for Income Tax	83,020.00	1,93,697.00
Payable- Growth/PES JV	<u>2,65,37,364.29</u>	<u>-</u>
Total	<u>2,66,99,982.51</u>	<u>4,73,181.00</u>



Mabilung Energy Ltd.

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Schedules Forming Parts Of The Financial Statements

As at Ashadh 32, 2079 (16th July, 2022)

<u>Particulars</u>	<u>FY 2078/79</u>	<u>FY 2077/78</u>
Schedule 7 : Prepayments		
Advance Tax	54,581.38	1,35,642.00
Total	54,581.38	1,35,642.00
Schedule 8 : Cash & Bank Balances		
Cash In Hand	4,324.00	14,830.00
Guheswori Merchant Banking & Finance Limited	6,48,268.93	37,74,979.00
Laxmi Bank Ltd.	10,66,512.07	2,87,493.00
Lumbini Bikash Bank Ltd.	5,728.92	2,03,790.00
Bank Margin at Laxmi Bank Ltd.	1,16,47,651.86	-
Total	1,33,72,485.78	42,81,092.00
Schedule 9 : Loans ,Advances and Deposits		
Advance -Land Purchase	1,66,78,070.00	1,97,10,191.00
Advance Site Office	35,00,000.00	15,00,000.00
Advance- Raj Bandhu & Associates	62,500.00	-
Advance Growth PES/JV	8,54,06,250.00	-
Advance-B Fourees P. Ltd.	1,50,54,100.80	-
Advance ICRA Nepal Ltd.	2,23,000.00	-
Total	12,09,23,920.80	2,12,10,191.00



Mabilung Energy Ltd.
Lalitpur-10
Schedules Forming Parts Of The Financial Statements
As at Ashadh 32, 2079 (16th July, 2022)

Schedule 6 : Work In Progress Capital Expenditure

Particulars	FY 2078/79	Addition During The Year	FY 2077/78
Schedule 6.1 : Preoperating Expenses	2,84,11,738.00	-	2,84,11,738.00
Schedule 6.2 : Civil Works	7,74,95,042.59	7,74,95,042.59	-
Schedule 6.3 : Hydro Mechanical Works	2,28,570.71	2,28,570.71	-
Schedule 6.4 : Electro Mechanical Works	15,43,984.46	15,43,984.46	-
Schedule 6.5 : Transmission Line and Swithcyard Cost	18,27,210.00	12,51,475.00	5,75,735.00
Schedule 6.6 : Environment and Social Mitigation Cost	11,58,525.00	2,00,000.00	9,58,525.00
Schedule 6.7 : Project Management & Construction Supervision Expenses	2,74,38,203.00	74,13,261.00	2,00,24,942.00
Schedule 6.8 : Interest During Construction	1,26,21,824.18	75,26,324.18	50,95,500.00
Total Work In Progress	15,07,25,097.94	9,56,58,657.94	5,50,66,440.00

Schedule 6.1 : Pre-Operating Expenses

Particulars	FY 2078/79	Addition During The Year	Amount in NRs.
Audit Fee	90,000.00	-	90,000.00
Bank Charges	30,245.00	-	30,245.00
Depreciation Expenses	8,70,528.00	-	8,70,528.00
DPR & Feasibility Study Expenses	16,76,725.00	-	16,76,725.00
Environmental Impact Assessment Expenses	5,65,000.00	-	5,65,000.00
Fuel & Transportation Expenses	2,83,254.00	-	2,83,254.00
Fuel Expenses	1,19,967.00	-	1,19,967.00
Labour, Porter & Transportation Expenses	30,22,050.00	-	30,22,050.00
Legal & Accounting Expenses	32,000.00	-	32,000.00
License Fee, Renewal & Registration Expenses	40,00,000.00	-	40,00,000.00
Lodging Fooding Expenses	5,01,276.00	-	5,01,276.00
Office Expenses	3,24,285.00	-	3,24,285.00
Office Kitchen/Entertainment Expenses	3,96,155.00	-	3,96,155.00
Office Rent Expenses	10,47,500.00	-	10,47,500.00
PPA Related Expenses	90,000.00	-	90,000.00
Printing and Stationery Expenses	3,34,676.00	-	3,34,676.00
Registration and Renewal Expenses	26,500.00	-	26,500.00
Salary Expenses	94,65,000.00	-	94,65,000.00
Site Office Expenses	5,42,845.00	-	5,42,845.00
Site Visit/ Travelling Expenses	27,64,311.00	-	27,64,311.00
Survey License Fee	20,00,000.00	-	20,00,000.00
Telephone & Communication Expenses	1,30,030.00	-	1,30,030.00
Water & Electricity Expenses	1,01,394.00	-	1,01,394.00
Less: Interest Income	(2,003.00)	-	(2,003.00)
Total	2,84,11,738.00	-	2,84,11,738.00



Mabilung Energy Ltd.
 Lalitpur-10
Schedules Forming Parts Of The Financial Statements

Schedule 6.2 : Civil Works

Particulars	FY 2078/79	Addition During The Year	FY 2077/78
Civil Works Expenditure	7,74,95,042.59	7,74,95,042.59	-
Total	7,74,95,042.59	7,74,95,042.59	-

Schedule 6.3 : Hydro Mechanical Works

Particulars	FY 2078/79	Addition During The Year	FY 2077/78
LC Commission & Ammendment Charges-HM	2,26,070.71	2,26,070.71	-
LC Issuance Charge- HM	2,500.00	2,500.00	-
Total	2,28,570.71	2,28,570.71	-

Schedule 6.4 : Electro Mechanical Works

Particulars	FY 2078/79	Addition During The Year	FY 2077/78
Bank Guarantee Issuance Charge	65,715.00	65,715.00	-
LC Commission Expenses-EM	12,64,544.46	12,64,544.46	-
LC Issuance Charge-EM	7,500.00	7,500.00	-
Review of Electromechanical Works	2,06,225.00	2,06,225.00	-
Total	15,43,984.46	15,43,984.46	-

Schedule 6.5 : Transmission Line and Swithcyard Cost

Particulars	FY 2078/79	Addition During The Year	FY 2077/78
Desk Study Report for Survey License of TL	75,145.00	-	75,145.00
Detail Feasibility Study, Design & IEE-TL	17,52,065.00	12,51,475.00	5,00,590.00
Total	18,27,210.00	12,51,475.00	5,75,735.00

Schedule 6.6 : Environment and Social Mitigation Cost

Particulars	FY 2078/79	Addition During The Year	FY 2077/78
Environmental Impact Assessment Expenses	9,58,525.00	-	9,58,525.00
Land Compensation and Settlement Expenses	2,00,000.00	2,00,000.00	-
Total	11,58,525.00	2,00,000.00	9,58,525.00




Mabilung Energy Ltd.
 Lalitpur-10
Schedules Forming Parts Of The Financial Statements

Schedule 6.7 : Project Management & Construction Supervision Expenses

Particulars	FY 2078/79	Addition During The Year	FY 2077/78
A. Project Management Expenses			
Advertisement & Notice Publication Expenses	1,49,576.00	3,390.00	1,46,186.00
Amortization Expenses	11,570.00	5,785.00	5,785.00
Audit Fee	85,200.00	45,200.00	40,000.00
Bank Charges	36,245.00	2,245.00	34,000.00
Business Promotion Expenses	19,110.00	-	19,110.00
Certification Expenses	28,250.00	-	28,250.00
Depreciation Expenses	15,12,902.00	5,84,539.00	9,28,363.00
Fines & Penalties	18,899.00	13,123.00	5,776.00
Fuel Expenses	14,140.00	14,140.00	
Generation License Fee	5,00,000.00	-	5,00,000.00
Labour & Porter Expenses	17,57,038.00	61,068.00	16,95,970.00
Legal & Accounting Expenses	2,63,000.00	-	2,63,000.00
Lodging Fooding Expenses	2,68,050.00	-	2,68,050.00
Office Expenses	1,58,103.00	40,256.00	1,17,847.00
Office Kitchen/Entertainment Expenses	6,39,647.00	56,937.00	5,82,710.00
Office Meeting Expenses	77,436.00	2,140.00	75,296.00
Office Rent Expenses	36,00,000.00	12,00,000.00	24,00,000.00
Printing and Stationery Expenses	3,17,108.00	30,425.00	2,86,683.00
Registration and Renewal Expenses	3,72,222.00	10,010.00	3,62,212.00
Regulatory Meeting Allowances	35,294.00	21,177.00	14,117.00
Repair and Maintenance Expenses	26,630.00	26,630.00	
Salary Expenses	78,34,944.00	32,29,185.00	46,05,759.00
Site Office Expenses	1,18,560.00	55,000.00	63,560.00
Site Visit/ Travelling Expenses	21,90,756.00	6,05,803.00	15,84,953.00
Survey License Fee	20,000.00	-	20,000.00
Telephone & Communication Expenses	42,138.00	23,510.00	18,628.00
Water & Electricity Expenses	2,46,448.00	6,448.00	2,40,000.00
B. Project Consultants & Supervision Expenses			
Review of Contract Documents	1,05,000.00	1,05,000.00	
DPR & Feasibility Study Expenses	30,93,375.00	-	30,93,375.00
Financial Consulting Service Fee	7,85,350.00	7,85,350.00	
Geophysical Investigation Expenses	16,71,835.00	-	16,71,835.00
Due Diligence Audit Expenses	7,24,104.00	-	7,24,104.00
Layout Marking Expenses	2,29,373.00	-	2,29,373.00
Technical Consultancy Service Fee	4,85,900.00	4,85,900.00	
Total	2,74,38,203.00	74,13,261.00	2,00,24,942.00

Schedule 6.8 : Interest During Construction

Particulars	FY 2078/79	Addition During The Year	FY 2077/78
Interest During Construction	58,61,846.38	58,61,846.38	-
Loan Management Fee	67,59,977.80	16,64,477.80	50,95,500.00
Total	1,26,21,824.18	75,26,324.18	50,95,500.00



Mabilung Energy Ltd.

Latitpur-10

Schedules Forming Parts Of The Financial Statements

As at Ashraadh 32, 2079 (16th July, 2022)

Schedule-5

Schedule-5							
Assets		Dep. Rate	Opening Balance	Addition During The Year	Total Balance at Cost Price	Depreciation For The Period	Closing Balance
Pool A							
Land			1,22,64,781.00	1,79,96,681.00	3,02,61,462.00	-	3,02,61,462.00
Building			-	-	-	-	-
Total A			1,22,64,781.00	1,79,96,681.00	3,02,61,462.00	-	3,02,61,462.00
Pool B							
Furniture And Fixture	25%	9,53,023.22	4,00,144.00	13,53,167.22	3,38,291.81	10,14,875.42	
Computer & Printers	25%	3,05,187.89	1,65,000.00	4,70,187.89	1,17,546.97	3,52,640.92	
Office Equipments	25%	2,80,388.18	8,650.00	2,89,038.18	72,259.55	2,16,778.64	
Construction & Decoration	25%	1,59,997.43	65,766.00	2,25,763.43	56,440.86	1,69,322.57	
Total B		16,98,597.00	6,39,560.00	23,38,157.00	5,84,539.00	17,53,618.00	
Pool C							
Vehicle	20%	-	-	-	-	-	-
Total C							
Pool D							
Machinery Equipment							
Total D							
Total (A+B+C+D)			1,39,63,378.00	1,86,36,241.00	3,25,99,619.00	5,84,539.00	3,20,15,080.00
Pool E							
Software	5	23,143.00			23,143.00	5,785.00	17,358.00



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Mabilung Energy Ltd.

Lalitpur-10

Schedule Forming Part of Financial Statements for the Year Ended Ashadh 32, 2079

Significant Accounting Policies and Other Explanatory Notes

1. Corporate Information

Mabilung Energy Ltd. is a Limited liability company established and registered in 2071 BS as a Private Limited Company under Company Act 2063 with an aim to invest & develop hydropower projects. It was then converted into Public Limited Company in 2076/11/12 under Company Act 2063 (Regd.235243/076/077). The Corporate office of the company is located at Lalitpur-10, Nepal.

It has obtained feasibility study license from Department of Electricity Development (DoED) on 2074/07/26 for developing Upper Piluwakhola Khola-3 Hydroelectric Project 4.95 MW in Sankhuwasabha District. The company has completed initial phase of research of the project and has obtained generation license from DoED on 2077/04/09 for tenure of 35 year. Connection agreement between NEA & Mabilung Energy Pvt. Ltd. has been completed. Power Purchase Agreement (PPA) with NEA was concluded on 2075/12/12. The Required Commercial Operation Date (RCOD) of the Project is 2080-11-14. Company has entered into financial arrangement agreement with Laxmi Bank Ltd. as lead bank and Civil Bank Ltd. as consortium bank on 2077-11-10.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for the whole period and to all the years presented, unless otherwise stated.

A. Statement of Compliance

The financial statements have been prepared in accordance with Nepal Accounting Standards ("NAS"), except otherwise stated, and to comply with the requirement of Companies Act, 2063.

B. Method of Accounting

- i) The accounts have been prepared on accrual basis, in accordance with Nepal Accounting Standards (NAS), which have been prescribed by the Companies Act, 2063, to the extent applicable and other relevant practices.
- ii) The financial statements are prepared on the historical cost convention. The preparation of financial statements in conformity with NAS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in process of applying the Company's accounting policies and accounting estimates.

C. Revenue Recognition

- i) **Hydroelectricity Sales:** Company has the policy to recognize income from sale of hydroelectricity on accrual basis and based on the invoice issued to Nepal Electricity Authority (NEA), which is subject to confirmation from Nepal Electricity Authority (NEA). Any subsequent disputed amount deducted by NEA, if any, will be recognized as an expense on the year of confirmation.



However; the sole project of the company is under construction and has not started to generate the electricity.

- ii) **Other Revenue:** Other revenue is recognized on accrual basis except dividend income which shall be recognized when right to receive is established.

D. Revenue Expenditure

Expenditure incurred for the operation and management of projects which are already started the commercial operation is recognized as revenue expenditure and treated as operation and administrative costs. Whereas, direct expenditures incurred for the projects, which are under construction and not started the commercial operation, has been capitalized as project development cost under the related project head.

E. Fixed Assets and Depreciation/Amortization

- i) Fixed Assets are recorded at cost less accumulated depreciation and impairment loss, except otherwise stated. Where cost is calculated considering the purchase/construction costs and other direct costs.
- ii) Fixed Assets related to the hydropower projects are classified as Project Assets and treated as the Leasehold assets as they are transferrable to the Government of Nepal after completion of the electricity generation license.
- iii) Depreciation on the Project Assets will be charged on Straight Line Method over the useful period of license i.e. starting from the year of commercial operation of the projects.
- iv) Depreciation is charged off to the Income Statement as per the provisions of Schedule-2 of the Income Tax Act, 2058, which is not as per the provision of Nepal Accounting Standard 06 on Property Plant and Equipment.

F. Capitalization of Borrowing Costs and other Expenditure

Interest and other borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. And interest and other borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are charged as financial expenses on accrual basis. (A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.)

G. Inventories

Inventories have been measured at the lower of cost and net realizable value.

H. Cash and Cash Equivalent

Cash and Cash Equivalent represent cash in hand, balance in bank accounts and Margins held by bank at the year end.

I. Employee Benefits

Company has policy of recognizing the employee related liabilities, except regular salary and benefits, on cash basis.



J. Investments

Investments are recognized at cost price.

K. Income Taxes

Provision for current tax is made with reference to taxable profit for the financial year determined under the provisions of Income Tax Act, 2058 and Rules thereof.

3. Notes to the Annual Accounts

A. Share Capital

The authorized Share Capital of company is NRs. 40,00,00,000 ; issued Capital 26,00,00,000 and paid up share capital is NRs. 9,55,00,000. Company has received 6,23,00,000 as advance for share capital.

B. Revenue

- i. The Company is constructing the Upper PiluwaKhola-3 Hydropower Project-4.95 MW, the only project being operated by the company at the end of the period, and accordingly has no income from sale of electricity during the period.
- ii. During the period company has interest income of NRs. 3,82,078.67 and same has been shown as other income in income statement.

C. Changes in Accounting Policies

The Board of the company has its policy not to show project related income and expenses on income statement during construction period for the better presentation of its financial statements. Accordingly, administrative expenses and depreciation for general assets are capitalized under project WIP.

D. Fixed Assets, Project Assets and Depreciation

Fixed assets, based on their nature, are classified into following groups and depreciation is charged on diminishing balance method, except project assets which will be depreciated on SLM basis over remaining license period of the project, at the following rates:

1. Building & Structure	5%
2. Computer & Office Equipment	25%
3. Vehicles	20%
4. Plant and Machineries	15%

- i) As per the provision of the license granted to the company by the Department of Electricity Development (DOED), the total project assets of the project is to be transferred to the Nepal Government after expiry of the generation license.

As per the policy of the company, total depreciation of fixed assets during the year is NRs.5,84,539. Depreciation on fixed assets has been capitalized to project cost.



E. Intangible Assets and Amortization

Intangible assets are amortized on SLM basis over the useful life of the assets. Total amortization for the year is NRs.5,785. . Amortization on intangible assets has been capitalized to project cost.

F. Employees Benefits

Company has not recognized provision for gratuity, provident fund leave and other retirement benefits.

Due to the loss in the current period no provision for employee benefits has been recognized during the year.

Any type of liabilities towards employees' benefits, except provided, arising under labor related laws will be recognize on cash basis.

G. Income Tax Liability

- i) Company has other income of NRs. 3,32,078.67 during the period and accordingly provision for income tax has been recognized.
- ii) Deferred tax has not been recognized during the year.

