

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Madame Khola Hydropower Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OPINION

We have audited the financial statements of **Madame Khola Hydropower Limited** (the "company"), which comprise the Statement of Financial Position as at Ashad 32, 2082 (July 16, 2025), Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Cash Flows & Statement of Changes in Equity and for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at Ashad 32, 2082 (July 16, 2025), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

BASIS FOR OPINION

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our Report. We are independent of the Company in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's Handbook of 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 opinion.

RESPONSIBILITY OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

Those charged with Governance 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 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. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

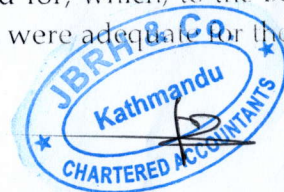
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting polices used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

REPORT ON THE REQUIREMENTS OF COMPANY ACT, 2063

We have examined the attached Financial Statements and report that:

- We have obtained satisfactory information and explanations asked for, which, to the best of our knowledge and belief were necessary for the purpose of our audit, were adequate for the purpose of the audit;



- The financial statements including the statement of financial position, statement of profit or loss, statement of changes in equity, statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063 and they are in agreement with the books of accounts of the company;
- The accounts and records of the company are properly maintained in accordance with the prevailing laws with exceptions to management of advance & other relevant matters included in our management report provided.



CA Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants

Date: 6th Poush, 2082

Place: Kathmandu

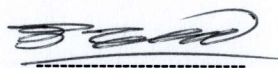
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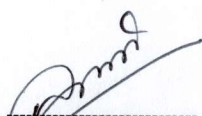
Madame Khola Hydropower Limited
Lalitpur, Nepal

Statement of Financial Position
As at Ashadh 32, 2082 (16th July, 2025)

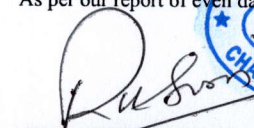
Particulars	Note	<i>Amount in NPR</i>	
		As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Assets			
Non Current Assets			
Property, Plant & Equipment	4.8	14,659,821	14,961,222
Right of Use- Assets		123,489	617,444
Capital Work in Progress (CWIP)	4.9	4,302,284,297	2,558,567,761
Financial Assets	4.10	-	-
Deferred Tax Assets	4.20	-	2,167,856
Total Non Current Assets		4,317,067,608	2,576,314,282
Current Assets			
Inventories	4.11	-	-
Advance and Receivables	4.12	260,051,907	547,632,213
Cash and Cash Equivalents	4.13	8,332,709	11,847,663
Other Current Assets	4.14	10,366,520	7,776,340
Total Current Assets		278,751,136	567,256,216
Total Assets		4,595,818,743	3,143,570,498
Equity and Liabilities			
Equity			
Share Capital	4.15	1,040,000,000	917,068,000
Other Equity			
Retained Earnings	4.16	(9,060,000)	(5,747,505)
Other Reserves	4.17	-	-
Total Equity		1,030,940,000	911,320,495
Liabilities			
Non Current Liabilities			
Financial Liabilities			
Non current Borrowings	4.18	3,172,562,113	1,875,318,106
Other Non-Current Financial liabilities	4.19	151,516	743,808
Deferred Tax Liabilities	4.20	598,737	-
Total Non- Current Liabilities		3,173,312,367	1,876,061,913
Current Liabilities			
Current Borrowings	4.21	138,732,841	253,459,596
Trade & Other Payables	4.22	243,183,955	92,457,717
Other Current Liabilities	4.23	9,649,580	10,270,777
Total Current Liabilities		391,566,376	356,188,090
Total Liabilities		3,564,878,743	2,232,250,003
Total Liabilities and Equity		4,595,818,743	3,143,570,498

The accompanying notes are integral part of these financial statements.

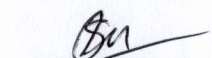

Dhan Bahadur Shrestha
Managing Director


Susan Karmacharya
Chairperson

As per our report of even date,


CA. Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants




Sangita Thapa Magar
Accountant




Madame Khola Hydropower Limited
Lalitpur, Nepal


Statement of Profit or Loss
For the Year ended Ashadh 32, 2082 (16th July, 2025)

Particulars	Note	Amount in NPR	
		Current Year	Previous Year
Revenue	4.1	-	-
Generation Expenses	4.2	-	-
Gross profit		-	-
Other Income	4.3	3,841,803	2,831,139
Administrative and Other Operating Expenses	4.4	(2,215,739)	(1,933,026)
Depreciation & Amortization	4.8	(2,171,966)	(1,848,971)
Profit From Operation		(545,902)	(950,858)
Financial Income	4.5	-	-
Financial Costs	4.6	-	-
Provision for staff bonus		-	-
Profit before tax		(545,902)	(950,858)
Income Tax Expense			
Current Tax	4.7	-	-
Deferred Tax Income/(Expense)	4.7	(2,766,593)	237,715
Profit For the Year		(3,312,495)	(713,143)

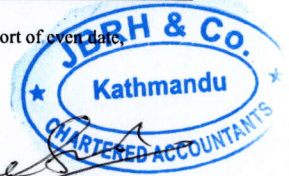
The accompanying notes are integral part of these financial statements.


As per our report of even date.


Susan Karmacharya
Chairperson


Dhan Bahadur Shrestha
Managing Director


CA Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants




Sangita Thapa Magar
Accountant



Place: Lalitpur
Date: 2082.09.06

Madame Khola Hydropower Limited
Lalitpur, Nepal


Statement of Other Comprehensive Income
For the Year ended Ashadh 32, 2082 (16th July, 2025)


Particulars	<i>Amount in NPR</i>	
	Current Year	Previous Year
Profit for the year	(3,312,495)	(713,143)
Gains /(losses) on re-measuring available for sale financial assets	-	-
Gain/(loss) on Actuarial valuation of defined benefit liability	-	-
Total other comprehensive income	-	-
Income tax income /(expense) relating to AFS Financial Assets' remeasurement	-	-
Income tax income /(expense) relating to Actuarial Gain/(loss)	-	-
Other comprehensive income for the year (net of tax)	-	-
Total comprehensive income for the year (net of tax)	(3,312,495)	(713,143)


The accompanying notes are integral part of these financial statements.


As per our report of even date


Susan Karmacharya
Chairperson


Dhan Bahadur Shrestha
Managing Director


CA. Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants




Sangita Thapa Magar
Accountant




Place: Lalitpur
Date: 2082.09.06


Madame Khola Hydropower Limited
Lalitpur, Nepal

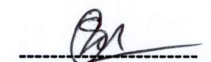
Statement of Cash Flows
For the Year ended Ashadh 32, 2082 (16th July, 2025)

Particulars	Amount in NPR	
	Current Year	Previous Year
Cash Flow from Operating Activities		
Net Profit After Tax	(3,312,495)	(713,143)
Adjustment for:		
Depreciation & Amortization	2,171,966	1,848,971
Provision for tax	-	-
Interest Expense	-	-
Lease Payment	(98,336)	(44,492)
Deferred Tax	2,766,593	(237,715)
Tax Paid	-	-
Cash Flow from Operating Activities Before Changes in Working Capital		
Capital	1,527,728	853,621
Cash Flow from Changes in Working Capital		
(Increase)/ Decrease in Current Assets	284,990,126	(196,633,080)
Increase/(Decrease) in Current Liabilities	35,378,287	9,372,478
Cash Flow from Operating Activities	321,896,140	(186,406,981)
Cash Flow from Investing Activities		
(Increase)/Decrease in Capital Assets under Development	(1,743,716,537)	(1,331,721,225)
Capitalisation/Purchase of Fixed Assets	(1,870,565)	(3,187,000)
(Increase)/Decrease in Investments	-	-
Cash Flow on Investing Activities	(1,745,587,102)	(1,334,908,225)
Cash Flow from Financial Activities		
Increase/(Decrease) in Borrowings	1,297,244,008	1,170,179,979
Payment of Interest	-	-
Increase in Call in Advance	(540,658,000)	308,856,000
Issuance of Share Capital	663,590,000	-
Cash Flow from Financial Activities	1,420,176,008	1,479,035,979
Total Cash Generated in the Year	(3,514,954)	(42,279,227)
Opening Cash and Bank Balances	11,847,663	54,126,889
Cash and cash equivalent at The End of The Year	8,332,709	11,847,663

The accompanying notes are integral part of these financial statements.

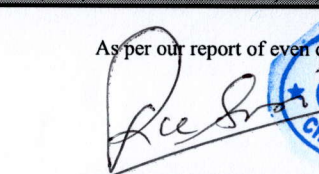

Susan Karmacharya
Chairperson


Dhan Bahadur Shrestha
Managing Director


Sangita Thapa Magar
Accountant



As per our report of even date,


CA. Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants



Place: Lalitpur
Date: 2082.09.06

Madame Khola Hydropower Limited
Lalitpur, Nepal

Statement of Changes in Equity
For the Year ended Ashadh 32, 2082 (16th July, 2025)

Particulars	Amount in NPR					Total Shareholders' Funds
	Share Capital	Advance for Share Capital	Retained Earnings	Fair Value Reserve	Actuarial Reserve	
Balance as at Ashadh 31, 2080	376,410,000	231,602,000	(5,034,302)	-	-	603,177,698
Net profit for the year	-	-	(713,143)	-	-	(713,143)
Addition to Share Share Capital	-	-	-	-	-	-
Addition to Calls in Advance	-	308,856,000	-	-	-	308,856,000
Transfer to Other Reserves	-	-	-	-	-	-
Other Reserves	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-
Adjustments to AFS reserve through OCI	-	-	-	-	-	-
Adjustments to Actuarial reserve through OCI	-	-	-	-	-	-
Direct Adjustment to RE	-	-	-	-	-	-
Balance as at Ashadh 31, 2081	376,410,000	540,658,000	(5,747,505)	-	-	911,320,495
Net profit for the year	-	-	(3,312,495)	-	-	(3,312,495)
Addition to Share Share Capital	663,590,000	-	-	-	-	663,590,000
Addition to Calls in Advance	-	(540,658,000)	-	-	-	(540,658,000)
Transfer to Other Reserves	-	-	-	-	-	-
Other Reserves	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-
Adjustments to AFS reserve through OCI	-	-	-	-	-	-
Adjustments to Actuarial reserve through OCI	-	-	-	-	-	-
Direct Adjustment to RE(FVTOCI)	-	-	-	-	-	-
Balance as at Ashadh 32, 2082	1,040,000,000	-	(9,060,000)	-	-	1,030,940,000

As per our report of even date.



[Signature]
C.A. Rajar Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants

[Signature]
Dhan Bahadur Shrestha
Managing Director

[Signature]
Susan Karmacharya
Chairperson

[Signature]
Sangita Thapa Magar
Accountant



Place: Lalitpur
Date: 2082.09.06

[Signature]

Madame Khola Hydropower Limited
Lalitpur, Nepal

Notes to the Financial Statements
For the Year ended Ashad 32, 2082 (16th July, 2025)

	<i>Amount in NPR</i>	
4.1 Revenue from Sales of Electricity	Current Year	Previous Year
Sales of Electricity	-	-
Total	-	-

	Current Year	Previous Year
4.2 Plant Operating Expenses		
Generation Royalty	-	-
Plant Insurance	-	-
Personnel expenses	-	-
Total	-	-

	Current Year	Previous Year
4.3 Other Income		
Other Income	-	-
Foreign Exchange Gain	3,841,803	2,831,139
Total	3,841,803	2,831,139

	Current Year	Previous Year
4.4 Other Operating & Administrative Expenses		
Personnel Expenses	1,122,860.00	1,028,346
Audit Fee & Expenses	282,500.00	282,500
Fine & Penalty-Late TDS	242,043.00	-
Lease Rentals (Office)	568,336	622,180
Total	2,215,739	1,933,026

	Current Year	Previous Year
4.5 Financial Income		
Interest Income From Call Deposit	-	-
Interest Income From Term Deposit	-	-
Total	-	-

	Current Year	Previous Year
4.6 Finance Costs		
Interest On Bank Loan	-	-
Interest On Term Loan	-	-
Total	-	-

	Current Year	Previous Year
4.7 Income Tax Expense		
Current Income Tax	-	-
Deferred Tax (Income)/expense	2,766,593	(237,715)
Total	2,766,593	(237,715)

4.7.1 Deferred Tax Calculation

Particulars	Book Carrying Amount	Tax Base Amount	Difference Asset/(Liability)	Tax Rate	Def. Tax Asset/(Liability)
Temporary Difference for:					
Accumulated Loss	-	270,638	270,638	0.25	67,660
Right-of-Use-Assets	123,489	-	(123,489)	0.25	(30,872)
Lease Liability	151,516	-	151,516	0.25	37,879
Fixed Assets	14,659,821	11,966,206	(2,693,615)	0.25	(673,404)
Total Deferred Tax Assets/(Liability)					(598,737)
Total Deferred Tax Assets/(Liability) Previous Year					2,167,856
Net Deferred Tax Expense / (Income)					2,766,593



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Madame Khola Hydropower Limited
Lalitpur, Nepal

Schedules to and Forming Parts of the Financial Statement for F/Y 2081/82

4.8 Property, Plant and Equipment

S.N.	Particulars	Dep. Rate	Gross Block				Depreciation			Net Block		Amount in NPR	
			Gross Value As at 01.04.2081	Absorbed Addition During the Year	Unabsorbed Addition During the Year	Addition During the Year	Disposal During the Year	Total Gross Value As at 32.03.2082	Accumulated As at 01.04.2081	Disposal	For the Year		Total As at 31.03.2082
1	Freehold-Land		-	-	-	-	-	-	-	-	-	-	-
2	Buildings and Structures	5%	-	-	-	-	-	-	-	-	-	-	-
3	Computers & printer	20%	269,511	20,477	29,778	50,255	319,766	249,562	57,998	307,560	12,206.34	19,949.34	
4	Furniture and Fixtures	20%	492,629	56,936	154,374	211,310	703,939	492,629	109,913	602,542	101,397.00	-	
5	Office Equipments/Others	20%	375,177	13,573	70,427	84,000	459,177	346,130	77,750	423,880	35,297.00	29,047.00	
6	Other office Asset	20%	119,200	-	-	-	119,200	35,672	23,840	59,512	59,688.00	83,528.00	
7	Vehicles & Motor Bikes	10%	13,907,900	1,402,153	122,847	1,525,000	15,432,900	1,889,686	1,531,005	3,420,691	12,012,209.00	12,018,214.00	
8	Gasline Generator	10%	3,714,601	-	-	-	3,714,601	904,117	371,460	1,275,577	2,439,024.00	2,810,484.00	
9	Computer Software	20%	76,840	-	-	-	76,840	76,840	-	76,840	-	-	
	Grand Total		18,955,858	1,493,139	377,426	1,870,565	20,826,423	3,994,636	2,171,966	6,166,602	14,659,821	14,961,222	

Prasad B. C. P.

Prasad B. C. P.



Madame Khola Hydropower Limited
Lalitpur, Nepal

Notes to the Financial Statements
For the Year ended Ashad 32, 2082 (16th July, 2025)

Amount in NPR

4.9 Assets under development (CWIP)			
Particulars	As on 31 Ashadh, 2081	Addition During the Year	As on 32 Ashadh, 2082
Civil Works			
Civil Works at Desander	260,589,749.74	-	260,589,750
Civil Works at Headrace Pipe Alignment	88,539,968.48	96,834,485	185,374,454
Civil Works At Penstock Pipe Alignment	49,171,790.28	218,315,695	267,487,485
Civil Works at Weir, Under Sluice, Floodwall & Intake	484,235,924.12	2,744,370	486,980,294
Civil Works At Approach Canal, Surge Pipe & Int. Con.	47,187,838.01	10,874,532	58,062,370
Civil Works At Powerhouse & Tailrace	92,099,379.62	94,703,495	186,802,874
Custom - PH	27,859,660.00	206,251	28,065,911
Freight, Forwarding & Clearing Cost - PH	7,951,693.75	-	7,951,694
Loading Unloading - PH	55,935.00	172,890	228,825
Power House Consumable	792,714.63	3,842,557	4,635,271
Power House Steel Structure	42,938,144.10	331,998	43,270,142
River Protection Works - All Civil	131,903,635.22	111,042,453	242,946,089
Transportation - PH	2,949,300.00	102,830	3,052,130
Civil Works at Switchyard	-	39,818,433	39,818,433
Carriage & Insurance Exp-PH	-	101,780	101,780
Site Clearance Works	9,815,044.40	-	9,815,044
Total	1,246,090,777.35	579,091,768	1,825,182,545
Road Development			
Road Development	255,267,986.05	-	255,267,986
Total	255,267,986.05	-	255,267,986
Land Acquisition Cost			
Land	86,649,839.00	2,431,585	89,081,424
Total	86,649,839.00	2,431,585	89,081,424
Building Construction			
Site Camp Building	18,892,889.07	-	18,892,889
Total	18,892,889.07	-	18,892,889
Project related other cost			
Preoperative Expenses			
Audit Fees	229,700.00	-	229,700
Bank Charge	3,675.00	-	3,675
Consulting Expenses	737,280.00	-	737,280
Civil Survey Engineering Expenses	1,466,401.00	-	1,466,401
Fuel Expenses	1,347,625.00	-	1,347,625
Generation Licence Fee	1,000,000.00	-	1,000,000
Geological Study Cost	508,500.00	-	508,500
Communication & Internet Expenses	40,300.00	-	40,300
Dashain Expenses	58,752.00	-	58,752
Feasibility Study Expenses	3,477,524.15	-	3,477,524
Financial Expenses	25,557,588.00	-	25,557,588
Grid Connection Expenses	152,000.00	-	152,000
Guest Entertainment Expenses	135,526.00	-	135,526
Hume Pipe	60,003.00	-	60,003
Rent Expenses	1,294,650.00	-	1,294,650
Licensing Expenses	6,000,000.00	-	6,000,000
Letter of Intend	35,000.00	-	35,000
Meeting Allowance & Expenses	105,000.00	-	105,000
Miscellaneous Expenses	241,409.00	-	241,409
Office Expenses	327,044.00	-	327,044
PPA Expenses	450,000.00	-	450,000



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Madame Khola Hydropower Limited
Lalitpur, Nepal

Notes to the Financial Statements
For the Year ended Ashad 32, 2082 (16th July, 2025)

			<i>Amount in NPR</i>
Printing & Stationery Expenses	188,712.00	-	188,712
Refreshment Expenses	356,407.00	-	356,407
Registration & Renewal Expenses	338,787.00	-	338,787
Repair and Maintenance Expenses	253,586.43	-	253,586
Salary & Wages Expenses	12,588,463.00	-	12,588,463
Site Expenses	1,419,507.00	-	1,419,507
Site Visit Expenses	2,739,900.00	-	2,739,900
Staff Training Expenses	55,980.00	-	55,980
Temporary Staff Quarter Expenses	317,855.99	-	317,856
Travelling Expenses	1,131,070.00	-	1,131,070
Water Measurement & Gauge Expenses	893,000.00	-	893,000
Office Building and Camp Facility	637,509.48	-	637,509
Canteen Exp	35,382.00	-	35,382
Rating Fees	621,500.00	-	621,500
CIB Fees	4,850.00	-	4,850
Depreciation of Fixed Assets	428,396.94	-	428,397
Sub-Total	65,238,883.99	-	65,238,884
<u>Transmission Line and Interconnection</u>			
Survey License Cost - TL	120,000.00	-	120,000
Communication Equipment & Installation Expenses	-	9,110,086	9,110,086
Custom - TL	-	1,329,540	1,329,540
Energy Meter	-	8,063,674	8,063,674
Installation & Other Works of 132 KV CTPT	-	322,050	322,050
Interconnection Consumables	-	1,352,370	1,352,370
Interconnection Yard Equipments	-	31,152,251	31,152,251
Loading & Unloading - TL	-	269,505	269,505
Oil & Lubricant Expenses	-	2,333,981	2,333,981
Transmission Line Equipments	-	88,659,462	88,659,462
Transmission Line Stringing Works	-	960,500	960,500
TL Erection, Construction, Testing & Comm Works	22,566,821.79	23,005,657	45,572,479
Topographic & Cadastral Survey - TL	1,356,000.00	-	1,356,000
Sub-Total	24,042,821.79	166,559,076	190,601,898
<u>Hydro Mechanical Cost</u>			
Bank Charge & Commission	1,365,686.00	945,962	2,311,648
Base Plate for Penstock	3,305,956.25	-	3,305,956
Channel	-	1,409,984	1,409,984
Custom Charges	4,131,311.00	670,083	4,801,394
Freight, Forwarding & Clearing Cost	68,334,133.39	215,733	68,549,866
HDPE Sheet	1,599,898.50	-	1,599,899
Headrace Pipe Bend	999,277.08	95,493	1,094,770
HR Sheet	6,258,392.00	-	6,258,392
MS Plate	520,869.13	-	520,869
Clearing Agency Service Charge	85,880.00	232,800	318,680
Container Handling & Parking Charge	1,287,765.78	75,064	1,362,830
GI Strip	1,098,512.00	-	1,098,512
Headrace & Penstock Pipe	257,436,184.12	-	257,436,184
Inspection Allowance - HM	-	306,604	306,604
Hydro Mechanical Equipment Works	73,989,609.86	45,605,032	119,594,642
Loading & Unloading - HM	1,388,250.75	-	1,388,251
Loss on Exchange Rate - HM	37,534.38	-	37,534
Surge Pipe	8,405,326.53	-	8,405,327
Trashrack, Bellmouth & Other - HM	8,196,586.47	25,842,369	34,038,956
Valve	244,000.00	2,378,208	2,622,208



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Madame Khola Hydropower Limited
Lalitpur, Nepal

Notes to the Financial Statements
For the Year ended Ashad 32, 2082 (16th July, 2025)

	<i>Amount in NPR</i>		
Transportation of HM Pipes	57,361,662.23	-	57,361,662
Sub-Total	496,046,835.47	77,777,331	573,824,167
Engineering, Supervision and Management			
Borrower Rating Fee	750,320.00	372,448	1,122,768
Electricity & Water Expenses	98,175.00	36,589	134,764
Consultancy Service for Discharge Measurement	110,525.75	-	110,526
CC Meeting Allowance	-	11,765	11,765
Equipment Hire Charges	8,000.00	-	8,000
Vehicle Hire Charges	742,000.00	-	742,000
Office Building and Camp Facility	99,377.82	520,909	620,287
Advertisement Expenses	166,336.00	142,672	309,008
Communication related Expenses	373,444.00	5,000	378,444
Due Diligence Expenses	819,250.00	16,950	836,200
Electric & Other Site Equipment	499,492.98	361,967	861,460
Fuel Expenses	685,240.22	434,773	1,120,014
Licensing Expenses (Generation)	2,000,000.00	-	2,000,000
Investment Processing Fee	3,000,000.00	-	3,000,000
Issuer Rating Fee	169,500.00	113,000	282,500
Helicopter Charter	200,000.00	136,593	336,593
Bank Guarantee Charges & Other Charges	1,166,478.00	21,051	1,187,529
Kitchen Equipment Site	121,628.00	108,233	229,861
Medicine Expense	33,627.00	17,637	51,264
Meeting Allowance	100,148.00	136,765	236,913
Miscellaneous Expenses	84,980.00	93,560	178,540
Local Transportation - Site	-	42,000	42,000
Guest Meeting Expenses	353,237.93	-	353,238
Repair and Maintenance (Vehicle & Office Equipments) Expenses	3,788,408.63	4,337,539	8,125,948
Camp Equipment	435,990.00	-	435,990
Oxygen Gas	1,350.00	-	1,350
Salary Expenses	55,311,509.00	9,802,800	65,114,309
Meeting Expenses	555,000.00	-	555,000
Fare, Travelling & Ticketing Expenses (Site)	2,463,986.86	2,380,054	4,844,041
Wages	1,741,938.00	106,000	1,847,938
Lodging & Food Expenses	1,543,888.98	730,241	2,274,130
Food Expenses (Site Mess)	4,080,285.96	1,989,909	6,070,195
Rent Expenses-Site	337,600.00	199,200	536,800
Membership Fees	317,500.00	32,000	349,500
Site Office Expense	-	145,192	145,192
Underwriting Commission	-	1,040,000	1,040,000
Vehicle Hire	960,000.00	-	960,000
Insurance Expenses (Others)	3,972.00	-	3,972
Office Expenses	1,287,936.99	95,655	1,383,592
Printing & Stationery Expenses	276,384.51	90,761	367,146
Newspaper & Magazine	40,000.00	100,000	140,000
Advertisement Expenses	302,518.60	-	302,519
Staff Refreshment Expenses	296,192.00	-	296,192
Website related Expenses	59,325.00	28,250	87,575
Visa Processing Expenses	14,400.00	48,300	62,700
Site Visit Expenses	1,770.00	-	1,770
Registration & Renewal Expenses	977,110.00	214,120	1,191,230
Fine & Penalties	565,539.00	-	565,539
Annual Program Expenses	214,586.50	9,000	223,587
Construction , Supervision & Engineering Cost	30,554,635.00	6,972,665	37,527,300



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Madame Khola Hydropower Limited
Lalitpur, Nepal

Notes to the Financial Statements
For the Year ended Ashad 32, 2082 (16th July, 2025)

	<i>Amount in NPR</i>		
Engineering Design of the Project	8,384,949.89	-	8,384,950
Financial Advisory & Consultancy Services	1,728,900.00	474,600	2,203,500
Technical Consultancy Fee	1,708,050.00	1,239,045	2,947,095
Sub-Total	129,535,487.62	32,607,244	162,142,732
<u>Custom, Local Tax and Insurance</u>			
Insurance Premium - Contractors All Risk	15,547,008.47	17,256,372	32,803,381
Insurance Premium - Labour	63,140.03	40,130	103,270
Insurance - EAR	-	1,308,286	1,308,286
Insurance Premium- Site Assets	292,184.21	-	292,184
Insurance Premium-Site Camp	62,307.00	-	62,307
Insurance Premium-Vehicle	193,074.77	102,598	295,673
Insurance Premium - Property	310,482.19	312,094	622,576
Insurance Premium-Transit	879,079.70	62,432	941,512
Sub-Total	17,347,276.37	19,081,913	36,429,190
<u>Environmental Mitigation & Social Contribution</u>			
Corporate Social Responsibility	547,500.00	7,190,000	7,737,500
Road Maintenance- CSR	4,411,870.74	500,000	4,911,871
DSA/TA Expenses	60,000.00	56,470	116,470
Tree Cutting Expenses	2,902,721.22	-	2,902,721
Sub-Total	7,922,091.96	7,746,470	15,668,562
<u>Financial Costs/Charges for Construction</u>			
Bank Commission/Service Charge	4,825,160.30	6,424,680	11,249,841
Interest-NMB Bank Ltd. (Short Term Loan)	53,109,706.86	23,840,473	76,950,180
Interest-Employees Provident Fund	34,130,435.27	49,359,923	83,490,358
Interest-NIC Asia Bank Ltd.	19,765,071.74	29,233,998	48,999,070
Interest-NMB Bank Ltd. (Term Loan)	64,252,054.37	88,839,652	153,091,706
Interest-Prabhu Bank Ltd.	21,265,111.44	30,029,830	51,294,942
Sub-Total	197,347,539.98	227,728,556	425,076,096
<u>Electromechanical /Switchyard cost</u>			
Electromechanical Equipment	-	603,000,946	603,000,946
Bank Charge & Commission - EM	2,505,328.15	1,368,817	3,874,145
Custom - EM	22,029.00	9,898,772	9,920,801
Inspection Allowance - EM	-	500,580	500,580
Loading & Unloading - EM	-	145,770	145,770
Freight , Forwarding & Clearing Cost - Em	16,059.60	2,040,485	2,056,545
Signal Amplifier	70,929.90	-	70,930
Sub-Total	2,614,346.65	616,955,371	619,569,717
<u>Construction Power</u>			
Cable for Construction Power	2,643,312.79	525,794	3,169,107
Fuel for Generator	5,501,283.15	12,709,427	18,210,710
Plastic Water Pipe	2,026,496.70	502,002	2,528,499
Three Phase Electricity	1,399,892.60	-	1,399,893
Sub-Total	11,570,985.24	13,737,223	25,308,208
Grand Total	2,558,567,760.54	1,743,716,537	4,302,284,297



Madame Khola Hydropower Limited
Lalitpur, Nepal

Notes to the Financial Statements
For the Year ended Ashad 32, 2082 (16th July, 2025)

Non Current Financial Assets

4.10 Financial assets

Investments

Particulars	<i>Amount in NPR</i>	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Quoted Equities	-	-
Unquoted Equities	-	-
Total	-	-

Current Assets

4.11 Inventory In Hand

Particulars	<i>Amount in NPR</i>	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Closing Inventory	-	-
Total	-	-

Other Financial Assets

4.12 Advance and Receivables

Advance and Receivables

Particulars	<i>Amount in NPR</i>	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Advance for Land Purchase/Others (Refer to 4.12.1)	5,000,272	1,411,857
Work Advance	1,706,135	2,412,038
Margins & Deposits	12,850,500	36,696,500
Advance for Transmission Line		
Himalayan Hydropower Ltd.	12,854,670	6,427,335
Madi Power Pvt. Ltd.	27,950,563	14,560,281
Sikles Hydropower Ltd.	13,925,893	6,962,946
Super Madi Hydropower Ltd.	50,000,000	50,000,000
Other Receivables/advances		
Country Developers & Engineers Pvt.Ltd.	2,196,720	650,958
Muktinath Capital Ltd.	250,000	250,000
Chongqing New Century Electrical Co. Ltd. - Advance	-	205,087,295
Pokhara Soil Testing & Engineering Services P. Ltd.	-	402,657
Build Three Sixty Pvt. Ltd-LC	-	17,464,570
Nepal Environment & Development Consultant	1,700,000	1,700,000
Build Three Sixty Pvt. Ltd.	5,681,065	2,299,999
Cangzhou Spiral Steel Pipes Group Co. Ltd.- Advance	-	-
Nephydelin Pvt. Ltd.	-	5,265,643
Skyblue Industry Ltd. - HM Transportation	-	2,287,548
Ojashwi Construction Pvt.Ltd.- Advance	124,140,001	178,490,325
Prem Kumar Karki	-	(3,800)
Shyam Gurung - Labour Payable	60	-
Pabitra Engineering Concern Pvt. Ltd.	1,000,000	-
Samridhhi Power Tech Pvt. Ltd.	500,000	-
Suman Kattel - CSR	100,000	-
Kingship Holdings Ltd.	196,029	-
Gehendra Gurung	-	200,000
Lalita Rimal	-	50,000
Man Bahadur Gurung	-	100,000
TPES Construction Pvt. Ltd.	-	14,500,000
Ganga Ram Tamang	-	416,059
Total	260,051,907	547,632,213



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Madame Khola Hydropower Limited
Lalitpur, Nepal

Notes to the Financial Statements
For the Year ended Ashad 32, 2082 (16th July, 2025)

Name of Company	<i>Amount in NPR</i>	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Bindu Shrestha	-	(934,163)
Ram Laxman Lama	950,000	950,000
Sujen Shrestha	4,050,272	1,296,020
Kumari Gurung Seni	-	50,000
Rung Rung Gurung	-	50,000
Total	5,000,272	1,411,857

4.13 Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balance and other short term deposits of financial assets having maturity less than a year.

Particulars	<i>Amount in NPR</i>	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Cash in Hand	2,278	491
Cash at Bank/FIs:		
NMB Bank Ltd.	6,105,844	10,315,553
Global IME Bank Limited	5,782	5,782
NIC Asia Bank Limited	14,071	6,036
Prabhu Bank Limited	2,199,733	1,514,801
Lumbini Bikash Bank Limited	5,000	5,000
Total	8,332,709	11,847,663

4.14 Other Current Assets

Particulars	<i>Amount in NPR</i>	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Prepaid Expenses	10,366,520	7,776,340
Total	10,366,520	7,776,340

4.15 Share Capital

Particulars	<i>Amount in NPR</i>	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Authorised Share Capital	1,300,000,000	1,300,000,000
Issued Share Capital	1,300,000,000	1,300,000,000
Paid up Share Capital	1,040,000,000	376,410,000

Particulars	<i>Amount in NPR</i>	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Shares as at 1st Shrawan	376,410,000	376,410,000
Add: New issue	663,590,000	-
Add: Adjustment	-	-
Add: Bonus Shared Issued	-	-
Add: Right Shared Issued	-	-
Add: Addition this year	-	-
Add: Calls in Advance	-	540,658,000
Shares as at 32nd Ashadh	1,040,000,000	917,068,000

4.15.1 Reconciliation of No. of Shares

Particulars	<i>Amount in NPR</i>	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Ordinary Shares as at 1st Shrawan	3,764,100	3,764,100
Add: New issue	6,635,900	-
Add: Adjustment	-	-
Add: Bonus Shared Issued	-	-



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Madame Khola Hydropower Limited
Lalitpur, Nepal

Notes to the Financial Statements
For the Year ended Ashad 32, 2082 (16th July, 2025)

Add: Right Shared Issued	-	-
Add: Addition this year	-	-
Ordinary Shares as at 32nd Ashadh	10,400,000	3,764,100

Other Equity

4.16 Retained Earnings *Amount in NPR*

Particulars	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Retained Earnings	(5,747,505)	(5,034,362)
Prior Period Adjustment	-	-
Profit for the year	(3,312,495)	(713,143)
Total	(9,060,000)	(5,747,505)

4.17 Other Reserves *Amount in NPR*

Particulars	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Fair Value Reserve	-	-
Actuarial reserve	-	-
Total	-	-

Non Current Financial Liabilities

4.18 Non current Borrowings *Amount in NPR*

Particulars	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Term Loan - Employees Provident Fund	761,999,368	426,202,527
Term Loan - NIC Asia Bank Ltd.	470,604,769	293,613,027
Term Loan - NMB Bank Ltd.	1,454,283,048	860,375,525
Term Loan - Prabhu Bank Ltd.	485,674,929	295,127,027
Total	3,172,562,113	1,875,318,106

4.19 Other Non-Current Financial liabilities *Amount in NPR*

Particulars	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Lease Liability	151,516	743,808
Total	151,516	743,808

4.20 Deferred Tax Assets/(Liabilities) *Amount in NPR*

Particulars	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Deferred Tax Assets	-	2,167,856
Deferred Tax Liabilities	(598,737)	-
Total	(598,737)	2,167,856

4.21 Current Borrowings *Amount in NPR*
This includes the amount borrowed by the company from Bank as a loan and is treated as financial liabilities at amortized cost as per NAS 39. The book costs have been taken as deemed amortized cost for NFRS purpose. AIR on loan, if any, is shown as part of borrowings.

Particulars	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Bridge Gap Loan-NMB Bank Ltd.	138,732,841	253,459,596
Total	138,732,841	253,459,596

4.22 Trade & Other Payables *Amount in NPR*

Particulars	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Amrit Bhujel	49,223	-
Capital Enterprises Pvt. Ltd.	625	-



Madame Khola Hydropower Limited
Lalitpur, Nepal

Notes to the Financial Statements
For the Year ended Ashad 32, 2082 (16th July, 2025)

Eka Jang Gurung	-	(25,000)
Cruise Travel (P) Ltd.	387,097	22,000
Thapa Oil Stores	966,957	1,305,070
Bijaya Engineering Pvt. Ltd.	(36,096)	161,452
Isha International	26,540	22,078
Chongqing New Century Electrical Co. Ltd. - Advance	90,434,263	-
Nephydelin Pvt. Ltd.	4,783,272	-
B.G. Workshop & Crane Sewa	28,432	55,192
H.G. Ent Pvt. Ltd.	135,610	-
Kalyan Construction Pvt. Ltd.	39,289,870	-
Nepal Lube Oil Ltd.	2,333,981	-
Saniya Enterprises	52,270	-
Shakti Commercial Enterprises	46,481	-
A.B. Trade Concern	600	-
Maruti Trade Links Pvt. Ltd.	198,980	-
Agrim Trade & Services Pvt. Ltd.	49,160	-
A.R. Car Decor Pvt. Ltd.	4,125	-
Skyblue Led & Electronics Technology Pvt. Ltd.	27,163	19,030
Eastern Electrical Enterprises	385,358	-
Fewa Cargo Service Pvt. Ltd.	6,850	-
Himalayan Solution Pvt. Ltd.	447,750	-
Independent Power Producers' Association , Nepal	85,000	-
JBRH and Co.	5,575	-
Jure Bhumi Custmetic & Kitchen Corner	12,850	-
Lightstream Communications Pvt. Ltd.	6,917,980	-
Monika Suppliers	50,000	-
Nepal India Chamber of Commerce & Industry	85,000	-
NMB Capital Limited	504,400	-
Prabisha Emporium	11,000	-
Progressive Labs Pvt. Ltd.	27,875	-
Annapurna Cables Industries Pvt. Ltd.	-	55,565
Dhaneshwor Auto Spares Pvt. Ltd.	-	53,422
Dudhpokhari Kirana Pasal	-	87,650
Dudhpokhari Stores	402,300	258,095
Finman Service Pvt. Ltd.	469,000	469,000
TP Adhikari & Associates	195,125	100,350
Srijana Motor Engineering	244,534	127,295
Unique Engineering Center	-	123,300
Yachu Suppliers Pvt. Ltd.	-	20,247,320
Jamuni Auto Centre Pvt. Ltd.	-	3,000
Mechi Resort P. Ltd.	12,730	115,865
N.B. Bibek Motorcycle Workshop	-	4,850
Sakira Kirana Tatha Falful Pasal	-	8,550
Pappu & Arun Sabji Suppliers	6,790	(460)
Powerplus India Technology Pvt. Ltd.	1,408,953	-
Hendra Auto Workshop	-	378,341
Retention Money - Yachu Suppliers Pvt. Ltd.	-	2,426,400
Retention Money - Build Three Sixty Pvt. Ltd.	2,016,481	998,532
Retention Money - Ojashwi Construction Pvt.Ltd.	91,109,850	65,440,821
Total	243,183,955	92,457,717

4.23 Other Current Liabilities

Particulars	Amount in NPR	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
Audit Fee Payable	278,750	278,750
PF Payable	-	324,000
Salary & Wages Payable	3,956,550	6,322,619



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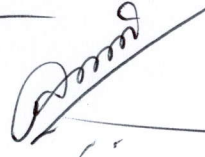


Madame Khola Hydropower Limited
Lalitpur, Nepal

Notes to the Financial Statements
For the Year ended Ashad 32, 2082 (16th July, 2025)

Withholding Tax Payable (Refer to 4.23.1)	5,414,280	3,345,408
Total	9,649,580	10,270,777

Particulars	<i>Amount in NPR</i>	
	As on 32 Ashadh, 2082	As on 31 Ashadh, 2081
TDS on Audit Fee	3,750	3,750
House Rent Tax	33,341	34,996
TDS on Salary	175,050	-
TDS on Wages	1,060	-
TDS on Rent	1,660	-
TDS on Others	5,199,419	3,306,662
Total	5,414,280	3,345,408



Madame Khola Hydropower Limited
Lalitpur, Nepal

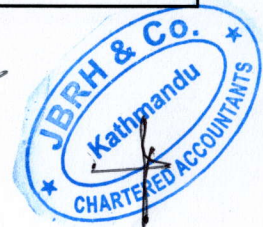
Income Tax Calculation Sheet
For Income Year 2081/082

Particulars	Amount in NPR
Calculation of Taxable Income From Business	
Profit Before Income Tax as per Books	(545,902)
Add:	
Depreciation as Per Books of Accounts	2,171,966
Lease Charge	568,336
Donation	-
Miscellaneous Expenses	-
Disallowed expenses	242,043
Securities Brokerage cost	-
Loss upto 19th Poush, 2081 (Section 57 of IT Act, 2058; Change of Control)	783,502
Repair and Maintenance	-
Less:	
Less: Repair and Maintenance Allowed	-
Less: House Rent	666,672
Less: Interest on Term Deposit	-
Less: Depreciation as per Income Tax	2,823,911
Net Taxable Profit During the Year	(270,638)
Less: Carry Forward Loss of Previous Year	-
Taxable Profit/(Loss) From the Business	(270,638)
Provision for Income Tax from Business (25%)	-
Total Provision for Income Tax from Other income	-
Less: Advance Taxes Paid and TDS Deposited	
Income Tax Advance Paid	-
Capital Gain Tax paid	-
Advance TDS Paid	-
Transfer Credit of Previous Year	-
Total Tax Deposited	-
Remaining Advance Tax (Net of Provision)/Tax to deposit	-

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Madame Khola Hydropower Limited

Lalitpur, Nepal

1. Corporate Information

1.1 General

Madame Khola Hydropower Ltd. (MKHL) was established initially as private limited company in Kathmandu, Nepal under the Company Laws of the Government of Nepal (Company registered no. with the main objective to promote hydropower sector of Nepal through private investments as a part of contribution to the overall development of the country. But the company has been converted into public limited company on 2079/03/30 by office of company registrar (Reg. No.-293701/78/079). The PAN no. of the company is 603519507.

Currently the company is constructing "Madame Khola Hydropower Project" with 24 MW installed capacity at Madi Rural Municipality of Kaski district of Gandaki Province, Nepal. The Developer had concluded connection agreement along with power purchase agreement (PPA) with NEA having Required Commercial Operation Date (RCOD) of 28th Chaitra 2082 with all required agreement and license is in place now. The project is financed by the Bank consortiums comprised of NMB Bank Limited as a lead bank and consortium partners Prabhu Bank Ltd, NIC ASIA Bank Ltd. & Employee Provident Fund. Syndicated Loan Agreement (SLA) was signed on 19/04/2077.

Madame Khola Hydropower Project is proposed to develop as a run-of-the river type of project on lowest reach of Madame Khola with an installed capacity of 24 MW corresponding to the design discharge of 5.28 m³/s at Q40% and design head of 536.28m.

1.2 Financial Statements

The Financial Statement of the company for the year ended 32nd Ashad 2082 comprises:

- Statement of Financial Position
- Statement of Profit or Loss
- Statement of Other Comprehensive Income
- Statement of Cash Flows
- Statement of Changes in Equity
- Notes to the Financial Statements and Significant Accounting Policies of the Company

1.3 Principal Activities and Operations

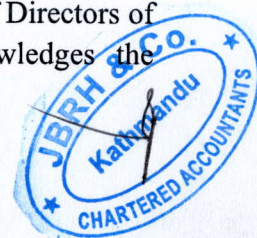
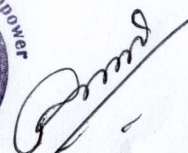
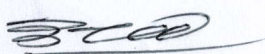
The principal activity of the company is trading the various products to the customers with collection from farmers & other organization.

1.4 Responsibility for Financial Statements

The Board of Directors is responsible for the fair preparation and presentation of Financial Statements of company as per the provisions of the Companies Act, 2006, in accordance with Nepal Financial Reporting Standard (NFRS).

1.5 Approval of Financial Statements by Directors

The accompanied financial statements have been approved for publication by the Board of Directors of the company in its meeting held on 2082.09.06. The Board of Directors acknowledges the responsibility for the preparation of financial statements.



2. Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and deviations if any have been disclosed accordingly.

2.1 Basis of Preparation

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

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.

2.2 Statement of Compliance

The Financial Statement of company which comprises components mentioned above have been prepared in accordance with Nepal Financial Reporting Standards comprising of Nepal Financial Reporting Standards and Nepal Accounting Standards (hereafter referred as NFRS), laid down by the Institute of Chartered Accountants of Nepal in compliance with the requirements of the Companies Act ,2006.

2.3 Functional and Presentation Currency

The Financial Statements of company are presented in Nepalese Rupees (NPR), which is the currency of the primary economic environment in which the company operates. Financial information are presented in Nepalese Rupees, and round off to the lowest cardinal number of one digit. There was no change in company's presentation and functional currency during the year under review.

2.4 Distinction of Current and Non-Current

Assets

All the assets except the property, plant and equipment and deferred tax assets are classified as current assets unless specific additional disclosure is made in the notes.

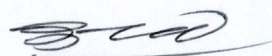
Liabilities

All the liabilities except the defined benefit plan obligations are classified as current liabilities unless specific additional disclosure is made in the notes.

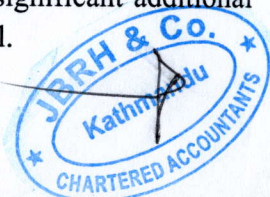
2.5 Property, plant and equipment

Property, Plant & equipment (PPE) are stated at cost of acquisition or construction less accumulated depreciation and accumulated impairment losses, if any.

Cost includes inward freight, duties and taxes and incidental expenses related to acquisition. Expenses capitalized also include applicable borrowing costs for qualifying assets, if any. All up gradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits. Subsequently, PPE can be measured on Cost model or Revaluation model.



Madama Jyoti Power



2.5.1 Cost model

Property and equipment are stated at cost less accumulated depreciation less accumulated impairment losses.

2.5.2 Revaluation model

The Company has not applied the revaluation model to any class of freehold land and buildings or other assets.

On revaluation of an asset, any increase in the carrying amount is recognized in 'Other comprehensive income' and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognized as income to the extent of previous write down. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss or debited to the Other Comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit or Loss and Other Comprehensive Income.

The Company has adopted Cost model for property, plant & equipment. Carrying amount of assets has been assumed as fair value.

2.6 Right of Use Assets

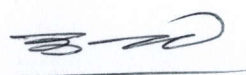
A lease is a contract in which the right to use an asset (the leased asset) is granted for an agreed-upon period in return for compensation. The company will recognize at present value assets for the right of use received and liabilities for the payment obligation entered into for all leases. Lease liabilities include the following lease payments:

- Fixed payments, less lease incentives offered by the lessor
- Variable payment linked to an index or interest rate
- Expected residual payment from residual value guarantees
- The exercise price of call options when exercise is estimated to be sufficiently likely and
- Contractual penalties for the termination of lease if the lease term reflects the exercise of terminable option

Lease payments are discounted at the implicit interest rate underlying the lease to the extent that this can be determined. Otherwise, discounting is at the incremental borrowing rate which is 15%. The Group lease discount rate has been considered for the reporting period.

Right of Use assets are measured at cost, which comprises the following:

- Lease liabilities,
- Lease payments made at or prior to delivery, less lease incentives received,
- Initial Direct Costs, and
- Restoration Obligations



Right of Use assets have been calculated by the company for lease rental of administrative office during the year for which, an amount of NPR. 123,489 have shown as right of use assets at the end of the year.

2.7 Capital Work in Progress (CWIP)

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization as PPE or Intangible assets. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost.

The net book value of assets under construction includes the amount of NPR. 4,302,284,297 relating to the company's ongoing hydropower project. The general administration costs directly relating to the project development (except 20% of admin. staff cost, audit fee, rent expenses & others) has been charged to project cost (CWIP) till the start of commercial operation at discretion of board of directors/management. The cost of the project will be depreciated once the construction is complete and available for use.

2.8 Intangible Assets

Intangible Assets that the Company controls and from which it expects future economic benefits are capitalized upon acquisition and initially measured at cost comprising the purchase price (including import duties and non-refundable taxes) and directly attributable costs to prepare the asset for its intended use.

The useful life of an intangible asset is considered finite where the rights to such assets are limited to a specified period of time by contract or law (e.g., licenses) or the likelihood of technical, technological obsolescence (e.g., computer software). If, there are no such limitations, the useful life is taken to be indefinite.

Intangible assets that have finite lives are amortized over their estimated useful lives by the straight-line method unless it is practical to reliably determine the pattern of benefits arising from the asset. An intangible asset with an indefinite useful life is not amortized.

Software is amortized over a period of five years.

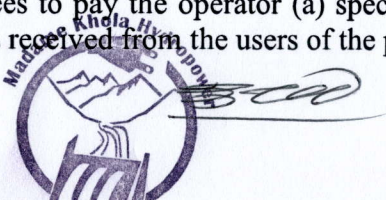
All intangible assets are tested for impairment. Amortization expenses and impairment losses and reversal of impairment losses are taken to the Statement of Profit or Loss and Other Comprehensive Income. Thus, after initial recognition, an intangible asset is carried at its cost less accumulated amortization and / or impairment losses.

Intangible asset (Computer application) includes the cost of computer application development including software, direct charges for labor, materials, contracted services and borrowing costs as per NAS 23.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

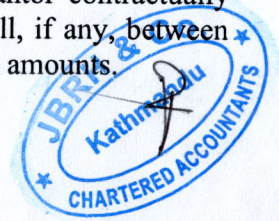
2.8.1 Recognition as a financial asset

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.



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2.9 Financial Instruments

2.9.1 Date of Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that company becomes a party to the contractual provisions of the instrument. This includes regular way trades. Regular way trade means purchases or sales of financial assets that required delivery of assets within the time frame generally established by regulation or convention in the market place.

2.9.2 Recognition and Initial Measurement of 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, as per the Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement). Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Statement of Profit or Loss.

2.9.3 Classification and Subsequent Measurement of Financial Assets

At the inception, a financial asset is classified into one of the following:

- a. Financial assets at fair value through profit or loss
 - i. Financial assets held for trading
 - ii. Financial assets designated at fair value through profit or loss
- b. Held to Maturity Financial Assets
- c. Loans and Receivables
- d. Financial assets available for sale

The subsequent measurement of financial assets depends on their classification.

a) Financial Assets at Fair Value through Profit or Loss

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated upon initial recognition at fair value through profit or loss.

i. Financial Assets Held for Trading

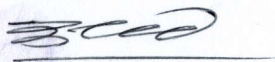
Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category also includes derivative financial instruments entered into by company that are not designated as hedging instruments in hedge relationships as defined by Nepal Accounting Standards NAS39 (Financial Instruments: Recognition and Measurement).

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in 'Fair value gains and losses. Dividend income is recorded in 'Other Income' when the right to receive the payment has been established. Interest income earned from financial assets held for trading is recorded under 'Other Income' using the effective interest rate. Company evaluates it's held for trading asset portfolio, other than derivatives, to determine whether the intention to sell them in the near future is still appropriate. When company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, company may elect to reclassify these financial assets.

Financial assets held for trading include instruments such as government securities and equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term.

ii. Financial Assets Designated at Fair Value through Profit or Loss

Company designates financial assets at fair value through profit or loss in the following circumstances:




- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the assets.
- The assets are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The asset contains one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss is recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Other Income' in the Statement of Profit or Loss. Interest earned is accrued under 'Other Income', using the effective interest rate method, and dividend income is also recorded under 'Other Income' when the right to receive the payment has been established.

The company has not designated any financial assets upon initial recognition as designated at fair value through profit or loss.

b) Held to Maturity Financial Assets

Held to Maturity Financial Assets are non-derivative financial assets with fixed or determinable Payments and fixed maturities which the company has the intention and ability to hold to maturity. After the initial measurement, held to maturity financial investments are subsequently measured at amortized cost using the effective interest rate, less impairment. The amortization is included in 'Other Income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss.

The term deposits of 12 months maturity have been shown under this heading in the financial statements.

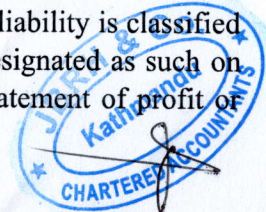
c) Financial Assets Available for Sale

Available for sale financial assets include equity and debt securities. Equity Investments classified as 'Available for Sale' are those which are neither classified as 'Held for Trading' nor 'Designated at fair value through profit or losses. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity through 'Other comprehensive income / expense' in the 'Available for sale reserve'. When the investment is disposed of the cumulative gain or loss previously recognized in equity is recognized in the Statement of Profit or Loss under 'Other operating income'. Where company holds more than one investment in the same security, they are deemed to be disposed off on a first-in-first-out basis. Interest earned whilst holding 'Available for sale financial investments' is reported as 'Other income' using the effective interest rate. Dividend earned whilst holding 'Available for sale financial investments' are recognized in the Statement of Profit or Loss as 'Other Income' when the right to receive the payment has been established. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss under 'Other operating and administrative expenses' and removed from the 'Available for sale reserve'.

2.10 Financial Liabilities

The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in the statement of profit or



loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in the statement of profit or loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities consist of amount due to related parties, other creditors including accruals and outstanding commission payable.

De-recognition of other financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Finance measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Finance uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement hierarchy is as follows:

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

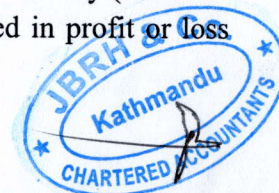
Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 portfolios are those where there are unobservable inputs of the instruments. The inputs are not based on observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Finance determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out. In case the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 01 valuation), the difference between the transaction price and fair value is recognized in profit or loss immediately.



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2.11 Depreciation and Amortization

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

1. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.
2. Depreciation is provided on the straight method (except for leasehold properties) based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on pro-rata basis in the year of purchase. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows:

Category of assets	Estimated useful life
Building	20 years
Plant and Equipment	10 years
Office Equipment & Other	5 years
Furniture and fixtures	5 years
Computers and accessories	5 years
Vehicles	10 years

Lease assets and Leasehold improvement is amortized on a straight-line basis using the rates determined with reference to the lease period or 10% whichever is lower.

Useful life is either the period which the assets is expected to be used or the number of production or similar units expected to be obtained from the use of asset.

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

2.12 Impairment of non-financial assets

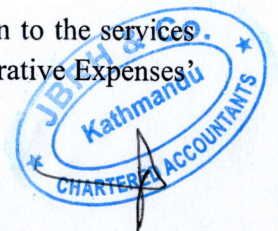
Non-financial assets subject to impairment testing include intangible assets and property, plant and equipment. Impairment of material intangible assets under construction are tested at least once a year. Assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment test is performed by comparing the carrying amount of the asset or cash generating unit (CGU) to its recoverable amount. The recoverable amount is calculated as the higher of the fair value less costs to sell and Value in use which is the present value of the future cash flows from an asset or CGU.

2.13 Retirement Benefits Obligations

2.13.1 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which company pays fixed contribution into a separate Institution (or own fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan in proportion to the services rendered to company by the employees and is recorded as an expense under 'Administrative Expenses'



as and when they become due. Unpaid contributions, if any, are recorded as a liability under 'Other Financial Liabilities'.

The amount of provident fund deposited is 20% of basic salary, out of which 10% is deducted from basic salary of employee and similar amount is contributed from employer. It has deposited in the respective entity all the related payables at the end of the year.

2.13.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. No any defined benefit plan has been considered by company yet.

2.13.3 Unutilized Accumulated Leave

Company's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long-term employee benefits. Company's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of company's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

NAS 19 requires actuarial valuations for Leave encashment in order to determine the liability or asset that the companies have at the year end. Actuarial valuations have been carried out to determine the same.

The company does not provide leave encashment & gratuity amount to employees as per Labour Act 2074. So, company does not require actuarial valuations for Leave encashment in order to determine the liability or asset that the companies have at the year end.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.14 Provisions and Contingencies

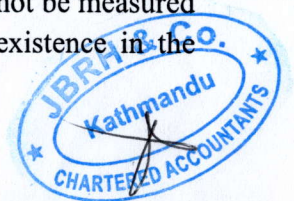
In accordance with Nepal Accounting Standards (NAS) 37- Provisions, Contingent Liabilities and Contingent Assets, a provision is required to be recognized where there is a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which are uncertain.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or nonoccurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.



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A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

The company has bank guarantee(issued) of NPR. 7,720,000 at the end of the FY 2081/82.

Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants can be Grants related to assets or Grants related to income. Under Grants related to assets, there is a condition that the entity shall purchase, construct or otherwise acquire long-term assets. Grants related to income are grants other than grants related to assets.

Government grants are recognized when there is reasonable assurance they will be received and the corporation will comply with the conditions associated with the grant. Government grants that compensate the corporation for expenses incurred are recognized in profit or loss in the same period in which the expenses are recognized. Grants that compensate the corporation for the cost of an asset are recorded as deferred revenue and recognized in other revenue over the service life of the related asset or present with the net of fixed assets.

Government grants shall be recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

2.15 Borrowing cost

As per NAS 23, Borrowing costs are the costs incurred by the company in borrowing loans for construction of assets or any capital goods. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Borrowings can be general or specific. Borrowing costs are capitalized till the construction of asset is complete and is ready for use.

The interest of loan amounting to NPR. 221,303,876 capitalized to capital work in progress during the year as the hydro project is yet to be complete.

2.16 Leases

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

2.16.1 Company as a Lessee

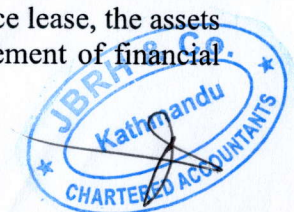
As a lessee, the company has to recognize at present value for the right of use assets received and liabilities for the payment obligations.

2.16.2 Company as a lessor

For operating lease, company reports the leased assets at amortized cost as an asset under the property, plant & Equipment where it is the lessor. The lease payments received in the period are shown under other operating income on straight line basis. Where company's is the lessor in finance lease, the assets are recognized as lease receivables in the amount of the net investment in the statement of financial position.



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2.17 Receivables and Payables

Receivables, advances and payables are accounted on accrual basis. Balance amounts on year end are shown in notes of Statement of Financial Position, which are yet to be independently reconciled with the statements of the related counterparts.

2.18 Revenue Recognition

Revenue

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable.

Commission Income

Commissions are recognized on an accrual basis when the service has been provided or significant act performed whenever the benefit exceeds cost in determining such value. Whenever, the cost of recognizing commissions on an accrual basis exceeds the benefit in determining such value, the commissions are charged off during the year.

Exchange Gain/ Loss

Exchange gain and loss are recognized on the transaction date as the difference between exchange rate between settlement date and recorded date.

Dividend Income

Dividend incomes are recognized when right to receive such dividend is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income.

2.19 Financial Income

Financial Income includes Interest Income from financial institution.

2.20 Financial Costs

Financial costs include the finance costs under banks availed by the company.

2.21 Income Tax

The Company is subject to tax laws of Nepal. Income Taxes have been calculated as per the provisions of the Income Tax Act, 2058. Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax law carry forwards become deductible. The company considers the expected reversal of deferred tax liabilities and projected future taxable income making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.



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A handwritten signature in black ink, appearing to be "S. M.", written over a horizontal line.



2.21.1 Current Tax

Current tax is the amount of tax payable based on the taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

As there is taxable loss, no current tax has been assessed for the year.

2.21.2 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes (tax base), at the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

Income tax, in so far as it relates to items disclosed under other comprehensive income or equity, are disclosed separately under other comprehensive income or equity, as applicable.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realize the asset and settle the liability simultaneously.

The company has recognized current year's deferred expense amounting to NPR. 2,766,593 in statement of Profit or loss with subsequent effect of deferred tax liabilities.

2.22 Cash and Cash Equivalent

Cash and cash equivalents include cash at vault and agency bank account balances, highly liquid financial assets with original maturity of 12 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.

2.23 Foreign currency translation

The functional currency of the Company and its subsidiaries is determined on the basis of the primary economic environment in which it operates. The functional currency of the Company is Nepalese Rupee.

Revenues and expenses resulting from transactions in foreign currencies are translated to Nepalese Rupee equivalents at exchange rates approximating those in effect at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into Nepalese rupee at the exchange rate prevailing at the reporting date. Translation gains and losses are credited or charged to Profit or loss in the current period.

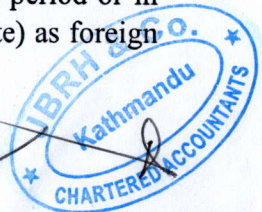
Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements has been recognized (using the closing rate of reporting date) as foreign exchange gain or loss and adjusted with statement of Profit and Loss as per NAS21.



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The exchange gain amounting NPR. 3,841,803 relating to purchase of CWIP (assets) has been charged to Statement of Profit or Loss during the year.

2.24 Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn commission and other income and incur expenses that relate to payment for commission expenses to different regulatory body. Operating results are reviewed by the management to make decision about resource allocation and assess its whole performance of company

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements in conformity with Nepal Financial Reporting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect in the Financial Statements are as follows:-

3.1 Going Concern

- The Directors have made an assessment of company's ability to continue as a going concern and satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon company's ability to continue as a going concern and do not intend either to liquidate or to cease operations of it. Therefore, the Financial Statements are prepared on going concern.

3.2 Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position can be derived from active markets i.e., Level 1, they are derived from observable market data. However, if this is not available, Level 2 and Level 3 Fair value measurement techniques have been used as per NFRS. If this cannot be estimated, judgment is required to establish fair values.

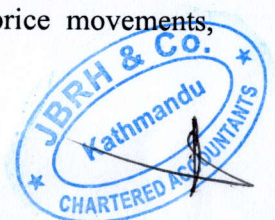
3.3 Impairment of Available for Sale Investments

Company reviews its debt securities, if any, classified as available for sale, at each reporting date to assess whether they are impaired. Objective evidence that an available for sale debt security is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc. Company also records impairment charges on available for sale equity investments where there is significant or prolonged decline in fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. Company shall generally treat 'significant' as 20% and 'prolonged' as greater than six months. In addition, company evaluates, among other factors, historical share price movements, duration and extent up to which the fair value of an investment is less than its cost.



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3.4 Impairment of non-financial assets

Non-financial assets subject to impairment testing include intangible assets and property, plant and equipment. The corporation tests material intangible assets under construction at least annually for impairment. Assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment test is performed by comparing the carrying amount of the asset or cash generating unit (CGU) to its recoverable amount. The recoverable amount is calculated as the higher of the fair value less costs to sell and Value in use which is the present value of the future cash flows from an asset or CGU.

3.5 Useful Life of the Property, Plant and Equipment

Company reviews the residual values, useful life and method of depreciation of property, plant and equipment at each reporting date. Such life is dependent upon an assessment of both the technical life of the assets and their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives, residual values and methods are reviewed annually using the best information available to the Management.

3.6 Taxation

The company is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense amounts that were initially recorded, and deferred tax amounts in the period in which the determination is made.

3.7 Provisions for Liabilities and Contingencies

The company may receive legal claims and litigations against it in the normal course of business. Management makes judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual amount could differ from those estimates, but differences are not expected to be materials.

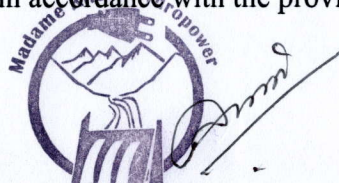
3.8 Events after the Reporting Period

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the financial statements.

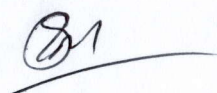
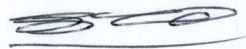
3.9 Related Party Transactions

Related parties of an entity represent parent company, major shareholders, associated companies, directors and key management personnel of the Group, and companies of which they are principal owners.

The names of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of NAS 24- 'Related Party Disclosures'.



Madam Justice Power



Key management personnel refer to the person who has authority and responsibility for planning, directing and controlling the activities of company either directly or indirectly.

Related party transactions also include transaction with entities that are controlled, joint ventures or significantly influenced directly by any key management personnel or their close family members.

Key Managerial Personnel

S. No.	Name	Designation
1	Susan Karmacharya	Chairperson
2	Dhan Bahadur Shrestha	Managing Director
3	Bindu Shrestha	Director
4	Uddhim Bahadur Devkota	Director
5	Krishna Sagar Sharma	Director
6	Narhang Rai	Director
7	Kailash Khadka	Director
8	Devendra Narayan Shrestha	Director
9	Shashi Raj Shrestha	Director

Compensation of key management personnel

Name	Particulars	Amount (NPRs)
Susan Karmacharya	Salary and other allowances	2,515,000
Dhan Bahadur Shrestha	Salary and other allowances	1,025,000

Receivables/Payables relating to shareholders as on 32nd Ashad, 2082

The management of all related party transactions/advances (of current & previous years) relating to the company are being made as per the decision & discretion of board of directors/management inclusive of responsibility of verification of financial settlement & other required legal compliance.

3.10 Approval of Share Lagat

The Office of Company Registrar has approved the share capital (paid up) to Rs. 862,804,500.00 and Rs. 1,040,000,000.00 as on 19th Poush, 2081 and 15th Asar, 2082 respectively.

3.11 Change of Control of Ownership (Section 57 of Income Tax Act, 2058)

On Poush 19, 2081 ownership structure of the company has been changed by more than 50 percent. Accordingly, section 57 of the Income Tax Act, 2058 attracts and financial statement as per section 57 of Income Tax Act, 2058 has been already prepared and submitted to Inland Revenue Department. The impact of section 57 of Income Tax Act, 2058 has been duly reconciled to the financial statement. This financial statements covers the period from Shrawan-1, 2081 to Ashadh-32, 2082.

3.12 Re-group and re-arrangement

Prior year figures are re-grouped and re-arranged as necessary to facilitate the comparison.

