

**Independent Auditor's Report
To The Shareholders of Upper Hewakhola Hydropower Limited.**

Report on the Audit of Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of **Upper Hewakhola Hydropower Limited, Anamnagar, Kathmandu, Nepal** (hereinafter referred to as "the company"), which comprises the Balance Sheet as at Ashad 32, 2079 [July 16, 2022] and Profit and Loss Account, Statement of Changes in Equity & Cash Flow Statement for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory notes.

We do not express an opinion on the accompanying financial statements of the company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section, we have not been able to obtain sufficient & appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

The Institute of Chartered Accountants of Nepal (ICAN) has made applicable Nepal Financial Reporting Standards (NFRS) to entities having public accountability with effective from Financial Year 2074-75. Accordingly, the company is required to prepare opening Balance Sheet at the date of transition, Restated Comparative Financial Statements for previous year and fully NFRS complied financial statements for the reporting period. As the company has not prepared the financial statements based on Nepal Financial Reporting Standards, the cumulative effect of the same in the financial statements is not ascertainable and could be material.

Responsibilities 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 Financial Reporting Standards, 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.



A handwritten signature in black ink, appearing to read "J. Bhandari", written over a horizontal line.

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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


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

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

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

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

J. Bhandari



J. BHANDARI & ASSOCIATES
LALITPUR
CHARTERED ACCOUNTANTS

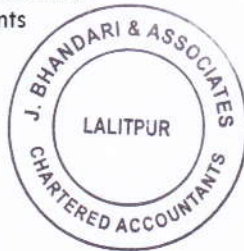
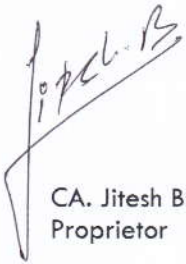
Report on Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, proper books of account as required by law have been kept by the organization in so far as it appears from our examination of those books of account of the company. In our opinion the statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of changes in equity & statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes have been prepared in accordance with the requirements of Companies Act, 2063 and are in agreement with the books of accounts maintained by the company.

In our opinion, so far as appeared from our examination of the books, the company has maintained books of accounts in accordance with Electricity Act' 2049.

To the best of our knowledge and according to the explanation given to us and from the examination of the books of accounts of the company, we have not come across any case where the board of directors or any employee of the company have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused any loss or damage to the company or its property and violated any directives of Electricity Act' 2049 or acted in a manner to jeopardize the interest and security of the company, its customer and it's investors.

For J Bhandari & Associates
Chartered Accountants



CA. Jitesh Bhandari
Proprietor

Date: 2079.09.05

Place: Lalitpur, Nepal

UDIN: 221225CA0103518BBA

Upper Hewakhola Hydropower Co.Limited

Anamnagar, Kathmandu, Nepal

Balance Sheet

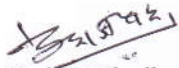
As at 32 Ashadh 2079 (16 July 2022)

Amount in NPR

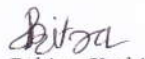
PARTICULARS	Notes	As on Ashadh 32, 2079	As on Ashadh 31, 2078
ASSETS			
NON CURRENT ASSETS			
Property, plant & equipment (Net block)	4.1	4,202,251	5,273,536
Project Cost	4.2	1,361,060,957	-
Capital WIP	4.2	-	1,104,007,383
CURRENT ASSETS			
Other Financial Assets	4.3	191,041,654	48,657,174
Other Current Assets	4.4	7,316,454	5,971,500
Cash and Cash Equivalents	4.5	34,391,946	13,710,946
Current Tax Assets	4.6	-	-
TOTAL ASSETS		1,598,013,262	1,177,620,539
EQUITY & LIABILITIES			
EQUITY			
Share Capital	4.7	500,000,000	300,000,000
Retained Earning		2,277,114	
CSR Reserve		23,001	
NON CURRENT LIABILITIES			
Long & Mid Term Borrowings	4.8	822,181,821	614,543,770
CURRENT LIABILITIES			
Short Term Borrowings	4.9	222,837,332	200,000,000
Other Financial Liabilities	4.10	25,113,710	3,387,843
Other Liabilities	4.11	25,324,716	59,688,926
Other Provisions	4.12	255,568	-
Current Tax Liabilities	4.6	-	-
TOTAL EQUITY & LIABILITIES		1,598,013,262	1,177,620,539

Schedules Forming Integral Part of Financial Statements

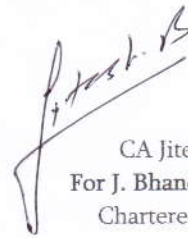
As per our attached report of even date



Dedaraj Khadka
Executive Chairman

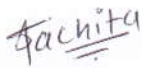


Pabitra Karki
Director



CA Jitesh Bhandari
For J. Bhandari & Associates
Chartered Accountants

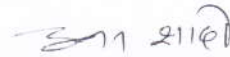




Sachita Gautam
Director



Prakash Paudyal
Director



Bhuwan Kumari Shahi
Director



Maniraj Dahal
Independent Director



Date: 2079.09.05
Place: Kathmandu

Upper Hewakhola Hydropower Co.Limited

Anamnagar, Kathmandu, Nepal

Statement of Profit or Loss


For the Period commencing on Shrawan 1, 2078 and ending on Ashadh 32, 2079

Amount in NPR

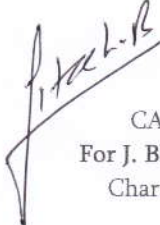
PARTICULARS	Notes	F.Y 2078-79	F.Y 2077-78
Revenue From Sale of Electricity	4.13	54,896,346	-
Other Income	4.14	1,666,667	-
Total Revenue		56,563,012	-
Personnel Expenses	4.15	4,245,031	-
Administrative and Other Operating expenses	4.16	6,827,045	-
Depreciation and Amortization	4.17	13,985,835	-
Profit before Finance Cost		31,505,101	-
Financial Costs	4.18	28,949,418	-
Profit/(loss) before Tax & Bonus		2,555,684	-
Provision for Staff Bonus		255,568	-
Profit/loss before tax		2,300,115	-
Income Tax Expense		-	-
Net profit/(loss) for the year		2,300,115	-
Earning per share			
Basic		0	-
Diluted		0	-

Schedules Forming Integral Part of Financial Statements

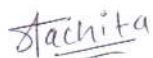
As per our attached report of even date


Dedaraj Khadka
Executive Chairman

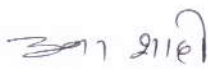

Pabitra Karki
Director

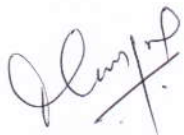

CA Jitesh Bhandari
For J. Bhandari & Associates
Chartered Accountants




Sachita Gautam
Director


Prakash Paudyal
Director


Bhuwan Kumari Shahi
Director


Maniraj Dahal
Independent Director

Date: 2079.09.05
Place: Kathmandu



Upper Hewakhola Hydropower Co.Limited

Anamnagar, Kathmandu, Nepal


Statement of Cash Flow

For the Period commencing on Shrawan 1, 2078 and ending on Ashadh 32, 2079

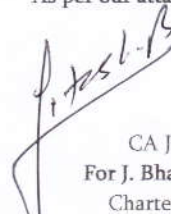
Particulars	Amount in NPR	
	As on Ashadh 32, 2079	As on Ashadh 31, 2078
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	2,300,115	-
Adjustments		
Depreciation on Property, Plant & Equipment	(13,985,835)	1,346,217
Finance Cost	92,748,828	-
Working Capital Adjustments:		
(Increase)/Decrease in other financial assets	(142,384,480)	
(Increase)/Decrease in other current assets	(1,344,954)	48,528,765
Increase/(Decrease) in financial liabilities	21,725,867	
Increase/(Decrease) in short term borrowings	22,837,332	
Increase/(Decrease) in other current liabilities	(34,108,641)	38,524,430
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(52,211,769)	88,399,412
CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		
(Increase) / Decrease in Work in Progress	-	(625,606,079)
Capitalization/Purchase of Fixed assets	-	(5,235,200)
Capitalization/Purchase of Intangible Assets	-	-
(Increase) / Decrease in assets under development	(241,996,454)	-
Available for Sale Financial Assets		-
Realization of Financial Assets		-
Advance towards Investment in Equity		-
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	(241,996,454)	(630,841,279)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in share capital	200,000,000	43,256,700
Increase/(Decrease) in share calls in advance	-	-
Borrowing (repaid)/ taken (net)	207,638,051	505,283,729
Dividend Paid	-	-
Interest Paid	(92,748,828)	-
Transaction cost incurred in respect of issuance of equity share	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	314,889,222	548,540,429
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	20,681,000	6,098,562
Cash and Cash Equivalents at Beginning of the Year	13,710,946	7,612,384
Cash and Cash Equivalents, end of period	34,391,946	13,710,946

Schedules Forming Integral Part of Financial Statements

As per our attached report of even date


Dedaraj Khadka
Executive Chairman

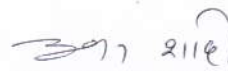

Pabitra Karki
Director


CA Jitesh Bhandari
For J. Bhandari & Associates
Chartered Accountants




Sachita Gautam
Director


Prakash Paudyal
Director


Bhuwan Kumari Shahi
Director




Maniraj Dahal
Director

Date: 2079.09.05
Place: Kathmandu

Upper Hewakhola Hydropower Co.Limited
Anamnagar, Kathmandu, Nepal

Statement of Changes in Equity

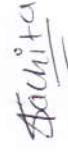
For the Period commencing on Shrawan 1, 2078 and ending on Ashadh 32, 2079


Particulars	Amount in NPR				
	Equity Share Capital	Advance Against Share Capital	Reserves	Retained Earning	Total
	300,000,000	-	-	-	300,000,000
Current Year Adjustment through Retained Earning Profit/ (loss) for the year	-	-	-	2,300,115	2,300,115
Other Comprehensive income/ (Expenses) for the year	-	-	-	-	-
Total comprehensive income	-	-	-	2,300,115	2,300,115
Issue Share Capital	200,000,000	-	-	-	200,000,000
Calls in Advance	-	-	-	-	-
CSR Reserve	-	-	23,001	(23,001)	-
Transaction cost incurred in respect of issuance of equity share	-	-	-	-	-
Balance as at 32 Ashadh, 2079 (16 July, 2022)	500,000,000	-	23,001	2,277,114	502,300,115


Schedules Forming Integral Part of Financial Statements

As per our attached report of even date


Dedaraj Khadka
Executive Chairman

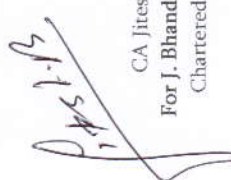

Sachita Gautam
Director


Maniraj Dahal
Independent Director


Pabitra Karki
Director


Prakash Paudyal
Director


Bhuvan Kumari Shahi
Director


CA Jitesh Bhandari
For J. Bhandari & Associates
Chartered Accountants



Date:
Place: Kathmandu

Upper Hewakhola Hydropower Co. Limited
Notes to the Financial Statements
 Year Ended Ashad 32, 2079

Schedule : 4.1

Property, Plant & Equipments as on Ashadh 32, 2079

Particulars	Furniture & Fixtures	Office Equipments	Vehicles	Computer & Printers	Other Assets	Total
Balance as on Ashad End 2078	97,095	49,599	4,900,600	205,554	20,688	5,273,536
Addition during the Year	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashad End, 2079	97,095	49,599	4,900,600	205,554	20,688	5,273,536
Depreciation charge for the Year	24,274	12,400	980,120	51,388	3,103	1,071,285
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashad End, 2079	72,821	37,199	3,920,480	154,165	17,585	4,202,251
Net Book Value	97,095	49,599	4,900,600	205,554	20,688	5,273,536
As on Ashad End 2078	97,095	49,599	4,900,600	205,554	20,688	5,273,536
As on Ashad End, 2079	72,821	37,199	3,920,480	154,165	17,585	4,202,251

17/05/2019

Signature

Signature

Signature



Upper Hewakhola Hydropower Co.Limited

Project Cost

Notes to the Financial Statements

Year Ended Ashad 32, 2079

Amount in NPR

Project Cost

Note 4.2

Paticulars	2078-79	2077-78
01. Pre-Operating Expenses	24,987,437	24,987,437
02. Civil Construction Cost	505,929,017.	371,260,158
03 - Metal Works (HM)	277,490,211	234,304,149
04.Electromechanical Equipments	259,750,398	236,998,890
05 - Transmission Line and SW	46,068,118	41,205,454
06 - Land Lease & Procurement	23,626,099	23,442,654
07 - Site Office Camp and Building	11,602,092	14,174,354
10-Infrastructure Development Cost	14,986,506	13,677,019
11-Environment/Social Mitigation Cost	10,091,039	9,860,039
12 - Project Supervision and Mgnt/ Eng	73,192,782	57,791,473
13. Miscellaneous and Insurance	5,316,670	2,589,402
14 Interest During Construction	121,698,246	73,716,354
Total	1,374,738,614	1,104,007,383

AMORTIZATION OF PROJECT COST

Commercial production Start date	19/12/2078
Started Date of the project	15/01/2072
Handover Date of the Project	14/01/2107
Tenure of the Project	12782
End of Fiscal Year	31/03/2079
Time Left to handover of the project in Days	10252
Depreciation per Day	134094.6756
Depreciation For Fiscal Year 2078-79	13677656.91
Project Cost after Depreciation	1361060957

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Upper Hewakhola Hydropower Co.Limited

Anamnagar, Kathmandu, Nepal

Notes to the Financial Statements

Year Ended Ashad 32, 2079

Other Financial Assets

Note 4.3

Particulars	2078-79	2077-78
Non Current:		
TDS Receivable	166,667	
Sundry Recievables(other Income)	500,000	-
Sub-Total	666,667	-
Current:		
Advance to Other	6,617,475	48,657,174
Staff Advances	-	-
receivables From NMB Capital	142,500,000	-
Trade Debtors (Receivable from NEA)	41,257,512	-
Sub-Total	190,374,987	48,657,174
Total	191,041,654	48,657,174

Other Current Assets

Note 4.4

Particulars	2078-79	2077-78
LC Deposit (Margin)*	3,771,500	5,971,500
Deferred IPO Expenses		
Prepaid Insurance premier insurance	3,544,954	
Total	7,316,454	5,971,500

Cash and Cash Equivalents

Note 4.5

Particulars	2078-79	2077-78
Cash in Hand	5,719	293,240
ADBL Bank Balance	1,401,619	86,848
NMB Bank Balance	32,984,608	13,330,858
Total	34,391,946	13,710,946

Current Tax Assets/Liabilities

Note 4.6

Particulars	2078-79	2077-78
Advance Tax		
Income Tax Liabilities	-	-
Total	-	-

Upper Hewakhola Hydropower Project(8.5 MW) has started its commercial operation from 19 Chaitra 2078. Thus the company is in still tax holiday period. Hence, no tax has been computed for the financial year.



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Upper Hewakhola Hydropower Co.Limited

Anamnagar, Kathmandu, Nepal

Notes to the Financial Statements Year Ended Ashad 32, 2079

Share Capital

Note 4.7

Particulars	2078-79	2077-78
Authorised Capital 5,000,000 Shares of Rs.100 each	500,000,000	300,000,000
Issued Capital 5,000,000 Shares of Rs.100 each	500,000,000	300,000,000
Paid Up Capital 5,000,000 Shares of Rs.100 each	500,000,000	300,000,000
	500,000,000	300,000,000

Category of Shareholders

Note 4.7.1

Particulars	No of Shares	Percentage of holding
Promoter Shares	3,000,000	60%
Employee Shares	30,000	1%
Public Shares	1,970,000	39%
Total Shares	5,000,000	100%

Reserves

Note 4.8

Particulars	2078-79	2077-78
Net Profit for the year	2,300,115	-
Less: CSR Reserves	23,001	-
Other appropriations	-	-
Total	2,277,114	-

J. Bhandari



J. Bhandari

Bhatnagar

Jachita

[Signature]

30/7/2019
[Signature]



Upper Hewakhola Hydropower Co.Limited

Anamnagar, Kathmandu, Nepal

Notes to the Financial Statements

Year Ended Ashad 32, 2079

Long and Mid Term Borrowings		Note 4.9
Particulars	2078-79	2077-78
Long and Mid Term Borrowings		
ADBL	231,183,377	163,338,341
NBL	248,513,064	195,892,255
NMB	374,485,380	285,313,175
Less: Transfer to current portion	32,000,000.00 -	30,000,000.00
	822,181,821	614,543,770
Short Term Borrowings		
Current portion of non current liability	32,000,000	30,000,000
Bridge Gap Loan	190,837,332	170,000,000
Sub Total	222837331.7	200000000

Other Financial Liabilities		Note 4.10
Particulars	2078-79	2077-78
Royalty Payable	825,150	-
Sundry Creditors	24,288,560	3,387,843
Total	25,113,710	3,387,843

Other Liabilities		Note 4.11
Particulars	2078-79	2077-78
Audit Fee Payable	55,750	44,600
Other Payable	22,554,200	58,280,950
SST & Remuneration Tax Payable	36,710	4,453
Staff Payable	542,870	232,900
Withholding Tax Payable (TDS Payable)	2,135,187	1,126,022
Total	25,324,716	59,688,926

Other Provisions		Note 4.12
Particulars	2078-79	2077-78
Staff Bonus Payable	255,568	-
	255,568	-



Upper Hewakhola Hydropower Co.Limited

Anamnagar, Kathmandu, Nepal

Notes to Financial Statements

Year Ended Ashad 32, 2079

Amount in NPR

Note 4.13

Revenue From Sale of Electricity

Particulars	F.Y 2078-79	F.Y 2077-78
Sales of Energy- Upper Hewa Khola (8.5MW)	54,896,345.76	-
Penalty For Short Supply of Energy	-	-
Total	54,896,345.76	-

Note 4.13.1

Detailed Sale of Revenue (Monthwise)

FY 2078-79

Chaitra (618176 kWh@Rs. 8.4)	5,192,678.40
Baisakh 1867540 kWh@Rs. 4.8	8,964,192.00
Jestha 3584090 kWh@ Rs. 4.8	17,203,632.00
Ashad 4903300 kWh@ Rs. 4.8	23,535,840.00
Total Revenue	54,896,342.40

Other Income

Note 4.14

Particulars	F.Y 2078-79	F.Y 2077-78
Rental Income- Use of Access Road	1,666,666.67	-
Interest Income	-	-
Total	1,666,666.67	-

Personnel Expenses

Note 4.15

Particulars	F.Y 2078-79	F.Y 2077-78
Salary	3,811,260.88	-
Allowances	54,000.00	-
Field Visit Allowances	379,770.00	-
Total	4,245,030.88	-



Prakash

Prakash



Upper Hewakhola Hydropower Co.Limited

Anamnagar, Kathmandu, Nepal

Notes to Financial Statements

Year Ended Ashad 32, 2079

Amount in NPR
Note 4.16

Administrative and Other Operating expenses

Particulars	F.Y 2078-79	F.Y 2077-78
Consultacy fee	124300	-
Donation	264,475.00	-
Fuel Expenses	195,813.20	-
House rent Expenses	93,500.00	-
Local Conveyance	9,500.00	-
Logging and Fooding	333,085.49	-
Mis Expenses	1,000.00	-
Office Expenses	5,716.00	-
Office Maintainance	126,242.36	-
Parking Expenses	705.00	-
Printing and Stationery	73,870.42	-
Registratation and Renewal telephone and Communication	37,010.00	-
Transportation Expenses	23,992.00	-
Vehicle Repair Expenses	5,461.93	-
Wages	118,336.89	-
Water and Electricity	11,918.56	-
Insurance Expenses	29,425.00	-
Electricity Expenses	338,509.61	-
Audit Fee Expenses	32,400.00	-
Bank Charges	56,500.00	-
Royalty Expenses	613,647.87	-
Share issue Expenses	1,097,278.92	-
3,234,357.00	-	-
Total	6,827,045.25	-

Depreciation and Amortization Charges

Note 4.17

Particulars	F.Y 2078-79	F.Y 2077-78
Depreciation on PPE	308,177.92	1,346,251.00
Amortization on Project cost	13,677,656.91	-
Total	13,985,834.83	1,346,251.00

Financial Costs

Note 4.18

Particulars	F.Y 2078-79	F.Y 2077-78
Interest on Bank Loan	28,949,417.93	-
Agency Fee	-	-
Total	28,949,417.93	-



Bitra Sachita

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Upper Hewakhola Hydropower Company Limited
For the Financial year 2078/79
Anamnagar, Nepal

Explanatory Notes

1) **General Information of the company**

Upper Hewakhola Hydro Power Limited (referred as "the Company/UHEWA) is a public limited company incorporated on 2075 Jestha 23 (Registered Office: Kathmandu, Anmanager, Nepal) with the office of company register. Initially, the company was incorporated as a private limited company on 2068 Falgun 30 and later converted to limited company as on 2075 Jestha 23. The company has issued shares to Public.

The share of the company has been listed and traded in Nepal Stock Exchange Limited (NEPSE) with Share Symbol " UHEWA ".

The company is established with the objective of development and operation of prospective hydropower projects.

2) **Statement of compliance**

The financial statements have been prepared in accordance with Nepal Accounting Standard Standards (NAS) to the extent applicable and as published by the Accounting Standards Board (ASB) Nepal and Company Act 2063 and is approved by theth Meeting of Board of Directors held on 2079-08-25 and have been recommended for approval by shareholders in the 11th Annual General Meeting of the company.

3)

3.1 **Basis of preparation and accounting convention**

The financial statements are presented in Nepalese Rupees (NPR) and are prepared on the historical cost conversion by applying accrual basis of accounting and prepared in accordance with Nepali Accounting Standards (NAS).

3.2 **Financial Period**

The company prepares financial statements in accordance with the Nepalese financial year using Nepalese Calendar.

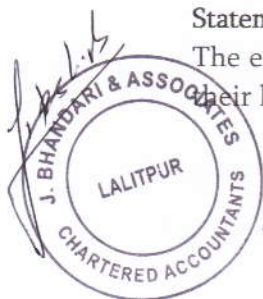
3.3 **Presentations**

Presentation Currency

The Company operates within the jurisdiction of Nepal. Nepalese Rupees (NRs) is the presentation and functional currency of the Company.

Statement of Financial Position

The elements of statement of financial position other than equity shall be presented in order of their liquidity by considering current and non-current nature.



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Statement of Profit or Loss

The elements of statement of profit or loss shall be prepared using classification 'by function' method.

Statement of Cash Flows

The statement of cash flows shall be prepared using indirect method and the activities shall be grouped under three major categories (*Cash flows from operating activities, Cash flows from investing activities and Cash flows from financing activities*) in accordance with NAS 7.

Statements of Changes in Equity

The Statements of Changes in Equity has been prepared disclosing changes in each elements of equity.

3.4 Rounding off

The amounts in figures are rounded off to nearest Nepalese Rupees presented in financial statements

4) Accounting Policies, Accounting Estimates & Notes to the Financial Statements

Accounting policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

The Company is required to apply accounting policies to most appropriately suit its circumstances and operating environment. The preparation of Financial Statements requires management to make judgments, estimates and assumptions in respect of the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Specific accounting policies have been included in the relevant notes for each item of the Financial Statements. The effect and nature of the changes, if any, have been disclosed.

Accounting Estimates

The preparation of financial statements requires the managements to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent liabilities) as of the date of financial statements and income and expenses during the reporting period.

Managements believe that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future period.



Notes to Financial Statement

1. Revenue Generation

1.1 Sale of Electricity

Revenue is recognized to the extent that the economic benefits associated with a transaction will flow to the company and the revenue can be reliably measured in line with Nepal Accounting Standards 18.

1.2 Revenue from Use of Access Road

The company has entered into an agreement with M/s Superhewa Power Company Pvt. Ltd. allowing the access road developed by the company for Upper Hewa Hydropower project for use to the later company for transportation of essential construction materials, Spiral Fabricated Pipe and Electro Mechanical Equipments in a lump sum amount of Rs. 15,00,000.

2. Property, Plant, Equipment and Depreciation

- Fixed assets are stated at cost less accumulated depreciation, except otherwise stated. Cost includes cost of acquisition including incidental expenses related to acquisition.
- Depreciation method has been selected considering the pattern of inflow of economic benefits to the organization and thereby assets are depreciated using diminishing balance method (DBM).

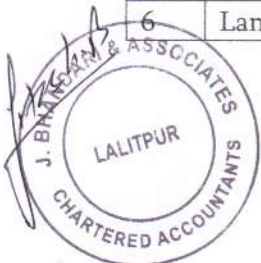
Asset Class	Depreciation Rate
Computer and Peripherals	25%
Furniture & Fixtures	25%
Office Equipment's	25%
Office Vehicles	20%
Plant & Machinery (earth moving)	15%

- In case of fixed assets purchased during the year, depreciated is charged from the day of acquisition. In case of fixed assets disposal during the year, depreciated is charged up to the previous day of disposal.
- Depreciation for income tax purpose is calculated as per the rate and procedures defined in Income Tax act 2058 (amended).

3. Capital Work in Progress/Project Cost

The expenses which are directly attributable for the development of project are grouped as Capital Work in Progress. This majorly includes Environmental Mitigation and Social Management, Interest during Construction, Infrastructure Development Expenses and Civil Construction Cost.

S.N	Particulars	Current Year	Additions	Previous Year
1	Pre-Operating Expenses	24,987,437.16	0	24,987,437.16
2	Civil Construction Cost	505,929,017.3	134,668,859	371,260,157.8
3	Metal Works (HM)	277,490,210.54	43,186,061.43	234,304,149.1
4	Electromechanical Equipment's	259,750,398.3	22,751,508	236,998,889.9
5	Transmission Line and SW	46,068,118.13	4,862,664.2	41,205,453.94
6	Land Lease and Procurement	23,626,098.89	183,444.4	23,442,654.49



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7	Site Office Camp and Building	11,602,091.99	-2,572,262.4	14,174,354.36
8	Infrastructure Development Cost	14,986,505.59	1,309,486.6	13,677,018.95
9	Environment/Social Mitigation Cost	10,091,038.62	231,000	9,860,038.62
10	Project Supervision and Management	73,192,781.88	15,401,309	57,791,473.08
11	Miscellaneous and Insurance	5,316,669.65	2,727,268.2	2,589,401.5
12	Interest During Construction	121,698,239.6	47,981,893	73,716,346.8
Grand Total		1,374,738,608	270,731,231.4	1,104,007,376

Upper Hewa Khola HYdropower (8.5 MW) has started its commercial operation from 19 Chaitra 2078. The project has been amortized on days basis from the Commercial Operation Date (COD). All the costs incurred upto the COD dates have been capitalised.

4. Other Current Liabilities

Other Current Liabilities mainly consist of amounts the company owes to suppliers, consultant and government authority that have been invoiced or are accrued. These also include taxes due in relation to the company's role as an employer. These amounts have been initially recognized at cost and it is continued at cost as it fairly represents the value to be paid.

5. Income Tax

The company has adopted the policy of accounting and reporting tax related elements of financial statements in accordance with NAS 12 and it represents current tax and deferred tax for the year.

Current Tax

Income Tax Act 2058 has specified a tax rate of 25% flat for Hydropower Companies.

As per Section 11 (3 Gha) of Income Tax Act 2058, Hydropower companies are exempted from tax for the first 10 years of its operation and 50% concession on tax is provided for the next 5 years thereon.

Deferred Tax

Deferred Tax is the tax expected to be payable or recoverable in future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit, Unused tax losses and/or unused tax credits.

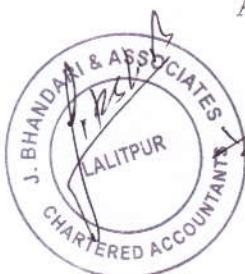
Deferred Tax shall be computed using Statement of Financial Position (SFP) method. Deferred Tax Liabilities are generally recognized for all taxable temporary differences and Deferred Tax Assets recognized to the extent that is probable that taxable profit will be available against which Deferred Tax Assets can be utilized.

Company has been granted a 10 years of full tax holiday plus 5 years of partial tax holiday starting from the date of generating electricity for commercial purpose by the tax authorities under Income Tax Act, 2058 and as per the requirements of the Income Tax Act, any tax losses incurred during tax holiday period is not allowed to be carried forward to the period or periods after the expiry of tax holiday period. Hence, only those portions of Deferred Taxes that will arise in tax holiday period & will reverse in the period or periods thereafter need to be recognized in the financial statements.

6. Contingent Liability and Commitments

6.1 Contingent Liability

A contingent liability is identified as follows:



- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognized because:
- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - The amount of the obligation cannot be measured with sufficient reliability.

Company has not encountered any such circumstances which require disclosure of contingent liability for the current fiscal year.

7. Related Party Disclosure

A related party transaction is a transfer of resource, services or obligations between related parties regardless of whether price is charged or not.

The Company identifies the following as its related parties.

7.1 Company with Common Director in the FY 2078-79 Peoples Hydropower Company

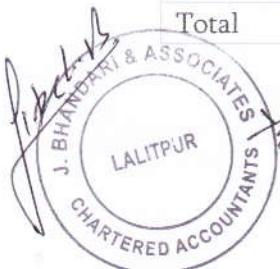
- Mr. Keshav Bahadur Rayamajhi
- Mr . Arjun Prasad Gautam
- Mr. Bhimlal Paudyal

7.2 Substantial Shareholder

Section 50 of the Companies Act defines the “substantial shareholding” in the context of the public companies. Pursuant to the said Section, any person owning 5% or more of the paid up capital of any public company with full voting rights is considered to be a “substantial shareholder” of such company.

However, in the case of a company having the paid up capital of more than two hundred fifty million rupees, any person owning one percent or more of the total paid-up capital of such company with full voting right is considered to be a “substantial shareholder” of such company..

Shareholders Name	Amount of Capital Held	Percentage of Holding
Peoples Hydro Co. Ltd.	50,000,000.00	10.00%
Arjun Prasad Gautam	20,000,000.00	4.00%
Bhim Poudel	20,000,000.00	4.00%
Bandana Kumari Khadka	10,000,000.00	2.00%
Dedraj Khadka	10,000,000.00	2.00%
Keshav Bahadur Rayamajhi	10,000,000.00	2.00%
Pratham Dahal	5,244,100.00	1.05%
Pramila Kumari Chaulagain	5,100,000.00	1.02%
Clean Energy Consultant Pvt. Ltd	5,000,000.00	1.00%
Kiran Khadka	5,000,000.00	1.00%
Shova Kumari Raut (Khadka)	5,000,000.00	1.00%
Total		29.07%



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7.3 Directors and Their Relatives

The Company has 7 membered Board of Directors (BoD) appointed under the provisions of Companies Act 2073. Except for the following transactions, the Company has not conducted any other transaction with directors or their relatives during the financial year 2078-79 (2021/022).

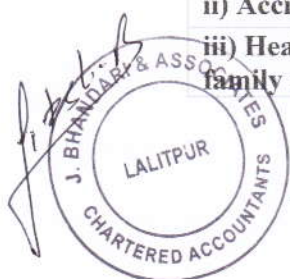
Name of Director	Role/Position	Meeting Allowance	Other Compensation	Balance receivable / payable at year end	Remarks
Keshav Bahadur Rayamajhi	Chairman	275,000.00	7,000.00	0	
Dedaraj Khadka	Managing Director	250,000.00	2,248,000.00	0	
Arjun Prashad Gautam	Director	250,000.00	284,400.00	0	
Bhimlal Paudyal	Director	230,000.00	7,000.00	0	
Krishna Kumar Tamang	Director	220,000.00	650,000.00	0	
Bhuwan Kumari Shahi	Woman Director	210,000.00		0	
Maniraj Dahal	Independent Director	250,000.00	325,000.00	0	
Total		1,685,000.00	3,521,400.00		

7.4 Key Management Personnel and Their Relatives

The Company considers its Managing Director (MD), Project Manager (PM) to be Key Management Personnel. The company has not conducted any transaction (other than payment of employee benefits) with the Key Management personnel or their relatives during the year.

Key Management Personnel Compensation comprise the following payments.

Name of Staff	Role / Position		
Dedaraj Khadka	Managing Director		
Dilliram Karki	Project Manager		
Payment to KMP (individual sheet)			
Particulars	Managing Director	Project Manager	Remarks
Annual salary and allowances	2,248,000	320,000	Except Meeting Allowance
Performance based allowances	-	-	
i) Employee Bonus	-	-	
ii) Benefits as per prevailing provisions	10,588	-	
iii) Incentives	-	-	-
Insurance related benefits			
i) Life Insurance	-	-	-
ii) Accident Insurance	-	-	-
iii) Health Insurance (including family members)	-	-	-



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8. Provision for Staff Bonus

As per Section 5 of the Bonus Act 2030, each profit making enterprise shall have to allocate an amount equivalent to Ten Percent of its net income of one fiscal year for bonus to the employees.

Company has made the provision in compliance with the requirement of law as per bonus act covering the minimum provisions also required by Section 15 of the Electricity Act 2049 read with rule no 86 of Electricity Regulations 2050 .

9. Cash and Cash Equivalent

Cash and short-term deposits in the statement of financial position comprise cash in hand, cash at bank and short-term deposits with a maturity of three months or less.

10. Royalty for Generation of Electricity

As per provisions of Electricity Act and Regulations, the company has to pay royalty to the Government of Nepal.

As per section 11 (1) of Nepal Electricity Act Company has to pay royalty for installed capacity @ Rs.100/- per installed capacity and 2% of sales amount as royalty for sales of energy from the date of commercial operation till fifteen years of date of commercial operation.

As per section 11 (2) of Nepal Electricity Act, after fifteen years of commercial production, company has to pay royalty for installed capacity @ Rs.1000/- per installed capacity and 10 % of sales amount as royalty for sales of energy.

11. Corporate Social Responsibility (CSR)

As per Industrial Enterprises Act 2076, 1% of net profit shall be allocated to Corporate Social Responsibility Fund and such amount shall be utilized as prescribed.

Company has made the provision in compliance with the requirement of law.

12. Loans and Borrowings –

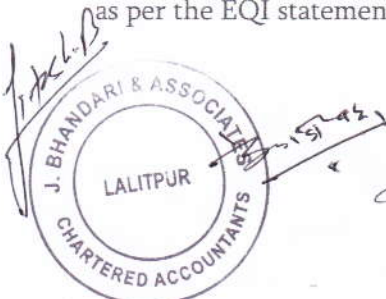
12.1 Bridge Gap Loan

The Company has been availing bridge gap loan facility from NMB Bank Limited. The company has already started its commercial operation and generated revenue accordingly. But all the project works have not formally handed over owing to which the entire bridge gap loans have not been converted into Term loan.

During the year Rs. 211063884.12 has been converted from Bridge Gap Loan to Term loan. Currently the bridge gap loan outstanding is Rs. 190,837,331.65

12.2 Current Portion of Long Term Debt

Current portion of Long Term Debt falling due within 1 year has been classified as Short Term borrowings. A total of Rs. 32,000,000 has been calculated as principal payment falling due within 1 year as per the EQI statement provided by the bank.



13. Issue of Share Capital

The company has increased its paid up share capital by Rs. 20 crore thereby leading the total capital to Rs. 50 crore. The company has issued the following shares in the year.

S.No.	Type of Share	Total Share Capital Raised Rs.
1.	Ordinary Share (through Initial Public Officering) for Local People as well as Ordinary	197,000,000.00
2.	Employee Shares	3,000,000.00
	Total	200,000,000.00

The agreement for share issue management was entered into by the company with NMB Capital Limited on 2075-09-17.

Currently NMB Capital Limited is the Registrar to Shares (RTS) of the Company



Bitan
Sachita

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