

UDIN: 251121CA018106Je59

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS
OF PANCHTHAR POWER COMPANY LTD.**

Opinion

We have audited the financial statements of **Panchthar Power Company Ltd.**, which comprise the Statement of Financial Position as of Ashad 32, 2082, and the Statement of Profit or Loss & other comprehensive income, the Statement of Cash Flow for the period then ended, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the company read together with the Significant Accounting Policies and Notes to the Accounts forming part of the accounts for the year ended Ashad 32, 2082, are prepared, in all material respects, and gives a true and fair view, in accordance with applicable Nepal Financial Reporting Standards and comply with provisions of the Companies Act, 2063.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, and these matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to the key audit matters to be communicated in our report.

Key Audit Matters	Response to key audit matter
During the year, the Company undertook extensive reconstruction activities to restore the project to an operable condition, and the expenditure incurred in relation to these reconstruction works was capitalized. The Company recommenced amortization from the date of re-commercial operation once the project was ready for its intended use. The accounting treatment of the reconstruction costs involves significant judgment by management, including determining whether the nature of the expenditure meets capitalization criteria, evaluating the extent of restoration completed,	We evaluated the Company's reconstruction activities by examining engineering assessment reports, physical progress documents, and evidence of damage and subsequent restoration. We performed detailed testing of the reconstruction expenditures by inspecting invoices, contractor bills, work completion certificates, procurement records to assess whether such costs were directly attributable to restoring the asset to working condition and therefore met the criteria for capitalization under applicable accounting standards. We verified the accuracy of the amounts capitalized and reviewed the



and establishing the appropriate date on which the project became operational again. Given the magnitude of reconstruction expenditure, its financial impact on the project's asset base, and the level of judgement involved, this matter was considered a key audit matter.

classification between capital work-in-progress and completed project assets. We assessed management's basis for determining the date of re-commercial operation by reviewing commissioning documents, test-generation results, NEA communications, and internal approvals, and evaluated whether amortization was appropriately resumed from the point at which the project was ready for its intended use. Based on the audit procedures performed, we found management's judgments and accounting treatment relating to reconstruction costs and the resumption of amortization to be reasonable and in accordance with the applicable financial reporting framework.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the Generally Accepted Accounting Principles (GAAPs) and Nepal Financial Reporting Standards (NFRS) prevalent in Nepal 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 relating 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 a high level of assurance, but is not a guarantee that an audit conducted in accordance with Nepal Standards on Auditing (NSAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- a) Identify and assess the risk of material misstatement of the financial statement, whether due to fraud and error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal 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.



- c) 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 exist related to events or conditions that may cast significant doubt on the company's 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.
- d) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

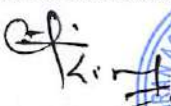
We communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As per the requirements of Section 115 of the Companies Act, 2063 (First Amendment 2074), we further report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion the Company has kept proper books of account as required by law so far, as appears from our examinations of those Books.
- c) The financial statements agree with the books of account.
- d) In our opinion and to the best of our information and according to the explanation given to us, the financial statement the said Balance Sheet, Income Statement and Cash Flow Statement, read together with the notes forming part of the accounts give the information required by the Companies Act 2063 (First Amendment 2074) in the manner so required and give a true and fair view:
 - i. In the case of Statement of Financial Position, of the state of affairs of the Company as at Ashad 32, 2082; and
 - ii. In the case of Statement of Profit or loss, of the results of operations of the Company for the year ended on Ashad 32, 2082; and
 - iii. In the case of the Statement of Cash Flow, of Cash inflow and outflow of Company for the year ended on that date.
- e) Neither we have come across any of the information about the misappropriation of fund by the directors or any of the representative or company's staffs during the course of our audit nor have we received any such information from the management.
- f) No accounting fraud has been observed during the course of our audit.

For and on Behalf of,
Kiran Acharya & Associates
Chartered Accountants


Kiran Acharya
Proprietor
Place: Kathmandu, Nepal
Date: 2082-08-05



Panchthar Power Company Ltd.
Hattiban, Lalitpur, Nepal
Statement of Financial Position as at Ashad 32, 2082
All amounts are in NRs. unless otherwise stated

Particulars	Notes	As at	As at
		Ashad 32, 2082	Ashad 31, 2081
ASSETS			
Non-current Assets			
a) Property, Plant & Equipmnet (Gross)	5		
i) General Asset (Gross)		14,372,251	13,332,251
Less: Accumulated Depreciation		(10,631,916)	(12,071,634)
General Asset (Net)		3,740,335	1,260,617
ii) Project Asset (Gross)		3,469,309,618	2,199,155,039
Less: Accumulated Depreciation		(613,010,740)	(529,293,227)
Project Asset (Net)		2,856,298,878	1,669,861,811
Property, Plant and Equipment (Net)		2,860,039,213	1,671,122,428
WIP Fixed Assets	6	-	419,406,062
Total Non-current Assets		2,860,039,213	2,090,528,490
(a) Financial Assets			
(i) Trade Receivables	7	62,555,317	1,424,435
(ii) Cash and Cash Equivalents	8	3,842,499	36,211,426
(iii) Other Financial Assets	9	32,454,968	59,104,939
(b) Other Current Assets	10	52,267,123	358,719,505
Total Current Assets		151,119,906	455,460,304
Total Assets		3,011,159,123	2,545,988,795
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	11	962,500,000	962,500,000
(b) Other Equity	12	(98,155,228)	(36,430,298)
Total Equity		864,344,772	926,069,702
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	13	1,141,359,596	483,763,108
Total Non-current Liabilities		1,141,359,596	483,763,108
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	14	698,482,950	962,700,890
(ii) Other Financial Liabilities	15	303,359,065	171,155,126
(b) Provisions	16	2,128,090	2,128,090
(d) Other Current Liabilities	17	1,484,650	171,879
Total Current Liabilities		1,005,454,755	1,136,155,985
Total Liabilities		2,146,814,351	1,619,919,093
Total Equity and Liabilities		3,011,159,123	2,545,988,795

Significant accounting policies & notes to the accounts

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As per our report of even date
For & on behalf of
Kiran Acharya and Associates

Sundar Mani subedi
Finance Manager

Raghu Nath puri
Director

Rajesh Kumar Shrestha
Chairman

Kiran Acharya
Proprietor

Date: 2082.08.05
Place: Lalitpur, Nepal



Panchthar Power Company Ltd.

Hattiban, Lalitpur, Nepal

Statement of Profit or loss and Other Comprehensive Income for the year ended Ashad 32, 2082

All amounts are in Rs.' unless otherwise stated

Particulars	Notes	For the year ended Ashad 32, 2082	For the year ended Ashad 31, 2081
Revenue from Operations	18	89,072,687	-
Cost of Sales	19	23,144,162	18,934,281
Gross Profit		65,928,525	(18,934,281)
Other Income	20	19,734,523	417,106,430
		85,663,048	398,172,149
Expenses			
Administrative Expenses	21	3,609,786	3,681,355
Finance Costs	22	59,646,157	110,691,932
Depreciation and Amortisation Expense	23	84,132,034	73,635,169
Impairment of Project Assets	24	-	349,222,779
Total Expenses		147,387,977	537,231,236
Profit Before Bonus & Tax		(61,724,929)	(139,059,086)
Provision For Staff Bonus		-	-
Provision For CSR		-	-
Less: Tax Expense		-	-
(1) Current Tax		-	-
(2) Deferred Tax		-	-
Profit/(Loss) for The Period		(61,724,929)	(139,059,086)
Other Comprehensive Income			
(A) Items That Will Not be Reclassified to Profit or Loss;			
(i) Equity Instruments Through Other Comprehensive Income		-	-
Total Other Comprehensive Income		-	-
Total Comprehensive Income For The Period		(61,724,929)	(139,059,086)
Earnings Per Equity Share (For Continuing Operation):	25		
(1) Basic (in Rs.)		(6.41)	(14.45)
(2) Diluted (in Rs.)		(6.41)	(14.45)

Significant accounting policies & notes to the accounts

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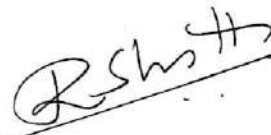
As per our report of even date

For & on behalf of

Kiran Acharya and Associates


Sundar Mani subedi
Finance Manager


Raghu Nath puri
Director


Rajesh Kumar Shrestha
Chairman



Kiran Acharya
Proprietor

Date: 2082.08.05
Place: Lalitpur, Nepal

Panchthar Power Company Ltd.
Statement of cash flows for the year ended Ashad 32, 2082
All amounts are in Rs.' unless otherwise stated

Particulars	For the year ended Ashad 32, 2082	For the year ended Ashad 31, 2081
Cash Flows From Operating Activities		
Profit For The Year	(61,724,929)	(139,059,086)
Adjustments For:		
Finance Costs	59,646,157	110,691,932
Depreciation And Amortization Of Non-Current Assets	84,132,034	73,635,169
	82,053,262	45,268,015
Movements In Operating Assets:		
(Increase)/Decrease In Trade And Other Receivables	(61,130,883)	15,462,956
(Increase)/Decrease In Other Financial Assets	26,649,971	(59,089,539)
(Increase)/Decrease In Other Current Assets	306,452,382	(276,686,032)
Increase/ (Decrease) In Financial Liabilities	(264,217,940)	608,205,890
Increase/ (Decrease) In Other Financial Liabilities	132,203,939	138,621,692
Increase/(Decrease) In Provisions	-	(0)
Increase/(Decrease) In Other Liabilities	1,312,771	37,470
	141,270,240	426,552,438
Cash Generated From Operations	223,323,502	471,820,453
Net Cash Generated By Operating Activities	223,323,502	471,820,453
Cash Flows From Investing Activities		
Increase or Decrease of Investment	-	-
Increase in WIP Assets	419,406,062	(419,406,062)
Sale/ (Purchase) For Property, Plant And Equipment	(1,273,048,819)	349,222,779
Net Cash (Used In)/Generated By Investing Activities	(853,642,757)	(70,183,283)
Cash Flows From Financing Activities		
Increase or Decrease Of Borrowings	657,596,488	(260,315,256)
Increase or Decrease In Share Capital	-	-
Dividends Paid On Equity Shares	-	-
Right Share related issue expense	-	-
Finance Expenses	(59,646,157)	(110,691,932)
Net Cash Used In Financing Activities	597,950,331	(371,007,188)
Net Increase In Cash And Cash Equivalents	(32,368,924)	30,629,982
Cash And Cash Equivalents At The Beginning Of The Year	36,211,426	5,581,444
Effects Of Exchange Rate Changes On The Balance Of Cash And Cash Equivalents Held In Foreign Currencies		
Cash And Cash Equivalents At The End Of The Year	3,842,499	36,211,426

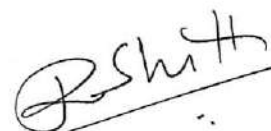
Significant accounting policies & notes to the accounts

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As per our report of even date
For & on behalf of
Kiran Acharya and Associates


Sundar Mani subedi
Finance Manager


Raghu Nath puri
Director


Rajesh Kumar Shrestha
Chairman


Kiran Acharya
Proprietor

Date: 2082.08.05
Place: Lalitpur, Nepal



Panchthar Power Company Ltd.
Statement of changes in equity for the year ended Ashad 32, 2082
All amounts are in Rs,' unless otherwise stated

Particulars	Share Capital	Reserves and Surplus					Total
		Capital Reserve	Securities Premium Reserve	Equity Instrument Through Other Comprehensive Income	General Reserve	Retained Earnings	
Balance As At Shrawan 1, 2081	962,500,000					102,628,788	1,065,128,788
Issue of Share Capital						-	-
Profit For The Year						(139,059,086)	(139,059,086)
Other Comprehensive Income For The Year, Net of Income Tax						-	-
Issue of Dividends						-	-
Transfer To Retained Earnings						-	-
Balance As At Ashad 31, 2081	962,500,000					(36,430,298)	926,069,702
Issue of Share Capital							
Profit For The Year						(61,724,929)	(61,724,929)
Right Share Issue Related Expenses						-	-
Other Comprehensive Income For The Year, Net Of Income Tax						-	-
Payment of Dividends						-	-
Transfer To Retained Earnings						-	-
Balance As At Ashad 32, 2082	962,500,000.00					(98,155,227.84)	864,344,772.16

Significant accounting policies & notes to the accounts

As per our report of even date
For & on behalf of
Kiran Acharya and Associates



Kiran Acharya
Proprietor

[Signature]
Rajesh Kumar Shrestha
Chairman

[Signature]
Raghu Nath Puri
Director

[Signature]
Sundar Mani Subedi
Finance Manager



Date: 2082.08.05
Place: Lalitpur, Nepal

Panchthar Power Company Ltd.
Notes to the financial statements for the year ended Ashad 32, 2082
All amounts are in Rs., unless otherwise stated

5 (a) Property, Plant and Equipment

Particulars	Cost or deemed cost				Accumulated depreciation and impairment			Carrying Amount	
	Balance at Shrawan 1, 2081	Additions	Disposals	Balance at Ashad 32, 2082	Balance at Shrawan 1, 2081	Eliminated on disposals of assets	Impairment losses recognised in profit or loss	Depreciation expense	Balance at Ashad 32, 2082
Property Plant And Equipment (General Assets)									
Office Equipment	2,537,444	70,000	-	2,607,444	2,391,669			53,944	2,445,612
Furniture	521,582			521,582	511,778			2,451	514,229
Flooring and Furnishing	35,000			35,000	34,512			122	34,634
Office Goods	19,450			19,450	19,027			106	19,133
Office Partition	155,400			155,400	153,037			591	153,628
Total Station Equipment	638,094			638,094	627,643			2,613	630,256
Books Purchase	16,010			16,010	15,546			117	15,663
Air Compressor	413,800			413,800	405,411			2,097	407,508
Motorcycle	540,000			540,000	504,321			7,136	511,457
Toyota Pickup 2052	2,250,000			2,250,000	2,009,611			36,078	2,105,689
Belero D/C 4wd	2,230,000		2,230,000	-	1,787,573	(1,854,239.84)		66,667	-
Crane-Tadino 25 tone	3,948,471			3,948,471	3,524,506			84,793	3,609,299
Vehicle-Belero	-	3,200,000		3,200,000	-			157,808	3,042,192
Account Software	27,000			27,000	27,000			-	27,000
Total	13,332,251	3,270,000	2,230,000	14,372,251	12,071,634	(1,854,239.84)	-	414,522	10,631,916
									3,740,335
									1,260,617

Particulars	Cost or Deemed cost				Accumulated depreciation and impairment			Carrying Amount	
	Balance as at Shrawan 1, 2081	Additions	Disposals (De tails Annex 01)	Balance at Ashad 32, 2082	Balance as at Shrawan 1, 2081	Eliminated on disposals of assets	Impairment losses recognised in profit or loss	Depreciation Expense	Balance as at Ashad 32, 2082
PPE (Project Assets)									
Civil Works	1,572,244,569	587,537,212	-	2,164,781,780	383,132,434	-		56,980,621	1,724,668,726
Metal Works	229,320,337	25,925,203	-	255,245,540	54,113,744	-		7,721,287	193,410,509
Transmission Line Cost	118,323,784	-	-	118,323,784	27,276,212	-		3,857,355	87,190,217
Infrastructure Cost	110,658,152	-	-	110,658,152	26,877,087	-		3,607,456	80,173,610
Building	26,744,464	-	-	26,744,464	5,387,937	-		871,870	20,484,657
Plant and Machinery	124,909,411	656,692,164	-	781,601,575	29,602,302	-		10,289,212	741,710,061
Land & Development	11,954,322	-	-	11,954,322	2,903,512	-		389,711	3,293,223
Total	2,199,155,039	1,270,154,579	-	3,469,309,618	529,293,227	-	-	83,717,512	2,856,298,878
									1,194,112,135
									175,206,593
									91,047,572
									83,781,065
									21,336,527
									95,307,109
									9,050,810
									1,669,861,811

The Company remained under a reconstruction phase for the major part of the financial year. The commercial operation of the project was restarted on Chaitra 16, 2081, upon completion of the necessary reconstruction and rehabilitation activities. Accordingly, revenue generation commenced from the date of re-operation.

In line with this, the Company has charged amortization on the project assets from the date of recommencement of commercial operations, considering such date as the point from which the assets became available for use.



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Panchthar Power Company Ltd.
Hattiban, Lalitpur, Nepal

For the Year Ended Ashad 32, 2082 (July 16, 2025)

Fixed Assets Schedule

Schedule-1

Particulars	Dep Rate %	Gross Assets			Gross Depreciation				Net Block		Schedule
		Gross Block	Addition	Disposal	Total	Opening	During This Year	Disposal depreciated value	Total	As on 2082/03/32	
Structure Assets											
Civil Works		1,577,244,569	587,537,212		2,164,781,780	383,132,434	56,980,621		440,113,055	1,724,668,725	1,194,112,135
Metal Works	3.26%	229,320,336	25,925,203		255,245,540	54,113,744	7,721,287		61,835,031	193,410,509	175,206,592
Transmission Line Cost		118,323,784	-		118,323,784	27,276,212	3,857,355		31,133,567	87,190,216	91,047,572
Infrastructure Cost		110,658,152	-		110,658,152	26,877,087	3,607,456		30,484,542	80,173,610	83,781,066
Building	3.26%	26,744,464	-		26,744,464	5,387,937	871,870		6,259,807	20,484,657	21,356,526
Plant and Machinery	3.26%	124,909,411	656,692,164		781,601,575	29,602,302	10,289,212		39,891,514	741,710,061	95,307,109
Total		2,187,200,716	1,270,154,579		3,457,355,295	526,389,715	83,327,801		609,717,517	2,847,637,778	1,660,811,001
Pool 'A'											
Land and Development	3.26%	11,954,322	-		11,954,322	2,903,512	389,711		3,293,223	8,661,099	9,050,810
Total A		11,954,322	-	-	11,954,322	2,894,746	389,711		3,293,223	8,661,099	9,050,810
Pool 'B'	25%						-				
Office Equipment	25%	2,537,444	70,000	-	2,607,444	2,391,669	53,944		2,445,612	161,832	145,775
Furniture	25%	521,582	-	-	521,582	511,778	2,451		514,229	7,353	9,804
Flooring and Furnishing	25%	35,000	-	-	35,000	34,512	122		34,634	366	488
Office Goods	25%	19,450	-	-	19,450	19,027	106		19,133	317	423
Office Partition	25%	155,400	-	-	155,400	153,037	591		153,628	1,772	2,363
Total Station Equipment	25%	638,094	-		638,094	627,642	2,613		630,255	7,839	10,452
Books Purchase	25%	16,013	-		16,013	15,546	117		15,662	351	467
Air Compressor	25%	413,800	-		413,800	405,411	2,097		407,508	6,292	8,389
Total B		4,336,783	70,000	-	4,406,783	4,158,623	62,040		4,220,663	186,120	178,160
Pool 'C'											
Vehicle	20%		-								
Motorcycle	20%	540,000	-		540,000	504,321	7,136		511,457	28,543	35,679
TOYOTA Pickup 2522	20%	2,250,000	-		2,250,000	2,069,611	36,078		2,105,689	144,311	180,389
Bolero D/C 4wdMe 1 chn94660	20%	2,230,000		2,230,000	-	1,787,573	66,667	1,854,240	-	-	442,427
Crane- Tadano 25 tone	20%	3,948,471	-		3,948,471	3,524,507	84,793		3,609,299	339,171	423,964
Vehicle -Belero	20%	-	3,200,000		3,200,000	-	157,808		157,808	3,042,192	-
Total 'C'		8,968,471	3,200,000	2,230,000	9,938,471	7,886,012	352,482	1,854,240	6,384,254	3,554,217	1,082,459
Pool 'D'	15%										
Pool 'E'											
Account Software		27,000	-		27,000	27,000	-		27,000	-	-
Total Assets		2,212,487,291	1,273,424,579	2,230,000	3,483,681,870	541,356,096	84,132,034	1,854,240	623,642,656	2,860,039,214	1,671,122,429

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Panchthar Power Company Ltd.
Hattiban, Lalitpur, Nepal

Notes to the financial statements for the year ended Ashad 32, 2082
All amounts are in Rs.' unless otherwise stated

6. Capital Work In Progress

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Civil- Bailey Bridge Expenses	-	17,000,000
Constrution Management and Engineering Cost	-	7,390,200
Frieght Transportation & Ware Housing Cost	-	6,205,137
Custom Duty & Taxes	-	48,231,507
LC commission ,Renewal & Hedging Premium Charges	-	9,680,873
Electromechanical Equipment	-	297,704,938
Interest during project reconstruction	-	33,193,408
Total	-	419,406,062

7. Trade Receivables

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Nepal Electricity Authority- Revenue Receivable	62,555,317	1,424,435
Total	62,555,317	1,424,435

8. Cash and Cash Equivalents

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Balances with Banks	3,835,492	36,174,156
Himalayan Bank	5,707	5,707
Sanima Bank Limited- Current A/c	1,120,194	34,565,950
Sanima Bank Limited- Control A/c	207	
Commerz and Trust Bank	5,000	5,000
Nepal Investment Bank Limited	16,513	16,513
Machhapuchchhre Bank Limited - Site A/c	7,840	7,840
Sanima Bank Limited- Call A/c 10000470	-	1,758
Sanima Bank Reserve A/c -90410010000008	1,000	1,000
Citizen Bank Limited -Current A/C	2,576,280	-
Others Consurtium bank balance	102,751	1,570,387
Cash in hand	7,006	37,270
Total	3,842,499	36,211,426

9. Other Financial Assets - Current

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
NTC Telephone Deposit		
Bank Gurantee Margin-Exim Code	300,000	300,000
LC Margin Sanima Bank- Electromechanical Equipment	464,000	6,497,000
NRB Margin- Custom	-	4,193,000
NTC Deposit	15,400	15,400
Geeta Oil Centre Pvt.Ltd.	1,468	
Receivable (Insurance)	31,674,100	48,099,539
Total	32,454,968	59,104,939

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Panchthar Power Company Ltd.
Hattiban, Lalitpur, Nepal

Notes to the financial statements for the year ended Ashad 32, 2082
All amounts are in Rs.' unless otherwise stated

10. Other Assets - Current

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Advance against Expenses		
Land Advance - Site	1,800,000	-
Site Office Phidim- Advances	1,260,768	5,210,187
Motorcycle Advance	150,000	150,000
Advance for Contractor/Suppliers		
Transnepal Freight Services Pvt.Ltd	-	26,329
ICRA Nepal Limited	-	182,860
Fewa Construction	46,650,064	344,044,845
Machhapuchhre Engineering Pvt.Ltd.	499,664	499,664
Mount Infra Consults Pvt.Ltd.	182,900	-
Machhapuchhre Matel & Machinery P.Ltd.	-	5,676,839
Others advance site	-	2,255,090
ERC deposit	1,050,000	-
Advance Income Tax	673,727	673,691
Total	52,267,123	358,719,505

11. Equity Share Capital

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Equity share capital	962,500,000	962,500,000
Total	962,500,000	962,500,000

Authorised Share capital :		
1,92,50,000 fully equity shares of Rs. 100 each.	1,925,000,000	962,500,000
Issued :		
1,92,50,000 fully equity shares of Rs. 100 each.	1,925,000,000	962,500,000
Paid-up capital :		
9,625,000 fully paid equity shares of Rs. 100 each.	962,500,000	962,500,000
	962,500,000	962,500,000

The Company has single class of equity shares having face value of Rs. 100 per share. Every member holding equity shares therein shall have voting rights in proportion to their share.

12. Other Equity

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Retained Earnings		
Balance At Beginning Of Year	(36,430,298)	102,628,788
Profit For The Year	(61,724,929)	(139,059,086)
Less: Dividend paid		
Balance at End of the Year	(98,155,228)	(36,430,298)
Total	(98,155,228)	(36,430,298)

13. Non-current Borrowings

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Secured – at Amortised Cost		
Term loans	1,405,445,596	747,849,108
Current Portion of Long term loan	(264,086,000)	(264,086,000)
Total Non-current Borrowings	1,141,359,596	483,763,108

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Panchthar Power Company Ltd.
Hattiban, Lalitpur, Nepal

Notes to the financial statements for the year ended Ashad 32, 2082

All amounts are in Rs.' unless otherwise stated

14. Current Borrowings

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Unsecured - At Amortised Cost	434,396,950	698,614,890
Current Section of Long Term Loans	264,086,000	264,086,000
Total	698,482,950	962,700,890

15. Other Financial liabilities - Current

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Audit fee payable	223,000	223,000
Salary Payable	868,236	484,664
Board Meeting Allowance -Payable	1,232,500	-
Promoters loan	98,464,363	88,789,130.66
Sundry Creditors		
Maachhapuchre Metal and Machinery workshop p. Ltd.	13,723,161	-
Agro Mill Machinery Traders	13,560	-
Birta Auto Works Pvt.Ltd	29,725	-
BRS Enterprises	81,400	-
S.K Suppliers Phidim	71,230	-
Suman Tharu -Salary	13,816	-
Tiome Computer System	6,300	-
Auto Land Pvt. Ltd.	53,112	53,112
Bhimsen Boan-Crane	-	3,948,471
Geeta Oil Centre Pvt.Ltd.	-	19,302
Millenium Publication Pvt. Ltd.	230,089	245,089
Rajesh Shrestha	23,800	23,800
Hydro Equipment Services Pvt. Ltd	526,765	541,490
Hydro Management Services Pvt.Ltd.	6,145,354	1,575,000
Mount Infra Consults Pvt.Ltd.	-	117,100
National Teach.Hydro and Electric Pvt.Ltd	2,777,775	2,777,775
Professional Computer System PVt.Ltd.	22,225	25,367
ABS Fright Pvt.Ltd..	-	1,243,421
Global Travel Management Pvt.Ltd. -Advances	285,720	758,970
Machhapuchre Matel & Machinery P.Ltd.	1,491,833	-
Other Payables		
Hydro Management Serviceses Pvt.Ltd.	29,940,940	30,000,000
River Side Hydro Energy Limited	42,500,000	8,000,000
Tamor Energy Pvt.Ltd.	64,183,300	-
Umesh Shrestha -Loan	30,000,000	30,000,000
Others Payable	45,565	2,096,259
Royalty Payable	1,490,000	-
Jaya Ambe Suppliers	24,132	222,036
New Educational Enterprises	-	11,140
Sanam Kumar Lamichhane	49,500	-
Interest payable to bank	8,841,664	-
Total	303,359,065	171,155,126

16. Provisions- Current

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Provision for Employee Bonus	2,128,090	2,128,090
Total	2,128,090	2,128,090

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Panchthar Power Company Ltd.
Hattiban, Lalitpur, Nepal

Notes to the financial statements for the year ended Ashad 32, 2082
All amounts are in Rs.' unless otherwise stated

17. Other Current Liabilities

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
SSF Payable	47,413	55,913
TDS Payable (Net)	1,437,237	115,966
Total	1,484,650	171,879

18. Revenue From Operations

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Electricity Sale to NEA		
Income From Power Sale (Hewa Khola "A")	89,072,687	-
	89,072,687	-

19. Cost of Sales

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Royalty		
Royalty (Against Generation)	1,787,955	-
Royalty (Against Installed Capacity)	2,980,000	-
Project Operation		
Electricity expenses site intake	-	121,543
Fuel Expenses -Vehicle	97,922	105,602
NEA Internal Consumption Cost	81,432	-
NEA CC Meating Expenses	49,434	-
Power House Expenses site	-	727,933
Project Insurance	9,971,486	10,840,138
Radio Renewal Charge	45,600	1,000
Radio Set -VHF (Okytoky set)	267,866	-
Royalty -DFO	33,435	30,395
Short Supply Charge -NEA	234,847	-
Travelling Expenses	1,293,036	2,114,095
Staff Salary & Allowances	5,039,520	4,474,460
Overtime Expense	1,091,329	315,415
Dashain Allowance	170,300	203,700
Total	23,144,162	18,934,281

20. Other Income

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
LOP Insurance Income- Sagarmatha	7,935,540	168,970,500
Other Income	243	36,391
Scrap Sales	11,174,500	-
Gain on sales of Asset	624,240	-
Insurance Proceeds(Property Insurance)	-	248,099,539
Total	19,734,523	417,106,430

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Panchthar Power Company Ltd.
Hattiban, Lalitpur, Nepal

Notes to the financial statements for the year ended Ashad 32, 2082

All amounts are in Rs.' unless otherwise stated

21. Administrative Expenses

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
AGM expenses	161,000	160,000
Advertisement	43,392	20,000
Audit Fee	226,000	226,000
Bank Commission Charges	14,007	28,671
Board Meeting Allowance	780,000	670,000
Company Registration Update Charge	288,000	210,000
CSD- Renewal Charge	170,000	170,000
Email & Internet Expenses	15,500	8,000
Exim Code Renewal charges	-	1,000
House Rent	300,000	300,000
Loan Rating Charge ICRA	617,356	-
Mess-Expenses	-	203,933
Misc.expenses	12,000	-
NEPSE -Renewal Charge	100,000	100,000
Vehicle Renewal Charges	8,500	52,700
Vehicle Repair and Maintenance	240,374	312,832
Office Expenses	142,090	49,730
Printing & Stationery Expenses	124,659	187,322
Report Publishing Expenses	108,220	70,512
Share Plus Software Charge	22,374	-
Transportation Charge	20,000	-
Share Registrar (RTS) Charge	-	100,000
Social Mitigation Expenses	-	651,500
Telephone Expenses/site email	118,505	99,155
Insurance Expense	37,809	-
Water & Electricity Charge	60,000	60,000
Total	3,609,786	3,681,355

22. Finance Cost

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Interest on Bank Loan-Mgmt	56,145,492	138,312,734
Bank Loan Arrangement Fee	3,500,666	5,572,606
Total	59,646,157	110,691,932

23. Depreciation And Amortisation Expenses

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
Continuing Operations	84,132,034	73,635,169
Total	84,132,034	73,635,169

24. Impairment Losses on Assets

Particulars	As at Ashad 32,2081	As at Ashad 31,2080
Cost of the Project Asset impaired by flood	-	439,462,452
Accumulated depreciation	-	(90,239,673)
Total	-	349,222,779

25. Earnings Per Share

Particulars	As at Ashad 32,2082	As at Ashad 31,2081
From Continuing Operations	Rs. per share	Rs. per share
Basic Earnings Per Share	(6)	(14)
Diluted Earnings Per Share	(6)	(14)

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Schedule 8: WIP asset work in Progress

Civil Works

Paticuler	Amount
Civil- Bailey Bridge Expenses	1700000.00 Dr
Civil Works -Fewa	480574083.50 Dr
Civil Works -Fuel	17510481.00 Dr
Civil Works -Pipe	1633526.52 Dr
Civil Works -Power House	8469791.01 Dr
Power House Turbine Oil	2,583,990.00
Total civil works	525,771,872.03

Electro Mechanical Equipment cost	Amount
Electromechanical Equipment Cost 1st lot	121,436,812.50
LC Payment -Electromechanical Equipment China	297,704,937.50
EM Custom Charge	109,092,289.30
EM Custom Fright and Transportation Charge	2,992,291.00
EM -Instalation Materials -Power House	2,433,656.30
Hedging Premium Charge	10,095,879.21
LC Amendment -EM	1,245,981.00
LC Comission -Electromechanical	1,720,332.50
Electro Mechanical Ewuipment 2nd Lot	165,336,937.50
Custom Where Housing Charge	7,063,785.00
Total	719,122,901.81
Less: Insuramnce recovered Amount	(131,674,100.00)
Total Electromechanical equipment	587,448,801.81

Wip Assets to be Apportion to Other assets (Revenue nature)

Management cost -wip	Amount
Access Road	150,000.00
Electricity Expenses -Site	245,361.00
Nea -Three Phase Meter	97,195.00
NET Lease Internet Service	107,461.87
Power House Expenses -Site	550,612.00
Salary -Site Wip	4,353,085.00
Vehicle Repair -WIP	410,918.00
	5,914,632.87
Interest during Project Reconstruction	109,729,624.11
Loan Processing Charge -Citizen Bank	2,500,000.00
Contruccion Management and Engineering Cost	7,390,200.00
Mess Expenses- Site	1,587,080.41
Transformer Cost	612,573.00
Contruccion Consulting service HMS	6,000,000.00
	127,819,477.52
Total Management	133,734,110.39

Hydro Mechanical Works	23199794.75
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Total WIP	1,401,828,678.98
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WIP Assets to be capitalized (Before Capitalization)	Direct Cost	Add indirect Cost	Total cost after Add+ Indirect Cost
Structure assets			
Civil works	525,771,872.03	61,872,903.14	587,644,775.17
Electromechanical (Plant and machinery)	587,448,801.81	69,131,052.35	656,579,854.16
Hydromechanical works	23199794.75	2,730,154.90	25,929,949.65
Total	1,136,420,468.59	133,734,110.39	1,270,154,578.98

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Particulars	Dep Rate %	Opening Balance	Addition			Total	Disposal	Total	Total	Depreciation			Unabsorbed Rep & Main	As on 2082/3/32	As on 2081/3/31
			Upto Poush	Upto Chaitra	Upto Ashad					During This Year	Disposal depreciated value	Total			
Structure Assets															
Civil Works	6.67%	1,577,244,569		587,537,212		587,537,212	-	2,164,781,780	644,903,048	89,268,866	-	733,171,915	1,431,609,865	932,341,520	
Metal Works	6.67%	229,320,336		25,925,203		25,925,203	-	252,245,540	92,186,960	10,294,456	-	102,481,416	152,764,124	137,133,377	
Transmission Line Cost	6.67%	118,323,784		-		-	-	118,323,784	46,275,787	4,803,200	-	51,078,987	67,244,797	72,047,996	
Infrastructure Cost	6.67%	110,658,152		-		-	-	110,658,152	45,420,730	4,349,161	-	49,769,891	60,888,261	65,237,422	
Building	6.67%	26,744,464	-					26,744,464	9,320,456	1,161,601	-	10,482,057	16,262,407	17,424,008	
Plant and Machinery	6.67%	124,909,411		656,692,164		656,692,164	-	781,601,575	50,091,160	34,174,202	-	84,265,362	697,336,214	74,818,251	
Total		2,187,200,716		1,270,154,579	-	1,270,154,579	-	3,457,355,295	888,198,141	143,051,486	-	1,031,249,628	2,426,105,667	1,299,002,575	
Pool 'A'															
Land and development		11,954,322	-					11,954,322	-	-	-	-	-	-	
Total A		11,954,322	-					11,954,322	-	-	-	-	11,954,322	11,954,322	
Pool 'B'	33.333333%														
Office equipment		2,437,444	70,000			70,000	-	2,607,444	2,434,310	57,711	-	2,492,021	115,423	103,134	
Furniture		521,582					-	521,582	515,000	2,194	-	517,194	4,388	6,582	
Flooring and Furnishing		35,000					-	35,000	34,672	109	-	34,782	218	328	
Office Goods		19,450					-	19,450	19,166	95	-	19,261	189	284	
Office partition		155,400					-	155,400	153,814	529	-	154,342	1,058	1,586	
Total Station Equipment		638,094					-	638,094	631,077	2,339	-	633,416	4,678	7,017	
Books Purchase		16,013					-	16,013	15,699	105	-	15,804	209	314	
Air compressor		413,800					-	413,800	408,168	1,877	-	410,045	3,755	5,632	
Total B		4,336,783	70,000	-	-	70,000	-	4,406,783	4,211,908	64,959	-	4,276,865	129,918	124,877	
Pool 'C'															
Vehicle	26.67%														
TOYOTA Kin Sportage		-						-	0	(0)	-	0	(0)	(0)	
Motorcycle		540,000	-				-	540,000	511,188	7,683	-	518,871	21,129	28,812	
TOYTA Jeep 2050		-					-	-	-	-	-	-	-	-	
TOYOTA pickup 2522		2,250,000					-	2,250,000	2,104,330	38,845	-	2,143,175	106,825	145,670	
Bolero D/C 4wheel 1 club94660		2,230,000					-	-	1,839,337	-	-	(1,839,337)	-	390,663	
*As per Co. Act/A43			3,200,000			3,200,000	(2,230,000)	3,200,000	-	853,333	-	853,333	2,346,667	-	
RAV-4 Tyota ba 3 Cha 6861			-				-	-	-	-	-	-	-	-	
*Crane, Tadano 25 tone		3,948,471					-	3,948,471	3,606,104	91,298	-	3,697,402	251,069	342,366	
Total 'C'		8,968,471	3,200,000	-	-	3,200,000	(2,230,000)	9,938,471	8,060,959	991,160	-	7,212,781	2,725,689	907,512	
Pool 'D'	20.00%														
Pool 'E'															
Account Software		27,000	-					-	27,000			27,000	-	-	
Total Assets		2,212,487,291	3,270,000	1,270,154,579	-	1,273,424,579	(2,230,000)	3,483,681,570	900,498,006	144,107,605	(1,839,337)	1,042,766,274	3,440,915,596	1,311,989,285	

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PANCHTHAR POWER COMPANY LTD

Lalitpur, Hattiban

Schedules Forming part of the financial statements

Schedule: 26 Significant Accounting Policies & Notes to Accounts For the year ended 32nd Ashad 2082 (16th July, 2025)

A. Significant Accounting Policies:

1. CORPORATE INFORMATION

1.1 General

Panchthar Power Company Ltd is a public limited company established for the development and operation of hydropower projects in Nepal. The registered office of the company, and the principal place of business, is located at Hattiban, Lalitpur, Nepal, while its production unit is situated in Phalelung Rural Municipality, Panchthar, Nepal. The company is converted into the Public Limited on 22 Ashwin 2074. The company operates in accordance with the terms of the license issued by Ministry of Electricity. It owns and operates the Hewa Khola 'A' Hydroelectric Project, which has a generation capacity of 14.9 MW.

1.2 Financial Statements

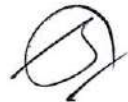
The Financial Statement of the Company for the year ended 2nd Ashad 2082 comprises a Statement of Financial Position, Statement of Profit or Loss, Statement of Cash Flows, Statement of Other Comprehensive Income, Statement of Changes in Equity, Notes to the financial Statements, Significant Accounting Policies of the Company and reconciliations.

1.3 Principal Activities and Operations

The principal business activity of the Company is to generate and sell hydroelectricity to Nepal Electricity Authority

1.4 Responsibility for Financial Statements

The Board of Directors is responsible for the fair preparation and presentation of the Financial Statements, which comprises the statement of financial position, statement of profit & loss, statement of comprehensive income, statement of changes in equity, statement of cash flow & notes thereto has been prepared in all material aspects in accordance with requirements applicable to Nepal Financial Reporting Standards (NFRS) & the provisions of the Companies Act, 2063.



2 BASIS OF PREPARATION

2.1 Basis of Preparation

These financial statements are prepared by following 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 Statements of Company which comprises the components mentioned above have been prepared by following 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 and in compliance with the requirements of the Companies Act, 2063.

2.3 Functional and Presentation Currency

The financial statements of Company are presented in Nepalese Rupees (Rs), which is the currency of the primary economic environment in which the company operates. Financial information is presented in Nepalese Rupees and rounded off to the lowest cardinal number of two digits. There was no change in Company's presentation and functional currency during the year under review.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS ESTIMATES, AND ASSUMPTIONS

The preparation of Financial Statements in conformity with Nepal Financial Reporting Standards requires the management to make judgements, 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 judgements in applying accounting policies that have the most significant effect on the financial statements are as follows:

3.1 Going Concern

The Directors have assessed Company's ability to continue as a going concern and are 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 does not intend either to liquidate or to cease operation of it. Therefore, the Financial Statements are prepared on a going concern basis.



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 there 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.

The directors are of the belief that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

3.3 Impairment of Available for Sale Investments

The 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 available for sale debt security is impaired includes among other things significant financial difficulty of the issuer, a breach of contracts 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 a significant or prolonged declines in fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. The company shall generally treat 'significant' as 20% and 'prolonged' as greater than six months. In addition, company evaluated, among other factors, historical share price movements, duration, and extent up to which the fair value of an investment is less than its cost.

3.4 Impairment of non-financial assets

Non-financial assets subject to impairment testing include intangible assets and property, plants, 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

The company reviews the residual values, useful lives, and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

The useful life of assets and the corresponding rates at which the assets are depreciated are as follows:

Category of Assets	Estimated Useful life	Depreciation Rate
Structure Assets	30.76 Yrs	3.26%
Building	30.76 Yrs	3.26%
Plant and Machinery	30.76 Yrs	3.26%
Land and Development	30.76 Yrs	3.26%
Office Equipment and Furniture		25%
Vehicle		20%

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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 exist 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

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 an outflow of economic benefits will probably be required to settle the obligation, the timing or amount of which are uncertain.

The company has made provisions for all those obligations meeting the definition of NAS 37. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence 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 that discloses its existence in the financial statements.

A contingent asset is a possible asset 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.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. The actual amount could differ from those estimates, but differences are not expected to be materials. Such liabilities are not recognized in the financial statements, however the same has been disclosed in Notes to the financial statements.

Company has no any contingent liabilities and commitments at year end as per the best

4 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

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.

4.1 Cash and Cash Equivalent

Cash and short-term deposits in the statement of financial position comprises cash at banks, cash on hand and short-term deposits with a maturity of twelve months or less



4.2 Inventory

Cost of inventories comprises of cost of purchase, costs of conversion, and other costs in bringing the asset to the location and condition intended to be used by management. Inventories are stated at a lower cost or Net realizable value. Net Realizable value represents the estimated selling price of the inventory less any estimated costs to sell. As of reporting date, the company has recorded no amount as inventory.

4.3 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 all 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 the Cost model or the Revaluation model

4.3.1 Cost Model

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

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value (except for freehold land and assets under construction). Depreciation has been calculated as per number days from the date of acquisition or capitalized for the assets purchased during the year and for full year for assets purchased or capitalized in prior years base on useful life of assets.

4.3.2 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 in recognized as income to the extent of the 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 derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant 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 entity applies a replacement model as allowed by NAS 16 & NAS 38 for accounting the replacement of assets destroyed by the flood. Since the written-down value of the assets could not be determined, the value was

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established by discounting the cost of the newly replaced assets and applying depreciation based on their periods of use. The discount rate used is the inflation rate i.e. 7% per annum & the period of use of the asset is 6.5 years out of 30 years of the project. The additional cost to be incurred because of the replacement is recognized as a loss on asset replacement. The newly acquired assets will be added to the cost of the intangible asset, as they meet the definition of intangible assets NAS 38. Both the replaced and newly acquired assets are classified as Work in Progress (WIP) because they have yet to be installed and utilized alongside the existing project assets.

Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of building, 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 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 less any accumulated impairment losses.

4.4 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 time by contract or law (e.g. licensee) 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.

All intangible assets are tested for impairment. Amortized 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 assets are the cost of computer application development including software, direct changes for labor, materials, contracted services, and borrowing costs as per NAS 23

4.5 Service Concession arrangements

IFRIC 12 on Service Concession arrangements provides that the Operator's right over the infrastructure assets cannot be recognized as property, plant, and equipment (PPE) of the operator.

This interpretation applies to public-to-private service concession arrangement if:

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

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

The infrastructure used in a public-to-private service concession arrangement for its entire useful life (the whole of life assets) is within the scope of this interpretation if the following conditions are satisfied. This interpretation applies to both

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- (a) Infrastructure that the operator constructs or acquires from a third party for the service arrangement; and
- (b) The grantor controls through ownership, beneficial entitlement, or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The consideration received by the operator is recognized at fair value. Consideration may result in the recognition of a financial asset or an intangible asset.

4.5.1 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.

4.5.2 Recognition as an intangible asset

The intangible asset model is used to the extent that the company, being an operator, receives a right (a license) to charge users of the public service. A right to charge users of public services is not an unconditional right to receive cash because the amounts are contingent on the extent to which the public uses the services. Both types of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a financial asset and to the extent that the operator has to reply on the public using the service to obtain payment, the operation has an intangible asset.

4.5.3 Revenue recognition under service concession agreement

An operator provides services under the terms of the contractual arrangement and receives payments for its services for the arrangement. This typically involves the operator constructing or upgrading infrastructure which is used to provide a public service and then responsible for operating and maintaining that infrastructure for a specified period.

Revenues and costs of the operation relating to the construction or upgrade services phase of the contract are accounted for in accordance with NAS 11 Construction Contracts and the revenue and costs relating to the operating phase are accounted for in accordance with NAS 18 Revenue. Where the operator performs more than one service under a single contract or arrangement, the consideration received or receivable is allocated by reference to the relative fair value of services delivered, when the amounts are separately identifiable.

4.6 Provision of Tax

According to Sec 11 (3D) of the Income Tax Act, 2058, corporate tax is 100% exempt for the first 10 years and 50% exempt for further 5 years as eligible under the current hydropower policy for the government. As the company is currently within the prescribed concession period, there is no requirement to make a provision for tax.

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4.7 Proposed Dividend

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends proposed by the Board of Directors after the reporting date are not recognized as a liability and are only disclosed as a note to the financial statements. Board has not proposed any dividend to date.

4.8 Withholding tax on dividends

Withholding tax that arises from the distribution of dividends by the company is recognized at the same time as the liability to pay the related dividend is recognized.

4.9 Other Income

Other income includes insurance proceeds received from the insurance company. Among the total proceeds, the claim received under loss of profit is certain, while the claim received under property insurance is reasonably certain that it will inflow into the company.

4.10 Retirement Benefits Obligation

4.10.1 Defined Contribution Plans

A defined contribution plan is a post employed benefit plan under which company pays fixed a 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 is 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 'Staff salary and allowances' as and when they become due. Unpaid contributions, if any, are recorded as a liability under 'Other Liabilities'.

4.10.2 Defined Benefit Plans

A defined benefit plan is a post-employment plan other than a defined contribution plan. Accordingly, staff gratuity and leave encashment have been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

4.10.3 Gratuity

NAS 19 required actuarial valuations for Gratuity to determine the liability or asset that the Company has at the year-end. Actuarial valuations have been carried out to determine the same. Gratuity and leave encashment have been subject to actuarial valuations as per the provisions of NAS 19. The company has not made any provision for gratuity till the date.

4.11 Provision and Contingencies

In accordance with Nepal Accounting Standard (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 an outflow of economic benefits will probably be required to settle the obligation, the timing or amount of which are uncertain.

4.12 Government Grants

Government grants are assistance by the 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.

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. Once a government grant is recognized, any related contingent liability or contingent asset is treated in accordance with NAS 37: Provisions, Contingent Liabilities, and Contingent Assets.

4.13 Financial Instruments

4.13.1 Date of Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e. the date that the 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 marketplace.

4.13.2 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 the 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.

4.13.3 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
 - Financial assets held for trading
 - Financial assets designated at fair value through profit or loss
- b. Held to Maturity Financial Assets

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- c. Loans and Receivables
- d. Financial assets available for sale

The subsequent measurement of financial assets depends on their classification

4.13.3 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.

4.13.3 A (I) Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally to sell or repurchase in the near term or hold 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 NAS 39 (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 its held for trading asset portfolio, other than derivatives, to determine whether the intention to sell them shortly 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 to sell or repurchase in the near term.

As of date the Company has no financial assets held for trading.

4.13.3 A (II) Financial Assets Designated at Fair Value through Profit or Loss

The company designated 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 are 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.

As of date the company has no financial assets designated at fair value through profit or loss.

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4.13.3 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 included in 'Other Income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognized in the Statements of Profit or Loss.

4.13.3 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 whose are neither classified as 'Held for Trading' not Designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period 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 measure 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' 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.'

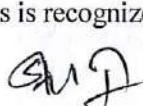
4.14 Financial Liabilities

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 expenses, 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. After initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities consist of the 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 canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different 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.



4.15 Revenue Recognition

4.15.1 Revenue From Contracts with Customers

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates, penalties and other similar items. Revenue from operations comprises of sale of power. It is recognized at an amount that reflects the consideration for which the Company expects to be entitled in exchange for transfer of power (goods / service) to the customer. Revenue from sale of power is accounted in accordance with tariff provided in Power Purchase Agreement (PPA) with the Nepal Electricity Authority (NEA) and no significant uncertainty as to the measurability or collectability exist.

On Ashadh 2, 2080, a major flood occurred at the Hewa Khola A Project, causing extensive damage to the project's key physical infrastructure. As a result, the project remained non-operational, and reconstruction activities were carried out throughout FY 2080-81 and FY 2081-82 to restore the damaged structures and resume operations.

The project successfully restarted its commercial operation on Chaitra 16, 2081. Accordingly, electricity generated from this date onwards has been supplied to the Nepal Electricity Authority (NEA). Revenue from such energy sales has been recognized in the financial statements for the period from Chaitra 16, 2081 up to the reporting date, in line with the terms of the Power Purchase Agreement (PPA) and the Company's revenue recognition policy.

4.15.2 Dividend and Interest Income

Dividend income from investment in shares is recognized when the right to receive the payment has been established.

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

All other incomes are recognized on an accrual basis.

4.16 Cost Of Sales

4.16.1 Royalty Expense

As per the provisions of the Electricity Act 2049, the company is required to pay 2% of the average tariff per unit per kilowatt hour for a period of up to 15 years from the commencement of electricity generation for commercial purposes. After the expiration of 15 years, the royalty rate increases to 10% of the average tariff per unit per kilowatt hour.

No royalty expenses were incurred during the current year as a result of the adverse impact of the flood.

4.16.2 Penalty for Short Supply

The company is required to operate at a capacity of over 90% to avoid penalties for short supply. However, due to the absence of generation of electricity during the current year, no penalties for short supply were incurred.

4.17 Foreign currency translation

The functional currency of the company and its subsidiaries is determined based on the primary economic environment in which it operates. The functional currency of the company is in the Nepalese Rupee (NPR)

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Revenues and expense 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 in 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 have been recognized (using the closing rate of reporting date) as foreign exchange gain or loss and adjusted with the statement of Profit and Loss as per NAS21.

The company engages in transactions denominated in foreign currencies, which gives rise to exposure to exchange rate fluctuations. Exchange gains or losses are recognized in profit or loss upon settlement and are also restated at quarterly intervals.

4.18 Income Tax

As per Nepal Accounting Standard- NAS12 (Income Taxes) tax expense is the aggregate amount included in the determination of profit or loss for the period in respect of current deferred taxation. Income Tax expense is recognized in the statement of profit or loss, except to the extent it related to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or other comprehensive income.

Income Tax Act 2058 has specified a tax rate of 20% flat for Hydropower Companies.

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

4.18.1 Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

In accordance with Section 11(3D) of the Income Tax Act, 2058, income derived from the operation of hydropower projects is 100% exempt from corporate tax for the first ten (10) years from the date of commercial operation, and 50% exempt for the subsequent five (5) years, as per the prevailing hydropower tax incentive provisions of the Government of Nepal.

Considering this tax exemption, no provision for corporate income tax has been recognized on revenue generated from the sale of electricity during the year.

Other revenue streams of the Company, apart from energy sales, are also directly attributable to the operation and generation of electricity. Accordingly, such revenue qualifies for the same exemption, and no income tax provision has been created on those revenues as well..

4.18.2 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 further tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

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

Deferred tax asset and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances are 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 a net basis or to realize the asset and settle the liability simultaneously.

4.19 Earnings per share

Earnings per share is the portion of the Company's profit allocated to each outstanding share of common stock. Basic earnings per share is computed by dividing the net profit/(loss) for the year by the weighted average number of equity shares outstanding during the year as per the NAS 33- Earning per share.

The Company has started generating and selling electricity and profits or losses are attributable to equity shareholders. EPS has been calculated. The EPS for the year was (7.90) The company has not issued any dilutive potential ordinary share and accordingly diluted earnings per share have not been calculated.

4.20 Related Party Disclosures

(As identified by the Management and relied upon by the Auditors)

The company has no such related parties

Key Management Personnel and Board Members

Key Management Personnel and Board members are as below:

Name	Designation
Mr. Rajesh Kumar Shrestha	Chairman
Mr. Raghu Nath Puri	Director
Mrs. Hima Timsina	Director
Mr. Sajan Kafle	Public Director
Mr. Yagya Prasad Chapagain	Director
Mr. Prakriti Raj Timilsina	Independent Director

The company has incurred the following expenses for those charge with governance during F.Y.2081.82

S. N	Nature of Expense	Current Year	Previous Year
1	Meeting Expenses	-	62973.00
2	Board Meeting Allowance	670,000.00	438,000.00

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4.21 Borrowing Cost

As per NAS 23, Borrowing costs are the costs incurred by the company in borrowing loans for the 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 the asset is complete and is ready for use. The costs are charged to the Statement of Profit or Loss since the asset has come into operation. The borrowing cost after the construction has charged against the Statement of Profit or Loss.

The company has obtained a bridge loan to finance the reconstruction, and the interest incurred on this loan has been capitalized. The capitalization of interest will continue until the asset is ready for its intended use.

4.22 Leases

lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

4.22.1 Company as a Lessee

Rentals payable under operating leases are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the relevant lease.

4.22.2 Company as a Lessor

Lease income from operating lease shall be recognized in income on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

4.23 Receivables and Payables

Receivables and payables are accounted for on an accrual basis. Balance amounts on year-end are shown in Statement of Financial Position under 'Other Current Assets' and 'Other Current Liabilities' Heading.

4.24 Staff Bonus Provision

As stipulated in the provisions of the Electricity Rules, the company is required to distribute bonuses to its workers and employees annually, setting aside an amount equal to two percent of the net profit. However, the company has not allocated a provision for staff bonus this year due to net loss in current year.

4.25 Operating Segments (NFRS 8)

The operating segment is component of an entity:

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- a. That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
- b. Whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance; and
- c. For which discrete financial information is available.

4.26 Short-Term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services 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.

4.27 Share Capital

The company has a paid-up capital of Rs. 962,500,000, comprising 9,625,000 shares with a face value of Rs. 100 each.

4.28 Borrowings

The total outstanding term loan is Rs.747,849,108.38 out of this Rs 264,086,000.00 has been classified as short-term borrowings, which are scheduled to be repaid within the next 12 months.

4.29 Work In Progress/Capitalization during the year

During the fiscal year 2080/81, following the flood event on 2 Ashadh, 2080, the Company undertook extensive reconstruction activities to restore the project's damaged infrastructure. The reconstruction works were carried out by the Company, and an amount of NPR 1,27,01,54,578.98 has been capitalized during the year towards such reconstruction works.

Accordingly, the Capital Work-in-Progress (CWIP) that was pending capitalization at the end of FY 2080/81 has been capitalized during the fiscal year 2081-82, upon completion of the respective reconstruction activities and availability of the assets for use.

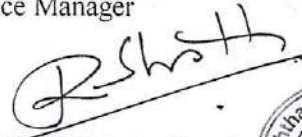
The amortization of the project assets has been resumed from the date of re-operation of the project, in accordance with the Company's accounting policies and applicable accounting standards.


Sundar Mani Subedi
Finance Manager


Raghu Nath Puri
Director

For & on behalf of
Kiran Acharya & Associates


Kiran Acharya
Proprietor


Rajesh Kumar Shrestha
Chairman



Date:
Place: Lalitpur, Nepal