



Firm Reg: 613

SUNIL CHAPAIN & ASSOCIATES

(Chartered Accountants)

Independent Auditor's Report

To the Shareholders,

Chirkhwa Hydropower Limited

KMC-10, Nepal

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of M/s Chirkhwa Hydropower Limited (hereinafter referred to as "the Company"), which comprises the Statement of Financial Position as on 31st Ashadh, 2081 (15th July 2024), the Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended, and Notes to the financial statements, including a Corporate Overview, Significant Accounting Policies and Other Explanatory Notes forming part of Financial Statements.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements read together with Notes forming part of financial statements give a true and fair view of the Financial Position of the company as at 31st Ashadh, 2081 (15th July 2024), of its Financial Performance and its Cash Flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

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 ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were most significance in our audit of the financial statements of the financial year ended on 31st Ashadh, 2081 (15th July 2024). These matters were addressed in the context of our 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 be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Land Advance Land title (Ownership) in other person's name instead of company name and shown as land advance in the financial statements.	We carried out discussion with the management and those charged with governance regarding the land advance & ownership of the land. Our audit procedures to address this matter included, but were not limited to, the following: <ul style="list-style-type: none">• Reviewing legal agreements, supporting documents, and correspondences to assess the company's rights over the land.• Verifying payments made and reconciling them with the advance balance disclosed in the financial statements.• Engaging with management and, where applicable, external legal counsel to evaluate the steps taken by the company to transfer the title to its name.



Key Audit Matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> • Site inspection to confirm whether the land is used by the company and same has been confirmed by the management. <p>Based on the procedures performed, we considered the company's payment against the land as an advance and the related disclosures in the financial statements are considered appropriate.</p>

Emphasis of Matter

We draw attention to the matters included in Note 21 to the financial statements that the interest payable on the loan obtained for the development of the Upper Chirkhwa Hydropower Project (4.70 MW) from Rastriya Banijya Bank Limited for the third and fourth quarter of F.Y 2080/81 remained outstanding as of the reporting date. However, we note that the accrued interest was fully settled as of the date the financial statements were adopted by the Board of Directors.

Our opinion on the financial statements is not modified in respect of these matters, and we do not provide any assurance on them beyond their disclosure in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises all information in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with NFRSs, 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 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.

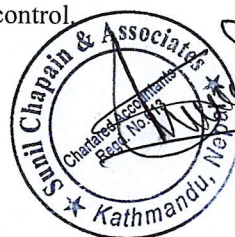
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with NSAs, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of 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.

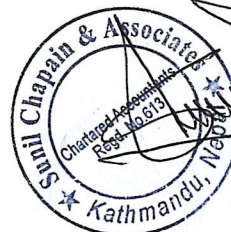


- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used 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 disclosure in the financial statement or, if such disclosure is 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 as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- 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 requirements of section 115 of the Companies Act, 2063, we further report that:

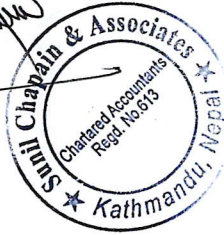
- We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- In our opinion, the company has kept proper books of account as required by the law so far, as appears from our examinations of those books.
- The Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows have been prepared in compliance with the Nepal Financial Reporting Standards (NFRSs) and are in agreement with the books of accounts maintained by the company.
- The Statement of Financial Position, the Statements of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows read together with notes to account give information required by the Companies Act, 2063 in the manner so required and give a true and fair view:
 - i. In case of Statement of Financial Position, of the state of affairs of the company as at 31st Ashadh, 2081; and
 - ii. In case of Statement of Profit or Loss and Other Comprehensive Income, of the results of operation of the company for the year ended on 31st Ashadh, 2081; and
 - iii. In case of Statement of Cash Flows, of the cash inflow and outflow of the company for the year ended on 31st Ashadh, 2081
- Neither we have come across any information about the misappropriation of the fund by the directors or any of the representatives of the company's staff during the course of our audit nor have we received any such information from the management.
- No accounting fraud has been observed during the course of our audit.
- As per our examination we have observed following non-compliance with other legal and regulatory requirements:
 - i. As per Section 91 of Companies Act, 2063, the meeting allowance to be receivable by the directors, for attending a meeting, their monthly remuneration, daily allowance and travelling allowance or other facility shall be as determined by the general meeting. However, the directors of the company have been receiving meeting allowances and salaries from the company but such remuneration was not approved by the general meeting.



- ii. With reference to note 27 of the notes to the accounts, the company has not made provision for any liabilities relating to the employee benefits in accordance with Labour Act, 2074 and has neither been registered with Social Security Fund as per the provision of Contribution based Social Security Act, 2074.

CA Sunil Chapain
Principal

Sunil Chapain and Associates
Chartered Accountants
COP No: 708
UDIN:250224CA009413QpRR



Date: 25th Magh, 2081
Place: Kathmandu, Nepal

Chirkhwa Hydropower Limited

KMC-10, Nepal


Statement of Financial Position


As on Ashadh 31st, 2081 (15th July, 2024)

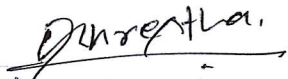
Amount in NRs.


Particulars	Notes	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
Assets				
Non- Current Assets				
Property, Plant and Equipment	5	1,708,293	42,754,874	36,364,045
Intangible Assets	6	1,080,702,256	25,102	33,125
Right of Use Asset (ROU) Asset	7	2,880,938	-	-
Intangible Assets Under Construction	8	-	913,396,866	665,501,186
Other Non-Current Assets	9	52,250	52,250	52,250
Total Non- Current Assets		1,085,343,737	956,229,092	701,950,606
Current Assets				
Financial Assets				
Cash and Cash Equivalents	10	368,264	20,595,852	51,662,633
Trade Receivables	11	4,935,862	-	-
Margins and Deposits	12	6,411,061	6,096,061	22,693,133
Other Current Assets	13	24,972,635	25,537,846	58,656,555
Total Current Assets		36,687,822	52,229,759	133,012,321
Total Assets		1,122,031,559	1,008,458,851	834,962,927
Equity				
Share Holder's Fund				
Share Capital	14	400,000,000	280,000,000	280,000,000
Reserve and Surplus	15	(23,732,795)	(4,277,393)	(1,716,741)
Advance for Share Capital	16	-	-	-
Total Equity		376,267,205	275,722,607	278,283,259
Liabilities				
Non-Current Liabilities				
Financial Liabilities				
Long Term Loans and Borrowings	17	547,365,441	547,663,090	413,988,700
Lease liability	18	2,419,334	-	-
Deffered Tax Liabilities(Net)	19	-	-	-
Total Non-Current Liabilities		549,784,775	547,663,090	413,988,700
Current Liabilities:				
Financial Liabilities				
Short Term Loans and Borrowings	20	69,751,790	117,464,896	102,000,000
Trade and Other Payables	21	120,379,977	65,105,577	39,094,233
Lease Liability	22	522,232	-	-
Other Current Liabilities	23	5,325,580	2,502,681	1,596,735
Total Current Liabilities		195,979,579	185,073,154	142,690,968
Total Liabilities		745,764,354	732,736,244	556,679,668
Total Equity and Liabilities		1,122,031,559	1,008,458,851	834,962,927

The accompanying Significant Accounting Policies and Explanatory Notes form an integral part of the financial statements.

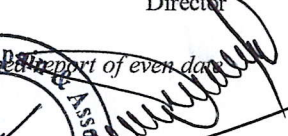

Sabita Maharjan
Accountant


Ganesh Man Singh Karki
Director


Dawa Jangmu Shrestha Lama
Director


Dipak Rai
Chairman



As per our audit report of even date

Sumil Chapain
Principal
Sumil Chapain and Associates
Chartered Accountants

Date: 23rd Magh, 2081
Place: Kathmandu

Chirkhwa Hydropower Limited

KMC-10, Nepal

Statement of Profit or Loss and Other Comprehensive Income

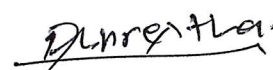
For the Period from 1st Shrawan, 2080 to 31st Ashadh, 2081 (17th July, 2023 to 15th July, 2024)

Amount in NRs.

Particulars	Note	Year Ended 31st Ashadh, 2081	Year Ended 31st Ashadh, 2080
Revenue from Operation	24	11,194,752	-
Less: Cost of Sales	25	11,262,187	-
Gross Profit/(Loss)		(67,435)	-
Other Income	26	-	-
Total Income/(Loss)		(67,435)	-
Employee Benefit Expenses	27	951,548	696,000
Administrative Expenses	28	3,249,776	515,623
Depreciation and Amortization Expenses	29	5,205,373	207,579
Total Expenses		9,406,697	1,419,202
Profit/(Loss) from Operation		(9,474,131)	(1,419,202)
Finance Costs	30	6,447,565	-
Profit/(Loss) before Bonus, Tax and CSR Expenses		(15,921,697)	(1,419,202)
Provision for Staff Bonus		-	-
Profit/(Loss) before tax and CSR Expenses		(15,921,697)	(1,419,202)
Tax Expenses			
Current Tax Expenses	32	-	-
Deferred Tax-Income/(Expense)	19	-	-
Profit/(Loss) before CSR Expenses		(15,921,697)	(1,419,202)
CSR Expenses		-	-
Net Profit/(Loss) for the Year		(15,921,697)	(1,419,202)
Other Comprehensive Income			
Revaluation of Property, Plant & Equipment		-	-
Revaluation of Intangible Assets		-	-
Other Comprehensive Income / (Loss) for the Year		-	-
Total Comprehensive Income		(15,921,697)	(1,419,202)
Earnings per Equity Shares of NRs. 100 each			
Basic Earnings per share-NRs.	31	(4.37)	(0.51)

The accompanying Significant Accounting Policies and Explanatory Notes form an integral part of the financial statements.


Sabita Maharjan
Accountant

Ganesh Man Singh Karki
Director

Dawa Jangmu Shrestha Lama
Director

Dipak Rai
Chairman

As per our attached report of even date

Sunil Chapain
Principal
Sunil Chapain and Associates
Chartered Accountants

Date: 23rd Magh, 2081

Place: Kathmandu

Chirkhwa Hydropower Limited

KMC-10, Nepal

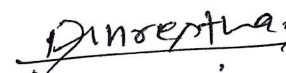
Statement of Cash Flows

For the Period from 1st Shrawan, 2080 to 31st Ashadh, 2081 (17th July, 2023 to 15th July, 2024)

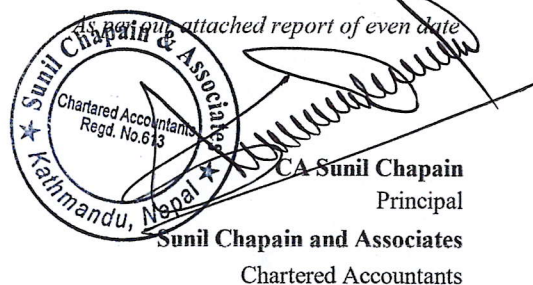
Amount in NRs.

Particulars	Year Ended 31th Ashadh, 2081	Year Ended 31th Ashadh, 2080
Cash Flows from Operating Activities		
Net Profit After Tax	(15,921,697)	(1,419,202)
Adjustment for:		
Depreciation and Amortization Expenses	5,205,373	207,579
Finance Costs	6,307,175	-
Cash Flow Before Working Capital Changes	(4,409,149)	(1,211,623)
Changes in Current Assets	(4,685,651)	49,715,780
Changes in Current Liabilities	10,906,425	42,382,187
Cash Generated from Operating Activities	1,811,625	90,886,344
Income Tax Paid	-	-
Cash Flows from Operating Activities (A)	1,811,625	90,886,344
Cash Flows on Investing Activities		
Changes in Intangible Assets Under Construction	913,396,866	(247,895,680)
Changes in Property, Plant and Equipment	40,827,944	(6,590,385)
Changes in Project Assets	(1,085,401,985)	-
Changes in Investment	-	-
Changes in Right of Use Asset	(3,142,842)	-
Cash Flows from Investing Activities (B)	(134,320,018)	(254,486,065)
Cash Flows on Financing Activities		
Changes in Share Capital	120,000,000	-
Change in Long Term Loans and Borrowings	(297,649)	133,674,390
Expenses Related to Public Issue	(3,533,705)	(1,141,450)
Changes in Lease Liability	2,419,334	-
Finance Costs	(6,307,175)	-
Dividend Paid	-	-
Cash Flows from Financing Activities (C)	112,280,805	132,532,940
Net Changes in Cash and Cash Equivalents (A+B+C)	(20,227,588)	(31,066,781)
Opening Cash and Cash Equivalents	20,595,852	51,662,633
Closing Cash and Cash Equivalents	368,264	20,595,852

The accompanying Significant Accounting Policies and Explanatory Notes form an integral part of the Financial Statements.

Sabita Maharjan
AccountantGanesh Man Singh Karki
DirectorDawa Jangmu Shrestha Lama
DirectorDipak Rai
Chairman

As per the attached report of even date



Sunil Chapain & Associates
Chartered Accountants
Regd. No. 613
Kathmandu, Nepal
CA Sunil Chapain
Principal
Sunil Chapain and Associates
Chartered Accountants

Date: 23rd Magh, 2081

Place: Kathmandu

Chirkhwa Hydropower Limited

KMC-10, Nepal


Statement of Changes in Equity

For the Period from 1st Shrawan, 2080 to 31st Ashadh, 2081 (17th July, 2023 to 15th July, 2024)


Amount in NRs.

Particulars	Share Capital	Reserve and Surplus	Advance for Share Capital	Total
Balance as on 1st Shrawan, 2079	280,000,000	(1,716,741)	-	278,283,259
Issue of Share Capital	-	-	-	-
Expense Related to Public Issue	-	(1,141,450)	-	(1,141,450)
Net Profit for the Year	-	(1,419,202)	-	(1,419,202)
Balance as on 31st Ashadh, 2080	280,000,000	(4,277,393)	-	275,722,607
Balance as on 1st Shrawan, 2080	280,000,000	(4,277,393)	-	275,722,607
Issue of Share Capital	120,000,000	-	-	120,000,000
Net Profit for the Year	-	(15,921,697)	-	(15,921,697)
Expense Related to Public Issue	-	(3,533,705)	-	(3,533,705)
Dividend to the Shareholders	-	-	-	-
Balance as on 31st Ashadh, 2081	400,000,000	(23,732,795)	-	376,267,205

The accompanying Significant Accounting Policies and Explanatory Notes form an integral part of the Financial Statements.



Sabita Maharjan
Accountant



Ganesh Man Singh Karki
Director




Dawa Jangmu Shrestha Lama
Director

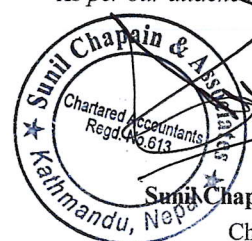


Dipak Rai
Chairman

As per our attached report of even date



CA Sunil Chapain
Principal
Sunil Chapain and Associates
Chartered Accountants



Date: 23rd Magh, 2081

Place: Kathmandu

CHIRKHA HYDROPOWER LIMITED

KMC-10, Nepal

Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of Financial Statements for FY 2080/81

1. Corporate Overview

M/s Chirkha Hydropower Limited (the "Company") is a company incorporated under Companies Act, 2063 having registered office at KMC-10, Nepal. The company was registered with the Income Tax Office 6th Falgun, 2065 with PAN 303532918 and was registered with the Office of Company Registrar with Registration no. 59457/065/066 on 27th Poush, 2065. The company was converted from private to public on 25th Ashadh, 2076 under new registration number 218732/75/076.

This company was established with an objective of developing hydropower in Nepal. The company's main line of business involves development of hydropower projects including detailed feasibility, construction and operation and transmission and distribution of hydro energy.

The company has developed and been operating Upper Chirkha Hydropower Projects in Bhojpur District. The energy generation capacity of the plant is 4.70 MW. The development/construction of hydropower project has been completed during this financial year. The generation of electricity started from 20th Jestha, 2081

2. Basis of Preparation and Measurement

2.1 Statement of Compliance

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board, Nepal which are generally in compliance with the International Financial Reporting Standards as issued and applicable, except mentioned hereinafter. NFRS also includes interpretations (IFRIC and SIC) as issued by the International Accounting Standards Board.

The Financial Statements have also been prepared in accordance with the Companies Act, 2063 of Nepal.

The financial statements include Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes forming integral part of financial statements.

2.2 Basis of Preparation

The financial statements have been prepared on an accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements.

2.3 Responsibility of Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the Company's financial statements and for the estimates and judgments used in them.

2.4 Presentation

Presentation Currency

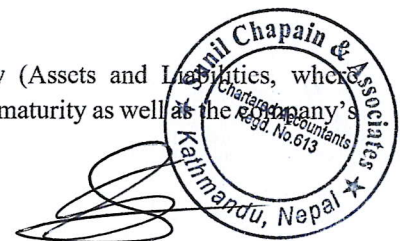
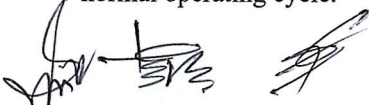
The financial statements are prepared in Nepalese Rupees (NRs.) which is the functional currency. All financial information presented in Nepalese Rupees has been rounded to the nearest rupee except otherwise indicated.

Rearrangement / Reclassification and Remeasurement

The figures for the previous year are rearranged, reclassified, and/or restated wherever necessary for the purpose of facilitating comparison. Reconciliations and appropriate disclosures are made wherever necessary.

Statement of Financial Position

The elements of Statement of Financial Position (SFP) other than equity (Assets and Liabilities, where applicable) are bifurcated in Current and Non-Current based on their respective maturity as well as the normal operating cycle.



CHIRKHA HYDROPOWER LIMITED

KMC-10, Nepal

Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of Financial Statements for FY 2080/81

Statement of Profit or Loss and Other Comprehensive Income

The elements of Statement of Profit or Loss (SoPL) and Other Comprehensive Income (OCI) has been prepared using classification 'by function' method. The details of revenue, expenses, gain and/or losses have been disclosed in the relevant section.

Statement of Cash Flows

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

Statements of Changes in Equity

The Statement of Changes in Equity (SoCE) has been prepared to disclose changes in each element of equity.

2.5 Financial Period

The company prepares financial statements in accordance with the Nepalese Financial year. The financial year starts from 1st Shrawan and ends on Ashadh end of next calendar year. The corresponding dates for the English calendar are as follows:

Relevant Financial Statements	Nepalese Calendar/Period	Gregorian Calendar Date / Period
Reporting Date	31 st Ashadh, 2081	15 th July, 2024
Comparative Reporting Date	31 st Ashadh, 2080	16 th July, 2023
Reporting Period	1 st Shrawan, 2080 -31 st Ashadh, 2081	17 th July 2023-15 th July, 2024
Comparative Reporting Period	1 st Shrawan, 2079 -31 st Ashadh, 2080	17 th July 2022-16 th July, 2023

2.6 Basis of Measurement

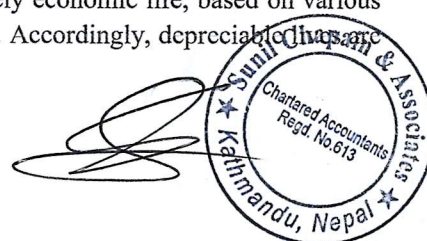
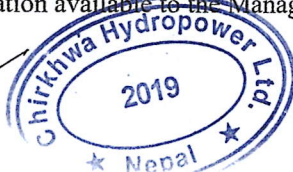
These financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS and explained in the ensuing policies below.

3. Use of Estimates, Assumptions or Judgments

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods, except otherwise stated. Specific accounting estimates have been included in the relevant section of the note, wherever have been applied along with the nature and effect of the changes of accounting estimates, if any. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes: -

3.1. Useful life and residual value of Property, Plant and Equipment:

Management reviews the useful life of property, plant and equipment at least once a year. Such life is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciation is reviewed annually using the best information available to the Management.



CHIRKHWHA HYDROPOWER LIMITED

KMC-10, Nepal

Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of Financial Statements for FY 2080/81

3.2. Impairment of Property, Plant and Equipment:

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above-mentioned factors could impact on the carrying value of assets.

The company has developed and has been operating Chirkhwa Hydropower Project of 4.70 MW. The development/construction of hydropower project has been fully completed during the financial year. All the cost directly attributable with development/construction of project till the date of completion of construction has been capitalized i.e. Jetha 20th and charged as intangible assets under construction (project cost) and on the date of completion the total cost has been transferred to Intangible Assets (Project Assets). Such project assets shall be amortized over the remaining useful life of the project on SLM basis. Useful life of the project as per clause in PPA agreement with NEA and generation license is 35 years from the date of commercial operation or expiry of period of generation license i.e. BS 2108/11/10 whichever is earlier.

3.3. Contingencies:

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystallizing or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognized.

3.4. Fair Value Measurements:

The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

3.5. Recognition of Deferred Tax Assets/Liabilities:

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

A significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

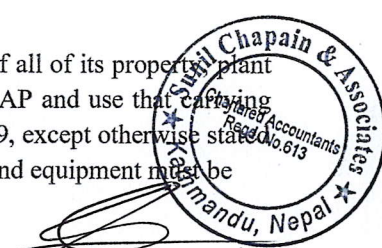
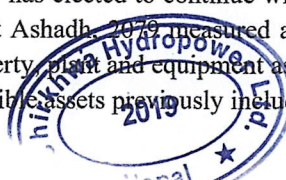
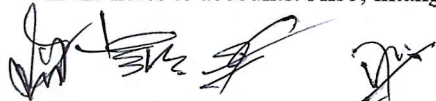
4. Significant Accounting Policies

The Significant accounting policies of the company are explained below:

4.1. Property, Plant & Equipment:

Recognition & Measurement

On transition to NFRS, the company has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 31st Ashadh, 2079, measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment as on 01st Shrawan, 2079, except otherwise stated in the notes to accounts. Also, intangible assets previously included in property, plant and equipment must be



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separated and reclassified. On the transition date, they are measured at carrying value, calculated as historical cost minus accumulated amortization and impairment losses.

All items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred. The Company identifies and determines cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted, if appropriate.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

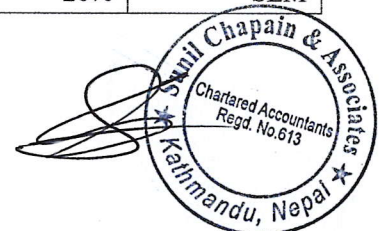
4.2 Depreciation and Amortization

- Depreciation is recognized to write off the cost of assets (other than Intangible asset) less their residual values over their useful lives, using the Written down value (WDV) method.
- Right of Use Assets (ROU) are amortized over the period of lease on a straight-line basis.
- Amortization is recognized to write off Intangible Assets on a Straight-line basis over their estimated useful lives.
- The Intangible assets (project asset-Upper Chirkhwa Hydropower Project 4.70 M. W) shall be amortized over the remaining useful life of the project on straight line method i.e. 27.74 Years.
- The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis, except otherwise stated in the notes to accounts.

The estimated useful lives of the significant items of Property & Equipment and Intangibles are as follows:

S.N.	Assets Block	Estimated Useful Life	Depreciation Rate	Depreciation Method
1	Furnitures and Fixtures	5 Years	20%	WDV
2	Computer and Accessories	5 Years	20%	WDV
3	Automobiles and Vehicles	10 Years	10%	WDV
4	Site Machineries	6 Years	16.67%	WDV
5	Intangible Assets-Software	5 Years	20%	SLM
6	Intangible Assets-Project Assets*	27.74 Years	3.60%	SLM
7	Right of Use Asset	5 Years	20%	SLM

Only those items having value more than 5,000 per items are capitalized.



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Restriction on PPE

Upper Chirkha Hydropower Project (4.7 MW)

The company has to transfer the entire generation unit to Government of Nepal under BOOT arrangement after expiry of period of generation license i.e. 10th Falgun, 2108 or 35 years from Commercial Operation Date (COD) whichever is earlier. Thus, useful life is estimated to be 27.74 years from the date of commercial operation. The development/construction of hydropower project has been completed during the year.

4.3 Intangible Assets-Project Assets:

The development/construction of hydropower project has been completed during the year and commercial operation of company was started on 20th Jestha, 2081. All the cost associated with development/construction of project till the date of full completion of project has been capitalized. As on the date of full completion of the project of the company i.e. 20th Jestha, 2081, the capital work in progress (project cost) has been transferred to the appropriate category of intangible assets (Project Assets) of the Company. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimated cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized.

Assets that are directly related to the project shall be capitalized as project assets and such project asset shall be amortized over the remaining useful life of the project on straight line method.

4.4 Other Intangible Assets:

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Certain computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

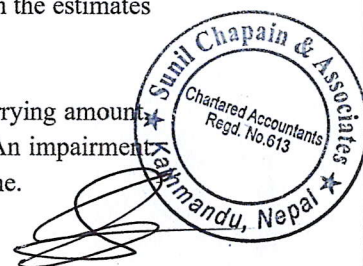
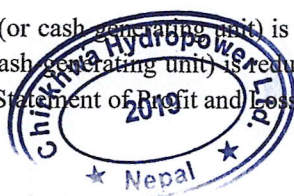
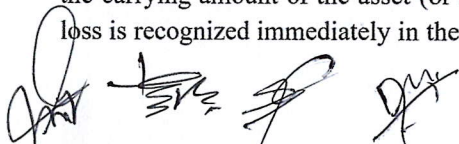
4.5 Impairment of Tangible and Intangible Assets:

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and impairment loss is recognized whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit and Loss and other comprehensive income.



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When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Profit or Loss and other comprehensive income.

4.6 Borrowing Cost:

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time i.e. Jetha 20, 2081 to get ready for its intended use or sale are capitalized as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are incurred in the period in which they occur. Any investment income on the temporary investment of borrowed funds has been deducted from borrowing costs.

4.7 Cash and Cash Equivalents:

Cash and cash equivalents in the balance sheet comprise cash at banks, cash in hand, cheques in hand considered good and demand deposits with an original maturity of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.8 Inventories:

Cost of inventories includes cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The company has no inventory as on the balance sheet date.

4.9 Other Current Assets:

Other current assets include current assets other financial assets which are unsecured and considered good, unless otherwise stated. The Company has a policy of bifurcating the expenses amounting to more than NRs. 10,000 to prepaid and incurred. Expenses amounting less than this threshold are expensed entirely within the reporting period.

4.10 Classification of Current and Non-Current Assets and Liabilities

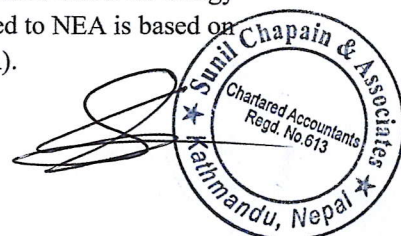
All assets and liabilities have been classified as current & non-current assets as per the company's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realization of cash and cash equivalents, the company has ascertained its operating cycle as twelve months for the purpose of classification currents & non-current classification.

4.11 Revenue Recognition:

4.11.1 Sale of Electricity:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates, charges and other similar allowances. Revenue is recognized when substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.

The main business of the company is generation and sale of electricity. Revenue is recognized based on energy supplied to NEA at the rate given in the Power Purchase Agreement (PPA). Energy supplied to NEA is based on the approved meter reading from Khadbari Substation of Nepal Electricity Authority (NEA).



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4.11.2 Finance Income:

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.11.3 Insurance Income:

The recognition for insurance proceeds related to losses triggered by an external event depends on the nature and timing of the insured event. Insurance income is recognized when it is probable that the economic benefits will flow to the Company, the amount of income can be measured reliably and when there is an unconditional right to receive the compensation for business interruption. Compensation against insurance claim is recognized as an income when the claim from insurer is virtually certain and compensation becomes receivable.

Financial Asset Model

The Financial asset model is used when the Company, being an operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Unconditional contractual right is established when the grantor contractually guarantees to pay the operator (a) specific or determinable amount; (b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

Intangible Asset Model

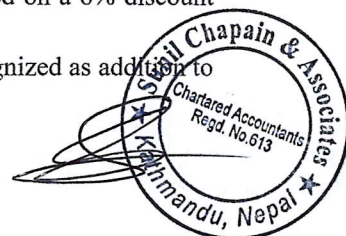
The intangible asset model is used when the Company, being an operator, receives the right (a license) to charge users of the public service. A right to charge users of public services is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the services. Both type of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a financial asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset. The Company manages concession arrangements which include power supply from its hydro power plants. The Company maintains and services the infrastructure during the concession period. These concession arrangements set out rights and obligations related to the infrastructure and the services to be provided. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied. Income from the concession arrangements earned under the intangible asset model consists of the

- (i) Fair Value of the contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and
- (ii) Payments actually received from the users.

The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession. Any asset carried under concession arrangements is de-recognized at its disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

Revenue and cost related to the construction are accounted in accordance with IFRIC 12. The cost of each activity related to acquisition, construction and production of assets are recognized as construction expenses by reference to the stage of completion of that activity. Construction revenue, as the fair value of amount due from the guarantor for the activity undertaken is recognized at the same time. The fair value is calculated based on a 6% discount rate.

The amount to the extent of Net Construction Revenue in accordance with IFRIC 12 is recognized as addition to Intangible Assets under Construction.



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4.12 Foreign Currency Transactions:

The functional currency of the Company is determined on the basis of the primary economic environment in which it operates. The functional currency of the Company is the Nepalese Rupee (NPR).

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

The effect from fluctuation of exchange rate raised while initially recognizing the transaction as per contract on the base rate mentioned in the contract and settling the transactions at the settlement date has been recognized in Intangible Assets under construction. Foreign exchange gain/loss occurring from other activity has been charged to Statement of Profit or Loss and other comprehensive income.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

4.13 Employment Benefits:

The Company does not have any schemes of Post-employment/Long term benefit plans for its employees. The company has not provided gratuities as per the Labor Act, 2074 and has not been registered with the Social Security Fund as per Contribution Based Social Security Act, 2074. The company has not made provision for post-employment benefits in accordance with the Labor Act, 2074 and any liabilities relating to the employee benefits in accordance with Contribution Based Social Security Act, 2074.

Short Term Employee Benefits

- i. A liability is recognized for benefits accruing to employees in respect of wages and salaries, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.
- ii. Liabilities recognized in respect of short-term and contractual employees; benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4.14 Staff Bonus

Provision for employee bonus is provided as per the provisions of the Electricity Act, 2049 and Electricity Regulation 2050 (i.e. 2% of net profit). Provision is created as per annual profit and paid in the subsequent period as per the provisions of Bonus Act, 2030. Unspent amounts are transferred to Welfare Funds as per the provisions of Bonus Act, 2030. The company has not made provision for Bonus as company has not generated profit during the year.

4.15 Income tax

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the statement of Profit or Loss except to the extent that it relates to items recognized directly to equity.

Current Tax

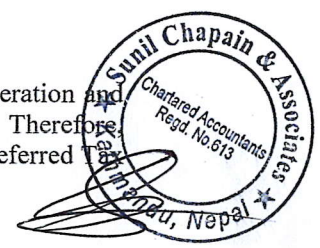
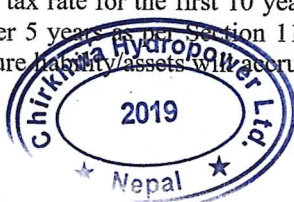
Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

The Company commenced the commercial generation, distribution, and transmission of electricity in the fiscal year 2077/78.

Further, the company shall be assessed at 0% tax rate for the first 10 years from the date of commercial operation and 50% of the applicable tax rate for later 5 years as per Section 11(3Gha) of Income Tax Act, 2058.

Deferred Tax

The company shall be assessed at 0% tax rate for the first 10 years from the date of commercial operation and 50% of the applicable tax rate for later 5 years as per Section 11(3Gha) of Income Tax Act, 2058. Therefore, management has estimated that no future liability/assets will accrue and accordingly accounting of Deferred Tax has been done.



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4.16 Earnings per share:

- I. Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).
- II. Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. Diluted EPS has not been calculated as no potential equity exists in the reporting period.

4.17 Provisions, Contingencies and Commitments:

A provision is recognized as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystallizing or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognized.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

Conversely, if the investor holds, directly or indirectly (e.g. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

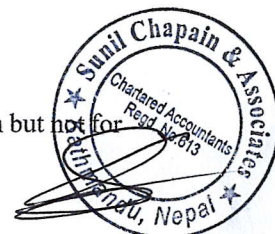
The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

- (a) representation on the board of directors or equivalent governing body of the investee;
- (b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
- (c) material transactions between the investor and the investee;
- (d) interchange of managerial personnel; or
- (e) provision of essential technical information

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

4.18 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the supply of services or for administrative purpose.



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4.19 Financial Instruments:

Recognition and Measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at *transaction cost* and where such values are different from the fair value, at *fair value*.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognized in the statement of profit and loss.

Effective Interest Rate Method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income/ expense arising on financial instruments after applying an effective interest rate is recognized in the Statement of Profit and Loss and is included in the "Other finance income" or "Other finance cost" line item. Where the interest component is present in the financial instruments, the implicit interest rate approximates the effective interest rate.

4.20 Financial Assets:

Financial assets at amortized cost

Financial assets are subsequently measured at amortized cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets measured at fair value

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

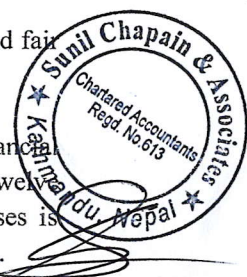
The Company in respect of equity investments (other than in subsidiaries, associates and joint ventures) which are not held for trading has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such equity instruments. Such an election is made by the Company on an instrument-by-instrument basis at the time of initial recognition of such equity investments.

Financial assets not measured at amortized cost or at fair value through other comprehensive income are carried at fair value through the *statement of profit or loss*. For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the shorter maturity of these instruments.

Impairment of Financial Assets

Loss allowance for expected credit losses is recognized for financial assets measured at amortized cost and fair value through the statement of profit or loss.

The company recognizes impairment loss on trade receivables using expected credit loss model. For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit losses is recognized. Loss allowance equal to the lifetime expected credit losses is recognized if the credit risk on the financial instruments has significantly increased since initial recognition.



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De-recognition of financial assets

The Company de-recognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset, and the transfer qualifies or de-recognition under NFRS 9. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the assets and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On de-recognition of a financial asset in its entirety, the differences between the carrying amounts measured at the date of de-recognition and the consideration received is recognized in the statement of profit or loss.

4.21 Financial Liabilities & Equity:

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in the statement of profit and loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial guarantee contracts

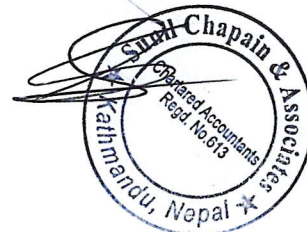
Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

De-recognition of financial liability

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the standalone balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.



CHIRKHA HYDROPOWER LIMITED

KMC-10, Nepal

Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of Financial Statements for FY 2080/81

4.22 Leases:

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

NFRS 16-Lease is effective for annual periods beginning on or after 1 Shrawan, 2078. The new standard removes the distinction between operating or finance lease for lessee accounting, resulting in all leases being treated as finance leases. A lessee is required to recognize a right-of-use (ROU) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The standard permits a lessee to choose either a full retrospective or modified retrospective transition approach.

The company recognizes a right-of-use asset and a lease liability for the remaining period of lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The cost of borrowing of company till the date of signing any lease contract has been considered as its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises the following:

- Fixed payment, including in-substance fixed payments, less any lease incentives receivable.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable under a residual value guarantee and
- The exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

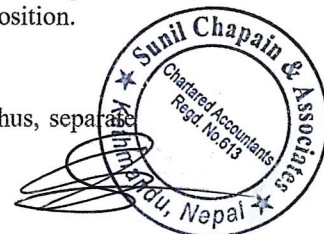
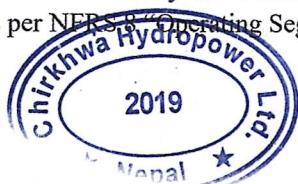
The lease liability is measured at amortized cost using an effective interest method. It is re-measured when there is change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of right-of-use asset or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The company has adopted NFRS-16 Lease for the first time in current FY 2080/81. The company has recognized NRs. 31,42,842 as Right to Use Asset and corresponding lease Liability in Statement of Financial Position.

4.23 Segment Reporting

The company is engaged in only one business activity of "Generation and Sale of Electricity". Thus, separate segment information is not provided as per NFRS-8 "Operating Segments".



Chirkhwa Hydropower Limited
KMC-10, Nepal
Notes forming part of the Financial Statements

Amount in NRs.

Property, Plant and Equipment

Note 5

Particulars	Land at Site	Lower Chirkhwa Land	Furniture and Fixture	Computer and Accessories	Vehicles	Site Machineries	Total
Balance at Ashadh end, 2079	31,795,539	2,875,570	446,940	228,230	2,939,000	312,630	38,597,909
Balance at 1st Shrawan, 2079	31,795,539	2,875,570	446,940	228,230	2,939,000	312,630	38,597,909
Addition during FY 79-80	6,547,325	-	-	13,560	-	29,500	6,590,385
Disposal During the year	-	-	-	-	-	-	-
Balance at Ashadh end, 2080	38,342,864	2,875,570	446,940	241,790	2,939,000	342,130	45,188,294
Balance at 1st Shrawan, 2080	38,342,864	2,875,570	446,940	241,790	2,939,000	342,130	45,188,294
Addition during FY 80-81	-	-	78,767	121,500	-	190,224	390,491
Transferred to Intangible Assets	(38,342,864)	(2,875,570)	-	-	-	-	(41,218,434)
Balance at Ashadh end, 2081	-	-	525,707	363,290	2,939,000	532,354	4,360,351
Depreciation							
Balance at Ashadh end, 2079	-	-	384,124	163,506	1,531,875	154,359	2,233,864
Balance at 1st Shrawan, 2079	-	-	384,124	163,506	1,531,875	154,359	2,233,864
Depreciation for FY 79-80	-	-	12,563	13,961	140,713	32,319	199,556
Disposal during year	-	-	-	-	-	-	-
Balance at Ashadh end, 2080	-	-	396,687	177,467	1,672,588	186,678	2,433,420
Balance at 1st Shrawan, 2080	-	-	396,687	177,467	1,672,588	186,678	2,433,420
Depreciation for FY 80-81	-	-	17,402	32,194	126,641	42,401	218,638
Disposal during year	-	-	-	-	-	-	-
Balance at Ashadh end, 2081	-	-	414,089	209,661	1,799,229	229,079	2,652,057
Net Carrying Amounts							
As at Ashadh end, 2079	31,795,539	2,875,570	62,816	64,724	1,407,125	158,271	36,364,045
As at Ashadh end, 2080	38,342,864	2,875,570	50,253	64,323	1,266,413	155,452	42,754,874
As at Ashadh end, 2081	-	-	111,618	153,629	1,139,771	303,275	1,708,293



Chirkhwa Hydropower Limited
KMC-10, Nepal
Notes forming part of the Financial Statements

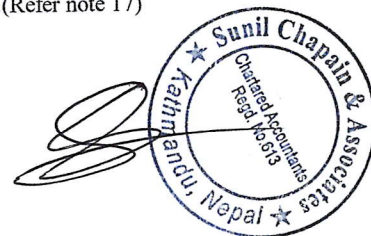
Amount in NRs.

Intangible Assets*	Note 6		
Particulars	Tally Software	Project Assets (Annexure-3)	Total
Cost			
Balance at Ashadh end, 2079	40,115	-	40,115
Balance at 1st Shrawan 2079	40,115	-	40,115
Addition during the year	-	-	-
Balance at Ashadh end, 2080	40,115	-	40,115
Balance at 1st Shrawan 2080	40,115	-	40,115
Addition during the year	-	1,085,401,985	1,085,401,985
Balance at Ashadh end, 2081	40,115	1,085,401,985	1,085,442,100
Amortization			
Balance at Ashadh end, 2079	6,990	-	6,990
Balance at 1st Shrawan, 2079	6,990	-	6,990
Amortization for the year	8,023	-	8,023
Balance at Ashadh end, 2080	15,013	-	15,013
Balance at 1st Shrawan, 2080	15,013	-	15,013
Amortization for the year	8,023	4,716,809	4,724,832
Balance at Ashadh end, 2081	23,036	4,716,809	4,739,845
Carrying Amounts			
As at Ashadh end, 2079	33,125	-	33,125
As at Ashadh end, 2080	25,102	-	25,102
As at Ashadh end, 2081	17,079	1,080,685,177	1,080,702,256

*The company has to transfer the entire generation unit to Government of Nepal(GON) under BOOT arrangement after the expiry of period of generation license i.e 10th Falgun,2108 or 35 years from Commercial Operation Date(COD) whichever is earlier. Thus the useful life of the project assets is 27.74 years from the date of commercial operation.

Property, Plant and Equipment and Intangible Assets given as security for Long Term Loans and borrowings.(Refer note 17)
Refer Annexure 3 for more details.



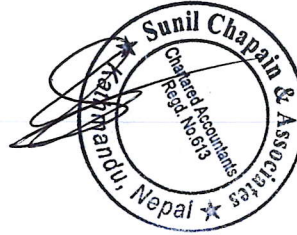


Chirkhwa Hydropower Limited
KMC-10, Nepal
Notes forming part of the Financial Statements

Amount in NRs.

Right of Use Asset*	Note 7	
Particulars	Right of Use Asset(ROU)	Total
Cost		
Balance at Ashadh end, 2079	-	-
Balance at 1st Shrawan 2079	-	-
Addition during the year	-	-
Balance at Ashadh end, 2080	-	-
Balance at 1st Shrawan 2080	-	-
Addition during the year	3,142,842	3,142,842
Balance at Ashadh end, 2081	3,142,842	3,142,842
Amortization		
Balance at Ashadh end, 2079	-	-
Balance at 1st Shrawan, 2079	-	-
Amortization for the year	-	-
Balance at Ashadh end, 2080	-	-
Balance at 1st Shrawan, 2080	-	-
Amortization for the year	261,903	261,903
Balance at Ashadh end, 2081	261,903	261,903
Carrying Amounts		
As at Ashadh end, 2079	-	-
As at Ashadh end, 2080	-	-
As at Ashadh end, 2081	2,880,938	2,880,938

*Refer note 45 for more details.



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Amount in NRs.

Intangible Assets Under Construction

Note 8

S.N.	Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
1	Pre-Operating Expenses	37,846,419	-	37,846,419	-	37,846,419
2	Civil Works	251,839,794	79,916,622	331,756,416	38,536,053	370,292,469
3	Electro Mechanical Works	78,397,059	47,306,964	125,704,023	2,217,861	127,921,884
4	Hydro Mechanical Works	133,742,299	32,831,902	166,574,201	46,026	166,620,227
5	Transmission Line and Switchyard	40,106,365	3,415,558	43,521,923	9,589,301	53,111,224
6	Infrastructure Development Cost	26,461,267	-	26,461,267	782,938	27,244,205
7	Environment/Social Mitigation Cost	3,735,470	1,812,057	5,547,527	1,409,450	6,956,977
8	Project Supervision and Management	67,674,913	30,821,967	98,496,880	20,286,431	118,783,310
9	Interest During Construction	27,458,326	54,467,409	81,925,735	57,918,625	139,844,360
10	Add:Land Assets Regrouped from Property, Plant and Equipment	-	-	-	41,218,434	41,218,434
	Total Capital WIP	667,261,914	250,572,477	917,834,391	172,005,119	1,089,839,510
	Less:Project Supervision and Management Expenses Transferred to Profit/(Loss) Statement	(1,731,008)	-	(2,942,631)	-	(2,942,631)
	Less: Expense Related to IPO Transferred to Reserve	-	-	(1,141,450)	-	(1,141,450)
	Less:Depreciation Amount Restated and Reclassified to Profit/(Loss) Statement*	(29,720)	-	(353,444)	-	(353,444)
	Restated Balance at the end of the Year	665,501,186	250,572,477	913,396,866	172,005,119	1,085,401,985
	Less: Transfer to Intangible Assets	-	-	-	(172,005,119)	(1,085,401,985)
	Balance	665,501,186	250,572,477	913,396,866	-	-

*During the previous years, depreciation of Property, Plant and Equipment was charged to Intangible Assets Under Construction. In the current year, management reassessed the useful life of the Property, Plant and Equipment revised depreciation is now charged to the Profit and Loss Account instead of Intangible Assets under Construction.

The company has developed Upper Chirkhwa Hydropower Project(4.70 MW). The cost associated with the project has been capitalized under the respective heads till the date of commercial operations. Commercial Operations has been started on 20th Jestha, 2081.



Chirkhwa Hydropower Limited

KMC-10, Nepal

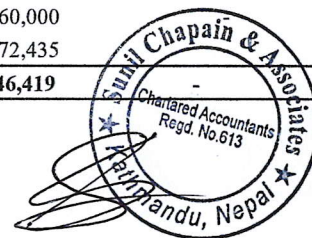
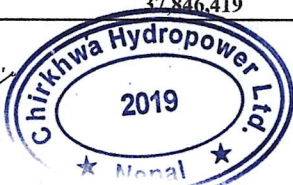
Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Details of Intangible Assets Under Construction**Pre-Operating Expenses**

Sub Note 8.1

1	Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
	Audit Fees	108,950	-	108,950	-	108,950
	NEA Expenses	285,000	-	285,000	-	285,000
	DOED Expenses	1,700,000	-	1,700,000	-	1,700,000
	Field & Survey Expenses	3,146,462	-	3,146,462	-	3,146,462
	Letter Intent Charge	49,000	-	49,000	-	49,000
	PPA Bank Guarantee Expenses	295,513	-	295,513	-	295,513
	Detail Surveyer Expenses	776,500	-	776,500	-	776,500
	PPA Translation	4,068	-	4,068	-	4,068
	Survey Design	1,500,000	-	1,500,000	-	1,500,000
	Chirkhwa Credit Rating	423,750	-	423,750	-	423,750
	Chirkhwa DDA	621,500	-	621,500	-	621,500
	Project Travelling & Transportation Expenses	1,191,363	-	1,191,363	-	1,191,363
	Project Lodging and Fooding Expenses	1,867,408	-	1,867,408	-	1,867,408
	Detail Survey Wages	2,044,107	-	2,044,107	-	2,044,107
	Consultancy Expenses	672,119	-	672,119	-	672,119
	Employee Cost	12,206,385	-	12,206,385	-	12,206,385
	Office Rent	2,354,964	-	2,354,964	-	2,354,964
	Repair and Maintenance	114,263	-	114,263	-	114,263
	Meeting Expenses	132,514	-	132,514	-	132,514
	Courier Charge	685	-	685	-	685
	Bank Charge	16,111	-	16,111	-	16,111
	Meeting Allowance	190,588	-	190,588	-	190,588
	Office Expenses	909,633	-	909,633	-	909,633
	Legal Fee	8,275	-	8,275	-	8,275
	Internet & Fax and Telephone Expenses	214,096	-	214,096	-	214,096
	Electricity Charges	50,012	-	50,012	-	50,012
	Donation	208,502	-	208,502	-	208,502
	GPO Box Renewal	3,750	-	3,750	-	3,750
	Access Road Wages	100,000	-	100,000	-	100,000
	TADA Expense	1,103,914	-	1,103,914	-	1,103,914
	IEE Study Expenses	565,000	-	565,000	-	565,000
	Consultancy Expenses	585,000	-	585,000	-	585,000
	Computer Accessories	31,695	-	31,695	-	31,695
	Printing & Stationery	339,078	-	339,078	-	339,078
	Advertisement Notice Publication	130,168	-	130,168	-	130,168
	Membership & Subscription	33,000	-	33,000	-	33,000
	Staff Training Expenses	5,000	-	5,000	-	5,000
	Fine & Penalty	10,366	-	10,366	-	10,366
	Vehicle Insurance	35,961	-	35,961	-	35,961
	Tiffine Expenses	396,075	-	396,075	-	396,075
	Books & Periodicals	79,576	-	79,576	-	79,576
	Registration & Renewal Expenses	227,227	-	227,227	-	227,227
	Transportation Expenses	342,797	-	342,797	-	342,797
	Miscellaneous Expenses	233,608	-	233,608	-	233,608
	Vehicle Hire	2,160,000	-	2,160,000	-	2,160,000
	Depreciation	372,435	-	372,435	-	372,435
	Total	37,846,419	-	37,846,419	-	37,846,419



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Civil Construction Work

Sub Note 8.2

2	Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
	Gabion Work	-	256,000	256,000	-	256,000
	IPC Civil Works	228,965,854	79,660,622	308,626,476	37,914,602	346,541,078
	Civil Works Wages	269,800	-	269,800	-	269,800
	Consultancy Expenses	12,030,776	-	12,030,776	-	12,030,776
	Project Civil Expenses	10,030,000	-	10,030,000	-	10,030,000
	Grouting	-	-	-	621,451	621,451
	Headrace Alignment Wages	543,364	-	543,364	-	543,364
	Total	251,839,794	79,916,622	331,756,416	38,536,053	370,292,469

Electro Mechanical Works

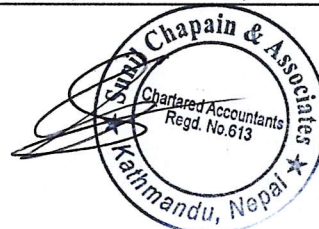
Sub Note 8.3

3	Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
	Bank Charge	2,500	-	2,500	-	2,500
	Eot Crane	5,181,600	(5,181,600)	-	-	-
	Anchor Rod for Crane Beam	143,763	-	143,763	-	143,763
	Battery	-	-	-	344,000	344,000
	Crane Accessories	544,000	(544,000)	-	-	-
	Custom Expenses	1,588,082	745,739	2,333,821	199,679	2,533,500
	Embedded Pipes and Drain Box	581,400	(581,400)	-	-	-
	Electro-Mechanical Expenses	25,800	-	25,800	1,418,462	1,444,262
	Hydraulic Oil	-	-	-	159,048	159,048
	L/C Charge	1,011,225	749,892	1,761,117	34,010	1,795,127
	Machinery and Ass Part	407,130	118,396,751	118,803,881	45,652	118,849,533
	Electro-Mechanical Parts	57,522,560	(57,522,560)	-	-	-
	Electro-Mechanical Runner Insurance	11,389,000	(11,389,000)	-	-	-
	Allowances	-	217,189	217,189	-	217,189
	Custom Relating Expenses	-	-	-	17,010	17,010
	EM Powerhouse Equipment	-	519,451	519,451	-	519,451
	Transportation Expenses	-	1,896,501	1,896,501	-	1,896,501
	Total	78,397,059	47,306,964	125,704,023	2,217,861	127,921,884

Hydro Mechanical Works

Sub Note 8.4

4	Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
	Custom Expenses	3,049,272	-	3,049,272	-	3,049,272
	HM Expenses	677,579	-	677,579	46,026	723,605
	Headrace Pipe	70,650,456	-	70,650,456	-	70,650,456
	L/C Charge	613,176	-	613,176	-	613,176
	MS Pipe	-	217,412	217,412	-	217,412
	Penstock Pipe	34,400,818	-	34,400,818	-	34,400,818
	Pipe Transportation Expenses	12,948,390	1,125,908	14,074,298	-	14,074,298
	Pipe Work	-	15,000	15,000	-	15,000
	Wages Welder	230,095	206,595	436,690	-	436,690
	Hydro Mechanical Works	11,172,513	31,266,988	42,439,501	-	42,439,501
	Total	133,742,299	32,831,902	166,574,201	46,026	166,620,227



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Transmission Line and Switchyard**Sub Note 8.5**

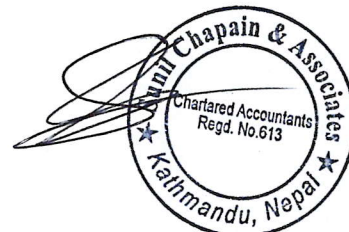
5	Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
	Transmission Line and Civil Work Wages	622,317	-	622,317	-	622,317
	Transmission Line Compensation	-	799,746	799,746	5,287,210	6,086,956
	IEE of transmission line	282,500	372,900	655,400	47,289	702,689
	Tabular Pole for Transmission line	844,024	-	844,024	-	844,024
	Transformer	2,274,325	-	2,274,325	-	2,274,325
	Transmission and Switchyard	739,063	-	739,063	-	739,063
	JS Meter	-	-	-	1,695,000	1,695,000
	Electric Ware	-	-	-	27,600	27,600
	Site Expenses	-	-	-	536,905	536,905
	Transmission Line Testing and Commissioning	-	-	-	458,824	458,824
	Civil Work of Transmission Line	-	-	-	1,105,496	1,105,496
	Transportation Expenses	-	-	-	51,754	51,754
	Transmission Line Inspection-Meeting Allowance	-	-	-	158,915	158,915
	Land Compensation	-	-	-	44,000	44,000
	Other Transmission Line Compensation	-	-	-	30,310	30,310
	Transmission Line Expenses	-	209,247	209,247	145,998	355,245
	Transmission Line Phase -2 Expenses	26,895,649	1,131,079	28,026,728	-	28,026,728
	Transmission Line Renew Expenses	70,000	30,000	100,000	-	100,000
	Transmission Line Work	323,862	872,586	1,196,448	-	1,196,448
	Transmission Line Work-Phase 1 Expenses	8,054,625	-	8,054,625	-	8,054,625
	Total	40,106,365	3,415,558	43,521,923	9,589,301	53,111,224

Infrastructure Development Works**Sub Note 8.6**

6	Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
	Access Road Construction	25,934,000	-	25,934,000	-	25,934,000
	Construction Materials	-	-	-	782,938	782,938
	Access Road Wages	417,268	-	417,268	-	417,268
	Hume Pipe	109,999	-	109,999	-	109,999
	Total	26,461,267	-	26,461,267	782,938	27,244,205

Environment/ Social Mitigation Cost**Sub Note 8.7**

7	Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
	Contribution to Road Construction	687,700	-	687,700	525,660	1,213,360
	Donation	91,000	174,000	265,000	67,900	332,900
	Compensation Expenses	-	-	-	600,890	600,890
	Social Cost	852,027	1,438,056	2,290,083	215,000	2,505,083
	Environment Protection Expenses	2,045,494	200,000	2,245,494	-	2,245,494
	Project Allowance to DFO	59,250	-	59,250	-	59,250
	Total	3,735,470	1,812,057	5,547,527	1,409,450	6,956,977



Chirkhwa Hydropower Limited

KMC-10, Nepal

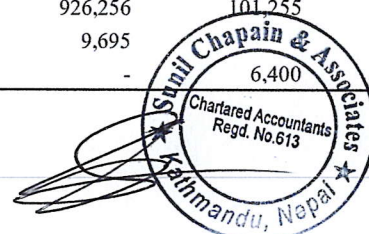
Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Project Supervision and Management Cost

Sub Note 8.8

8	Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
	AGM Expenses	13,750	62,941	76,691	-	76,691
	Audit Fee	50,850	15,000	65,850	-	65,850
	Amini Expenses	-	-	-	10,000	10,000
	Advertisement Expenses	46,324	-	46,324	-	46,324
	Book & Periodicals	19,200	163,984	183,184	-	183,184
	Bank Charge	10,346	1,030	11,376	-	11,376
	Certification Charge	3,390	6,780	10,170	3,390	13,560
	Consultancy Expenses	3,278,100	1,519,850	4,797,950	-	4,797,950
	Chirkhwa Credit Rating	195,019	231,085	426,104	-	426,104
	Consultancy Fee	17,135,125	7,410,523	24,545,648	1,789,920	26,335,568
	Dashain Allowance	-	-	-	428,859	428,859
	DOED Meeting Allowance	-	-	-	14,118	14,118
	Depreciation	1,898,139	323,724	2,221,863	-	2,221,863
	Electricity Expenses	25,043	12,480	37,523	2,866	40,389
	Exim Code Renew	2,000	1,500	3,500	-	3,500
	Fine	32,565	9,232	41,797	65,764	107,561
	Fuel Expenses	724,072	862,105	1,586,177	657,739	2,243,916
	Goods (Loading Unloading)	-	139,755	139,755	-	139,755
	Gratuity Fund	-	112,110	112,110	-	112,110
	GPO Box Renewal	2,437	-	2,437	-	2,437
	Guest Refreshment-Site	-	-	-	90,588	90,588
	Hydropower Operation & Maintenance	-	-	-	5,299,558	5,299,558
	Installation Fee-CCTV	-	-	-	11,280	11,280
	Internet and Telephone Exp	101,826	20,199	122,025	3,000	125,025
	Interest	296,938	-	296,938	-	296,938
	Issure Rating	254,250	-	254,250	-	254,250
	Kitchen Utensil for Site Expenses	-	-	-	62,470	62,470
	Land Expenses	-	795,531	795,531	-	795,531
	Legal Charge	56,810	30,000	86,810	-	86,810
	Meeting Expenses	40,680	5,650	46,330	-	46,330
	Meeting Allowance	755,534	546,706	1,302,240	-	1,302,240
	Meeting Allowance-NEA	-	-	-	80,000	80,000
	Montly Consultancy Fee	-	-	-	474,600	474,600
	Nea Grid	50,000	-	50,000	-	50,000
	Notary Expenses	41,000	-	41,000	-	41,000
	Office Expenses	72,483	22,152	94,635	7,931	102,566
	Office Refreshment Expenses	30,117	-	30,117	-	30,117
	Penalty	172,740	43,942	216,682	-	216,682
	PG Interest Charge	1,000,000	-	1,000,000	-	1,000,000
	PPA Bank Gurantee Expenses	85,500	34,200	119,700	-30,000	89,700
	PPA BG Margin	285,000	-	285,000	-285,000	-
	Priniting and Stationery Expenses	170,015	130,365	300,380	-	300,380
	Project Electricity NEA	1,587,762	819,948	2,407,710	314,356	2,722,066
	Project Equipment	301,000	-	301,000	-	301,000
	Project Expenses	661,456	803,987	1,465,443	-	1,465,443
	Project Fooding and Lodging	3,173,876	1,768,324	4,942,200	1,530,190	6,472,390
	Project Room Hire	90,000	-	90,000	-	90,000
	Project Transportation and Travelling	431,501	494,755	926,256	101,255	1,027,511
	Publication Expenses	-	9,695	9,695	-	9,695
	Renewal Expenses	-	-	-	6,400	6,400



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Project Supervision and Management Cost

Sub Note 8.8.

8 Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
<i>Continued...</i>					
Rent	2,945,262	317,084	3,262,346	-	3,262,346
Registration and Renewal	386,900	61,000	447,900	-	447,900
Repair and Maintainance	1,108,641	421,921	1,530,562	347,125	1,877,687
Site Office Expenses	-	-	-	43,075	43,075
Site Project Compensation	-	65,665	65,665	-	65,665
Salary & Wages	27,767,664	9,468,280	37,235,944	8,050,275	45,286,219
Share Lagat Expenses	200,000	-	200,000	-	200,000
Telephone Expenses	-	-	-	9,800	9,800
Travelling Allowances	743,559	154,000	897,559	-	897,559
Tiffen Expenses	498,952	101,395	600,347	-	600,347
Turbine Insurance	-	-	-	37,741	37,741
Transportation Expenses	775	114,615	115,390	-	115,390
Under Writing Expenses	300,000	-	300,000	-	300,000
Courier Charges	-	8,377	8,377	-	8,377
IPO Expenses	-	1,141,450	1,141,450	-	1,141,450
Project Maintenance Cost	-	44,665	44,665	-	44,665
Upper Project Supervision	-	815,255	815,255	-	815,255
Upper EM Runner Insurance	-	146,446	146,446	619,257	765,703
Upper Generator Insurance	-	30,118	30,118	-	30,118
Vehicle Renewal	-	-	-	61,650	61,650
Vehicle Insurance	85,568	19,586	105,154	17,475	122,629
Verification Consultancy Fee	-	-	-	310,750	310,750
Vehicle Hire	-	-	-	150,000	150,000
Valuation Fee	11,300	-	11,300	-	11,300
Wages	513,799	1,509,856	2,023,655	-	2,023,655
Webpage Expenses	17,647	4,700	22,347	-	22,347
Total	67,674,913	30,821,967	98,496,880	20,286,431	118,783,310

Interest During Construction

Sub Note 8.9

9 Particulars	As on 1st Shrawan, 2079	Addition during the year	As on 31st Ashad, 2080	Addition during the year 80-81	As on 31st Ashadh, 2081
Commitment Charge	1,126,875	-	1,126,875	-	1,126,875
Loan Processing Charge	-	180,000	180,000	-	180,000
Interest on Bridge Gap Loan	-	4,819,107	4,819,107	10,663,251	15,482,358
Interest Refund on Bridge Gap Loan	-	-	-	(408,068)	(408,068)
Interest on Term Loan	26,331,451	49,468,302	75,799,753	49,053,916	124,853,669
Interest Refund on Term Loan	-	-	-	(1,390,474)	(1,390,474)
Total	27,458,326	54,467,409	81,925,735	57,918,625	139,844,360

The borrowing costs that are directly attributable to the acquisition, construction of project of qualifying assets as part of the cost of that assets. (As per NAS 23-Borrowing costs).



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Other Non Current Assets

Note 9

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
1 Share Investment in LC Energy Limited*	50,000	50,000	50,000
2 Security Deposit			
Nepal Telecom	750	750	750
GPO Box Security Deposit	1,500	1,500	1,500
Total	52,250	52,250	52,250

* The Company had made investment of NRs. 50,000 in LC Energy Limited. The company has plan to hold the investment for long term and not for sale. Investments are measured at fair value through other comprehensive income (FVTOCI) as per NFRS-09 "Financial Instrument" since its initial recognition date. Management of the company has considered the cost of investment as fair value since the latest share price of the investee company has traded at cost.

Cash and Cash Equivalents

Note 10

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
A Cash in Hand			
1 Cash in Hand	14,419	10,545	46
B Balance with Banks			
1 Agricultural Development Bank Limited (Current A/C-Itahari Branch)	7,337	7,337	7,337
2 Agriculture Development Bank Limited (Current A/C-Khadbari Branch)	14,390	14,390	14,390
3 Century Commercial Bank Limited (Current A/C)	22,537	22,537	22,537
4 Citizens Bank Limited (Current A/C)	15,727	15,727	30,742
5 Laxmi Sunrise Bank Limited (Current A/C)	5,000	5,000	5,000
6 Nabil Bank Limited (Current A/C)	9,975	9,975	9,975
7 NMB Bank (Current A/C)	10,715	10,715	10,715
8 Rastriya Banijay Bank Ltd (Current A/C)	256,043	411,359	324,183
9 Rastriya Banijay Bank Ltd (Loan A/C)	3,063	20,083,240	51,234,337
10 Rastriya Banijya Bank Ltd (Current A/C-Dingla Branch)	6,059	5,027	3,371
11 Rastriya Banijay Bank Ltd (ESCROW A/C)	3,000	-	-
Total	368,264	20,595,852	51,662,633

Trade Receivables

Note 11

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
1 Nepal Electricity Authority (NEA)	4,935,862	-	-
Total	4,935,862	-	-

Income from sale of electricity is booked on monthly basis as per the invoice raised by company and issued to Nepal Electricity Authority (NEA). The amount is receivable from NEA within 45 days of issue of invoice. The receivable amount from NEA as on reporting date represents the income from sale of energy for the month of Ashadh, 2081. Trade Receivable is non-interest bearing in nature.

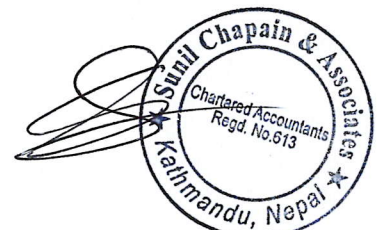
Margins and Deposits

Note 12

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
1 Margin for Letter of Credit*	6,096,061	6,096,061	22,693,133
2 Margin for Bank Guarantee**	315,000	-	-
Total	6,411,061	6,096,061	22,693,133

*Letter of Credit(LC) Margin has been retained by Rastriya Banijya Bank Limited against Letter of Credit(LC) issued for import of Electromechanical parts.

**Bank Guarantee Margin has been retained by Rastriya Banijya Bank Limited against Bank Guarantee issued for Exim Code to the Department of the Customs.



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Other Current Assets

Note 13

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
A Mobilization Advances			
1 Precise Hydro Engineering and Construction Private Limited	-	1,170,292	3,937,282
2 Rabin Nirman Sewa Private Limited	-	-	2,602,600
3 P.S. Construction Company Private Limited	-	-	2,675,343
B Advance to Contractors			
1 Gorkha Hydro and Engineering Private Limited	-	-	3,810,885
2 Neppower Enterprises Private Limited	1,853,540	842,586	-
3 P.S Construction Company Private Limited	-	-	14,206,224
4 Precise Hydro Engineering and Construction Private Limited	1,976,759	-	6,256,152
C Advances to Parties			
1 Buddha Subba Hardware	-	2,210	-
2 Global Shipping and Air Cargo Private Limited	275,000	500,000	500,000
3 Gorkha Parta Coporation	-	2,052	-
4 Lower Erkhwa Hydropower Company Limited	-	10,000	-
5 LC Energy Limited	-	-	1,212,842
6 Prabhukiran Computer	-	48	-
7 RBB Merchant Banking Limited	-	100,000	100,000
8 SARP Engineering Private Limited	43,550	43,550	-
9 Sriya Clearing Agency	8,326	-	-
10 Taregan IT Private Limited	-	62	-
11 T N D Associates	-	315	-
D Other Advances			
1 Advance Tax	-	213,780	213,780
2 Site Staff Advance	-	7,282,667	4,839,999
3 Land Advance*	16,987,460	14,673,398	17,635,278
4 Site Staff Salary Advance	-	-	480,369
5 Other Advances	-	39,889	185,800
6 Office Advance	909,163	-	-
E Prepaid Expense	2,918,837	656,997	-
Total	24,972,635	25,537,846	58,656,555

*Advance for land includes advance given to various person for acquisition of land by the company. The company has opted to record the land advance in its financial records, acknowledging the payment made towards acquiring the land, even though legal ownership cannot yet be transferred.

Share Capital

Note 14

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
1 Authorized Capital			
Ordinary shares of NRs. 100 each.	400,000,000	400,000,000	400,000,000
2 Issued Capital			
Ordinary shares of NRs. 100 each.	400,000,000	400,000,000	400,000,000
3 Subscribed and Paid Up Capital			
2,800,000 Equity Shares of NRs. 100 each-Promoter share	280,000,000	280,000,000	280,000,000
1,200,000 Equity Shares of NRs. 100 each-Public Issue	120,000,000	-	-
Total	400,000,000	280,000,000	280,000,000

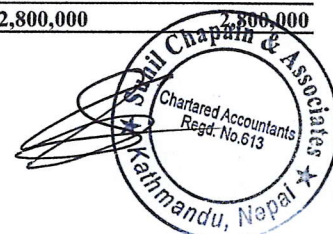
Paid up share capital is an ordinary equity share capital fully paid up having equal voting right.

Reconciliation of No. of Shares Outstanding

Note 14.1

S.N Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
1 Balance at the beginning of the year	2,800,000	2,800,000	190,248
2 Add: Public Issue of Shares*	1,200,000	-	2,609,752
3 Add: Bonus Shares	-	-	-
Total	4,000,000	2,800,000	2,800,000

*Refer Note 37 for more details



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Reserve and Surplus

Note 15

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
1 Opening Balance	(4,277,393)	(1,716,741)	14,267
2 Add: Profit or Loss during the year	(15,921,697)	(1,419,202)	(1,731,008)
3 Less: Expenses Related to Public Issue*	(3,533,705)	(1,141,450)	-
Total	(23,732,795)	(4,277,393)	(1,716,741)

*Cost attributable to issue to Public offer (Initial Public Offering) has been charged to reserve and surplus directly. Such cost includes fee paid to Securities Board of Nepal (SEBON), Electricity Regulatory Authority (ERC), Underwriting Commission, Issuer Rating Expenses, IPO Registrations expenses & Other related expenses.

Advance for Share Capital

Note 16

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
1 Amount received but share not allotted	-	-	-
Total	-	-	-

Long term Loans and Borrowings

Note 17

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
A Secured Loan			
1 Term Loan-Rastriya Banijya Bank Limited	550,518,441	547,663,090	413,988,700
2 Less: Current Maturity of Term Loan*	(3,153,000)	-	-
Total	547,365,441	547,663,090	413,988,700

The company has entered a financial credit facility with Rastriya Banijya Bank Limited for the development of the Upper Chirkhwa Hydropower Project (4.70 MW) located at Bhojpur District. The credit facility is being utilized exclusively for the construction and development of this project, in accordance with the terms outlined in the agreement. The company is actively servicing the loan through periodic repayments, strictly adhering to the repayment schedule and the conditions stipulated in the agreement.

Loan has been secured against registered mortgage over of the entire assets of the project (present and to be created in future) including the land, building, plant and machinery, movable and immovable assets on land owned (including lease hold land) by the company and entire present/future current assets of the project including receivable from NEA and against registered mortgage of personal real estate properties provided by the promoter.

*Loans scheduled for repayment within one year from the reporting date are categorized as short-term liabilities as Current Maturity of Term Loan that is essential for presenting a precise and transparent picture of the company's near-term financial commitments.

Lease liability

Note 18

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
1 Lease Liability*	2,941,566	-	-
2 Less: Current Portion of Lease Liability**	(522,232)	-	-
Total	2,419,334	-	-

*The company has adopted NFRS-16 Lease for the first time in current FY 2080/81. The company has recognized NRs. 3,142,842 as Right to Use Asset and corresponding lease Liability in Statement of Financial Position.

**Lease Liability scheduled for repayment within one year from the reporting date are categorized as Current liabilities as current portion of lease liability.



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Deferred Tax Liabilities(Net)

Note 19

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
Property, Plant and Equipment and Intangible Assets			
1 Written Down Value (WDV) as per Company Act (A)	1,082,410,549	42,779,976	36,397,170
2 Written Down Value (WDV) as per Income Tax Act(B)	1,081,955,701	-	-
3 Timing Difference (A-B)	454,848	42,779,976	36,397,170
4 Rate of Income Tax applicable to company	0%	0%	0%
5 Amount of Tax recognized in Statement of Income	-	-	-
6 Deferred Tax Assets/(Liability) recognized in statement of Financial Position	-	-	-
Lease Liability			
1 Net Carrying Amount	60,628		
Carrying Amount of Lease Liability	2,941,566		
Carrying Amount of Right of Use Asset(ROU)	2,880,938		
2 Tax Base of the Liability(B)	-	-	-
3 Timing Difference (A-B)	60,628	-	-
4 Rate of Income Tax applicable to company	0%	0%	0%
5 Amount of Tax recognized in Statement of Income	-	-	-
6 Deferred Tax Assets/(Liability) recognized in statement of Financial Position	-	-	-
Total	-	-	-

The tax exemption as per the provisions of section 11 (3 Gha) of Income Tax Act, 2058 is applicable for the financial year 2080/81 (i.e. the company is assessed at 0% tax rates for first 10 years of operation and 50% tax rate for later 5 years). Accordingly, the tax rate applicable to the company for the year is 0% . As a result, no current tax expense or deferred tax liability has been recognized in the financial statements for this period. The company will be subject to a 50% concession on the applicable tax rate (20%) for the subsequent 5 years after the tax holiday period ends. Deferred tax calculations will consider these tax concessions in future periods as required.

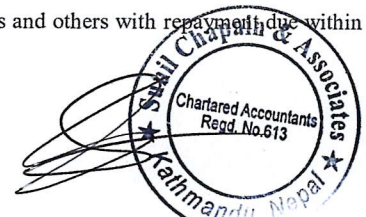
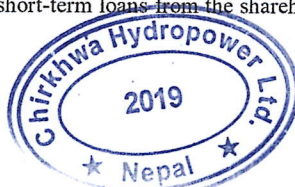
Short Term Loans and Borrowings

Note 20

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
A Secured Loan from Bank			
1 Bridge Gap Loan-Rastriya Banijya Bank Limited	14,549,990	9,500,000	30,000,000
2 Loan against IPO-Rastriya Banijya Bank Limited	-	72,000,000	72,000,000
3 Add:Current Maturity of Term Loan*	3,153,000	-	-
B Unsecured Loan**			
Loan from Directors			
1 Dipak Rai	-	1,464,896	-
2 Ang Dorji Lama	250,000	8,000,000	-
3 Dawa Shrestha	248,800	-	-
4 Ganesh Man Singh Karki	900,000	-	-
5 Kedar Nath Karki	450,000	-	-
Loan from Shareholders			
1 Bir Bahadur Rai	250,000	1,700,000	-
2 Mingma Kanchi Sherpa	9,000,000	-	-
3 Biswo Shrestha	1,650,000	-	-
4 Gelje Lama	2,800,000	2,800,000	-
Loan from Others			
1 Ang Jangmu Lama	7,500,000	-	-
2 Nagwang Thogme Lama	8,000,000	8,000,000	-
3 Nagwang Thogme Lama / Ongchhu Lama	14,000,000	14,000,000	-
4 Ongchhu Lama	7,000,000	-	-
Total	69,751,790	117,464,896	102,000,000

*Refer Note 17 for more details.

**The company has obtained interest-free unsecured short-term loans from the shareholders, directors and others with repayments due within a operating cycle of the company.



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Trade and Other Payables

Note 21

S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)
A Trade Payable			
1 Ajay Store	-	18,425	-
2 Apollo Trade Link	16,894	-	-
3 Buddha Subba Hardware	277,713	-	-
4 CDS and Clearing Limited	1,125,753	-	-
5 Gorkha Hydro and Engineering Private Limited	122,650	1,277,694	-
6 Hydro Infrastructure Consulting Services Private Limited	-	267,600	295,475
7 Kandel and Associates	139,375	167,250	55,750
8 Kandel and Associates-Partnership	55,750	-	-
9 Kwaliti Banquet	192,149	-	-
10 Lumbini Engineering and Hydropower Private Limited	70,296	483,694	227,795
11 LC Energy Limited	-	682,405	-
12 Lumbini General Insurance Company Limited	-	67,859	-
13 Media Master Concept Private Limited	16,725	-	-
14 Mecamidi HPP India Private Limited	5,806,378	5,808,990	-
15 N. E. S. Power Company Private Limited	2,005,476	-	-
16 New Manakamana Holel and Lodge	107,740	-	-
17 Nepal Electricity Authority	-	60,095	10,000
18 Priyanka Stores	15,130	-	-
19 Precise Hydro Engineering and Construction Private Limited	-	4,645,409	-
20 P.S Construction Company Private Limited	41,581,734	23,696,807	-
21 RBB Merchant Banking Limited	140,000	-	-
22 Rabin Nirman Sewa Private Limited	3,877,281	6,277,281	13,905,170
23 Saket Acharya and Associates	351,225	195,125	78,050
24 Satbise Construction Private Limited	-	-	9,867,257
25 Sitala Jalpa Devi Construction	103,902	-	-
26 Sunshine Kirana Pasal and Khaja Ghar	-	212,355	-
27 Sarsij Travels and Tours	-	22,400	7,910
28 Sudip Iron Suppliers	-	2,704	-
29 SARP Engineering Private Limited	-	-	28,750
30 Times Media	7,507	-	-
31 Three Dimensional Freight and Cargo Private Limited	257,453	557,453	639,242
B Retention Payable			
1 Precise Hydro Engineering and Construction Private Limited	1,877,854	13,656,039	494,359
2 P.S Construction Company Private Limited	13,656,039	1,877,854	10,131,233
3 Rabin Nirman Sewa Private Limited	1,596,520	1,596,520	1,546,472
C Other Payables			
1 Audit Fee Payable	334,500	14,775	16,725
2 House Rent Payable	-	22,050	25,500
3 Interest Payable*	41,832,890	-	-
4 Social Cost Payable	75,000	30,000	15,000
5 Site Expenses Payable	1,347,955	1,397,631	391,698
6 Meeting Allowance Payable	1,052,015	320,000	70,000
7 Land Payable	-	9,900	250,000
D Payable to Staffs			
1 Salary Payable(Annexure-1)	2,313,435	1,737,264	1,037,848
2 Petty Payables	22,641	-	-
Total	120,379,977	65,105,577	39,094,233

*The interest on the loan, which accrued for the third and fourth quarter of FY 2080/081 was outstanding as of the reporting date. However, the accrued interest was fully settled as of the date of adoption of the financial statements by the Board of Directors.



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Lease liability		Note 22		
S.N Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)	
1 Current Portion of Lease Liability*	522,232	-	-	
Total	522,232	-	-	

*Refer Note 18 for more details

Other Curent Liabilities		Note 23		
S.N. Particulars	As on Ashadh 31st, 2081	As on Ashadh 31st, 2080 (Restated)	As on Shrawan 1st, 2079 (Restated)	
1 Duties and Taxes(Annexure-2)*	1,559,360	2,502,681	1,596,735	
2 Provisions and Other Liabilities				
Provision for Income Tax**	-	-	-	
Provision for Staff Bonus	-	-	-	
Fine for Late COD Payable	3,296,220	-	-	
Provision for fixed Royalty	470,000	-	-	
Total	5,325,580	2,502,681	1,596,735	

*The Company has deducted withholding taxes as per Income Tax Act, 2058. The interest on the outstanding amount of TDS has not been shown in the books of account.

**The company has not made provision for current tax due to entitlement to Tax holiday of 10 years from commencement of commercial operation as per the Section 11(3Gha) of Income Tax Act, 2058. The commercial operation of company was started on 20th Jestha, 2081. For details refer Note 19



Chirkhwa Hydropower Limited

KMC-10, Nepal

Notes forming part of the Financial Statements**Revenue from Operation**

Note 24

S.N. Particulars	Year Ended 31st Ashadh, 2081	Year Ended 31st Ashadh, 2080
1 Revenue from Sale of Electricity	11,194,752	-
Total	11,194,752	-

The commercial operation of company was started from 20th Jestha 2081. The company issues invoice to Nepal Electricity Authority (NEA) on monthly basis and amount is receivable within 45 days of issue of invoice as per internal memo of NEA. Revenue is measured as the fair value of consideration received or receivable and accordingly revenue is recognized as per the memo of NEA.

Cost of Sales

Note 25

S.N. Particulars	Year Ended 31st Ashadh, 2081	Year Ended 31st Ashadh, 2080
1 Back Feed Energy	13,176	-
2 Revenue Royalty Expense	223,631	-
3 Fixed Royalty Expense	56,658	-
4 Short Supply Charge*	862,590	-
5 Insurance Expenses	77,855	-
6 Salary and Allowances-Site Office	489,935	-
7 Site office Expenses	45,730	-
8 Repair and Maintenance	1,036,899	-
9 Fine for Late COD**	8,455,712	-
Total	11,262,187	-

*The Company has incurred short supply charges as per the terms of the Power Purchase Agreement (PPA) with the Nepal Electricity Authority (NEA). Under the PPA, the Company is required to deliver a minimum quantity of electricity, and any shortfall in supply results in a penalty. The short supply charges has been recognized as per the internal memo issued by NEA to the company.

**As of the reporting date, the project has incurred a fine for failing to meet the Required Commercial Operation Date (RCOD) as stipulated in the Power Purchase Agreement (PPA) signed with the Nepal Electricity Authority (NEA). The project was delayed due to various reasons. As per the agreement, the project is liable to a fine of NRs. 84,55,712. The remaining fine is recognized as a liability and has been settled as on the date of adoption of financial Statements by Board of Directors.

Other Income

Note 26

S.N. Particulars	Year Ended 31st Ashadh, 2081	Year Ended 31st Ashadh, 2080
1 Other Income	-	-
Total	-	-

Employee Benefit Expenses

Note 27

S.N. Particulars	Year Ended 31st Ashadh, 2081	Year Ended 31st Ashadh, 2080
1 Staff Salary & Allowance Expenses	951,548	696,000
Total	951,548	696,000

The company does not have any scheme of employment benefits other than salary and allowance. Accordingly, the company has not made provisions for any liabilities relating to employees which arise on account of accumulated leave, provident fund, etc. in accordance with Labor Act, 2074 and has neither been registered with Social Security Fund as per the provision of Contribution based Social Security Act, 2074 as on reporting date.



Chirkhwa Hydropower Limited
KMC-10, Nepal
Notes forming part of the Financial Statements

Administrative Expenses

Note 28

S.N. Particulars	Year Ended 31st Ashadh, 2081	Year Ended 31st Ashadh, 2080
1 AGM Expenses	375,899	-
2 Advance Land Tax Written off	213,780	-
3 Advertisement Expenses	16,950	-
4 Audit Fee	340,950	15,000
5 Bank Charge	49,619	-
6 Meeting Allowance	994,119	-
7 Fooding and Lodging	242,753	-
8 Fine and Penalties	-	53,174
9 Guest Refreshment	76,804	-
10 Internet and Telephone Expenses	105,657	-
11 Inauguration Expenses	211,849	-
12 Office Expenses	259,686	-
13 Office Refreshment Expenses	-	-
14 Printing and Stationery	41,621	130,365
15 Repair and Maintenance	133,075	-
16 Rent Expenses*	85,750	317,084
17 Site Office Expenses	25,890	-
18 Shut Down Expenses	34,465	-
19 Travelling Expenses	40,910	-
Total	3,249,776	515,623

*The company did not apply NFRS 16 - Leases to its previous lease agreement, as it qualified for the short-term lease exemption under NFRS 16.

However, the company has entered into a new lease agreement during the current period effective from 11th Falgun, 2080 for lease term of five years.. As such, NFRS 16 has been applied to the new lease agreement. The company has recognized a right-of-use asset and a lease liability at the commencement date of the lease, with subsequent measurement in accordance with the requirements of NFRS 16.

Depreciation and Amortization Expenses

Note 29

S.N. Particulars	Year Ended 31st Ashadh, 2081	Year Ended 31st Ashadh, 2080
1 Depreciation on Property, Plant and Equipment	218,638	199,556
2 Amortization of Intangible Assets	4,724,832	8,023
3 Depreciation on Right of Use Assets	261,903	-
Total	5,205,373	207,579

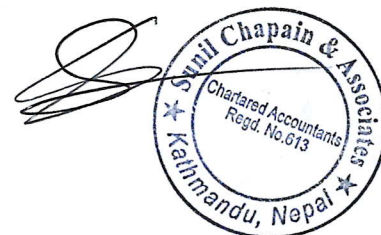
Finance Costs

Note 30

S.N. Particulars	Year Ended 31st Ashadh, 2081	Year Ended 31st Ashadh, 2080
1 Interest Expenses*	6,307,175	-
2 Interest Expenses on Lease Liability**	140,391	-
Total	6,447,565	-

*The company has entered into credit facility agreement for the project financing with Rastriya Banijya Bank Limited for the development of the Upper Chirkhwa Hydropower Project (4.70 MW) & shall capitalise borrowing costs that are directly attributable to the aquisition, construction of project of qualifying assest as part of the cost of that assets and after the generation of the Electricity same has been charged in the Statement of Profit or Loss and Other Comprehensive Income (As per NAS 23-Borrowing costs).

**Refer note 45 for more details.



Chirkhwa Hydropower Limited
 KMC-10, Nepal
 Notes forming part of the Financial Statements

Earnings Per Share

Note 31

S.N. Particulars	Year Ended 31st Ashadh, 2081	Year Ended 31st Ashadh, 2080
1 Net Profit	(15,921,697)	(1,419,202)
2 No of Shares Outstanding	4,000,000	2,800,000
3 Weighted Average Number of Shares	3,644,932	2,800,000
4 Basic Earnings per Share	(4.37)	(0.51)

The weighted average number of shares outstanding for the calculation of Basic and Diluted Earnings Per Share (EPS) has been determined based on the shares outstanding as of the reporting date. In accordance with NAS-33, the weighted average number of shares is calculated by taking into account any changes in the number of shares during the reporting period. The company does not have any potential equity shares. Hence, Diluted Earnings per Share has not been calculated.

Calculation of weighted average number of Shares

S.N	Share Issued Date	Shares Outstanding	No of days Outstanding	Weighted average Equity Share Outstanding
1	2080.04.01	2,800,000	365	2,800,000
2	2080.07.16*	1,200,000	257	844,932
Total				3,644,932

*The company has issued shares to public during the current fiscal year. For the purpose of EPS calculation, date on which the share amount become receivable i.e. allotment date has been taken.



CHIRKHA HYDROPOWER LIMITED

KMC-10, Nepal

Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of Financial Statements for FY 2080/81

Note 32: Income Tax

The Company has started its commercial generation, distribution, and transmission of electricity in 20th Jestha, 2081 and has been involved in the commercial generation, distribution, and transmission of electricity in the current fiscal year 2080/81. Hence, the tax exemption as per the provisions of section 11 (3 Gha) of Income Tax Act, 2058 is applicable for the financial year 2080/81 (i.e. the company is assessed at 0% tax rates for first 10 years of operation and 50% tax rate for later 5 years). Accordingly, the tax rate applicable to the company for the year is 0%. As a result, no current tax expense or deferred tax liability has been recognized in the financial statements for this period. The company will be subject to a 50% concession on the applicable tax rate (20%) for the subsequent 5 years after the tax holiday period ends. Deferred tax calculations will consider these tax concessions in future periods as required.

Note 33: Post-Employment Benefits

The company does not have any scheme of employment benefits other than salary and allowance. Accordingly, the company has not made provisions for any liabilities relating to employees which arise on account of accumulated leave, provident fund, etc. in accordance with Labor Act, 2074 and has neither been registered with Social Security Fund as per the provision of Contribution based Social Security Act, 2074 as on reporting date.

Note 34: Provision for Bonus

Provision for an employee bonus is provided as per the provisions of the Electricity Act, 2049 and Electricity Regulation 2050 (i.e. 2% of net profit). Provision is created as per annual profit and paid in the subsequent period as per the provisions of Bonus Act, 2030. Unspent amounts, if any, are transferred to Welfare Funds as per the provisions of Bonus Act, 2030. Since the company has incurred loss during the current financial year, no such provisions have been created.

Note 35: Provision for CSR Expenses

As per Section 54 of the Industrial Enterprises Act, 2076, medium, large industries, or cottage and small industries with annual turnover of more than NRs 15 crores shall allocate at least 1% of the annual net profit of each fiscal year to be utilized towards corporate social responsibility. Since the company has incurred loss during the current financial year, no such amount has been allocated.

Note 36: Royalty Expenses

The company has paid royalties as per the provision of the Electricity Act and Regulation. The generation royalty is deducted at the rate of 2% from sale of electricity from source i.e. by Nepal Electricity Authority on monthly basis and Fixed capacity royalty @ NRs. 100 Per Kilo Watt P.A. is payable to Department of Electricity Development (DOED).

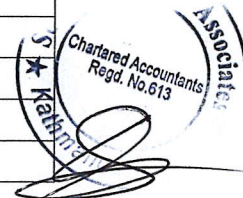
Note 37: Public Issue-Initial Public Offering (IPO)

The Company has appointed RBB Merchant Banking Limited as the Issue Manager and Sales Manager for its Initial Public Offering (IPO). Approval for the issuance of the IPO to the general public was granted by the Securities Board of Nepal (SEBON) on 21st Ashadh, 2080 BS, and the prospectus was registered with the Office of the Company Registrar (OCR). As outlined in the prospectus, the Company issued 30% of its issued share capital, totaling 12,00,000 shares, at a price of NRs. 100 per share. The Company was listed with SEBON for the trading of public shares on 4th Poush, 2080. The traded price of the shares as of the reporting date of the financial statements was NRs. 606.70 per share.

Note 38: Substantial Shareholder

The details of Shareholders holding more than 1% of share capital and percentage of holding is given below which is known as Substantial Shareholder of the company.

S.N	Name	Number of Shares	Percentage
1	Gelje Lama (Banti)	338,489	8.46%
2	Gelje Lama (Deurali)	248,056	6.20%
3	Ang Maya Lama	220,016	5.50%
4	Ang Kunga Lama	193,068	4.83%
5	Ang Dorji Lama	188,470	4.71%
6	Ganesh Man Singh Karki	133,316	3.33%



CHIRKHA HYDROPOWER LIMITED

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S.N	Name	Number of Shares	Percentage
7	Dambar Bahadur Karki	106,310	2.66%
8	Kedar Nath Karki	88,792	2.22%
9	Neera Shrestha Vaidya	88,309	2.21%
10	Dawa Jangmu Lama Shrestha	80,884	2.02%
11	Dipak Rai	78,900	1.97%
12	Dinesh Thapa	69,826	1.75%
13	Ganesh Budhathoki	66,647	1.67%
14	Gorkha Hydro & Engineering Private Limited	59,009	1.48%
15	Binaya Shrestha	56,516	1.41%
16	Bijaya Shrestha	56,349	1.41%
17	Ang Tendi Lama	50,916	1.27%
18	Prachanda Kumar Malla	43,383	1.08%
19	Jagdish Lal Baidya	41,151	1.03%
20	Sharmila Basnet	40,627	1.02%

Note 39: Related Party Transactions

Related Party Transactions are identified by the management. The company has identified transactions with related parties during the period from 1st Shrawan, 2080 to 31st Ashadh, 2081 as follows:

Key Management Personnel (KMP)

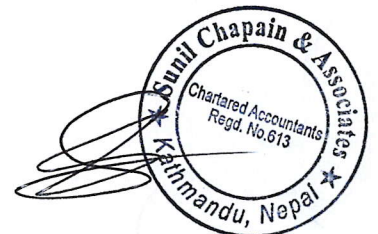
Key Managerial Personal (KMP) are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly. Such KMP include the board of Directors of the company (including both Executive and Non Executive) and key employee who has holding directorship in the Subsidiary company.

Key Management Personnel	Designation	Status
Dipak Rai	Chairman	Re-appointed
Kedarnath Karki	Director	Re-appointed
Ang Dorje Lama	Director	Re-appointed
Ganesh Man Singh Karki	Director	Re-appointed
Dawa Jangmu Shrestha Lama	Director	Re-appointed
Aananda Mani Raut	Director	Re-appointed
Pratikshya Poudel	Director(Female)	Appointed w.e.f 2081.03.23
Pahad Shrestha	Independent Director	Re-appointed
Ang Tashi Lama Sherpa	Independent Director	Appointed w.e.f 2081.03.23
Gelje Lama	Director	Resigned as on 2081.03.21
Dambar Bahadur Karki	Director	Resigned as on 2081.03.21
Bir Bahadur Rai	Director	Resigned as on 2081.03.21
Prachet Kumar Shrestha	Independent Director	Resigned as on 2081.03.21
Dhanya Prasad Timsina	Company Secretary	

Transactions with Key Management Personnel (KMP) & Related Party:

The companies identify following as related parties under requirements of NAS-24

- Subsidiary Company
- Shareholder holding 5% or more shares during the year
- Entity in which directors having significant control
- Director of company and their close family members

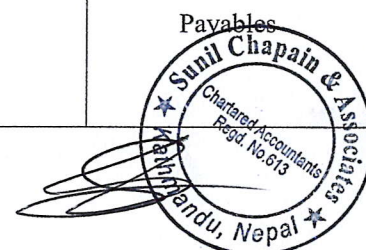


CHIRKHA HYDROPOWER LIMITED

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Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of Financial Statements for FY 2080/81

Related Party	Relation	Transaction During the Year 2080-81	Outstanding as on 31st Ashad, 2080 (Payable)/Receivable	Outstanding as on 31st Ashad, 2081 (Payable)/Receivable	Nature of Transaction
Gorkha Hydro and Engineering Private Limited	Substantial Shareholder	1,584,000	(1,277,694)	(122,650)	Consultancy Fee
Kedarnath Karki	Director	450,000	-	(450,000)	Loan from Director
		123,529	(40,000)	(45,000)	Meeting Allowance Payable
Pahad Shrestha	Director	64,706	(10,000)	(40,000)	Meeting Allowance Payable
Prachet Kumar Shrestha	Director	111,765	(10,000)	(80,000)	Meeting Allowance Payable
Ang Dorje Lama	Director	250,000	(8,000,000)	(250,000)	Loan from Director
		8,000,000			Repayment of Loan
		94,118	(45,000)	(125,000)	Meeting Allowance Payable
Ganesh Man Singh Karki	Director	900,000	-	(900,000)	Loan from Director
		35,294	(35,000)	(65,000)	Meeting Allowance Payable
Dawa Jangmu Shrestha	Director	248,800	-	(248,800)	Loan from Director
		129,412	(45,000)	(155,000)	Meeting Allowance Payable
Bir Bahadur Rai	Previous Director	250,000	(1,700,000)	(250,000)	Loan from Director
		1,700,000			Repayment of Loan
		47,059	(45,000)	(85,000)	Meeting Allowance Payable
Gelje Lama	Substantial Shareholder	-	(2,800,000)	(2,800,000)	Loan from Shareholder
		-	(150,505)	(150,505)	Salary to Director
		35,294	(30,000)	(60,000)	Meeting Allowance Payable
Dipak Rai	Chairman	1,950,000	(107,695)	(338,386)	Salary to Director
		1,464,896	(1,464,896)	-	Repayment of Loan
		129,412	(45,000)	(155,000)	Meeting Allowance Payable
Dambar Bahadur Karki	Director	94,118	(15,000)	(45,000)	Meeting Allowance Payable
		600,000	(252,450)	(25,700)	Salary to Director
Dhanya Prasad Timsina	Company Secretary	520,000	(66,324)	(176,912)	Salary Payable
		129,412	-	(110,000)	Meeting Allowance Payable
LC Energy Limited	Entity in which directors having significant control	682,405	(682,405)	-	



CHIRKHA HYDROPOWER LIMITED

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Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of Financial Statements for FY 2080/81

Note 40: Audit Committee

The company's Audit Committee is a key component of its corporate governance framework and is responsible for overseeing the financial reporting process, the effectiveness of internal controls, the audit process, and the company's compliance with relevant laws and regulations.

The company's audit committee consists of following members:

Name of the Members	Position
Ganesh Man Singh Karki	Chairman
Kedarnath Karki	Members
Ang Dorji Lama	Members

Note 41: Commercial Operation Date

The construction of the project was completed during FY 2080/81 and the commercial operation of the company started on 20th Jestha, 2081.

Note 42: Events after Reporting Period

There are no other adjusting subsequent events other than the credit rating report from ICRA Nepal Limited. ICRA Nepal Limited has issued an Issuer Rating to the company downgrading the long term rating of the company from [ICRANP] LBB-(pronounced ICRA NP L Double B Minus) to [ICRANP] LD (pronounced ICRA NP L D) and the short term rating from [ICRANP] A4(pronounced ICRA NP A Four) to [ICRA NP] D (pronounced ICRA NP D). Issuer with this rating are in default or are expected to be in default soon. Issuer Rating from the ICRA Nepal Limited has been completed on, August 30, 2024 and valid till 1 year from the date of completion.

Note 43: Contingent Liabilities and Other Commitments

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. The Company during the course of its business has given the following bank guarantee:

S.N.	Particulars	Purpose	Beneficiary	Amount
1	Bank Guarantee	For EXIM Code	Department of Customs	3,00,000
2	Bank Guarantee	Power Purchase Agreement	Nepal Electricity Authority	28,50,000
3	Letter of Credit	Import of Electromechanical Parts	Mecamidi HPP India Private Limited	34,48,350
4	Letter of Credit	Import of Electromechanical Parts	Mecamidi HPP India Private Limited	19,52,028

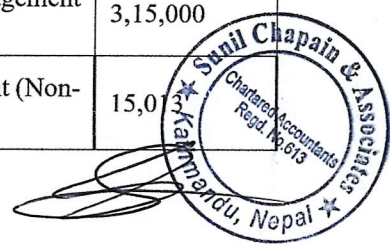
Note 44: Reclassification

The following items have been reclassified for the purpose of facilitating better comparison and presentation:

S.N.	Items	Current Classification	Previous Classification	Amount
				(FY 2079-80)
1	Duties and Taxes	Other Current Liabilities	Duties and Taxes	2,502,681
2	PPA Bank Gurantee Expenses	Margin Deposit and	Project Supervision and Management (CWIP)	30,000
3	PPA BG Margin	Margin Deposit and	Project Supervision and Management (CWIP)	3,15,000
4	Intangible Assets	Intangible Assets (Non-Current Assets)	Property, Plant and Equipment (Non-Current Assets)	15,000







CHIRKHWA HYDROPOWER LIMITED

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Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of Financial Statements for FY 2080/81

S.N.	Items	Current Classification	Previous Classification	Amount
				(FY 2079-80)
5	Intangible Assets Under Construction	Intangible Assets Under Construction	Capital Work in Progress (CWIP)	914,538,317
6	Payable to Director	Short Term Loan (Loan from Director)	Trade and Other Payables	14,64,897
7	Nepal Telecom	Margin and Deposits	Other Non- Current Assets	750
8	GPO Box Security Deposit	Margin and Deposits	Other Non- Current Assets	1500

Note 45: First Time Adoption of NFRS

The financial statements for the year ended 31st Ashad, 2081 are the first financial statements of the company which has been prepared as per NFRSs. All the financial statements issued prior to this period are prepared in accordance with Nepal Accounting Standard (NASs). Accordingly, the company has prepared financial statements that comply with NFRS applicable as at 31st Ashadh 2081 (15th July, 2024) together with the comparative period data for the year ended 31st Ashadh, 2080 (16th July 2023). The financial statements for the year ended 32nd

Ashadh, 2079 and the opening Balance Sheet as at 1st Shrawan, 2079 have been restated in accordance with NFRS for comparative information.

The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the company has prepared financial statements which comply with NFRS for the year ended 31st Ashad, 2081, together with the comparative information as at and for the year ended 31st Ashadh, 2080 and the opening NFRS Balance Sheet as at 1st Shrawan, 2079, the date of transition to NFRS.

In preparing these NFRS financial statements, the company has availed certain exemptions and exceptions in accordance with NFRS 1, as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at the transition date under NFRS and previous GAAP have been recognized directly in equity (retained earnings or reserves and surplus another appropriate category of equity). This note explains the adjustments made by the company in restating its previous GAAP financial statements, including the Statement of Financial Position as at 1st Shrawan, 2079 and the financial statements as at and for the year ended 32nd Ashadh, 2079.

A. Exemptions from retrospective application

NFRS 1 allows certain exemptions to the first-time adopter from retrospective application of certain requirements under NFRS.

I. Changes in Accounting Policies:

During the transition to NFRS, the company adopted several changes in accounting policies to align with NFRS requirements, which significantly impacted on Property, Plant, and Equipment (Project Assets under constructions):

- Lease Accounting
- Useful lives of Property, Plant, and Equipment.
- Classification of Financial Assets and Liabilities
- Separation of administrative cost from Intangible Assets under Construction
- Classification of Loans into Current and Non-Current Portions

Lease Accounting

Under NFRS 16 - Leases, the company has recognized all significant leases as Right-of-Use (ROU) Assets and corresponding Lease Liabilities, replacing the previous off-balance-sheet treatment of operating leases. ROU assets are presented under non-current assets, and lease liabilities are split into current and non-current portions. Lease expenses are now classified as depreciation on Right of Use (ROU) assets and interest on lease liabilities.



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CHIRKHWA HYDROPOWER LIMITED

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Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of Financial Statements for FY 2080/81

The adjustment impacts the statement of financial position, profit or loss, and equity reconciliation, with detailed disclosures provided on lease terms, maturity analysis, and key judgments applied.

Particulars	Summary
Lease Terms	5 Years
Depreciation Method	Straight Line Method (SLM)
Discount rate	11%
Effective Interest rate	11%
Financial Impact (In NRs.)	<u>As on the date of recognition (11th Falgun, 2080):</u> Right of Uses Assets (ROU)-3,142,842 Short Term lease liability (Due within 1 year)-522,232 Interest Cost-140,391

Useful lives of Property, Plant, and Equipment.

The company reviewed and adjusted the useful lives of PPE to better reflect asset use and alignment with NFRS requirements. The revised useful lives are disclosed in Note 4.2

Classification of Loans into Current and Non-Current Portions

Under NFRS, loans and lease liabilities are classified into current and non-current portions based on their repayment schedules. For loans, the portion due within 12 months from the reporting date is classified as current liabilities, while the portion due after 12 months is classified as non-current liabilities. Similarly, for lease liabilities under NFRS 16, the portion of the lease liability due within 12 months is classified as current liabilities, and the portion due after 12 months is classified as non-current liabilities. These classifications are presented separately in the statement of financial position, with a maturity analysis often required to show the timing of the repayment of these obligations.

2. Classification and measurement of financial assets

The classification of financial assets to be measured at amortized cost or fair value through other comprehensive income is made on the basis of the facts and circumstances that existed on the date of transition to NFRS.

3. De-recognition of financial assets and liabilities

The company has applied the de-recognition requirements of financial assets and liabilities

B. Transition to NFRS Reconciliations

The following reconciliations provide the explanations and quantification of the differences arising from the transition from Previous GAAP to NFRS in accordance with NFRS 1:

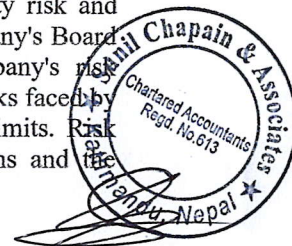
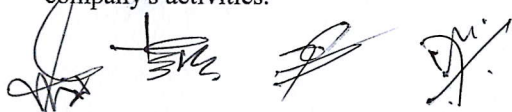
- Reconciliation of Statement of Financial Position (Annexure 4)
- Reconciliation of Equity as at 1st Shrawan, 2079 and 31st Ashadh, 2080 (Annexure 5)
- Adjustments to Statement of Cash Flows (Annexure 6)
- Reconciliation of Statement of Profit or Loss and other Comprehensive Income for the year ended 31st Ashadh, 2080 (Annexure 7)
- Reconciliation of Intangible Assets under Construction (Annexure 8)

Note 46: Segment Reporting

The company is engaged in only one business activity of "Generation and Sale of Electricity". Thus, separate segment information is not provided as per NFRS 8 "Operating Segments".

Note 47: Risk Management

The company's business activities expose itself to a variety of risks, namely primarily to liquidity risk and fluctuations in interest rates, which may adversely impact the operation of the company. The company's Board and management have overall responsibility for the establishment and oversight of the company's risk management. The company's risk management policies are established to identify and analyses the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.



CHIRKHA HYDROPOWER LIMITED

KMC-10, Nepal

Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of Financial Statements for FY 2080/81

Note 47.1: Liquid Risk

Liquidity risk is the risk that the company will face in meeting its obligations associated with financial liabilities. The company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities

when due without incurring unacceptable losses. A material and sustained shortfall in cash flow could create potential business continuity risk.

The Company is fully dependent on Nepal Electricity Authority for its revenue based on the PPA. Any delay in settlement of dues by NEA will make it difficult for the company to operate smoothly.

Note 47.2: Interest Rate Risk

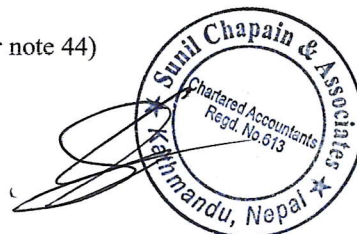
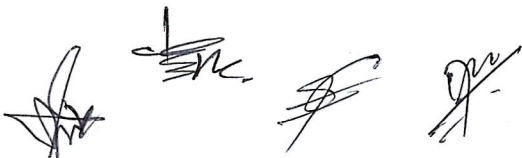
Interest Rate Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations. Since the interest rate is influenced by market forces, the company has little role in minimizing the risk. The company manages the interest rate risks by negotiating with reputed commercial banks.

Note 47.3: Capital Management

Capital includes issued capital and all other reserves attributable to the equity holders of the company. The company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

Note 48: Miscellaneous

- All the figures stated on the financial statements are Nepalese Rupees.
- Notes form an integral part of financial statements.
- All the figures rounded up to the nearest rupees.
- Previous figures have been reclassified wherever necessary. (Refer note 44)



Chirkhwa Hydropower Ltd.

KMC-10, Nepal

Annexure forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Annexure 1**Salary Payables***Amount in NRs.*

S.N	Particulars	As on 31st Ashad, 2081	As on 31st Ashad, 2080(Restated)	As on 1st Shrawan, 2079(Restated)
1	Bhim Kumar Rai	-	10,890	-
2	Bhumi Hang Rai	-	-	20,000
3	Bishal Rai	65,000	-	-
4	Dambar Bahadur Karki	25,700	252,450	-
5	Dhanya Prasad Timsina	176,912	66,324	25,740
6	Dipak Rai	338,386	107,695	583,575
7	Dipesh Lal Chaudhary	89,100	17,820	-
8	Divya Raj Chauhan	4,471	-	-
9	Gajandra Bahadur Karki	74,250	44,550	-
10	Gaurav Rai	47,903	-	-
11	Gelje Lama	150,505	150,505	50,000
12	Gobinda Prasad Rai	-	29,500	-
13	Gyanadra Kumar Rai	100,000	-	-
14	Kiran Hang Rai	1,497	54,628	-
15	Kos Bahadur Bista	74,250	44,550	-
16	Krishna Bahadur Rai	101,400	39,600	19,800
17	Kumar Bishwakarma	-	11,880	-
18	Mahesh GC	36,445	-	-
19	Manita Khadka	-	-	35,343
20	Mukunda GC	19,140	-	-
21	Prakash Kumar Rai	134,998	29,998	15,000
22	Prem Prakash Basnet	45,540	45,540	-
23	Rabin Budhathoki	220,660	89,796	24,770
24	Rabin Thapa	19,800	-	-
25	Rajendra Karki	91,259	35,639	15,000
26	Sabita Maharjan	103,950	-	-
27	Sambay Rai	27,000	-	-
28	Santosh Rai	-	29,700	14,850
29	Satish Tamrakar	-	-	26,263
30	Shakti Khatri	9,900	-	-
31	Subha Laxmi Shrestha	207,804	69,204	-
32	Subina Bajracharya	-	5,645	80,405
33	Sundar Bishowkarma	19,800	-	-
34	Suresh Shrestha	127,765	601,350	-
Total		2,313,435	1,737,264	910,746



Chirkhwa Hydropower Ltd.

KMC-10, Nepal

Annexure forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Annexure 2**Duties and Taxes**

S.N Particulars	As on 31st Ashad, 2081	As on 31st Ashad, 2080(Restated)	As on 1st Shrawan, 2079(Restated)
1 TDS on IPO Related Expense	58,574	-	-
2 TDS on AGM Expense	5,447	836	-
3 TDS on Access Road Construction	6,978	-	-
4 TDS on Audit Fee	4,725	225	225
5 TDS on Allowance	163,235	114,584	29,295
6 TDS on Certification	45	90	-
7 TDS on Civil Construction	503,291	1,057,442	-
8 TDS on Consultancy Fee	27,435	133,797	811,537
9 TDS on Contract	-	-	2,647
10 TDS on Wages	-	32,475	8,844
11 TDS on Hydropower and Maintenance	84,112	-	-
12 TDS on Publication Expense	371	2,181	-
13 TDS on Project Expenses	-	38,550	-
14 TDS on Advertisement	225	-	-
15 TDS on Rent	82,978	40,236	-
16 TDS on Transportation	15,450	2,815	-
17 TDS on Transmission Line	109,326	4,950	-
18 TDS on Installation	150	-	-
19 TDS on Hydraulic Oil	2,111	-	-
20 TDS on Hydromechanical Expenses	-	454,836	-
21 TDS on Grouting	8,249	-	-
22 TDS on Electromechanical Expenses	18,829	-	-
23 TDS on Custom Clearing Charge	15	-	-
24 Social Security Tax	77,081	69,650	-
25 Remuneration Tax	352,332	550,014	730,227
26 Provident Fund	38,400	-	13,960
Total	1,559,360	2,502,681	1,596,735



Chirkhwa Hydropower Limited
KMC-10, Nepal

Annexure forming part of the Financial Statements
As on Ashadh 31st, 2081 (15th July, 2024)

Annexure 3

Intangible Assets(Project Assets)

Particulars	Land	Civil Construction Works	Hydro Mechanical Works	Electro Mechanical Works	Transmission Line and Switchyard	Total
Cost						
Opening Balance as on 01.04.2080	-	-	-	-	-	-
Add: Addition during the year	41,218,434	538,555,004	242,333,195	186,050,153	77,245,198	1,085,401,984
Less: Disposal / Adjustment	-	-	-	-	-	-
Balance as on 31st Ashadh, 2081	41,218,434	538,555,004	242,333,195	186,050,153	77,245,198	1,085,401,984

Depreciation Details

Rate of Depreciation	3.60%	3.60%	3.60%	3.60%	3.60%
Method	SLM	SLM	SLM	SLM	SLM
Estimated Useful Life	27.74 Year	27.74 Year	27.74 Year	27.74 Year	27.74 Year

Amortization Expenses

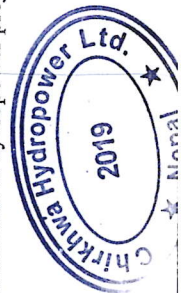
Balance as on 1st Shrawan 2080	-	-	-	-	-	-
Add: Addition during the year	179,122	2,340,387	1,053,102	808,514	335,683	4,716,809
Balance as on 31st Ashadh, 2081	179,122	2,340,387	1,053,102	808,514	335,683	4,716,809

Carrying amounts as on 31.03.2081

41,039,312	536,214,617	241,280,093	185,241,638	76,909,515	1,080,685,176
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*The company has developed Upper Chirkhwa Hydropower Project of 4.70 MW. The development/construction of hydropower project has been completed and commercial operation of company was started on 20th Jestha, 2081. All the cost associated with development/construction of project till the date of commercial operation has been capitalized. As on the date of commercial operation of company, the capital work in progress (project cost) has been transferred to Intangible Assets of Company. Such project assets (PPE) shall be depreciated/amortized over the remaining useful life of the project on SLM basis. As per the clause in PPA agreement with Nepal Electricity Authority (NEA), and the agreement shall end on 2108/11/10 BS and the remaining life of project from commercial date of operation is approximate 27.74 years.

The company has to transfer the entire generation unit to Government of Nepal(GON) under BOOT arrangement after the expiry of period of generation license i.e 10th Falgun, 2108 or 35 years from Commercial Operation Date(COD) whichever is earlier. Thus, useful life of the assets is estimated to 27.74 years from the date of commercial operation. The development/construction of hydropower project has been completed during the year.



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Chirkhwa Hydropower Ltd.

KMC-10, Nepal

Annexure forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Annexure 4

Reconciliation of Statement of Financial Position as at 1st Shrawan, 2079 and 31st Ashadh, 2080

Particulars	As on 31st Ashadh, 2080				As on 1st Shrawan, 2079				
	Previous GAAP	Effect of Transition to NFRSs as on		Total Effect of Transition to NFRSs	Amount as per NFRSs	Previous GAAP	Effect of Transition to NFRSs as on		
		31/03/2080	01/04/2079				01/04/2079	01/04/2079	Amount as per NFRSs
ASSETS									
Non-Current Assets									
<i>Property, Plant and Equipment</i>	42,634,111	124,168	(3,405)	120,763	42,754,874	36,367,450	(3,405)	36,364,045	
<i>Capital WIP</i>	917,834,391	(250,572,477)	(667,261,912)	(917,834,389)	-	667,261,912	(667,261,912)	-	
<i>Intangible Assets Under Construction</i>	-	247,895,680	665,501,186	913,396,866	913,396,866	-	665,501,186	665,501,186	
<i>Intangible Assets</i>	-	(8,023)	33,125	25,102	25,102	-	33,125	33,125	
<i>Investment</i>	50,000	-	(50,000)	(50,000)	-	50,000	(50,000)	-	
<i>Other Non-Current Assets</i>	-	-	52,250	52,250	52,250	-	52,250	52,250	
Total Non-Current Assets	960,518,502	(2,560,652)	(1,728,756)	(4,289,408)	956,229,092	703,679,362	(1,728,756)	701,950,606	
Current Assets									
Financial Assets									
<i>Cash and Cash Equivalents</i>	20,595,852	-	-	-	20,595,852	51,662,633	-	51,662,633	
<i>Trade Receivables</i>	-	-	-	-	-	-	-	-	
<i>Loans, Advances and Other Current Assets</i>	25,537,845	33,118,712	(58,656,557)	(25,537,845)	-	58,656,557	(58,656,557)	-	
<i>Margin & Deposit</i>	6,098,312	-	(2,250)	(2,250)	6,096,061	22,695,383	(2,250)	22,693,133	
<i>Other Current Assets</i>	-	(33,118,712)	58,656,555	25,537,843	25,537,846	-	58,656,555	58,656,555	
Total Current Assets	52,232,009	-	(2,252)	(2,252)	52,229,759	133,014,573	(2,252)	133,012,321	
Total Assets	1,012,750,511	(2,560,652)	(1,731,008)	(4,291,660)	1,008,458,851	836,693,935	(1,731,008)	834,962,927	

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Chirkhwa Hydropower Ltd.
KMC-10, Nepal
Annexure forming part of the Financial Statements
As on Ashadh 31st, 2081 (15th July, 2024)

Annexure 4

Reconciliation of Statement of Financial Position as at 1st Shrawan, 2079 and 31st Ashadh, 2080

Particulars	As on 31st Ashadh, 2080				As on 1st Shrawan, 2079			
	Previous GAAP	Effect of Transition to NFRSs as on 31/03/2080	Effect of Transition to NFRSs as on 01/04/2079	Total Effect of Transition to NFRSs	Amount as per NFRSs	Previous GAAP	Effect of Transition to NFRSs as on 01/04/2079	Amount as per NFRSs
EQUITY AND LIABILITIES								
Equity								
Share Capital	280,000,000	-	-	-	280,000,000	280,000,000	-	280,000,000
Reserve and Surplus	14,267	(2,560,652)	(1,731,008)	(4,291,660)	(4,277,393)	14,267	(1,731,008)	(1,716,741)
Total Equity	280,014,267	(2,560,652)	(1,731,008)	(4,291,660)	275,722,607	280,014,267	(1,731,008)	278,283,259
Liabilities								
Non-Current Liabilities								
Financial Liabilities								
Long Term Loans and Borrowings	547,663,090	(133,674,390)	(413,988,700)	(547,663,090)	-	413,988,700	(413,988,700)	-
Mid and Long Term Loan		133,674,390	413,988,700	547,663,090	547,663,090	-	413,988,700	413,988,700
Lease Liability	-	-	-	-	-	-	-	-
Deferred tax liabilities (net)	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	547,663,090	-	-	-	547,663,090	413,988,700	-	413,988,700
Current Liabilities								
Financial Liabilities								
Short Term Liabilities	116,000,000	(14,000,000)	(102,000,000)	(116,000,000)	-	102,000,000	(102,000,000)	-
Short Term Loan and Borrowings		15,464,896	102,000,000	117,464,896	117,464,896	-	102,000,000	102,000,000
Duties and Taxes	2,502,681	(919,906)	(1,582,775)	(2,502,681)	-	1,582,775	(1,582,775)	-
Trade and Other Payables	66,570,473	(1,450,936)	(13,960)	(1,464,896)	65,105,577	39,108,193	(13,960)	39,094,233
Other Current Liabilities		905,946	1,596,735	2,502,681	2,502,681	-	1,596,735	1,596,735
Total Current Liabilities	185,073,154	-	-	-	185,073,154	142,690,968	-	142,690,968
Total Liabilities	732,736,244	-	-	-	732,736,244	556,679,668	-	556,679,668
Total Equity & Liabilities	1,012,750,511	(2,560,652)	(1,731,008)	(4,291,660)	1,008,458,851	836,693,935	(1,731,008)	834,962,927

Sunil Chapain & Associates
Chartered Accountants
Regd. No. 618

Chirkhwa Hydropower Ltd.
KMC-10, Nepal

(Signatures)

Chirkhwa Hydropower Limited

KMC-10, Nepal

Annexure forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Annexure 5**Reconciliation of Total Equity as at 1st Shrawan, 2079 and 31st Ashadh, 2080**

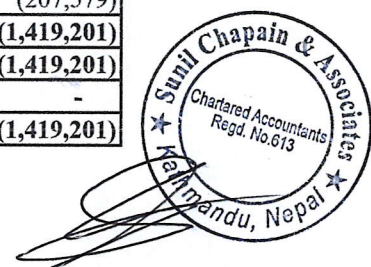
Particulars	As on 31st Ashadh, 2080	As on 1st Shrawan, 2079
	End of Last Period Presented Under GAAP	Date of Transition
Share Capital	280,000,000	280,000,000
Accumulated Reserve till last year	14,267	14,267
Current Year Profit and (Loss)	-	-
Expenses Related to Public Issue	-	-
Total Equity under GAAP	280,014,267	280,014,267
Adjustments under NFRSs:		
Transfer from Intangible Assets Under Construction To Reserves	(1,211,623)	(1,731,008)
Expenses Related to Public Issue transfer to Reserve	(1,141,450)	
Opening Adjustment from Date of Transition	(1,731,008)	-
Depreciation Expenses during the F.Y 79.80	(207,579)	
Total Adjustments to Reserve and Surplus	(4,291,660)	(1,731,008)
Total Equity under NFRSs	275,722,607	278,283,259

Annexure 6**Reconciliation of Statement of Cash Flows as at 1st Shrawan, 2079 and 31st Ashadh, 2080**

Particulars	For the period Ended 31st Ashadh, 2080		
	(The Latest Presented Under GAAP)		
	Previous GAAP	Effect of Transition to NFRs	Amount as per NFRs
Net Cash flow from Operating Activities	92,097,969	1,211,625	90,886,344
Net Cash flow from Investing Activities	(256,839,140)	(2,353,075)	(254,486,065)
Net Cash flow from Financing Activities	133,674,390	1,141,450	132,532,940
Net cash Increase/(Decrease) in Cash and Cash Equivalents	(31,066,781)	-	(31,066,781)
Cash and Cash Equivalents at the beginning of the period	51,662,633	-	51,662,633
Cash and Cash Equivalents at the end of the period	20,595,852	-	20,595,852

Annexure 7**Reconciliation of Statement of Profit or Loss and Other Comprehensive Income for the Year Ended on 31st Ashadh, 2080**

Particulars	For the Year Ended on 31st Ashadh, 2080
	The Latest Period Presented Under GAAP
Profit/(Loss) for the year as per Previous GAAP	-
Adjustments under NFRSs:	
Transfer from Intangible Assets Under Construction To Reserves	(1,211,623)
Depreciation Expenses recognized during the F.Y 79.80	(207,579)
Total Adjustments to Statement of Profit or Loss	(1,419,201)
Profit or Loss under NFRSs	(1,419,201)
Other Comprehensive Income	-
Total Comprehensive Income under NFRSs	(1,419,201)



Chirkhwa Hydropower Limited

KMC-10, Nepal

Annexure forming part of the Financial Statements

As on Ashadh 31st, 2081 (15th July, 2024)

Annexure 8**Reconciliation of Intangible Assets under Construction as on 1st Shrawan, 2079 and 31st Ashadh,2080**

Particulars	As on 31st Ashadh,2080	As on 1st Shrawan, 2079
	End of Last Period Presented Under GAAP	Date of Transition
Total Intangible Assets Under Construction (Capital WIP)-GAAP	917,834,391	667,261,913
Adjustments under NFRSs:		
Reclassification of Expenses related to Head Office	(2,353,074)	(1,731,007)
Adjustment of Depreciation Expenses	(323,724)	(29,720)
Opening Adjustment from Date of Transition	(1,760,727)	-
Total Adjustments to Intangible Assets Under Construction	(4,437,525)	(1,760,727)
Total Intangible Assets Under Construction as per NFRS	913,396,866	665,501,186

Annexure 9**Details of Reclassification as on the date of Transition of NFRS**

The following items have been reclassified from Intangible Assets under Construction(CWIP) to Reserve and Surplus due to Transition of NFRS as on 1st Shrawan 2079.

S.N	Particulars	Fiscal Year		Reason for Reclassification
		2078-79	2079-80	
1	Audit Fee	16,950	15,000	Administrative Related Cost included in Project cost
2	Depreciation	427,518	-	As per NAS 16-Property, Plant and Equipment
3	Fine	565	9,232	Administrative Related Cost included in Project cost
4	Office Refreshment Expenses	30,117	-	Administrative Related Cost included in Project cost
5	Penalty	172,740	43,942	Administrative Related Cost included in Project cost
6	Printing and Stationery Expenses	84,619	130,365	Administrative Related Cost included in Project cost
7	Rent	302,500	317,084	Administrative Related Cost included in Project cost
8	Salary	696,000	696,000	Administrative Related Cost included in Project cost
	Total	1,731,008	1,211,623	

Annexure-10**Reconciliation of Profit before Tax as per books and Tax**

Particulars	Amount in NRs.
Profit as per Book-A	(15,921,697)
Profit as per Tax-B	(15,610,268)
Difference(A-B)]	(311,429)
Reconciliations:	
Excess Depreciation Claimed in books-C	(187,499)
Depreciation as per Company Act	5,205,373
Depreciation as per Income Tax Act	5,017,873
Rent Expenses Allowed in Tax-D	341,666
Rent Expenses	341,666
Disallowed Expenses in Tax-E	465,596
Interest Expenses on Lease Liability	140,391
Repair and Maintenance	111,425
Advance Tax written off	
Total (C+D-E)	(311,429)

