Name: Balephi Hydropower Limited

Subject: Auditors' Report & Annual Accounts for the FY: 2082-83

As on: 32 Asadh 2082 (16th July 2026)

Period: From Shrawan 01, 2082 to Asadh 32, 2083 (16th July, 2025 to 16th July 2026)

M. Verma & Associates

(Chartered Accountants)

M. VERMA & ASSOCIATES
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BALEPHI HYDROPOWER LIMITED.
REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the accompanying Financial Statements of **Balephi Hydropower Limited.** ("the Company") which comprises the Statement of Financial Position as at Ashad 32, 2083, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity & Statement of Cash Flows for the year ended Ashad 32, 2083, and Notes to Financial Statement including Summary of Significant Accounting Policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give a true and fair view in conformity with Nepal Financial Reporting Standards (NFRSs), of the state of affairs of the Company as at Ashad 32, 2083, and its profit, total comprehensive income, its cash flows & the changes in equity for the year ended on that date.

Basis of Opinion

We conducted our audit of the Financial Statements in accordance with the Nepal Standard on Auditing (NSAs) & applicable law. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Nepal (ICAN) together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our ethical responsibilities in accordance with these requirements and the ICAN's Code of Ethics.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis of our audit opinion on Financial Statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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 matter described below to be the key audit matter to be communicated in our report. However, based on our audit procedures, we did not identify any matters that meet the criteria of a key audit matter for the current reporting period.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Directors' report and Management Discussion and Analysis, Report on Corporate Governance and Business Responsibility report, but does not include the Consolidated Financial Statements, Financial Statements & 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.

M. Verma & Associates ★ Kathmandu ★ Chartered Accountants

4th Floor, Radha Bhawan | 9801025301 | ca.mverma@gmail.com

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 during the course of our 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.

Managements Responsibility for the Financial Statements

Management is responsible for preparation and fair presentation of the Financial Statements in accordance with the Nepal Financial Reporting Standards (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 its ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or 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 Responsibility for the Audit of the Financial Statements

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

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

i) Identify and assess the risk of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and 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, misrepresentation, or the override of internal controls.

ii) Obtain an understanding of Internal Control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's Internal Control.

iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, Future events or conditions may cause the Company to cease to continue as a going concern.

M. Verma & Associates ★ Kathmandu ★ Chartered Acc

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

Report on the Other Legal & Regulatory Requirements

i) 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.
ii) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Financial Statements have been kept so far as it appears from our examination of those books.
iii) Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with the requirements of the Companies Act, 2063 and are in agreement with the books of account of the Company.
iv) During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member of there or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
v) We have not come across any fraudulent activities in the books of accounts.

For: M. Verma & Associates
Chartered Accountants

Mukesh Verma, FCA
Proprietor

Place: Kathmandu, Nepal
Date: 16.10.2026
UDIN No.: 261030CA00772MhtWS
COP No. 625

Balephi Hydropower Ltd.

STATEMENT OF FINANCIAL POSITION

As at 16th July 2026 (Ashad 32, 2083)

Amount in NPR

Particulars	Note	As at Ashad 32, 2083	As at Ashad 32, 2082
Assets			
Non Current Assets			
Property, Plant and Equipment	4	6,62,07,685.15	1,25,75,425.18
Intangible assets	5	7,62,21,95,495.68	7,92,60,96,799.13
Intangible assets Under Development		74,30,91,271.82	37,44,87,890.67
Financial Assets		-	-
Other financial assets	6	-	-
Deferred tax Assets (Net)	15	-	-
Total Non Current Assets		**8,43,14,94,452.65**	**8,31,31,60,114.98**
Current Assets			
Inventories	7	1,24,62,888.49	-
Financial Assets			
Trade receivables	8	23,66,46,741.58	17,76,59,628.28
Cash & Cash Equivalents	9	7,27,877.65	23,03,617.83
Other financial assets	10	37,70,349.25	85,06,819.75
Other Current Assets	11	13,54,00,328.66	14,19,89,864.50
Current Tax Assets (Net)	12	-	52,339.98
Total Current Assets		**38,90,08,185.63**	**33,05,12,270.34**
Total Assets		**8,82,05,02,638.28**	**8,64,36,72,385.32**
Equity and Liabilities			
Liabilities			
Non Current Liabilities			
Financial Liabilities			
Borrowings	13	5,37,92,90,000.01	5,60,19,73,500.01
Other financial liabilities	14	-	-
Deferred tax liabilities (Net)	15	24,30,79,639.31	18,41,18,214.55
Total Non Current Liabilities		**5,62,23,69,639.32**	**5,78,60,91,714.56**
Current Liabilities			
Financial Liabilities			
Borrowings	16	10,28,39,433.13	9,27,11,711.55
Trade payable	17	2,15,49,824.67	1,84,20,187.13
Other financial liabilities	18	8,44,88,228.28	5,63,35,623.84
Other Current Liabilities	19	13,97,446.15	28,98,643.89
Current Tax Liabilities (Net)	12	-	-
Provisions	20	1,28,74,404.13	-
Total Current Liabilities		**22,31,49,336.36**	**17,03,66,166.41**
Total liabilities		**5,84,55,18,975.68**	**5,95,64,57,880.97**
Equity			
Share Capital	21	3,65,59,40,000.00	3,65,59,40,000.00
Other Equity	22	(68,09,56,337.40)	(96,87,25,495.65)
Total equity		**2,97,49,83,662.60**	**2,68,72,14,504.35**
Total equity and liabilities		**8,82,05,02,638.28**	**8,64,36,72,385.32**

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board

As per our report of even date

Mr. Keshav Neupane
Finance Manager

Mr. Subash Aryal
Chief Executive Officer

Mr. Saroj Kr. Mishra
Chairman

Mr. Dinesh Dangol
Director

Mukesh Verma, FCA
Proprietor
M. Verma & Associates
Chartered Accountants

Place: Kathmandu, Nepal
Date: 16.10.2026

Balephi Hydropower Ltd. ★ 2012 ★

M. Verma & Associates ★ Chartered Accountants ★ Kathmandu

Balephi Hydropower Ltd.

Statement of Profit or Loss

For the year ended 16th July 2026 (Ashad 32, 2083)

Amount in NPR

Particulars	Note	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Revenue from Operations	23	1,15,32,31,674.69	82,90,66,208.83
Generation & Distribution Expenses	24	(41,74,32,743.21)	(57,00,69,934.15)
Gross Profit		**73,57,98,931.48**	**25,89,96,274.68**
Other Income	25	9,38,28,784.15	13,96,433.79
Other Non Operating Expenses	26	(14,58,941.00)	-
Administrative & Other Expenses	27	(7,59,74,214.92)	(5,78,83,226.13)
Profit/(Loss) Before Interest & Tax		**75,21,94,559.71**	**20,25,09,482.34**
Finance Costs	29	(40,54,63,976.70)	(55,92,54,402.41)
Profit/(Loss) Before Tax		**34,67,30,583.01**	**(35,67,44,920.07)**
Income Tax Expense	30		
Current Tax			
Previous Year's Tax			
Deferred Tax Income/(Expense)		(5,89,61,424.76)	(7,77,57,495.98)
Profit/(Loss) for the year		**28,77,69,158.25**	**(43,45,02,416.05)**
Earnings Per Share (EPS)			
Basic EPS (Rs)		7.87	(15.94)
Diluted EPS (Rs)		7.87	(15.94)

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board

Mr. Keshav Neupane
Finance Manager

Mr. Subash Aryal
Chief Executive Officer

Mr. Saroj Kr. Mishra
Chairman

Mr. Dinesh Dangol
Director

As per our report of even date

Mukesh Verma, FCA
Proprietor
M. Verma & Associates
Chartered Accountants

Place: Kathmandu, Nepal
Date: 16.10.2026

M. Verma & Associates ★ Chartered Accountants ★ Kathmandu

Balephi Hydropower Ltd. ★ 2012 ★

Balephi Hydropower Ltd.

Statement of Cash Flow

For the year ended 16th July 2026 (Ashad 32, 2083)

Amount in NPR

Particulars		For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
A Cash Flow from Operating Activities:			
Profit before Income Tax		34,67,30,583.01	(35,67,44,920.07)
Adjustments for Non Cash Items:			
Depreciation & Amortization		30,93,28,665.46	30,65,77,827.87
Adjustments for non operating items: -			
Interest Expenses		40,54,63,976.70	55,92,54,402.41
Prior period tax		-	-
Loss/(Profit) on Sale of assets		(60,90,000.00)	-
Interest Income		-	-
Investment Income		-	-
Operating profit before changes to receivables and payables		**1,05,54,33,225.17**	**50,90,87,310.21**
(Increase)/Decrease in Trade & Other Receivables		(6,00,71,655.47)	(3,08,39,148.96)
(Decrease)/Increase in Current Liabilities		5,27,83,169.95	(61,85,14,224.73)
(Increase)/Decrease in Non-Current Assets		-	-
(Decrease)/Increase in Non-Current Liabilities		-	-
Cash Generated from Operations		**1,04,81,44,739.65**	**(14,02,66,063.48)**
Income Tax		-	(52,339.98)
Net Cash Inflow from Operating Activities		**1,04,81,44,739.65**	**(14,03,18,403.46)**
B Cash Flow from Investing Activities :			
Proceeds from disposal of property and equipment		60,90,000.00	-
Purchase of property and equipment and intangible assets		(5,90,59,621.98)	(5,24,83,127.84)
(Increase)/Decrease in Project Work-In-Progress		(36,86,03,381.15)	(37,44,87,890.67)
Change in Investment Disposal/(Addition)		-	-
Investment Income		-	-
Net Cash Used in Investing Activities		**(42,15,73,003.13)**	**(42,69,71,018.51)**
C Cash Flow from Financing Activities :			
Issue of Share Capital		-	1,82,79,70,000.00
Collection of Share Premium		-	34,82,51,627.92
Increase / (Decrease) Share Application Money		-	-
Increase / (Decrease) in Long Term Loan		(22,26,83,500.00)	(1,04,77,31,250.96)
Interest paid		(40,54,63,976.70)	(55,92,54,402.41)
Dividends paid		-	-
Net Cash Flow From Financing Activities		**(62,81,47,476.70)**	**56,92,35,974.55**
Net Increase in cash & cash equivalents	**A+B+C**	**(15,75,740.18)**	**19,46,552.58**
Opening Cash & Cash Equivalents		23,03,617.83	3,57,065.25
Closing Cash & Cash Equivalents		**7,27,877.65**	**23,03,617.83**

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board

As per our report of even date

Mr. Keshav Neupane
Finance Manager

Mr. Subash Aryal
Chief Executive Officer

Mr. Saroj Kr. Mishra
Chairman

Mr. Dinesh Dangol
Director

Mukesh Verma, FCA
Proprietor
M. Verma & Associates
Chartered Accountants

Place: Kathmandu, Nepal
Date: 16.10.2026

Balephi Hydropower Ltd.

Statement of Other Comprehensive Income

For the year ended 16th July 2026 (Ashad 32, 2083)

Amount in NPR

Particulars	Note	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Profit for the year		28,77,69,158.25	(43,45,02,416.05)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of Land and Building		-	-
Net fair value (Losses)/Gains on financial assets			
Quoted Promoter Shares		-	-
Quoted Ordinary Shares		-	-
Items that are or/may be reclassified subsequently to profit and Loss			
Deferred Tax asset / (liability) on other comprehensive Income		-	-
Total other comprehensive income, net of tax		-	-
Total comprehensive income for the Year		28,77,69,158.25	(43,45,02,416.05)

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board

As per our report of even date

Mr. Keshav Neupane
Finance Manager

Mr. Subash Aryal
Chief Executive Officer

Mr. Saroj Kr. Mishra
Chairman

Mr. Dinesh Dangol
Director

Mukesh Verma, FCA
Proprietor
M. Verma & Associates
Chartered Accountants

Place: Kathmandu, Nepal
Date: 16.10.2026

Balephi Hydropower Ltd.

Statement of Changes in Equity

For the year ended 16th July 2026 (Ashad 32, 2083)

Amount in NPR

Particulars	Equity Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Total
Opening Balance As at Shrawan 1, 2081	**1,82,79,70,000.00**	**-**	**-**	**(88,24,74,707.52)**	**94,54,95,292.48**
Profit for the year	-	-	-	(43,45,02,416.05)	(43,45,02,416.05)
Earlier Years' Taxes	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Revaluation of Land and Building through OCI	-	-	-	-	-
Deferred Tax Reserves	-	-	-	-	-
Transfer to retained earnings	-	-		-	-
Total comprehensive income for the year	**1,82,79,70,000.00**	**-**	**-**	**(1,31,69,77,123.57)**	**51,09,92,876.43**
Transactions with owners:	-	-	-	-	-
Dividend declared (Proposed Last Year)	-	-	-	-	-
Issue of Share Capital	1,82,79,70,000.00	34,82,51,627.92	-	-	2,17,62,21,627.92
Final Dividend Paid - Ordinary Shares	-	-	-	-	-
Interim Dividend Paid - Ordinary Shares	-	-	-	-	-
Balance as at Ashad 32, 2082	**3,65,59,40,000.00**	**34,82,51,627.92**	**-**	**(1,31,69,77,123.57)**	**2,68,72,14,504.35**
For the Year 2082-83					
At start of year	**3,65,59,40,000.00**	**34,82,51,627.92**	**-**	**(1,31,69,77,123.57)**	**2,68,72,14,504.35**
Profit for the year	-	-	-	28,77,69,158.25	28,77,69,158.25
Other comprehensive income	-	-	-	-	-
Change in fair value of financial assets through OCI	-	-	-	-	-
Deferred Tax Reserves	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-
Transactions with owners:	-	-	-	-	-
Ordinary Shares Dividend - Final	-	-	-	-	-
Ordinary Shares Dividend - Interim	-	-	-	-	-
Issue of Share Capital	-	-	-	-	-
Balance as at Ashad 32, 2083	**3,65,59,40,000.00**	**34,82,51,627.92**	**-**	**(1,02,92,07,965.32)**	**2,97,49,83,662.60**

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board

Mr. Keshav Neupane	**Mr. Subash Aryal**	**Mr. Saroj Kr. Mishra**	**Mr. Dinesh Dangol**
Finance Manager	*Chief Executive Officer*	*Chairman*	*Director*

Place: Kathmandu, Nepal
Date: 16.10.2026

As per our report of even date

Mukesh Verma, FCA
Proprietor
M. Verma & Associates
Chartered Accountants

Balephi Hydropower Ltd.

Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 32, 2083

1 General Information

Balephi Hydropower Ltd. (the "company") is a Limited Company incorporated under the Companies Act, 2063 of Nepal on 2073/09/05 vide Registration No 161420/073/074. The Registered Office of the company is at Durbar Marg, KMC Ward No. 1, Kathmandu, Nepal.

The main objective of the company is to generate electricity. The project, 36MW Upper Balephi 'A', is developed at Balephi(also known as bramayani) River in the Sindhupalchowk district of Nepal under BOOT Model, where the entire project shall be transferred to Government of Nepal after the expiry of the license period on 2108/04/11.

2 Basis of Preparation

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss (including Other Comprehensive income), the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The institute of Chartered Accountants of Nepal (ICAN) and other accepted accounting principles. The financial statements have been prepared on accrual basis and approved by the Board of Directors on 16.10.2026

These policies have been consistently applied to all the years presented except otherwise stated.

2.2 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (NPR) which is the Company's functional currency. All financial information presented in NPR has been rounded to the nearest two digit except where indicated otherwise.

2.3 Use of Estimates, Assumptions and Judgements

The Company, under NFRS, has applied accounting policies which appropriately suit its circumstances and operating environment. Further, the Company has made judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate.

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

The Company has made estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Company applies estimates in preparing & presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

2.4 Going Concern

The financial statements are prepared on a going concern basis, as the Board of the Company is satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

2.5 Changes in Accounting Policies

The company has changed its accounting policies, wherever required, to ensure compliance with NFRS. The effect of change in accounting policy at the date of transition has been given to the retained earnings (and reserves, if applicable).

2.6 Reporting Pronouncements

The Company has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on September 13, 2013. The NFRS confirms, in all material respect, to international Financial Reporting Standards (IFRS) as issued by the international Accounting Standards Board (IASB).

2.7 New Standards in issue but not yet effective

For the reporting of financial instruments, NAS 32 Financial instruments, Presentation, NAS 39 Financial instruments Recognition and Measurements and NFRS 7 Financial instruments - Disclosures have been applied. NRFS 1 has been complied for the classification of Financial instruments. A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

2.8 Limitation of NFRS implementation

Wherever the information is not adequately available, and/or it is impracticable to develop, such exception to NFRS implementation has been noted and disclosed in respective sections.

M. Verma & Associates ★ Chartered Accountants ★ Kathmandu

Balephi Hydropower Ltd. ★ 2012 ★

Balephi Hydropower Ltd.

Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 32, 2083

3 Significant Accounting Policies

3.1 Basis of Measurement

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- Financial assets other than measured at amortized cost are measured at fair value.
- inventories are measured at cost or net realizable value, whichever is lower (wherever applicable)

3.2 Presentation - Current versus Non-Current Classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

The Company classifies an asset as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period, or

All other assets are classified as non-current.

The Company classifies a liability as current when:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading ,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.3 Critical accounting estimates

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. The management has exercised judgments in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the 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. In the future, actual result may differ from these estimates and assumptions. 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

a) Recognition of deferred tax assets

Deferred tax assets are recognised for taxable temporary difference to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, 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. Such changes are reflected in the assumptions when they occur.

Balephi Hydropower Ltd. 2012

M. Verma & Associates Chartered Accountants Kathmandu

b) Provision for depreciation and amortisation

Depreciation and amortisation is calculated over the estimated useful lives of the assets. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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. Such changes are reflected in the assumptions

3.4 Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the company. The primary objective of the company's capital management is to maximize the shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

3.5 Impairment of non- financial assets (excluding inventories and deferred tax assets)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or Cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is also done for whether there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have been decreased. If any such indication exists the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount such 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 in prior years.

Impairment loss or reversal shall be included in profit or loss if any. The company has no impairment loss/ gain during the relevant reporting periods.

3.6 Foreign Currency Transactions

Transactions entered into by the Company in a currency other than Nepali Rupees (the currency of primary economic environment in which it operates) are recorded at the rates ruling when the transactions occur. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Statement of Profit or Loss. Unsettled foreign currency monetary assets & liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss statement.

3.7 Service Concession Arrangements

IFRIC (International Financial Reporting Interpretation Committee) 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. This interpretation sets out general principles on recognizing and measuring obligations and related rights in service concession arrangements. The company has considered about the applicability of IFRIC 12 Service Concession Arrangement, issued by International Accounting Standard Board (IASB) for preparation and presentation of financial statements.

A feature of these service arrangements is the public service nature of the obligation undertaken by the operator. Public policy is for the services related to the infrastructure to be provided to the public, irrespective of the identity of the party that operates the services. The service arrangement contractually obliges the operator to provide the services to the public on behalf of the public sector entity. Other common features are:

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(a) the party that grants the service arrangement (the grantor) is a public sector entity, including a governmental body, or a private sector entity to which the responsibility for the service has been devolved.

(b) the operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent on behalf of the grantor.

(c) the contract sets the initial prices to be levied by the operator and regulates price revisions over the period of the service arrangement.

(d) the operator is obliged to hand over the infrastructure to the grantor in a specified condition at the end of the period of the arrangement, for little or no incremental consideration, irrespective of which party initially financed.

IFRIC 12-Service Concession Arrangements applies to

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

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

(c) the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement OR is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement

These arrangements are accounted based on below mentioned models depending on the nature of consideration and relevant contract law.

Financial asset model:

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:

Intangible asset model: The intangible asset model is used to the extent that the company, being an operator, receives the right (the 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 to the extent that 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.

Intangible Assets under Service Concession

The Company manages concession arrangements which include power supply from its hydropower plants viz. 36 MW Power Plant. The company maintains and services the infrastructure during the concession period. Further, the concession arrangement gives the Group right to use the hydropower project for generating electricity and earn revenue by selling electricity to NEA and local consumers. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied. Revenue from service concession arrangement under the intangible asset model is recognised in accordance with the terms of the power purchase agreement as and when the power is supplied. 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 derecognised on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire.

The tenure of the Service Concession Arrangement of 36 MW Balephi Hydropower Project for generation, transmission, and distribution shall be ended on 2108 Shrawan 11, B.S.

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3.8 Lease

The Company as a lessee:

The Company enters into an arrangement for lease of buildings, Land and office equipments. Such arrangements are generally for a fixed period but may have extension or termination options. In accordance with NFRS 16 – Leases, at inception of the contract, the Company assesses whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to control the use an asset (the underlying asset) for a period of time in exchange for consideration.

To Assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. 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 the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses (unless such right of use assets fulfills the requirements of NAS 40 - Investment Property and is accounted for as there under), if any and adjusted for any re-measurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Statement of profit and loss.

The lease liability is initially measured at the present value of the lease payments 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, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- 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
- 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.

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The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a 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, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in Statement of profit and loss if the carrying amount of the right-of-use asset has been reduced to zero, as the case may be.

The Company presents right-of-use assets that do not meet the definition of investment property on the face of balance sheet below 'property, plant and equipment' and lease liabilities under 'financial liabilities' in the balance sheet.

The Company has elected not to apply the requirements of NFRS 16-Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term, unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increases.

The Company as a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increases. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Majority of lease agreements entered into by the Company have generally an average increment rate of 15% in every two years, which the management assumes are in line with the lessor's expected inflationary cost increases. Payments and receipts under such leases are charged or credited to the Statement of Profit and Loss as per the terms of the agreements.

3.9 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the Government.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specific of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable net of trade discounts. Revenue include all revenue from ordinary activities of the company that are recorded excluding Value Added Taxes collected from customers that are remitted or are to be remitted to the government authorities.

(a) Sale of electricity

Revenue from sale of electricity is recognized at the time of issue of invoice to Nepal Electricity Authority (NEA) in accordance with the terms of the Power Purchase Agreement (PPA) entered into with the Nepal Electricity Authority (NEA).

(b) Other Income

- Other Income is recognised when no significant uncertainties as to the amount of consideration that would be derived and to its ultimate collection exist. It consist of Refund of Penalty for Short Supply , Insurance Income and Gain on sale of Assets.

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3.10 Property, Plant & Equipments:

A) Recognition and Measurement

The cost of an item of property and equipment shall be recognized as an asset, initially recognized at cost, if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable lo the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labor;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs.

The Company adopts cost model for entire class of property and equipment. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Company. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

B) Depreciation

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their depreciable amount over the expected useful economic lives.

Depreciation is provided on a pro-rata basis on the straight-line method based on the estimated useful life of the assets determined by management as per application guidance to NAS 16 issued by Accounting Standard Board.

The estimated useful lives of various class of PPE for the current year and comparative years are as follows:

Class of PPE	Revised Useful Life under SLM Method
Furniture and Fixtures	10 Years
Computer and IT Equipments	3-5 Years
Office Equipment	3-10 Years
Vehicles	8-10 Years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

C) De-Recognition

An item of property plant and equipment is de-recognised on disposal or when no future economic benefits are expected from the use of that asset. The gain or loss arising from the disposal of an item of property plant and equipments is the difference between net disposal proceeds if any, and the carrying amount of that item and is recognised in the statement of Profit and Loss.

D) Assets used at the Corporate office, Kathmandu are shown as Property, Plant and Equipment. All other assets related to the project and all the expenditure (capital & revenue nature) which are directly attributable to acquisition and construction of the assets are capitalized as intangible assets under Service Concession Arrangement.

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3.11 Intangible Assets

A) Recognition and Measurement

Intangible assets acquired separately are measured on initial recognition at cost of acquisition. The cost comprises of purchase price and directly attributable costs of bringing the assets to its working condition for intended use.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The Company's intangible assets comprises assets with finite useful life which are amortised on a straight-line basis over the period of their expected useful life.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The estimated useful lives of Intangible assets for the current year is as follows:

Particulars	Useful Life
Service Concession Arrangement	26.04

B) Intangible Assets Under Construction

Capital work-in-progress represents expenditure incurred in respect of capital projects not ready for use and are carried at cost. Cost comprises of purchase cost, related acquisition expenses, development / construction costs, borrowing costs and other direct expenditures.

Such amount has been capitalised as Intangible assets as per IFRCI 12 upon the completion of Project .

C) Restriction on PPE

The company will have to transfer the entire generation unit to Government of Nepal under BOOT arrangement at the expiry of the generation license period i.e. 28.7 years from Commercial Operation Date (COD).

3.12 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

3.13 Financial Instruments : Financial Assets

Financial Asset is any asset that is:

a) Cash
b) an equity instrument of another entity
c) a contractual right:
   i) to receive cash or other financial asset from another entity, or
   ii) to exchange financial assets or financial liabilities with another equity under conditions that are potentially favourable to the entity, or
d) a contract that will or may be settled in the entity's own equity instruments and is:
   i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
   ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A) Recognition

All financial assets are initially recognized on the date on which the company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

B) Classification

The financial assets are measured at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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The two classes of financial assets are as follows:

i) **Financial assets measured at amortized cost**

Financial asset are measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold 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.

ii) **Financial asset measured at fair value**

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

a) **Financial assets at fair value through profit or loss (FVTPL)**

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

b) **Financial assets at fair value through other comprehensive income (FVTOCI)**

Investment in an equity instrument that is not held for trading and at the initial recognition, the Company makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value though other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

C) **Measurement**

i) **Initial Measurement**

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

ii) **Subsequent Measurement**

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or non-collectability.

Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

D) **Derecognition**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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E) Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price - i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

All unquoted equity investments are recorded at cost, considering the non trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

F) Impairment

At each reporting date the Company assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

3.14 Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The company is enjoying tax holiday period of 10 years starting from the date of commercial operation (CoD).

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Deferred Income Tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date. The carrying amount of Deferred tax liabilities and assets are reviewed at the end of each reporting period.

Deferred tax has been calculated based on the timing differences arising from the treatment of assets, considering the impact of a tax holiday spanning 10 years. This calculation accounts for the variance between the carrying amount of assets for financial reporting purposes and their respective tax bases, factoring in the temporary nature of these differences attributable to the tax holiday. The deferred tax liability or asset recognized in the financial statements reflects the anticipated future tax consequences upon expiration of the tax holiday period, in accordance with applicable tax regulations and interpretations.

3.15 Inventories

Inventories consist of consumables which are carried at the lower of cost or Net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the necessary estimated expenses. The cost of obsolescence and other anticipated losses are also considered for determining the net realizable values.

3.16 Borrowing cost

Borrowing cost that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as a part of the cost of such asset till such time the asset is ready for its intended use or sale.

Borrowing cost consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing cost are recognized as expense in the period in which they are incurred.

3.17 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statements, cash and cash equivalents consist of cash in hand and balance in bank accounts.

3.18 Non-current Assets Held for Sale

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets or disposal groups are classified only when both the conditions are satisfied –

a. The sale is highly probable, and
b. The asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan of sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Noncurrent assets or disposal group are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Upon classification, non-current assets or disposal group held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets which are subject to depreciation are not depreciated or amortized once those classified as held for sale.

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3.19 Employee benefits

Employee benefits include salaries, wages, compensated absences and other benefits.

Short-term employee benefits

Wages and salaries, including non-monetary benefits that are expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position.

3.20 Financial Instruments : Financial Liabilities

Financial Liability is any liability that is:

a) a contractual obligation:
   i) to deliver cash or other financial asset to another entity, or
   ii) to exchange financial assets or financial liabilities with another equity under conditions that are potentially unfavourable to the entity, or

b) a contract that will or may be settled in the entity's own equity instruments and is:
   i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
   ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Recognition

All financial liabilities are initially recognized on the date on which the company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Classification

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as follows:

i) **Financial Liabilities at Fair Value through Profit or Loss (FVTPL)**
Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

ii) **Financial Liabilities measured at amortized cost**
All financial liabilities other than measured at fair value though profit or loss are classified as subsequently measured at amortized cost using effective interest rate method.

Measurement

i) **Initial Measurement**
A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

ii) **Subsequent Measurement**
A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

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3.21 Provisions

Provisions are recognized when the company has a present obligation, legal or constructive, as a result of a past event, it is probable that a transfer of a economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of obligation. If these conditions are not met, no provision is recognized.

The amount of provision recognized is the management's best estimate of expenditure required to settle the present obligation at the reporting date.

Management reviews provisions at each reporting date and is adjusted to reflect the best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

3.22 Contingent Liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

3.23 Earnings Per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 32, 2083

Amount in NPR

4 Property, Plant & Equipments (PPE)

The changes in the carrying value of Property, Plant & Equipments (PPE) for the year ended Asadh 32, 2083, Asadh 32, 2082 and Shrawan 1, 2081 are as follows:

Particulars	Land & Land Development	Buildings	Plant & Machinery	Office Equipments	Furniture & Fixtures	Vehicles	Computer & Accessories	Total
Cost:								
As on Shrawan 1, 2081	-	-	58,255.00	28,72,162.65	16,13,109.65	81,30,932.00	15,75,890.00	1,42,50,349.30
Addition during the Year								-
Acquisition	-	-	32,13,601.00	63,29,268.01	-	-	9,86,185.00	1,05,29,054.01
Capitalization	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-
Balance as on Ashad end 2082	-	-	32,71,856.00	92,01,430.66	16,13,109.65	81,30,932.00	25,62,075.00	2,47,79,403.31
Addition during the Year								-
Acquisition	-	-	4,76,65,311.98	5,70,361.24	-	87,13,900.00	16,69,579.29	5,86,19,152.51
Capitalization	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	(52,55,680.00)	-	(52,55,680.00)
Adjustment/Revaluation	-	-	-	-	-	-	-	-
Balance as on Ashad end 2083	-	-	5,09,37,167.98	97,71,791.90	16,13,109.65	1,15,89,152.00	42,31,654.29	7,81,42,875.82
Depreciation & Impairment								
As on Shrawan 1, 2081	-	-	58,255.00	8,57,764.58	6,23,033.47	64,26,407.06	12,71,748.47	92,37,208.58
Adjustment/Revaluation	-	-	-	-	-	-	-	-
Restated Opening as on Shrawan 1, 2081	-	-	58,255.00	8,57,764.58	6,23,033.47	64,26,407.06	12,71,748.47	92,37,208.58
Depreciation charge for the Year	-	-	3,06,152.42	7,90,402.20	1,10,008.47	14,43,502.06	3,16,704.40	29,66,769.55
Impairment for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-		-	-
Adjustment	-	-	-	-	-	-	-	-
As on Ashad end 2082	-	-	3,64,407.42	16,48,166.78	7,33,041.94	78,69,909.12	15,88,452.87	1,22,03,978.13
Depreciation charge for the Year	-	-	27,26,133.01	12,62,200.94	1,10,008.47	3,73,492.15	5,15,057.97	49,86,892.54
Impairment for the year	-	-	-	-		-	-	-
Disposals	-	-	-	-	-	(52,55,680.00)		(52,55,680.00)
Adjustment	-	-	-	-		-	-	-
As on Ashad end 2083	-	-	30,90,540.43	29,10,367.72	8,43,050.41	29,87,721.27	21,03,510.84	1,19,35,190.67
Net Book Value								
Restated Opening as on Shrawan 1, 2081	-	-	-	20,14,398.07	9,90,076.18	17,04,524.94	3,04,141.53	50,13,140.72
As on Ashad end 2082	-	-	29,07,448.58	75,53,263.88	8,80,067.71	2,61,022.88	9,73,622.13	1,25,75,425.18
As on Ashad end 2083	-	-	4,78,46,627.55	68,61,424.18	7,70,059.24	86,01,430.73	21,28,143.45	6,62,07,685.15

Property, Plant & Equipments have been hypothecated/mortgaged against borrowings (Refer Note No 13 and 16).

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5 Intangible Assets

The changes in the carrying value of Intangible Assets for the year ended Ashad 32, 2083, Ashad 32, 2082 and Ashad 31, 2081 are as follows:

Particulars	Accounting Software	Service Concession Arrangement
Cost:		
As on Ashad end 2081	-	8,68,59,29,911.29
Addition during the Year		
Acquisition	16,950.00	4,19,37,123.73
Capitalization	-	-
Disposal During the Year	-	-
Adjustment/Revaluation	-	-
Balance as on Ashad end 2082	**16,950.00**	**8,72,78,67,035.02**
Addition during the Year		
Acquisition	-	4,40,469.47
Capitalization	-	-
Disposal During the Year	-	-
Adjustment/Revaluation	-	-
Balance as on Ashad end 2083	**16,950.00**	**8,72,83,07,504.49**
Amortisation and impairment losses		
As on Ashad end 2081	-	49,81,76,127.57
Amortization charge for the Year	108.36	30,36,10,949.96
Impairment for the Year	-	-
Disposals	-	-
Adjustment		
Balance as on Ashad end 2082	**108.36**	**80,17,87,077.53**
Amortization charge for the Year	5,650.00	30,43,36,122.92
Impairment for the Year	-	-
Disposals	-	-
Adjustment	-	-
Balance as on Ashad end 2083	**5,758.36**	**1,10,61,23,200.45**
Net Book Value		
As on Ashad end 2081	**-**	**8,18,77,53,783.72**
Balance as on Ashad end 2082	**16,841.64**	**7,92,60,79,957.49**
Balance as on Ashad end 2083	**11,191.64**	**7,62,21,84,304.04**

The Company has obtained the generation license for operation from the Department of Electricity Development (Ministry of Energy) and remains valid till 2108.04.11 After the end of the period, company will have to transfer the entire generation unit to Government of Nepal under BOOT provision.

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5.1 Capital Work In Progress

The changes in the carrying value of capital work-in-progress for the year ended Ashad 32, 2083 and Ashad 32, 2082 are as follows:

Amount in NPR

Particulars	Intangible Assets under Construction	Total
Balance as at Ashad end 2082	**37,44,87,890.67**	**37,44,87,890.67**
Addition during the Year	33,34,48,980.58	33,34,48,980.58
Interest Capitalization	3,51,54,400.57	3,51,54,400.57
Transfer to property, plant and equipment	-	-
Foreign currency translation difference	-	-
Balance as at Ashad end 2083	**74,30,91,271.82**	**74,30,91,271.82**

Capital WIP Represents investments made in civil structures for the performance enhancement of the project construction of which is expected to be completed on 2083-84 and once the construciton is complete these asset will be transferred to Intangible assets and amortisation will be charged.

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6 Other Non-Current financial assets

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Security Deposits	-	-
Total	-	-

7 Inventories

(As taken, valued and certified by the management.)

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Store, Spares and Consumables	1,24,62,888.49	-
Total Inventories	**1,24,62,888.49**	-

8 Trade Receivables

Trade receivables comprises of amount receivable from our customers and are non-interest bearing. Such trade receivables are generally on credit terms of 30 - 90 days.

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Trade Receivable	23,81,05,682.58	17,76,59,628.28
ECL Provision	(14,58,941.00)	-
Total	**23,66,46,741.58**	**17,76,59,628.28**

**refer note 37*

9 Cash and Cash Equivalents

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Cash In Hand (as certified)	3,26,394.16	7,10,174.66
Balances with Banks - Current Acounts:		
Everest Bank Limited	10,002.16	10,002.16
Nepal Bank Ltd.	43,504.00	43,504.00
Global IME Bank Ltd.	1,77,322.85	4,59,379.29
Sanima Bank Ltd.	21,513.48	2,29,700.08
Nepal Investment Mega Bank Limited	3,284.73	3,284.73
Prime Commercial Bank Ltd	4,988.72	7,06,705.36
Rastriya Banijya Bank Ltd.	1,40,867.55	1,40,867.55
	7,27,877.65	23,03,617.83
Less: Cheuqes Issued But Not Cleared	-	-
Balances with Banks - Call Acounts:		
Total	**7,27,877.65**	**23,03,617.83**

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10 Other Financial Assets

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Other Advances & Deposit		
Upper Balephi Hydropower Ltd.	-	45,66,970.50
Margin Deposits		
L/C Margin	37,16,349.25	36,15,849.25
Bank Guarantee Margin	-	-
Other Deposits and Advances		
Deposit	54,000.00	3,24,000.00
Total	**37,70,349.25**	**85,06,819.75**

The fair values of all the above financial assets approximates to their carrying amounts. These advances are non-interest bearing and are expected to be settled in the normal course of operations.

11 Other Current Assets

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Advance to Contractors/Vendors	8,38,40,971.13	9,54,47,180.68
Advances(Registration of Subsidiary)	1,60,000.00	-
Advance for Land	3,08,06,250.00	3,08,06,250.00
Pre-Paid Expenses	1,45,68,830.20	1,29,32,647.73
Other Advances	19,08,000.09	2,05,000.00
Staff Advance	41,16,277.24	25,98,786.09
Total	**13,54,00,328.66**	**14,19,89,864.50**

The management is assured that all the debtors and advances are good and recoverable in time.

12 Current Tax Assets/Liabilities (Net)

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Opening Balance	-	-
Less: Current tax payable for the year	-	-
Add: Tax paid (Previous Year)	-	-
Add: Advance tax & TDS (Current Year)	-	52,339.98
Less: Adjustment made during the year	-	-
Current Tax Assets / (Liabilities)	-	**52,339.98**

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13 Borrowings (Non Current)

Non Current Borrowings are interest bearing financial liabilities consisting of Bank Borrowings. For these financial liabilities interest charged by the bank approximates effective interest rate and such rate is considered for calculation of amortized cost of liability and the finance cost. The effect of initial charges and its impact on effective rate is considered not material and the carrying value is considered approximate amortized cost.

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Secured Loans from Banks:		
Term Loans		
Sanima Bank Limted	1,00,00,00,000.01	1,41,66,83,500.01
Prime Commercial Bank Ltd	4,37,92,90,000.00	4,18,52,90,000.00
Bridge Gap Loans*	-	-
Less: Current maturities (Refer Note No 15)		
Total	**5,37,92,90,000.01**	**5,60,19,73,500.01**

(a) **Sanction of Term Loan:**

Fixed Term Loan Facility has been sanctioned and disbursed by the consortium of Banks led by Prime Commercial Bank Ltd with Sanima Bank Ltd. acting as co-lead Bank.

(b) **Repayment Schedule:**

The Company partially settled its consortium loan upon receipt of proceeds from the Rights Share issue. Following this settlement, no loan repayments are due until Ashwin 2084, as per the existing repayment schedule agreed with the banks. However, the Company has been voluntarily making loan repayments from its internal cash savings, despite having no repayment obligation up to Ashwin 2084. Thereafter, repayments will be made through fixed/ballooning quarterly installments extending up to Ashad 2095.

(c) **Security:**

I. First charge by a way of registered mortgage/pledge/hypothecation over the entire present and future fixed assets created with or without financing owned by the company on pari passu basis in favour of the consortium of the Banks.

II. First charge over entire current assets of the project including receivables from Nepal Electricity Authority, Compensation/incentives paid to the company on pari passu basis in favour of the consortium of the Banks.

III. Assignement of Power Purchase Agreement (PPA) signed between NEA and the company for Supply and Delivery of the Energy(electricity) produced by the company from its 36MW Upper Balephi 'A' project.

IV. Assignement of Power Generation License of the company.

V. Assignement of Project Guarantees of the company.

VI. Joint and personal guarantee of the promoters viz. Mr. Umesh Kasaju, Mr. Shakti Kumar Golyan, Mr. Sandeep Kumar Sharada, Mr. Sushil Gupta, Mr. Sulav Agrawal and Mrs. Prabha Goenka for the loan amount till 50% of the Term loan is repaid.

VII. Pledge of total 25,00,000 units of shares owned by guarantors.

14 Non-Current Liabilities

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Retention Money Payable	-	-
Total	-	-

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15 Deferred Income Tax

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Deferred Tax Asset	-	-
Deferred Tax Liability	24,30,79,639.31	18,41,18,214.55
Net Deferred Tax Asset / (Liability)	**(24,30,79,639.31)**	**(18,41,18,214.55)**
Net Changes	**(5,89,61,424.76)**	**(7,77,57,495.98)**
Deferred Tax charged in OCI	-	-
Deferred Tax charged in SPL	**(5,89,61,424.76)**	**(7,77,57,495.98)**
Deferred Tax charged directly in Equity due to change in estiamte of the life of asset	-	-
Deferred tax Assets:		
Recognized in profit or loss	-	-
Recognized in OCI	-	-
Recognized in Equity	-	-
Deferred tax Assets at the end of year	-	-
Deferred tax liability:		
Recognized through profit or loss	24,30,79,639.31	18,41,18,214.55
Recognized through OCI	-	-
Deferred tax liability at the end of year	**24,30,79,639.31**	**18,41,18,214.55**

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15.1 Deferred Income Tax Assets and Liabilities, deferred tax charge/ (credit) in the profit or loss and OCI

Amount in NPR

As at Ashad 32, 2083	Book Value Base	Tax Base	Difference	Deferred Tax Assets	Recognised through profit or loss	Recognised through OCI	Recognised in Equity
Corporate Social Responsibility	-	-	-	-	-	-	-
Property Plant and Equipments	-	-	-	-	-	-	-
Fair Value Change on Investment	-	-	-	-	-	-	-
PPE and Intangible assets	7,68,84,03,180.83	6,30,06,37,988.76	(1,38,77,65,192.07)	(27,75,53,038.41)	(27,75,53,038.41)	-	-
Less reversal during Holiday-50%- tax rate 10%	-	-	34,17,98,552.12	3,41,79,855.21	3,41,79,855.21	-	-
Less reversal during Holiday-100%- tax rate 20%	-	-	14,67,719.46	2,93,543.89	2,93,543.89	-	-
Total	**7,68,84,03,180.83**	**6,30,06,37,988.76**	**(1,04,44,98,920.49)**	**(24,30,79,639.31)**	**(24,30,79,639.31)**	**-**	**-**

As at Ashad 32, 2083	Book Value Base	Tax Base	Difference	Deferred Tax Liabilities	Recognised through profit or loss	Recognised through OCI	Recognised in Equity
Property Plant and Equipment	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-
Fair Value Change on Investment	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Amount in NPR

As at Ashad 32, 2082	Book Value Base	Tax Base	Difference	Deferred Tax Assets	Recognised through profit or loss	Recognised through OCI	Recognised in Equity
Corporate Social Responsibility	-	-	-	-	-	-	-
Property Plant and Equipments	-	-	-	-	-	-	-
Fair Value Change on Investment	-	-	-	-	-	-	-
PPE and Intangible assets	7,93,86,72,224.31	6,84,78,33,416.47	(1,09,08,38,807.84)	(21,81,67,761.57)	(21,81,67,761.57)	-	-
Less reversal during Holiday-50%- tax rate 10%	-	-	33,65,81,456.30	3,36,58,145.63	3,36,58,145.63	-	-
Less reversal during Holiday-100%- tax rate 20%	-	-	19,57,006.93	3,91,401.39	3,91,401.39	-	-
Total	**7,93,86,72,224.31**	**6,84,78,33,416.47**	**(75,23,00,344.61)**	**(18,41,18,214.55)**	**(18,41,18,214.55)**	**-**	**-**

As at Ashad 32, 2082	Book Value Base	Tax Base	Difference	Deferred Tax Liabilities	Recognised through profit or loss	Recognised through OCI	Recognised in Equity
Property Plant and Equipment	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-
Fair Value Change on Investment	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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16 Current Borrowings

Current Borrowings are interest bearing financial liabilities consisting of Bank Borrowings. For these financial liabilities interest charged by the bank approximates effective interest rate and such rate is considered for calculation of amortized cost of liability and the finance cost. The effect of initial charges and its impact on effective rate is considered not material and the carrying value is considered approximate amortized cost.

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Secured Loans from Banks		
Bank Overdraft	10,28,39,433.13	9,27,11,711.55
Add: Current maturities of Non-Current Borrowings (Refer Note No 13)	-	-
Total	**10,28,39,433.13**	**9,27,11,711.55**

17 Trade payables

Trade payables are amount payable to creditors for goods and services and are non interest bearing. These trade payables are normally settled on credit period of 30 to 90 days.

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Sundry Payables	2,15,49,824.67	1,84,20,187.13
Total	**2,15,49,824.67**	**1,84,20,187.13**

18 Other Financial Liabilities

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Audit Fee Payable	5,57,500.00	5,57,500.00
Legal & Professional Fee Payable	44,600.00	-
Construction Payable	5,61,09,878.34	5,44,98,304.37
Royalty Payable	36,00,000.00	-
Salaries Payable	12,15,680.47	12,79,819.47
Other Payables	2,29,60,569.47	-
Total	**8,44,88,228.28**	**5,63,35,623.84**

During the reporting period, Urja International Pvt. Ltd. initiated arbitration proceedings against the Company regarding disputed claims arising from the construction of the 132 kV transmission line.

Subsequent to the reporting date, the arbitral tribunal issued an award partially in favor of Urja International Pvt. Ltd. As this post-reporting date event provides further evidence of conditions that existed at the balance sheet date (an adjusting event after the reporting period), the Company has recognized the liability in the financial statements. Accordingly, the awarded amount has been reflected under 'Other Payables' (under Current Liabilities), with the corresponding charge/adjustment recognized in the statement of profit or loss / capital work-in-progress, as appropriate.

19 Other Current Liabilities

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Statutory Dues:		
TDS/Withholding taxes		
- TDS/Withholding taxes	13,97,446.15	28,10,159.39
- VAT Payable	-	88,484.50
Total	**13,97,446.15**	**28,98,643.89**

20 Provisions

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Provision for Bonus and Incentives	69,34,611.66	-
CSR Expenses Provision	34,67,305.83	-
Provision for Expenses	24,72,486.64	-
Closing Balance	**1,28,74,404.13**	-

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20.1 Provisions

Provisions are recognized when the company has a present obligation, legal or constructive, as a result of a past event, it is probable that a transfer of a economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of obligation. If these conditions are not met, no provision is recognized.

The amount of provision recognized is the management's best estimate of expenditure required to settle the present obligation at the reporting date.

Management reviews provisions at each reporting date and is adjusted to reflect the best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

20.2 Non- Current Provisions

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
I. Provision for employee benefits		
Provision for Leave Encashment		
Opening Balance	-	-
Addition	-	-
Adjustment	-	
Closing Balance	-	-

20.3 Provisions - Current

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Provision for Bonus and Incentives	-	-
Opening Balance	-	-
Addition	69,34,611.66	-
Payment	-	-
Closing Balance	**69,34,611.66**	-
Provision for Corporate Social Responsibility		
Opening Balance	-	-
Addition	34,67,305.83	-
Payment	-	-
Closing Balance	**34,67,305.83**	-
Provision for Expenses		
Opening Balance	-	-
Addition	24,72,486.64	-
Payment	-	-
Closing Balance	**24,72,486.64**	-
Total	**1,28,74,404.13**	-

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21 Share Capital

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Company after deducting all its liabilities.

Accordingly the share capital of the company comprises following:

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Authorised Capital		
3,66,00,000 Equity Shares of Rs 100. Each	3,66,00,00,000.00	3,66,00,00,000.00
	-	-
	3,66,00,00,000.00	**3,66,00,00,000.00**
Issued Capital		
3,65,59,400 Equity Shares of Rs 100. Each	3,65,59,40,000.00	3,65,59,40,000.00
	3,65,59,40,000.00	**3,65,59,40,000.00**
Subscribed and fully Paid-up		
3,65,59,400 Equity Shares of Rs. 100/- each	3,65,59,40,000.00	3,65,59,40,000.00
Total	**3,65,59,40,000.00**	**3,65,59,40,000.00**

21.1 Reconciliation of the number of ordinary shares outstanding at the beginning and end of the year:

Particulars	As at Ashad 32, 2083		As at Ashad 32, 2082	
	No of Shares	Amount	No of Shares	Amount
Balance as at the beginning of the year	3,65,59,400	3,65,59,40,000	1,82,79,700	1,82,79,70,000
Issued During the Year	-	-	1,82,79,700	1,82,79,70,000
Balance as at the end of the year	**3,65,59,400**	**3,65,59,40,000**	**3,65,59,400**	**3,65,59,40,000**

21.2 Shareholding pattern of the company

Particulars	As at Ashad 32, 2083		As at Ashad 32, 2082	
	No of Shares	Amount	No of Shares	Amount
Promoters	-	-	-	-
General Public*	3,65,59,400	3,65,59,40,000	3,65,59,400	3,65,59,40,000
Project effected Local	-	-	-	-
Employees of the Company	-	-	-	-
Balance as at the end of the year	**3,65,59,400**	**3,65,59,40,000**	**3,65,59,400**	**3,65,59,40,000**

21.3 Rights, preferences and restrictions attached to shares Equity shares

The Company has a single class of equity shares with a par value of Rs. 100 per share, each carrying one vote per share. Dividends on equity shares are recognized only upon approval by the shareholders at the Annual General Meeting, except for interim dividends, which are recognized in the period in which they are declared by the Board of Directors in accordance with the applicable laws of Nepal. In the event of liquidation, equity shareholders are entitled to receive the residual assets of the Company, after settlement of all liabilities and preferential claims, in proportion to their respective shareholdings.

* The lock-in period applicable to the Company's equity shares expired on 2081/12/29 (B.S.), and accordingly, all equity shares of Balephi Hydropower Limited are now fully eligible for public trading in the securities market.

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Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 32, 2083

22 Other Equity

22.1 Retained Earnings

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Balance up to Last Year	(1,31,69,77,123.57)	(88,24,74,707.52)
Profits for the Year	28,77,69,158.25	(43,45,02,416.05)
Other Comprehensive Income for the Year	-	-
Revaluation Reserve	-	-
Deferred Tax adjustment directly in Equity due to change in estimate of the life of asset	-	-
Total Comprehensive Income	**(1,02,92,07,965.32)**	**(1,31,69,77,123.57)**
Less:		
Earlier Years' Tax	-	-
Earlier Years' Gratuity	-	-
Dividend Distribution	-	-
Total	**(1,02,92,07,965.32)**	**(1,31,69,77,123.57)**

22.2 Share Premium

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
Balance up to Last Year	34,82,51,627.92	-
Collection during the year	-	34,82,51,627.92
Utilised during the year	-	-
Sub-Total (B)	**34,82,51,627.92**	**34,82,51,627.92**

Grand Total (1+2)	**(68,09,56,337.40)**	**(96,87,25,495.65)**

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23 Revenue from Operations

Amount in NPR

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Electricity Sales to NEA	1,15,32,31,674.69	85,24,48,402.23
Short Supply Charges	-	(2,33,82,193.40)
Total	**1,15,32,31,674.69**	**82,90,66,208.83**

24 Generation & Distribution Expenses:

Amount in NPR

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Salaries and other employee cost	33,12,678.00	32,24,506.38
Operation and Maintenance Charges	3,97,73,494.01	5,07,20,654.65
Power plant maintenance expenses	3,31,58,580.66	16,50,48,747.95
Fuel expenses	1,77,954.00	21,43,471.58
Electricity Expenses	32,82,171.00	62,25,800.70
Security Expenses	55,51,962.76	53,25,690.00
Royalty	2,66,64,633.22	2,52,14,043.18
Social/Environment Expenses	10,29,887.00	42,15,749.00
Consumable Expenses	10,457.00	31,62,134.85
Freight Expenses	-	3,78,185.90
Transmission Line Maintenance expenses	1,34,911.00	8,00,000.00
Depreciation and Amortization Expense	30,43,36,014.56	30,36,10,949.96
Total	**41,74,32,743.21**	**57,00,69,934.15**

25 Other Income

Amount in NPR

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Insurance Proceeds	5,15,86,468.03	13,96,433.79
Refund of Short Supply	3,31,85,749.16	
Gain on sale of Assets	60,90,000.00	
Other Income	29,66,566.96	-
Total	**9,38,28,784.15**	**13,96,433.79**

26 Other Non Operating Expenses

Amount in NPR

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
ECL Provision*	14,58,941.00	-
Total	**14,58,941.00**	-

**refer note 37*

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27 Administrative & Other Expenses

Amount in NPR

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Advertisement Expenses	2,17,694.07	7,69,752.00
Audit Fee Expenses	5,65,000.00	5,65,000.00
Communication and Internet Expenses	5,33,129.50	2,23,239.50
Meeting Related Expenses	4,77,540.00	95,940.89
Bank charges	1,52,451.77	1,44,869.47
Fine & Penalty	19,00,878.85	12,20,295.45
Legal and Professional Expenses	20,77,998.61	14,01,450.99
Printing and Stationery Expenses	2,08,197.47	3,55,599.49
Repair & Maintenance - Block C	19,93,656.92	22,07,230.03
Repair & Maintenance - Block B	71,343.00	-
Insurance Premium Expenses(COD)	2,74,48,463.94	2,53,88,796.53
Office Expenses	94,478.01	-
Office Rent	11,86,412.80	11,10,250.00
Parking Charges	1,17,435.00	1,15,165.00
Staff Welfare Expenses	10,24,503.47	13,96,409.97
Staff Salary	80,74,647.00	66,31,031.05
Misc Expenses	8,64,115.33	2,68,002.09
Depreciation and Amortization Expense	49,92,650.90	29,66,877.91
Donation	6,34,131.88	1,00,000.00
Compensation	97,19,529.73	52,23,275.00
Registration and Renewable Charges	13,86,865.67	6,41,010.00
Travelling Expenses	9,76,834.21	3,09,770.00
Power and Fuel	3,83,632.30	5,12,148.00
Issue Management Expenses	-	62,37,112.76
Provision for Performance Incentive	4,70,707.00	-
Provision for Profit Bonus	69,34,611.66	-
Provision for CSR	34,67,305.83	-
Total	**7,59,74,214.92**	**5,78,83,226.13**

28 Depreciation and Amortization Expense

Amount in NPR

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Depreciation and Amortization - Tangible Assets	49,86,892.54	29,66,769.55
Depreciation and Amortization - Intangible Assets	30,43,41,772.92	30,36,11,058.32
	30,93,28,665.46	**30,65,77,827.87**
Less: Transferred to Cost of Sales	30,43,36,014.56	30,36,10,949.96
Less: Transferred to Administrative & Other Expenses	49,92,650.90	29,66,877.91
Less: Transferred to CWIP	-	-
Total	-	-

29 Finance Costs

Finance Cost comprises of interest on short term loan, interest on Bank Overdraft and allied charges. All these costs are carried at amortized cost using effective interest rate which is assumed to be bank interest rate.

Amount in NPR

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Interest on Long term loan	43,61,20,595.87	53,15,78,872.51
Interest on Short term loan	27,47,281.40	89,39,700.25
Loan Processing Fees	17,50,500.00	2,47,80,144.71
	44,06,18,377.27	**56,52,98,717.47**
Less: Interest Capitalised	(3,51,54,400.57)	(60,44,315.06)
Total	**40,54,63,976.70**	**55,92,54,402.41**

Interest during the construction (IDC) has been fully capitalised to the project cost.

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30 Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

A) Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

B) Deferred Tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

Amount in NPR

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Current tax expense		
Provision for income tax	-	-
Previous year's tax	-	-
Total Current Tax Expense	-	-
Deferred Tax		
Origination and reversal of temporary differences	5,89,61,424.76	7,77,57,495.98
Recognition of previously unrecognized deferred tax assets	-	-
Total Deferred Tax Expense / (Income)	**5,89,61,424.76**	**7,77,57,495.98**
Total Tax Expense for the Year	**5,89,61,424.76**	**7,77,57,495.98**

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30.1 Reconciliation of tax expense and the accounting profit multiplied by Company's tax rate for 2082-83 and 2081-82:

Amount in NPR

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Profit before income tax	34,67,30,583.01	(35,67,44,920.07)
Effects on income tax of:		
Income not subject to income tax	-	-
Expenses (deductible)/ Not deductible for tax purposes	(28,38,11,693.83)	(37,27,90,191.15)
Prior year under/(over) provision	-	-
Net effect	**(28,38,11,693.83)**	**(37,27,90,191.15)**
Taxable Income	**6,29,18,889.18**	**(72,95,35,111.22)**
Income not subject to income tax		
Profit on sale of assets	-	-
Foreign Exchange gain	-	-
Dividend Income	-	-
Total	**-**	**-**
Expenses (deductible)/ Not deductible for tax purposes		
Difference in Depreciation as per Income tax & Books	(29,20,83,040.69)	(37,57,38,621.96)
(Allowed)/Disallowed Other Expenses	82,71,346.86	29,48,430.81
Disallowed finance cost	-	-
Disallowed Repairs and maintenance Expenses	-	-
Total	**(28,38,11,693.83)**	**(37,27,90,191.15)**
Prior year under/(over) provision		
Prior Period Expenses	-	-
Total	**-**	**-**
Tax		-

Tax on Taxable Income	For the year ended Ashad 32, 2083		For the year ended Ashad 32, 2082	
	Taxable Income	Tax Amount	Taxable Income	Tax Amount
Hydropower Income	6,29,18,889.18	-	(72,95,35,111.22)	-
Total Income	**6,29,18,889.18**	**-**	**(72,95,35,111.22)**	**-**

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31 Related Party Disclosure

I) List of related parties where control exists and also other related parties with whom transactions have taken place and relationships:

S. No.	Name of Related Parties	Nature of Relationship
(a)	**Key Management Personnel (KMP):**	
	Mr. Subash Aryal	CEO
	Mrs. Pabina Sapkota	Company Secretary
	Mr. Keshav Neupane	Finance & Operation Manager
(b)	**Board of Directors:**	
	Mr. Saroj Kumar Mishra	Chairman
	Ms. Jyoti Gaihre	Director
	Mr. Dinesh Dangol	Director
	Mr. Prakash Kafle	Independent Director
	Mr. Sushant Pradhanang	Director
(b)	**Other Related Parties:**	
	Sushil Gupta	Shareholder having substantial shareholding
	Shakti Kumar Golyan	Shareholder having substantial shareholding
	Bachhu Paudel	Shareholder having substantial shareholding
	Bishnu Bahadur Khatri	Shareholder having substantial shareholding
	Prabha Goenka Bhimsaria	Shareholder having substantial shareholding
	Sandeep Kumar Sharda	Shareholder having substantial shareholding
	Umesh Kasaju	Shareholder having substantial shareholding
	Sulav Agarwal	Shareholder having substantial shareholding
	Sahil Suresh Advani	Shareholder having substantial shareholding

II. The following transactions were carried out with the related parties in the ordinary course of business:

Name of Related Parties	Relationship	2082-83	2081-82
(a) Salary & Allwoances for			
Key Managerial Personnel (Salary)		47,12,298	26,00,000
Key Managerial Personnel & Board (Meeting Allowance)		1,12,647	-
(b) Loans & Advances			
Upper Balephi Hydropower Ltd.		-	45,66,971
B.H.L Investment Ltd.		1,60,000	-
(c) Purchase of construction Materials/ Fixed assets			
Rddihi Siddhi Cement Ltd.		-	49,29,610
Mizu Construction Pvt. Ltd.		-	26,29,180
Litmus Industries Ltd.		-	3,24,513
VG Impex Pvt Ltd.		51,99,000	-
Shivam Cements Ltd		3,94,94,993	-
Hongshi Shivam Cement Pvt Ltd		80,83,780	-
(d) Transaction on the Natural Course of Business			
Premier Automobiles Pvt Ltd		21,882	-
Tele Direct Pvt Ltd.		23,093	-
Nexus Engineering Consultancy & Construction Pvt Ltd		19,62,400	-
(e) Donations Made			
Ramesh Gupta Memorial Trust		3,00,000	-

III. Outstanding Balances

Name of Related Parties	As at Ashad 32, 2083	As at Ashad 32, 2082
Receivables/(Payables)		
Rddihi Siddhi Cement Ltd.	-	49,00,390
Shivam Cements Ltd	2,56,669	11,88,189
B.H.L Investment Ltd.	1,60,000	-

Terms and Conditions of Transactions with related parties

Outstanding Balances at the year end are unsecured and settlement occurs in cash. There have been no guarantee provided or received for any related party receivables or payables. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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32 Declared and Proposed Dividends

Dividends payable to the Company's shareholders are charged to equity in the period in which they are declared. Proposed dividends are disclosed in notes separately until declared.

32.1 Declared and Approved during the year

Amount in NPR

Particulars	Amount
Dividend on Ordinary Shares for the FY : 2081-82: Nil	-
Dividend on Ordinary Shares for the FY : 2082-83: Nil	-
Total Dividend Declared	-

32.2 Proposed for approval at the general meeting (not recognised as a liability as at balance sheet date)

Particulars	As at Ashad 32, 2083
Dividend on Ordinary Shares for the FY : 2082-83: Nil	-
Total Dividend Proposed	-

33 Leases

33.1 Company as lessee :

Disclosures for operating leases other than leases covered in NFRS 16

The Company has entered into cancellable operating leases for leasing of office space. The tenure of lease is generally one to two years.

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Lease expense recognised in the statement of profit and loss for the year	11,86,412.80	11,10,250.00

33.2 Company as lessor :

The Company has not entered into any operating lease during the year.

Future minimum lease receipts over non cancellable period of operating leases are as follows :

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Lease income recognised in the statement of profit and loss for the year	-	-
The future minimum lease receivable over the next one year	-	-
The future minimum lease receivable later than one year but not later than five years	-	-

34 Earnings Per Share

Amount in NPR

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
I. Net profit attributable to Shareholders for Basic earnings	28,77,69,158.25	(43,45,02,416.05)
II. Net profit attributable to Shareholders for diluted earnings	-	-
III. Weighted average number of Ordinary Shares for basic EPS	3,65,59,400.00	2,72,63,867.00
Effects of dilution:		
IV. Preference Shares outstanding for conversion	-	-
V. Weighted average number of ordinary shares adjusted for the effect of dilution	3,65,59,400.00	2,72,63,867.00
Basic earnings per ordinary share	7.87	(15.94)
Diluted earnings per ordinary share	7.87	(15.94)

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35 Contingent Liabilities and Commitments

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

The Company believes that none of the contingencies described below would have a material adverse effect on the Company's financial condition, results of operations or cash flows. It is not practicable for the Company to estimate the timings of the cash outflows, if any, pending resolution of the respective proceedings. The Company does not expect any reimbursements in respect of the same.

All the contingent liabilities and the commitments given by the Company are disclosed below:

Amount in NPR

Particulars	As at Ashad 32, 2083	As at Ashad 32, 2082
(a) Contingent Liabilities		
(i) Bank Guarantees towards:		
Unexpired letter of Credit	7,01,69,694.76	3,75,20,000.00
	-	-
(b) Capital Commitments		

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36 Corporate Social Responsibility (CSR)

In accordance to the requirement of section 54 of the The Industrial Enterprise Act, 2076 and Rule 34 of The Industrial Enterprise Rules, 2078, the company is required to comply with the provisions of Corporate Social Responsibility (CSR). The amount required to be contributed and spend under CSR is as under:-

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Gross amount required to be spent by the company during the year	-	-
Less: Amount spent by the company during the year	-	-
Short/(Excess)	-	-

37 Expected Credit Loss

Particulars	For the year ended Ashad 32, 2083	For the year ended Ashad 32, 2082
Opening balance	-	-
Provision made during the year	14,58,941.00	-
Reversal / write-off	-	-
Closing balance	**14,58,941.00**	-

The Company's financial assets comprise trade receivables mainly, due from NEA, a Government of Nepal-owned entity. This represents a concentration of credit risk, as all revenue and receivables relate to a single customer. Credit risk is considered low in view of NEA's government ownership.

The Company applies the simplified approach under NFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses. The monthly energy billing outstanding at the reporting date was received before the date of approval of the financial statements, except for the billings relating to non-dispatch energy for the year, which are yet to be finalised by NEA. Based on management's assessment of recoverability, a loss allowance has been recognised against this amount along with the other receivable based on ageing of such outstanding amount.

The Company recognises a loss allowance for expected credit losses (ECL) on trade receivables in accordance with NFRS 9 using the simplified approach, measuring ECL at an amount equal to lifetime expected credit losses. ECL is estimated based on historical credit loss experience, the customer's credit standing, current conditions, forward-looking information, and specific assessment of disputed or unsettled balances. Changes in the loss allowance are recognised in profit or loss. Receivables are written off when there is no reasonable expectation of recovery.

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38 Financial risk management objectives and policies

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets comprise trade and other receivables, investment in fixed deposits and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

38.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk.

38.1.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

38.1.2 Commodity price risk

The Company is affected by the volatility of certain commodities. It's project construction activities require the ongoing purchase of materials and therefore require a continuous supply of the same.
The Company manages this risk by purchasing materials and supplies from the supplier identified by the group and the Company has long term relation with the supplier.

38.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk is the risk of financial loss arising from counter-party failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both the direct risk of default and the risk of deterioration of credit worthiness as well as concentration risks.

38.2.1 Trade receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed and individual credit limits are defined in accordance with this assessment.

38.2.2 Cash deposits

Credit risk From balances with banks and financial institutions are managed by maintaining the balances with highly reputed Commercial banks only.

38.3 Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. A material and sustained shortfall in the cash flow could undermine the Company's credit rating, impair investor confidence and also restrict the Company's ability to raise funds.

The Company maintains a cautious funding strategy to mitigate the liquidity risk. The Company's Finance Department regularly monitors the liquidity position to ensure it has sufficient liquidity on going basis to meet the operational needs. The Company monitors its risk to a shortage of funds on regular basis through cash forecast.

The Company maintains a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Access to sources of funding is sufficient.

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