Independent Auditor's Report

To the shareholders,

Sabhapokhari Hydropower Limited

Report on the Audit of the Financial Statements

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

Opinion

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

Basis for Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the financial statements of the financial year ended on31st Ashad, 2081 (15th July 2024). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We did not come across any matter that were considered to be as a Key Audit Matter pertaining to our role as an independent auditor of standalone financial statements of the company.

Emphasis of Matter

We draw attention to Note 12 of the financial statements, which describes advances provided to various contractors, petty contractors, and other parties for project-related work and development of the project. These advances are not secured by any form of guarantee or collateral. The absence of security for these advances could potentially expose the company to certain risks if the contractors or parties fail to meet their obligations. However, our audit opinion is not modified in respect of this matter.

We draw attention to the matters included in Note 22 to the financial statements that the interest payable on the loan obtained for the development of the Lankhuwa khola small Hydropower project (5 MW) from Rastriya Banijya Bank Limited which accrued during the fiscal year 2080/081 remains outstanding as of the reporting date and has not been settled as of the date the financial statements were adopted by the Board of Directors.

Other Information

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

As per requirements of section 115 of the Companies Act, 2063, we further report that:

- We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- In our opinion, the company has kept proper books of account as required by the law so far, as appears from our examinations of those books.
- The Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows have been prepared in compliance with the

Nepal Financial Reporting Standards (NFRSs) and are in agreement with the books of accounts maintained by the company

- The Statement of Financial Position, the Statements of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows read together with notes to account give information required by the Companies Act, 2063 in the manner so required and give a true and fair view:
    i. In case of Statement of Financial Position, of the state of affairs of the company as at 31st Ashadh, 2081; and
    ii. In case of Statement of Profit or Loss and Other Comprehensive Income, of the results of operation of the company for the year ended on 31st Ashadh, 2081; and
    iii. In case of Statement of Cash Flows, of the cash inflow and outflow of the company for the year ended on 31st Ashad, 2081
- Neither we have come across any information about the misappropriation of the fund by the directors or any of the representatives of the company's staff during the course of our audit nor have we received any such information from the management.
- No accounting fraud has been observed during the course of our audit.
- As per examination, we have observed following non-compliance with other legal and regulatory requirements:
    i. With reference to note 35 of the Notes forming part of financial statement, the company has not made provision for any liabilities relating to the employee benefits in accordance with Labour Act, 2074 and has neither been registered with Social Security Fund as per the provision of Contribution based Social Security Act, 2074.

CA Sunil Chapain
Principal

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

Sunil Chapain & Associates
Chartered Accountants
COP No: 708
UDIN: 250113CA00941mVb2j

Date:
Place: Kathmandu, Nepal

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Statement of Financial Position
As on 31st Ashadh, 2081 (15th July, 2024)

Figures in NRs

Particulars	Notes	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	5	1,939,461	2,212,019	17,927,049
Intangible Assets Under Development	6	1,162,025,209	837,751,836	493,472,786
Right of Use Assets	7	551,917	735,889	-
Intangible Assets	8	15,368	23,052	30,736
Deferred Tax Assets(Net)	9	13,315	9,485	-
Total Non Current Assets		**1,164,545,270**	**840,732,281**	**511,430,571**
Current Assets				
Financial Assets				
Cash and Cash Equivalent	10	116,962	4,902,894	247,702
Other Financials Assets	11	15,000	165,000	9,555,899
Other Current Assets	12	117,735,773	150,087,108	68,004,994
Total Current Assets		**117,867,735**	**155,155,002**	**77,808,595**
Total Assets		**1,282,413,005**	**995,887,283**	**589,239,166**
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	13	382,500,000	29,170,000	29,170,000
Reserve and Surplus	14	59,634,095	43,558,026	21,256,018
Advance for Share Capital	15	-	265,992,400	166,658,400
Total Equity		**442,134,095**	**338,720,426**	**217,084,418**
LIABILITIES				
Non- Current Liabilities				
Financial Liabilities				
Long Term Loans and Borrowings	16	690,755,187	634,589,600	315,979,225
Lease Liabilities	17	429,112	610,897	-
Other Financials Liabilities	18	19,422,588	14,003,592	5,703,193
Other Non-Current Liabilities		-	-	-
Total Non- Current Liabilities		**710,606,887**	**649,204,089**	**321,682,418**
Current Liabilites				
Financial Liabilities				
Short Term Loans and Borrowings	19	53,269,118	-	30,000,000
Trade Payables	20	1,183,414	1,700,000	2,435,683
Lease Liabilities	21	181,785	162,931	-
Other Financials Liabilities	22	72,257,444	3,426,163	16,126,371
Other Current Liabilities	23	2,591,142	2,673,674	1,910,276
Provisions	24	189,120	-	-
Total Current Liabilities		**129,672,023**	**7,962,768**	**50,472,330**
Total Liabilities		**840,278,910**	**657,166,857**	**372,154,748**
Total Equity and Liabilities		**1,282,413,005**	**995,887,283**	**589,239,166**

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

Ankit Poudel
Accountant

Sadhana Bhattarai
Director

Jagadishowr Devkota
Director

Shreeram Devkota
Managing Director

Laxmi Prasad Devkota
Chairman

As per our attached report of even date

CA Sunil Chapain
Principal
Sunil Chapain & Associates
Chartered Accountants

Date : 4th Poush, 2081
Place : Kathmandu

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31st Ashadh,2081 (15th July, 2024)

Figures in NRs

Particulars	Notes	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
Income			
Revenue From Operation	25	-	-
Cost of Services	26	-	-
Gross Profit/(Loss)		-	-
IFRIC-12 Revenue	27	18,355,097	19,487,493
Other Income	28	905	-
Total Revenue		**18,356,002**	**19,487,493**
Expenses			
Administrative Expenses	29	943,980	418,585
Employee Benefit Expenses	30	600,000	150,000
Depreciation and Amortization Expenses	31	662,714	743,715
Total Expenses		**2,206,694**	**1,312,300**
Profit Before Interest, Staff bonus, CSR & Tax		**16,149,308**	**18,175,193**
Finance Cost	32	77,069	93,968
Net Profit/ (Loss) Before Staff bonus, CSR and Tax		**16,072,239**	**18,081,225**
Provision for Staff Bonus	24	-	-
Provision for Corporate Social Responsibility (CSR)	24	-	-
Net Profit/ (Loss) Before Tax (NPBT)		**16,072,239**	**18,081,225**
Tax Expenses			
Income Tax Expenses	24	-	-
Deferred Tax Expenses/ (Income)	9	(3,830)	(9,485)
Net Profit/ (Loss) for the Year		**16,076,069**	**18,090,710**
Other Comprehensive Income			
Revaluation of Property, Plant and Equipment		-	-
Revaluation of Intangible Assets		-	-
Total Comprehensive Income		**16,076,069**	**18,090,710**
Earnings per equity shares of NRs 100 each			
Basic Earnings per share-NRs	33	32.48	62.02

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

Ankit Poudel
Accountant

Sadhana Bhattarai
Director

Jagadishowr Devkota
Director

Shreeram Devkota
Managing Director

Laxmi Prasad Devkota
Chairman

As per our attached report of even date

CA Sunil Chapain
Principal
Sunil Chapain & Associates
Chartered Accountants

Date : 4th Poush, 2081
Place : Kathmandu

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Statement of Cash Flows
For the year ended 31st Ashadh,2081 (15th July, 2024)

Figures in NRs

Particulars	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
A. Cash Flow from Operating Activities		
Net Profit Before Tax	16,072,239	18,081,225
Adjustment for:		
Finance Cost	77,069	93,968
Depreciation and Amortization Expenses	662,714	743,715
IFRIC-12 Revenue	(18,355,097)	(19,487,493)
Changes in Current Assets	32,501,335	(72,691,216)
Changes in Current Liabilities	121,690,401	(42,672,493)
Net Cash Flow from Operating Activities (A)	**152,648,661**	**(115,932,294)**
B. Cash Flow from Investing Activities		
(Addition) / Disposal of Property, Plant and Equipment	(198,500)	-
(Addition) / Disposal of Intangible Assets	-	-
(Addition) / Disposal of Intangible Assets Under Development	(305,918,276)	(324,791,557)
Reclassification of Property, Plant and Equipment to Intangible Assets Under Development		15,162,971
Reclassification of Intangible Assets Under Development to Reserve and Surplus	-	4,361,298
Net Cash Flow from Investing Activities (B)	**(306,116,776)**	**(305,267,288)**
C. Cash Flow from Financing Activities		
Changes in Share Capital	353,330,000	-
Changes in Advance for Share Capital	(265,992,400)	99,334,000
Payment of Lease Liability	(240,000)	(240,000)
Changes in Other Financial Liabilities	5,418,996	8,300,399
Expenses Related to Public Issue	-	(150,000)
Changes in Long Term Loans and Borrowings	56,165,587	318,610,375
Net Cash Flow from Financing Activities (C)	**148,682,183**	**425,854,774**
Net Changes in Cash and Cash Equivalents (A+B+C)	**(4,785,932)**	**4,655,192**
Opening Cash and Cash Equivalents	4,902,894	247,702
Closing Cash and Cash Equivalents	**116,962**	**4,902,894**

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

Ankit Paudel
Accountant

Sadhana Bhattarai
Director

Jagadishowr Devkota
Director

As per our attached report of even date

Shreeram Devkota
Managing Director

Laxmi Prasad Devkota
Chairman

CA Sunil Chapain
Principal
Sunil Chapain & Associates
Chartered Accountants

Date : 4th Poush, 2081
Place : Kathmandu

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Statement of Changes in Equity
For the year ended 31st Ashadh,2081 (15th July, 2024)

Figures in NRs

Particulars	Equity Share Capital	Advance for Share Capital	Accumulated Profit/ (Loss)	Reserve from IFRIC 12	Total
Balance at the beginning of FY 2079-80	29,170,000	166,658,400	(6,676,404)	27,932,422	**217,084,418**
Issue of Equity Share Capital	-	-	-	-	-
Advance for Share Capital Received/ (Advance for Share Capital converted to Equity Share Capital)	-	99,334,000	-	-	**99,334,000**
Reclassification of Reserve and Surplus to Intangible Assets Under Development	-	-	4,361,298	-	**4,361,298**
Total Comprehensive Income for the Year	-	-	18,090,710	-	**18,090,710**
Expenses Related to Public Issue	-	-	(150,000)	-	**(150,000)**
Adjustment of Revenue as per IFRIC-12	-	-	(19,487,493)	19,487,493	-
Balance at the end of the FY 2079-80	**29,170,000**	**265,992,400**	**(3,861,889)**	**47,419,915**	**338,720,426**
Balance at the beginning of FY 2080-81	29,170,000	265,992,400	(3,861,889)	47,419,915	**338,720,426**
Issue of Equity Share Capital	353,330,000	-	-	-	**353,330,000**
Advance for Share Capital Received/ (Advance for Share Capital converted to Equity Share Capital)	-	(265,992,400)	-	-	**(265,992,400)**
Total Comprehensive Income for the Year	-	-	16,076,069	-	**16,076,069**
Adjustment of Revenue as per IFRIC-12	-	-	(18,355,097)	18,355,097	-
Balance at the end of the FY 2080-81	**382,500,000**	-	**(6,140,917)**	**65,775,012**	**442,134,095**

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

Ankit Paudel
Accountant

Sadhana Bhattarai
Director

Jagadishowr Devkota
Director

HARI HYDRO POWER (P) LTD. 2064 Kathmandu

Shreeram Devkota
Managing Director

Laxmi Prasad Devkota
Chairman

As per our attached report of even date

Chapain & Associates Chartered Accountants Regd. No.613 Kathmandu, Nepal

CA Sunil Chapain
Principal
Sunil Chapain & Associates
Chartered Accountants

Date : 4th Poush, 2081
Place : Kathmandu

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

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

1. Corporate Overview

M/S Sabhapokhari Hydropower Limited (The "Company") is a company incorporated under Companies Act 2063 of Nepal having registered office at Banasthali, Kathmandu. The company obtained its registration with Income Tax Office on the 19th Ashadh, 2064 with the PAN 302547672. Furthermore, the company got registered with Office of the Company Registrar with registration No. 46014/063/064 on the 24th Jestha, 2064 as Private Limited Company. The company was converted into the Public Limited company on 19th Jestha, 2080 The company converted to public limited company, with registration number 313681/79/080.

The company was established with an objective of developing hydropower in Nepal. The company's main line of business involves the development of hydropower projects including detailed feasibility, development and operation and transmission and distribution of hydro energy. The Company has been developing the Lankhuwa Khola Hydroelectric Project (5.0MW) which is located at sankhuwasabha District, Nepal.

2. Basis of Preparation and Measurement

2.1 Statement of Compliance:

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

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

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

2.2 Basis of Preparation:

The financial statements have been prepared on an accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements, including the preparation of the opening Statement of Financial Position as per NFRS as at 1st Shrawan, 2079 being the 'date of transition to NFRS'.
When an accounting policy applies to a specific item, it is detailed in the corresponding note. NFRS mandates that the company uses judgment in formulating accounting estimates. Descriptions of these estimates are provided in the relevant sections where they are applicable.

2.3 Responsibility of Financial Statements:

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

2.4 Presentation:

Presentation Currency

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

Rearrangement / Reclassification and Remeasurement

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

Statement of Financial Position

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

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

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

Statement of Profit or Loss and Other Comprehensive Income

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

Statement of Cash Flows

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

Statement of Changes in Equity

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

2.5 Financial Period:

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

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

2.6 IFRIC 12 Consideration:

IFRIC (International Financial Reporting Interpretation Committee) 12 gives guidance on 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 the applicability of IFRIC 12 Service Concession Arrangement, issued by International Accounting Standard Board (IASB) for preparation and presentation of financial statements.
Sabhapokhari Hydropower Limited, after due consideration has applied IFRIC 12 while preparing these financial statements.

2.7 Basis of Measurement:

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

3. Use of Estimates, Assumptions or Judgments:

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

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

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

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

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

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

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

4. Significant Accounting Policies:
The Significant accounting policies of the company are explained below:

4.1. Property, Plant & Equipment:

Recognition & Measurement

On transition to NFRS, the company has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 31st Ashadh, 2079 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment as on 1st Shrawan, 2079, except otherwise stated in the notes to accounts. The project land, previously classified as Property, Plant, and Equipment under the previous GAAP, has been reclassified as Intangible Assets Under Construction as of the transition date to NFRS. Certain costs associated with administrative expenses and public issue expenses have been reclassified from Capital Work in Progress to Reserves and Surplus upon transition to NFRS. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.
All items of property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred. The Company identifies and determines the cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset having a useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset. The residual values, useful lives and methods of depreciation of property, plants and equipment are reviewed at the end of each financial year and adjusted, if appropriate.
An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

Depreciation and Amortization

- Depreciation is recognized to write off the cost of assets over their useful lives, using the Written Down Value (WDV) method.
- Right of Use Assets (ROU) are amortized over the period of lease on a straight-line basis.
- Amortization is recognized to write off Intangible Assets on a Straight-line basis over their estimated useful lives.
- The Intangible assets (Lankhuwa khola small Hydropower project (5 MW)) shall be amortized over the remaining useful life of the project on a straight-line method.
- The estimated useful life and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis, except otherwise stated in the notes to accounts.

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

S.N.	Assets Block	Estimated Useful Life	Depreciation Rate	Depreciation Method
1	Furniture and Fixtures	4 Years	25%	WDV
2	Office Equipment	4 Years	25%	WDV
3	Computer and Pheripheral	4 Years	25%	WDV
4	Vehicles	5 Years	20%	WDV
5	Total Station	6.67 Years	15%	WDV
6	Tally Software	5 Years	20%	SLM
7	Intangible Assets Under Development	N/A	N/A	SLM
8	Right of Use Asset	5 Years	20%	SLM

Only those items having values more than NRS 5,000 per item are capitalized.

Restriction on PPE

Lankhuwa khola small Hydropower project (5 MW)

The company has to transfer the entire generation unit to Government of Nepal under BOOT arrangement after expiry of period of generation license i.e., till 27th Ashadh, 2109 or 35 years from the date of commercial operation whichever is earlier. The Commercial Operation Date (COD) date as per initial agreement is 14th Poush 2077. However, as per latest amendment to PPA agreement, the revised The Commercial Operation Date (COD) date is 12th Poush, 2079 Thus, the useful life of project assets is 29.56 years from the Required Commercial Operation Date (RCOD).

4.2 Intangible Assets Under Development:

The hydropower project being developed by the company is still in the construction phase and all the costs which are directly attributable to acquisition, construction or production of the assets are shown as Intangible Assets Under Development. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and amortization commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimated cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized.

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

4.2.1 Service Concession Arrangements

Under IFRIC 12 – Service Concession Arrangements applies to public-to-private service concession arrangements if:

(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: and
(b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement
(c) Is 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? Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met. These arrangements are accounted for on the basis of the above-mentioned models depending on the nature of consideration and relevant contract law. The internal rate of return is considered at the rate of 6%.

4.3 Other Intangible Assets:

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.
Certain computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there for a period longer than one year. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit or Loss and Other Comprehensive Income when the asset is derecognized.

4.4 Impairment of Tangible and Intangible Assets:

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

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

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

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

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

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

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

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

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

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

4.7 Cash and Cash Equivalents:
Cash and cash equivalents include current, escrow and fixed deposit accounts with an original maturity of three months or less balances maintained with banks or financial institutions and cash in hand. This enables the Company to meet its short-term liquidity requirements. The carrying amount of cash and cash equivalents approximates their fair value. They are readily convertible to the known amount of cash and are subject to the insignificant risk of a change in value.
These balances have been used as Cash and Cash Equivalents for the presentation of Statement of Cash Flows as well

4.8 Inventories:
Cost of inventories includes cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories shall be measured at the lower of cost and net realizable value (NRV). There is no inventory as on the reporting date.

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

4.10 Revenue Recognition

4.10.1 Sale of Electricity:
Revenue is recognized to the extent that it is probable that economic benefit will flow to the company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates, charges and other similar allowances. Revenue is recognized when substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract. There is no revenue during the year as the construction of the project is still ongoing and commercial operation of the company has not started as on the reporting date.

4.10.2 Construction Revenue and Expenses as per IFRIC 12:
Under IFRIC 12 – Service Concession Arrangements applies to public-to-private service concession arrangements if:

(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: and
(b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement
(c) Is 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? Infrastructure used in a public-to-private service

SABHAPOKHARI HYDROPOWER (P) LTD. 2064 Kathmandu

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

concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met. These arrangements are accounted for on the basis of the above-mentioned models depending on the nature of consideration and relevant contract law.

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 rights are established when the grantor contractually guarantees to pay the operator (a) specific or determinable amount; (b) the shortfall, if any, between the amounts received from the users of public services and specified or determinable amounts.

Intangible Asset Model

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

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

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

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

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

4.11 Foreign Currency Transactions:

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

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

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are

SABHAPOKHARI HYDROPOWER (P.) LTD. 2064 Kathmandu

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

retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

4.12 Employment Benefits:
A liability is recognized for benefits accruing to employees in respect of wages and salaries, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Short Term Employee Benefits

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

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

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

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

Deferred Tax
Deferred Tax is the tax expected to be payable or recoverable in future arising from:

- temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in computation of taxable profit,
- unused tax credits

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

4.15 Earnings per share

I. Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for bonus issues, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).
II. Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

SABHAPOKHARI HYDROPOWER (P) LTD. 2064 Kathmandu

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

4.16 Provisions, Contingencies and Commitments:

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

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

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

4.17 Investment Property

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

4.18 Financial Instruments:

Recognition and Measurement

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

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

Effective Interest Rate Method

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

4.19 Financial Assets:

Financial assets at amortized cost

Financial assets are subsequently measured at amortized cost if

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

Financial assets measured at fair value

Financial assets are measured at fair value through other comprehensive income if

- Financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets
- 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.

Sabhapokhari Hydropower (P) Ltd. 2064 Kathmandu

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

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

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

Impairment of Financial Assets

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

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

Derecognition of financial assets

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

4.20 Financial Liabilities & Equity:

Classification as debt or equity

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

Equity Instruments

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

Financial Liabilities

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

Financial guarantee contracts

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

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

Chapain & Associates Chartered Accountants Regd. No.613 Kathmandu, Nepal

Derecognition of financial liability

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

Offsetting of Financial Instruments

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

4.21 Leases:

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

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

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

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

The lease liability is initially measured at the present value of the lease payment that is 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.

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

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

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

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

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of right-of-use asset or is recorded in Statement of Profit or Loss and Other Comprehensive Income if the carrying amount of right-of-use asset has been reduced to zero.

SABHAPOKHARI HYDROPOWER (P) LTD. 2064 Kathmandu

Chapain & Associates Chartered Accountants Regd. No.613 Kathmandu, Nepal

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

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

The company has adopted NFRS-16 Lease for the first time in current FY 2079/080. The company has recognized NRs. 919,861 as Right to Use Asset and corresponding lease Liability in Statement of Financial Position.

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

SABHAPOKHARI POWER (P) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
Property, Plant and Equipment

Note 5

Particulars	**Land**	**Furniture & Fixtures**	**Office Equipments**	**Computer and Peripheral**	**Vehicle**	**Total Station**	**Total**
Cost							
Balance at 1st Shrawan, 2079	15,162,971	157,290	246,872	90,800	3,113,234	374,956	19,146,123
Transfer to Intangible Assets Under Development	(15,162,971)						
Additions during FY 79-80	-	-	-	-	-	-	-
Balance at Ashadh end, 2080	-	**157,290**	**246,872**	**90,800**	**3,113,234**	**374,956**	3,983,152
Balance at 1st Shrawan, 2080	-	157,290	246,872	90,800	3,113,234	374,956	3,983,152
Additions during FY 80-81	-	-	135,000	63,500	-	-	198,500
Balance at Ashadh end, 2081	-	**157,290**	**381,872**	**154,300**	**3,113,234**	**374,956**	**4,181,652**
Depreciation							
Balance at 1st Shrawan, 2079	-	99,473	73,788	34,050	939,584	72,179	1,219,074
Depreciation for FY 79-80	-	14,455	43,269	14,188	434,730	45,417	552,059
Balance at Ashadh end, 2080	-	**113,928**	**117,057**	**48,238**	**1,374,314**	**117,596**	**1,771,133**
Balance at 1st Shrawan, 2080	-	113,928	117,057	48,238	1,374,314	117,596	1,771,133
Depreciation for FY 80-81	-	10,841	47,618	26,212	347,783	38,604	471,058
Balance at Ashadh end, 2081	-	**124,769**	**164,675**	**74,450**	**1,722,097**	**156,200**	**2,242,191**
Carrying Amounts							
As at Ashadh end, 2079	15,162,971	57,817	173,084	56,750	2,173,650	302,777	17,927,049
As at Ashadh end, 2080	-	43,362	129,815	42,562	1,738,920	257,360	2,212,019
As at Ashadh end, 2081	-	**32,521**	**217,197**	**79,850**	**1,391,137**	**218,756**	**1,939,461**

Property, Plant and Equipment are given as security against the long term loans and borrowings obtained from Rastriya Banijya Bank Limited for development and construction of Lankhuwa khola small Hydropower project, 5 MW . Refer Note 16 for details.

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Chartered Accountants
Regd. No.613
Kathmandu, Nepal

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
As on 31st Ashadh, 2081 (15th July, 2024)

Intangible Assets Under Development Note 6

S.N.	Particulars	As at 31st Ashadh, 2081	Additions During the Year	As at 31st Ashadh, 2080(Restated)	Additions During the Year	As at 1st Shrawan 2079(Restated)
1	Pre-Operating Expenses	17,864,911	-	17,864,911	4,361,298	13,503,613
2	Civil Construction Cost	323,812,835	114,898,586	208,914,249	111,894,838	97,019,411
3	Hydromechanical Cost	256,192,162	44,725,093	211,467,069	59,059,253	152,407,816
4	Plant & Machinery Cost	111,505,726	1,700,301	109,805,425	32,136,443	77,668,982
5	Transmission Line & Switchyard	112,773,375	37,935,541	74,837,834	35,156,123	39,681,711
6	Site Office Building Cost-(Staff Camp and Quarter)	11,363,954	1,356,847	10,007,107	502,573	9,504,534
7	Infrastructure Development Cost	5,000,000	-	5,000,000	-	5,000,000
8	Environment / Social Mitigation Cost	9,751,472	2,221,000	7,530,472	2,483,000	5,047,472
9	Project supervision / Engineering / Management	64,754,794	17,249,408	47,505,386	12,141,906	35,363,480
10	Contingency	15,048,790	-	15,048,790	2,026,905	13,021,885
11	Miscellaneous and Insurance Cost	11,530,945	388,445	11,142,500	11,142,500	-
12	Interest During Construction	141,853,305	85,443,055	56,410,250	39,088,790	17,321,460
13	Add:Land Assets Regrouped from Property, Plant and Equipment	15,162,971	-	15,162,971	15,162,971	-
14	Less:Project Supervision and Management Expenses Transferred to Profit/(Loss) Statement	(215,043)	-	(215,043)	(215,043)	-
15	Less:Project Supervision and Management Expenses Transferred to Reserve and Surplus	(150,000)	-	(150,000)	(150,000)	-
	Sub Total	**1,096,250,197**	**305,918,276**	**790,331,921**	**324,791,557**	**465,540,364**
	Add: Intangible Assets Under Development recognised as per IFRIC 12	65,775,012	18,355,097	47,419,915	19,487,493	27,932,422
	Total	**1,162,025,209**	**324,273,373**	**837,751,836**	**344,279,050**	**493,472,786**

The company is currently developing the Lankhuwa Khola Small Hydropower project (5 MW). Costs directly attributable to the acquisition, production, or development of the project have been capitalized under the appropriate headings, while general expenses have been charged to the Statement of Profit or Loss and Other Comprehensive Income.

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
As on 31st Ashadh, 2081 (15th July, 2024)

Details of Intangible Assets Under Development

S.N.	Particulars	As at 31st Ashadh, 2081	Additions During the Year	As at 31st Ashadh, 2080(Restated)	Additions During the Year	As at 1st Shrawan 2079(Restated)
1	**Pre-Operating Expenses**					
	Advertisement Expenses	101,523	-	101,523	-	101,523
	Bank Charges	380,870	-	380,870	-	380,870
	Communication Expenses	22,200	-	22,200	-	22,200
	Consultancy Charges	452,000	-	452,000	-	452,000
	Desk Study Report	65,000	-	65,000	-	65,000
	Detail Design of Lakhuwa Khola Project	2,825,000	-	2,825,000	-	2,825,000
	Feasibility Expenses	1,982,940	-	1,982,940	-	1,982,940
	Field Visit Local Conveyance	486,232	-	486,232	-	486,232
	Fine & Penalty	177,741	-	177,741	-	177,741
	General Allowance	16,155	-	16,155	-	16,155
	Grid Connection Expenses	102,000	-	102,000	-	102,000
	House Rent Expenses	656,004	-	656,004	-	656,004
	Hydrology Mapping Expenses	125,000	-	125,000	-	125,000
	Labour Fooding Expenses	3,500	-	3,500	-	3,500
	Legal Expenses	79,308	-	79,308	-	79,308
	License Fee	1,500,000	-	1,500,000	-	1,500,000
	Miscellaneous Project Expenses	16,000	-	16,000	-	16,000
	PPA Charges	150,000	-	150,000	-	150,000
	Project Development Cost	5,313,598	-	5,313,598	4,361,298	952,300
	Project Travelling Expenses	488,756	-	488,756	-	488,756
	Registration & Renewal	97,538	-	97,538	-	97,538
	Site Visit Expenses	347,111	-	347,111	-	347,111
	Stationery Expenses	468,835	-	468,835	-	468,835
	Survey Expenses	1,706,000	-	1,706,000	-	1,706,000
	Travelling Expenses	246,440	-	246,440	-	246,440
	Water & Electricity	55,160	-	55,160	-	55,160
	Sub- Total	**17,864,911**	-	**17,864,911**	**4,361,298**	**13,503,613**
2	**Civil Construction Cost**					
	Civil Works- IPC 01	49,823,522	-	49,823,522.00	-	49,823,522
	Civil Works- IPC 02	30,847,239	-	30,847,239	-	30,847,239
	Civil Works- IPC 03	16,348,650	-	16,348,650	-	16,348,650
	Civil Works- IPC 04	26,504,495	-	26,504,495	26,504,495	-
	Civil Works- IPC 05	33,817,616	-	33,817,616	33,817,616	-
	Civil Works- IPC 06	91,038,854	39,693,112	51,345,742	51,345,742	-
	Civil Works- IPC 07	19,808,730	19,808,730	-	-	-
	Civil Works- IPC 08	47,172,574	47,172,574	-	-	-
	Construction of Civil Works	7,094,170	7,094,170	-	-	-
	Equipment Hiring Charge	1,130,000	1,130,000	-	-	-
	Construction Material	226,985	-	226,985	226,985	-
	Sub- Total	**323,812,835**	**114,898,586**	**208,914,249**	**111,894,838**	**97,019,411**
3	**Hydromechanical Cost**					
	HM Works- IPC 01	8,632,437	-	8,632,437	-	8,632,437
	HM Works- IPC 02	10,218,441	-	10,218,441	-	10,218,441
	HM Cost- IPC 03	10,738,718	-	10,738,718	10,738,718	-
	HM Work- IPC 04	8,188,461	-	8,188,461	8,188,461	-
	HM Work- IPC 05	15,794,909	15,794,909	-	-	-
	Custom Amendment Charge	91,579	-	91,579	22,040	69,539
	Custom Clearing Charge	1,226,721	-	1,226,721	-	1,226,721
	DPT Compound Box	17,550	-	17,550	17,550	-
	Exim Code Fee	41,205	-	41,205	33,608	7,597
	Exim Commission	187,947	-	187,947	5,100	182,847
	HM Pipe Purchase	159,341,147	6,527,915	152,813,232	35,847,776	116,965,456
	HM Works	10,735,000	10,735,000	-	-	-
	Land Rent for HM Pipe Store	111,111	-	111,111	-	111,111
	LC Charge	246,424	-	246,424	4,000	242,424
	LC Documentation Fee	12,000	-	12,000	-	12,000
	LC Opening Charge	312,522	-	312,522	-	312,522
	Money Transfer Fee	3,200	-	3,200	-	3,200

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
As on 31st Ashadh, 2081 (15th July, 2024)

Details of Intangible Assets Under Development

S.N.	Particulars	As at 31st Ashadh, 2081	Additions During the Year	As at 31st Ashadh, 2080(Restated)	Additions During the Year	As at 1st Shrawan 2079(Restated)
3	**Hydromechanical Cost**					
	Continued...					
	Penstock Pipe	11,667,269	11,667,269	-		-
	Swift Charge	10,000	-	10,000	2,000	8,000
	Transportation Expenses	18,600,000	-	18,600,000	4,200,000	14,400,000
	Vehicles Entry and Parking Charge	15,521	-	15,521	-	15,521
	Sub- Total	**256,192,162**	**44,725,093**	**211,467,069**	**59,059,253**	**152,407,816**
4	**Plant & Machinery Cost**					
	Custom Amendment Charge	18,450	-	18,450	16,950	1,500
	EM Equipment Purchase	107,309,496	1,489,967	105,819,529	31,080,000	74,739,529
	EM Equipment & Unloading Charge	192,956	-	192,956	-	192,956
	Exim Code Fee	62,273	-	62,273	-	62,273
	Inspection Work	33,900	-	33,900	-	33,900
	LC Charge	39,704	-	39,704	15,704	24,000
	Lc Documentation Charge	53,789	-	53,789	53,789	-
	Swift Charge	12,860	-	12,860	2,000	10,860
	Vehicle Entry & Parking Charge	3,550	-	3,550	-	3,550
	Custom Clearing Charge	1,823,188	210,334	1,612,854	968,000	644,854
	Earthing Materials	1,440,000	-	1,440,000	-	1,440,000
	LC Margin Charge	515,560	-	515,560	-	515,560
	Sub- Total	**111,505,726**	**1,700,301**	**109,805,425**	**32,136,443**	**77,668,982**
5	**Transmission Line & Switchyard**					
	Construction Power - Materials	1,970,745	-	1,970,745	608,018	1,362,727
	Transformer for Construction Power	937,900	-	937,900	-	937,900
	Acsr Dog Conductor	8,746,166	-	8,746,166	8,746,166	-
	Ceramic Tiles	500,195	-	500,195	500,195	-
	Civil Works of TL Works	5,650,000	-	5,650,000	-	5,650,000
	Compensation Expenses	13,883,965	11,396,100	2,487,865	2,487,865	-
	Compensation for Transmission Line-Land	150,000	-	150,000	150,000	-
	Consultancy Fee	858,800	519,800	339,000	339,000	-
	DEOD Charge	500,000	500,000	-	-	-
	Design and Drawing	734,500	-	734,500	734,500	-
	Excavation and Foundation Work	960,500	-	960,500	960,500	-
	Land Napi Expenses	15,000	-	15,000	-	15,000
	Land Purchased for TL and Substation	8,368,000	2,055,000	6,313,000	-	6,313,000
	Line Meggning Testing Transformer Install Charge	38,000	-	38,000	-	38,000
	Rapid- Crack	1,455,440	1,356,000	99,440	99,440	-
	Substation	9,779,036	7,586,836	2,192,200	2,192,200	-
	Survey Design	963,760	-	963,760	963,760	-
	Survey Licence Fee	20,000	-	20,000	20,000	-
	Transmission Line	37,302,580	12,543,000	24,759,580	-	24,759,580
	Transmission Line -Materials Cost	19,246,928	1,548,100	17,698,828	17,198,600	500,228
	Transmission Line Survey Charge	212,461	152,941	59,520	-	59,520
	Transmission Line Charge	479,399	277,764	201,635	155,879	45,756
	Sub- Total	**112,773,375**	**37,935,541**	**74,837,834**	**35,156,123**	**39,681,711**
6	**Site Office Building Cost-(Staff Camp and Quarter)**					
	Campsite Construction Expenses	6,615,744	-	6,615,744	33,200	6,582,544
	Campsite Expenses	2,291,832	1,356,847	934,985	469,373	465,612
	Furniture & Fixture	2,456,378	-	2,456,378	-	2,456,378
	Sub- Total	**11,363,954**	**1,356,847**	**10,007,107**	**502,573**	**9,504,534**
7	**Infrastructure Development Cost**					
	Access Road	5,000,000	-	5,000,000	-	5,000,000
	Sub- Total	**5,000,000**	**-**	**5,000,000**	**-**	**5,000,000**

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Notes Forming part of Financial Statements
As on 31st Ashadh, 2081 (15th July, 2024)

Details of Intangible Assets Under Development

S.N.	Particulars	As at 31st Ashadh, 2081	Additions During the Year	As at 31st Ashadh, 2080(Restated)	Additions During the Year	As at 1st Shrawan 2079(Restated)
8	**Environment / Social Mitigation Cost**					
	Access Road to Ward Office Expenses	2,250,000	-	2,250,000	1,050,000	1,200,000
	Compensation for Bamboo Damage	12,400	-	12,400	-	12,400
	Compensation for Tree Cutting	49,000	-	49,000	-	49,000
	Compensation of Land	175,000	-	175,000	-	175,000
	Compensation Expenses	2,221,000	2,221,000	-	-	-
	Donation Expenses	1,113,000	-	1,113,000	303,000	810,000
	Ground Excavation of School	394,780	-	394,780	-	394,780
	HDP Pipe to Local Peoples	39,542	-	39,542	-	39,542
	IEE Expenses	536,750	-	536,750	-	536,750
	Miscellaneous Social Mitigation Works	97,000	-	97,000	-	97,000
	Miscellaneous Social Welfare Works	683,000	-	683,000	-	683,000
	Revised Updated IEE	1,130,000	-	1,130,000	1,130,000	-
	Road & Garden Construction	250,000	-	250,000	-	250,000
	Survey Works of Road for Oda Office	800,000	-	800,000	-	800,000
	Sub- Total	**9,751,472**	**2,221,000**	**7,530,472**	**2,483,000**	**5,047,472**
9	**Project Supervision / Engineering / Management**					
	AGM Expenses	65,043	-	65,043	65,043	-
	Equity Management Fee	2,260,000	2,260,000	-	-	-
	Meeting Allowance	285,382	21,176	264,206	264,206	-
	NEA Site Visit Allowances	198,969	198,969	-	-	-
	Repair and Maintenance	16,119	-	16,119	-	16,119
	Repair and Maintenance Vehicle	996,918	456,982	539,936	330,569	209,367
	Vehicle Insurance	38,757	12,730	26,027	-	26,027
	Puja Expenses	14,315	-	14,315	14,315	-
	Camp Facilities Related Expenses	119,340	-	119,340	119,340	-
	Camp Site Other Expenses	226,967	187,437	39,530	39,530	-
	Camp Site Stationary Expenses	2,335	-	2,335	2,335	-
	Donation To Local Forest	200,000	-	200,000	200,000	-
	ERC Charge- Survey License	250,000	250,000	-	-	-
	Site Electricity Charges	826,308	581,005	245,303	245,303	-
	Site Fuel Expenses	2,537,228	1,120,379	1,416,849	1,289,854	126,995
	Site Internet, Communication and Electricity Charge	606,231	50,591	555,640	294,627	261,013
	Site Lodging and Fooding Expenses	171,457	57,066	114,391	-	114,391
	Site Printing and Stationary Expenses	21,244	13,684	7,560	2,425	5,135
	Wood and Bamboo Cutting Charge	10,100	-	10,100	10,100	-
	ABC Cable	67,800	-	67,800	-	67,800
	Advertisement Expenses	202,731	152,731	50,000	-	50,000
	Bike Renewal Charge	4,600	-	4,600	-	4,600
	Bill Verification Charge	2,466,225	779,700	1,686,525	847,500	839,025
	Book Keeping and Management Fee	650,000	-	650,000	-	650,000
	Camp House Expenses	73,086	-	73,086	-	73,086
	Crane for Rent	91,620	-	91,620	-	91,620
	Due Diligence Study	750,000	-	750,000	-	750,000
	Festival Expenses	29,300	-	29,300	-	29,300
	Financial Closer Expenses	339,000	-	339,000	-	339,000
	Financial Consultancy Charge	330,525	-	330,525	67,800	262,725
	Financial Consulting Fee	389,850	-	389,850	-	389,850
	DEOD Charge	500,000	500,000	-	-	-
	Fine on Share Increment Cost	80,200	-	80,200	80,200	-
	Fooding and Lunching	100,422	-	100,422	-	100,422
	Fuel Expenses	236,382	-	236,382	120,655	115,727
	Geology Investigation Expenses	275,050	-	275,050	-	275,050
	Hardware Expenses	57,708	54,258	3,450	-	3,450
	HDP Sheet	203,400	-	203,400	-	203,400
	HM Workers Wages	950,940	545,555	405,385	405,385	-
	Travelling Expenses	469,795	133,574	336,221	22,184	314,037
	IPO Processing Fee	150,000	-	150,000	150,000	-
	Kitchen Expenses	123,175	-	123,175	-	123,175

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
As on 31st Ashadh, 2081 (15th July, 2024)

Details of Intangible Assets Under Development

S.N.	Particulars	As at 31st Ashadh, 2081	Additions During the Year	As at 31st Ashadh, 2080(Restated)	Additions During the Year	As at 1st Shrawan 2079(Restated)
9	**Project Supervision / Engineering / Management**					
	Continued...					
	Loading and Unloading Charge	22,984	-	22,984	-	22,984
	Loan Documentation Charge	169,500	-	169,500	169,500	-
	Local Administrative Expenses	50,000	-	50,000	50,000	-
	Local Conveyed Charge	6,700	-	6,700	-	6,700
	Medical Expenses	4,117	-	4,117	-	4,117
	Miscellaneous Expenses	82,065	-	82,065	-	82,065
	NEA GIS Study	100,000	-	100,000	-	100,000
	NEA Inspection Charge	134,810	-	134,810	-	134,810
	Nepal Electricity Authority	165,053	-	165,053	-	165,053
	Office Expenses	133,199	-	133,199	-	133,199
	Office Goods Expenses	1,250	-	1,250	-	1,250
	Penalty on Interest	43,693	-	43,693	43,693	-
	Printing and Stationery	6,070	-	6,070	2,000	4,070
	Project Travelling Expenses	289,836	-	289,836	-	289,836
	Rating of Bank Facilities Expenses	352,560	-	352,560	-	352,560
	Refreshment and Hospitality Expenses	170,632	-	170,632	-	170,632
	Salary Expenses	36,802,186	7,020,089	29,782,097	18,382,597	11,399,500
	Share Increment Cost	79,200	-	79,200	79,200	-
	Site Kitchen Expenses	22,050	-	22,050	-	22,050
	Site Mess Expenses	2,312,525	1,329,018	983,507	636,838	346,669
	Site Office Equipment	24,500	-	24,500	24,500	-
	Site Office Mis Expenses	261,359	-	261,359	103,320	158,039
	Staff Salary	-	-	-	(13,501,856)	13,501,856
	Staff Welfare Expenses	32,725	-	32,725	-	32,725
	Stationery Expenses	40,537	22,690	17,847	17,847	-
	Store Rent Expenses	40,000	40,000	-	-	-
	Surveillance Fee of Bank Loan Rating	70,060	-	70,060	70,060	-
	Technician Consult Charge	405,387	-	405,387	405,387	-
	TOD Meter and Metering Unit Connecting Charge	304,139	-	304,139	-	304,139
	Transportation Expenses	918,064	908,434	9,630	-	9,630
	Travelling Expenses	1,021,725	485,450	536,275	273,025	263,250
	Vehicle Hiring Expenses	718,889	-	718,889	718,889	-
	Wages-Engineering and Management Cost	1,057,865	-	1,057,865	-	1,057,865
	Wages on Site Staff Quarter and Worker	1,510,592	67,890	1,442,702	83,535	1,359,167
	Warehouse Charge for HM Pipe	12,000	-	12,000	12,000	-
	Sub- Total	**64,754,794**	**17,249,408**	**47,505,386**	**12,141,906**	**35,363,480**
10	**Contingency**					
	Contingency-Civil Works	13,021,885	-	13,021,885	-	13,021,885
	HDEP Sheet	2,026,905	-	2,026,905	2,026,905	-
	Sub- Total	**15,048,790**	-	**15,048,790**	**2,026,905**	**13,021,885**
11	**Misc. and Insurance Cost**					
	Bridge Construction Cost	9,042,500	-	9,042,500	9,042,500	-
	Project Insurance expenses	388,445	388,445	-	-	-
	Excavation Work	2,100,000	-	2,100,000	2,100,000	-
	Sub- Total	**11,530,945**	**388,445**	**11,142,500**	**11,142,500**	-
12	**Interest During Construction**					
	Interest on Term Loan	133,342,812	83,968,455	49,374,357	36,286,460	13,087,897
	Interest on Bridge Gap Loan	6,967,993	1,474,600	5,493,393	2,802,330	2,691,063
	Loan Processing Charge	1,542,500	-	1,542,500	-	1,542,500
	Sub- Total	**141,853,305**	**85,443,055**	**56,410,250**	**39,088,790**	**17,321,460**

The company has entered into credit facility agreement for the project financing of Lankhuwa khola small Hydroelectric Project (5 MW) with Rastriya Banijya Bank as participating Bank & shall capitalise borrowing costs that are directly attributable to the acquisition, construction of project of qualifying assets as part of the cost of that assets.(As per NAS 23-Borrowing costs). Interest of NPR 97,050 reversed (credited in the bank account) by the bank as rebate during the period has been deducted from interest expenses and net interest expenses for the period has been considered.

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements

Right of Use Assets — Note 7

Particulars	Right of Use Assets	Total
Cost		
Balance at 1st Shrawan, 2079	-	-
Additions during 79-80	919,861	919,861
Balance at Ashadh end, 2080	**919,861**	**919,861**
Balance at 1st Shrawan, 2080	919,861	919,861
Additions during 80-81	-	-
Balance at Ashadh end, 2081	**919,861**	**919,861**
Depreciation		
Balance at Ashadh end, 2079	-	-
Balance at 1st Shrawan, 2079	-	-
Depreciation for FY 79-80	183,972	183,972
Balance at Ashadh end, 2080	**183,972**	**183,972**
Balance at 1st Shrawan, 2080	183,972	183,972
Depreciation for FY 80-81	183,972	183,972
Balance at Ashadh end, 2081	**367,944**	**367,944**
		-
Carrying Amounts		-
As at Ashadh end, 2079	-	-
As at Ashadh end, 2080	735,889	735,889
As at Ashadh end, 2081	**551,917**	**551,917**

SABHAPOKHARI HYDRO POWER (P) LTD. * 2064 * Kathmandu *

Sunil Chapain & Associates ★ Chartered Accountants Regd. No.613 Kathmandu, Nepal ★

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
Intangible Assets — **Note 8**

Particulars	Tally Software	Total
Balance at 1st Shrawan, 2079	38,420	38,420
Additions during 79-80	-	-
Balance at Ashadh end, 2080	**38,420**	**38,420**
Balance at 1st Shrawan, 2080	38,420	38,420
Additions during 80-81	-	-
Balance at Ashadh end, 2081	**38,420**	**38,420**
Amortization		
Balance at 1st Shrawan, 2079	7,684	7,684
Amortization for FY 2079-80	7,684	7,684
Balance at Ashadh end, 2080	**15,368**	**15,368**
Balance at 1st Shrawan, 2080	15,368	15,368
Amortization for FY 2080-81	7,684	7,684
Balance at Ashadh end, 2081	**23,052**	**23,052**
		-
Carrying Amounts		-
As at Ashadh end, 2079	30,736	30,736
As at Ashadh end, 2080	23,052	23,052
As at Ashadh end, 2081	**15,368**	**15,368**

SABHAPOKHARI HYDRO POWER (P) LTD. * 2064 * Kathmandu *

Sunil Chapain & Associates * Chartered Accountants Regd. No.613 * Kathmandu, Nepal *

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
As on 31st Ashadh, 2081 (15th July, 2024)

Deferred Tax Assets/Liabilities(Net) — Note 9

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Property, Plant and Equipment and Intangible Assets			
Written Down Value (WDV) of Property, Plant and Equipment as per Company Act, 2063*	1,954,829	2,235,071	17,957,785
Written Down Value (WDV) of Property, Plant and Equipment as per Income Tax Act, 2058*	1,949,110	2,235,071	17,957,785
Temporary differences between the carrying amounts of assets and tax bases	**(5,719)**	-	-
Lease Accounting			
Carrying Amount of Lease Liability	610,897	773,828	-
Carrying Amount of Right of Use Asset	551,917	735,889	-
Temporary differences between Lease Liability and Right of Use Assets	**58,980**	**37,939**	-
Total Temporary Difference	**53,261**	**37,939**	-
Rate of Income Tax applicable to company	**25.00%**	**25.00%**	**25.00%**
Deferred Tax Asset/(Liability) recognised in Statement of Financial Position	**13,315**	**9,485**	-
Deferred Tax Asset/(Liability) already recognised in Statement of Financial Position	**9,485**	-	-
Deferred Tax (Expenses)/Income recognised in Statement of Profit or Loss and Other Comprehensive Income	**3,830**	**9,485**	-

* WDV of the assets does not include Right of Use Assets.
Refer Note 36

Cash and Cash Equivalent — Note 10

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Cash in Hand	96,158	96,718	17,903
Cash at Banks			
Macchapurchre Bank Limited	9,932	11,806	11,806
Kumari Bank Limited (Previously NCC Bank Limited)	6,205	213,037	213,037
Rastriya Banijya Bank Limited	3,087	4,579,753	3,376
Sanima Bank Limited	1,580	1,580	1,580
Total	**116,962**	**4,902,894**	**247,702**

Other Financials Assets — Note 11

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Margin against LC	15,000	165,000	9,555,899
Total	**15,000**	**165,000**	**9,555,899**

Rastriya Banijya Bank Limited has retained LC margins against letters of credit issued for the import of electromechanical components required for the project's construction and disclosed in the contingent liabilities. (Refer Note 45)

Other Current Assets — Note 12

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Advance to Contractors	83,707,797	127,033,378	56,408,778
Advances to Parties	28,365,714	7,476,250	1,262,863
Advance to Staff	-	468,000	383,125
Land Advance	-	8,811,600	7,130,965
Other Advances	3,381,257	6,297,880	2,819,263
Prepaid Expenses*	2,280,869	-	-
Advance Tax	136	-	-
Total	**117,735,773**	**150,087,108**	**68,004,994**

*Prepaid expenses are recorded proportionally in financial statements over the period they benefit, ensuring proper matching of costs with revenues.

The company has provided advances to contractors, subcontractors, and other parties as part of the development of the Lankhuwa khola small Hydropower project (5 MW) in the normal course of business. These advances are unsecured and not backed by any form of guarantee.
Details of above are provided in Annexure 1.

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
As on 31st Ashadh, 2081 (15th July, 2024)

Equity Share Capital — Note 13

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Authorized Share Capital			
(4,500,000 Equity shares @ NRs 100 Each)	450,000,000	240,000,000	240,000,000
Issued Share Capital			
(4,500,000 Equity shares @ NRs 100 Each)	450,000,000	240,000,000	240,000,000
Subscribed & Paid up Capital			
(3,825,000 Equity shares @ NRs 100 each)	382,500,000	29,170,000	29,170,000
Total	**382,500,000**	**29,170,000**	**29,170,000**

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

Reconciliation of Number of Share Outstanding — Note 13.1

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Number of Equity Shares at the beginning of the year	291,700	291,700	291,700
Add: Number of Shares Issued and paidup during the year	3,533,300	-	-
Add: Number of Bonus Shares Issued	-	-	-
Number of Equity Shares at the end of the year	**3,825,000**	**291,700**	**291,700**

Reserve and Surplus — Note 14

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Opening Reserve and Surplus	43,558,026	21,256,018	(5,441,637)
Profit /(Loss) for the Year	16,076,069	18,090,710	26,697,655
Reclassification to Intangible Assets Under Development	-	4,361,298	-
Less: IPO related expenses*	-	(150,000)	-
Balance Carried Over to the Statement of Financial Position	**59,634,095**	**43,558,026**	**21,256,018**

*Refer Note 39

Advance for Share Capital — Note 15

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Advance for Share Capital	-	265,992,400	166,658,400
Total	-	**265,992,400**	**166,658,400**

Long Term Loans and Borrowings — Note 16

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Secured Loan From Bank			
Term Loan from Rastriya Banijya Bank Limited	690,755,187	634,589,600	315,979,225
Total	**690,755,187**	**634,589,600**	**315,979,225**

Company has entered into loan facility agreement dated 15th Ashoj, 2077 with Rastriya Banijya Bank Limited as Participating Bank for the development of Lankhuwa khola small Hydropower project (5 MW). The credit facility is being utilized exclusively for the construction and development of this project, in accordance with the terms outlined in the agreement.

All loans are secured through a registered mortgage over the project's entire assets (both present and to be created in future), including land, buildings, plant and machinery, movable and immovable assets on company-owned or leased land. Additionally, the loans are secured against the project's current assets (both present and to be created in future), including receivables from NEA, and the personal real estate properties pledged by the promoters.

Lease Liabilities — Note 17

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Long-Term Portion of Lease Liabilities	610,897	773,828	-
Less: Current Portion of Lease Liabilities	(181,785)	(162,931)	-
Total	**429,112**	**610,897**	-

The company has adopted NFRS-16 "Leases" for the first time in FY 2079/080. The company has recognized NRs. 919,861 as Right to Use Asset and corresponding Lease Liability in Statement of Financial Position.

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

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

Sunil Chhajain & Associates Chartered Accountants Regd. No 613 Kathmandu, Nepal

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
As on 31st Ashadh, 2081 (15th July, 2024)

Other Financials Liabilities — Note 18

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Retention Payables			
Mecamidi HPP India Private Limited	2,521,857	2,521,857	-
Maa Sakti Engineering and Hydropower Private Limited	2,370,485	1,671,595	834,109
Shree Mahagauri Maa Sakti J.V	14,530,246	9,810,140	4,869,084
Total	**19,422,588**	**14,003,592**	**5,703,193**

The company has retained the aforementioned amounts from various parties as stipulated in the contracts. These amounts are payable upon the completion of the project, submission of the final bill, or after the period specified in the contract, whichever occurs later.

Short Term Loans and Borrowings — Note 19

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Secured Loan From Bank			
Bridge Gap Loan-Secured	10,000,000	-	30,000,000
Unsecured Loans*		-	-
Loan From Director			
Sadhana Bhattarai	2,000,000	-	-
Laxmi Prasad Devkota	3,700,000	-	-
Srijana Wagle	5,040,000	-	-
Shree Ram Devkota	10,859,118	-	-
Loan From Shareholders			
Krishna Pradhan	1,920,000	-	-
Mohan Prasad Bhattarai	8,500,000	-	-
Padam Prasad Khanal	4,000,000	-	-
Netra Prasad Khatiwada	1,000,000	-	-
Yagya Mani Kalakheti	2,000,000	-	-
Aananda Pokhrel	4,000,000	-	-
Bharat Raj Sharma	250,000	-	-
Total	**53,269,118**	-	**30,000,000**

*The Company has availed a short-term, non-interest-bearing loan facility from its director, shareholders, and other individuals to meet various short term financial requirements during the construction of its project.
Refer Note 16 for more details

Trade Payables — Note 20

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Project Construction Works Payable			
Excel Hydro & Engineering Suppliers Private Limited	955,500	-	-
Galaxy Engineering Works	227,914	-	-
Kalakheti Nirman Sewa	-	1,500,000	-
Shree Mahagauri Construction Private Limited	-	-	62,854.00
Suvas Stores and Suppliers Private Limited	-	200,000	-
Techno Village Private Limited	-	-	2,372,829.00
Total	**1,183,414**	**1,700,000**	**2,435,683**

Lease Liabilities — Note 21

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Current Portion of Lease Liabilities	181,785	162,931	-
Total	**181,785**	**162,931**	-

Refer Note 17 for more details

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
As on 31st Ashadh, 2081 (15th July, 2024)

Other Financials Liabilities — Note 22

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Audit fee Payable	334,500	55,750	55,750
Salary Payables	1,136,538	1,915,763	2,011,931
Interest Payable*	67,910,743	-	12,485,369
Payable to Consultant	2,875,663	1,219,202	201,227
Other Payables	-	235,448	1,372,094
Total	**72,257,444**	**3,426,163**	**16,126,371**

*The interest on the loan, which accrued during the fiscal year 2080/081, remains outstanding as of the reporting date and has not been settled as of the date the financial statements were adopted by the Board of Directors.
Details of above are provided in Annexure 2

Other Current Liabilities — Note 23

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Duties and Taxes			
TDS on Allowances	55,962	39,631	-
TDS on Civil Construction Works (IPC)	1,416,032	1,482,317	799,351.00
TDS on Construction of Civil Works	94,170	-	-
TDS on Consultancy Fee	36,900	-	-
TDS on HM Works	399,954	-	-
TDS on Substation Charge	100,710	-	-
TDS on Transmission Line Cost	166,501		
TDS on Vehicle Hiring Charge	15,000	49,389	400,468.00
TDS on Bill Verification Charge	10,352	5,851	8,063.00
TDS on Remuneration	24,000	46,000	162,000.00
Social Security Tax	82,322	50,659	59,694.00
TDS on Advertisement Expense	2,027	-	-
TDS on Land Lease	-	-	11,111.00
TDS on Audit Fee	4,500	750	-
TDS on Pvt. Ltd	-	869,214	469,589.00
TDS on New Bhojpure Nirman Sewa	-	105,000	-
TDS on Annual Software Charge	75	863	-
TDS on Store Rent	4,000	-	-
TDS on Transportation Expenses	12,059	-	-
Reverse VAT Payable*	166,578	-	-
Rental Tax	-	24,000	-
Total	**2,591,142**	**2,673,674**	**1,910,276**

The company has deducted withholding taxes as per the provisions of Income Tax Act, 2058. However, the interest on the outstanding amount of tax so deducted has not been recognised in the books.
*Reverse VAT has been determined on transportation services received from unregistered parties and wages paid to labor employed by the company. A total of NRs 429,262 was paid for transportation services, resulting in a VAT liability of NRs 55,804. Additionally, total wages of NRs 852,109 were recorded, with a corresponding VAT liability of NRs 110,774.

Provisions — Note 24

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Provision for Current Tax*	-	-	-
Provision for Staff Bonus**	-	-	-
Provision for Corporate Social Responsibility (CSR)**	-	-	-
Provision for Expenses	189,120	-	-
Total	**189,120**	-	-

* Refer Note 36
**As the company is in construction phase and no actual profits have been earned by the company, hence, provision for bonus and provision for CSR have not been provided.

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

Sunil Chapagain & Associates Chartered Accountants Regd. No.613 Kathmandu, Nepal

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes forming part of Financial Statements
For the year ended 31st Ashadh,2081 (15th July, 2024)

Revenue From Operation Note 25

Particulars	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
Sale of Electricity	-	-
Total	-	-

Revenue from sale of electricity is nil as the construction of project is still ongoing and commercial operation of company has not started as on the reporting date.

Cost of Services Note 26

Particulars	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
Cost of Services	-	-
Total	-	-

The company has not yet commenced commercial operations; therefore, no cost of service has been recognized.

IFRIC-12 Revenue Note 27

Particulars	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
Revenue from Service Concession Agreement(IFRIC-12)	324,273,373	344,279,050
Cost of Service Concession Arrangement(IFRIC-12)	305,918,276	324,791,557
Total	**18,355,097**	**19,487,493**

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

Other Income Note 28

Particulars	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
Interest Income	905	-
Total	**905**	-

Administrative Expenses Note 29

Particulars	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
Audit Fee	339,000	56,500
AGM Expenses	189,120	65,043
Bank Charge	14,278	42,945
Registration and Renewal Charges	72,400	-
Office Expenses	94,478	40,225
Parking Expenses	-	2,200
Fine and Penalty	203,414	208,927
Internet Communication Expenses	17,150	2,340
Courier Expenses	14,140	405
Total	**943,980**	**418,585**

Employee Benefit Expenses Note 30

Particulars	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
Salary and Other Allowances	600,000	150,000
Total	**600,000**	**150,000**

Refer Note 35

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes forming part of Financial Statements
For the year ended 31st Ashadh,2081 (15th July, 2024)

Depreciation and Amortization Expenses **Note 31**

Particulars	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
Depreciation on Tangible Assets	471,058	552,059
Depreciation on Other Intangible Assets	7,684	7,684
Depreciation on Right of Use(ROU) Assets	183,972	183,972
Total	**662,714**	**743,715**

Finance Cost **Note 32**

Particulars	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
Interest Expenses*	-	-
Interest on Lease Liabiity**	77,069	93,968
Total	**77,069**	**93,968**

*The company has entered into credit facility agreement for the project financing of Lankhuwa khola small Hydroelectric Project (5 MW) with Rastriya Banijya Bank as participating Bank. Borrowing costs directly attributable to the acquisition and construction of qualifying assets will be capitalized as part of the asset's cost, in accordance with NAS 23 – Borrowing Costs.
**The lease liability is initially recognized using an effective interest rate of 11%. Subsequently, the unwinding of the lease liability is recognized as interest expense on the lease liability in the Statement of Profit or Loss.

Earnings Per Share **Note 33**

Particulars	For the Year Ended 31st Ashadh, 2081	For the Year Ended 31st Ashadh, 2080(Restated)
Net Profit for the Year	16,076,069	18,090,710
Number of Shares Outstanding	3,825,000	291,700
Number of Weighted Average Share Outstanding*	494,986	291,700
Basic Earnings Per Share**	32.48	62.02

*The weighted average number of shares outstanding for the calculation of Basic and Diluted Earnings Per Share has been determined based on the shares outstanding as of the reporting date. In accordance with NAS-33, the weighted average number of shares is calculated by taking into account any changes in the number of shares during the reporting period.The company does not have any potential equity shares. Hence, Diluted Earnings per Share has not been calculated.
**Net revenue as per IFRIC 12(Service Concession Agreement) has resulted in profit of the company although there is no actual sale of elctricity by the company as the company is in construction phase.

SABHAPOKHARI HYDRO POWER (P) LTD. * 2064 * Kathmandu *

Sunil Chapain & Associates * Chartered Accountants Regd. No.613 * Kathmandu, Nepal *

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements

For the year ended 31st Ashadh,2081 (15th July, 2024)

First Time Adoption of NFRS **Note 34**

The financial statements for the year ended 31st Ashadh, 2081 are the first financial statements of the company which have been prepared as per NFRSs. All the financial statements issued prior to this period are prepared in accordance with Nepal Accounting Standard (NASs). Accordingly, the company has prepared financial statements that comply with NFRS applicable as at 31st Ashadh 2081 (15th July, 2024) together with the comparative period data for the year ended 31st Ashadh, 2080 (16th July 2023). The financial statements for the year ended 32nd Ashadh, 2079 and the opening Balance Sheet as at 1st Shrawan, 2079 have been restated in accordance with NFRS for comparative information.

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

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

A. Exemptions from retrospective application

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

I. Changes in Accounting Policies:
During the transition to NFRS, the company adopted several changes in accounting policies to align with NFRS requirements, which significantly impacted on Property, Plant, and Equipment (Intangible Assets Under Development)

- i) Reclassification of Intangible Assets Under Development from Capital work in Progress
- ii) Reclassification of Administrative Expenses from Capital Work in Progress
- iii) Reclassification of Intangible Assets Under Development from Property, Plant and Equipment
- iv) Lease Accounting
- v) Classification of Financial Assets and Financial Liabilities
- vi) Useful lives of Property, Plant and Equipment

Reclassification of Intangible Assets Under Developement from Capital Work in Progress
Under NFRS,Contract Assets are reclassified from Capital work in Progress and shown separately. This reduces the Capital work in progress balance and introduces a distinct "Intangible Assets Under Development" line on the statement of financial position. The adjustment is reflected in equity reconciliation, with disclosures explaining the nature and value of reclassified items, ensuring clarity and compliance.

Reclassification of Administrative Expenses from Capital Work in Progress
Under GAAP, general expenses not directly linked to the development or acquisition of project assets were capitalized as Capital Work in Progress. However, with the adoption of NFRS, these expenses have been reclassified as administrative costs in the statement of profit and loss, in line with NFRS requirements. The transition adjustments have been reflected in the financial statements, impacting retained earnings and project assets. Specifically, the cumulative effect of this reclassification has been adjusted in retained earnings, while the carrying amount of project assets has been reduced to exclude these reclassified expenses. This adjustment ensures compliance with NFRS and provides a more accurate representation of the entity's financial position and statement of profit or loss.

Reclassification of Intangible Assets Under Development from Property, Plant and Equipment
Under GAAP, project land was classified as Property, Plant, and Equipment. However, with the adoption of NFRS, these assets have been reclassified as Intangible Assets Under Development in the Statement of Financial Position. The transition adjustments, which affect both Property, Plant, and Equipment and project assets, have been reflected in the financial statements. This reclassification ensures compliance with NFRS and offers a more accurate representation of the entity's financial position and performance.

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
For the year ended 31st Ashadh,2081 (15th July, 2024)

Lease Accounting

Under NFRS 16 - Leases, the company has recognized all significant leases as Right-of-Use (ROU) Assets and corresponding Lease Liabilities, replacing the previous off-balance-sheet treatment of operating leases. ROU assets are presented under non-current assets, and lease liabilities are split into current and non-current portions. Lease expenses are now classified as depreciation on ROU assets and interest on lease liabilities. The adjustment impacts the statement of financial position, statement of cash flows, profit or loss, and equity reconciliation, with detailed disclosures provided on lease terms, maturity analysis, and key judgments applied. Also lease liabilities are classified into current and non-current portions based on their maturities.

Particulars	Summary
Lease Terms	5 Years
Depreciation Method	Straight Line Method (SLM)
Discount rate	11%
Effective Interest rate	11%
Growth Rate	0%
Financial Impact (In NPR)	As on the date of recognition: Right of Uses Assets (ROU)-NPR 919,861 Short Term lease liability-NPR 1,62,931 Interest Cost-NPR 93,968 For FY 2080-81: Right of Uses Assets (ROU)-NPR 735,889 Short Term lease liability-NPR 1,81,785 Interest Cost-NPR 77,069

Useful lives of Property, Plant and Equipment
The company reviewed and adjusted the useful lives of PPE to better reflect asset use and alignment with NFRS requirements. The revised useful lives are disclosed in Note 4.1

Classification of Financial Assets and Financial Liabilities
The financial statements on the date of transaction i.e. 1st Shrawan 2079 are the first prepared in compliance with NFRS. As per NFRS 9: Financial Instruments, financial assets and liabilities were reclassified and measured based on the business model and contractual cash flow characteristics.

II. Measurement of Financial Assets and Financial Liabilities
The classification of financial instruments to be measured at amortized cost or fair value through other comprehensive income is made on the basis of the facts and circumstances that existed on the date of transition to NFRS. (Refer Annexure 9)

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

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

i) Reconciliation of Statement of Financial Position (Annexure 3)
ii) Reconciliation of Equity as at 1st Shrawan, 2079 and 31st Ashadh, 2080 (Annexure 4)
iii) Adjustments to Statement of Cash Flows (Annexure-5)
iv) Reconciliation of Statement of Profit or Loss and other Comprehensive Income for the year ended 31st Ashadh, 2080 (Annexure-
v) 6)
vi) Reconciliation of Intangible Assets under Construction (Annexure-7)

Previous GAAP information has been reclassified/regrouped in accordance with NFRS, wherever necessary, based on the audited financial statements of the Company for the year ended 31st Ashadh, 2080 and 1st Shrawan, 2079

SABHAPOKHARI HYDROPOWER (P) LTD. 2064 Kathmandu

Sunil Champatirath & Associates Chartered Accountants Regd. No.613 Kathmandu, Nepal

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements

For the year ended 31st Ashadh,2081 (15th July, 2024)

Other Explanatory Notes:

Post- Employment Benefits **Note 35**

The company has not recognised the provision for liabilities related to accumulated leave, provident fund, gratuity, or similar benefits, as its employee benefits are limited to salary and allowances.

Income Tax **Note 36**

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

Current Tax

The Company has not started its commercial operation as of the reporting date. Hence, the tax exemption as per the provisions of section 11 (3 Gha) of Income Tax Act, 2058 is not applicable for the period ended 31st Ashadh ,2081. Accordingly, the tax rate applicable to the company for the year is 25% and has no taxable profit. Hence, no tax liability will arise.

Deferred Tax

Deferred tax is calculated on temporary differences using a applicable tax rate of 25% . Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the management believe it is probable that these assets will be recovered.

The company is currently in the construction phase and has accumulated carry forward losses as on the reporting date, after completion of construction it will get a tax holiday for 10 years and 50% tax exemption for next 5 years. Therefore, the accounting of deferred tax assets or liabilities has not been started on accumulated carry forward losses

Revised Commercial Operation Date **Note 37**

The commercial operation date of the Lankhuwa khola small Hydropower project (5 MW) has been revised multiple times. Initially, the project was required to commence commercial operations on 14th Poush, 2077. As per the latest amendment to the PPA agreement with NEA, this date was extended to 12th Poush, 2079.

Rating of the company **Note 38**

The CARE Rating Nepal Limited has issued a Credit Rating for Bank Facilities to the company [CARE-NP BB] pronounced as CARE NP Double B Minus-that means company has moderate risk of default regarding timely servicing of financial obligations. Credit Rating for Bank Facilities has been done as on 04th Ashadh, 2080 and valid till 03rd Chaitra,2080.

IPO Related Expenses **Note 39**

Cost attributable to issue of Initial Public Offering (IPO) has been charged to reserve and surplus. Such cost includes fees of Issue and Sales manager.

Public Issue-Initial Public Offering (IPO) **Note 40**

The Company has appointed RBB Merchant Banking Limited as the Issue Manager and Sales Manager for its Initial Public Offering (IPO) and is currently in the process of seeking approval for the public issue from the Electricity Regulatory Commission.

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
For the year ended 31st Ashadh,2081 (15th July, 2024)

Related Party Transaction **Note 41**

Key Managerial Personnel (KMP)

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

S.N.	Key Managerial Personnel (KMP)	Relationship	Status
1	Laxmi Prasad Devkota	Chairman	Reppointed w.e.f. 2080.12.24
2	Shree Ram Devkota	Managing Director	Reppointed w.e.f. 2080.12.24
3	Sadhana Bhattarai	Director	Reppointed w.e.f. 2080.12.24
4	Suraj Marahatta	Director	Reppointed w.e.f. 2080.12.24
5	Netra Prasad Khatiwada	Director	Reppointed w.e.f. 2080.12.24
6	Jagadishowr Devkota	Independent Director	Reppointed w.e.f. 2080.12.24
7	Shrijana Wagle	Director	Resigned w.e.f. 2080.12.24
8	Mahesh Chadra Baniya	Director	Resigned w.e.f. 2080.12.24
9	Santi Prasad khanal	Director	Resigned w.e.f. 2080.12.24

Transactions with Key Management Personnel (KMP) and Other Related Parties
The company has incurred the following transactions with Key Management Personnel (KMP) and Related Party

Related Party	Relation	Nature of Transaction	(Advance)/ Payable as on 31st Ashadh,2080	Transaction	(Advance)/ Payable as on 31st Ashadh,2081
Laxmi Prasad Devkota	Chairman	Loan From Director	-	3,700,000	3,700,000
Shree Ram Devkota	Managing Director	Loan From Director	-	26,959,357	10,859,118
		Repayment of Loan	-	16,100,239	-
Sadhana Bhattarai	Director	Loan From Director	-	2,000,000	2,000,000
Shrijana Wagle	Director	Loan From Director	-	5,040,000	5,040,000
Techno Village Pvt. Ltd.	Entity over which director has significant control	Service	(1,745,921)	12,340,221	-
Top Electric Company Limited	Entity over which director has significant control	Service	-	1,784,000	(15,416,000)

Devkota

SABHAPOKHARI HYDRO POWER (P) LTD. * Kathmandu * 2064

Sunil Chapain & Associates Chartered Accountants Regd. No.613 * Kathmandu, Nepal *

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
For the year ended 31st Ashadh,2081 (15th July, 2024)

Substantial Shareholder **Note 42**

The details of Substantial Shareholder (Shareholders holding more than 1% of share capital and percentage of holding) is given below.

S.N.	Name of Promoters	Share Qty	Percentage
1	Emerging Nepal Ltd.	200,000	5.23%
2	Reliable P. Equity Fund	200,000	5.23%
3	Mohan Prasad Bhattarai	190,000	4.97%
4	Shree Ram Devkota	142,266	3.72%
5	Sirjana Wagle	140,000	3.66%
6	Sadhana Bhattarai	140,000	3.66%
7	Suraj Marahatta	125,000	3.27%
8	Yagyamani Kalakheti	119,000	3.11%
9	Aananda Pokhrel	105,000	2.75%
10	Netra Prasad Khatiwada	100,000	2.61%
11	Laxmi Sustainable Energy Fund	100,000	2.61%
12	Anjana Devkota	88,934	2.33%
13	Mahesh Chandra Baniya	85,000	2.22%
14	Bhuwan Kumar Dahal	75,000	1.96%
15	Hari Prasad Poudel	70,000	1.83%
16	Suresh Upreti	68,000	1.78%
17	Santi Prasad Khanal	62,300	1.63%
18	Kesabraj Wagle	60,000	1.57%
19	Laxmi Prasad Devkota	60,000	1.57%
20	Padam Prasad Khanal	50,200	1.31%
21	Binaya Pokhrel	50,000	1.31%
22	Dil Kumari Karki	50,000	1.31%
23	Pratima Shrestha	50,000	1.31%
24	Shyam Khatiwada	50,000	1.31%
25	Krishna Raj Acharya	50,000	1.31%
26	Dinesh Kharel	50,000	1.31%
27	Dipraj Khatri	50,000	1.31%
28	Debendra Khanal	48,000	1.25%
29	Sambhu Khanal	45,000	1.18%
30	Modnath Marahatta	41,000	1.07%
31	Suman Adhikari	40,000	1.05%

Events after reporting period **Note 43**

The major events that have occurred after the balance sheet date segregating into

i. Event that have been adjusted

There has not been any significant adjustable reportable events after the reporting date which requires to be either adjusted.

ii. Events that have not been adjusted but required for disclosure only

Electricity generation commenced in FY 2081-82. As of the adoption date of the company's financial statements, the generated electricity is being supplied to Nepal Electricity Authority in accordance with the Power Purchase Agreement. Commercial operations will begin shortly after the energy, as stipulated in the agreement, is supplied to Nepal Electricity Authority.

Segment Reporting **Note 44**

The company is engaged in only one business activity of "Generation and Sale of Electricity".

Contingent Liabilities **Note 45**

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystallizing or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognized. The company has taken Letter of Credit with following amounts and the respective obligations remaining are listed below:

S.N	Bank Name	Issued to	Purpose	Remaining LC as on 31st Ashadh, 2081
1	Rastriya Banijya Bank Limited	Mecamidi HPP India Private Limited	Import of Electromechanical Equipment	2,535,533

The total LC opened and contingent liability outstanding against the LCs as on 31st Ashadh, 2081 is NRs 2,535,533.

SABHAPOKHARI HYDROPOWER (P) LTD. 2064 Kathmandu

Sunil Dhapain & Associates Chartered Accountants Regd. No. 613 Kathmandu, Nepal

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Notes Forming part of Financial Statements
For the year ended 31st Ashadh,2081 (15th July, 2024)

S.N	Bank Name	Purpose	Bank Guarantee Amount (NRs.)
1	Rastriya Banijya bank	EXIM Code	300,000

The total Bank Guarantee obtained and contingent liability outstanding against such guarantees as on 31st Ashadh, 2081 is NRs 300,000.

Reclassification **Note 46**

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

Items	Current Classification	Previous Classification	Amount NRs (As on 31st Ashadh, 2080)
Intangible Assets	Intangible Assets	Property, Plant and Equipment	23,052
Intangible Assets Under Development	Intangible Assets Under Development	Capital Work In Progress	775,533,994
Margin against LC	Financial Assets	Loans, Advances and Other Current Assets	165,000
Other Current Assets	Other Current Assets	Loans, Advances and Other Current Assets	150,087,108
Cash and Cash Equivalent	Current Assets	Financial Assets	4,902,894
Equity Share Capital	Equity Share Capital	Share Capital	29,170,000
Reserve and Surplus	Reserve and Surplus	Retained Earnings	59,634,095
Advance for Share Capital	Equity	Non- Current Liabilities	265,992,400
Trade Payables	Financial Liabilities	Current Liabilites	1,700,000
Other Financials Liabilities	Financial Liabilities	Current Liabilites	3,426,163
Other Current Liabilities	Other Current Liabilities	Duties and Taxes	2,673,674

Risk Management **Note 47**

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

Liquid Risk **Note 47.1**

Liquidity risk is the risk that the company will face in meeting its obligations associated with financial liabilities. The company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. A material and sustained shortfall in cash flow could create potential business continuity risk. The Company is fully dependent on Nepal Electricity Authority for its revenue based on the PPA. Any delay in settlement of dues by NEA will make it difficult for the company to operate smoothly

Interest Rate Risk **Note 47.2**

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

Capital Management **Note 47.3**

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

Miscellaneous **Note 48**

I. All the figures stated on the financial statement are in Nepalese Rupees.
II. All the figures are rounded upto nearest rupees.
III. Notes form an integral part of financial statements.

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Annexure Forming part of Financial Statement
As on 31st Ashadh, 2081 (15th July, 2024)

Annexure of Other Current Assets — **Annexure 1**

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Advance to Contractors			
Shree Mahagauri/ Maa Sakti JV	79,590,419	112,231,733	48,416,214
Maa Sakti Engineering & Hydropower Private Limited	4,117,378	14,801,645	6,090,093
Mecamidi HPP India Private Limited	-	-	1,902,471
	83,707,797	**127,033,378**	**56,408,778**
Advances to Parties			
ABC Sanitation and Marble	1,200,195	-	-
Astramatrika Infradev Private Limited	700,000	-	-
Auricle Events Private Limited	189,120	-	-
Ganinath Construction	451,900	-	-
Gyanneta Hydro Electro Mechanical Engineering	1,250,000	-	-
Harit Engineering Traders Private Limited	29,283	-	-
Kandel & Associates	-	-	42,863
Kantibir Trade Link Private Limited	700,000	-	-
Monotech Engineering Consult Private Limited	-	38,053	520,000
Nepal Environmental Development Consult Private Limited	-	-	500,000
Soundness Engineering Consultants Private Limited	-	-	200,000
Ma Shakti UPVC and Structure Private Limited	1,000,000	1,000,000	-
Nepa Projects Private Limited	-	27,876	-
Excel Hydro and Engineering Suppliers Private Limited	-	2,500,000	-
Nep Power Enterprises Private Limited	5,698,274	2,164,400	-
S.A.R.P Engineering Private Limited	52,600	-	-
Suvas Stores & Suppliers Private Limited	1,678,342	-	-
Top Electric Company Private Limited	15,416,000	-	-
Techno Village Private Limited	-	1,745,921	-
	28,365,714	**7,476,250**	**1,262,863**
Advance to Staff			
Shyam Khatiwada	-	-	383,125
Prabin Kumar K.C.	-	468,000	-
	-	**468,000**	**383,125**
Land Advance			
Land Purchase Advance	-	8,811,600	7,130,965
	-	**8,811,600**	**7,130,965**
Other Advances			
Advance for Custom Clearance	-	1,324,329	819,263
Prakash Kumar Basnet	816,568	-	-
Purna Bahadur Budathoki	2,000,000	2,000,000	2,000,000
Prakash Thapa	-	250,000	-
IRD Tax Payment	-	800,000	-
Shambu Khanal	-	500,000	-
Kedar Baral-Site Advance	564,689	1,423,551	-
	3,381,257	**6,297,880**	**2,819,263**
Prepaid Expenses			
Prepaid Vehicle Insurance	6,928	-	-
Prepaid Project Insurance	2,273,941	-	-
	2,280,869	**-**	**-**
Advance Tax			
Advance Tax	136	-	-
	136	**-**	**-**
Total	**117,735,773**	**150,087,108**	**68,004,994**

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

Sunil Chopra & Associates Chartered Accountants Regd. No.613 Kathmandu, Nepal

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Annexure Forming part of Financial Statement
As on 31st Ashadh, 2081 (15th July, 2024)

Annexure of Other Financials Liabilities — **Annexure 2**

Particulars	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080(Restated)	As at 1st Shrawan 2079(Restated)
Audit fee Payable	334,500	55,750	55,750
Salary Payables	1,136,538	1,915,763	2,011,931
Interest Payable			
Interest Payable on Term Loan and Bridge Gap Loan -RBB Bank	67,910,743	-	12,485,369
	67,910,743	**-**	**12,485,369**
Payable to Consultant			
Hydro & Infrastructure Private Limited	319,527	185,027	201,227
Capital Management and Consultant Private Limited	2,230,000	167,250	-
Kandel & Associates	217,424	217,425	-
Kandel & Associates- Partnership	108,712	-	-
S.A.R.P Engineering Private Limited	-	34,500	-
Nepal Environmental Development Consult Private Limited	-	615,000	-
	2,875,663	**1,219,202**	**201,227**
Other Payables			
Devekota Suppliers	-	-	172,876
Pathibhara Survey & Management Co. Pvt. Ltd	-	176,394	193,625
Yashoda Oil Center	-	59,054	-
Kedar Baral	-	-	913,300
Nabin Kalakheti	-	-	19,783
Transporation Expenses	-	-	52,553
Payables to Related Party	-	-	19,957
	-	**235,448**	**1,372,094**
Total	**72,257,444**	**3,426,163**	**16,126,371**

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Statement of Financial Position
As on 31st Ashadh, 2081 (15th July, 2024)

i. Reconciliation of Statement of Financial Position as at 1st Shrawan, 2079 and 31st Ashad, 2080

Annexure 3

Particulars	As on 31st Ashad, 2080 (End of the last period presented under GAAP)				As on 1st Shrawan, 2079 (Date of Transition)		
	Previous GAAP	Effect of Transition to NFRSs-31/03/2080	Effect of Transition to NFRSs as on 01/04/2079	Amount as per NFRSs	Previous GAAP	Effect of Transition to NFRSs as on 01/04/2079	Amount as per NFRSs
ASSETS							
Non-Current Assets							
Property, Plant and Equipment	17,398,041	(15,155,286)	(30,736)	2,212,019.00	17,957,785.00	(30,736.00)	17,927,049.00
Intangible Assets Under Development	-	344,279,050	493,472,786	837,751,836.00	-	493,472,786.00	493,472,786.00
Capital Work in Progress	775,533,994	(309,993,631)	(465,540,363)	-	465,540,363.00	(465,540,363.00)	-
Right of Use Assets	-	735,889	-	735,889.00	-	-	-
Intangible Assets	-	(7,684)	30,736	23,052.00	-	30,736.00	30,736.00
Deferred Tax Assets(Net)	-	9,485	-	9,485.00	-	-	-
Total Non Current Assets	**792,932,035**	**19,867,823**	**27,932,423**	**840,732,281**	**483,498,148**	**27,932,423**	**511,430,571**
Current Assets							
Loans, Advances and Other Current Assets	150,252,108	(72,691,215)	(77,560,893)	-	77,560,893	(77,560,893.00)	-
Cash and Cash Equivalent	4,902,893	(4,655,191)	(247,702)	-	247,702	(247,702.00)	-
Financial Assets							
Cash and Cash Equivalent	-	4,655,192	247,702	4,902,894.00	-	247,702.00	247,702.00
Other Financials Assets	-	(9,390,899)	9,555,899	165,000.00	-	9,555,899.00	9,555,899.00
Other Current Assets	-	82,082,114	68,004,994	150,087,108.00	-	68,004,994.00	68,004,994.00
Total Current Assets	**155,155,001.00**	-	-	**155,155,002.00**	**77,808,595.00**	-	**77,808,595.00**
Total Assets	**948,087,036**	**19,867,824**	**27,932,423**	**995,887,283**	**561,306,743.00**	**27,932,423.00**	**589,239,166.00**

SABHAPOKHARI HYDRO POWER (P) LTD. ★ 2064 Kathmandu ★

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Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Statement of Financial Position
As on 31st Ashadh, 2081 (15th July, 2024)

i. Reconciliation of Statement of Financial Position as at 1st Shrawan, 2079 and 31st Ashad, 2080

Annexure 3

Particulars	As on 31st Ashad, 2080 (End of the last period presented under GAAP)				As on 1st Shrawan, 2079 (Date of Transition)		
	Previous GAAP	Effect of Transition to NFRSs-31/03/2080	Effect of Transition to NFRSs as on 01/04/2079	Amount as per NFRSs	Previous GAAP	Effect of Transition to NFRSs as on 01/04/2079	Amount as per NFRSs
EQUITY AND LIABILITIES							
Equity							
Share Capital	29,170,000	-	(29,170,000)	-	29,170,000.00	(29,170,000.00)	-
Equity Share Capital	-	-	29,170,000	29,170,000.00	-	29,170,000.00	29,170,000.00
Reserve and Surplus	(3,468,392)	19,093,996	27,932,422	43,558,026.00	(6,676,404.00)	27,932,422.00	21,256,018.00
Advance for Share Capital	-	99,334,000	166,658,400	265,992,400.00	-	166,658,400.00	166,658,400.00
Total Equity	**25,701,608**	**118,427,996**	**194,590,822**	**338,720,426**	**22,493,596**	**194,590,822**	**217,084,418**
LIABILITIES							
Non- Current Liabilities							
Share Calls in Advances	265,992,400	(99,334,000)	(166,658,400)	-	166,658,400	(166,658,400.00)	-
Long Term Borrowing	634,589,600	(318,610,375)	(315,979,225)	-	315,979,225	(315,979,225.00)	-
Financial Liabilities							
Long Term Loans and Borrowings	-	318,610,375	315,979,225	634,589,600.00	-	315,979,225.00	315,979,225.00
Lease Liabilities	-	610,897	-	610,897.00	-	-	-
Other Financials Liabilities	-	8,300,399	5,703,193	14,003,592.00	-	5,703,193.00	5,703,193.00
Other Non-Current Liabilities	-	-	-	-	-	-	-
Total Non- Current Liabilities	**900,582,000**	**(90,422,704)**	**(160,955,207)**	**649,204,089**	**482,637,625**	**(160,955,207)**	**321,682,418**
Current Liabilites							
Short Term Borrowing	-	30,000,000	(30,000,000)	-	30,000,000	(30,000,000.00)	-
Duties & Taxes	2,673,674	(763,398)	(1,910,276)	-	1,910,276	(1,910,276.00)	-
Trade & Other Payables	19,129,754	5,135,492	(24,265,246)	-	24,265,246	(24,265,246.00)	-
Financial Liabilities							
Short Term Loans and Borrowings	-	(30,000,000)	30,000,000	-	-	30,000,000.00	30,000,000.00
Trade Payables	-	(735,683)	2,435,683	1,700,000.00	-	2,435,683.00	2,435,683.00
Lease Liabilities	-	162,931	-	162,931.00	-	-	-
Other Financials Liabilities	-	(12,700,208)	16,126,371	3,426,163.00	-	16,126,371.00	16,126,371.00
Other Current Liabilities	-	763,398	1,910,276	2,673,674.00	-	1,910,276.00	1,910,276.00
Provisions	-	-	-	-	-		-
Deferred Tax Liabilities	-	-	-	-	-		-
Total Current Liabilities	**21,803,428**	**(8,137,468)**	**(5,703,192)**	**7,962,768**	**56,175,522**	**(5,703,192)**	**50,472,330**
Total Liabilities	**922,385,428**	**(98,560,172)**	**(166,658,399)**	**657,166,857**	**538,813,147.00**	**(166,658,399.00)**	**372,154,748.00**
Total Equity and Liabilities	**948,087,036**	**19,867,824**	**27,932,423**	**995,887,283**	**561,306,743.00**	**27,932,423.00**	**589,239,166.00**

Chartered Accountants Regd. No.613 Kathmandu, Nepal

2064 Kathmandu

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Statement of Financial Position
As on 31st Ashadh, 2081 (15th July, 2024)

Reconciliation of Total Equity as at 1st Shrawan, 2079 and 31st Ashad, 2080 **Annexure 4**

Particulars	As on 31st Ashad, 2080	As on 1st Shrawan, 2079
	End of Last Period Presented Under GAAP	Date of Transition
Share Capital	29,170,000	29,170,000
Advance for Share Capital	-	-
Accumulated Reserve till last year	(6,676,404)	(5,441,637)
Current Year Profit and (Loss)	(1,153,285)	(1,234,767)
Regrouped to Capital Work in Progress	4,361,298	-
Total Equity under GAAP	**25,701,609**	**22,493,596**
Adjustments under NFRSs:		
Adjustment of Transition Year	27,932,422	
Reclassification of Intangible Assets Under Construction to Expenses (Annexure 8)	(215,043)	-
Reclassification of Intangible Assets Under Construction to Reserve and Surplus (Annexure 8)	(150,000)	-
Accounting of Lease liability as per NFRS	240,000	-
IFRIC-12 Revenue	19,487,493	27,932,422
Depreciation of ROU Assets	(183,972)	
Finance Expenses on Lease liabilities	(93,968)	
Deferred Tax Income	9,485	
Total Adjustments to Retained Earnings	**47,026,417**	**27,932,422**
Adjustments under NFRSs:		
Regroup of Advance for Share Capital to Equity	265,992,400	166,658,400
Total Adjustments to Equity	**265,992,400**	**166,658,400**
Total Equity under NFRSs	**338,720,426**	**217,084,418**

Reconciliation of Statement of Cash Flows as at 1st Shrawan, 2079 and 31st Ashad, 2080 **Annexure-5**

Particulars	For the period Ended 31st Ashadh, 2080 (The Latest Presented Under GAAP)		
	Previous GAAP	Effect of Transition to NFRs	Amount as per NFRs
Net Cash Flow from Operating Activities	(107,656,851)	8,275,443	(115,932,294)
Net Cash Flow from Inventing Activities	(305,632,331)	(365,043)	(305,267,288)
Net Cash Flow from Financing Activities	417,944,374	(7,910,400)	425,854,774
Net Cash Increase/(Decrease) in Cash and Cash Equivalents	**4,655,192**	-	**4,655,192**
Cash and Cash Equivalents at the beginning of the period	247,702	-	247,702
Cash and Cash Equivalents at the end of the period	**4,902,894**	-	**4,902,894**

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Statement of Financial Position
As on 31st Ashadh, 2081 (15th July, 2024)

Reconciliation of Statement of Profit or Loss and Other Comprehensive Income for the Year Ended on 31st Ashad, 2080 — **Annexure-6**

Particulars	For the Year Ended on 31st Ashad, 2080 The Latest Period Presented Under GAAP
Profit/(Loss) for the year as per Previous GAAP	(1,153,285)
Adjustments under NFRSs:	
Reclassification of Intangible Assets Under Construction to Expenses (Annexure 8)	(215,043)
Accounting of Lease liability as per NFRS	240,000
IFRIC-12 Revenue	19,487,493
Depreciation of ROU Assets	(183,972)
Finance Expenses on Lease liabilities	(93,968)
Deferred Tax Income	9,485
Total Adjustments to Statement of Profit or Loss	**19,243,995**
Profit or Loss under NFRSs	**18,090,710**
Other Comprehensive Income	-
Total Comprehensive Income under NFRSs	**18,090,710**

Reconciliation of Capital Work in Progress as at 1st Shrawan, 2079 — **Annexure-7**

Particulars	As on 1st Shrawan, 2079 Date of Transition
Capital Work in Progress	465,540,364
Total Equity under GAAP	**465,540,364**
Adjustments under NFRSs:	
Capitalization of IFRIC-12 revenue as per NFRS	27,932,422
Reclassification of expenses of FY 2078-79 to Intangible Assets Under Construction	-
Total Adjustments to Intangible Assets Under Construction	**27,932,422**
Total Contract Assets	**493,472,786**

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

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

Details of Reclassification as on the date of Transition of NFRS **Annexure 8**

The following items have been reclassified from Capital Work In Progress (CWIP) to Reserve and Surplus due to Transition of NFRS as on 1st Shrawan 2079.

S.N	Particulars	Reclassified Fiscal Year	Amount	Reason for Reclassification
1	AGM Expenses	2079-80	65,043	Administrative Related Cost included in Project cost
2	Salary Expenses	2079-80	150,000	Administrative Related Cost included in Project cost
3	IPO Processing Fee	2079-80	150,000	Public Issue Related Cost included in Project cost
	Total		**365,043**	

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

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Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Annexure Forming part of Financial Statement
As on 31st Ashadh, 2081 (15th July, 2024)

Financial Instrument Classfication and Fair value measurment **Annexure 9**

This Annexure gives an overview of the significance of financial instruments for the Company and provides additional information on the balance sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial assets, financial liabilities and equity instrument are disclosed in Note 4 to the financial statements.

Financial instruments by category

Particulars	As at 31st Ashadh, 2081			As at 31st Ashadh, 2080		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial Assets						
Trade Receivables	-	-	-	-	-	-
Cash and Cash Equivalent	-	-	116,962	-	-	4,902,894
Other Financials Assets	-	-	15,000	-	-	165,000
Total Financial Assets	-	-	**131,962**	-	-	**5,067,894**
Financial Liabilities						
Loans and Borrowings	-	-	744,024,305.00	-	-	634,589,600
Trade Payables	-	-	1,183,414	-	-	1,700,000
Lease Liabilities	-	-	610,897	-	-	773,828
Other Financials Liabilities	-	-	91,680,032	-	-	17,429,755
Total Financial Liabilities	-	-	**837,498,648**	-	-	**654,493,183**

Fair value hierarchy

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3, as described below:

Quoted prices in an active market (Level 1):

This level of hierarchy includes financial assets that are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities. This category consists of investment in quoted equity shares & Mutual fund.

Valuation techniques with observable inputs (Level 2):

This level of hierarchy includes financial assets and liabilities, measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category consists of derivatives taken by the Company like forward contracts.

Valuation techniques with significant unobservable inputs (Level 3):

This level of hierarchy includes financial assets and liabilities measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. This level of hierarchy includes Company's investment in equity shares which are unquoted or for which quoted prices are not available at the reporting dates.

SABHAPOKHARI HYDRO POWER (P.) LTD. 2064 Kathmandu

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

Sabhapokhari Hydropower Limited
Banasthali-16, Kathmandu, Nepal

Annexure Forming part of Financial Statement
As on 31st Ashadh, 2081 (15th July, 2024)

Property Plant & Equipment (As per Income Tax Act)

Annexure 10
Figures in NRs

S.N.	Particulars	Opening Balance	Addition During the Year			Disposal	Total	Rate of Dep	Depreciation	Closing Balance
		As on 1st Shrawan, 2080	Up To Poush	Magh To Chaitra	Baisakh to Ashadh					As at 31st Ashadh, 2081
1	Pool A									
	Land	-	-				-	0%	-	-
		-	-	-	-	-	-	-	-	-
2	Pool B						-		-	-
	Furniture & Fixtures	43,363				-	43,363	25%	10,841	32,522
	Office Equipments	18,016	-	135,000		-	153,016	25%	27,004	126,012
	Computer & Peripheral	154,359	63,500			-	217,859	25%	54,465	163,394
		215,738	**63,500**	**135,000**	-	-	**414,238**		**92,310**	**321,929**
3	Pool C						-		-	-
	Vehicle	1,738,920	-	-	-	-	1,738,920	20%	347,784	1,391,136
		1,738,920	-	-	-	-	**1,738,920**		**347,784**	**1,391,136**
4	Pool D						-		-	-
	Total Station	257,360	-	-	-		257,360	15%	38,604	218,756
		257,360	-	-	-	-	**257,360**		**38,604**	**218,756**
5	Pool E									
	Tally Software	23,052			-		23,052	4 Years	5,763	17,289
		23,052	-	-	-	-	**23,052**		**5,763**	**17,289**
	Total	**2,235,070**	**63,500**	**135,000**	-	-	**2,433,570**		**484,461**	**1,949,110**