Firm Reg: 613

SUNIL CHAPAIN & ASSOCIATES

(Chartered Accountants)

Independent Auditor's Report

To the Shareholders

Sabhapokhari Hydropower Limited

Banasthali-16, Kathmandu, Nepal

Report on the audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Company, which comprise the Statement of Financial Position as at 31st Ashadh, 2080 (16th July 2023), and the Statement of Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the financial statements, including General Information & Summary of significant accounting policies & Notes to the Accounts.

In our opinion and to the best of our information and according to the explanations given to us, except for the effect of matters described in the Basis of Qualified Opinion section of our report, the aforesaid financial statements give the information required by the Company Act, 2063, in the manner so required and give a true and fair view in conformity with the generally accepted accounting principles in Nepal, of the Financial Position of the company as at 31st Ashadh, 2080 (16th July 2023), and Statement of Income , Statement of Cash Flows and Statement of Changes in Equity for the year ended on that date.

Basis for Qualified Opinion

The depreciation of the assets of the company for the year is carried in the books at Rs.559,743. With reference to the note no. 3 of the notes forming part of the financial statements, the management has provided depreciation on written down value based on the rates and method prescribed under Income Tax Act, 2058, which is in departure from Nepal Accounting Standards-16 (NAS-16) - 'Property, Plant and Equipment'.

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 the code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for qualified opinion.

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.

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Email : casunil.chapain.np@gmail.com

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

As part of an audit in accordance with NSAs, we exercise professional judgment 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related 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.

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

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)
Banasthali-16, Kathmandu, Nepal

Statement of Financial Position
As on 31st Ashadh, 2080 (16th July, 2023)

Figures in NRs

Particulars	Note	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3	17,398,041	17,957,785
Capital Work in Progress	4	775,533,994	465,540,363
Total Non Current Assets		792,932,035	483,498,148
Current Assets			
Loans, Advances and Other Current Assets	5	150,252,108	77,560,892
Cash and Cash Equivalents	6	4,902,893	247,702
Total Current Assets		155,155,001	77,808,595
Total Assets		948,087,036	561,306,743
EQUITY AND LIABILITIES			
Equity			
Share Capital	7	29,170,000	29,170,000
Retained Earnings	8	(3,468,392)	(6,676,404)
Total Equity		25,701,608	22,493,596
Liabilities			
Non- Current Liabilities:			
Share Calls in Advance	9	265,992,400	166,658,400
Long Term Borrowing	10	634,589,600	315,979,225
Total Non- Current Liabilities		900,582,000	482,637,625
Current Liabilities			
Short Term Borrowing	11	-	30,000,000
Duties & Taxes	12	2,673,674	1,910,276
Trade & Other Payables	13	19,129,754	24,265,246
Provisions	14	-	
Total Current Liabilities		21,803,428	56,175,522
Total Equity and Liabilities		948,087,036	561,306,743

As per our attached report of even date

General Information & Summary of significant accounting policies are given in 1 & 2
The accompanying notes numbered 1 to 25 are integral part of the Financial Statements.

Prabin Kumar K.C.
Accountant

Shree Ram Devkota
Managing Director

SABHAPOKHARI HYDRO POWER (P.) LTD. 2064 Kathmandu

Laxmi Prasad Devkota
Chairman

CA Sunil Chapain
Partner
Sunil Chapain & Associates
Chartered Accountants

Date : 1st Poush, 2080
Place : Kathmandu

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)
Banasthali-16, Kathmandu, Nepal

Statement of Income
For the year ended 31st Ashadh, 2080 (16th July, 2023)

Figures in NRs

Particulars	Note	Year Ended 31st Ashadh, 2080	Year Ended 32nd Ashadh, 2079
Income			
Revenue from Operation	15	-	-
Other Income	16	-	629
Total Revenue		-	629
Administrative Expenses	17	593,542	534,985
Employee Benefit Expenses	18	-	-
Depreciation Expenses	3	559,743	700,411
Total Expenses		1,153,285	1,235,396
Profit Before Interest & Tax		(1,153,285)	(1,234,767)
Interest Expenses	19	-	-
Profit Before Provision for Tax		(1,153,285)	(1,234,767)
Provision for Income Tax	14	-	-
Profit for the Year		(1,153,285)	(1,234,767)

As per our attached report of even date

General Information & Summary of significant accounting policies are given in 1 & 2
The accompanying notes numbered 1 to 25 are integral part of the Financial Statements.

Prabin Kumar K.C.
Accountant

Shree Ram Devkota
Managing Director

Laxmi Prasad Devkota
Chairman

CA Sunil Chapain
Partner
Sunil Chapain & Associates
Chartered Accountants

Date : 1st Poush, 2080
Place : Kathmandu

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)
Banasthali-16, Kathmandu, Nepal

Statement of Cash Flows
For the year ended 31st Ashadh, 2080 (16th July, 2023)

Figures in NRs

Particulars	Year Ended 31st Ashadh, 2080	Year Ended 32nd Ashadh, 2079
Cash Flow From Operating Activities:		
Profit Before Tax	(1,153,285)	(1,234,767)
Adjustment for:		
Depreciation Expenses	559,743	700,411
Cash flow before working capital changes	(593,542)	(534,356)
Changes in Loans, Advances and Other Current Assets	(72,691,216)	(63,374,802)
Change in Current Liabilities	(34,372,094)	(14,478,339)
Cash generated from Operating Activities	(107,656,852)	(78,387,497)
Less: Income Tax Paid	-	-
Net Cash Flow from Operating Activities (A)	(107,656,852)	(78,387,497)
Cash Flow from Investing Activities		
Acquisition of Property, Plant & Equipment	-	2,407,830
Change in Capital Work in Progress	(309,993,630)	(342,515,011)
Regrouped Capital Work in Progress to Retained Earning	4,361,298	-
Net Cash Flow From Investing Activities	(305,632,332)	(340,107,181)
Cash Flow from Financing Activities		
Change in Share Capital	-	
Change in Long Term Borrowing	318,610,374	315,979,225
Change in Share Calls in Advance	99,334,000	101,763,400
Net Cash Flow From Financing Activities	417,944,374	417,742,625
Net Changes in Cash & Cash Equivalents (A+B+C)	4,655,191	(752,053)
Opening Cash & Cash Equivalents	247,702	999,755
Closing Cash & Cash Equivalents	4,902,893	247,702

As per our attached report of even date

General Information & Summary of significant accounting policies are given in 1 & 2
The accompanying notes numbered 1 to 23 are integral part of the Financial Statements.

Prabin Kumar K.C.
Accountant

Shree Ram Devkota
Managing Director

Laxmi Prasad Devkota
Chairman

CA Sunil Chapain
Partner
Sunil Chapain & Associates
Chartered Accountants

Date : 1st Poush, 2080
Place : Kathmandu

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)
Banasthali-16, Kathmandu, Nepal

Statement of Changes in Equity
For the year ended 31st Ashadh, 2080 (16th July, 2023)

Figures in NRs

Particulars	Share Capital	Retained Earnings	Total
For FY 2079-80			
Balance as on 1st Shrawan, 2079	**29,170,000**	**(6,676,404)**	**22,493,596**
Net profit for the FY 2079-80	-	(1,153,285)	(1,153,285)
Regrouping to CWIP	-	4,361,298	4,361,298
Balance as at 31st Ashadh, 2080	**29,170,000**	**(3,468,392)**	**25,701,608**

As per our attached report of even date

General Information & Summary of significant accounting policies are given in 1 & 2
The accompanying notes numbered 1 to 25 are integral part of the Financial Statements.

Prabin Kumar K.C.
Accountant

Shree Ram Devkota
Managing Director

Laxmi Prasad Devkota
Chairman

CA Sunil Chapain
Partner
Sunil Chapain & Associates
Chartered Accountants

Date :1st Poush, 2080
Place : Kathmandu

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 development of hydropower projects including detailed feasibility, construction and operation and transmission and distribution of hydro energy. The core venture of the company is Lankhuwa Khola Hydroelectric Project (LKHP). The installed energy generation capacity of the project is 5 MW.

2. Significant Accounting Policies

A. Basis of preparation of Financial Statements:

The financial statements are prepared under the historical cost conventions on an accrual concept and are in accordance with Nepal Accounting Standards (NAS), unless otherwise stated, and other applicable laws prevalent in Nepal. The accounting policies are consistently applied by the company.

B. Use of Estimates:

The presentation of financial statement in conformity with generally accepted accounting principles require estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the periods in which the results are known/ materialized.

C. Going Concern:

The financial statements are prepared on a going concern basis.

D. Property, Plant & Equipment:

i. Property, Plant & Equipment are stated at cost of acquisition, construction inclusive of all the expenses up to commencing/ putting the assets to use. These are inclusive of all cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable for each class of assets.

ii. Property, Plant & Equipment are recognized as an asset, if and only if it is probable that future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably.

E. Depreciation:

Depreciation on items of property, plant and equipment is calculated on written down value method based on the rate prescribed by Income Tax Act 2058. Depreciation on addition to property plant and equipment is provided on pro-rata basis as specified by Income Tax Act 2058.

F. Inventories:

Inventories are valued at cost or net realizable value whichever is lower.

G. Revenue Recognition:

Revenue is to be recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and associated costs incurred or to be incurred can be reliably measured. Company has not recognized any revenue since company has not made any sale of electricity yet.

H. Trade & Other Receivables:
Trade and other receivables are originated by the company and are stated at cost less provisions for any uncollectable amount. Provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

I. Trade & Other Payable:
Liability for trade & other payables are carried at cost which is the fair value of goods and services.

J. Related Party Transactions:
All services with related parties are carried out by the company at arm's length price.

K. Cash & Bank Balances:
Cash and Bank balances comprise of Cash in hand, cheques in hand and balances with banks as on the reporting date.

L. Cash Flow Statement:
Cash flows are prepared using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing, and financing activities of the firm are segregated.

M. Income Tax:

a. Current Tax
Provision for current tax is made with reference to Profit for the financial year based on the provisions of Income Tax Act, 2058.

b. Deferred Tax

Deferred tax is provided for temporary differences between carrying amount of assets and liabilities for financial reporting purposes and amounts used for taxation purpose.

Deferred Tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

N. Provisions, Contingent Liability and Contingent Assets:

- Provisions are recognized when the Company has a present obligation as a result of past event; it is more likely than not that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date.

- These are reviewed at each reporting date and adjusted to reflect the current best estimates in accordance with Nepal Accounting Standards "Provisions, Contingent Liabilities and Contingent Assets".

- A contingent liability is disclosed where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

- Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the assets and related income are recognized in the period in which the charge occurs.

O. Employee Benefit Schemes:

The company does not have any scheme of employment benefits. Accordingly, the company has not made provisions for any liabilities relating to employees which arise on account of accumulated leave, gratuity, provident fund etc. in accordance with Labor Act, 2074 and Social Security Act, 2075.

P. Composition of Board of Directors:

The company's Board of Director plays a primary role in ensuring good governance and function of the company. All statutory and other significant and material information is placed before the Board to enable it to discharge its responsibility of strategic supervision of the company and decision making as trustees of the shareholder.

The composition of Board of Directors of the company as on reporting date as follows:

S.N.	Name	Designation
1	Laxmi Prasad Devkota	Chairman
2	Shree Ram Devkota	Managing Director
3	Mahesh Baniya	Director
4	Sadhana Bhattarai (Wagle)	Director
5	Shanti Prasad Khanal	Director
6	Sirjana Wagle	Director
7	Suraj Marahatta	Director

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
As on 31st Ashadh, 2080 (16th July, 2023)

Note 3: Property Plant & Equipment:

Figures in NRs.

S.N.	Particulars	Opening Balance	Addition During the Year			Disposal	Total	Rate of Dep	Depreciation	Closing Balance
		As on 1st Shrawan, 2079	Up To Poush	Magh To Chaitra	Baisakh to Ashadh					As on 31st Ashadh, 2080
1	Pool A									
	Land	15,162,971	-				15,162,971	0%	-	15,162,971
		15,162,971	-	-	-	-	**15,162,971**	-	-	**15,162,971**
2	Pool B						-		-	-
	Furniture & Fixtures	57,817				-	57,817	25%	14,454	43,363
	Office Equipments	24,021	-			-	24,021	25%	6,005	18,016
	Computer & Peripheral	205,813				-	205,813	25%	51,453	154,359
		287,651	-	-	-	-	**287,651**		**71,913**	**215,738**
3	Pool C						-		-	-
	Vehicle	2,173,650	-	-	-	-	2,173,650	20%	434,730	1,738,920
		2,173,650	-	-	-	-	**2,173,650**		**434,730**	**1,738,920**
4	Pool D						-		-	-
	Total Station	302,777	-	-	-		302,777	15%	45,417	257,360
		302,777	-	-	-	-	**302,777**		**45,417**	**257,360**
5	Pool E									
	Tally Software	30,736			-		30,736	4 Years	7,684	23,052
		30,736	-	-	-	-	**30,736**		**7,684**	**23,052**
	Total	**17,957,785**	-	-	-	-	**17,957,785**		**559,743**	**17,398,041**

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
As on 31st Ashadh, 2080 (16th July, 2023)

Capital Works in Progress (CWIP) — **Note 4**

S.N.	Particular	As on 31st Ashadh, 2080	Additions During the Year	As on 32nd Ashadh, 2079
1	Pre-Operating Expenses	17,864,911	4,361,298	13,503,613
2	Civil Construction Cost	208,914,248	-	97,019,411
3	Hydromechanical Cost	211,467,068	59,059,253	152,407,815
4	Plant & Machinery Cost	109,805,425	32,136,443	77,668,982
5	Transmission Line & Switchyard	74,837,835	35,156,123	39,681,711
6	Site Office Building Cost-(Staff Camp and Quarter)	10,007,107	502,573	9,504,534
7	Infrastructure Development Cost	5,000,000	-	5,000,000
8	Environment / Social Mitigation Cost	7,530,472	2,483,000	5,047,472
9	Project supervision / Engineering / Management	47,505,388	12,141,907	35,363,481
10	Contingency	15,048,790	2,026,905	13,021,885
11	Miscellaneous and Insurance Cost	11,142,500	-	-
12	Interest During Construction	56,410,250	39,088,790	17,321,460
	Total	**775,533,994**	**186,956,292**	**465,540,363**

Currently company has Lankhuwa Khola Hydro Electric project (5 MW) under Construction. The cost associated with the project has been capitalized under their respective head.

Details of Capital Work In Progress

S.N.	Particular	As on 31st Ashadh, 2080	Additions During the Year	As on 32nd Ashadh, 2079
1	**Pre-Operating Expenses**			
	Advertisement Expenses	101,523	-	101,523
	Bank Charges	380,870	-	380,870
	Communication Expenses	22,200	-	22,200
	Consultancy Charges	452,000	-	452,000
	Desk Study Report	65,000	-	65,000
	Detail Design of Lakhuwa Khola Project	2,825,000	-	2,825,000
	Feasibility Expenses	1,982,940	-	1,982,940
	Field Visit Local Conveyance	486,232	-	486,232
	Fine & Penalty	177,741	-	177,741
	General Allowance	16,155	-	16,155
	Grid Connection Expenses	102,000	-	102,000
	House Rent Expenses	656,004	-	656,004
	Hydrology Mapping Expenses	125,000	-	125,000
	Labour Fooding Expenses	3,500	-	3,500
	Legal Expenses	79,308	-	79,308
	License Fee	1,500,000	-	1,500,000
	Miscellaneous Project Expenses	16,000	-	16,000
	PPA Charges	150,000	-	150,000
	Project Development Cost	5,313,598	4,361,298	952,300
	Project Travelling Expenses	488,756	-	488,756
	Registration & Renewal	97,538	-	97,538
	Site Visit Expenses	347,111	-	347,111
	Stationery Expenses	468,835	-	468,835
	Survey Expenses	1,706,000	-	1,706,000
	Travelling Expenses	246,440	-	246,440
	Water & Electricity	55,160	-	55,160
	Sub- Total	**17,864,911**	**4,361,298**	**13,503,613**

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
As on 31st Ashadh, 2080 **(16th July, 2023)**

S.N. Particular	As on 31st Ashadh, 2080	Additions During the Year	As on 32nd Ashadh, 2079
2 Civil Construction Cost			
Civil Works- IPC 01	49,823,522	-	49,823,522
Civil Works- IPC 02	30,847,239	-	30,847,239
Civil Works- IPC 03	16,348,650	-	16,348,650
Civil Works- IPC 04	26,504,495	-	-
Civil Works- IPC 05	33,817,616	-	-
Civil Works- IPC 06	51,345,742	-	-
Hardware Expenses Civil	226,985	-	-
Sub- Total	**208,914,248**	-	**97,019,411**
3 Hydromechanical Cost			
Fabrication Works- IPC 01	8,632,437	-	8,632,437
HM Works- IPC 02	10,218,441	-	10,218,441
HM Cost- IPC 03	10,738,718	10,738,718	-
HM Work- IPC 04	8,188,461	8,188,461	-
Custom Amendment Charge	91,579	22,040	69,539
Custom Clearing Charge	1,226,721	-	1,226,721
DPT Compound Box	17,550	17,550	-
Exim Code Fee	41,205	33,608	7,597
Exim Commission	187,947	5,100	182,847
HM Pipe Purchase	152,813,232	35,847,776	116,965,456
Land Rent for HM Pipe Store	111,111	-	111,111
LC Charge	246,424	4,000	242,424
LC Documentation Fee	12,000	-	12,000
LC Opening Charge	312,522	-	312,522
Money Transfer Fee	3,200	-	3,200
Swift Charge	10,000	2,000	8,000
Transportation Expenses	18,600,000	4,200,000	14,400,000
Vehicles Entry and Parking Charge	15,521	-	15,521
Sub- Total	**211,467,068**	**59,059,253**	**152,407,815**
4 Plant & Machinery Cost			
Custom Amendment Charge	18,450	16,950	1,500
EM Equipment Purchase	105,819,529	31,080,000	74,739,529
EM Equipment & Unloading Charge	192,956	-	192,956
Exim Code Fee	62,273	-	62,273
Inspection Work	33,900	-	33,900
LC Charge	39,704	15,704	24,000
Lc Documentation Charge	53,789	53,789	-
Swift Charge	12,860	2,000	10,860
Vehicle Entry & Parking Charge	3,550	-	3,550
Custom Clearing Charge	1,612,854	968,000	644,854
Earthing Materials	1,440,000	-	1,440,000
LC Margin Charge	515,560	-	515,560
Sub- Total	**109,805,425**	**32,136,443**	**77,668,982**

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
As on 31st Ashadh, 2080 (16th July, 2023)

S.N.	Particular	As on 31st Ashadh, 2080	Additions During the Year	As on 32nd Ashadh, 2079
8	**Environment / Social Mitigation Cost**			
	Continued...			
	Revised Updated IEE	1,130,000	1,130,000	-
	Road & Garden Construction	250,000	-	250,000
	Survey Works of Road for Oda Office	800,000	-	800,000
	Sub- Total	**7,530,472**	**2,483,000**	**5,047,472**
9	**Project Supervision / Engineering / Management**			
	AGM Expenses	65,043	65,043	-
	Meeting Allowance	264,206	264,206	-
	Repair and Maintenance	16,119	-	16,119
	Repair and Maintenance Vehicle	539,936	330,569	209,367
	Vehicle Insurance	26,027	-	26,027
	Puja Expenses	14,315	14,315	-
	Camp Facilities Related Expenses	119,340	119,340	-
	Camp Site Other Expenses	39,530	39,530	-
	Camp Site Stationary Expenses	2,335	2,335	-
	Donation To Local Forest	200,000	200,000	-
	Site Electricity Charges	245,303	245,303	-
	Site Fuel Expenses	1,416,849	1,289,854	126,995
	Site Internet, Communication and Electricity Charge	555,640	294,627	261,013
	Site Lodging and Flooding Expenses	114,391	-	114,391
	Site Printing and Stationary Expenses	7,560	2,425	5,135
	Wood and Bamboo Cutting Charge	10,100	10,100	-
	ABC Cable	67,800	-	67,800
	Advertisement Expenses	50,000	-	50,000
	Bike Renewal Charge	4,600	-	4,600
	Bill Verification Charge	1,686,525	847,500	839,025
	Book Keeping and Management Fee	650,000	-	650,000
	Camp House Expenses	73,086	-	73,086
	Crane for Rent	91,620	-	91,620
	Due Diligence Study	750,000	-	750,000
	Festival Expenses	29,300	-	29,300
	Financial Closer Expenses	339,000	-	339,000
	Financial Consultancy Charge	330,525	67,800	262,725
	Financial Consulting Fee	389,850	-	389,850
	Fine on Share Increment Cost	80,200	80,200	-
	Fooding and Lunching	100,422	-	100,422
	Fuel Expenses	236,382	120,655	115,727
	Geology Investigation Expenses	275,050	-	275,050
	Hardware Expenses	3,450	-	3,450
	HDP Sheet	203,400	-	203,400
	HM Workers Wages	405,385	405,385	-
	India Visit Expenses	336,221	22,184	314,037
	IPO Processing Fee	150,000	150,000	-
	Kitchen Expenses	123,175	-	123,175
	Loading and Unloading Charge	22,984	-	22,984
	Loan Documentation Charge	169,500	169,500	-

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
As on 31st Ashadh, 2080 (16th July, 2023)

S.N.	Particular	As on 31st Ashadh, 2080	Additions During the Year	As on 32nd Ashadh, 2079
9	**Project Supervision / Engineering / Management**			
	Continued...			
	Local Administrative Expenses	50,000	50,000	-
	Local Conveyed Charge	6,700	-	6,700
	Medical Expenses	4,117	-	4,117
	Miscellaneous Expenses	82,065	-	82,065
	NEA GIS Study	100,000	-	100,000
	NEA Inspection Charge	134,810	-	134,810
	Nepal Electricity Authority	165,053	-	165,053
	Office Expenses	133,199	-	133,199
	Office Goods Expenses	1,250	-	1,250
	Penalty on Interest	43,693	43,693	-
	Printing and Stationery	6,070	2,000	4,070
	Project Travelling Expenses	289,836	-	289,836
	Rating of Bank Facilities Expenses	352,560	-	352,560
	Refreshment and Hospitality Expenses	170,632	-	170,632
	Salary Expenses	29,782,097	18,382,597	11,399,500
	Share Increment Cost	79,200	79,200	-
	Site Kitchen Expenses	22,050	-	22,050
	Site Mess Expenses	983,507	636,838	346,669
	Site Office Equipment	24,500	24,500	-
	Site Office Mis Expenses	261,359	103,320	158,039
	Staff Salary	-	(13,501,856)	13,501,856
	Staff Welfare Expenses	32,725	-	32,725
	Stationery Expenses	17,847	17,847	-
	Surveillance Fee of Bank Loan Rating	70,060	70,060	-
	Technician Consult Charge	405,387	405,387	-
	TOD Meter and Metering Unit Connecting Charge	304,139	-	304,139
	Transportation Expenses	9,630	-	9,630
	Travelling Expenses	536,275	273,025	263,250
	Vehicle Hiring Expenses	718,889	718,889	-
	Wages-Engineering and Management Cost	1,057,865	-	1,057,865
	Wages on Site Staff Quarter and Worker	1,442,702	83,535	1,359,167
	Warehouse Charge for HM Pipe	12,000	12,000	-
	Sub- Total	**47,505,388**	**12,141,907**	**35,363,481**
10	**Contingency**			
	Contingency-Civil Works	13,021,885	-	13,021,885
	HDEP Sheet	2,026,905	2,026,905	-
	Sub- Total	**15,048,790**	**2,026,905**	**13,021,885**
11	**Misc. and Insurance Cost**			
	Bridge Construction Cost	9,042,500	9,042,500	-
	Excavation Work	2,100,000	2,100,000	-
	Sub- Total	**11,142,500**	**11,142,500**	-
12	**Interest During Construction***			
	Interest on B/G Loan	1,133,536	-	1,133,536
	Interest On Term Loan-185-00033	36,286,460	36,286,460	-

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
As on 31st Ashadh, 2080 (16th July, 2023)

S.N.	Particular	As on 31st Ashadh, 2080	Additions During the Year	As on 32nd Ashadh, 2079
12	**Interest During Construction***			
	Continued...			
	Interest Expenses	1,102,308	-	1,102,308
	Interest Expenses-43047	1,508,556	1,508,556	-
	Interest on Loan-29047	404,260	-	404,260
	Interest on Loan-55047	1,293,774	1,293,774	-
	Interest on Term Loan-185-70778	13,087,897	-	13,087,897
	Loan Processing Charge	1,542,500	-	1,542,500
	Penalty on Interest-20047	50,959	-	50,959
	Sub- Total	**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).

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
As on 31st Ashadh, 2080 (16th July, 2023)

Loans, Advances and Other Current Assets — Note 5

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Advance to Contractors		
Shree Mahagauri/ Maa Sakti JV	112,231,733	48,416,214
Maa Sakti Engineering and Hydropower Private Limited	14,801,645	6,090,093
Mecamidi HPP India Private Limited	-	1,902,471
Advances to Parties		
Kandel & Associates	-	42,863
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	-
Nepa Projects Private Limited	27,876	-
Excel Hydro and Engineering Suppliers Private Limited	2,500,000	-
Nep Power Enterprises Private Limited	2,164,400	-
Techno Village Private Limited	1,745,921	-
Advance to Staff		
Shyam Khatiwada	-	383,125
Prabin Kumar K.C.	468,000	-
Land Advance		
Land Advance	8,811,600	7,130,965
Other Advances		
Advance for Custom Clearance	1,324,329	819,263
Prakash Thapa	250,000	-
Ram Prakash Sah	800,000	-
Shambu Khanal	500,000	-
Purna Bahadur Budhathoki	2,000,000	2,000,000
Kedar Baral-Site Advance	1,423,551	
Margin & Deposit:		
LC Margin	165,000	9,555,899
Total	**150,252,108**	**77,560,892**

Cash and Cash Equivalents — Note 6

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Cash in Hand:		
Cash in Hand	96,717	17,904
	96,717	**17,904**
Cash at Bank:		
Machhapuchchhre Bank Limited	11,806	11,806
NCC Bank Limited	213,037	213,037
Rastriya Banijya Bank Limited	4,579,753	3,376
Sanima Bank Limited	1,580	1,580
	4,806,176	**229,798**
Total	**4,902,893**	**247,702**

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
As on 31st Ashadh, 2080 (16th July, 2023)

Share Capital Note 7

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Authorized Share Capital		
(Equity shares @ 100 Each)	450,000,000	240,000,000
Issued Share Capital		
(Equity shares @ 100 Each)	450,000,000	240,000,000
Subscribed & Paid up Capital		
(Equity shares @ 100 Each)	29,170,000	29,170,000
Total	**29,170,000**	**29,170,000**

Details of Share Capital Note 7.1

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Padam Prasad Khanal	1,800,000	1,800,000
Sambhu Khanal	1,800,000	1,800,000
Santi Prasad Khanal	1,800,000	1,800,000
Debendra Khanal	1,800,000	1,800,000
Kesabraj Wagle	1,800,000	1,800,000
Sirjana Wagle	1,800,000	1,800,000
Sadhana Bhattarai	1,800,000	1,800,000
Netra Prasad Khatiwada	1,800,000	1,800,000
Sushil Regmi	1,800,000	1,800,000
Purna Bahadur Budhathoki	1,980,000	1,980,000
Mahesh Chandra Baniya	1,980,000	1,980,000
Ramakanta Mani Nepal	1,980,000	1,980,000
Shree Ram Devkota	1,980,000	1,980,000
Anjana Devkota	1,800,000	1,800,000
Binaya Pokhrel	1,200,000	1,200,000
Rabindra Kandel	1,200,000	1,200,000
Khemraj Shrestha	240,000	240,000
Hindu Kumar Rai	240,000	240,000
Suman Rai	120,000	120,000
Binod Ghimire	125,000	125,000
Puspa Bhandari	125,000	125,000
Total	**29,170,000**	**29,170,000**

Retained Earning Note 8

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Opening Balance	(6,676,405)	(5,441,637)
Profit for the Year	(1,153,285)	(1,234,767)
Less: Regrouped to Capital Work in Progress	4,361,298	-
Balance Carried over to Balance sheet	**(3,468,392)**	**(6,676,404)**

Share Calls in Advance Note 9

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Calls In Advance Money Received*	265,992,400	166,658,400
Total	**265,992,400**	**166,658,400**

*Company has received money from shareholders. However company is yet to update inventory of share register against the same amount from the Office of Company Registrar.

SABHAPOKHARI HYDRO POWER (P) LTD. 2064 Kathmandu

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
As on 31st Ashadh, 2080 (16th July, 2023)

Long Term Borrowing — Note 10

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Term Loan from Rastriya Banijya Bank Limited*-Secured Loan	634,589,600	315,979,225
Total	**634,589,600**	**315,979,225**

*Company has entered 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. Term loan and Bridge Gap Loan has been approved by the bank against registered mortgage of the entire project (present & to be created in future) including the land, building, plant & machinery, movable and immovable assets on land owned (including leasehold land) by the company.

Short Term Borrowing — Note 11

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Bridge Gap Loan-Secured *	-	30,000,000
Total	-	**30,000,000**

*Bridge gap loan has been taken from the Rastriya Banijya Bank Limited against the loan facility agreement. For details refer note 10.

Duties & Taxes — Note 12

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Statutory Dues*		
TDS on Civil Contractor	1,482,317	799,351
TDS on Others	49,389	400,468
TDS on Individuals	5,851	8,063
TDS on Audit Fee	750	-
TDS on Salary	46,000	162,000
TDS on Meeting Allowance	39,631	-
TDS on New Bhojpure Nirman Sewa	105,000	-
TDS on Service	863	-
TDS on Private Limited	869,214	469,589
TDS on Land Lease	-	11,111
Rental Tax	24,000	-
Social Security Tax	50,659	59,694
Total	**2,673,674**	**1,910,276**

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

Trade & Other Payables — Note 13

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Project Construction Works Payable		
Shree Mahagauri Construction Private Limited	-	62,854
Techno Village Private Limited	-	2,372,829
Kalakheti Nirman Sewa	1,500,000	-
Savas Stores and Suppliers Private Limited	200,000	-

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
As on 31st Ashadh, 2080 (16th July, 2023)

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Other Payables		
Capital Management and Consultant Private Limited	167,250	-
Nepal Environmental Development Consult Private Limited	615,000	-
S.A.R.P Engineering Private Limited	34,500	-
Hydro & Infrastructure Private Limited	185,027	201,227
Pathibhara Survey and Management Company Private Limited	176,394	193,625
Devkota Suppliers	-	172,876
Yashoda Oil Center	59,054	-
Kandel & Associates	217,425	-
Audit Fee Payable	55,750	55,750
Salary Payables	1,915,763	2,011,931
Kedar Baral	-	913,300
Nabin Kalakheti	-	19,783
Transporation Payable	-	52,553
Interest Payable	-	12,485,369
Payables to Related Party		
Shree Ram Devkota	-	19,957
Retention Payable*	14,003,592	5,703,193
Total	**19,129,754**	**24,265,246**

*5% retention has been kept by the company as per contract which is payable after completion of the project or submission of final bill to the company.

Provisions Note 14

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Provisions for Income Tax	-	-
Total	-	-

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
For the year ended 31st Ashadh, 2080 (16th July, 2023)

Revenue From Operation — **Note 15**

Particulars	Year Ended 31st Ashadh, 2080	Year Ended 32nd Ashadh, 2079
Sale of Electricity	-	-
Total	-	-

Company has not recognized any revenue since company has not made any sale of electricity yet and Power Purchase Agreement (PPA) has been made with Nepal Electricity Authority (NEA).

Other Income — **Note 16**

Particulars	Year Ended 31st Ashadh, 2080	Year Ended 32nd Ashadh, 2079
Other Income	-	629
Total	-	629

Administrative Expenses — **Note 17**

Particulars	Year Ended 31st Ashadh, 2080	Year Ended 32nd Ashadh, 2079
Audit Fee	56,500	56,500
Bank Charge	42,945	6,254
Communication Expenses	2,340	-
Courier Expenses	405	-
House Rent Expenses	240,000	390,000
Fine & Penalty	208,927	-
Office Expenses	40,225	74,631
Parking Expenses	2,200	7,600
Total	593,542	534,985

Employee Benefit Expenses — **Note 18**

Particulars	Year Ended 31st Ashadh, 2080	Year Ended 32nd Ashadh, 2079
Salary and Allowances*	-	-
Total	-	-

*All the employee benefit expenses has been charged to the cost of the project

*The company does not have any scheme of employment benefits. Accordingly, the company has not made provisions for any liabilities relating to employees which arise on account of accumulated leave, gratuity, provident fund etc. in accordance with Labour Act, 2074 and Social Security Act, 2075.

Interest Expenses — **Note 19**

Particulars	Year Ended 31st Ashadh, 2080	Year Ended 32nd Ashadh, 2079
Interest Expenses	-	-
Total	-	-

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 those assets.(As per NAS 23-Borrowing costs)

Sabhapokhari Hydropower Limited
(Previously Sabhapokhari Hydropower Private Limited)

Banasthali-16, Kathmandu, Nepal
Notes forming part of Financial Statements
For the year ended 31st Ashadh, 2080 (16th July, 2023)

Social Security Fund — **Note 20**

The company has not made provisions for any liabilities relating to the employee benefits in accordance with Social Security Act, 2075 & regulations made thereunder.

Related Party Transaction — **Note 21**

Company has incurred following related party transaction during the year:

Related Party	Relation	Nature	Amount O/S as on 31st Ashadh, 2080
Techno Village Private Limited	Entity over which director has significant influence	Advance	1,745,921

Previous Year Figures — **Note 22**

Previous year figures have been changed and reclassified wherever necessary.

Miscellaneous — **Note 23**

I. All the figures stated on the financial statements are in Nepalese Rupees.
II. The account confirmation on account of payables and receivables are received or are in the process of receipt.
III. Notes form integral part of financial statements.

Substantial Shareholder: — **Notes 24**

The details of Shareholders holding more than 5% of share capital and percentage of holding is given below which is known as Substantial Shareholder.

Name of Shareholders	No of Shares as on 31st Ashadh, 2080	% of Share holding
Padam Prasad Khanal	18,000	6.17%
Sambhu Khanal	18,000	6.17%
Santi Prasad Khanal	18,000	6.17%
Debendra Khanal	18,000	6.17%
Kesabraj Wagle	18,000	6.17%
Sirjana Wagle	18,000	6.17%
Sadhana Bhattarai	18,000	6.17%
Netra Prasad Khatiwada	18,000	6.17%
Sushil Regmi	18,000	6.17%
Purna Bahadur Budhathoki	19,800	6.79%
Mahesh Chandra Baniya	19,800	6.79%
Ramakanta Mani Nepal	19,800	6.79%
Shree Ram Devkota	19,800	6.79%
Anjana Devkota	18,000	6.17%

Contingent Liabilities & Other Commitments: — **Notes 25**

The commitments outstanding as on 31st Ashadh, 2080 are disclosed below:

Particulars	As on 31st Ashadh, 2080	As on 32nd Ashadh, 2079
Bank Guarantees -Exim Code	300,000	300,000
Bank Guarantees -PPA	3,000,000	3,000,000
Letter of Credit for EM and HM	191,055,198	-