

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF Mai Khola Hydropower Limited

Opinion

We have audited the accompanying financial statements of Mai Khola Hydropower Limited ('the company') which comprise the Balance Sheet as at 32 Ashad 2079, (16 July, 2022) and the related Income Statement, Statement of Changes in Equity, Statement of Cash Flows and Summary of Significant Accounting Policies and Notes to the accounts for the year ended on that date.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of Mai Khola Hydropower Limited at 32 Ashad 2079, (16 July, 2022), and of the results of its financial performance and its cash flows for the year then ended and in accordance with Nepal Accounting Standards and Companies Act 2063.

Basis for Opinion

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

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

Management of the company is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Nepal Accounting Standards and other accounting principles generally accepted, including the accounting policies as adopted and for such internal control as management determines, is necessary to enable preparation of the financial statements that are free from material misstatements, 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.

Auditors' Responsibilities for the Audit of Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

On the basis of our examination and explanations given to us, we would like to report that:

- We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
- Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account subject to advance and party conformations.
- The Balance Sheet, Income Statement, Statement of Cash Flow, Statement of Changes in Equity dealt with by this report are in agreement with the books of account maintained by the Company.
- During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company,
- Company has booked the insurance income of Rs 9,252,052 (refer note 17 (f)) which is not approve by the insurance company till date due to this profit of the company may be overstated or understated, and
- We have not come across any fraudulence in the accounts.

Place: Kathmandu

Date: 2079-07-20

UDIN NO. 220810CA01618gHdHc

For: G. Paudyal & Associates
Chartered Accountants


CA Anoj Kumar Neupane
Partner



Mai Khola Hydropower Limited

Balance Sheet

As at 32 Ashad, 2079 (July 16, 2022)

Particulars	Schedule	Current Year	Previous Year
Assets			
Non Current Assets			
Property, Plant & Equipment (Gross)	1	601,372,730.00	560,466,112.00
Less : Accumulated Depreciation		(39,168,453.77)	(18,567,720.00)
Net Property, Plant & Equipment		562,204,276.23	541,898,392.00
Total Non Current Assets		562,204,276.23	541,898,392.00
Current assets			
Investment (At Cost)	2	30,000,000.00	-
Cash & Bank Balances	3	1,248,421.00	7,018,590.00
Advances Deposits & Receivables	4	45,687,112.00	14,144,305.00
Total Current Assets		76,935,533.00	21,162,895.00
Total Assets		639,139,809.23	563,061,287.00
Equity & Liabilities			
Equity			
Share Capital	5	200,000,000.00	114,000,000.00
Advance Against Share Capital		-	26,000,000.00
Reserve & Surplus/(Loss)	6	23,343,567.23	5,840,824.00
Total Equity		223,343,567.23	145,840,824.00
Long term Loan			
Secured Consortium Term Loans	7	407,885,837.00	415,754,348.00
Total Long term Loan		407,885,837.00	415,754,348.00
Current Liabilities & Provisions			
Short Term Borrowings		-	-
Trade & Other Payables	8	7,313,232.00	1,378,861.00
TDS Payable	9	597,173.00	87,254.00
Total Current Liabilities & Provisions		7,910,405.00	1,466,115.00
Total Equity & Liabilities		639,139,809.23	563,061,287.00

Notes to the Accounts

17

Kathmandu

Date 2079-07-20


As per our attached report of even date

For: G. Paudyal & Associates

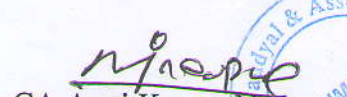
Chartered Accountants



Account Officer



Chairman


CA Anoj Kumar Neupane
Partner

Director





Director



Director



Mai Khola Hydropower Limited
Income Statement
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

Particulars	Schedule	Current Year	Previous Year
Direct Income	10	70,318,823.00	69,846,560.00
Less: Royalty Expenses	11	1,706,113.00	1,682,743.00
Less: Project Expenses	12	7,771,235.00	5,388,148.00
Gross Profit		60,841,475.00	62,775,669.00
Add: Other Income	13	9,537,995.00	-
Less:			
<u>Operating Expenses</u>			
Administrative Expenses	14	5,010,572.00	1,681,815.00
NEA Charge	15	445,711.00	437,803.00
Operating Profit		64,923,187.00	60,656,051.00
Non Operating Expenses			
Financial Cost	16	26,819,710.00	36,247,508.00
Depreciation		20,600,733.77	18,567,719.00
Profit/(Loss) Before Bonus & Tax		17,502,743.23	5,840,824.00
Provision For Bonus		-	-
Profit/(Loss) Before Tax		17,502,743.23	5,840,824.00
Current Tax		-	-
Deferred Tax		-	-
Profit After Tax		17,502,743.23	5,840,824.00
Profit / (Loss) Appropriation			
Profit / (Loss) for the Year		17,502,743.23	5,840,824.00
Profit / (Loss) upto Previous Year		5,840,824.00	-
Less : Dividend Paid		-	-
Less : Cash for Dividend Tax		-	-
Balance Carried to Reserve & Surplus		23,343,567.23	5,840,824.00

Notes to the Accounts

17

Kathmandu


Date 2079-07-20

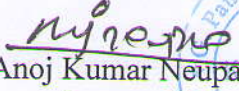
As per our attached report of even date

For: G. Paudyal & Associates

Chartered Accountants


Account Officer


Chairman


CA Anoj Kumar Neupane
Partner




Director


Director

Director



Mai Khola Hydropower Limited
Cash Flow Statement
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

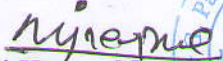
Particulars	Current Year	Previous Year
<u>Cash flows from operating activities</u>		
Net Profit (loss) for the year	17,502,743.23	5,840,824.00
Add: Financial costs	26,819,710.00	36,247,508.00
Add: Loss on Disposal of Assets	-	-
Add: Depreciation	20,600,733.77	18,567,719.00
Net Cash Flow before change in Working Capital	64,923,187.00	60,656,051.00
(Increase)/Decrease in Current Assets	(31,542,807.00)	51,621,359.00
Increase/(Decrease) in Current Liabilities	6,444,290.00	(14,469,773.00)
Net Cash flow from Operating Activities (A)	39,824,670.00	97,807,637.00
<u>Cash flow on Investing Activities</u>		
Increase in Investment	(30,000,000.00)	
Purchase/Capitalization of fixed assets	(40,906,618.00)	(138,796,709.00)
Less: Disposals during the year	-	-
Net Cash flow from Investing Activities (B)	(70,906,618.00)	(138,796,709.00)
<u>Cash flows on Financing Activities</u>		
Issue of Share capital	60,000,000.00	3,564,511.00
Increase/(Decrease) of loan from Banks	(7,868,511.00)	73,302,437.00
Dividend Paid	-	
Less: Financial Costs	(26,819,710.00)	(36,247,508.00)
Net Cash flow from Financing Activities (C)	25,311,779.00	40,619,440.00
Net Cash Flow (A+B+C)	(5,770,169.00)	(369,632.00)
Add: Opening Cash & Cash Equivalents	7,018,590.00	7,388,222.00
Cash and bank balance at the end of the year	1,248,421.00	7,018,590.00

Kathmandu
Date 2079-04-20


As per our attached report of even date
For: G. Paudyal & Associates
Chartered Accountants


Account Officer


Chairman


CA Anoj Kumar Neupane
Partner



Director 


Director

Director



Mai Khola Hydropower Limited
Statement of Changes in Equity
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

Particulars	Share Capital	Share Premium	Revaluation Reserve	Accumulated Profit/(Loss)	Total
Balance as on 01.04.2077	114,000,000.00			-	114,000,000.00
Call In Advance	26,000,000.00			-	26,000,000.00
Dividend Paid				-	-
Profit/(Loss) for the Year				5,840,824.00	5,840,824.00
Balance as on 31.03.2078	140,000,000.00	-	-	5,840,824.00	145,840,824.00
Balance as on 01.04.2078	140,000,000.00			5,840,824.00	145,840,824.00
Issue of Share Capital	60,000,000.00				60,000,000.00
Dividend Paid					
Profit/(Loss) for the Year				17,502,743.23	17,502,743.23
Balance as on 32.3.2079	200,000,000.00	-	-	23,343,567.23	223,343,567.23

Kathmandu

Date 2079-04-20

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Account Officer

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Chairman

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Director

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Director

Director

As per our attached report of even date

For: G. Paudyal & Associates

Chartered Accountants



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CA Anoj Kumar Neupane
Partner



Mai Khola Hydropower Limited
Schedule forming Parts of Account
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

Property Plant & Equipments

Schedule 1

Particulars	Dep Rate	Gross Block					Disposal (WDV)	Gross Value after Disposal	Depreciation		WDV as on Ashad 32, 2079	WDV as on Ashad 31, 2078
		Opening	Up to Poush	Up to	Up to Ashad	Total			Up to Last Year	For the Period		
Non Depreciable Assets	-											
Free hold Land	-											
Total of Non Depreciable Assets	-											
Block B	25%	4,237,566.00	131,326.00	148,093.00	-	4,516,985.00	4,516,985.00	916,540.00	887,770.00	1,804,310.00	2,712,675.00	3,321,026.00
Office Equipment, Furniture & Fixtures		4,237,566.00	131,326.00	148,093.00	-	4,516,985.00	4,516,985.00	916,540.00	887,770.00	1,804,310.00	2,712,675.00	3,321,026.00
Total of Block B												
Block C	20%	4,869,000.00	6,500,000.00	-	-	11,369,000.00	11,369,000.00	837,420.00	2,106,316.00	2,943,736.00	8,425,264.00	4,031,580.00
Vehicle		4,869,000.00	6,500,000.00	-	-	11,369,000.00	11,369,000.00	837,420.00	2,106,316.00	2,943,736.00	8,425,264.00	4,031,580.00
Total of Block C												
Block D	3.067%	2,503,912.00	7,904,933.00	-	-	10,408,845.00	10,408,845.00	75,869.00	74,479.85	10,333,365.15	12,924,587.08	13,333,593.00
Project Work		2,503,912.00	7,904,933.00	-	-	10,408,845.00	10,408,845.00	75,869.00	74,479.85	10,333,365.15	12,924,587.08	13,333,593.00
Building		13,750,225.00	7,904,933.00	-	-	21,655,158.00	21,655,158.00	416,632.00	409,005.92	21,244,152.08	23,064,663.00	23,496,958.00
Freehold Land		242,307,887.00	7,904,933.00	-	-	249,212,820.00	249,212,820.00	7,341,929.00	8,235,506.63	240,976,313.37	257,248,371.37	257,248,371.37
Civil Structures		125,988,358.00	7,904,933.00	-	-	133,893,291.00	133,893,291.00	3,817,447.00	3,747,573.96	130,145,717.04	137,090,945.04	137,090,945.04
Hydromechanical Equipments		165,804,218.00	7,904,933.00	-	-	173,709,151.00	173,709,151.00	5,023,868.00	4,935,567.42	168,773,583.58	178,984,912.58	178,984,912.58
Electromechanical Equipments		550,354,600.00	7,904,933.00	-	-	558,259,533.00	558,259,533.00	16,675,745.00	17,402,133.77	540,857,399.23	575,386,646.77	575,386,646.77
Sub Total												
Other Assets	15%	1,004,946.00	496,493.00	-	-	1,501,439.00	1,501,439.00	138,015.00	204,514.00	1,296,925.00	1,158,910.00	866,931.00
Other Assets		1,004,946.00	496,493.00	-	-	1,501,439.00	1,501,439.00	138,015.00	204,514.00	1,296,925.00	1,158,910.00	866,931.00
Generator		1,004,946.00	496,493.00	-	-	1,501,439.00	1,501,439.00	138,015.00	204,514.00	1,296,925.00	1,158,910.00	866,931.00
Sub Total												
Total of Block D		551,359,546.00	8,401,426.00	-	-	560,760,972.00	560,760,972.00	16,813,760.00	17,606,647.77	543,947,324.23	578,067,316.77	578,067,316.77
Block E		-	-	-	-	-	-	-	-	-	-	-
Computer Software		-	-	-	-	-	-	-	-	-	-	-
Total of Block E												
Grand Total		560,466,112.00	15,032,752.00	148,093.00	25,725,773.00	601,372,730.00	601,372,730.00	18,567,720.00	20,600,733.77	39,168,453.77	562,204,276.23	541,898,392.00

Super Mai Cascade Hydropower Project has remaining life of 31.6 years, however as the remaining power purchase agreement period is 28 Year.

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Mai Khola Hydropower Limited
Schedules Forming Part of Accounts
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

Investment (At Cost)

Schedule 2

Particulars	Current Year	Previous Year
Sunrise Bank Ltd-Fixed Deposit	30,000,000.00	
Total	30,000,000.00	-

Cash & Bank Balances

Schedule 3

Particulars	Current Year	Previous Year
Cash Balance		
Cash in Hand (as certified by management)	33,650.00	36,305.00
Bank Balance		
Machapuchre Bank Ltd- Lazimpat Branch	10,949.00	10,949.00
Sanima Bank Ltd	73,309.00	2,014,282.00
Sanima Bank Ltd, Naxal Branch	5,686.00	5,686.00
Sanima Bank Ltd, control Account	1,000.00	1,000.00
Sunrise Bank Ltd	1,116,791.00	
Rastiya Baniyya Bank Ltd-control Account	3,059.00	3,990,572.00
Rastiya Baniyya Bank Ltd-Current Account	3,977.00	959,796.00
Total	1,248,421.00	7,018,590.00

Advances Deposits & Receivables

Schedule 4

Particulars	Current Year	Previous Year
Cash Margin-Exim Code	300,000.00	300,000.00
Staff Advance	6,930.00	-
Advance to Ramanuj (Nepal Electrical)	150,000.00	-
Global Exim Solutions Pvt. Ltd	-	-
Puskar & Brothers	-	-
10% TT Margin	361,092.00	-
Advance to Civil Works	13,452,257.00	-
Ankita Traders	174,728.00	-
Mecamedi HPP India Pvt.Ltd	3,843,600.00	-
Receivable from Insurance Calim	9,252,052.00	-
Sagarmatha Jalabidhyut Company Ltd.	-	-
Prepaid Expenses	2,460,404.00	1,193,022.00
Sandeep Adhikari	16,735.00	-
Site Advance	87,004.00	-
Nepal Electricity Authority	15,582,310.00	12,651,283.00
Total	45,687,112.00	14,144,305.00



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Mai Khola Hydropower Limited
Schedules Forming Part of Accounts
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

Share Capital

Schedule 5

Particulars	Current Year	Previous Year
Authorised Capital		
3,900,000 Ordinary shares of Rs 100 Each	390,000,000.00	
2,000,000 Ordinary shares of Rs 100 Each		200,000,000.00
Issued Share Capital		
3,900,000 Ordinary shares of Rs 100 Each	390,000,000.00	
2,000,000 Ordinary shares of Rs 100 Each	200,000,000.00	200,000,000.00
Paid Up Capital		
1,140,000 Ordinary shares of Rs 100 Each		114,000,000.00
2,000,000 Ordinary shares of Rs 100 Each	200,000,000.00	-
Total	200,000,000.00	114,000,000.00

Reserve & Surplus

Schedule 6

Particulars	Current Year	Previous Year
Reserve & Surplus from Income Statement	23,343,567.23	5,840,824.00
Total	23,343,567.23	5,840,824.00

Secured Consortium Term Loans

Schedule 7

Particulars	Current Year	Previous Year
Rastriya Banijya Bank Ltd. Term Loan	407,885,837.00	415,754,348.00
Total	407,885,837.00	415,754,348.00

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Mai Khola Hydropower Limited
Schedules Forming Part of Accounts
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

Trade & Other Payables		Schedule 8	
Particulars	Current Year	Previous Year	
Audit Fee Payable	111,500.00	55,750.00	
Puskar & Brothers		81,609.00	
IPAAN	24,000.00	24,000.00	
Royalty Payable	311,711.00	414,980.00	
Salary Payable		240,570.00	
Dhaulagiri Construction & Development Pvt Ltd	2,733,991.00		
Energy information Center		16,950.00	
Pay to IT Technology Pvt Ltd	25,654.00		
Bugul Infrastrustructure Company Ltd	158,874.00		
Sailendra Guragain	354,780.00		
Pal Engeneering Trade Center	25,924.00		
Hinu Dhungel	176,800.00		
Bhinsen Bhandari	389,998.00	405,857.00	
Bhusan Guragain	3,000,000.00		
Global Exim Solutions		139,145.00	
Total	7,313,232.00	1,378,861.00	

TDS Payable		Schedule 9	
Particulars	Current Year	Previous Year	
TDS on House Rent	79,644.00	76,887.00	
TDS on Audit Fee	1,500.00	750.00	
TDS on Civil Works	422,879.00		
TDS on Pvt Ltd	6,830.00		
TDS on Salary	33,542.00		
TDS on SST	52,778.00		
TDS on Legal Fee	-	9,617.00	
Total	597,173.00	87,254.00	

Direct Income		Schedule 10	
Particulars	Current Year	Previous Year	
Income From Power Sales	70,318,823.00	69,846,560.00	
Total	70,318,823.00	69,846,560.00	

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Mai Khola Hydropower Limited
Schedules Forming Part of Accounts
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

Royalty Expenses		Schedule 11	
Particulars	Current Year	Previous Year	
Capacity Royalty	300,000.00	300,000.00	
Revenue Royalty	1,406,113.00	1,382,743.00	
Total	1,706,113.00	1,682,743.00	

Project Expenses		Schedule 12	
Particulars	Current Year	Previous Year	
Site office Material Purchase	411,058.00	341,343.00	
Bike Repairing Expenses	11,749.00	15,410.00	
Bid Bond Doc	-	1,000.00	
Legal Expenses	-	94,117.00	
D.G Servicing	-	20,001.00	
Insurance and Other Expenses	1,325,559.00	172,360.00	
Fooding and Lodging Expenses	25,325.00	34,135.00	
Fuel Cost & Lubricant	541,548.00	277,474.00	
Hospility & Refreshment	-	40,597.00	
Kitchen Expenses-Site Office	-	682,229.00	
Printing and Stationery-Site	-	5,320.00	
Site Office Salary	4,776,219.00	3,253,712.00	
Travelling Expenses	47,165.00	45,800.00	
Custom Charges	156,124.00	181,433.00	
Swift Charge	-	1,000.00	
Meal Allowance	476,488.00		
Transmission Line Material		222,217.00	
Total	7,771,235.00	5,388,148.00	

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Mai Khola Hydropower Limited
Schedules Forming Part of Accounts
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

Other Income	Schedule 13	
Particulars	Current Year	Previous Year
Interest Income	285,943.00	
Other Income		
Insurance Income	9,252,052.00	
Total	9,537,995.00	-

Administrative Expenses	Schedule 14	
Particulars	Current Year	Previous Year
Audit Fees	113,000.00	56,500.00
Office Expenses	168,179.00	
Regsitaration and Renewal	60,000.00	
Fine for TDS		5,143.00
Fuel Cost	29,335.00	91,519.00
Head Office Cleaning Expenses		3,150.00
Head Office Salary	726,585.00	115,909.00
Kitchen Expenses-head Office	162,685.00	247,217.00
Medical Expenses		25,226.00
IPPAN Memembrship Fee		24,000.00
FNCCI Membership	25,000.00	
Write off Expenses (Excess Royalty)	1,832,318.00	
Application Fee	150,000.00	
NEA Meeting Allowances		14,000.00
Office Rent	1,269,484.00	653,331.00
Office Supply-HO	5,000.00	98,131.00
Printing and Staionery	8,440.00	42,489.00
Rating Fee	226,000.00	
Techical Bill Verification		129,950.00
Telephone & Communication	41,350.00	23,364.00
Vehicle Repair and Maintenance	146,796.00	95,965.00
Website Expenses	26,000.00	
Miscellonous Expenses	20,400.00	
Water and Electricity		55,921.00
Total	5,010,572.00	1,681,815.00

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Mai Kholā Hydropower Limited
Schedules Forming Part of Accounts
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

NEA Charge

Schedule 15

Particulars	Current Year	Previous Year
Back Feed Energy	13,711.00	5,803.00
Bay Charge	432,000.00	432,000.00
Total	445,711.00	437,803.00

Financial Costs

Schedule 16

Particulars	Current Year	Previous Year
Bank Charges and Others	16,718.00	3,969,387.00
Interest on Term Loan	26,882,782.00	32,278,121.00
Less : Rebate on interest	(79,790.00)	
Total	26,819,710.00	36,247,508.00



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Signature 4

Mai Khola Hydropower Limited
Schedule Forming Part of Accounts
For the Year Ended 32 Ashad, 2079 (16 July, 2022)

Schedule-17

Significant Accounting Policies & Notes to the Accounts

1. CORPORATE INFORMATION

Mai Khola Hydropower limited is a limited liability company domiciled in Nepal, with its registered office at Kathmandu Nepal. The Registration Number of company is 152986/073/074 dated 2073-04-17. The company is also registered with Inland Revenue department, Inland Revenue Office, New Baneshwor, Kathmandu with Permanent Account Number 604296535 dated 2073-04-20. The main objective of the company would be generating revenue from the sell of the renewable energy to NEA by producing/generating and distribution of electricity power. Currently company has a Super Mai Cascade Hydropower project with the capacity 3 MW. The commercial Operation Date of the project is 2077.03.31.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting and Preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in Nepal (Nepal GAAP) to comply with the Accounting Standards specified under Section 108 of the Companies Act, 2063. The financial statements have been prepared on accrual basis under the historical cost. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

b) Use of Estimates

The preparation of financial statement in conformity with Nepal GAAP required the Managements to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the year in which the results are known/materialize.

c) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks.

d) Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the company are segregated based on the available information.



Mai Khola Hydropower Limited
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For the Year Ended 32 Ashad, 2079 (16 July, 2022)

e) Revenue Recognition

Revenue is recognized at the time of Billing to Nepal Electricity Authority (NEA) based on meter reading by the company. Also, the company has accounted Rs 15,582,310. As revenue receivable up-to Ashad 2079 from NEA on the basis of agreement with NEA.

f) Insurance Claim

Insurance claim has been lodged on the insurance company due to damage done by flood. Income has been booked on the basis of claim made by company, again claimed amount of Rs 9,252,052 has not certain due to the claim has not been approved by insurance company till date.

g) Write off Expenses (Excess Royalty)

During the Year NEA has been deducted previous year royalty has been of Rs 1,832,318.

h) Property, Plant and Equipment

Property, Plant and Equipment are carried at cost less accumulated depreciation/amortization and impairment loss, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use and any other incidental expenses up to the date the assets is ready for its intended use. Subsequent expenditure relating to fixed assets is capitalized only if such expenditure results in an increase in the future benefits from such assets beyond its previously assessed standard of performance.

i) Depreciation and Amortization

Depreciation on tangible Property, Plant and Equipment (Other than assets reflected in POOL E) has been provided on written down value method as prescribed in schedule 2 of Income Tax Act 2058.



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Mai Khola Hydropower Limited
Schedule Forming Part of Accounts
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j) Foreign Currency Transactions and Translations

Transactions in foreign currencies entered into by the company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Foreign currency monetary items of the company outstanding at the balance sheet date are restated at the year-end transaction.

The exchange differences arising on the settlement of monetary items or on reporting these items at rates different from rates at which these were initially recorded/reported in previous financial statements are recognized as income/expense in the statement of profit and loss.

k) Operating Lease

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating lease. Lease rentals under operating lease are recognized in the statement of profit and loss on a straight-line basis.

l) Taxes on Income

Since the company is hydro-electricity generating company, it has been exempted from 100% of income tax up to 10 years from the first commencement of electricity generation i.e. 20717/03/31 and 50% of income tax for next 5 years as per Income Tax Act 2058.

3. NOTES TO THE ACCOUNT

a) Income Tax

- i. Corporate Tax: The Company is enjoying tax holiday facility hence no provision for income tax is required.
- ii. Deferred Tax: The Company has not recognized deferred tax assets/liability during the year.

b) Re-Grouping

The company has rearranged and regrouped the previous year figures to make them comparable with current year's figure.



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