

SUBHASH & Co.

Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF Nepal Hydro Developer Limited

Opinion

We have audited the accompanying Financial Statements of Nepal Hydro Developer Limited which comprises the Statement of Financial Position as at Ashad 31, 2076, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity & Statement of Cash Flows for the year ended Ashad 31, 2076, and Notes to Financial Statement including Summary of Significant Accounting Policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give a true and fair view in conformity with Nepal Accounting Standards (NASs), of the state of affairs of Nepal Hydro Developer Limited as at Ashad 31, 2076, and its profit, cash flows for the year ended on that date.

Basis of Opinion

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

We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Nepal (ICAN), and we have fulfilled our ethical responsibilities in accordance with these

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

Managements Responsibility for the Financial Statements

Management is responsible for preparation and fair presentation of the Financial Statements in accordance with the Nepal Accounting Standards (NASs) and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's Financial Reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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

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



- i) Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsible to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal controls.
- ii) Obtain an understanding of Internal Control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's Internal Control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our Audit Report. However, Future events or conditions may cause the Company to cease to continue as a going concern.


- v) Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on the Other Legal & Regulatory Requirements

- (i) We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- (ii) Company has kept proper books of accounts as required by law, so far as it appears from the examination of those books of accounts.
- (iii) Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with the requirements of the Companies Act, 2063 and are in agreement with the books of account of the Company.
- (iv) During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member of there or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
- (v) We have not come across any fraudulent activities in the books of accounts.


CA. S. K. Jhunjunwala
Partner
SUBHASH & CO.
Chartered Accountants



Place: Kathmandu

Date: 13/01/2020

UDIN: 200113 CA00062 EekSA

Nepal Hydro Developer Limited

Statement of Financial Position
As At Ashadh 31, 2076 (July 16, 2019)

ASSETS	Note	As at 31st Ashadh 2076	Restated, As at 32nd Ashadh 2075	Restated, As at 1st Shrawan 2074
Non-Current Assets				
Property, Plant and Equipment	4	1,416,421.60	1,793,047.23	2,111,135.88
Intangible Assets	5	512,340,005.11	539,881,992.56	567,686,001.80
Financial Assets				
Investment advances	6	5,500,000.00	5,500,000.00	5,500,000.00
Total Non-Current Assets		519,256,426.71	547,175,039.79	575,297,137.68
Current Assets:				
Inventories (as Certified)	7	214,581.33	404,808.18	-
Financial assets				
Trade Receivables	8	80,157,490.29	72,414,425.69	50,384,335.83
Cash & cash equivalent	9	52,032.35	3,656,599.39	5,144,155.83
Other financial assets	10	5,032,963.70	5,028,963.70	5,213,000.00
Other Current Assets	11	23,895,497.29	21,192,184.21	20,097,044.43
Current Tax Assets (Net)				
Total current assets		109,352,564.96	102,696,981.17	80,838,536.09
Non current assets held for sale				
Total assets		628,608,991.68	649,872,020.96	656,135,673.77
EQUITY AND LIABILITIES				
Equity				
Equity share capital	12	260,000,000.00	260,000,000.00	221,000,000.00
Other equity	13	20,715,240.09	10,726,557.91	(8,563,783.23)
Total Equity		280,715,240.09	270,726,557.91	212,436,216.77
Liabilities				
Non-Current Liabilities				
Financial liabilities				
Loan and borrowings	14	268,494,971.00	319,661,929.58	351,249,651.00
Other financial liabilities	15			
Total Non-Current Liabilities		268,494,971.00	319,661,929.58	351,249,651.00
Current Liabilities				
Financial liabilities				
Loan and borrowings	15	62,350,050.00	50,750,040.00	81,469,270.00
Trade payables	16	438,348.63	346,692.40	3,306,106.40
Other financial liabilities	17	14,985,396.96	6,532,145.07	5,190,876.88
Provisions	18	453,356.00	648,007.00	377,094.00
Other current liabilities	19	1,171,629.00	1,206,649.00	2,106,458.72
Total Current Liabilities		79,398,780.59	59,483,533.47	92,449,806.00
Total Liabilities		347,893,751.59	379,145,463.05	443,699,457.00
Total Equity and Liabilities		628,608,991.68	649,872,020.96	656,135,673.77

Contingent Liability 27

The accompanying notes are integral part of these financial statements.

Mr. Kumud Kumar
Dugar
Director

Mrs. Puja Atal
Public Director

Mr. Pashupati
Murarka
Director

Mr. Pradeep Kumar Das
Finance Controller / Company
Secretary

Er. Gyanendra Lal
Pradhan
Chairman

As per our report of even
date

CA. S.K. Jhunjhunwala
Partner
Subhash & Co.
Chartered Accountants

Date: 2076-8-27
Place: Kathmandu



Nepal Hydro Developer Limited
Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

Particulars	Note	FY 2075-76	Restated 2074-75
Revenue	20	94,038,122.04	107,255,628.15
Other income	21	2,852.59	6,116,474.76
Total Income		94,040,974.63	113,372,102.91
Generation & Distribution Expenses	22	7,058,152.08	7,191,705.23
Employee Cost	23	7,984,269.00	9,847,775.68
Administrative and other operating expenses	24	1,398,137.26	1,479,935.26
Depreciation expenses	4	397,127.22	463,940.98
Amortization of intangible assets	5	27,719,737.45	27,804,009.24
Inpairment loss	8	-	-
Profit from Operation		49,483,551.62	66,584,736.52
Finance costs	25	39,193,211.44	42,912,246.63
Profit Before Bonus, CSR & Tax		10,290,340.18	23,672,489.89
Provision			
Staff Bonus		201,771.00	396,737.00
Corporate Social Responsibility		99,887.00	196,404.00
Profit Before Tax		9,988,682.18	23,079,348.89
Income Tax Expense			
Current tax		-	-
Deferred tax expense/(income)		-	-
Profit for the year		9,988,682.18	23,079,348.89
Other comprehensive Income:			
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods			
i. Re-measurement (losses) / gains on post employment defined benefit plan		-	-
ii. Equity instruments through other comprehensive income		-	-
iii. Tax relating to items that will not to be reclassified to profit or loss		-	-
Other comprehensive gain/(loss) for the year, net of tax			
Total Comprehensive gain/(loss) for the year, net of tax		9,988,682.18	23,079,348.89
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	26	3.84	8.97
Diluted Earnings per share - Rs		3.84	8.97
Contingent Liability	27		

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CA. S.K. Jhunjunwala
Partner
Subhash & Co.
Chartered Accountants

Date: 2076-8-27
Place: Kathmandu



Nepal Hydro Developer Limited
Statement of Cash Flow
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

Particulars	FY 2075-76	Restated 2074-75
Cash flow from operating activities		
Profit for the year	9,988,682.18	23,079,348.89
Adjustments for:		
Depreciation on property, plant and equipment	397,127.22	463,940.98
Amortization of Intangible Assets	27,719,737.45	27,804,009.24
Finance cost	39,193,211.44	42,912,246.63
Working capital adjustments:		
(Increase)/ Decrease in Trade receivables	(7,743,064.60)	(22,030,089.86)
(Increase)/ Decrease in other financial assets	(4,000.00)	184,036.30
(Increase)/ Decrease in other current assets	(2,703,313.08)	(1,095,139.78)
(Increase)/ Decrease in Inventories	190,226.85	(404,808.18)
Increase / (Decrease) in trade payables	91,656.23	(2,959,414.00)
Increase / (Decrease) in financial liabilities	20,053,261.89	(29,377,961.81)
Increase / (Decrease) in other current liabilities	(35,020.00)	(899,809.72)
Cash generated from operations	87,148,505.58	37,676,358.69
Bonus paid	(194,966.00)	144,509.00
CSR paid	315.00	126,404.00
Income Tax Paid	-	-
Prior year adjustment	-	-
Net cash flows from operating activities (A)	86,953,854.58	37,947,271.69
Cash flows from investing activities		
Purchase from sale of Property, Plant and Equipment	(20,501.59)	(243,750.00)
(Increase)/Decrease in Project work-in-progress	-	-
Proceeds from sale of Assets	-	97,897.67
Investment in Intangibles	(177,750.00)	-
Net cash flow from investing activities (B)	(198,251.59)	(145,852.33)
Cash flows from financing activities		
Issue of further public offering (IPO)	-	39,000,000.00
Issue of right share	-	-
Loan & borrowing (non-current)	(51,166,958.58)	(31,587,721.42)
Share Issue Cost	-	(3,789,007.75)
Interest paid	(39,193,211.44)	(42,912,246.63)
Net cash flows from financing activities (C)	(90,360,170.02)	(39,288,975.80)
Net changes in cash flow for the year (A+B+C)	(3,604,567.04)	(1,487,556.44)
Net foreign exchange difference on cash and cash equivalents	-	-
Cash & cash equivalent, Beginning of Year	3,656,599.39	5,144,155.83
Cash & cash equivalent, End of Period	52,032.35	3,656,599.39

The accompanying notes are integral part of these financial statements.

Mr. Kumud Kumar
Dugar
Director

Mrs. Puja Atal
Public Director

Mr. Padmupati
Murarka
Director

Mr. Pradeep Kumar Das
Finance Controller /
Company Secretary

Er. Gyanendra Lal
Pradhan
Chairman

As per our report of even
date

CA. S.K. Jhunjhunwala
Partner
Subhash & Co.
Chartered Accountants

Date: 2076-8-27
Place: Kathmandu



Nepal Hydro Developer Limited

Statement of changes in equity

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

	Equity Share Capital	Share Premium	General Reserve	Retained Earnings	Total
Balance as on 1st Shrawan 2074	221,000,000.00	-	-	(8,563,783.23)	212,436,216.77
Opening NFRS adjustment at transition date					
Re-adjusted opening balance 1st Shrawan 2074	221,000,000.00	-	-	(8,563,783.23)	212,436,216.77
Profit for the year	-	-	-	23,079,348.89	23,079,348.89
Other comprehensive income	-	-	-	-	-
Issue of equity shares	39,000,000.00	-	-	-	39,000,000.00
Dividend to shareholders	-	-	-	-	-
Share issuance cost	-	-	-	(3,789,007.75)	(3,789,007.75)
Balance as at 32 Ashadh 2075	260,000,000.00	-	-	10,726,557.91	270,726,557.91
Profit for the year	-	-	-	9,988,682.18	9,988,682.18
Other comprehensive income	-	-	-	-	-
Issue of equity shares	-	-	-	-	-
Dividend to shareholders	-	-	-	-	-
Share issuance cost	-	-	-	-	-
Balance as at 31 Ashadh 2076	260,000,000.00	-	-	20,715,240.09	280,715,240.09

The accompanying notes are integral part of these financial statements.

Mr. Kumud Kumar Dugar
Director



Mrs. Puja Atal
Public Director

Date: 2076-8-27
Place: Kathmandu



Mr. Pashupati Murarka
Director



Mr. Pradeep Kumar Das
Finance Controller / Company
Secretary

Er. Gyanendra Lal Pradhan
Chairman

As per our report of even
date



CA. S.K. Jhurjhumwala
Partner
Subhash & Co.
Chartered Accountants



Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)
Significant Information, Accounting Policies & Notes to the Accounts

1 General Information

Note -1 & Note-2

Background

Nepal Hydro Developers Limited (NHDL)(Hereafter referred as "The Company") is incorporated under Nepal Company Act, 2006 vide Pvt. Ltd. Reg. No. 41666/063 on Bhadra 29, 2063. The Registered office of the Company is Dillibazzar ward no. 33, Kathmandu. The company has commenced operations from 24/02/2070 (2013/06/07). The name of the company has been changed from "Nepal Hydro Developers Private Limited" to "Nepal Hydro Developers Limited" w.e.f 31/03/2071 as per certificate obtained from Company Registrar Office.

The Company has obtained License from Department of Electricity Development (DOED) to develop hydro electricity from 3.52 MW Charnawati Khola in Dolkha District, Nepal. Further company has also received license for development of 6.4 MW Lower Chandrawati Hydro Power Project (cascade project).

Principle Activity

The main objective of the company is to develop, generate and distribute hydro electric power in Nepal.

The financial statements apply to the financial year ended 31st Ashadh 2076 (16th July 2019). The financial statements of Nepal Hydro Developer Limited has been referred at "NHDL"

The accompanied financial statements have been approved for publication by the Board of Directors of the NHDL in its meeting held on 2076-8-29. The Board of Directors acknowledges the responsibility of preparation of financial statements.

2 Significant accounting policies

2.1. Basis of Preparation and measurement

a) Statement of compliance

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by Nepal Accounting Standard Board & implemented by the Institute of Chartered Accountants of Nepal (ICAN). The Financial Statements have also been prepared in accordance with the relevant presentational requirements of the Company Act, 2063 of Nepal.

These financial statements for the year ended 31 Ashadh, 2076 are the first the Company has prepared under NFRS. For all periods upto and including the year ended 32 Ashadh, 2075, the Company prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP') used for its statutory reporting requirement in Nepal immediately before adopting NFRS. The financial statements for the year ended 32 Ashadh, 2075 and the opening Balance Sheet as at 1 Shrawan, 2074 have been restated in accordance with NFRS for comparative information. Reconciliations and explanations of the effect of the transition from Previous GAAP to NFRS on the Company's statement of Financial Position, Statement of Profit or Loss and Statement of Cash Flows are provided in Note 3.

b) Basis of preparation

The financial statements have been prepared on 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 NFRS Balance Sheet as at 1 Shrawan, 2074 being the 'date of transition to NFRS'. All assets and liabilities have been classified as current or non-current 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 in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities. The financial statements is presented in functional and presentation currency of the Company i.e. Nepalese Rupee ("NPR") which is the currency of the primary economic environment in which the Company operates.



Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

c) 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.

2.2. Critical accounting estimates and judgements

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes:-

a) Useful life and residual value of property, plant and equipments

Management reviews the useful life and residual values of property, plant and equipment at least once a year. Such life are 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.

b) Impairment of property, plant and equipments

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 the carrying value of assets.

c) Contingencies

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

d) Fair value measurement

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

e) Defined benefits plan

The cost of defined benefit plan and other postemployment benefits and the present value of such obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual development in the future. These include the determination of the discount rate, future salary escalations and mortality rates etc. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.



Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

f) **Recognition of deferred tax assets**

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

2.3 Property, plant and equipment

On transition to NFRS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at Ashad 31, 2074 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment as on Sharwan 1, 2074

Subsequent costs are included in the asset's carrying amount or recognised 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 assets are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

The Company identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 derecognised.

Assets in the course of construction are capitalized in the assets under capital work in progress account (CWIP). 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 depreciation 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 estimate 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. Revenue generated from production during the trial period is capitalized.

2.4 Other Intangible Asset

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation 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 recognised as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.



Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

2.5 Depreciation and Amortization

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the written down method.

Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Depreciation is provided on the written down method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on pro-rata basis in the year of purchase. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows:-

Category of asset	Estimated useful life	Depreciation Rate
Furnitures & Fixtures	10-11 years	25%
Office Equipment	10-11 years	25%
Vehicles	13-14 years	20%

Useful life is either the period of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset. The estimated useful life, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Office furniture, equipment and vehicles costing less than NPR 5,000 per unit and plant equipment costing less than NPR10,000 per unit is charged to the profit and loss account in the year of purchase.

Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.

2.6 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 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 recognised immediately in Statement of Profit or Loss.



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Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

2.7 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 to the extent regarded as an adjustment to the borrowing 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.

2.8 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and demand deposits with an original maturity of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

2.9 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 of stores, spare parts and loose tools are stated at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale.

2.10 Revenue recognition

Sale of electricity

Revenue is recognised 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 and other similar allowances. Revenue is recognised when substantial risks and rewards of ownership is transferred to the buyer under the terms of the contract.

Interest & dividend income

Dividend income (net of withholding taxes) from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably). In case of stock dividend only the number of shares is increased.

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

2.11 Foreign currency transactions

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

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

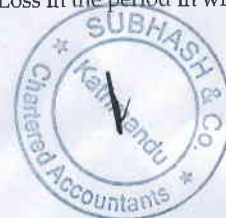
At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was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

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in Statement of Profit or Loss in the period in which they arise.



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Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

2.12 Employment Benefits

i) Short Term

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

ii) Post - Employment Benefits

- Defined

The Company pays Provident Fund contributions to publicly administered Provident Funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contribution are recognized as Employee Benefit Expense when they are due.

- Defined Benefit

For Defined Benefit Plan in the form of Gratuity, the cost of providing benefits is determined using the Projected Unit Credit Method, with Actuarial Valuations being carried out at each Statement of Financial Position. Actuarial Gains & Losses are recognized in the Other Comprehensive Income in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a Straight Line Basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the Fair Value of plan Assets (If Any). Any Asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

iii) Long Term Employee Benefits

The liabilities for un-availed earned leaves are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Leave Encashment has been computed using Actuarial Assumptions and these are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the year using the Projected Unit Credit Method. The benefits are discounted using the market yields at the end of the year that have terms approximating to the terms of assumptions.

2.13 Taxation

Income tax

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement 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.

Currently company enjoys full tax holidays for 1 to 10 years & half of applicable tax rates for next 5 years



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Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

Deferred tax

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

2.13 Earnings per share

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 treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

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

2.15 Provisions, contingencies and commitments

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the standalone financial statements.



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Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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.

2.14 Financial Instruments

I Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the statement of profit and loss. In case of interest free or concession loans/debentures/preference shares given to subsidiaries, associates and joint ventures, the excess of the actual amount of the loan over initial measure at fair value is accounted as an equity investment.

Investment in equity instruments issued by subsidiaries, associates and joint ventures are measured at cost less impairment.

Investment in preference shares/debentures of the subsidiaries are treated as equity instruments if the same are convertible into equity shares or are redeemable out of the proceeds of equity instruments issued for the purpose of redemption of such investments. Investment in preference shares/ debentures not meeting the aforesaid conditions are classified as debt instruments at amortised cost.

II Effective interest method:

The effective interest method is a method of calculating the amortised 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.

III Financial assets:

Financial assets at amortised cost

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

Financial assets measured at fair value

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company in respect of equity investments (other than in subsidiaries, associates and joint ventures) which are not held for trading has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such equity instruments. Such an election is made by the Company on an instrument by instrument basis at the time of initial recognition of such equity investments.

Financial asset not measured at amortised cost or at fair value through other comprehensive income is 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.



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Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

Impairment of financial assets

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

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

De-recognition of financial assets

The Company de-recognises 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 de-recognition under NFRS 9. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognised in statement of profit or loss.

IV Financial liabilities and equity instruments

Classification as debt or equity

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

Equity Instruments

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

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised 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 amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised 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 recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.



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Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

De-recognition of financial liability

A financial liability is derecognised 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 recognised in the statement of profit or loss.

V Off-setting 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 recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. For arrangements entered into prior to Shrawan 1, 2074, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

The company as a lessee

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased asset or, at the present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless either:

- another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors
- the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

The company as lessor

Rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.



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Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

2.18 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 on the basis of below 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 right is established when the grantor contractually guarantee to pay the operator (a) specific or determinable amount; (b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

Intangible asset model:

The intangible asset model is used to the extent that the Group, being an operator, receives a right (a license) to charge users of the public service. A right to charge users of a public services is not an unconditional right to receive cash because the amounts are contingent on to the extent that public uses the services. Both type of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a Financial asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset.

The Company manages concession arrangements which include power supply from its two hydro power plant. 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 models is applied.

Income from the concession arrangements earned under the intangible asset model consists of the (i) Fair Value of the contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and (ii) payments actually received from the users. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

Any asset carried under concession arrangements is derecognised on 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.

2.20 Non-current assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.



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Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the consolidated balance sheet.

Property, plant and equipment and intangible assets once classified as held for sale/ distribution to owners are not depreciated or amortised.

2.21 Financial risk management objectives and policies

The Company's business activities expose it to a variety of financial risks, namely primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company's Board and senior management has overall responsibility for the establishment and oversight of the Company's risk management. The Company's risk management policies are established to identify and analyse 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.

The Risk Management is done by the Company's management that provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

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

a) Credit risk

Credit risk refers to the risk that a counterparty including its subsidiaries and associates will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. In addition, the Company is exposed to credit risk in relation to financial guarantees given to banks provided by the Company. The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on. No amount has been recognised in the financial position as financial liabilities.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term and short-term debt obligations. Since, the interest rate risk is influenced by market forces, company has little role to play for minimizing this risk. Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings by negotiating with highly reputed commercial banks.

c) Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its 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. In doing this, management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

In order to control liquidity risk and for better working capital management, NHDL has made arrangement adequate level of OD facility for short term financing. The Company's Finance department regularly monitors the cash position to ensure it has sufficient cash on-going basis to meet operational needs



Nepal Hydro Developer Limited
For the Year Ended Ashadh 31, 2076 (July 16, 2019)

d) Currency risk

The Company is subject to the risk that changes in foreign currency values impact the Company's imports of inventories and property, plant and equipment. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar.

2.23 Segment reporting

The Chief Executive Officer and functional managers of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by NFRS 8, Operating Segments. The CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators, however the Company is primarily engaged in only one segment viz., "Generation and Sale of electricity" and that most of the operations are in Nepal. Hence the Company does not have any reportable Segments as per NFRS 8 "Operating Segments"

2.24 CSR & Bonus Provision

The provision for corporate social liability @1% has been made during the year as per section 48 of Industrial Enterprise Act, 2073 on Net profit for the year after bonus but before tax. Staff bonus has been provided @ 2% bonus on electricity income in line with the provisions of the Electricity Act 2049.

2.25 Description of Subsidiaries, Associates and other equity investments

Lower Chandrawati Hydropower Ltd

The company has invested of Rs.5,500,000 in equity share of 100% subsidiary company i.e. namely Lower Chamawati Hydropower Public Limited (LCHPL) & the same has been shown as Investment Advance as the share lagat of LCHPL has not been approved from Office of Company Registrar till the end of reporting period.

2.26 Earnings Per Share

Earning per share is calculated by dividing the profit attributable to owners of the company by the Weighted Average Number of equity shares outstanding during the Financial Year.



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Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

Note-3

Notes to First time Adoption of NFRS

3 - First time adoption of NFRS

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). These financial statements for the year ended 31 Ashadh, 2076 are the first the Company has prepared under NFRS. For all periods up to and including the year ended 32 Ashadh, 2075, the Company prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP').

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 recognised directly in equity (retained earnings or 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 1 Shrawan, 2074 and the financial statements as at and for the year ended 32 Ashadh, 2075 is summarized hereunder.

- i) All Assets & Liabilities have been classified into Financial Assets/Liabilities & Non-Financial Assets /Liabilities.
- ii) In accordance with NFRS 1, the resulting adjustments are considered as arising from events & transactions entered before date of transition & recognized directly in the retained earnings at the date of transition to NFRS.

A. Exemptions from retrospective application.

NFRS 1 allows first-time adopters certain exemptions from retrospective application of certain requirements under NFRS. The Company has elected to apply the following optional exemptions from retrospective application:

a) Deemed cost for property, plant and equipment and intangible assets

The Company has elected to measure all its property, plant and equipment, intangible assets including under progress at the Previous GAAP carrying amount as its deemed cost on the date of transition to NFRS.

b) Past business combinations

The Company has elected not to apply NFRS 3 Business Combinations retrospectively to past business combinations that occurred before the transition date of 1st Shrawan, 2074.

B. Exceptions to retrospective application

The Company has applied the following exceptions to the retrospective application of NFRS as mandatorily required under NFRS 1:

a) Estimates

On assessment of the estimates made under the Previous GAAP financial statements, the Company has concluded that there is no necessity to revise the estimates under NFRS, as there is no objective evidence that those estimates were in error. However, estimates that were required under NFRS but not required under Previous GAAP are made by the Company for the relevant reporting dates reflecting conditions existing as at that date.

b) Classification and measurement of financial assets

The classification of financial assets to be measured at amortised 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.

c) Derecognition of financial assets and liabilities

The Company has applied the derecognition requirements of financial assets and financial liabilities.

C. Transition to NFRS-Reconciliations

The following reconciliations provide the explanations and quantification of the differences arising from the transition from Previous GAAP to

Reconciliation of Equity as at 1 Shrawan, 2074

Reconciliation of Equity as at 32 Ashadh, 2075.

Reconciliation of Total Comprehensive income for the year ended 32 Ashadh, 2075.



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D Reconciliation between Previous GAAP & NFRS

Reconciliation of Equity

Particulars	Notes To 1st Time Adoption	Ashadh 32, 2075	Shrawan 1, 2074
Total Equity (Shareholder's Fund) As Per Previous GAAP:			
Equity share capital		260,000,000.00	221,000,000.00
Other equity		11,076,655.79	(8,563,783.23)
		271,076,655.79	212,436,216.77
Adjustment :			
Amortization of service concession arrangement assets	1	(350,097.88)	
Impairmen of financial assets	2	-	
Deferred tax on PPE			
Deferred tax on Intangible assets			
Total Adjustments		(350,097.88)	-
Total Equity as Per NFRS		270,726,557.91	212,436,216.77

Reconciliation to Total Comprehensive Income as at Ashadh 32, 2075

Particulars	Notes	Previous GAAP	Adjustment	NFRS
Revenue		107,255,628.15	-	107,255,628.15
Other income		6,116,474.76	-	6,116,474.76
Total Income		113,372,102.91	-	113,372,102.91
Generation & Distribution Expenses	3	16,282,905.91	9,091,200.68	7,191,705.23
Employee Cost	3	-	(9,847,775.68)	9,847,775.68
Administrative and other operating expenses	3	6,025,518.01	4,545,582.75	1,479,935.26
Depreciation expenses	4	27,917,852.34	27,453,911.36	463,940.98
Amortization of intangible assets	4	-	(27,804,009.24)	27,804,009.24
Profit from Operation		63,145,826.65	(3,438,909.87)	66,584,736.52
Finance costs		42,912,246.63	-	42,912,246.63
Profit Before Bonus, CSR & Tax		20,233,580.02	(3,438,909.87)	23,672,489.89
Provision				
Staff Bonus		396,737.00	-	396,737.00
Corporate Social Responsibility		196,404.00	-	196,404.00
Profit Before Tax		19,640,439.02	(3,438,909.87)	23,079,348.89
Income Tax Expense				
Current tax		-	-	-
Deferred tax expense/(income)		-	-	-
Profit for the year		19,640,439.02	(3,438,909.87)	23,079,348.89
Other comprehensive Income:				
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods				
i. Re-measurement (losses) / gains on post employment defined benefit plans				
ii. Equity instruments through other comprehensive income				
iii. Tax relating to items that will not to be reclassified to profit or loss				
Other comprehensive gain/(loss) for the year, net of tax				
Total Comprehensive gain/(loss) for the year, net of tax		19,640,439.02	(3,438,909.87)	23,079,348.89



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Notes to First time Adoption of NFRS

1) Amortization of Service Concession Arrangement

Company has not amortized its project land under GAAP that is subsequently transferable to Government of Nepal after licence period. As company adopt policy of IFRIC 12 under which all project assets are recognized for intangible assets.

2) Impairment of financial assets

Trade receivable outstanding has been impaired on the basis of risk involved & probability of losses to those assets which has been determined by management.

3) Nature basis presentation of statement of profit or loss

Earlier Company prepares its statement of profit or loss on functional basis, under NFRS, company opted to present on nature basis due to which employee benefit expenses included in cost of generation, administrative expenses are segregated & presented separately.

4) Projects assets in intangible model

While implementation IFRIC 12, projects assets transferable after licence period are presented as separate line item in face of financial statements, which is recognized in Intangible model of presentation & amortization. Due to the implication of model amortization has been computed & presented. Only those assets that doesn't belongs to projects are depreciation under NAS 16.



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Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Property, Plant & Equipment

Note-4

Cost	Furnitures & Fixtures	Office Equipment	Vehicles	Bicycle	Total
As at 1st Shrawn 2074	112,700.00	2,820,485.71	4,230,638	5,500.00	7,169,323.71
RE-statement	-	-	-	-	-
Restated 1 Shrawn, 2074	112,700.00	2,820,485.71	4,230,638	5,500.00	7,169,323.71
Addition for the year	-	39,550	204,200.00	-	243,750.00
Disposal/ Adjustment	-	-	(97,897.67)	-	(97,897.67)
Total as at 32 Ashadh 2075	112,700.00	2,860,035.71	4,336,940	5,500.00	7,315,176.04
Addition for the year	20,501.59	-	-	-	20,501.59
Disposal/ Adjustment	-	-	-	-	-
As at 31 Ashadh 2076	133,201.59	2,860,035.71	4,336,940	5,500.00	7,335,677.63
Accumulated Depreciation					
FY 1st Shrawn 2074	90,396.58	1,955,105.67	3,008,483	4,202.38	5,058,187.83
RE-statement	-	-	-	-	-
Restated 1 Shrawn, 2074	90,396.58	1,955,105.67	3,008,483	4,202.38	5,058,187.83
Addition for the year	5,575.86	219,640.84	238,465	259.52	463,940.98
Disposal/ Adjustment	-	-	-	-	-
Total as at 32 Ashadh 2075	95,972.44	2,174,746.51	3,246,948	4,461.90	5,522,128.81
Addition for the year	7,598.82	171,322.30	217,998	207.62	397,127.22
Disposal/ Adjustment	-	-	-	-	-
As at 31 Ashadh 2076	103,571.26	2,346,068.81	3,464,946	4,669.52	5,919,256.03
Carrying Value					
Shrawan 1, 2074	22,303.42	865,380.04	1,222,155	1,297.62	2,111,135.88
Ashadh 32, 2075	16,727.57	685,289.20	1,089,992	1,038.10	1,793,047.23
Ashadh 31, 2076	29,630.33	513,966.90	871,994	830.48	1,416,421.60

The Company has availed the deemed cost exemption in relation to the property, plant and equipment on the date of transition and hence the net block carrying amount has been considered as the gross block carrying amount on that date.



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Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Intangible Assets		Note-5	
Particular	Intangibles	Service Concession Arrangement	Total
Balance at 1st Shrawan 2074	-	688,925,034.97	688,925,034.97
Addition for the year	-	-	-
Disposal/ Adjustment	-	-	-
Balance as at 32 Ashadh 2075	-	688,925,034.97	688,925,034.97
Addition for the year	-	177,750.00	177,750.00
Disposal/ Adjustment	-	-	-
Balance as at 31 Ashadh 2076	-	689,102,784.97	689,102,784.97
Amortization			
Balance at 1st Shrawan 2074	-	121,239,033.17	121,239,033.17
Addition for the year	-	27,804,009.24	27,804,009.24
Disposal/ Adjustment	-	-	-
Balance as at 32 Ashadh 2075	-	149,043,042.41	149,043,042.41
Addition for the year	-	27,719,737.45	27,719,737.45
Disposal/ Adjustment	-	-	-
Balance as at 31 Ashadh 2076	-	176,762,779.86	176,762,779.86
Shrawan 1, 2074	-	567,686,001.80	567,686,001.80
Ashadh 32, 2075	-	539,881,992.56	539,881,992.56
Ashadh 31, 2076	-	512,340,005.11	512,340,005.11

The Company has obtained the generation license for operation from the Department of Electricity Development (Ministry of Energy) and remains valid till Mangsir 16, 2102 & remains in ownership of the company for 30 years from commercial operation date upto Jestha 24, 2100, the useful life of assets of the project cannot exceed 30 years even if the economic life of the asset is more. After the end of 30 years of operation, company will have to transfer the entire generation unit to Government of Nepal under BOOT provision.

Financial Assets		Note-6		
Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075	As at 1 Shrawan 2,074	
Investment in Subsidiary Companies				
Lower Chandrawati Hydro Power Ltd. (Shares @ NRs 100, fully paid up)				-
Investment advance	5,500,000.00	5,500,000.00		5,500,000
Impairment				
Provision for impairment losses				-
Net Investment	5,500,000.00	5,500,000.00		5,500,000

The company has invested of Rs.5,500,000 in equity share of 100% subsidiary company i.e. namely Lower Charnawati Hydropower Public Limited (LCHPL) & the same has been shown as Investment Advance as the share lagat of LCHPL has not been approved from Office of Company Registrar till the end of reporting period.



391

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Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Inventories (as Taken, Valued & Certified by the Management)

Note-7

Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075	As at 1 Shrawan 2,074
Electric goods			
Consumable, spares & parts	214,581.33	404,808.18	-
Total	214,581.33	404,808.18	-

Trade Receivables

Note-8

Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075	As at 1 Shrawan 2,074
Nepal Electricity Authority	80,157,490.29	72,414,425.69	50,384,335.83
Provision for impairment losses	-	-	-
Total	80,157,490.29	72,414,425.69	50,384,335.83

Cash & cash equivalents

Note-9

Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075	As at 1 Shrawan 2,074
Cash in Hand (as certified)	451.00	40,701.00	22,021.19
Balances with Banks:			
Bank of Kathmandu Ltd. (Current)	1,000.00	1,000.00	2,281,793.20
Bank of Kathmandu Ltd.	-	3,543,618.79	2,738,164.29
Citizens Bank International Ltd.	-	20,698.25	28,737.14
Global IME Bank Ltd.	-	-	6,285.93
Prabhu Bank Ltd.	50,581.35	50,581.35	50,581.35
Siddhartha Bank Ltd.	-	-	16,572.73
Total	52,032.35	3,656,599.39	5,144,155.83

Other Financial Assets

Note-10

Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075	As at 1 Shrawan 2,074
Deposits			
Deposit- IRD	5,003,000.00	5,003,000.00	5,003,000.00
Short term deposits	25,963.70	25,963.70	210,000.00
Staff advance	4,000.00	-	-
Total	5,032,963.70	5,028,963.70	5,213,000.00

Other current assets

Note-11

Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075	As at 1 Shrawan 2,074
Advance for expenses	1,506,134.96	1,557,891.15	17,886,730.27
Advance for contractor & consultan	20,598,703.16	17,756,367.16	167,425.00
Prepaid expense	1,426,923.17	1,877,925.90	2,042,889.16
Advance Income Tax	363,736.00	-	-
Total	23,895,497.29	21,192,184.21	20,097,044.43



Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Note-12

Equity share capital Equity Shares	As at 31 Ashadh 2076		As at 32 Ashadh 2075		As at 1 Shrawan 2074	
	No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount
Authorized Shares						
Equity shares of Rs 100 each with full voting power	6,000,000.00	600,000,000.00	6,000,000.00	600,000,000.00	6,000,000.00	600,000,000.00
Issued Shares						
Equity shares of Rs 100 each with full voting power	6,000,000.00	600,000,000.00	6,000,000.00	600,000,000.00	6,000,000.00	600,000,000.00
Subscribed & Fully paidup						
Equity shares of Rs 100 each with full voting power	2,600,000.00	260,000,000.00	2,600,000.00	260,000,000.00	2,210,000.00	221,000,000.00
Total subscribed & paidup shares	2,600,000.00	260,000,000.00	2,600,000.00	260,000,000.00	2,210,000.00	221,000,000.00

II) Shares Reconciliation

Particulars	As at 31 Ashadh 2076		As at 32 Ashadh 2075		As at 1 Shrawan 2074	
	Share %	Shares Num.	Share %	Shares Num.	Share %	Shares Num.
Opening number of Shares		2,600,000.00		2,210,000.00		1,950,000.00
Add: issue of ordinary shares		-		390,000.00		260,000.00
Add: issue of right shares		-		-		-
Less: Buyback of shares		-		-		-
Closing number of Shares for FY End		2,600,000.00		2,600,000.00		2,210,000.00

The company has allotted fresh ordinary equity shares to public of "Project Affected Area" (10% of total subscribed equity capital amounting 260,000 units of equity shares) on Magh 21, 2073 (February 3, 2017).

III) Details of Shareholding greater than 5%

Particulars	As at 31 Ashadh 2076		As at 32 Ashadh 2075		As at 1 Shrawan 2074	
	Share %	Shares Num.	Share %	Shares Num.	Share %	Shares Num.
Mr. Ananda Prasad Pokhrel	5.19	135,000.00	5.19	135,000.00	6.11	135,000.00
Mr. Kumud Kumar Dugar	9.38	243,750.00	9.38	243,750.00	11.03	243,750.00
Mr. Pashupati Murarka	9.38	243,750.00	9.38	243,750.00	11.03	243,750.00
Mr. Dev Kishan Mundan	9.38	243,750.00	9.38	243,750.00	11.03	243,750.00
Mr. Gyanendra Lal Pradhan	16.88	438,750.00	16.88	438,750.00	19.85	438,750.00
Mr. Rajendra Prasad Mundan	7.50	195,000.00	7.50	195,000.00	8.82	195,000.00
Mr. Bikash Dugar	7.50	195,000.00	7.50	195,000.00	8.82	195,000.00
Mr. Shishir Kumar Murarka	7.50	195,000.00	7.50	195,000.00	8.82	195,000.00
General public/ Employees	27.31	710,000.00	27.31	710,000.00	14.48	320,000.00

The company has only one class of equity shares having a par value of Rs. 100/- per share. In the event of the liquidation of the company, the equity share holders will be entitled to receive remaining assets of the company, after distribution of all preferential amounts according to Companies Act 2063. The distribution will be in proportion of the number of the equity shares held by the shareholders.



Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Note-13

Other Equity

	Share Premium	Retained Earning	General Reserve	Total
Balance as at 1st Shrawan 2074	-	(8,563,783.23)	-	(8,563,783.23)
Profit for the year	-	23,079,348.89	-	23,079,348.89
Other comprehensive income	-	-	-	-
Dividend distribution	-	-	-	-
Share issuance cost	-	(3,789,007.75)	-	(3,789,007.75)
Prior period adjustments	-	-	-	-
Balance as at 32 Ashadh 2075	-	10,726,557.91	-	10,726,557.91
Profit for the year	-	9,988,682.18	-	9,988,682.18
Other comprehensive income	-	-	-	-
Dividend distribution	-	-	-	-
Prior period adjustments	-	-	-	-
Balance as at 31 Ashadh 2076	-	20,715,240.09	-	20,715,240.09







Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Loan & Borrowings

Note-14

Borrowings	As at 31 Ashadh	As at 32 Ashadh	As at 1 Shrawan
	2076	2075	2074
Term loan			
Bank of Kathmandu Ltd	113,921,331.00	126,879,720.43	136,359,261.00
Global IME Bank Ltd	72,889,720.00	81,851,446.18	88,174,540.00
Citizen Bank International Ltd	73,388,540.00	82,382,040.00	88,701,030.00
Sidhartha Bank Ltd	60,795,430.00	69,298,762.97	75,284,090.00
Total	320,995,021.00	360,411,969.58	388,518,921.00
Payable within 12 months	52,500,050.00	40,750,040.00	37,269,270.00
Non-current portion	268,494,971.00	319,661,929.58	351,249,651.00

Company has borrowed loans through consortium, Bank of Kathmandu being leading bank in consortium. Loan agreement has been entered dated 22nd April 2010. The loan arrangement contains NRs 440 millions as term loan & NRs 10 million as working capital loan against which licence to operate, all the assets owned & created by the companies shall remain as collateral.

Loan & Borrowings

Note-15

	As at 31 Ashadh	As at 32 Ashadh	As at 1 Shrawan
	2076	2075	2074
Short term loan	9,850,000.00	10,000,000.00	9,200,000.00
Birdge gap loan	-	-	35,000,000.00
Term loan payable within 12months	52,500,050.00	40,750,040.00	37,269,270.00
Non-current portion	62,350,050.00	50,750,040.00	81,469,270.00

Trade Payables

Note-16

	As at 31 Ashadh	As at 32 Ashadh	As at 1 Shrawan
	2076	2075	2074
Sundry creditors	438,348.63	346,692.40	3,306,106.40
Total	438,348.63	346,692.40	3,306,106.40

Trade and other payables mainly consist of amounts the Company owes to suppliers and government authority that have been invoiced or are accrued. These amounts have been initially recognized at cost and it is continued at cost as it fairly represents the value to be paid since it does not include interest on payment.

Other financial liabilities

Note-17

	As at 31 Ashadh	As at 32 Ashadh	As at 1 Shrawan
	2076	2075	2074
Retention Money Payable	660,888.22	660,888.22	2,060,522.86
Advance from directors	3,436,752.14	236,752.14	236,752.14
Royalty payables	20,568.00	18,698.00	-
Other payables	10,867,188.60	5,615,806.71	2,893,601.88
Current	14,985,396.96	6,532,145.07	5,190,876.88
Non-current	-	-	-

Retention Money Payable, director advance, royalty payables & other payables are expected to be paid within twelve months end of fiscal year.



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Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Other Current Liabilities

Note-18

	As at 31 Ashadh 2076	As at 32 Ashadh 2075	As at 1 Shrawan 2074
Audit fee payables	156,100.00	139,375.00	139,375.00
TDS payables	202,845.00	210,819.00	462,884.90
Salary Payable	812,684.00	856,455.00	1,504,198.82
Total	1,171,629.00	1,206,649.00	2,106,458.72

Provisions

Note-19

	As at 31 Ashadh 2076	As at 32 Ashadh 2075	As at 1 Shrawan 2074
Staff bonus provision	201,771.00	396,737.00	252,228.00
Provision for Corporate Social Responsibility	251,585.00	251,270.00	124,866.00
Current	453,356.00	648,007.00	377,094.00
Non current	-	-	-

The provision for Employee Bonus has been made during the year as per section 15 of Electricity Act, 2049 read with rule 86(2) of Electricity Regulation 2050. Provision is expected to be paid within 12 months end of Fiscal year so, all approtioned under current liabilities



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Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Revenue	Note-20	
Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075
Revenue from power sales	94,038,122.04	107,255,628.15
Total	94,038,122.04	107,255,628.15

Other Income	Note-21	
Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075
Interest Income	-	2,424,904.83
Miscellaneous Income-writeoff	2,852.59	2,907,951.60
Other Income	-	763,516.00
Profit On Sales Of Fixed Assets	-	20,102.33
Total	2,852.59	6,116,474.76

Generation & Distribution Expenses	Note-22	
Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075
Consultancy Charge	247,770.00	200,251.00
Electricity & Water	69,198.00	59,398.00
Fuel & Lubricants-stores consumption	687,736.34	434,826.52
Mitigation Expenses	-	32,600.00
Office Expenses - Site	679,321.00	830,231.00
Project Insurance	2,397,701.97	2,731,200.21
Rent Expenses	12,000.00	-
R & M of Hydro & Electromechanical Equipment	805,214.77	289,718.00
Repairs & Maintenance (Vehicle)	-	7,870.00
R & M -General	-	125,070.00
Royalty Charge	1,975,170.00	2,237,550.50
Membership Fee	-	24,000.00
Telephone Expenses	10,800.00	20,800.00
Transportation Charge	173,240.00	198,190.00
Total	7,058,152.08	7,191,705.23

Employee Cost	Note-23	
Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075
Salary & Allowances- Site	6,887,316.29	8,647,231.68
TADA-site	-	77,935.00
Generation Bonus - Site Staff	94,297.00	243,056.00
Interest on Retention Amount - Site Staff	-	34,968.00
Labour Expenses-site	6,000.00	88,010.00
Salary-admin	970,555.71	743,175.00
TADA-HO	26,100.00	13,400.00
Total	7,984,269.00	9,847,775.68



Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Administrative Expenses

Note-24

Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075
Audit Fee	141,250.00	141,250.00
Tax Audit Fee	16,950.00	
Fine & Penalties	-	3,449.00
Insurance	52,440.94	56,936.56
Share management fee	320,000.00	315,229.00
Legal Expenses	-	74,148.00
Office Expenses	124,126.35	58,771.35
Office Rent	170,230.19	164,626.85
Printing & Stationery	27,724.78	51,327.10
Rate & Taxes	35,435.00	68,214.00
Registration & Renewal Fee	48,995.00	10,735.00
Travelling Exp	282,143.00	204,169.00
Solar Expenses	71,800.00	40,000.00
Annual General Meeting Expenses	36,300.00	252,481.40
Vehicle Running Expenses	70,742.00	38,598.00
Total	1,398,137.26	1,479,935.26

Finance Cost

Note-25

Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075
Interest on Loan from Bank & Financial Institution	38,291,812.34	41,828,791.60
Bank Charges & Commission	901,399.10	1,083,455.03
Total	39,193,211.44	42,912,246.63

Earning per share

Note-26

Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075
Profit for the year	9,988,682.18	23,079,348.89
Weighted average number of shares outstanding	2,600,000.00	2,573,287.67
Earning per share (EPS) NRs.	3.84	8.97
Face value of share NRs.	100.00	100.00



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Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Contingent liabilities

Note-27

Particulars	Contingent nature	As at 31 Ashadh, 2076	As at 32 Ashadh 2075	As at 1 Shrawan 2074
Financial year 2068/69	Income tax & VAT	7,389,585	7,389,585.00	7,389,585.00
Financial year 2069/70	Full Audit	6,414,572	6,414,572.00	6,414,572.00
Financial year 2070/71	Full Audit	1,176,663	1,176,663.00	1,176,663.00
Financial year 2071/72	Full Audit	9,585	9,585.00	9,585.00
Total		14,990,405	14,990,405	14,990,405

Income tax department has made assessment of Income and VAT liability of company for 4 financial year from 2068/69 to 2071/72 and issue assessment order under section 20 of VAT Act 2058. Company has filed an application for administrative review to department. Income tax department has levied following amount of additional VAT liability of company of following financial years under section 8(3) of VAT Act 2052. As it is possible obligation of past event but possibility of outflow of economic benefits in future is not remote, it is recognised as contingent liability.

Related party disclosure

Note-28

Name of Related Party

Name of Entity

Modi Energy Limited

Lower Charnawoti Hydropowers Ltd.

Supreme Cement Pvt. Ltd.-Closing (Dr)

Dev Kishan Mundara

Gyanendra Lal Pradhan

Kumud Dugar

Pashupati Murarka

Key managerial personnel

Relationship

Common Director

Subsidiary Company

Common Director

Director

Director

Director

Chairman

Finance Controller

As at 31 Ashadh, 2076

Transaction with related party	Nature of Transaction	Opening	Transaction for the Year	Closing	Remarks
Modi Energy Limited	PPE related		209,900.00	209,900.00	Receivable
Lower Charnawoti Hydropowers Ltd.	Construction advances	23,256,367.16	2,996,172.00	26,252,539.16	Receivable
Dev Kishan Mundara	Loan & advances	59,188.04	800,000.00	859,188.04	Advance payable
Gyanendra Lal Pradhan	Loan & advances	59,188.03	800,000.00	859,188.03	Advance payable
Kumud Dugar	Loan & advances	59,188.03	800,000.00	859,188.03	Advance payable
Pashupati Murarka	Loan & advances	59,188.04	800,000.00	859,188.04	Advance payable
Key managerial personnel	Salary & allowance	-	554,340.00	554,340.00	

As at 32 Ashadh, 2075

Transaction with related party	Nature of Transaction	Opening	Transaction for the Year	Closing	Remarks
Modi Energy Limited	PPE related	-	-	-	
Lower Charnawoti Hydropowers Ltd.	Construction advances	5,506,923.00	17,749,444.16	23,256,367.16	Receivable
Dev Kishan Mundara	Loan & advances	59,188.04	-	59,188.04	Advance payable
Gyanendra Lal Pradhan	Loan & advances	59,188.03	-	59,188.03	Advance payable
Kumud Dugar	Loan & advances	59,188.03	-	59,188.03	Advance payable
Pashupati Murarka	Loan & advances	59,188.04	-	59,188.04	Advance payable
Key managerial personnel	Salary & allowance	-	466,277.00	466,277.00	



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Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Fair Value Measurements

Note-29

(i) Financial Instruments by Category & Hierarchy

This section explains the judgements and estimates made in determining the Fair Values of the Financial Instruments that are measured at Amortised Cost and at which Fair Values are disclosed in the Financial Statements. The Company doesn't have any Financial Instruments which are to be measured at Fair Value through Profit & Loss or Fair Value through Other Comprehensive Income.

To provide an indication about the reliability of the inputs used in determining Fair Value, the Company has classified its financial instruments into Three Levels prescribed as per applicable NFRS. However, all the Financial Instruments held by the Company fall under Level 3 Category.

Level 1: Level 1 Hierarchy includes Financial Instruments measured using Quoted Prices.

Level 2: Fair Value of Financial Instruments that are not traded in an active market is determined using valuation techniques which maximises the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to determine Fair Value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There is no transfer of Financial Instruments between different levels as mentioned above during the year.

Financial Risk Management

Note-30

The Company's activities expose it to Credit Risk, Liquidity Risk & Market Risk.

i) Credit Risk

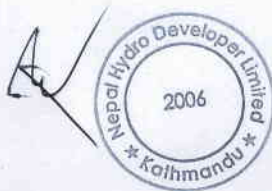
The Company is exposed to credit risk for various Financial Instruments, For Example Customer Receivables, Loans or Advances given. The Company continuously monitors Receivables and defaults with customers & other counterparties. Appropriate Security Deposits along with Bank Guarantee are kept against the supplies to customers.

Credit Risk with respect to Trade Receivable is managed by the Company through regular followup by management. The major trade receivable is from Nepal Electricity Authority which is government owned business enterprises. Although risk of non recovery is rear company has provided impairment for possible losses.

Expected Credit Loss For Trade Receivables under Simplified Approach:

Particulars	As at 31 Ashadh 2076	As at 32 Ashadh 2075	As at 1 Shrawan 2074
Carrying amount	80,157,490.29	72,414,425.69	50,384,335.83
Expeded credit loss	-	-	-
Net carrying amount	80,157,490.29	72,414,425.69	50,384,335.83

The credit risk for cash & cash equivalents and bank deposits including accrued interest is considered negligible, since the counterparties are Nepal Rastra Bank approved Financial Institutions.



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Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

ii) Liquidity Risk

Prudent Liquidity Management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of internal and external financing to meet obligations when due. The Company monitors its risk to a shortage of funds on a regular basis through cash forecast for scheduled debts servicing payments and considering maturity profiles of Financial Assets & Other Financial Liabilities.

a) Financing Arrangements:

The Company had availed Financing Arrangements as categorised below. Closing balances of the same stands as follows:

Particulars	As at 31 Ashadh	As at 32 Ashadh	As at 1 Shrawan
	2076	2075	2074
Long term loan & borrowings	268,494,971.00	319,661,929.58	351,249,651.00
Short term loan & borrowings	438,348.63	346,692.40	3,306,106.40
Total borrowings	268,933,319.63	320,008,621.98	354,555,757.40

iii) Market Risk

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The company's policy is to minimise interest rate cash flow risk exposure on borrowings.

a1) Interest Rate Sensitivity

Profit or Loss is Sensitive to changes in Interest Rate for Borrowings. A change in Market Interest Level by 100 Basis Points which is reasonably possible based on Management's Assessment would have the following effect on the Profit.

Particulars	As at 31 Ashadh	As at 32 Ashadh
	2076	2075
Interest Rate - Increase By 100 Basis Points*	3,308,450.21	3,704,119.70
Interest Rate - Decrease By 100 Basis Points*	(3,308,450.21)	(3,704,119.70)

* Holding all other Variable Constant

As company is subject to tax holidays, above amount is without effect of tax.



Nepal Hydro Developer Limited

For the Year Ended Ashadh 31, 2076 (July 16, 2019)

The accompanying notes are integral part of these financial statements.

Capital Management

Note-31

For the purpose of the Company's Capital Management, capital includes issued capital and all other equity reserves attributable to the equity holders of the company. The company manages its capital so as to safeguard its ability to continue as a going concern and to optimise 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 and day-to-day 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.

The Company's aim to translate profitable growth to superior cash generation through efficient capital management. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Company's focus is on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Company. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.

Months	No. of Days	Shares	Days X No. of Shares
Shrawan	32.00	2,600,000.00	83,200,000.00
Bhadra	31.00	2,600,000.00	80,600,000.00
Ashoj	31.00	2,600,000.00	80,600,000.00
Karthik	30.00	2,600,000.00	78,000,000.00
Mangsir	29.00	2,600,000.00	75,400,000.00
Poush	30.00	2,600,000.00	78,000,000.00
Magh	29.00	2,600,000.00	75,400,000.00
Falgun	30.00	2,600,000.00	78,000,000.00
Chaitra	30.00	2,600,000.00	78,000,000.00
Baishakh	31.00	2,600,000.00	80,600,000.00
Jestha	31.00	2,600,000.00	80,600,000.00
Ashad	32.00	2,600,000.00	83,200,000.00
	366.00		951,600,000.00
Weighted Average Shares			2,600,000.00

