

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF EASTERN HYDROPOWER LTD.**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**OPINION**

We have audited the accompanying financial statements of **EASTERN HYDROPOWER LTD.** ("The Company"), which comprises the Statement of Financial Position as at **Ashad 31, 2081 (Corresponding to July 15, 2024)**, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of Significant Accounting Policies.

In our opinion the accompanying financial statements present fairly, in all material respects the financial position of the Company as at **Ashad 31, 2081 (i.e., July 15, 2024)** and its financial performance and its cash flows for the year then ended in accordance with **Nepal Financial Reporting Standards (NFRS)**.

**BASIS FOR OPINION**

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

**KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended on **Ashad 31, 2081 (i.e., July 15, 2024)**. These matters were addressed in the context of our audit of the financial Statements as a whole, and in forming our opinion thereon, and we do not provide separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our Report. For the matter below, our description of how our audit addressed the matter is provided in the context.

Key Audit Matter	Response to Key Audit Matter
Revenue Matter	
The revenue of the company has to be recognized on accrual basis. Revenue is mainly derived from sale of electricity to Nepal Electricity Authority (NEA). As part of our risk assessment, we have considered each individual revenue stream and	Our audit approach regarding verification of process of income recognition included:  A. We understood and evaluated the controls and processes over the recording of revenue in system level and control in place for manual

determined that a significant risk exists in respect of recognition of income under all material revenue streams.	<p>processes &amp; assessed the revenue recognition policies adopted by the company for compliance with the relevant accounting standards.</p> <p>B. We obtained the details of revenue from sale of electricity and verified billed amount of energy with the rate of electricity as quoted in power purchase agreement with NEA. We also verified the total chargeable unit of contract energy based on approved meter reading for each period.</p> <p>C. We reviewed the contracts, wherever applicable to ensure whether revenue as per power purchase agreement is recognized or not.</p>
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## OTHER INFORMATION

Management is responsible for the Other Information presented in Company's Annual Report. The Other information comprises all the information in the Annual Report other than the financial Statements and our Auditor's Report thereon.

The Report is expected to be made available to us after the date of our Auditor's Report. Our opinion on the Financial Statements does not cover the Other Information and, accordingly, we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the Other Information is materially inconsistent with the financial Statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to Report in this regard as on the date of issuance of this Report.

## RESPONSIBILITY OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

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## 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 decisions 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:

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As per Company Act 2063, based on our audit carried out on sampling basis, we report that, in our opinion:

- a) We have obtained all the Information & explanations which, to the best of our knowledge and belief, were considered necessary for the purpose of our audit.
- b) Proper books of accounts as required by prevailing laws of Nepal have been kept by the Company reflecting the real affairs of the Company.
- c) The Statement of Financial Position as at **Ashad 31, 2081 (Corresponding to July 15, 2024)**, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash

*[Handwritten signature]*



Flow for the year then ended are prepared as per the provisions of the Company Act 2063 and the same are in agreement with the books of accounts maintained by the Company.

- d) To the best of our knowledge and in accordance with the explanations given to us and from our examination of the books of accounts of the Company, necessary for the purpose of our audit, we have not come across cases where the Board of Directors, representative or any employee of the Company has acted contrary to the provisions of law, or committed any misappropriation or caused any loss/damage to the Company or committed accounting fraud.

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CA Subash Acharya

Proprietor

Subash Acharya & Associates,

Chartered Accountants

Place: Kathmandu

Date: 2081/09/03

UDIN: 250109CA017957WUbp



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# Eastern Hydropower Limited

Statement of Financial Position  
As at 31st Ashad, 2081 (15th July, 2024)

Figure in NPR

Particulars	Notes	As at 31st Ashad 2081	As at 31st Ashad 2080
<b>Assets</b>			
<b><u>Non current Assets</u></b>			
Property Plant and Equipment	3.1	883,437	1,749,029
Intangible Assets	3.2	1,062,410,358	1,111,523,695
<b>Total Non Current Assets</b>		<b>1,063,293,795</b>	<b>1,113,272,723</b>
<b><u>Current Assets</u></b>			
<b>Financial Assets</b>			
Trade & Other Receivables	3.3	51,765,365	50,930,170
Short Term Loans & Advances	3.4	861,046	861,046
Cash and Cash Equivalent	3.5	10,555,024	13,546,636
<b>Other Current Assets</b>	3.6	<b>1,116,849</b>	<b>1,271,338</b>
<b>Total Current Assets</b>		<b>64,298,284</b>	<b>66,609,190</b>
<b>Total Assets</b>		<b>1,127,592,079</b>	<b>1,179,881,913</b>
<b>Equity and Liability</b>			
<b><u>Equity</u></b>			
Share Capital	3.7	620,000,000	620,000,000
Reserve and Surplus	3.8	(176,566,634)	(162,845,756)
<b>Total Equity</b>		<b>443,433,366</b>	<b>457,154,244</b>
<b><u>Liability</u></b>			
<b>Non Current Liabilities</b>			
<b>Financial Liabilities</b>			
Loans and Borrowings (Long Terms)	3.9	635,724,704	664,798,671
Lease Liabilities		114,958	221,105
<b>Total Non- Current Liabilities</b>		<b>635,839,662</b>	<b>665,019,777</b>
<b>Financial Liabilities</b>			
Loans and Borrowings (Short Term)	3.10	29,073,968	22,655,040
Trade and other Payables	3.11	4,045,821	3,867,610
Retention Liabilities	3.12	1,307,204	1,307,204
<b>Other Current Liabilities</b>	3.13	<b>13,892,059</b>	<b>29,878,038</b>
<b>Total Current Liabilities</b>		<b>48,319,052</b>	<b>57,707,892</b>
<b>Total Liability</b>		<b>684,158,714</b>	<b>722,727,669</b>
<b>Total Equity and Liability</b>		<b>1,127,592,079</b>	<b>1,179,881,913</b>

Notes Forming parts of Financial Statement are an integral part of the financial statements.

For and On the behalf of  
Eastern Hydropower Limited

Pramila Niraula  
Finance Officer

Roshan Shah  
CEO

Dhan Bahadur Shrestha  
Chairperson

Sashi Raj Shrestha  
Director

Place: Lalitpur

Date: 2081/9/13

As per report of even date  
For and On the behalf of  
Subash Acharya & Associates  
Chartered Accountants

Subash Acharya  
Proprietor

**Eastern Hydropower Limited**  
Statement of Profit or Loss & Other Comprehensive Income  
For the year ended on 31st Ashadh, 2081 (15th July, 2024)


*Figure in NPR*


Particulars	Notes	For the year ended 31st Ashadh, 2081	For the year ended 31st Ashadh, 2080
<b>Revenue from Operation</b>	3.14	112,011,446	119,555,259
Cost of Sales	3.15	60,272,062	60,861,796
<b>Gross Profit</b>		<b>51,739,384</b>	<b>58,693,463</b>
Other Income	3.16	210	5,000
Employee Benefits	3.17	871,720	401,140
Administrative Expenses	3.18	2,484,710	2,666,729
Other Operating Expenses	3.19	6,768,003	4,761,812
Depreciation on RoU Assets	3.2	98,637	98,637
Depreciation and Amortization Expenses	3.1	1,009,523	1,002,327
<b>Profit From Operations</b>		<b>40,507,000</b>	<b>49,767,818</b>
Finance Cost	3.20	54,227,879	58,271,265
<b>Profit Before Tax (PBT)</b>		<b>(13,720,879)</b>	<b>(8,503,446)</b>
Income Tax Expenses		-	-
<b>Profit from Continuous Operations</b>		<b>(13,720,879)</b>	<b>(8,503,446)</b>
Profit/(Loss) on Discontinue Operation (Net of Tax)		-	-
<b>Net Profit for the Year</b>		<b>(13,720,879)</b>	<b>(8,503,446)</b>
<b>Net Profit for the year as per Profit or Loss Statements</b>		<b>(13,720,879)</b>	<b>(8,503,446)</b>
<b>Other comprehensive Income:</b>			
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods			
Re-measurement (losses) / gains on post employment defined benefit plans			
Income tax relating to items that will not be reclassified to profit or loss			
Other comprehensive gain/(loss) for the year, net of tax			
<b>Net Comprehensive gain/(loss) for the year</b>		<b>(13,720,879)</b>	<b>(8,503,446)</b>
<b>Earning Per shares Rs 100 each</b>			
Basic Earning Per Share (NPR)		(2.21)	(1.44)
Diluted Earning Per Share (NPR)		(2.21)	(1.37)

Notes Forming parts of Financial Statement are an integral part of the financial statements.

For and On the behalf of  
Eastern Hydropower Limited

  
Pramila Niraula  
Finance Officer

  
Roshan Shah  
CEO

  
Dhan Bahadur Shrestha  
Chairperson

As per report of even date  
For and On the behalf of  
Subash Acharya & Associates  
Chartered Accountants

  
Subash Acharya  
Proprietor

Place: Lalitpur

Date: 2081/19/13



Sashi Raj Shrestha  
Director



# Eastern Hydropower Limited

## Statement of Cash Flows

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

Amount In NPR

Particulars	For the year ended 31st Ashad, 2081	For the year ended 31st Ashad, 2080
<b>A. Cash Flow from Operating Activities</b>		
Profit Before Tax (PBT)	(13,720,879)	(8,503,446)
<b>Adjustment For:</b>		
Depreciation on Property, Plant and Equipment	1,108,160.23	1,100,964
Amortisation of Intangible Assets	49,014,701	49,014,701
Loss on Sale of Assets	-	-
Finance Expenses	54,227,879	58,271,265
<b>Operating Profit before Working Capital change</b>	<b>90,629,861</b>	<b>99,883,482</b>
Increase/(Decrease) in Current Assets	(680,705.88)	22,363,509
Increase/(Decrease) in Current Liabilities	(15,807,768.17)	(76,889,454)
Cash Generated from Operations.	<b>74,141,387</b>	<b>45,357,537</b>
Income Tax Paid	-	-
<b>Net Cash Flows from Operating Activities</b>	<b>74,141,387</b>	<b>45,357,537</b>
<b>B. Cash Flow from Investing Activities</b>		
Decrease/(increase) in work In progress	-	-
Decrease/(increase) PPE	(143,932.21)	(230,000)
Decrease/(increase) Intangibles	-	-
<b>Net Cash flows from Investing Activities</b>	<b>(143,932)</b>	<b>(230,000)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from the issue of the share capital	-	124,000,000
IPO Issue Expenses	-	(6,269,291)
Proceeds from Call in Advance	-	-
Borrow (Repayment) of Non current Borrowings	(29,073,967.54)	(43,386,860)
Borrow (Repayment) of Current Borrowings	6,418,928	(51,015,332)
Finance Expenses Paid	(54,227,879)	(58,271,265)
Decrease in Lease Liability	(106,148)	(98,013)
<b>Net Cash Flows from Financing Activities</b>	<b>(76,989,066)</b>	<b>(35,040,760)</b>
Net Increase in Cash and Cash Equivalents	(2,991,611)	10,086,778
Cash and Cash Equivalents at the Beginning of year	13,546,636	3,459,857
<b>Cash and Cash Equivalents at the end of year</b>	<b>10,555,024</b>	<b>13,546,636</b>


Notes Forming parts of Financial Statement are an integral part of the financial statements.

For and the behalf of  
Eastern Hydropower Limited




  
Pramila Niraula  
Finance Officer

  
Koshan Shah  
CEO

  
Dhan Bahadur Shrestha  
Chairperson

As per report of even date  
For and On the behalf of  
Subash Acharya & Associates  
Chartered Accountants



  
Subash Acharya  
Proprietor

Sashi Raj Shrestha  
Director



Place: Lalitpur

Date: 2081/9/13



**Eastern Hydropower Limited**  
Statement of Change in Equity  
For the year ended on 31st Ashadh, 2081 (15th July, 2024)

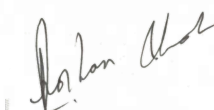
*Figures in NPR*

Particulars	Share Capital	Calls in advance	Retained Earning	Total
Balance as at 1st Shrawan 2079	496,000,000	-	(148,073,019)	347,926,981
Changes in accounting policies	-	-	-	-
Net gain/loss from errors in prior years	-	-	-	-
<b>Restated Balance</b>	<b>496,000,000</b>	<b>-</b>	<b>(148,073,019)</b>	<b>347,926,981</b>
<b>Changes in Equity for FY 2079/80</b>				
Net profit or loss for the year	-	-	(8,503,446)	(8,503,446)
Addition toward Share capital	124,000,000	-	-	124,000,000
IPO Issue Expenses	-	-	(6,269,291)	(6,269,291)
<b>Balance as at 31st Ashadh 2080</b>	<b>620,000,000</b>	<b>-</b>	<b>(162,845,756)</b>	<b>457,154,244</b>
<b>Balance as at 1st Shrawan 2080</b>	<b>620,000,000</b>	<b>-</b>	<b>(162,845,756)</b>	<b>457,154,244</b>
Changes in accounting policies	-	-	-	-
Net gain/loss from errors in prior years	-	-	-	-
<b>Restated Balance</b>	<b>620,000,000</b>	<b>-</b>	<b>(162,845,756)</b>	<b>457,154,244</b>
<b>Changes in Equity for FY 2080/81</b>				
Net profit or loss for the year	-	-	(13,720,879)	(13,720,879)
Addition toward Share capital	-	-	-	-
IPO Issue Expenses	-	-	-	-
<b>Balance as at 31st Ashadh 2081</b>	<b>620,000,000</b>	<b>-</b>	<b>(176,566,635)</b>	<b>443,433,365</b>

Notes Forming parts of Financial Statement are an integral part of the financial statements.

For and the behalf of  
Eastern Hydropower Limited

  
Pramila Niraula  
Finance Officer

  
Roshan Shah  
CEO

  
  
Dhan Bahadur Shrestha  
Chairperson

As per report of even date  
For and the behalf of  
Subash Acharya & Associates  
Chartered Accountant

  
  
Subash Acharya  
Proprietor

Sashi Raj Shrestha  
Director 

Place: Lalitpur  
Date: 2081/9/13



**Eastern Hydropower Limited**  
Notes Forming parts of Financial Statement

Note no: 3.1 Property, Plant and Equipment

Amount In NPR

Particulars	Vehicle	Furniture & Fixture	Office Equipment	Computer & Accessories	Total
Balance at 1st Shrawan 2079	9,770,950	1,006,522	1,557,836	714,723	13,050,031
Additions	230,000	-	-	-	230,000
Disposal	-	-	-	-	-
Balance at 31st Ashad 2080	10,000,950	1,006,522	1,557,836	714,723	13,280,031
Additions	-	-	96,607	47,326	143,932
Disposal	-	-	-	-	-
Balance at 31st Ashad 2081	10,000,950	1,006,522	1,654,443	762,049	13,423,963
Accumulated depreciation	-	-	-	-	-
Depreciation Rate(%)	10.0%	5.0%	5.0%	5.0%	-
Balance at 1st Shrawan,2079	7,291,997	1,006,522	1,557,836	672,321	10,528,676
Charge for the year	1,000,095	-	-	2,232	1,002,327
Disposal	-	-	-	-	-
Balance at 31st Ashad, 2080	8,292,092	1,006,522	1,557,836	674,553	11,531,003
Charge of the year	1,000,095	-	4,830	4,598	1,009,523
Disposal	-	-	-	-	-
Balance at 31st Ashadh 2081	9,292,187	1,006,522	1,562,666	679,151	12,540,526
Net book value	-	-	-	-	-
Balance at 31st Ashad 2080	1,708,858	-	-	40,171	1,749,029
Balance at 31st Ashad 2081	708,763	-	91,776	82,898	883,437

**Eastern Hydropower Limited**  
Notes Forming parts of Financial Statement

Note no: 3.2 Intangible Assets

Amount In NPR

Particulars	Project Assets(Service Concession Arrangement)	Right of Use Assets	Total
<b>Gross Block</b>			
Balance at 32nd Ashad 2079	1,312,251,118	493,184	1,312,744,303
Additions	-	-	-
Disposal	-	-	-
Balance at 31st Ashad 2080	1,312,251,118	493,184	1,312,744,303
Additions	-	-	-
Disposal	-	-	-
Balance at 31st Ashad 2081	1,312,251,118	493,184	1,312,744,303
<b>Accumulated Amortisation</b>			
Balance at 32nd Ashad 2079	151,909,997	197,274	152,107,270
Charge for the year	49,014,701	98,637	49,113,337
Disposal	-	-	-
Balance at 31st Ashad 2080	200,924,697	295,911	201,220,608
Charge for the year	49,014,701	98,637	49,113,337
Disposal	-	-	-
Balance at 31st Ashad 2081	249,939,398	394,547	250,333,945
Net book value			
As at 31st Ashad 2080	1,111,326,421	197,274	1,111,523,695
As at 31st Ashad 2081	1,062,311,721	98,637	1,062,410,358



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BLS for the year

**Eastern Hydropower Limited**  
Notes Forming Parts of Financial Statement

**Note no: 3.3 Trade And Other Receivable**

*Amount In NPR*

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
Trade Receivable (NEA)	15,295,604.39	14,314,039
<b>Other Receivable</b>		
Department of Electricity Development(DOED)	-	158,769
Dream Info Tech Pvt. Ltd.	1,050.00	-
North Hydro & Engineering P.Ltd.	6,753,155.02	6,753,155
Udeco (P) Ltd.HM	3,694,551.86	3,694,552
Udeco Pvt.Ltd.	8,914,929.86	8,914,930
Cream Hydel Pvt.Ltd	420,601.37	420,601
Mainachuli Nirman Sewa	16,373,958.26	16,373,958
TAC Hydro Engineers Pvt. Ltd.	200,000.00	200,000
Mahesh Bista	1,347.47	-
Shambhu Prasad Chaudhary	10,000.00	-
Bank Guarantee Margin	95,500.00	95,500
Advance Tax	4,667.00	4,667
<b>Total</b>	<b>51,765,365</b>	<b>50,930,170</b>

**Note no: 3.4 Short Term loan and Advance**

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
Ram Kumar Karki Advance	861,046.00	861,046
<b>Total</b>	<b>861,046</b>	<b>861,046</b>

**Note no: 3.5 Cash & Cash Equivalent**

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
Cash in hand	11,647.50	15,162
<b>Bank Balances</b>		
Lumbini Bikas Bank	31,804.09	25,701
Kumari Bank	185,230.02	30,932
MahaLaxmi Bikas Bank	315,893.00	256,192
Muktinath Bikas Bank	151,088.60	108,992
NCC Bank	-	154,382
NMB Bank	9,584,689.76	12,727,019
Prabhu Bank Ltd	32,136.50	32,137
Prabhu Bank Ltd( Loan Dis.A/C)	213,858.50	167,444
RBB	3,676.00	3,676
Standard Chartered Bank	25,000.00	25,000
<b>Total</b>	<b>10,555,024</b>	<b>13,546,636</b>

**Note no: 3.6 Other Current Assets**

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
<b>Prepayments</b>		
Prepaid Insurance-Project	1,109,646.42	1,263,628
Prepaid Internet	7,202.36	7,710
<b>Total</b>	<b>1,116,849</b>	<b>1,271,338</b>

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**Eastern Hydropower Limited**  
Notes Forming Parts of Financial Statement

**Note no: 3.7 Share Capital**

*Amount In NPR*

Particulars	For FY 2080-81		For FY 2079-80	
	No. of shares	Amount	No. of shares	Amount
<b>A. Equity Shares</b>				
<b>Authorised</b>				
Equity Shares of Rs. 100 each	6,200,000	620,000,000	6,200,000	620,000,000
<b>Issued</b>				
Equity Shares of Rs. 100 each	6,200,000	620,000,000	6,200,000	620,000,000
<b>Paid-up Capital</b>				
Share Certified	6,200,000	620,000,000	6,200,000	620,000,000
Calls in advance	-	-	-	-
<b>Total Equity</b>	<b>6,200,000</b>	<b>620,000,000</b>	<b>6,200,000</b>	<b>620,000,000</b>

**B. Reconciliation of the number of shares outstanding at the beginning and end of the year**

Particulars	For FY 2080-81 No. of Shares	For FY 2079-80 No. of Shares
Balance as at the beginning of the year	6,200,000	4,960,000
Changes during the year	-	1,240,000
<b>Balance as at the end of the year</b>	<b>6,200,000</b>	<b>6,200,000</b>

**C. Capital Structure of the Company**

Particulars	For FY 2080-81 Value	For FY 2079-80 Value
Money Plant Investment Pvt. Ltd.	19,589,300.00	19,589,300.00
Smart Investment Co. Pvt. Ltd.	40,000,000.00	40,000,000.00
Individual Promoters	436,410,700.00	436,410,700.00
Public Shareholders-Local	56,969,000.00	56,969,000.00
Public Shareholders-General Public	65,647,100.00	62,519,000.00
Mutual Fund	223,400.00	3,351,500.00
Employee Shareholder	1,160,500.00	1,160,500.00
<b>Total</b>	<b>620,000,000.00</b>	<b>620,000,000.00</b>

**C. Significant Shareholding**

The Company identifies the following shareholder as the shareholders having significant ownership

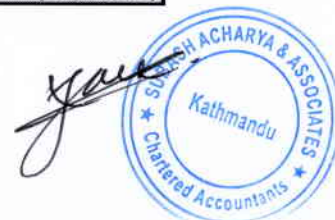
Particulars	No. of Shares Subscribed	Percentage Holding
Smart Investment Co. Pvt. Ltd.-Share	400,000.00	6.45%
<b>Total</b>	<b>400,000.00</b>	<b>6.45%</b>

**Note no: 3.8 Reserve and Surplus**

Particulars	For FY 2080-81	For FY 2079-80
Opening Balance	(162,845,756)	(148,073,018)
Profit/(Loss) for the Year	(13,720,879)	(8,503,446)
Less: Share Issue Expenses	-	(6,269,291)
<b>Total</b>	<b>(176,566,634)</b>	<b>(162,845,756)</b>



Bhrista  
for the year





**Eastern Hydropower Limited**  
Notes Forming Parts of Financial Statement

**Note no: 3.9 Loan and Borrowing (Long Terms)**

**Amount in NPR**

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
<b>Terms Loans</b>		
Kumari Bank (TL)	210,979,110	132,311,399
Lumbini Bikas Bank (TL)	71,214,383	74,493,351
Maha Laxmi Bikas Bank (TL)	42,226,000	44,151,000
Muktinath Bikas Bank (TL)	59,115,600	61,810,600
Prabhu Bank Ltd (TL)	41,680,556	43,605,556
NCC Term Loan	-	88,292,710
NMB Term Loan	210,509,055	220,134,054
<b>Total</b>	<b>635,724,704</b>	<b>664,798,671</b>

**Note no: 3.10 Loan and Borrowing (Short Terms)**

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
<b>Short Term Part of Long Term Borrowings</b>		
Kumari Bank (TL)	9,625,000	4,500,000
Lumbini Bikas Bank (TL)	3,278,968	2,555,040
Maha Laxmi Bikas Bank (TL)	1,925,000	1,500,000
Muktinath Bikas Bank (TL)	2,695,000	2,100,000
Prabhu Bank Ltd (TL)	1,925,000	1,500,000
NCC Term Loan	-	3,000,000
NMB Term Loan	9,625,000	7,500,000
<b>Total</b>	<b>29,073,968</b>	<b>22,655,040</b>

**Note no: 3.11 Trade & Other Payables**

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
Bajra Ganesh Suppliers	135,001	-
Department of Electricity Development(DOED)	214,106.10	-
Global Exim Solution Pvt. Ltd.	58,096	-
Jal Binayak Energy Traders	20,500	-
Orient Distributors Pvt. Ltd.	59,000	-
Pioneer Trade & Suppliers	8,495	-
Shakti Commercial Enterprises	21,724	-
Light House	6,627	-
Progressive Labs Pvt. Ltd.	-	11,150
Audit Fees Payable	246,681	246,681
Signal Nepal Pvt Ltd.	34	-
Rent Payable	361,999	473,999
Salary Payable	2,063,507	2,043,100
Dipen Rai	-	6,726
Shubhang Rai	8,508	-
Abhiyan	4,250	-
Isha International	39,102	-
Subham Swastik Enterprises	3,535	-
Samragya Karmacharya	2,623	-
Pramila Niraula	186,413	192,308
Kathmandu Hydro Electric Pvt.Ltd.	463,545	463,545
Manakamana Suppliers	51,142	339,169
Qiankang Allonward Hydro Equipment Co.Pvt.Ltd.	90,932	90,932
Tyamke Oil Suppliers	-	-
<b>Total</b>	<b>4,045,821</b>	<b>3,867,610</b>

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Note no: 3.12 Retention Liability

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
Retention Money- Kathmandu Hydro.	1,307,204	1,307,204
<b>Total</b>	<b>1,307,204</b>	<b>1,307,204</b>

Note no: 3.13 Other Current Liabilities

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
Advance From Shareholders	13,539,700	29,788,200
<b>Statutory Dues Payable</b>		
PF Payable	176,070	-
SST@1%	10,245	17,877
<b>TDS Payable on</b>		
TDS- Advertisement	930	-
TDS- Allowances	-	14,338
TDS-Audit Fee	3,319	3,319
TDS - Abhishek Electromechanical & Suppliers	-	450
TDS - Bhishanhang Construction Pvt. Ltd.	-	1,302
TDS- Cream Hydel	-	7,575
TDS- Dream Info Tech Pvt. Ltd.	1,050	-
TDS-Internet	-	203
TDS- Legal Fee	9,000	3,750
TDS National Tech Hydro & Electric P. Ltd.	26,264	-
TDS - Nepal Stock Exchange	-	6,375
TDS- Milan Store	3,000	-
Tds- Professional Computer System	-	414
TDS-Progressive Labs Pvt. Ltd.	-	150
TDS-Rent	-	12,000
TDS- Sahara Road Carrier	-	1,922
TDS - Subash Acharya & Associates	-	2,250
TDS-Salary	120,960	2,240
TDS- Shree Krishna Auto Workshop	1,521	-
TDS-Transportation	-	7,615
TDS - URA & Associates	-	750
TDS- Wages	-	7,308
<b>Total</b>	<b>13,892,059</b>	<b>29,878,038</b>

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**Eastern Hydropower Limited**  
Notes Forming Parts of Financial Statement

**Note no: 3.14 Revenue From Operation**

*Amount In NPR*

Particulars	For the year ended 31st Ashad, 2081	For the year ended 31st Ashad, 2080
Sale of Electricity to NEA	112,011,446	119,555,259
<b>Total</b>	<b>112,011,446</b>	<b>119,555,259</b>

**Note no: 3.15 Cost of Sale**

Particulars	For the year ended 31st Ashad, 2081	For the year ended 31st Ashad, 2080
Energy Consumption(From NEA)	10,044	5,724
Insurance Expense	3,161,574	2,317,901
Royalty	2,740,028	2,890,991
Amortization on Service Concession Arrangement	49,014,701	49,014,701
Diesel, Transformer Oil	466,515	387,745
Salary & Wages (Direct)	4,879,201	6,244,734
<b>Total</b>	<b>60,272,062</b>	<b>60,861,796</b>

**Note no: 3.16 Other Income**

Particulars	For the year ended 31st Ashad, 2081	For the year ended 31st Ashad, 2080
Election Nomination Fee	-	5,000
Foreign Exchange gain	210	-
<b>Total</b>	<b>210</b>	<b>5,000</b>

**Note no: 3.17 Staff Costs**

Particulars	For the year ended 31st Ashad, 2081	For the year ended 31st Ashad, 2080
Wages & Salaries	871,720	401,140
<b>Total</b>	<b>871,720</b>	<b>401,140</b>

**Note no: 3.18 Administrative Expenses**

Particulars	For the year ended 31st Ashad, 2081	For the year ended 31st Ashad, 2080
Interest on Lease Rentals	13,852	21,987
Communication Expenses	12,400	42,800
Printing, Stationery and Reproduction Costs	46,785	82,541
Travelling Expenses	90,640	43,100
Advertisement Expenses	104,903	79,592
Audit Fees and Expense	250,000	250,000
Other Professional Fees and Expenses(Legal Fees)	60,000	255,000
Board and AGM Expenses	7,000	103,169
Bank Charges	219,884	572,885
Internet Expenses	68,726	-
Land Tax	4,950	-
Magazines & Newspaper	10,000	-
Office Expenses	32,971	12,100
Mess Expenses	72,635	98,040
RoC, SEBON & Registration Renewal Fees	486,975	115,303

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IPPAN Membership Fee	24,000	24,000
Water & Electricity Expenses	18,590	7,538
Fines and Penalties	-	11,800
Vehicle Hire Expenses	-	51,200
Guest Refreshment Expenses	-	5,350
Vehicle Insurance Premium	32,074	34,199
Tally Maintenance Service Cost	6,780	-
CIB Fees	12,750	13,850
Borrower Rating	170,291	88,140
Vehicle Renewal Expenses	50,500	54,165
Forest Tax	52,065	24,166
Site Office Expense	101,655	-
Meeting Allowance	181,471	475,294
Photography Expenses	-	7,000
Website Development and Maintenance Expenses	11,300	11,300
Fuel Expenses	143,394	129,641
Lodging & Fooding Expenses	198,119	52,569
<b>Total</b>	<b>2,484,710</b>	<b>2,666,729</b>

**Note no: 3.19 Other Operating Cost**

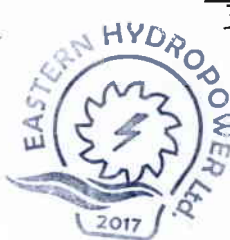
**Amount In NPR**

Particulars	For the year ended 31st Ashad, 2081	For the year ended 31st Ashad, 2080
Repair and Maintenance of Intangible Assets	5,852,224	4,217,101
Repair and Maintenance of Vehicle	731,800	530,880
Repair and Maintenance - Office Equipments	183,979	13,831
<b>Total</b>	<b>6,768,003</b>	<b>4,761,812</b>

**Note no: 3.20 Financial Charges**

Particulars	For the year ended 31st Ashad, 2081	For the year ended 31st Ashad, 2080
Interest Expenses	54,227,879	58,271,265
<b>Total</b>	<b>54,227,879</b>	<b>58,271,265</b>

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Note no: 3.21 Earning Per Share

Calculation Weighted Average Number of Shares

S.N	Particulars	No. of Issued	Share Allotment Date	No. Of Days Outstanding	Weighted Average no. of Shares
1	Opening Balance	6,200,000.00	N/A	365	6,200,000.00
2	Additions	-	N/A		-
	Total	6,200,000.00			6,200,000.00
	Earning After Tax				(13,720,878.83)
	Basic Earning Per Share				(2.21)
	Dilluted Earning Per Share				(2.21)





# Eastern Hydropower Ltd.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

For the period starting from Shrawan 1 2080 to Ashad 31 2081

### SIGNIFICANT ACCOUNTING POLICIES & EXPLANATORY NOTES

#### 1. General Information of the Company

Eastern Hydropower Limited was registered as a public limited company with limited liability in the Office of Company Registrar with company registration no. 172459/074/075 on 20<sup>th</sup> Shrawan 2074 under the Company Act, 2063 (previously private limited company with company registration no. 37437/062/063 on 6<sup>th</sup> Paush, 2062). The company has obtained Permanent Account Number (PAN) 302100400 from Inland Revenue Office, Babarmahal on 12<sup>th</sup> Paush, 2062 for Income Tax purpose.

The company has been established for development and operation of small and medium size hydropower projects. Currently the company is operating Pikhwa Khola Small Hydropower project with total installed capacity of 5 MW at Bhojpur Municipality.

Financial year of this company starts from 1st Shrawan every year and ends on Ashad end of next year. Financial Statements of the company comprises Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity, Accounting Policies and Notes to Accounts.

#### 2. Basis of Preparation and measurement

##### 2.1 Statement of Compliance

The Financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) to the extent applicable and as published by the Accounting Standard Boards (ASB) Nepal and is approved by the Meeting of the Board of Directors and have been recommended for approval by shareholders in the 8th Annual General Meeting.

##### 2.2 Basis of Preparation

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as pronounced by ASB Nepal effective from September 13, 2018.

##### 2.3 Basis of Measurement

The Financial Statements have been prepared on historical cost convention except for certain financial elements that have been measured at fair value, wherever NFRS requires or allowed such measurement. The fair values, wherever used, are discounted in relevant Notes.

The Financial Statements are prepared on accrual basis.

The Financial Statements have been prepared on going concern basis. The company has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future.

##### 2.4 Presentation of Financial Statements and Presentation Currency:

###### Presentation Currency

The Company operate within the jurisdiction of Nepal. Nepalese Rupees (NRs) is the presentation and functional currency of the Company. Accordingly, the Financial Statements are presented in Nepalese Rupees and rounded off to nearest Rupee.

###### Rearrangement and Reclassification



The figures for previous years are rearranged, reclassified and/or restated wherever necessary for the purpose of facilitating comparison. Appropriated disclosure is made wherever necessary.

#### **Statement of Financial Position**

The elements of Statement of Financial Position other than equity is presented in order of their liquidity by considering current and non-current nature which are further detailed in relevant sections.

#### **Statement of Profit or Loss and Other Comprehensive Income**

The elements of Statement of Profit or Loss and Other Comprehensive Income has been prepared using classification 'by function' method. The details of revenue, expenses, income, gains and/or losses have been disclosed in relevant section of this notes.

Earnings per share has been disclosed in the face of 'Statement of Profit or Loss and Other Comprehensive Income' in accordance with NAS 33.

#### **Statement of Cash Flows**

The statement of Cash Flows has been prepared using indirect method and the activities has been regrouped under three major categories (Cash Flows from operating activities, Cash flows from investing activities and Cash flow from financing activities) in accordance with the NFRS 7.

#### **Statement of Changes in Equity**

The Statements of Change in Equity has been prepared disclosing changes in each element of equity.

### **2.5 Financial Period**

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

Relevant Financial Statement	Nepalese Calendar Date / Period	English Calendar Date / Period
Reporting Date	31.03.2081	15.07.2024
Comparative Reporting Date	31.03.2080	16.07.2023
Reporting period	2080-81	2023-24
Comparative Reporting Period	2079-80	2022-23

### **3. Accounting policies and Accounting Estimates:**

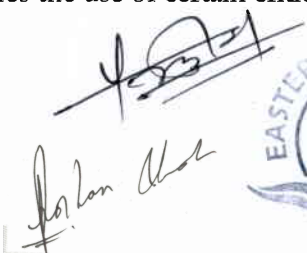
#### **Accounting Policies**

The Company, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. The preparation of Financial Statements in conformity with the Policy requires management to make judgements, estimates and assumptions in respect of accounting policies and reported amounts of assets, liabilities, income and expenses.

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

#### **Accounting Estimates**

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. 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 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, except otherwise stated.

Specific accounting estimates have been included in the relevant section of the note, wherever have been applied along with the nature and effect of the changes of accounting estimates if any.

**4. Impairment of Property Plant and Equipment:**

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

**5. 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 estimate reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognised.

**Accompanying Notes to the Financial Statement for the year ended Ashad 31, 2081 (15<sup>th</sup> July, 2024).**

**6. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue from sale of electricity is recognized at the time of issuing invoice to Nepal electricity Authority (NEA) as per the Power Purchase Agreement (PPA). The details of Revenue from Electricity is as follow:





Month	Chargeable Contract Energy	Chargeable Additional Contract Energy	Rate on Chargeable Energy	Rate on Additional Contract Energy	Chargeable sales	Additional Chargeable Sales	Total Sales	Electricity supplied by NEA	Net Receivable
Shrawan	1805760	1482893.22	4.6	5.38	8,306,496.00	7,977,965.52	16,284,461.52	756.00	16,283,705.52
Bhadra	1749330	1268708.3	4.6	5.38	8,046,918.00	6,825,650.65	14,872,568.65	2,052.00	14,870,516.65
Asoj	1692900	1427095.28	4.6	5.38	7,787,340.00	7,677,772.61	15,465,112.61	324.00	15,464,788.61
Kartik	1692900	919165.52	4.6	5.38	7,787,340.00	4,945,110.50	12,732,450.50	-	12,732,450.50
Mangsir	1630828.97	0	4.6	5.38	7,501,813.26	-	7,501,813.26	-	7,501,813.26
Poush	1129392.2	0	8.05		9,091,607.21	-	9,091,607.21	-	9,091,607.21
Magh	850553.3	0	8.05		6,846,954.07	-	6,846,954.07	108.00	6,846,846.07
Falgun	672724.88	0	8.05		5,415,435.28	-	5,415,435.28	-	5,415,435.28
Chaitra	659899.8	0	8.05		5,312,193.39	-	5,312,193.39	108.00	5,312,085.39
Baisakh	596758.79	0	4.6		2,745,090.43	-	2,745,090.43	648.00	2,744,442.43
Jesha	909510.78		4.6		4,183,749.59	-	4,183,749.59	2,160.00	4,181,589.59
Ashadh	1749330	652991.12	4.6	5.38	8,046,918.00	3,513,092.23	11,560,010.23	3,888.00	11,556,122.23
<b>Total</b>	<b>15139888.72</b>	<b>5750853.44</b>	<b>69</b>	<b>32.28</b>	<b>81071855.23</b>	<b>30939591.51</b>	<b>112,011,446.74</b>	<b>10,044.00</b>	<b>112,001,402.74</b>

## 7. Property, Plant and Equipment (PPE):

PPE are those tangible assets used for generation and supply of energy, for administrative purpose or for rental to others. These are recognized as PPE only if it is probable that future (i.e. for more than one accounting period) economic benefits associated with items will flow to the Company; and cost of them can be measured reliably.

PPE are stated in Statement of Financial Position at their cost less accumulated depreciation and accumulated impairment losses, if applicable.

### Cost

The initial cost of PPEs includes purchase price and directly attributable cost to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Subsequent costs that do not qualify the recognition criteria under NAS 16 are expensed as and when incurred.

NAS 16 and IFRIC 1 require cost of PPE to include the estimated cost for dismantling and removal of assets and restoring the site on which they are located. Management perceives that such costs are difficult to estimate and considering the past practice the amount of such costs will not be material to affect the economic decision of the user as a result of such non-inclusion. Therefore, asset retirement obligation has not been recognised.

### Depreciation

The management has estimated that cost equal depreciable amount of the asset and thus the cost equals depreciable amount of asset and thus cost is systematically allocated based on the expected useful life of an asset. Items of Property, Plant and Equipment are depreciated from the month of acquisition. If an item of PPE consists of several significant components with different estimated useful lives and if the cost of each component can be measured reliably, those components are depreciated separately over their individual useful lives.

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*[Circular stamp: SUBASH ACHARYA & ASSOCIATES, Kathmandu, Chartered Accountants]*



The residual values, useful lives and the depreciation method of assets are reviewed at least annually, and if expectation differs from previous estimates, changes are made in the estimates and are accounted for as a change in accounting estimate in accordance with **NAS 8**.

If the management considers the assets have an indefinite useful life, no amortisation/depreciation is charged.

## **De-recognition**

Assets that have been decommissioned or identified as damaged beyond economic repair or rendered useless due to obsolescence, are derecognised whenever identified. On disposal of an item of PPE or when no economic benefits are expected from its use or disposal, the carrying amount of an item is derecognised. The gain or loss arising from the disposal of an item of PPE is the difference between net disposal proceeds, if any, and the carrying amount of that item and is recognised in the Statement of Profit or Loss.

## **7.1 Change in Classification, Useful Lives and Depreciation Method**

### **7.1.1 Reclassification**

Assets have been reclassified wherever required for compliance with NFRS.

The company used to carry the cost of project asset as a separate component of PPE even though direct control and ownership of such project asset is not with the company. However, under the provision of NFRS such project assets are to be classified as Intangible Assets.

### **7.1.2 Estimation of Useful lives and depreciation method used**

The useful life of assets has been reassessed and adjusted as at the date of opening NFRS Statement of Financial Position. Depreciation method has been selected considering the pattern of inflow of economic benefits to the organisation. Assets which are not directly attributable to the generation of hydroelectricity are depreciated using Straight Line Method (SLM).

Asset class/Sub class	Prior to adoption of NFRS			Revised for NFRS adoption		
	Depreciation Rate	Useful Life	Method	Depreciation Rate	Useful Life	Method
Vehicle	10%	10 Yrs	SLM	10%	10 Yrs	SLM
Furniture & Fixture	5%	20 Yrs	SLM	5%	20 Yrs	SLM
Office Equipment	5%	20 Yrs	SLM	5%	20 Yrs	SLM
Computer & Accessories	5%	20 Yrs	SLM	5%	20 Yrs	SLM

## **7.2 Impairment of Property, Plant and Equipment**

### **7.2.1 Application of Impairment Tests**

Impairment of an item of PPE is identified by comparing the carrying amount with its recoverable amount. If individual asset does not generate future cash flows independently of other assets, recoverability is assessed on the basis of cash generating unit (CGU) to which the asset can be allocated.

At each reporting date, the Company assess whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. The



recoverable amount of a CGU is determined at the higher of fair value less cost to sell on disposal and value in use. Generally recoverable amount is determined by means of discounted cash flows unless it can be determined on the basis of market price. Cash Flow calculations are supported by the past trend and external source of information and discount rate is used to reflect the risk specific to the asset or CGU.

#### 7.2.2 Impairment Indication

There has been no apparent indication of impairment of PPE taken as cash generating units (CGU). The recoverability of economic benefits from the existing PPE is considered more than the carrying amount.

### 8. 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.

#### 8.1 Intangible Assets Model:


The intangible asset model is used to the extent that the Company, 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 areterend 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.

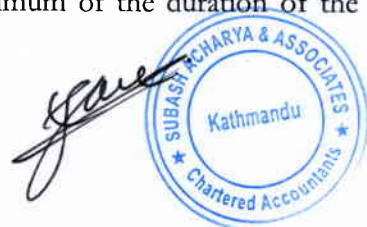
##### 8.1.1 Intangible Assets under Service Concession Arrangement (SCA)

The Company manages concession arrangements which include power supply from its hydro power plant viz. 5 MW Pikuwa Khola Hydropower plant. The Company maintains and services the infrastructure during the concession period. Further, the concession arrangement gives Eastern Hydro right to use the hydro power project for generating electricity and earn revenue by selling electricity to NEA. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied. Revenue from service concession arrangement under intangible asset model is recognized in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the

  
J. Subedi



  
B. Thapa



concession. Any asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire. The tenure of the Service Concession Arrangement of 5 MW Pikhwa Hydro Power Plant for generation, transmission and distribution shall be ended after 26.67 years from the date of operation. Intangible Assets under SCA is depreciated under SLM basis over the remaining life.

## 9. Inventories

Inventories are carried at the lower of cost of net realisable value (NRV). Cost comprises of all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost is measured using First in First Out (FIFO) method.

## 10. Prepayments

These are expenses paid for the period beyond the financial period covered by the Financial Statement. These will be charged off as expenses in the respective period for which expenses pertain to. EHPL's prepayments for the year ended Ashad 2081 pertain to the followings:

S.N.	Particulars	Amount (NRS.)
1.	Insurance-Project	1,109,646.42
2.	Insurance-Internet	7,202.36

## 11. Financial Instruments

The company classifies financial assets and financial liabilities in accordance with the categories specified in NAS 32 and NAS 39.

### 11.1 Financial Instruments: Financial Assets

Financial asset is any asset that is:

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

**Or**

  - ii. A derivative that will or may be settled other than by the exchange of fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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Financial assets are classified under four categories as required by NAS 39, namely,

- Fair Value through Profit or Loss (FVTPL)
- Held to Maturity,
- Loans and Receivables and
- Available for Sale

Financial Assets of the Company comprises of Advances, Deposits, Other Receivables, Trade Receivables and Cash/ Bank Balances.

These instruments are interest bearing and non-interest bearing. Where interest component is present, the implicit interest rate approximates effective interest rate. It is assumed that the carrying amount represents the amortised cost of the assets.

### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial resource will be recovered, other than because of credit deterioration.

### Held to Maturity

Held to maturity investments are non- derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through Profit or Loss or as Available for Sale. Held to maturity investments are measured at amortised cost.

#### 11.1.1 Advances, Deposits and Other Assets

These comprise advances/ receivables, deposits/ margins, prepayments and other Assets. Details of Advances are as given below:

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
Ram Kumar Karki Advance	8,61,046	8,61,056
Tika Gajurel (Advance)	-	79,100
<b>Total</b>	<b>8,61,046</b>	<b>9,90,395</b>

Details of Other Receivables are as given below:

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
Trade Receivable (NEA)	15,295,604.39	14,314,039
<b>Other Receivable</b>		-
Department of Electricity Development(DOED)	0	158,769
Dream Info Tech Pvt. Ltd.	1,050.00	-
North Hydro & Engineering P.Ltd.	6,753,155.02	6,753,155

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Udeco (P) Ltd.HM	3,694,551.86	3,694,552
Udeco Pvt.Ltd.	8,914,929.86	8,914,930
Cream Hydel Pvt.Ltd	420,601.37	420,601
Mainachuli Nirman Sewa	16,373,958.26	16,373,958
TAC Hydro Engineers Pvt. Ltd.	200,000.00	200,000
Mahesh Bista	1,347.47	-
Shubhang Rai	60,593.00	-
Shambhu Prasad Chaudhary	10,000.00	-
Bank Guarantee Margin	95,500.00	95,500
Advance Tax	4,667.00	4,667
<b>Total</b>	<b>51,765,365</b>	<b>50,930,170</b>

### Impairment of Advances, Deposits and other receivable

Impairment of advances, deposit and other receivables are tested if any indication is known. The Company has a system of tracking the recoverability of these assets.

#### 11.1.2 Cash & Cash Equivalent

Cash & Cash Equivalent includes deposit account balances maintained with the banks and Financial Institution. These enable the bank to meet its short-term liquidity requirements

The details of Cash & Cash Equivalent are given below:

Particulars	As at 31st Ashad 2081	As at 31st Ashad 2080
Cash in hand	11,647	15,162
Bank Balances	1,05,43,377	1,35,31,473
<b>Total</b>	<b>1,05,55,941</b>	<b>1,35,46,636</b>

### 11.2 Financial Instruments: Financial Liabilities

A Financial Liability is any liability that is:

- a) Contractual obligation:
  - i. To deliver cash or another Financial asset to another entity
  - ii. To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity: or
- b) A contract that will or may be settled in the entity's own and equity instrument and is:
  - i. A non- derivative for which entity is or may be obliged to deliver a variable number of the entity's own equity instruments:

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Or

- ii. A derivative that will or maybe settled other than by the exchange of a fixed amount of cash or another Financial Asset for a fixed number of the entity's own equity instruments.

Financial Liabilities under NAS 39 are to be classified as Fair Value through Profit or Loss (FVTPL) and those held at Amortised Cost. Currently the Company holds retention deposit amounts that required to be recorded at Ammortised Cost.

#### 11.2.1 Trade and Other Payables

Trade and other payables mainly consist of amounts that Company owes to suppliers and government authority that have been invoiced or are accrued. These also include taxes due in relation to the Company's role as an employer. These amounts are 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.


Detail schedule of Trade and Other Payable is as follow:

S.No.	Particulars	2080-81	2079-80
1.	Retention Money	13,07,204	13,07,204
2.	TDS Payable	1,66,044	71,961
3.	PF Payable	176,070	0
4.	SST Payable	10,245	17,877
5.	Trade and Other Payables	40,45,821	38,67,610

#### 12. Share Capital

The company's registered share capital structure is as follow:

		Amount in Rs.	
S.No.	Name of Shareholders	2080-81	2079-80
1.	Money Plant Investment Pvt.Ltd.-Share	19,589,000.00	19,589,000.00
2.	Smart Investment Co. Pvt.Ltd.-Share	40,000,000.00	40,000,000.00
3.	Individual Promoters	436,410,700.00	436,410,700.00
4.	Public Shareholders	122,616,100.00	119,488,000.00
5.	Mutual fund	223,400.00	3,351,500.00
6.	Employee Shareholders	1,160,500.00	1,160,500.00
	<b>Total</b>	<b>620,000,000.00</b>	<b>620,000,000.00</b>

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### 13. Employee Benefits

The company provides employee benefits in accordance to its by-laws in compliance with local laws and regulations. The employee benefits are classified as current benefits and post-employment benefits.

#### 13.1 Employee Benefits (Salary & Wages)

Employee Benefit Costs are as follow:

Particulars	FY 2080-81	FY 2079-80
Salary	871,720	4,01,140

### 14. Income Tax

The Company has adopted the policy of accounting and reporting tax related elements of Financial Statements in accordance with NAS 12 and it represents Current Tax and Deferred Tax for the year.

#### 14.1 Current Tax

Current Tax payable (or recoverable) is based on the taxable profit for the year. Taxable profit differs from the profit reported in the Statement of Profit or Loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible.

The company has been granted 100% tax holiday for 10 years and 50% tax holiday for subsequent 5 years after that starting from the date of generating electricity for commercial purpose i.e. by the tax authorities under Income Tax Act, 2058.

#### 14.2 Deferred Tax

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

- Temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in computation of taxable profit,
- Unused Tax Losses and/or,
- Unused Tax Credits

Currently, The Company has not recognized deferred tax due to its accumulated loss as it is estimated that difference due to unabsorbed losses will be recovered within 10 years' time (tax holiday period).

### 15. Earnings Per Share (EPS)

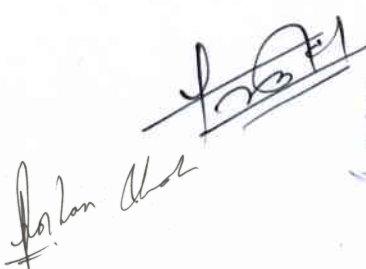
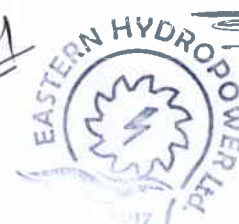
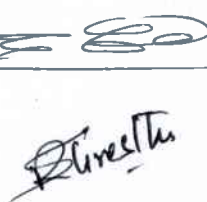

Earnings Per Share has been disclosed on the face of 'Statement of Profit or Loss and Other Comprehensive Income' in accordance with NAS 33.

### 16. Related Parties

The company identifies the following as its related parties:

#### 16.1 Directors and their Relatives

The Company has 7 membered Board of Directors (BoD) appointed under the provisions of Companies Act, 2073.

Transaction with BoD of the Company for the year 2080-81 is as follow:

S.N	Name of BoD	Role	Meeting Allowance	TDS Deducted
1	Dhan Bahadur Shrestha	Chairman	20,000.00	3,000.00
2	Dev Raj Rai	Member	20,000.00	3,000.00
3	Ashok Maharjan	Member	20,000.00	3,000.00
4	Pushpa Raj Sharma	Member	15,000.00	2,250.00
5	Shova Devi Karmacharya	Member	20,000.00	3,000.00
6	Sashi Raj Shrestha	Member	15,000.00	2,250.00

#### 16.2 Key Management Personnel and their Relatives

The Company considers its Chairman, CEO to be Key Management Personnel. Transaction with KMP. KMP did not withdraw any salary and facility during the concerned fiscal year.

#### 16.3 Employee Retirement Benefit Plans

The Company considers a retirement benefit plan to be a related party if the entity is Post-employment defined benefit plan for the benefit of employees of either the company or an entity related to the Company. As the Company has not made any investments with respect to the liability on account of defined benefit obligation, it does not have any related party with regards to Defined Benefit Plan.

#### 16.4 Other Matters

The Company has not entered into any related party transaction except those mentioned above.

### 17. Operating Segment

NFRS 8 Operating Segments requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers.

The Company has only one reportable operating segment (both in terms of geography and products) and therefore, identification, classification and disclosure of separate reportable operating segments in accordance with NFRS 8 is not disclosed separately.

### 18. Contingent Liabilities and Commitments

#### 18.1 Contingent Liability and Commitment

A Contingent Liability is identified as follows:

- A possible obligation 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 or
- A present obligation that arises from past events but is not recognised because:

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- i. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- ii. The amount of the obligation cannot be measured with sufficient reliability.

The Company discloses Contingent Liabilities unless the possibility of an outflow of resources embodying economic benefits is remote.

The Company has not identified any Contingent Liability for the year.



*Bhresla*

*For the year*

