

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MAILUNG KHOLA JAL VIDHYUT COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of **Mailung Khola Jal Vidhyut Company Limited** (the "Company"), which comprise the Statement of Financial Position as at Ashad 31, 2080 (July 16, 2023), Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Cash Flows & Statement of Changes in Equity and 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, 2080 (July 16, 2023), and of 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 Auditors Responsibilities for the Audit of the Financial Statements section of our Report. We are independent of the Company in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended on Ashadh 31, 2080 (July 16, 2023). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report..

Key Audit Matters	How our audit addressed the key audit matters
1. Revenue Recognition - Hydroelectric Power Sales	
The Company recognizes revenue from the sale of hydroelectric power, involving the determination of the appropriate timing of revenue recognition, consideration of contractual obligations, and compliance with accounting standards.	We assessed the Company's revenue recognition policies, focusing on the recognition criteria and methods used to determine the amount of revenue to be recognized. Our procedures included testing the accuracy of reported revenue, evaluating the appropriateness of revenue allocation, and ensuring compliance with relevant accounting standards. We have reconciled the data with the memo from NEA. Based on our evaluation, no significant impact is determined on the Financial Performance & Financial Position of the company. The company has sold 27,080,026.33 KWh of energy to Nepal Electricity Authority (NEA) amounting total of NRs. 107,882,702.57. Out of this, NRs. 10,099.50 is deducted as cost of energy used by plant from NEA @ NRs. 4.75 per KWh and NRs. 2,657,452.06 as Royalty Deduction for FY 2079/080. Actual Payment made by NEA during the year after self consumption and royalty deduction is NRs. 105,215,151.01.

Key Audit Matters	How our audit addressed the key audit matters
2. Compliance with Regulatory Requirements	
The hydro power industry is subject to various regulatory requirements, permits, and licenses. Non-compliance with these regulations may have financial implications.	We performed procedures to assess the Company's compliance with relevant regulatory requirements, including reviewing regulatory filings, permits, and correspondence with regulatory authorities. Our procedures included evaluating the potential financial impacts of any identified non-compliance and assessing the adequacy of related disclosures.

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is 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. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained 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 purposes 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' 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.

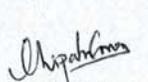


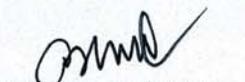
Mailing Khola Jal Vidhyut Company Limited
Kathmandu, Nepal

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

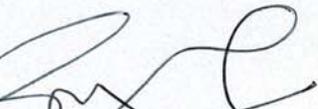
Particulars	Notes	Amount in NPR	
		As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Assets			
Non current Assets			
Property, Plant and Equipment	4.10	967,319	1,248,163
Intangible Assets	4.11	660,057,246	704,450,425
Investment Securities	4.12	25,923,100	25,923,100
Total Non Current Assets		686,947,665	731,621,688
Current Assets			
Trade Receivables	4.13	141,320,094	142,233,948
Cash and Cash Equivalents	4.14	2,304,179	3,522,882
Other Financial Assets	4.15	4,390,912	4,146,209
Other Current Assets	4.16	3,641,976	12,884,042
Current Tax Assets	4.17	108,681	625,257
Total Current Assets		151,765,842	163,412,338
Total Assets		838,713,507	895,034,026
Equity and Liabilities			
Equity			
Share Capital	4.18	368,143,000	368,143,000
Reserves	4.19	790,297	125,852
Retained Earnings	4.19	8,614,126	9,303,231
Total Equity		377,547,423	377,572,083
Non Current Liabilities			
Borrowings	4.20	330,030,006	380,030,006
Other Liabilities	4.21	32,563,256	34,537,922
Total Non Current Liabilities		362,593,262	414,567,928
Current Liabilities			
Borrowings	4.20	87,558,212	91,360,055
Other Liabilities	4.21	6,524,306	6,613,542
Trade Payables	4.22	4,490,304	4,920,418
Total Current Liabilities		98,572,822	102,894,015
Total Equity and Liabilities		838,713,507	895,034,026
Contingent Liabilities and Commitments	4.23	-	-
Net assets value per share		102.55	102.56

The accompanying notes are integral part of these financial statements.

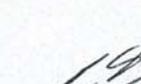

Binay Chipalu
General Manager


Basanta Chandra Marahatta
Chairperson


Dr. Tara Prasad Pokhrel
Director


Prawin Aryal
Director

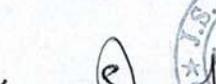

Phulmu Sherpa
Director


Gore Sherpa
Director


Dr. Sunil Kumar Pokhrel
Director


Raghunath Kuinkel
Director

As per our report of even date,


CA. Saroj Suryabanshi
Partner
J.S. & Associates.,
Chartered Accountants



Place: Kathmandu
Date: 2080.09.27

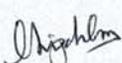


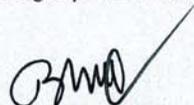
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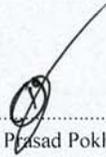
Statement of Profit or Loss
For the period ended 31 Ashadh 2080 (16th July 2023)

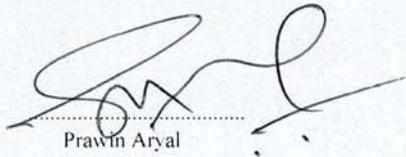
Particulars	Notes	Amount in NPR	
		Current Period	Previous Period
Revenue	4.1	108,345,519	114,135,123
Cost of Sales	4.2	12,315,506	12,800,508
Gross profit		96,030,013	101,334,616
Other income	4.3	2,056,600	16,882,814
Personnel Expenses	4.4	4,857,944	4,854,958
Other operating and Administrative expenses	4.5	5,453,854	10,352,975
Depreciation & Amortisation	4.6	45,045,859	45,118,667
Operating profit		42,728,956	57,890,829
Finance Cost	4.7	33,614,215	37,580,495
Other Operating Income/(Loss)	4.8	-	-
Profit Before Tax		9,114,741	20,310,334
Income Tax Expenses			
Current Tax	4.9	514,150	3,770,203
Deferred Tax		-	-
Profit for the year		8,600,591	16,540,131
Earnings per Equity share of Rs. 100 Each			
Basic Earnings per Share		2.34	4.56
Diluted Earnings Per Share		2.34	4.56

The accompanying notes are integral part of these financial statements.


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Binay Chipalu
General Manager


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Basanta Chandra Marahatta
Chairperson

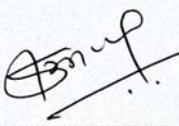

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Dr. Tara Prasad Pokhrel
Director

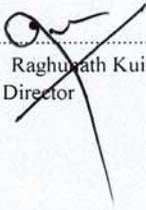

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Prawin Aryal
Director

As per our report of even date.


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Phulmu Sherpa
Director


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Gore Sherpa
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Dr. Sunil Kumar Pokhrel
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Raghurath Kuinkel
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CA. Saroj Suryabanshi
Partner
J.S. & Associates.,
Chartered Accountants

Place: Kathmandu
Date: 2080.09.27

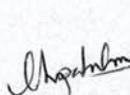


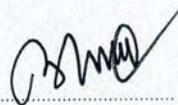
Mailung Khola Jal Vidhyut Company Limited
Kathmandu, Nepal

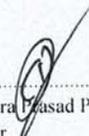
Statement of Cash Flows
For the period ended 31 Ashadh 2080 (16th July 2023)

Particulars	Amount in NPR	
	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit After tax	8,600,591	16,540,131
Adjustment to reconcile profit before tax to cash provided by operating activities		
Depreciation on Fixed assets	338,345	431,092
Amortisation of Intangibles	44,707,514	44,687,574
Income from Other investments	(2,056,600)	(16,882,814)
Finance Charge	33,614,215	37,580,495
Income Tax Expense	514,150	3,770,203
Operating profit before working capital changes	85,718,215	86,126,682
(Increase)/Decrease in Current Assets		
Trade Receivables	913,854	(1,509,603)
Inventories	-	-
Other Current assets	8,997,363	(3,636,477)
Increase/(Decrease) in Current Liabilities		
Short term Borrowings	(3,801,843)	(75,403)
Other current liabilities	(519,350)	(2,606,718)
Operating Cash Flows after Changes in working capital	5,590,024	(7,828,201)
Net Cash Flow from Operating Activities before Tax Paid	91,308,239	78,298,481
Income Tax Paid	2,426	169,757
Net Cash Flow from Operating Activities	91,310,665	78,468,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase/Sale of Property and Equipment	(57,501)	(102,900)
Purchase/Sales of Intangible Assets	(314,335)	(2,587,860)
Purchase/Sales of Investment	-	(17,500,000)
Net Cash Used in Investing Activities	(371,836)	(20,190,760)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Equity	-	73,628,600
Increase/(Decrease) in Non Current Liabilities	(49,253,621)	(80,093,983)
Interest Paid	(33,614,215)	(37,580,495)
Prior Period Adjustment of Retained Earnings	(9,289,695)	(10,983,361)
Net Cash from Financing Activities	(92,157,532)	(55,029,239)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,218,703)	3,248,238
Opening Cash and Cash Equivalents	3,522,882	274,644
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held		
Closing Cash and Cash Equivalents	2,304,179	3,522,882

The accompanying notes are integral part of these financial statements.

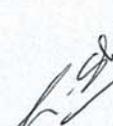

Binay Chipalu
General Manager

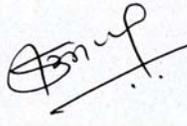

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As per our report of even date.


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Date: 2080.09.27

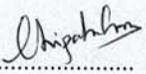


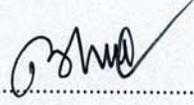
Mailung Khola Jal Vidhyut Company Limited
Kathmandu, Nepal

Statement Of Other Comprehensive Income
For the period ended 31 Ashadh 2080 (16th July 2023)

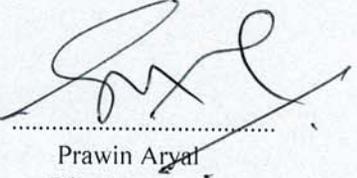
Particulars	<i>Amount in NPR</i>	
	Current Period	Previous Period
Profit for the year	8,600,591	16,540,131
Other Comprehensive Income:		
Actuarial gains/(losses) on defined benefit plans	664,445	125,852
Income tax relating to above items	-	-
Other comprehensive gain/(loss) for the year, net of tax	664,444.65	125,852.00
Total comprehensive gain/(loss) for the year, net of tax	9,265,035.35	16,665,982.58

The accompanying notes are integral part of these financial statements.


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Binay Chipalu
General Manager

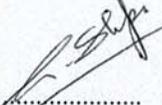

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Basanta Chandra Marahatta
Chairperson

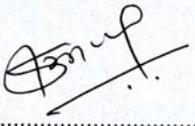

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Dr. Tara Prasad Pokhrel
Director

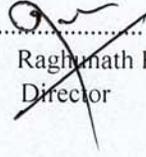

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As per our report of even date.


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J.S. & Associates.,
Chartered Accountants

Place: Kathmandu
Date: 2080.09.27

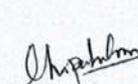


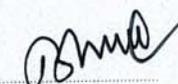
Maitung Khola Jal Vidhyut Company Limited
Kathmandu, Nepal

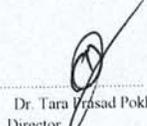
Statement of Changes in Equity
For the period ended 31st Ashadh 2080 (16th July 2023)

Particulars	<i>Amount in NPR</i>				
	Share Capital	Share Premium	Retained Earning	Other Reserves	Total
Balance at Shrawan 01, 2078	294,514,400	-	3,746,461	-	298,260,861
Comprehensive Income for the year					
Profit for the year			16,540,131		16,540,131
Other Comprehensive Income, Net of Tax					-
Gains/(losses) from investment in equity instruments measured at fair value					-
Gains/(losses) on revaluation				125,852	125,852
Actuarial gains/(losses) on defined benefit plans					-
Gains/(losses) on cash flow hedge					-
Total Comprehensive Income for the year			16,540,131	125,852	16,665,983
Transfer to Reserves during the year					-
Transfer from Reserves during the year					-
Prior Period Adjustments			(10,983,361)		(10,983,361)
Transactions with Owners, directly recognized in Equity					
Share Issued	73,628,600				73,628,600
Dividend to Equity-Holders					-
Bonus Shares Issued					-
Cash Dividend Paid					-
Total Contributions by and Distributions	73,628,600	-	5,556,770	125,852	79,311,222
Balance at Ashadh 31, 2079	368,143,000	-	9,303,231	125,852	377,572,083
Balance at Shrawan 01, 2079	368,143,000	-	9,303,231	125,852	377,572,083
Comprehensive Income for the year					
Profit for the year			8,600,591		8,600,591
Other Comprehensive Income, Net of Tax					-
Gains/(losses) from investment in equity instruments measured at fair value					-
Gains/(losses) on revaluation					-
Actuarial gains/(losses) on defined benefit plans				664,445	664,445
Gains/(losses) on cash flow hedge					-
Total Comprehensive Income for the year			8,600,591	664,445	9,265,035
Transfer to Reserves during the year					-
Transfer from Reserves during the year					-
Prior Period Adjustments			(9,289,695)		(9,289,695)
Transactions with Owners, directly recognized in Equity					
Share Issued					-
Dividend to Equity-Holders					-
Bonus Shares Issued					-
Cash Dividend Paid					-
Total Contributions by and Distributions			(689,105)	664,445	(24,660)
Balance at Ashadh 31, 2080	368,143,000	-	8,614,126	790,297	377,547,423

The accompanying notes are integral part of these financial statements.

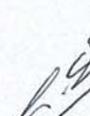

Binay Chipalu
General Manager

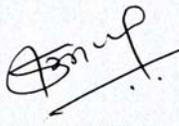

Basanta Chandra Marahatta
Chairperson

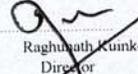

Dr. Tara Prasad Pokhrel
Director

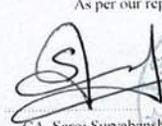

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Raghunath Kunkel
Director

As per our report of even date.

CA. Saroj Suryabanshi
Partner
J.S. & Associates,
Chartered Accountants

Place: Kathmandu
Date: 2080.09.27



Mailung Khola Jal Vidhyut Company Limited
Kathmandu, Nepal

Notes to and forming parts of the Financial Statements for FY2079/080

Amount in NRs.

Investment Securities	4.12	
Particulars	As at 31.03.2080	As at 32.03.2079
Investment measured at FVTOCI	25,923,100	25,923,100
Total	25,923,100	25,923,100

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Trade Receivables		4.13
Particulars	As at 31.03.2080	As at 32.03.2079
Account Receivables	141,320,094	142,230,948
Insurance Receivable	-	3,000
Total	141,320,094	142,233,948

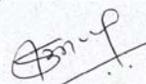
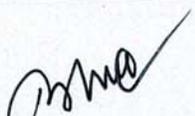
Cash and Cash Equivalents		4.14
Particulars	As at 31.03.2080	As at 32.03.2079
Cash in Hand	30,395	31,812
Cash at Bank-LCY	2,273,784	3,491,070
Total	2,304,179	3,522,882

Other Financial Assets		4.15
Particulars	As at 31.03.2080	As at 32.03.2079
Staff Advances	3,381,131	3,136,428
Security Deposit	1,009,781	1,009,781
Total	4,390,912	4,146,209

Other Current Assets		4.16
Particulars	As at 31.03.2080	As at 32.03.2079
Miscellaneous Deposit	703,863	532,006
Prepaid Expenses	17,556	-
Prepaid Insurance	2,370,558	2,366,036
Advance to Suppliers	550,000	586,000
Deferred Finance Cost	-	9,400,000
Total	3,641,976	12,884,042

Current Tax Assets		4.17
Particulars	As at 31.03.2080	As at 32.03.2079
Income Tax Liabilities	(514,150)	(3,770,203)
Advance Tax	622,831	4,395,460
Total	108,681	625,257









Share Capital		4.18
Particulars	As at 31.03.2080	As at 32.03.2079
Equity Share Capital	368,143,000	368,143,000
Total	368,143,000	368,143,000.00

4.18.1: Ordinary Shares		As at 31.03.2080	As at 32.03.2079
Opening Share Capital	3,681,430	2,945,144	
Addition During the Year	-	736,286	
Transferred to Share Capital	-	-	
Total	3,681,430	3,681,430	

4.18.2: Ordinary Shares		As at 31.03.2080	As at 32.03.2079
Particulars			
Authorized Capital			
7,500,000 Equity Shares of NRs.100 each	750,000,000	750,000,000	
	750,000,000	750,000,000	
Issued capital			
3,681,430 Equity Shares of NRs.100 each	368,143,000	368,143,000	
	368,143,000	368,143,000	
Subscribed and paid up capital			
3,681,430 Equity Shares of NRs.100 each	368,143,000	368,143,000	
Total	368,143,000	368,143,000	

4.18.3: Dividend Paid and Proposed		As at 31.03.2080	As at 32.03.2079
Declared dividend and proposed dividends			
Declared and approved for during the year:			
Dividend on ordinary shares:	-	-	
Proposed for approval at the annual general meeting (not recognised as a liability as at reporting date):			
Dividends on ordinary shares:			
Proposed dividend for 2079-80: Cash dividend NPR 430,359.17 and Stock Dividend NPR 8,176,824.17 (2078-79: no dividend declared)			
The board of directors has proposed 0.1169% cash dividend and 2.2211% stock dividend on paid up capital from the net profit of the fiscal year 2079/80 and its retained earnings. The total amount of cash dividend NPR 430,359.17 shall be payable and 81,768 number of bonus shares of NPR 100 each (equivalent to NPR 8,176,824.17) shall be issued after the approval of 10th Annual General Meeting.			

Reserves		4.19	
Particulars	As at 31.03.2080	As at 32.03.2079	
Retained Earnings	8,614,126	9,303,231	
Actuarial Reserve	790,297	125,852	
Total	9,404,423	9,429,083	

17.1 Movement of Reserves		As at 31.03.2080	As at 32.03.2079
Particulars			
Retained Earning			
Opening Balance	9,303,230.82	3,746,461	
Profit/(Loss) transferred from Income Statement	8,600,590.70	16,540,131	
Other Adjustments	(9,289,695.36)	(10,983,361)	
Closing Balance as on Asar End	8,614,126.16	9,303,231	

Borrowings		4.20	
Particulars	As at 31.03.2080	As at 32.03.2079	
Non-Current			
Long Term Loans	380,030,006	380,030,006	
Less: Current Portion of Long Term Loans	(50,000,000)		
Sub-Total	330,030,006	380,030,006	
Current			
Overdraft Facilities	25,620,128	34,221,971	
Related Parties Borrowing	11,938,084	11,938,084	
Current Portion of Long term loan	50,000,000	45,200,000	
Sub-Total	87,558,212	91,360,055	
Total	417,588,219	471,390,061	



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Other Liabilities		4.21
Particulars	As at 31.03.2080	As at 32.03.2079
Non-Current		
Citizen Invst Fund	-	-
Provision for Leave Encashment	1,918,705	2,873,871
Deferred Income	30,644,551	31,664,051
Sub-Total	32,563,256	34,537,922
Current		
TDS Payable	23,425	188,371
Deposit-Retention Money	-	-
Royalty Payable	-	-
Staff Payable	-	-
Expenses Payable	-	-
Provision for Audit Fee	78,050	78,050
Provision for Internal Audit Fee	27,875	27,875
Loan From related parties	-	-
Provisions Staff Bonus	2,394,956	2,319,246
Other Liabilities	4,000,000	4,000,000
Sub-Total	6,524,306	6,613,542
Total	39,087,562	41,151,464

Trade Payables		4.22
Particulars	As at 31.03.2080	As at 32.03.2079
Sundry Creditors	4,490,304	4,920,418
Total	4,490,304	4,920,418


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Contingent Liabilities and Commitments

4.23

Particulars	As at 31.03.2080	As at 32.03.2079
Claims against company but not accepted	-	-
Minimum Royalty Penalty	-	-
Capital commitments	-	-
Others	-	-
Total	-	-

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Mailung Khola Jal Vidhyut Company Limited
Kathmandu, Nepal

Notes to and forming parts of the Financial Statements for FY2079/080

Amount in NRs.

4.1		
Revenue		
Particulars	Current Period	Previous Period
Revenue From Sales of Electricity	107,882,703	114,135,123
Revenue From Others Source	462,816	-
Total	108,345,519	114,135,123

4.2		
Cost of Sales		
Particulars	Current Period	Previous Period
Power Plant Operation and Maintenance	3,140,505	2,885,627
Production Based Royalty	2,157,452	2,282,551
Annual Fixed Royalty	500,000	500,000
Site Office Overhead	1,503,842	1,059,046
Site Staff Cost	4,588,741	5,659,268
Site Vehicle Operation and Maintenance	115,025	195,128
Site Vehicle Fuel Expenses	309,941	218,888
Total	12,315,506	12,800,508

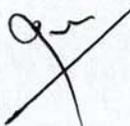
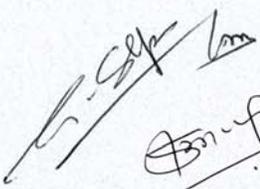
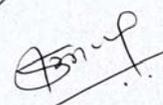
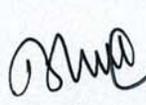
4.3		
Other income		
Particulars	Current Period	Previous Period
Income from Lease Rent	1,984,500	1,984,500
Income From Sale of Hydropower License	-	13,096,313
Income from Other Services	72,100	1,802,001
Total	2,056,600.42	16,882,814

4.4		
Personnel Expenses		
Particulars	Current Period	Previous Period
Salaries, Wages, Insurance and Other Employee Costs	2,745,353	2,933,877
Contribution to Provident Fund, Gratuity Fund/Leave	1,913,747	1,379,456
Travelling Expenses	12,828	14,573
Provision for Employees' Bonus	186,015	527,052
Total	4,857,943.84	4,854,958

4.5		
Other operating and Administrative expenses		
Particulars	Current Period	Previous Period
Advertising and Publicity	180,714	166,203
AGM Expenses	121,830	89,309
Audit Expenses	-	5,650
Bad Debt Written Off	104,661	-
Books/Newapaper/Magazine	-	9,040
Business Promotion Expense	33,014	15,637
Communication Expenses	39,362	75,670
Computer & Software Maintenance Expenses	-	4,000
Consultancy Fee	238,600	293,515

Custom Duty and Charges	73,796	-
External Audit Fee	79,100	79,100
Fine & Penalty	134,591	-
Insurance & Taxes	2,708,615	2,655,704
Internal Audit Fee	113,000	113,000
Meeting Expenses	391,475	402,270
Membership Fee & Renewal	24,000	24,000
Miscellaneous Expenses	13,441	24,439
Office Consumable Goods	111,383	109,699
Office Rent	656,627	596,932
Pooja Expenses	6,000	6,000
Printing & Stationary	29,654	24,950
Registration and Renewal Expenses	119,150	85,023
Repair & maintenance Others	3,500	14,700
Share Management Fees & Charges	193,887	5,497,351
Vehicle Fuel (Bike)	77,453	60,783
Total	5,453,853.87	10,352,975

Depreciation & Amortisation		4.6
Particulars	Current Period	Previous Period
Depreciation of Property, Plant and Equipment	338,345	431,092
Amortization of Intangible Assets	44,707,514	44,687,574
Total	45,045,859	45,118,667







Finance Cost		4.7
Particulars	Current Period	Previous Period
Bank Charges & Commission	998,274	1,435
Interest on Loan & Deposits	32,615,941	37,579,060
Total	33,614,215	37,580,495

Other Operating Income/(Loss)		4.8
Particulars	Current Period	Previous Period
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	-	-
Total	-	-

Income Tax Expenses		4.9
Particulars	Current Period	Previous Period
Current tax expense		
Current year	514,150	3,770,203
Total	514,150	3,770,203


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Mailung Khola Jal Vidhyut Company Limited

Kathmandu, Nepal

Notes to and forming parts of the Financial Statements for FY2079/080

4.10 PROPERTY, PLANT AND EQUIPMENT

Amount in NPR

Particulars	Computer, Furniture, Office & Electrical Equipment	Vehicle	Other Equipments	Total
Gross Block				
At Shrawan 1 2079	3,332,901	6,459,650	1,164,636	10,957,187
Additions	57,501	-	-	57,501
This Year adjustment/written off	-	-	-	-
Disposals	-	-	-	-
At Ashad 31 2080	3,390,402	6,459,650	1,164,636	11,014,688
Accumulated Depreciation				
At Shrawan 1 2079	3,174,336	5,519,890	1,014,798	9,709,024
Additions	57,775	250,603	29,968	338,345
This Year adjustment/written off	-	-	-	-
Disposals	-	-	-	-
At Ashad 31 2080	3,232,111	5,770,493	1,044,766	10,047,369
Capital WIP				
At Ashad 31 2079	-	-	-	-
At Ashad 31 2080	-	-	-	-
Net book value:				
At Ashad 32 2079	158,565	939,760	149,838	1,248,163
At Ashad 31 2080	158,291	689,157	119,870	967,319

Mailung Khola Jal Vidhyut Company Limited

Kathmandu, Nepal

Notes to and forming parts of the Financial Statements for FY2079/080

Amount in NPR

4.11 INTANGIBLE ASSETS

Service concession arrangements include the entire Project of Mailung Khola Hydropower Project (5 MW) recognized as per IFRIC-12.

Particulars	Computer Software	Service Concession Arrangements	Total
At Shrawan 1 2079	36,951	954,584,735	954,621,686
Additions	-	314,335	314,335
Disposals	-	-	-
Prior periods Adjustments	-	-	-
At Ashad 31 2080	36,951	954,899,070	954,936,021
Accumulated Amortization			
At Shrawan 1 2079	31,866	250,139,395	250,171,261
Additions	1,695	44,705,819	44,707,514
Disposals	-	-	-
Prior periods Adjustments	-	-	-
At Ashad 31 2080	33,561	294,845,214	294,878,775
Net book value:			
At Ashad 32 2079	5,085	704,445,340	704,450,425
At Ashad 31 2080	3,390	660,053,856	660,057,246







Mailing Khola Jal Vidhyut Company Ltd.
Kathmandu, Nepal

Income Tax Depreciation Calculation Sheet
For the year ended on 31st Ashadh 2080 (16th July 2023)

Particulars	Deprn. Rate	Opening WDY(01.04.2079)	Absorbed Addition	Disposal During the Year	Depreciation Base	Depreciation For the Year	Balance	Unabsorbed Addition	Unabsorbed R & M	(Amount in NRs.)
										Closing WDV(31.03.2080)
Business Assets										
Land		9,014,092.70	-	-	9,014,092.70	-	9,014,092.70	-	-	9,014,092.70
Sub-Total		9,014,092.70	-	-	9,014,092.70	-	9,014,092.70	-	-	9,014,092.70
Depreciable Assets										
Block-A										
Civil Works	6.67%	240,606,485.75	-	-	240,606,485.75	16,040,432.38	224,566,053.36	-	-	224,566,053.36
Sub-Total		240,606,485.75	-	-	240,606,485.75	16,040,432.38	224,566,053.36	-	-	224,566,053.36
Block-B										
Computer and Accessories	33.33%	133,237.03	19,333.33	-	152,570.36	50,856.28	101,714.08	9,666.67	-	111,380.75
Furniture and Fixture	33.33%	7,045.84	19,000.57	-	26,046.41	8,682.05	17,364.36	9,500.29	-	26,864.65
Other Office Equipments	33.33%	50,832.71	-	-	50,832.71	16,944.07	33,888.64	-	-	33,888.64
Sub-Total		191,115.58	38,333.91	-	229,449.49	76,482.40	152,967.09	19,166.95	-	172,134.04
Block-C										
Vehicles	26.67%	951,655.07	-	-	951,655.07	253,774.69	697,880.39	-	48,409.56	746,289.95
Sub-Total		951,655.07	-	-	951,655.07	253,774.69	697,880.39	-	48,409.56	746,289.95
Block-D										
Electromechanical Equipments	20.00%	651,614.64	239,378.33	-	890,992.97	178,198.59	712,794.38	74,956.67	-	787,751.04
Survey Equipments	20.00%	44,284.75	-	-	44,284.75	8,856.95	35,427.80	-	-	35,427.80
Other Assets	20.00%	72,834.46	-	-	72,834.46	14,566.89	58,267.57	-	-	58,267.57
Project Cost-Mailing Khola Hydropower Plant	20.00%	171,308,957.69	-	-	171,308,957.69	34,261,791.54	137,047,166.15	-	-	137,047,166.15
Capital Rehabilitation Work	20.00%	18,736,679.45	-	-	18,736,679.45	3,747,335.89	14,989,343.56	-	-	14,989,343.56
Nyam Nyam Project	20.00%	1,112,157.47	-	-	1,112,157.47	222,431.49	889,725.97	-	-	889,725.97
Sub-Total		191,926,528.45	239,378.33	-	192,165,906.79	38,433,181.36	153,732,725.43	74,956.67	-	153,807,682.10
Block E										
Computer Software	SUM	5,650.00	-	-	5,650.00	1,695.00	3,955.00	-	-	3,955.00
Sub-Total		5,650.00	-	-	5,650.00	1,695.00	3,955.00	-	-	3,955.00
Total		442,695,527.55	277,712.24	-	442,973,239.79	54,805,565.82	388,167,673.97	94,123.62	48,409.56	388,310,207.15

Calculation of Repair and Maintenance

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Block	Depreciation Base	7% of Depreciation Base	Actual	Allowed	Capitaized
A	240,606,485.75	16,842,454.00	-	-	-
B	229,449.49	16,061.46	3,500.00	3,500.00	-
C	951,655.07	66,615.86	115,025.42	66,615.86	48,409.56
D	192,165,906.79	13,451,613.48	3,140,504.93	3,140,504.93	-
Total	433,953,497.09	30,376,744.80	3,259,030.35	3,210,620.79	48,409.56



Mailung Khola Jalvidhyut Company Ltd.

Kathmandu, Nepal

For Income Year 2079/080

Income Tax Calculation Sheet for 2079/080

Particulars	Amount (NRs.)
Calculation of Taxable Income From Business	
Net profit as per the P/L account	9,114,741
Add back:	
Depreciation and amortization as per book	45,045,859
Repair and Maintenance as per Books	3,259,030
Provision for Leave	157,573
Fine and Penalty	134,591
Prior Period Items	207,163
IPO Processing Fee	193,887
Reverse previous year Staff Bonus	527,052
Bad Debt Written Off	104,661
Less: Land Lease & Sub-Let Income	(1,984,500)
Less: Other Income	(72,100)
Less: Depreciation as per tax	(54,805,566)
Less: Repair and Maintenance as per tax	(3,210,621)
Less: Payment of Leave from Provision	(448,294)
Net Taxable Profit During the Year	(1,776,524)
Less: Loss carried forward from tax return of previous year	(202,541,616)
Taxable Profit/(Loss) from Business	(204,318,140)
Provision for Income Tax from Business 0%	-
Calculation of Taxable Income From other Income	
Land Lease & Sub-Let Income	1,984,500
Other Income	72,100
Net Taxable Profit During the Year	2,056,600
Provision for Income Tax from other income 25%	514,150

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[Circular stamp: MAILUNG KHOLA JAL VIDHYUT CO. LTD. 2002]

[Circular stamp: Kathmandu Nepal Est. 2020 Chartered Accountants]

MAILUNG KHOLA JAL VIDHYUT COMPANY LIMITED
Kathmandu, Nepal

5. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and deviations if any have been disclosed accordingly.

5.1 Distinction of Current and Non-Current Assets

All the assets except the property, plant and equipment's and deferred tax assets are classified as current assets unless specific additional disclosure is made in the notes.

Liabilities

All the liabilities except the defined benefit plan obligations are classified as current liabilities unless specific additional disclosure is made in the notes.

Materiality and Aggregation

In compliance with NFRS 1 - Presentation of Financial Statements, each material class of similar items is presented separately in the financial Statements. Items of dissimilar nature or functions are presented separately unless they are material.

5.2 Property, plant and equipment

Property, Plant & equipment (PPE) are stated at cost of acquisition or construction less accumulated depreciation and accumulated impairment losses, if any.

Cost includes inward freight, duties and taxes and incidental expenses related to acquisition. Expenses capitalized also include applicable borrowing costs for qualifying assets, if any. All up gradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits. Subsequently, PPE can be measured on Cost model or Revaluation model.

The Company has adopted Cost model for property, plant & equipment. Carrying amount of assets has been assumed as fair value.

5.3 Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization as PPE or Intangible assets. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

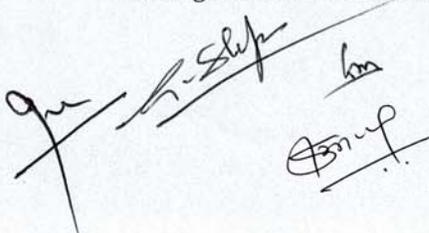
5.4 Intangible Assets

Intangible Assets that the Company controls and from which it expects future economic benefits are capitalized upon acquisition and initially measured at cost comprising the purchase price (including import duties and non-refundable taxes) and directly attributable costs to prepare the asset for its intended use.

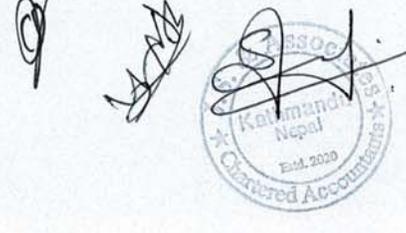
The useful life of an intangible asset is considered finite where the rights to such assets are limited to a specified period of time by contract or law (e.g., licenses) or the likelihood of technical, technological obsolescence (e.g., computer software). If, there are no such limitations, the useful life is taken to be indefinite.

Intangible assets that have finite lives are amortized over their estimated useful lives by the straight-line method unless it is practical to reliably determine the pattern of benefits arising from the asset.

An intangible asset with an indefinite useful life is not amortized.







Software is amortized over a period of five years.

All intangible assets are tested for impairment. Amortization expenses and impairment losses and reversal of impairment losses are taken to the Statement of Profit or Loss and Other Comprehensive Income. Thus, after initial recognition, an intangible asset is carried at its cost less accumulated amortization and / or impairment losses.

Intangible assets include Computer application and Service concession arrangements (in accordance with IFRIC 12).

Intangible asset (Computer application) includes the cost of computer application development including software, direct charges for labor, materials, contracted services and borrowing costs as per NAS 23.

Service concession arrangements of MKJCL includes infrastructures and related assets created for the operation of Mailung Khola Hydropower Project (5 MW) in Rasuwa district under the Power Purchase Agreement with Nepal Electricity Authority for the use of the resources.

5.5 Right of Use Assets

A lease is a contract in which the right to use an asset (the leased asset) is granted for an agreed-upon period in return for compensation. The company who has right to use assets should be recognized at present value assets for the right of use received and liabilities for the payment obligation entered into for all leases. We are not recognized right to use assets because we have contracted with house owner for office rent only for one year. Hence time value of money for right to use assets of one year has been ignored. Lease liabilities include the following lease payments:

- Fixed payments, less lease incentives offered by the lessor
- Variable payment linked to an index or interest rate
- Expected residual payment from residual value guarantees
- The exercise price of call options when exercise is estimated to be sufficiently likely and
- Contractual penalties for the termination of lease if the lease term reflects the exercise of terminable option

Lease payments are discounted at the implicit interest rate underlying the lease to the extent that this can be determined. Otherwise, discounting is at the incremental borrowing rate. The Group lease discount rate has been considered for the reporting period.

Right of Use assets are measured at cost, which comprises the following:

- Lease liabilities,
- Lease payments made at or prior to delivery, less lease incentives received,
- Initial Direct Costs, and
- Restoration Obligations

Right of Use assets are subsequently measured at amortized cost. They are depreciated over the term of the lease using the straight-line method.

Mailung Khola Jalvidhyut Aayojana (5 MW)

Intangible Assets include Service concession arrangements of Mailung Khola Jalvidhyut Aayojana. This service concession arrangement is amortized over the contractual period of 25 years as per the Power Purchase Agreement (PPA) (excluding the force majeure period of 18 months). The remaining period of amortization is 16 years (excluding the force majeure period of 18 months). The details of Intangible Assets (Service Concession Arrangements) are shown in the following table:

Year	Land	Civil Works	Electro-mechanical Equipment	Project cost (Hydromechanical and Others)	Rehabilitation Cost	Nyam Nyam Project	Total (Year wise)
Before 2071-72	8,982,843	328,292,113	2,640,407	470,943,558			810,858,920
FY 2071-72	31,250	34,959,254		50,149,958			85,140,462
FY 2072-73		369,944		554,915			924,859
FY 2073-74			(554,350)		51,474,631	3,367,196	54,287,478
FY 2074-75				785,156			785,156
FY 2075-76							-
FY 2076-77							-

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FY 2077-78								
FY 2078-79		2,384,460	203,400.0					2,587,860
FY 2079-80			314,335					314,335
Total (Assets wise)	9,014,093	366,005,771	2,603,792	522,433,587	51,474,631	3,367,196		954,899,070

5.6 Service Concession arrangements

IFRIC 12 on Service Concession arrangements provides that the Operator's right over the infrastructure assets cannot be recognized as property, plant and equipment (PPE) of the operator.

This Interpretation applies to public-to-private service concession arrangements if:

- The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- 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.

Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole of life assets) is within the scope of this Interpretation, if the following conditions satisfies. This Interpretation applies to both:

- Infrastructure that the operator constructs or acquires from a third party for the purpose of the service arrangement; and
- 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.

The consideration received by the operator is recognized at fair value. Consideration may result in the recognition of a financial asset or an intangible asset.

5.6.1 Recognition as a financial asset

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 guarantees 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.

5.6.2 Recognition as an intangible asset

The intangible asset model is used to the extent that the MKJCL, 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 will include power supply from its hydro power plant namely Mailung Khola Jalvidhyut Aayojana (5 MW). The Company maintains and services the infrastructure during the concession period. The concession period for Mailung Khola Jalvidhyut Aayojana is up to B.S 2094/12/30. These concession arrangements set out rights and obligations related to the infrastructure and the services to be provided to the public user through Nepal Electricity Authority. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset models is applied.

5.7 Financial Instruments

5.7.1 Date of Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that MKJCL becomes a party to the contractual provisions of the instrument. This includes 'regular way trades. Regular way trade means purchases or sales of financial assets that required delivery of assets within the time frame generally established by regulation or convention in the market place.

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- A circular blue stamp for MAILUNG KHOLA JAL VIDHYUT COMPANY LIMITED, established in 2002.
- A circular blue stamp for the ASSOCIATION OF CHARTERED ACCOUNTANTS, Nepal, established in 2020.

5.7.2 Recognition and Initial Measurement of Financial Instruments

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of such financial assets and liabilities at fair value through profit or loss, as per the Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement). Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Statement of Profit or Loss.

5.7.3 Classification and Subsequent Measurement of Financial Assets

a) Financial Assets carried at Amortized Cost (AC)

A Financial Asset is measured at amortized cost if it is held within a business model whose objective is to hold the asset 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. Interest income in these financial assets is measured using effective interest rate method.

b) Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

A Financial Asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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. These financial assets are measured at fair value and changes are taken to statement of other comprehensive income.

c) Financial Assets at Fair Value through Profit or Loss (FVTPL)

A Financial Asset which is not classified in any of the above categories are measured at FVTPL. These financial assets are measured at fair value and changes are taken to statement of profit or loss.

5.8 Financial Liabilities

The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in the statement of profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in the Statement of Profit or Loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities consist of amount due to related parties, other creditors including accruals and outstanding commission payable.

De-recognition of other financial liabilities

A financial liability is de-recognized 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 a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Profit or Loss.

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[Circular stamp: ASSOCIATION OF ACCOUNTANTS ESTD. 2010 Chartered Accountants]

Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Finance measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Finance uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement hierarchy is as follows:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 portfolios are those where there are unobservable inputs of the instruments. The inputs are not based on observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Finance determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out. In case the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 01 valuation), the difference between the transaction price and fair value is recognized in profit or loss immediately.

Long Term Loan (Bank Loan)

The company has recognized long term liability (Bank Loan) as financial liability and has been classified as financial liability measured at amortized cost.

5.9 Depreciation and Amortization

Depreciation is recognized 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.

1. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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.
2. 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:

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Category of assets	Estimated useful life	Depreciation Rate
Building	26.47 Years	SLM (Amortized over period)
Plant and Equipment	26.47 Years	SLM (Amortized over period)
Office Equipment	10-11 years	25%
Furniture and fixtures	10-11 years	25%
Computers and accessories	10-11 years	25%
Vehicles	13-14years	20%

Computer software is amortized over an estimated useful life of 5 years on straight line basis.

- Useful life is either the period of time which the assets 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, vehicles & plant equipment costing less than NPR 5,000 per unit is charged to the profit and loss account in the year of purchase.

5.10 Impairment of non-financial assets

Non-financial assets subject to impairment testing include intangible assets and property, plant and equipment. Impairment of material intangible assets under construction are tested at least once a year. Assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment test is performed by comparing the carrying amount of the asset or cash generating unit (CGU) to its recoverable amount. The recoverable amount is calculated as the higher of the fair value less costs to sell and value in use which is the present value of the future cash flows from an asset or CGU.

5.11 Retirement Benefits Obligations

5.11.1 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which MKJCL pays fixed contribution into a separate Institution (or own fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards - NAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan in proportion to the services rendered to MKJCL by the employees and is recorded as an expense under 'Personnel expenses' as and when they become due. Unpaid contributions, if any, are recorded as a liability under 'Other liabilities'.

The company has not been providing provident fund, gratuity and other retirement benefit contribution as per labour act.

5.11.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, leave encashment has been considered as defined benefit plans as per Nepal Accounting Standards - NAS 19 (Employee Benefits).

5.11.3 Unutilized Accumulated Leave

MKJCL's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. MKJCL's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to

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determine the present value of such benefits. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of MKJCL's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

NAS 19 requires actuarial valuations for Leave encashment in order to determine the liability or asset that the company have at the year end. Actuarial valuations have been carried out to determine the same.

Leave encashment have been subject to actuarial valuations as per the provisions of NAS 19. The details of valuation and basis of valuation is presented in Notes to Financial Statements. The actuarial valuation of leave provision is done by DD Consulting.

5.12 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5.13 Provisions and Contingencies

In accordance with Nepal Accounting Standards (NAS) 37- Provisions, Contingent Liabilities and Contingent Assets, a provision is required to be recognized where there is a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which are uncertain.

The company has made provisions for all those obligations meeting the definition of NAS 37.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or nonoccurrence 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 financial statements.

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

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

5.14 Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants can be Grants related to assets or Grants related to income. Under Grants related to assets, there is a condition that the entity shall purchase, construct or otherwise acquire long-term assets. Grants related to income are grants other than grants related to assets.

Government grants are recognized when there is reasonable assurance they will be received and the company will comply with the conditions associated with the grant. Government grants that compensate the company for expenses incurred are recognized in profit or loss in the same period in which the expenses are recognized. Grants that compensate the company for the cost of an asset are recorded as deferred revenue and recognized in other revenue over the service life of the related asset.

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Government grants shall be recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Once a government grant is recognized, any related contingent liability or contingent asset is treated in accordance with NAS 37: Provisions, Contingent Liabilities and Contingent Assets. Company has not received any government grant yet. So, no any government grant recognized in financial statements.

5.15 Borrowing cost

As per NAS 23, Borrowing costs are the costs incurred by the company in borrowing loans for construction of assets or any capital goods. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Borrowings can be general or specific. Borrowing costs are capitalized till the construction of asset is complete and is ready for use.

5.16 Leases

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

MKJCL as a Lessee

The company has recognized at present value assets for the right of use received and liabilities for the payment obligation entered into for all leases. Company has been contracted office rent with property owner for the period of one year. So, company is exempted for discounting present value of future obligation for recognizing Right of Use Assets.

MKJCL as a Lessor

For operating lease, MKJCL reports the leased assets at amortized cost as an asset under the property, plant & Equipment where it is the lessor. The lease payment received in the period are shown under other operating income on straight line basis. Where MKJCL is the lessor in finance lease, the assets are recognized as lease receivables in the amount of the net investment in the statement of financial position. During the reporting period, the company has lease out land as operating lease and income is recognized in income statement on SLM basis.

5.17 Receivables and Payables

Receivables and payables are accounted on accrual basis. Balance amounts on year end are shown in Statement of Financial Position under "Trade Receivables" and "Trade Payables" heading.

- The company is yet to receive NRs. 128,815,501.00 from Nepal Electricity Authority (NEA) for the posted rate.
- Advance provided to suppliers of NRs. 550,000.00 (C & K Associates of NRs. 250,000.00 and Shree Krishna Investment and Mgmt Consultancy of NRs. 300,000.00) has not been settled till 31st Ashadh 2080.

5.18 Write off of Assets

The Board of Directors (BoD) meeting held on 2080/09/27 decided to write off the total of NRs. 104,661.00 (Advance-Dinesh Shahi of NRs. 13,161.00, Ram Prasad Rijal (Against Perk) of NRs. 25,500.00, Tanka Prasad Regmi of NRs. 30,000.00 and Tasi Wangchen Tamang (Against Land Purchase) of NRs. 36,000.00)

5.19 Financial Income

Financial Income includes Interest Income.

5.20 Financial Costs

Financial costs include the finance costs under term loan and bridge gap loan availed by the company.



5.20.1 Reversal of Deferred Finance Cost & Bonus

During FY 2079/080 Deferred Finance Cost of NRs. 9,400,000.00 has been adjusted through retained earnings. Further, NRs. 110,304.64 has been credited to retained earnings as Provision for Employees' Bonus during FY 2078/079 has been booked in excess.

5.21 Income Tax

As per Nepal Accounting Standard- NAS 12 (Income Taxes) tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income.

Income Tax Act 2058 has specified a tax rate of 25% flat for Hydropower Companies.

As per Section 11 (3 Gha) of Income Tax Act 2058, Hydropower companies are exempted from tax for the first 10 years of its operation and 50% concession on tax is provided for the next 5 years thereon. The company is enjoying its 9th year of tax holiday.

5.21.1 Current Tax

Current tax is the amount of tax payable based on the taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

5.21.2 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes (tax base), at the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

Income tax, in so far as it relates to items disclosed under other comprehensive income or equity, are disclosed separately under other comprehensive income or equity, as applicable.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realize the asset and settle the liability simultaneously.

Company doesn't create any deferred tax assets/ liabilities because company is in tax holiday.

5.22 Cash and Cash Equivalent

Cash and cash equivalents include cash at vault and agency bank account balances, highly liquid financial assets with original maturity of 3 months from the date of its acquisition and are readily convertible to cash, which are subject to an insignificant risk of changes in value. Cash and Cash equivalent are measured at amortized cost in the statement of financial position.



Statement of Cash Flows has been prepared by using the 'Indirect Method' in accordance with NAS 07- Statement of Cash Flows.

5.23 Revenue Recognition

5.23.1 Sale of electricity

NFRS 15 on 'Revenue' requires revenue to be recognized when it is probable that economic benefits associated with the transactions will flow to the entity and the amount can be measured reliably. It requires that the entity has transferred the risks and rewards of ownership of the goods to the buyer.

The Company has recorded the revenue of NPR 108,345,519 representing revenue from sale of electricity during the year. Revenue is recognized on accrual basis and any receivable portion are shown as trade receivables, which also includes the revenue based on posted rate which is received on periodic basis.

5.24 Foreign currency translation

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.

Revenues and expenses resulting from transactions in foreign currencies are translated to Nepalese Rupee equivalents at exchange rates approximating those in effect at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into Nepalese rupee at the exchange rate prevailing at the reporting date. Translation gains and losses are credited or charged to Profit or loss in the current period.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements has been recognized (using the closing rate of reporting date) as foreign exchange gain or loss and adjusted with statement of Profit and Loss as per NAS 21.

5.25 Earnings per share

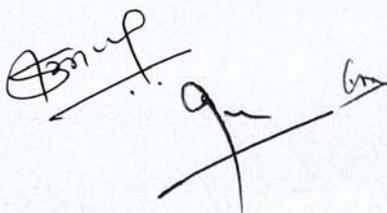
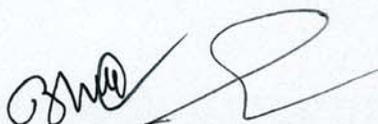
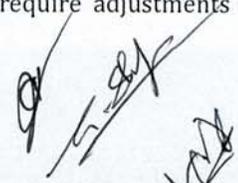
Earnings per share is the portion of company's profit allocated to each outstanding share of common stock. Basic earnings per share is computed by dividing the net profit/ (loss) for the year by the weighted average number of equities shares outstanding during the year.

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, as per NAS 33- Earning Per Share.

	FY 2079/80	FY 2078/79
Amount used as a Numerator		
Profit Attributable to ordinary Shareholders	8,703,158	16,540,131
Amount used as the Denominator		
Weighted average number of Ordinary Shares	3,681,430	3,681,430
Basic Earnings per Ordinary Share (NPR)	2.34	4.56
Diluted Earnings per Ordinary Share (NPR)	2.34	4.56

5.26 Events after the Reporting Period

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the financial statements.


5.27 Related Party Transactions

Related parties of an entity represent parent company, major shareholders, associated companies, directors and key management personnel of the Group, and companies of which they are principal owners.

The names of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of NAS 24- 'Related Party Disclosures'.

Key management personnel refer to the person who have authority and responsibility for planning, directing and controlling the activities of company either directly or indirectly.

Related party transactions also includes transaction with entities that are controlled, joint ventures or significantly influenced directly by any key management personnel or their close family members.

Key Managerial Personnel

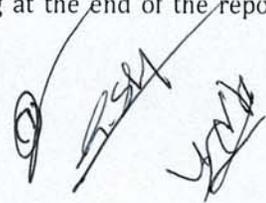
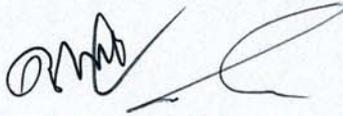
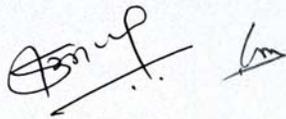
S. No.	Name	Title
1	Basanta Chandra Marahatta	Chairman, BOD
2	Prawin Aryal	Independent Director, BOD
3	Dr. Tara Prasad Pokhrel	Director, BOD
4.	Gore Sherpa	Director, BOD
5.	Phulmu Sherpa	Director, BOD
6.	Dr. Sunil Kumar Pokhrel	Public Director, BOD
7.	Raghunath Kuikel	Public Director, BOD

Compensation of key management personnel

Particulars	Amount
Board Meeting Fee, Allowance and expenses	391,474.75

Transaction with Subsidiary/Associate/Related Parties

Company has not identified any of its investments as subsidiary and associates. Similarly, no transaction has been carried out with the related parties, although, short-term borrowing of NPR 11,938,084 as loan from directors & shareholders is still outstanding at the end of the reporting period.



MAILUNG KHOLA JAL VIDHYUT COMPANY LIMITED

Kathmandu, Nepal

1. CORPORATE INFORMATION

1.1 General

Mailung Khola Jal Vidhyut Company Limited was incorporated as a private company on 7 Bhadra 2059 (July 23, 2002) as per prevalent Acts of Nepal, with objective to develop and invest in hydropower projects. The Company was converted into a public limited company with effect from 6 Bhadra 2071 (22 August 2014) with Registration No.: 125838/071/072. The company has its registered office at Kathmandu Metropolitan City, Tejbhawan, Uttar Dhoka, Kathmandu, Nepal. The Company has developed 5 MW Mailung Khola Hydropower Project in Rasuwa district and its operation is for a period of 25 years under a Construction & Generation License issued by concerned authority on the basis of a power purchase agreement with Nepal Electricity Authority. Company had issued 736,226 units of initial public offering (IPO) from dated 2078/04/14 to 2078/04/19. Full share issue is subscribed by public and company allot share as on 2078/04/26. The resultant number of share is 3,681,430 units.

In the financial statements, Mailung Khola Jalvidhyut Company Limited has been referred as 'MKJCL' or 'The Company'.

1.2 Financial Statements

The Financial Statement of the MKJCL for the year ended 31st Ashadh 2080 comprises:

- Statement of Financial Position
- Statement of Profit or Loss
- Statement of Other Comprehensive Income
- Statement of Cash Flows
- Statement of Changes in Equity
- Notes to the Financial Statements and Significant Accounting Policies of the Company

1.3 Principal Activities and Operations

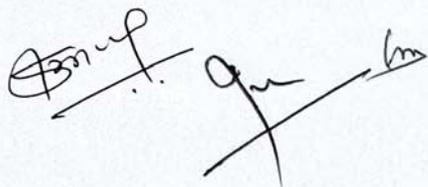
The principal activity of the company is to generate and sell hydroelectricity to Nepal Electricity Authority.

1.4 Responsibility for Financial Statements

The Board of Directors is responsible for the fair preparation and presentation of Financial Statements of MKJCL as per the provisions of the Companies Act, 2006, in accordance with Nepal Financial Reporting Standard (NFRS).

1.5 Approval of Financial Statements by Directors

The accompanied Financial Statements have been authorized by the Board of Directors vide its resolution dated 2080.09.27 and recommended for its approval by the Annual General Meeting of the shareholders.



2. BASIS OF PREPARATION

2.1 Basis of Preparation

These financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2.2 Statement of Compliance

The Financial Statement of MKJCL which comprises components mentioned above have been prepared in accordance with Nepal Financial Reporting Standards comprising of Nepal Financial Reporting Standards and Nepal Accounting Standards (hereafter referred as NFRS), laid down by the Institute of Chartered Accountants of Nepal and Accounting Standard Board and in compliance with the requirements of the Companies Act, 2006.

2.3 Functional and Presentation Currency

The Financial Statements of MKJCL are presented in Nepalese Rupees (NPR), which is the currency of the primary economic environment in which the MKJCL operates. Financial information are presented in Nepalese Rupees, and round off to the lowest cardinal number of one digit. There was no change in MKJCL's presentation and functional currency during the year under review.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements in conformity with Nepal Financial Reporting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect in the Financial Statements are as follows: -

3.1 Going Concern

The Directors have made an assessment of MKJCL's ability to continue as a going concern and satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon MKJCL's ability to continue as a going concern and do not intend either to liquidate or to cease operations of it. Therefore, the Financial Statements are prepared on going concern.

3.2 Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position can be derived from active markets i.e., Level 1, they are derived from observable market

The bottom of the page features several handwritten signatures in black ink. There are also two circular blue stamps. The stamp on the left is for 'MKJCL COMPANY LIMITED' with the year '2007' in the center. The stamp on the right is for 'S. & Associates' with 'Kathmandu Nepal' and 'Est. 2020' written around the perimeter.

data. However, if this is not available, Level 2 and Level 3 Fair value measurement techniques have been used as per NFRS. If this cannot be estimated, judgment is required to establish fair values.

3.3 Useful Life of the Property, Plant and Equipment

MKJCL reviews the residual values, useful life and method of depreciation of property, plant and equipment at each reporting date. Such life is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives, residual values and methods are reviewed annually using the best information available to the Management.

3.4 Taxation

The MKJCL is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense amounts that were initially recorded, and deferred tax amounts in the period in which the determination is made.

3.5 Provisions for Liabilities and Contingencies

The MKJCL may receive legal claims and litigations against it in the normal course of business. Management makes judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual amount could differ from those estimates, but differences are not expected to be material.

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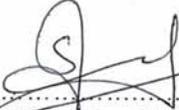
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

REPORT ON THE REQUIREMENTS OF COMPANY ACT, 2063

We have examined the attached Financial Statements and report that:

- We have obtained satisfactory information and explanations asked for, which, to the best of our knowledge and belief were necessary for the purpose of our audit, were adequate for the purpose of the audit;
- The financial statements including the statement of financial position, statement of profit or loss, statement of changes in equity, statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063 and they are in agreement with the books of accounts of the Company;
- The accounts and records of the Company are properly maintained in accordance with the prevailing laws with exceptions to settlement of related party, adherence to procurement procedures & other relevant matters included in our management report provided with this report.


CA Saroj Suryabanshi
Partner
J.S. & Associates
Chartered Accountants



Date: 27th Poush, 2080
Place: Kathmandu
UDIN: 240112CA01543c7YwW