

124 Lal Colony Marg
Lal Durbar
Post Box No. 4414
Kathmandu, Nepal

Telephone: 977 (1) 4410927, 4420026
Fax : 977 (1) 4413307
E-mail : trunco@ntc.net.np

INDEPENDENT AUDITOR'S REPORT

THE SHAREHOLDER OF MANANG MARSHYANGDI HYDROPOWER COMPANY PVT. LTD.

Report on the financial statements

We have audited the accompanying Financial Statements of Manang Marshyangdi Hydropower Company Private Limited (the "Company") which comprise the Balance Sheet as at 15 July 2017, the Statement of Changes in Equity and the Statement of Cash Flow for the period then ended, and a summary of Significant Accounting Policies and Other Explanatory Notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

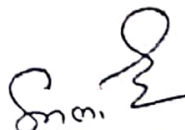
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manang Marshyangdi Hydropower Company Private Limited as at 15 July 2017, and its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standard.

Report on Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the Balance Sheet, the statements of income and the cash flows have been prepared in accordance with the requirements of the Companies Act 2063 and are in agreement with the books of account of the Company; and proper books of account as required by law have been kept by the Company.

To the best of our information and according to explanations given to us and from our examination of the books of account of the Company necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Company have acted contrary to the provisions of law relating to the accounts, or committed any misappropriation or caused loss or damage to the Company relating to the accounts in the Company.



Sanjeev Kumar Mishra
Partner



T.R. Upadhy & Co.
Chartered Accountants

Place: Kathmandu, Nepal

Date: 25 December 2017

Manang Marshyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Balance Sheet
As at 15 July 2017 (31 Ashad, 2074)

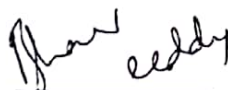
(Amount in NRs)			
Particulars	Schedule	As at 15 July 2017	As at 15 July 2016
<u>Sources of Fund</u>			
Share Capital	1	28,500,000	28,500,000
Advance for Share Capital	2	48,554,922	48,554,922
<u>Total sources of fund</u>		<u>77,054,922</u>	<u>77,054,922</u>
<u>Application of Funds</u>			
Non-Current Assets			
Tangible Assets	3	4,462	54,134
Capital Work In Progress	4	52,932,780	51,607,776
Total Non-Current Assets		52,937,242	51,661,910
Current Assets, Loans and Advances			
Cash and Cash Equivalents	5	6,483,626	11,426
Prepaid, Advances and Other Receivables	6	24,509,031	32,168,636
Total Current Assets		30,992,657	32,180,062
Less: Current Liabilities and Provisions			
Accounts and Other Payables	7	6,874,977	6,787,050
Total Current Liabilities and Provisions		6,874,977	6,787,050
<u>Net Current Assets/(liabilities)</u>		<u>24,117,680</u>	<u>25,393,012</u>
<u>Total application of fund</u>		<u>77,054,922</u>	<u>77,054,922</u>

Significant Accounting Policies & Notes to Accounts

8

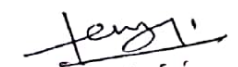
Schedules 1 - 8 form an integral part of the Balance Sheet

As per our Report of even date



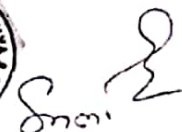
Bhairav Reddy
Director





Hemjung Gurung
Chairman





Sanjeev Kumar Mishra
Partner
T R Upadhyaya & Co.
Chartered Accountants

Date : 25 DEC 2017
Place : Kathmandu

Manang Marshyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Statement of Changes in Equity
For the period 16 July 2016 to 15 July 2017

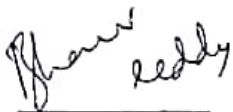
(Amount in NRs)

Particulars	Share Capital	Accumulated profit/ (loss)	Total
Balance as at 16 July 2016	28,500,000	-	28,500,000
Net Profit for the Year	-	-	-
Dividend	-	-	-
Issue of Preference Share Capital	-	-	-
Balance as at 15 July 2017	28,500,000	-	28,500,000

Significant Accounting Policies & Notes to Accounts

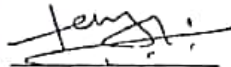
8

As per our report of even date

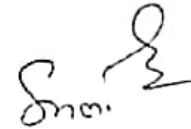


Bhairav Reddy
Director





Hemjung Gurung
Chairman



Sanjeev Kumar Mishra
Partner
T R Upadhy & Co.
Chartered Accountants



Date : 25 DEC 2017
Place : Kathmandu

Manang Marhsyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Statement of Cash Flow
For the period 16 July 2016 to 15 July 2017

(Amount in NRs)

Particulars	Current Year	Previous Year
A. Cash Flow from Operating Activities		
Operating Profit before changes in Working Capital		
Depreciation	49,672	54,846
(Increase)/Decrease in Current Assets	7,659,605	16,732,746
Increase/(Decrease) in Current Liabilities	87,927	5,319,522
Net Cash Flows used in Operating Activities	7,797,204	22,107,114
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	-	-
Capital Work in Progress	(1,325,004)	(22,316,186)
Net Cash Flows used in Investing Activities	(1,325,004)	(22,316,186)
C. Cash Flow from Financing Activities		
Issue of Shares	-	-
Share Application Money received Pending Allotment	-	209,072
Net Cash Flows from Financing Activities	-	209,072
Net Increase or Decrease in Cash (A+B+C)	6,472,200	-
Cash and Cash Equivalent at the beginning of the year	11,426	11,426
Cash and Cash Equivalent at the end of the year	6,483,626	11,426

Bhairav Reddy

Bhairav Reddy
Director



Hemjung Gurung

Hemjung Gurung
Chairman

As per our report of even date

Sanjeev Kumar Mishra

Sanjeev Kumar Mishra
Partner
T R Upadhya & Co.
Chartered Accountants



Date : 25 DEC 2017

Place : Kathmandu

Manang Marhsyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Schedule 3 : Tangible Fixed Assets

NAME OF ASSETS	RATE (%)	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK	
		As at 16 July 2016	Additions For the Year	Disposal During the Year 15 July 2017	As at 16 July 2016	Additions For the Year	Disposal During the Year 15 July 2017	As at 16 July 2016	As at 15 July 2017
Furniture and Fixtures	14%	16,611	-	-	9,775	2,374	-	6,836	4,462
Office Equipment	20%	147,372	-	-	121,510	25,862	-	25,862	-
Computers	20%	115,000	-	-	93,564	21,436	-	21,436	-
Total		278,983	-	-	224,849	49,672	-	54,134	4,462

Manu Reddy



Manang Marshyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Schedule forming the part of Financial Statements

Schedule 1: Share Capital

(Amount in NRs)

Particulars	As at 15 July 2017	As at 16 July 2016
Share Capital		
A. Authorized capital		
9,000,000 Equity Shares of Rs. 100/- each	900,000,000	900,000,000
Total	900,000,000	900,000,000
B. Issued and subscribed capital		
8,850,000 Equity Shares of Rs 100/- each	885,000,000	885,000,000
Total	885,000,000	885,000,000
C. Paid up capital		
285,000 Equity Shares of Rs 100/- each	28,500,000	28,500,000
Total	28,500,000	28,500,000

Schedule 2: Advance for Share Capital

(Amount in NRs)

Particulars	As at 15 July 2017	As at 16 July 2016
Share Application money pending allotment		
Raajratna Energy Holdings Private Limited	48,554,922	48,554,922
Total	48,554,922	48,554,922

Schedule 4: Capital Work-In-Progress

(Amount in NRs)

Particulars	As at 15 July 2017	As at 16 July 2016
Administrative Expense	7,513,100	7,324,635
Personnel Expenses	3,643,336	3,643,336
Financial Expenses	43,142	42,942
Depreciation	274,522	224,850
Professional and Consultancy Expenses	17,752,933	16,692,933
Site Expenses	23,384,635	23,384,636
Rental Expenses	321,112	294,444
Total	52,932,780	51,607,776

Schedule 5: Cash and Cash Equivalents

(Amount in NRs)

Particulars	As at 15 July 2017	As at 16 July 2016
Cash in Hand	-	-
Bank Balance	6,483,626	11,426
Total	6,483,626	11,426

Manu Reddy



Schedule 6: Prepaid, Advances and Other Receivables

(Amount in NRs)

Particulars	As at 15 July 2017	As at 16 July 2016
Date : 17 January 2018		
Hydro Concern Pvt. Ltd- MM	(218,409)	472,298
Vishwa Drilling Pvt. Ltd	3,109,293	3,800,000
	(3,327,702)	(3,327,702)
2.Other Advances	5,563,000	5,563,000
ADM Carto Consult Pvt. Ltd	293,000	293,000
Hem Jung Gurung	2,000,000	2,000,000
Malika Hydropower CO Pvt. Ltd.	1,620,000	1,620,000
Marsyangdi Power Company Pvt. Ltd.	50,000	50,000
Multi Model Developers Pvt Ltd	1,600,000	1,600,000
3.Intercompany Accounts	19,164,440	26,133,340
Upper Marshyangdi Hydropower Co. (P) Ltd.	19,164,440	26,133,340
Total (1+2+3)	24,509,031	32,168,638

Schedule 7: Account and Other Payables

(Amount in NRs)

Particulars	As at 15 July 2017	As at 16 July 2016
1.TDS Payable	195,600	180,501
2.Sundry Creditors	189,250	116,422
3.Dipendra Bahadur Bam	3,136	3,136
4.Payable to Suppliers	6,486,991	6,486,991
H.C Shah	3,824,000	3,824,000
World Wide Travel and Tours	92,900	92,900
CEC-DEC-AKARA JV- Advance	2,570,091	2,570,091
Total (1+2+3+4)	6,874,977	6,787,050

Shree *reddy*




Manang Marshyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Schedule 4.1: Breakdown of Year-Wise Capital Work-In-Progress

Particulars	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	Total
Administrative Expenses	72,550	1,346,806	5,076,326	535,754	38,927	254,272	188,465	7,513,100
Personnel Expenses	278,716	1,284,299	1,943,272	129,913	7,136	-	-	3,643,336
Financial expenses	3,986	14,050	24,106	800	-	-	200	43,142
Depreciation	-	6,048	54,258	54,848	54,848	54,848	49,672	274,522
Professional and Consultancy Expenses	4,616,000	1,809,920	370,480	1,207,500	30,000	8,659,033	1,060,000	17,752,933
Site Expenses	1,172,081	1,963,388	6,107,917	754,463	56,530	13,330,256	-	23,384,635
Rent	24,000	33,334	176,667	16,000	26,667	17,777	26,667	321,112
Total	6,167,333	6,457,845	13,753,026	2,699,278	214,108	22,316,186	1,325,004	52,932,780

Manang Marshyangdi



MANANG MARSHYANGDI HYDROPOWER COMPANY PVT. LTD.
Baluwatar, Kathmandu

Schedule 8: Significant Accounting Policies and Other Explanatory Notes

1. Organizational Background

Manang Marsyangdi Hydropower Company Private Limited ("MMHCPL" or "the Company") is a private limited company incorporated on 7 December 2010 under the Companies Act 2006 of Nepal. The registered office is located at Kathmandu Ward No.4 and its principal place of business is Manang district, Gandaki Zone of Nepal.

The Project

Manang Marsyangdi Hydro-Electric Project with the installed capacity of 282 MW is located on the Marshyangdi river in Manang district, Gandaki Zone of Nepal. Development rights of the project have been awarded by the Department of Electricity Development (DoED), Ministry of Energy and Government of Nepal (GON) to Marsyangdi Power Company Private Limited and Raajratna Energy Holdings Private Limited on Build-Own-Operate-Transfer (BOOT) basis. The project is in the development phase and the company has applied for the generation license.

2. Significant Accounting Policies

2.1 Basis of Presentation

The financial statements comprising of the Balance Sheet, Statement of Capital Work-In-Progress and Statement of Cash Flow together with the Significant Accounting Policies and Other Explanatory Notes comply with the Generally Accepted Accounting Principles ("GAAP") and Nepal Accounting Standards ("NAS") except otherwise stated. The financial statements are presented in Nepalese Rupee on a historical cost convention basis and presentation requirement of the Companies Act 2006.

2.2 Use of estimates

The preparation of the financial statements in conformity with the GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the Balance Sheet. Actual amount could differ from those estimates. Any differences from those estimates are recorded in the period in which they are identified.

2.3 Going Concern

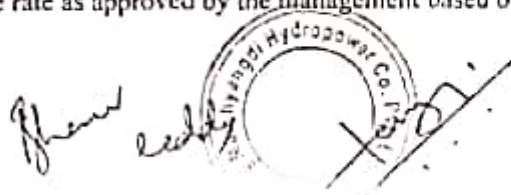
The financial statements are prepared on the assumption that the Company is a going concern.

2.4 Revenue Recognition

Since the Company is in the development stage, no revenue has been generated yet.

2.5 Fixed Assets and Depreciation

Fixed assets are shown on the historical cost basis less depreciation. Cost of acquisition is inclusive of freight, levies and all incidentals attributable to bringing the asset to its working condition. Depreciation is charged to Statement of Capital Work-in-Progress on Straight Line Method at the rate as approved by the management based on useful life of the assets.





Rate of depreciation has been derived based on following useful life for each category of assets:

Name of Assets	Useful Life (Years)	Rate of Depreciation (% per annum)
Vehicle	7	14
Furniture and Fixture	7	14
Office Equipments	5	20
Computers	5	20

2.6 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of cash flow statements, cash and cash equivalents consist of cash in hand and balance held in bank.

2.7 Lease

Assets held under finance leases are initially recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.8 Provisions and Contingent Liabilities

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are disclosed when there is a possible obligation or a present obligation as a result of a past event where it is not probable that an outflow of economic benefits will be required to settle the obligation, and the amount cannot be reasonably estimated. When there is a possible or a present obligation in respect of which the likelihood of an outflow of resources is remote, no provision or disclosure is made.

2.9 Financial Period and Comparative Information

The Financials are prepared for the period from 16 July 2016 to 15 July. All figures are rounded off to the nearest rupee. Previous year figures have been regrouped and rearranged wherever necessary and provided in the financial statement to facilitate the comparison with the current year figure.





3. Other Explanatory Notes

3.1 Income Tax

The Company does not have any taxable income as it is under development stage. As such, provision for taxation is not required and accordingly, deferred taxes has not been recognized.

3.2 Segment Reporting

The Company operates primarily in one business segment, i.e Production and Distribution of electricity.

3.3 Related Party Disclosures

A. Key Management Personnel

Name of the party	Relationship
Mr. Hem Jung Gurung	Director – Nominee of Multi Model Developers Pvt. Ltd.
Mr. M Balakrishnan	Director – Nominee of Rajratna Energy Holdings Pvt Ltd
Mr. Bhairav Reddy	Director – Nominee of Rajratna Energy Holdings Pvt Ltd

B. List of related parties and nature of relationship

#	Name of the related party	Nature of relationship
1	Rajratna Energy Holdings Private Limited (REHPL)	Holding company
2	Marsyangdi Power Company Private Limited (MPCPL)	Enterprise which exercise significant influence
3	Upper Marsyangdi Hydropower Company Pvt. Ltd (UMHCPL)	Common Directors
4	Multi Model Developers (P) Ltd (MMDPL)	Associate Company

C. Particulars of related party transactions during the period.

Nature of Transactions	Company	Current Year (Rs)	Previous Year (Rs)
Expenses incurred by UMHCPL on behalf of MMHCPL	UMHCPL	(496,500)	(2,654,239)

D. Related party transactions – Amount outstanding as on 15.7.2017

#	Nature of transactions	Name of the Company	Current Year Amount(Rs)	Previous Year Amount(Rs)
1	Share application money	REHPL	(48,554,922)	(48,554,922)
2	Advance received by UMHCPL*	MMHCPL	19,164,440	26,133,339
3	Other Advances	MMDPL	1,600,000	1,600,000
4	Other Advances	MPCPL	50,000	50,000
5	Hem Jung Gurung		2,000,000	2,000,00

*Advance received by UMHCPL has been adjusted to Rs. 19,164,440 after receipt of Rs. 6,472,400 and Rs. 496,500 for expenses incurred by UMHCPL on behalf of MMHCPL.






Hetauda Sub-metropolitan city-4
POST BOX NO. 44107
MAKAWANPUR, NEPAL

Phone No.: +977 057-524268
WEBSITE: www.dnda.com.np
EMAIL: caddnepal@gmail.com

INDEPENDENT AUDITOR'S REPORT

THE SHAREHOLDER OF MANANG MARSHYANGDI HYDROPOWER COMPANY PVT. LTD.

Report on the financial statements

We have audited the accompanying Financial Statements of Manang Marshyangdi Hydropower Company Private Limited (the "Company") which comprise the Balance Sheet as at 16 July 2018, the Statement of Changes in Equity and the Statement of Cash Flow for the period then ended, and a summary of Significant Accounting Policies and Other Explanatory Notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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


Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manang Marshyangdi Hydropower Company Private Limited as at 16 July 2018, and its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standard.

Report on Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the Balance Sheet, the statements of income and the cash flows have been prepared in accordance with the requirements of the Companies Act 2063 and are in agreement with the books of account of the Company; and proper books of account as required by law have been kept by the Company.

To the best of our information and according to explanations given to us and from our examination of the books of account of the Company necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Company have acted contrary to the provisions of law relating to the accounts, or committed any misappropriation or caused loss or damage to the Company relating to the accounts in the Company.


D. & D. ASSOCIATES
Chartered Accountants

Kiran Dhodari
Partner

D. & D. Associates
Chartered Accountants

Place: Hetauda, Nepal
Date: 26 December 2018

Manang Marshyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

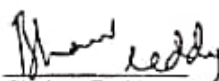
Balance Sheet
As at 16 July 2018 (Corresponding to 32 Ashad 2075)
(All amounts in NRs, unless otherwise stated)

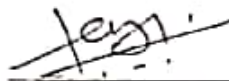
Particulars	Schedule	As at 16 July 2018	As at 15 July 2017
<u>Equity and Liabilities</u>			
Shareholders' Fund:			
Share Capital	1	88,596,000	28,500,000
Advance for Share Capital	2	-	48,554,922
Total Equity		88,596,000	77,054,922
Non-current Liabilities:			
Current Liabilities:			
Accounts and Other Payables	7	25,550,286	6,874,977
Total Current Liabilities		25,550,286	6,874,977
Total Equity & Liabilities		114,146,286	83,929,899
<u>Assets</u>			
Non-Current Assets			
Property, Plant & Equipment	3	2,098	4,462
Capital Work In Progress	4	77,222,964	52,932,780
Total Non Current Assets		77,225,062	52,937,242
Current Assets:			
Cash and Cash Equivalents	5	16,072,680	8,483,626
Prepaid, Advances and Other Receivables	6	20,848,555	24,509,031
Total Current Assets		36,921,235	30,992,657
Total Assets		114,146,286	83,929,899

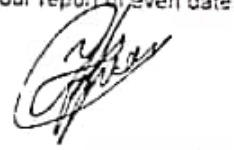
Significant Accounting Policies & Notes to Accounts 8

Schedules 1 - 8 form an integral part of the Balance Sheet

As per our report of even date


Bhairav Reddy
Director


Hem Jung Gurung
Chairman


CA. Kiran Dhodari
Partner

D. & D. Associates
Chartered Accountants

Date : 26 December 2018
Place : Kathmandu



D. & D. ASSOCIATES
Chartered Accountants

Manang Marshyangdi Hydropower Company Pvt. Ltd.

Baluwatar, Kathmandu

Balance Sheet

As at 16 July 2018 (Corresponding to 32 Ashad 2075)

(All amounts in NRs, unless otherwise stated)

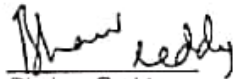
Particulars	Schedule	As at 16 July 2018	As at 15 July 2017
Equity and Liabilities			
Shareholders' Fund:			
Share Capital	1	88,596,000	28,500,000
Advance for Share Capital	2	-	48,554,922
Total Equity		88,596,000	77,054,922
Non-current Liabilities:			
Current Liabilities:			
Accounts and Other Payables	7	25,550,286	6,874,977
Total Current Liabilities		25,550,286	6,874,977
Total Equity & Liabilities		114,146,286	83,929,899
Assets			
Non-Current Assets			
Property, Plant & Equipment	3	2,088	4,462
Capital Work In Progress	4	77,222,964	52,932,780
Total Non Current Assets		77,225,052	52,937,242
Current Assets:			
Cash and Cash Equivalents	5	16,072,680	6,433,626
Prepaid, Advances and Other Receivables	6	20,848,555	24,509,031
Total Current Assets		36,921,235	30,992,657
Total Assets		114,146,286	83,929,899

Significant Accounting Policies & Notes to Accounts

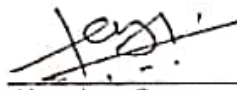
8

Schedules 1 - 8 form an integral part of the Balance Sheet

As per our report of even date



Bhairav Reddy
Director



Hem Jung Gurung
Chairman



CA. Kiran Dhodari
Partner

D. & D. Associates
Chartered Accountants

Date : 26 December 2018
Place : Kathmandu



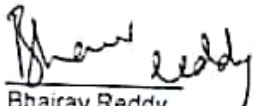
D. & D. ASSOCIATES
Chartered Accountants

Manang Marshyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Statement of Changes in Equity
For the period 16 July 2017 to 16 July 2018 (Corresponding from 1 Shrawan to 32 Ashad 2075)
(All amounts in NRs, unless otherwise stated)

Particulars	Share Capital	Accumulated profit/ (loss)	Total
Balance as at 16 July 2017	28,500,000	-	28,500,000
Net Profit for the Year	-	-	-
Dividend	-	-	-
Issue of Share Capital	60,096,000	-	60,096,000
Balance as at 16 July 2018	<u>88,596,000</u>	<u>-</u>	<u>88,596,000</u>

As per our report of even date


Bhairav Reddy
Director


Hem Jung Gurung
Chairman


CA. Kiran Dhodari
Partner

D. & D. Associates
Chartered Accountants

Date : 26 December 2018
Place : Kathmandu



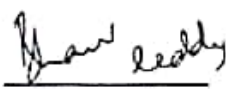
D. & D. ASSOCIATES
Chartered Accountants

Manang Marshyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

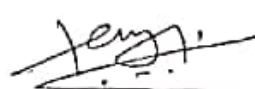
Statement of Cash Flow
For the period 16 July 2017 to 16 July 2018
(All amounts in NRs, unless otherwise stated)


Particulars	Current Year	Previous Year
A. Cash Flow from Operating Activities		
Operating Profit before changes in Working Capital		
Depreciation	2,374	49,672
(Increase)/Decrease in Current Assets	3,660,476	7,659,605
Increase/(Decrease) in Current Liabilities	18,675,309	87,927
Net Cash Flows used in Operating Activities	22,338,159	7,797,204
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	-	-
Capital Work in Progress	(24,290,184)	(1,325,004)
Net Cash Flows used in Investing Activities	(24,290,184)	(1,325,004)
C. Cash Flow from Financing Activities		
Issue of Shares	60,096,000	-
Advance for Share Capital	(48,554,922)	-
Net Cash Flows from Financing Activities	11,541,078	-
Net Increase or Decrease in Cash (A+B+C)	9,589,054	6,472,200
Cash and Cash Equivalent at the beginning of the year	6,483,626	11,426
Cash and Cash Equivalent at the end of the year	16,072,680	6,433,626

As per our report of even date


Bhairav Reddy
Director




Hem Jung Gurung
Chairman


CA. Kiran Dhodari
Partner

D. & D. Associates
Chartered Accountants

Date : 26 December 2018
Place : Kathmandu

D. & D. ASSOCIATES
Chartered Accountants

Manang Marshyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Schedule annexed to and forming the part of Financial Statements
As at 16 July 2018 (Corresponding to 32 Ashad 2075)
(All amounts in NRs, unless otherwise stated)

Particulars	As at 16 July 2018	As at 15 July 2017
Schedule 1: Share Capital		
A. Authorized capital		
9,000,000 Equity Shares of Rs. 100/- each	900,000,000	900,000,000
Total	<u>900,000,000</u>	<u>900,000,000</u>
B. Issued and subscribed capital		
8,850,000 Equity Shares of Rs 100/- each	885,000,000	885,000,000
Total	<u>885,000,000</u>	<u>885,000,000</u>
C. Paid up capital		
885960 Equity Shares of Rs 100/- each	88,596,000	28,500,000
Total	<u>88,596,000</u>	<u>28,500,000</u>
2. Share Application money pending allotment		
• Raajratna Energy Holdings Private Limited	-	48,554,922
Total	<u>-</u>	<u>48,554,922</u>
4. Capital Work-In-Progress		
Administrative Expense	8,142,754	7,513,100
Personnel Expenses	9,212,736	3,643,336
Financial Expenses	43,882	43,142
Depreciation	276,896	274,522
Professional and Consultancy Expenses	25,206,996	17,752,933
Site Expenses	40,274,222	23,384,635
Rental Expenses	356,667	321,112
Reversal of Provisions	(6,291,189)	-
Total	<u>77,222,964</u>	<u>52,932,790</u>
5. Cash and Cash Equivalents		
Particulars	As at 16 July 2018	As at 15 July 2017
Cash in Hand	-	-
Bank Balance	16,072,679	6,483,626
Total	<u>16,072,679</u>	<u>6,483,626</u>



[Handwritten signature]

N & D. ASSOCIATES
Chartered Accountants

Manang Marshyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Schedule annexed to and forming the part of Financial Statements
As at 16 July 2018 (Corresponding to 32 Ashad 2075)
(All amounts in NRs, unless otherwise stated)

Schedule 3 : Property, Plant and Equipment

Name	RATE (%)	GROSS BLOCK		ACCUMULATED DEPRECIATION			NET BLOCK	
		As at 15 July 2017	Additions For the Year	As at 15 July 2018	Additions For the Year	As at 15 July 2018	As at 15 July 2017	As at 16 July 2018
Furniture and Fixtures	14%	16,611	-	16,611	2,374	14,523	4,462	2,088
Office Equipment	20%	147,372	-	147,372	-	147,372	-	-
Computers	20%	115,000	-	115,000	-	115,000	-	-
Total		278,983	-	278,983	2,374	276,895	4,462	2,088



[Handwritten signature]

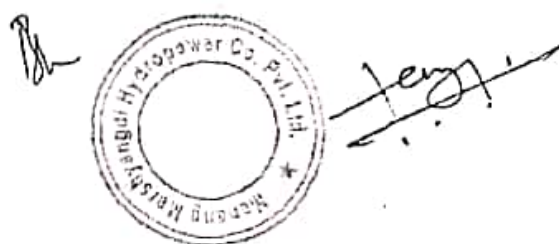
[Handwritten signature]

D. ASSOCIATES
Chartered Accountants

Manang Marshyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Schedule annexed to and forming the part of Financial Statements
As at 16 July 2018 (Corresponding to 32 Ashad 2075)
(All amounts in NRs, unless otherwise stated)

Particulars	As at 16 July 2018	As at 15 July 2017
6. Prepaid, Advances and Other Receivables		
1. Advance to Contractors & Suppliers	-	(218,409)
Hydro Concern Pvt. Ltd- MM	-	3,109,293
Vishwa Drilling Pvt. Ltd	-	(3,327,702)
2. Other Advances	1,411,741	5,563,000
ADM Carto Consult Pvt. Ltd	-	293,000
Hem Jung Gurung	-	2,000,000
Employee Advance	(34,259)	-
Malika Hydropower CO Pvt. Ltd.	1,446,000	1,620,000
Marsyangdi Power Company Pvt. Ltd.	-	50,000
Multi Model Developers Pvt Ltd	-	1,600,000
3. Intercompany Accounts	19,436,814	19,164,440
Upper Marshyangdi Hydropower Co. (P) Ltd.	18,027,235	19,164,440
Raajratna Energy Holdings Pvt. Ltd.	1,409,579	48,554,921
Total (1+2+3)	20,848,555	24,509,031
7. Account and Other Payables		
TDS Payable	383,036	195,600
Sundry Creditors	167,250	189,250
Dipendra Bahadur Bam	-	3,136
H.C Shah	-	3,824,000
Payable to Suppliers	-	-
World Wide Travel and Tours	-	92,900
CEC-DEC-AKARA JV- Advance	-	2,570,091
Advance from Butwal Power Company	25,000,000	-
Total	25,550,286	6,874,977





Manang Marshyangdi Hydropower Company Pvt. Ltd.

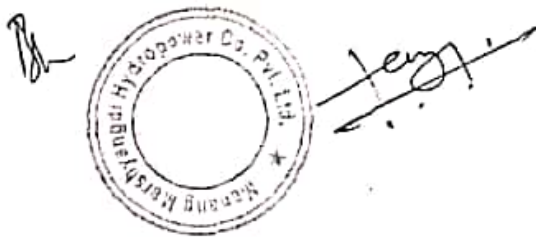
Baluwatar, Kathmandu

Schedule annexed to and forming the part of Financial Statements

As at 16 July 2018 (Corresponding to 32 Ashad 2075)

(All amounts in NRs, unless otherwise stated)

Particulars	As at 16 July 2018	As at 15 July 2017
6. Prepaid, Advances and Other Receivables		
1. Advance to Contractors & Suppliers	-	(218,409)
Hydro Concern Pvt. Ltd- MM	-	3,109,293
Vishwa Drilling Pvt. Ltd	-	(3,327,702)
2. Other Advances	1,411,741	5,563,000
ADM Carto Consult Pvt. Ltd	-	293,000
Hem Jung Gurung	-	2,000,000
Employee Advance	(34,259)	-
Malika Hydropower CO Pvt. Ltd.	1,446,000	1,620,000
Marsyangdi Power Company Pvt. Ltd.	-	50,000
Multi Model Developers Pvt Ltd	-	1,600,000
3. Intercompany Accounts	19,436,814	19,164,440
Upper Marshyangdi Hydropower Co. (P) Ltd.	18,027,235	19,164,440
Raajratna Energy Holdings Pvt. Ltd.	1,409,579	48,554,921
Total (1+2+3)	20,848,555	24,509,031
7. Account and Other Payables		
TDS Payable	383,036	195,600
Sundry Creditors	167,250	139,250
Dipendra Bahadur Bam	-	3,138
H.C Shah	-	3,824,000
Payable to Suppliers	-	92,900
World Wide Travel and Tours	-	2,570,091
CEC-DEC-AKARA JV- Advance	-	-
Advance from Butwal Power Company	25,000,000	-
Total	25,550,286	6,874,977



H & D. ASSOCIATES
Chartered Accountants

Manang Marshyangdi Hydropower Company Pvt. Ltd.

Baluwatar, Kathmandu

(All amounts in NRs, unless otherwise stated)

Annexure I	Particulars	FY 2010.11	FY 2011.12	FY 2012.13	FY 2013.14	2014-2015	FY 2015.16	FY 2016.17	Opening balance	FY 2017.18	Closing balance
	Administrative Expenses	72,550	1,346,806	5,076,326	535,754	38,927	254,272	188,465	7,513,100	629,654	8,142,754
	Personnel Expenses	278,716	1,284,299	1,943,272	129,913	7,136	-	-	3,643,336	5,569,400	9,212,736
	Financial expenses	3,986	14,050	24,106	800	-	-	200	43,142	740	43,882
	Depreciation	-	6,048	54,258	54,848	54,848	54,848	49,672	274,522	2,374	276,896
	Professional and Consultancy Expenses	4,616,000	1,809,920	370,480	1,207,500	30,000	8,659,033	1,060,000	17,752,933	7,454,063	25,206,996
	Site Expenses	1,172,081	1,963,388	6,107,917	754,463	56,530	13,330,256	-	23,384,635	16,889,587	40,274,222
	Rent	24,000	33,334	176,667	16,000	26,667	17,777	26,667	321,112	35,555	356,667
	Less: Reversal of provisions	-	-	-	-	-	-	-	-	(6,291,189)	(6,291,189)
	Total	6,167,333	6,457,845	13,753,026	2,699,278	214,108	22,316,186	1,325,004	52,932,780	24,290,184	77,222,964



[Signature]

[Signature]

N. D. ASSOCIATES
Chartered Accountants

MANANG MARSHYANGDI HYDROPOWER COMPANY PVT. LTD.
Baluwatar, Kathmandu

Schedules annexed to and forming part of the financial statements

Schedule 8: Significant Accounting Policies and Other Explanatory Notes
For the period 16 July 2017 to 16 July 2018

1. Organizational Background

Manang Marshyangdi Hydropower Company Private Limited ("MMHCPL" or "the Company") is a private limited company incorporated on 7 December 2010 under the Companies Act 2006 of Nepal. The registered office is located at Kathmandu Ward No.4 and its principal place of business is Manang district, Gandaki Zone of Nepal.

The Project

Manang Marsyangdi Hydro-Electric Project with the installed capacity of 282 MW is located on the Marshyangdi river in Manang district, Gandaki Zone of Nepal. Development rights of the project have been awarded by the Department of Electricity Development (DoED), Ministry of Energy and Government of Nepal (GON) to Marshyangdi Power Company Private Limited and Raajratna Energy Holdings Private Limited on Build-Own-Operate-Transfer (BOOT) basis. The project is in the development phase.

2. Significant Accounting Policies

2.1 Basis of Presentation

The financial statements comprising of the balance sheet, statement of capital work in progress and cash flows together with the accounting policies and notes to account of the company comply with the Generally Accepted Accounting Principles ("GAAP") and Nepal Accounting Standards except otherwise stated. The financial statements are presented in Nepalese Rupee on a historical cost convention basis and as per presentation requirement of the Companies Act 2006.

2.2 Use of estimates

The preparation of the financial statements in conformity with the GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the Balance Sheet. Actual amount could differ from those estimates. Any differences from those estimates are recorded in the period in which they are identified.

2.3 Going Concern

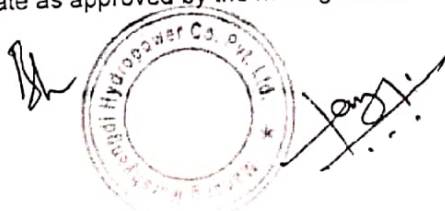
The financial statements are prepared on the assumption that the Company is a going concern.

2.4 Revenue Recognition

Since the Company is in the development stage, no revenue has been generated yet.

2.5 Fixed Assets and Depreciation

Fixed assets are shown on the historical cost basis less depreciation. Cost of acquisition is inclusive of freight, levies and all incidentals attributable to bringing the asset to its working condition. Depreciation is charged to Statement of Capital Work-in-Progress on Straight Line Method at the rate as approved by the management based on useful life of the assets.



Rate of depreciation has been derived based on following useful life for each category of assets:

Name of Assets	Useful Life (Years)	Rate of Depreciation (% per annum)
Vehicle	7	14
Furniture and Fixture	7	14
Office Equipments	5	20
Computers	5	20

2.6 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of cash flow statements, cash and cash equivalents consist of cash in hand and balance held in bank.

2.7 Lease

Assets held under finance leases are initially recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.8 Provisions and Contingent Liabilities

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are disclosed when there is a possible obligation or a present obligation as a result of a past event where it is not probable that an outflow of economic benefits will be required to settle the obligation, and the amount cannot be reasonably estimated. When there is a possible or a present obligation in respect of which the likelihood of an outflow of resources is remote, no provision or disclosure is made.

2.9 Financial Period and Comparative Information

The Financials are prepared for the period from 16 July 2017 to 16 July 2018 with a comparative from 16 July 2016 to 15 July 2017. All figures are rounded off to the nearest rupee



3. Other Explanatory Notes

3.1 Share Purchase Agreement

On 29 March 2018, Raajratna Energy Holdings Pvt. Ltd (REHPL, holding company of MMHCPL) Marshyangdi Power Company Pvt. Ltd., and Butwal Power Company Ltd, entered into a share purchase agreement where by BPC wishes to buy 88% and 12% of shareholdings on MMHCPL and Marshyangdi Power Company Pvt. Ltd. on considered sales amount of NRs 340,000,000 and NRs44,318,046 respectively which will be paid on the completion of the clause mentioned in the agreement.

3.2 Advance

During the period ended 16 July 2018, Butwal Power Company (BPC) has provided NRs 1 million as an advance against the total consideration of NRs 325 million of share purchase from REHPL. Also, the same has provided NRs 1.5 million to the company as an consultancies advance against doing the project related works. This amount has been provided under advance from BPC in the financials.

3.3 Income tax

The Company does not have any taxable income as it is under development stage. As such, provision for taxation is notrequired and accordingly, deferred taxes has not been recognized..

3.4 Expenditure

Manang Marsyangdi Hydropower Project is under development phase, hence, all the expenditures incurred during the period has been carried forward as capital work in progress (CWIP) along with the opening CWIP.

3.5 Segment Reporting

The Company operates primarily in one business segment, i.e Production and Distribution of electricity.

3.6 Related Party Disclosures

A. Key Management Personnel

Name of the party	Relationship
Mr. Hem Jung Gurung	Chairman – Nominee of Marsyangdi Power Company Pvt. Ltd.
Mr. M Balakrishnan	Director – Nominee of Raajratna Energy Holdings Pvt Ltd
Mr. Bhairav Reddy	Director – Nominee of Raajratna Energy Holdings Pvt Ltd

B. List of related parties and nature of relationship

S.N.	Name of the related party	Nature of relationship
1	Raajratna Energy Holdings Private Limited (REHPL)	Holding company
2	Marsyangdi Power Company Private Limited (MPCPL)	Local Partner
3	Upper Marshyangdi Hydropower Company Pvt. Ltd (UMHCPL)	Common Directors
4	Multi Model Developers (P) Ltd (MMDPL)	Associate Company

N. D. ASSOCIATES
Chartered Accountants

C. Related party transactions – Amount outstanding as on 16.7.2018

S.N.	Nature of transactions	Name of the Company	Amount (NRs)	
			As at 16 July 2018	As at 15 July 2017
1	Receivables	UMHCPL	18,027,235	19,164,440
2	Payables	REHPL	-	48,554,921
3	Receivables	REHPL	1,409,578	-
4	Other Advances	MMDPL	-	1,600,000
5	Other Advances	MPCPL	-	50,000
6	Hem Jung Gurung	Director	-	2,000,000

3.7 Lease

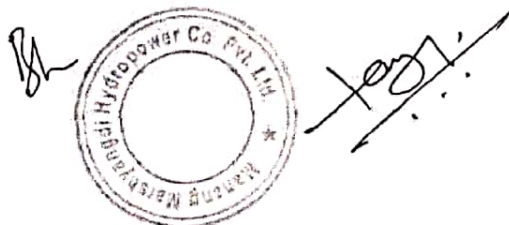
The Company has not entered into any finance /operating lease and does not have any obligation in respect of above leases.

3.8 Capital Commitments

There are no Capital commitments on account of open contracts as at 16 July 2018.

3.9 Contingent liabilities

There are no contingent liabilities as on 16 July 2018.



D. & D. Associates
Chartered Accountants

Hetauda Sub-metropolitan city-4
POST BOX No. 44107
MAKAWANPUR, NEPAL
BRANCH-GYANESHWOR, KATHMANDU

Phone No. +977 057-524268
WEBSITE: www.dnda.com.np
EMAIL: caddnepal@gmail.com

075/076

INDEPENDENT AUDITOR'S REPORT

To The Shareholders,
Manang Marshyangdi Hydropower Company Pvt. Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Manang Marshyangdi Hydropower Company Pvt. Ltd. (the 'Company'), which comprise the statement of financial position as at 16 July 2019, statement of profit or loss, statement of change in equity and statements of cash flows for the year then ended, including notes and a summary of significant accounting policies.

In our opinion, the financial statements present fairly in all material respects, the financial position of Manang Marshyangdi Hydropower Company Pvt. Ltd. as at 16 July 2019, its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

Basis of 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 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 the ICAN's handbook of The Code of Ethics For Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

- Identify and assess the risks of material misstatement of the Company's 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.

D. & D. ASSOCIATES
Chartered Accountants

D. & D. Associates
Chartered Accountants

Hetauda Sub-metropolitan city-4
POST BOX NO. 44107
MAKAWANPUR, NEPAL
BRANCH-GYANESHWOR, KATHMANDU

Phone No +977 057-524268
WEBSITE: www.dnda.com.np
EMAIL: caddnepal@gmail.com

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

Report on Other Legal and Regulatory Requirements

As per the requirements of section 115 of the Company Act, 2063, we further report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion the Company has kept proper books of account as required by law so far, as appears from our examinations of those books.
- c) The financial statements are in agreement with the books of account.
- d) In our opinion and to the best of our information and according to the explanation given to us, the financial statement the said balance sheet, income statement and cash flow statement, read together with the notes forming part of accounts give the information required by the Company Act 2063 in the manner so required and give a true and fair view:
 - i) In the case of statement of financial position, of the state of affairs of the Company as at 16 July 2019; and
 - ii) In the case of statement of profit or loss, of the results of operations of the Company for the year ended on 16 July 2019; and
 - iii) In the case of the cash flow statement, of cash inflow and outflow of Company for the year ended on that date.
- e) Neither we have come across any of the information about the misappropriation of fund by the directors or any of the representative or Company's staffs during the course of our audit nor have we received any such information from the management.
- f) No accounting fraud has been observed during the course of our audit.

For D. & D. Associates,
Chartered Accountants

CA. Kiran Dhodari
Partner

Place: Hetauda

Date: 29 November 2019


D. & D. ASSOCIATES
Chartered Accountants

UDIN: 191209CA01293UsvFw

Manang Marsyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Statement of Financial Position
As at 31 Asadh 2076
(All amounts in NRs, unless otherwise stated)

	Note	As at 31 Asadh 2076	As at 32 Asadh 2075	As at 1 Shrawan 2074
ASSETS				
Non-Current Assets				
Property, Plant & Equipment	20	-	2,088	4,462
Project work-in-progress	21	91,149,688	77,222,964	52,932,780
Intangible assets		-	-	-
Total Non-Current Assets		91,149,688	77,225,052	52,937,242
Current Assets				
Prepayments	14	2,250,000	19,473,235	27,836,733
Trade receivables		-	-	-
Cash & cash equivalents	15	61,053	16,072,679	6,483,626
Total Current Assets		2,311,053	35,545,914	34,320,359
Total Assets		93,460,741	112,770,966	87,257,601
EQUITY & LIABILITIES				
Equity				
Share capital	16	88,596,000	88,596,000	28,500,000
Retained earnings		2,482,204	-	-
Other components of equity	17	-	-	48,554,922
Total Equity		91,078,204	88,596,000	77,054,922
Liabilities				
Non-Current Liabilities				
Long term loans		-	-	-
Other financial liabilities		-	-	-
Total Non-Current Liabilities		-	-	-
Current Liabilities				
Short term borrowings		-	-	-
Trade payables	18	-	167,250	189,250
Other Financial liabilities	19	1,073,135	24,007,716	10,013,429
Provision for Income tax		1,309,402	-	-
Total Current Liabilities		2,382,537	24,174,966	10,202,679
Total Liabilities		-	-	-
Total Equity & Liabilities		93,460,741	112,770,966	87,257,601

The accompanying notes forms an integral part of this financial statements

Pradeep Kumar Shrestha
Chairman

Bijaya Bahadur Shrestha
Director

Uttar Kumar Shrestha
Director

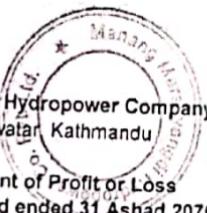
As per our report of even date

CA. Kiran Dhodari
Partner

D. & D. Associates
Chartered Accountants

D. & D. ASSOCIATES
Chartered Accountants

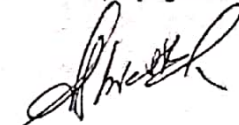
Place : Kathmandu
Date : 29 November 2019

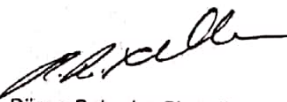

Manang Marsyangdi Hydropower Company Pvt. Ltd.
 Baluwater, Kathmandu


Statement of Profit or Loss
for the period ended 31 Ashad 2076
 (All amounts in NRs, unless otherwise stated)

	Note	Current Period	Previous Period
Revenue from operations		-	-
Other income		-	-
Total Income	22	15,000,000	-
		<u>15,000,000</u>	<u>-</u>
Employee benefit expenses		-	-
Depreciation & amortization expenses	23	1,487,326	-
Administrative expenses	24	946,914	-
Other operating expenses	25	8,774,154	-
Total Expenses		11,208,394	-
		<u>11,208,394</u>	<u>-</u>
Profit from operations		3,791,606	-
Finance costs		-	-
Profit before tax		3,791,606	-
		<u>3,791,606</u>	<u>-</u>
Income tax expenses		1,309,402	-
Profit from continuing operations		2,482,204	-
		<u>2,482,204</u>	<u>-</u>
Profit/(Loss) on discontinued operations (Net of tax)		-	-
Net profit for the year (A)		2,482,204	-
		<u>2,482,204</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Remeasurements of the net defined benefit plans		-	-
Income tax on above		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR (B)		-	-
		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A+B)		2,482,204	-
		<u>2,482,204</u>	<u>-</u>


The accompanying notes forms an integral part of this financial statements


 Pradeep Kumar Shrestha
 Chairman


 Bijaya Bahadur Shrestha
 Director


 Uttam Kumar Shrestha
 Director

As per our report of even date


 CA. Kiran Dhodari
 Partner
 D. & D. Associates
 Chartered Accountants

Place : Kathmandu
 Date : 29 November 2019


 D. & D. Associates
 Chartered Accountants

Manang Marsyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Statement of Cash Flows for the year ended 31 Asadh 2076
(All amounts in NRs, unless otherwise stated)

Particulars	Current Period	Previous Period
Cash flow from operating activities:		
Profit before income tax	3,791,606	-
Adjustments for: -		
Depreciation and amortization	-	-
Impairment losses on financial assets	-	-
Fair value gains on equity investments at fair value through profit and	-	-
Investment incomes	-	-
Loss/(Gain) on sale of assets	-	-
Changes in insurance contract liabilities	-	-
Provision for staff bonus	-	-
Lease equalization	-	-
Provision for gratuity and pensions	-	-
Provision for leave encashment	-	-
Operating profit before changes to receivables and payables	3,791,606	-
Change in prepayments	19,473,235	8,363,498
Changes in trade receivables	-	-
Change in trade payables	(167,250)	(22,000)
Changes in other financial liabilities	(22,934,581)	13,994,287
Cash generated from operations	163,010	22,335,785
Income tax paid	(2,250,000)	-
A. Net cash inflow from operating activities	<u>(2,086,990)</u>	<u>22,335,785</u>
Cash flow from Investing activities:		
Changes in Project WIP	(13,924,636)	(24,287,810)
Procurement of property and equipment	-	-
Proceeds from disposal of property and equipment	-	-
B. Net cash (outflow)/inflow from Investing activities	<u>(13,924,636)</u>	<u>(24,287,810)</u>
Cash flow from financing activities:		
Proceeds from issue of equity shares	-	11,541,078
Settlement of borrowings	-	-
Dividends paid	-	-
C. Net cash outflow from financing activities	<u>-</u>	<u>11,541,078</u>
(Decrease)/Increase in cash and cash equivalents (A+B+C)	(16,011,626)	9,589,053
Cash and cash equivalents at start of year	16,072,679	6,483,626
Cash and cash equivalents at end of year	<u>61,053</u>	<u>16,072,679</u>

Pradeep Kumar Shrestha
Chairman

Bijaya Bahadur Shrestha
Director

Uttar Kumar Shrestha
Director

As per our report of even date

CA. Kiran Dhodari
Partner

D. & D. Associates
Chartered Accountants

Place : Kathmandu
Date : 29 November 2019

D. & D. ASSOCIATES
Chartered Accountants

Manang Marsyangdi Hydropower Company Pvt. Ltd.
Baluwatar, Kathmandu

Statement of Changes in Equity for the year ended 31 Asadh 2076
(All amounts in NRs unless otherwise stated)

	Share Capital	Retained Earnings	Statutory Reserve	Fair Value Reserves	OCI Reserve	Actuarial re-measurement	Others Components	Total Equity
As at 31 Asadh 2074 as per Local GAAP	28,500,000							28,500,000
NFRS Re-Measurements								
Balance as at 1 Shrawan 2074	28,500,000							28,500,000
Profit for the year								
Change in fair value of financial assets through OCI								
Transfer to retained earnings on disposal								
Transfer to Catastrophe reserves								
Transfer to Statutory Reserve								
Total comprehensive Income for the year								
Transactions with owners:								
Dividend								
Issue of bonus share								
Issue of Share Capital								
Total transactions with owners								
As at 32 Asadh 2075	60,096,000							60,096,000
Profit for the year								
Other comprehensive Income								
Change in fair value of financial assets through OCI								
Transfer to retained earnings on disposal								
Transfer to Catastrophe reserves								
Transfer from Statutory fund								
Total comprehensive Income for the year								
Transactions with owners:								
Dividend								
Issue of Share Capital								
Total transactions with owners								
As at 31 Asadh 2076	88,596,000	2,482,204						91,078,204

As per our report of even date

Uttar Kumar Shrestha
Director

CA. Kiran Dhodari
Partner

D. & D. Associates
Chartered Accountants

Bijaya Bahadur Shrestha
Director

Pradeep Kumar Shrestha
Chairman

Place : Kathmandu
Date : 29 November 2019

D. & D. ASSOCIATES
Chartered Accountants

MANANG MARSYANGDI HYDROPOWER COMPANY PVT. LTD.
Baluwatar, Kathmandu



Notes to Financial Statements for the year ended 16 July 2019

1 General Information

Manang Marsyangdi Hydropower Company Private Limited ("MMHCPL" or "the Company") is a private limited company incorporated on 7 December 2010 under the Companies Act 2006 of Nepal. The registered office is located at Kathmandu Ward No.4 and its principal place of business is Manang district, Gandaki Zone of Nepal.

The Project

Manang Marsyangdi Hydro-Electric Project with the installed capacity of 282 MW is located on the Marshyangdi river in Manang district, Gandaki Zone of Nepal. Development rights of the project have been awarded by the Department of Electricity Development (DoED), Ministry of Energy and Government of Nepal (GON) to Marsyangdi Power Company Private Limited and Raajratna Energy Holdings Private Limited on Build-Own-Operate-Transfer (BOOT) basis. The project is in the development phase and the company has applied for the generation license.

2 Statement of Compliance

The financial statements have been prepared and approved by the Board of directors in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) - Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

These policies have been consistently applied to all the years presented except otherwise stated.

3 Basis of Preparation

The Financial Statements are prepared on the historical cost basis except fair value as disclosed in relevant notes items and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements. NFRS requires the company to exercise judgment in making accounting estimates. Description of such estimates has been given in the relevant sections wherever they have been applied. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Estimates and 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 period affected.

3.1 Presentation

The financial statements are presented in Nepalese Rupees (NRs) which is the functional currency, rounded to the nearest thousand, unless otherwise indicated.

Assets and liabilities have been presented on liquidity order basis segregating current and non-current portion in the statement of financial position.

The statement of profit or loss has been not been prepared as the project of the company is in development stage and all the expenditures incurred are capitalized under Project WIP.

The cash flows from operation within the statement of cash flows have been derived using the indirect method.

3.2 Accounting Policies and accounting estimates

The company, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further the company is required to make judgement in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate.

NFRS requires the company to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements.

D. & D. ASSOCIATES
Chartered Accountants

The company applies estimates in preparing and presenting the financial statements. The estimates and underlying assumptions are reviewed periodically. Revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

3.3 Financial Periods

The company follows the Nepalese financial year based on the Nepalese calendar. The corresponding dates for the English calendar are as follows

Relevant Financial Statement	Nepalese Calendar	English Calendar
Opening NFRS SFP* Date	1 Shrawan 2074	16 July 2017
Comparative SFP* Date	32 Ashad 2075	16 July 2018
Comparative reporting period	1 Shrawan 2074- 32 Ashad 2075	16 July 2016 -16 July 2018
First NFRS SFP* Date	31 Ashad 2076	16 July 2019
First NFRS reporting period	1 Shrawan 2075- 31 Ashad 2076	17 July 2018- 16 July 2019

*SFP- Statement of Financial Position

3.4 Interim Reports

Interim reports corresponding to the financial statements reported had been reported in accordance with the regulatory reporting requirements.

3.5 Discounting

Discounting has been applied where assets and liabilities are non-current, and the impact of the discounting is material.

3.6 Limitation of NFRS implementation

Wherever the information is not adequately available and the cost to develop the same would exceed the benefit derived, such exception to NFRS implementation has been noted and disclosed in respective sections.

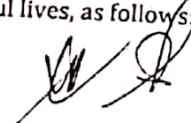
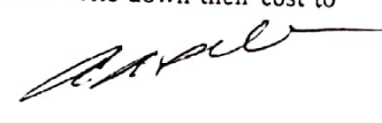
4 Property and Equipment

All categories of property and equipment are initially recorded at cost. Property and equipment are subsequently measured at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives, as follows:

D. S. D. ASSOCIATES
Chartered Accountants

Assets group	Useful Life (Years)	Rate of Depreciation (% per annum)
Vehicle	7 Years	14
Furniture and Fixture	7 Years	14
Office Equipment	5 Year	20
Vehicle	7 Years	20

Depreciation is charged to Project Work-in-Progress.

5 Financial Instruments

5.1 Financial Assets

All financial assets are recognized and derecognized on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value.

Fair values of quoted investments in active markets are based on quoted bid prices. For unquoted investments, historical cost is used as best estimate of Fair value.

Classification of financial assets

The company, based on measurement principle, classifies its financial assets into the following two categories a) Financial assets at amortized cost. b) Fair Value Through Profit or Loss (FVTPL), and c) Fair Value Through Other Comprehensive Income (FVTOCI).

(a) Financial assets at amortized cost

Financial assets are measured at amortized cost if both the following condition are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs, except if they are designated as at FVTPL. They are subsequently measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized on an effective yield basis in investment revenue.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Company may irrevocably elect at initial recognition to classify a debt instrument that meets the amortized cost criteria above as at FVTPL if that designation eliminates or

D. S. D. ASSOCIATES
Chartered Accountants

[Handwritten signatures]

significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.



(b) Financial assets at fair value

Financial assets that do not meet the amortized cost criteria are classified into this category and has initially recognized at fair value. Financial assets under this category are subsequently measured at fair value either through profit or loss (FVTPL) or other comprehensive income (FVTOCI)

Financial assets are designated at fair value through profit or Loss (FVTPL) when:

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognized in Profit or Loss as incurred.

Financial assets at fair value through Profit or Loss are measured at fair value, and subsequent therein are recognized in Statement of Profit or Loss.

Financial assets are designated at fair value through other comprehensive income (FVTOCI) when:

All other financial assets which are classified as financial assets at fair value, and do not met the criterial to be recognized at fair value through profit or loss are recognized under this category. Upon initial recognition, transaction costs are recognized in Other Comprehensive Income Statement.

Financial assets at fair value through other comprehensive income are measured at fair value, and subsequent therein are recognized in Other comprehensive income statement. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the other comprehensive income reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

5.2 Financial liabilities

A financial liability is any liability that is a Contractual obligation:

- (i) to deliver cash or another financial asset to another entity; or
- (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or

A contract that will or may be settled in the entity's own equity instruments and is:

- (i) a non-derivative for which the entity is or may be obliged to deliver 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 a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial liabilities are classified as either financial liabilities at FVTPL' or 'other financial liabilities'.

(a) Financial liabilities at FVTPL

Financial assets and liabilities may be designated at fair value through profit or loss when:

- i) The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis,
- ii) A group of financial assets and/or liabilities is managed, and its performance evaluated on a fair value basis,

P. S. D. ASSOCIATES
Chartered Accountants

- iii) The assets or liabilities include embedded derivatives and such derivatives are required to be recognized separately.

5.3 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

5.4 Derecognition

Financial assets are derecognized when the right to receive cash flows from the assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognized to the extent of the Bank's continuing involvement.

Financial liabilities are derecognized when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires

5.5 Dividends

Interim dividends on ordinary shares are recognized in equity in the period in which they are paid. Final dividends on equity shares are recognized when they have been approved by shareholders.

6 Impairments

Impairment of Financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or Company of financial assets is impaired. A financial asset or Company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated. Objective evidence that a financial asset or Company of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a Company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including adverse changes in the payment status of issuers or debtors in the Company; or National or local economic conditions that correlate with defaults on the assets in the Company.

The Company assesses whether objective evidence of impairment exists individually for financial assets. If there is objective evidence that an impairment loss has been incurred on investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. The impairment loss is recognized directly through profit or loss.

Renegotiated loans

S. D. ASSOCIATES
2000

[Handwritten signatures]

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortization, are tested annually for impairment. Assets that are subject to amortization (other than investment property) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset or cash generating unit.

For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

The impairment loss is recognized directly through profit or loss.

7 Employee Benefit

(a) Short-term benefits and defined contribution

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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. Company doesn't provide any contributory benefits to its staff.

(b) Defined Benefit Plan

The company does not operate any defined benefit plan for its employees.

8 Fair Value

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as fair value through profit or loss and fair value through other comprehensive income. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

9 Taxes

Income Tax

ASSOCIATES
Chartered Accountants

The Company is subject to income taxes in Nepal. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred Tax

Deferred income tax is provided in full on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

The measurement of deferred tax reflects the tax consequences that would flow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale. Deferred tax assets and liabilities are offset only if certain criteria are met.

10 Statement of Cash Flows

Cash and cash equivalents consists of cheques and cash in hand, cash at banks, deposits held at call with banks and other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

11 Operating Leases

Rental expense from operating leases is generally recognized on a straight-line basis over the term of the lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognized in the year in which such benefits accrue. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. During the period ended 16 July 2019, there are no any operating lease.

12 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and assumptions applied in the year are:





D. & D. ASSOCIATED
Chartered Accountants

13 FIRST TIME ADOPTION OF NFRS

The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standards Board Nepal. These financial statements for the year ended 31 Ashad 2076 are the first the Company has prepared under NFRS. For all periods upto and including the year ended 32 Ashad 2075, the Company prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as Previous GAAP). The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the Company has prepared financial statements which comply with NFRS for year ended 31 Ashad 2076, together with the comparative information as at and for the year ended 32 Ashad 2075 and the opening NFRS Balance Sheet as at 1 Shrawan 2074, the date of transition to NFRS.

In preparing these NFRS financial statements, the Company has availed certain exceptions in accordance with NFRS 1, as explained below.

NFRS 1 (First-time Adoption of Nepal Financials Reporting Standards) provides a suitable starting point for accounting in accordance with NFRS and is required to be mandatorily followed by first-time adopters.

Estimates

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

The Company has prepared the opening Statement of Financial Position as per NFRS as of 1 Shrawan, 2074 (the transition date) by:

- A. recognizing all assets and liabilities whose recognition is required by NFRS,
- B. derecognizing items of assets or liabilities which are not permitted by NFRS,
- C. reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to NFRS as required under NFRS, and
- D. applying NFRS in measurement of recognized assets and liabilities.

Significant changes from the accounting policies adopted under previous GAAP (erstwhile Nepal Accounting Standards) and the adoption of NFRS has been disclosed in the respective segments, including the impact. The detailed impact disclosure is given below.

13.1 Transition to NFRS - Reconciliations

The following reconciliations provide the explanations and quantification of the differences arising from the




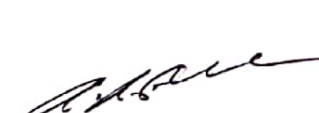
- I. Reconciliation of Equity as at 1 Shrawan, 2074
- II. Reconciliation of Equity as at 31 Asadh, 2075
- III. Reconciliation of Statement of Financial Position as at 1 Shrawan, 2074
- IV. Reconciliation of Statement of Financial Position as at 31 Asadh, 2075

Previous GAAP information has been reclassified/regrouped in accordance with NFRS, wherever necessary, based on the audited financial statements of the Company for the year ended 32 Asadh, 2075.

Summary of NFRS Adjustments

13.2 Reconciliation of total equity

	As at 32 Asadh 2075	As at 1 Shrawan 2074
Total equity (shareholders' funds) under previous GAAP	88,596,000	77,054,922
NFRS Adjustments:		
Dividend proposed	-	-
Fair value of Investment held at FVTOCI	-	-
Deferred tax adjustments	-	-
Depreciation adjustments	-	-
Lease equalization adjustments	-	-
Impairment of financial liabilities under NFRS	-	-
Insurance contract liabilities adjustments	-	-
Total adjustment to equity	-	-
Total Equity under NFRS	88,596,000	77,054,922





D. & D. ASSOCIATES
Chartered Accountants

13.3.3 Reconciliation of Statement of Financial Positions reported as at 1 Shrawan 2074 due to adoption of NFRS

Particulars	Previous GAAP	Adjustments	NFRS
Assets			
Non-Current Assets			
Property & Equipment	4,462	-	4,462
Project work-in-progress	52,932,780	-	52,932,780
Intangible assets	-	-	-
Total Non-Current Assets	52,937,242	-	52,937,242
Current Assets			
Prepayments	27,836,733	-	27,836,733
Trade receivables	-	-	-
Cash & cash equivalents	6,483,626	-	6,483,626
Total Current Assets	34,320,359	-	34,320,359
Total Assets	87,257,601	-	87,257,601
Equity			
Share capital	28,500,000	-	28,500,000
Retained earnings	-	-	-
Other components of equity	48,554,922	-	48,554,922
Total Equity	77,054,922	-	77,054,922
Liabilities			
Non-Current Liabilities			
Long term loans	-	-	-
Other financial liabilities	-	-	-
Total Non-Current Liabilities	-	-	-
Current Liabilities			
Short term borrowings	-	-	-
Trade payables	189,250	-	189,250
Other Financial liabilities	10,013,429	-	10,013,429
Total Current Liabilities	10,202,679	-	10,202,679
Total Liabilities	10,202,679	-	10,202,679
Total Equity & Liabilities	87,257,601	-	87,257,601

D. & D. ASSOCIATES
Chartered Accountants

13.3 Reconciliation of Statement of Financial Position

13.3.1 Reconciliation of Statement of Financial Positions reported as at 32 Asadh 2075 due to adoption of NFRS

	Previous GAAP	Adjustments	NFRS
Assets			
Non-Current Assets			
Property & Equipment	2,088	-	2,088
Project work-in-progress	77,222,964	-	77,222,964
Intangible assets	-	-	-
Total Non-Current Assets	77,225,052	-	77,225,052
Current Assets			
Prepayments	19,473,235	-	19,473,235
Trade receivables	-	-	-
Cash & cash equivalents	16,072,679	-	16,072,679
Total Current Assets	35,545,914	-	35,545,914
Total Assets	112,770,966	-	112,770,966
Equity			
Share capital	88,596,000	-	88,596,000
Retained earnings	-	-	-
Other components of equity	-	-	-
Total Equity	88,596,000	-	88,596,000
Liabilities			
Non-Current Liabilities			
Long term loans	-	-	-
Other financial liabilities	-	-	-
Total Non-Current Liabilities	-	-	-
Current Liabilities			
Short term borrowings	-	-	-
Trade payables	167,250	-	167,250
Other Financial liabilities	24,007,716	-	24,007,716
Total Current Liabilities	24,174,966	-	24,174,966
Total Liabilities	24,174,966	-	24,174,966
Total Equity & Liabilities	112,770,966	-	112,770,966

D. & D. ASSOCIATES
Chartered Accountants

14 Prepayments

	As at 31 Asadh 2076	As at 32 Asadh 2075	As at 1 Shrawan 2074
Hydro Concern Pvt. Ltd- MM	-	-	3,109,293
ADM Carto Consult Pvt. Ltd	-	-	293,000
Hem Jung Gurung	-	-	2,000,000
Malika Hydropower CO Pvt. Ltd.	-	1,448,000	1,620,000
Marsyangdi Power Company Pvt. Ltd.	-	-	50,000
Multi Model Developers Pvt Ltd	-	-	1,600,000
Upper Marshyangdi Hydropower Co. (P) Ltd.	-	18,027,235	19,164,440
Advance tax	2,250,000	-	-
Total	2,250,000	19,473,235	27,836,733

15 Cash & Cash Equivalents

	As at 31 Asadh 2076	As at 32 Asadh 2075	As at 1 Shrawan 2074
Cash in hand	-	-	-
Cash at Bank (Current accounts)	61,053	16,072,679	6,483,626
Total	61,053	16,072,679	6,483,626

16 Equity Share capital

During the year ended 16 July 2019, ownership of MM was changed where 100% shares of Manang Marshyangdi Hydropower Company Pvt. Ltd (MMHCPL) was transferred to Butwal Power Company Ltd. (BPC). It includes eighty-eight percent shares of Raajratna Energy Holdings Pvt. Ltd (REHPL) and twelve percent shares of Marsyangdi Power Company Pvt. Ltd. (MPCL), as per minutes of the board meeting dated 27 March 2019.

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

As at 31 Asadh end 2076	No of share	Value Per Share	Capital In value
Authorised capital	9,000,000	100	900,000,000
Issued & Subscribed capital	8,850,000	100	885,000,000
Paid up capital	885,960	100	88,596,000

As at 32 Asadh end 2075	No of share	Value Per Share	Capital In value
Authorised capital	9,000,000	100	900,000,000
Issued & Subscribed capital	8,850,000	100	885,000,000
Paid up capital	885,960	100	88,596,000

As at 1 Shrawan 2074	No of share	Value Per Share	Capital In value
Authorised capital	9,000,000	100	900,000,000
Issued & Subscribed capital	8,850,000	100	885,000,000
Paid up capital	285,000	100	28,500,000

16.1 Share ownership detail

The shareholding pattern on the company is as follows:

Shareholder Category	As at 31 Asadh 2076 % of holding	As at 32 Asadh 2075 % of holding	As at 1 Shrawan 2074 % of holding
Promoters	100.00	100.00	100.00
Domestic organized institutions	100.00	12.00	12.00
Nepali Citizens	-	-	-
Foreign	-	88.00	88.00
General Public	0.00	0.00	0.00
Total	100.00	100.00	100.00

16.2 Shareholders Holding 1% or more of the total share capital

Shareholder Category	As at 31 Asadh 2076 % of holding	As at 32 Asadh 2075 % of holding	As at 1 Shrawan 2074 % of holding
Butwal Power Company Limited	100	-	-
Raajratna Energy Holdings Pvt. Ltd.	-	88	88
Marshyangdi Power Company Pvt. Ltd.	-	12	12

D. S. D. ASSOCIATES
Chartered Accountants

16.3 Equity Share Capital – over the years movements

Paid up share capital of the Company has moved over the years as follows:

	As at 31 Asadh 2076	As at 32 Asadh 2075	As at 1 Shrawan 2074
Opening Share Capital	88,596,000	28,500,000	28,500,000
Add: Issuance of Fresh shares	-	60,096,000	-
Add: Issuance of Right Share	-	-	-
Add: Issuance of Bonus Share	-	-	-
Closing Share capital	88,596,000	88,596,000	28,500,000

17 Other components of Equity

	As at 31 Asadh 2076	As at 32 Asadh 2075	As at 1 Shrawan 2074
Calls in advance	-	-	-
Advance for share capital	-	-	48,554,922
Total	-	-	48,554,922

18 Trade payables

	As at 31 Asadh 2076	As at 32 Asadh 2075	As at 1 Shrawan 2074
Sundry Creditors	-	167,250	189,250
Total	-	167,250	189,250

19 Other Financial Liabilities

Particulars	As at 31 Asadh 2076	As at 32 Asadh 2075	As at 1 Shrawan 2074
TDS Payable	513,122	383,036	195,600
Payable to Dipendra Bahadur Bam	-	-	3,136
Payable to H.C Shah	-	-	3,824,000
Payable to World Wide Travel and Tours	-	-	92,900
CEC-DEC-AKARA JV- Advance	-	-	2,570,091
Payable to Vishwa Drilling Pvt., Ltd	-	-	3,327,702
Advance from Butwal Power Company	-	15,000,000	-
Rajratna Energy Holdings Private Limited	-	8,590,422	-
Audit fee payable	306,625	-	-
Salary Payable to employees	182,268	-	-
Other Payables to Employees	61,120	34,258	-
Payable to others	10,000	-	-
Total	1,073,135	24,007,716	10,013,429

[Handwritten signatures]

[Handwritten signature]

M
D. ASSOCIATES
Chartered Accountants

20 Property & Equipments

	Freehold land	Buildings	Furniture & Fixtures	Office Equipment	Vehicles	Amount in NRs
						Total
Cost or deemed cost;						
Balance as at 1st Shrawan 2074						
Additions			16,611	262,372	-	278,983
Disposals						
Acquisitions through business combinations						
Construction expenditure capitalised						
Reclassified as held for sale						
Revaluation increase/(decrease)						
Effect of foreign currency exchange differences						
Others						
Balance as at 32 Asadh 2075			16,611	262,372	-	278,983
Additions						
Disposals						
Acquisitions through business combinations						
Reclassified as held for sale						
Revaluation increase/(decrease)						
Effect of foreign currency exchange differences						
Others						
Balance as at 31 Asadh 2076			16,611	262,372	-	278,983
Accumulated depreciation and Impairment;						
Balance as at 1st Shrawan 2074						
Eliminated on disposals of assets						
Eliminated on revaluation			12,149	262,372	-	274,521
Impairment losses recognised as held for sale						
Impairment losses recognised in profit or loss						
Depreciation expense						
Effect of foreign currency exchange differences			2,374			2,374
Others						
Balance as at 32 Asadh 2075			14,523	262,372	-	276,895
Eliminated on disposals of assets						
Eliminated on revaluation						
Impairment losses recognised as held for sale						
Impairment losses recognised in profit or loss						
Depreciation expense						
Effect of foreign currency exchange differences			2,088			2,088
Others						
Balance as at 31 Asadh 2076			16,611	262,372	-	278,983
Carrying amount;						
Balance as at 1 Shrawan 2074						
Balance as at 32 Asadh 2075			4,462			4,462
Balance as at 31 Asadh 2076			2,088			2,088



M. D. ASSOCIATES
Chartered Accountants

21 Project Work-In-Progress (WIP)

Expenditure headings	Balance as at 1 Shrawan 2074	Additions	Elimination	Adjustments	Balance as at 32 Asadh 2075	Additions	Elimination	Balance as at 31 Asadh 2076
Administrative Expenses	7,513,100	629,654	-	-	8,142,754	950,992	-	9,093,746
Personnel Expenses	3,643,336	3,569,400	-	-	9,212,736	6,419,408	-	15,632,144
Financial expenses	43,142	740	-	-	43,882	-	-	43,882
Depreciation	274,522	2,374	-	-	276,896	2,088	-	278,984
Professional and Consultancy Expenses	17,752,933	7,454,063	-	-	25,206,996	24,000	-	25,230,996
Site Expenses	23,384,835	16,889,587	-	-	40,274,222	6,460,793	-	46,735,015
Rent	321,112	35,555	-	-	356,667	69,443	-	426,110
Adjustment	-	-	-	(6,291,189)	(6,291,189)	-	-	(6,291,189)
Total	52,932,780	30,881,373	-	(6,291,189)	77,222,964	13,926,724	-	91,149,688

[Handwritten signature]

[Handwritten initials]

[Circular stamp: P. D. Associates Chartered Accountants]

22 Other income

	Current Period	Previous Period
Income from contract	15,000,000	-
Total	15,000,000	-

23 Employee Benefit Expenses

	Current Period	Previous Period
Staff salaries & Allowances	1,487,326	-
Total	1,487,326	-

24 Administrative expenses

	Current Period	Previous Period
Professional Service Charge	226,000	-
Guest house Expense	169,107	-
Rent- Guest house	355,552	-
Office Expense	26,755	-
Statutory Audit Fee	169,500	-
Total	946,914	-

25 Other operating expenses

Particulars	Current Period	Previous Period
Travelling Expenses	235,510	-
Work at Site	7,092,644	-
Written off Debit Balance	1,446,000	-
Total	8,774,154	-

[Handwritten signatures]

[Circular stamp: S. D. ASSOCIATES Chartered Accountants]

26 Other Disclosures and notes

26.1 Financial risk management objectives and policies

The Company's business activities expose it to a variety of financial risks, namely primarily to fluctuations in foreign currency exchange rates, interest rates, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company's Board and senior management has overall responsibility for the establishment and oversight of the Company's risk management. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

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

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

A. Currency Risk

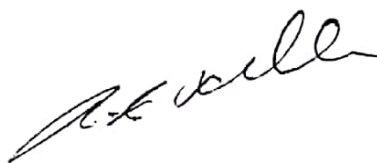
The Company is subject to the risk that changes in foreign currency values impact the Company's imports of machineries and equipment for the project. As at 31st Ashad, 2076, there is no unhedged exposure to the company on holding financial assets (Bank balances and Tradere ceivables) and liabilities (trade payables) other than in their functional currency. The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The aim of the company's approach to management of currency risk is to leave the company with no material residual risk. This aim has been achieved in all years presented. Since, there is not significant risk management has not entered into any forward contract.

B. Liquidity Risk

Liquidity risk is the risk that the company will face in meeting its obligations associated with its financial liabilities. The company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

26.2 Capital Management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The company manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to the shareholders. The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. the management consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.




S.D. ASSOCIATES
Chartered Accountants