

**Madhya Bhotekoshi Jalavidyut Company Ltd.**  
**Maharajgunj, Kathmandu, Nepal**

**Financial Statements of Fiscal Year- 2079/080**  
As per Nepal Financial Reporting Standards (NFRS)

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF MADHYA BHOTEKOSHI JALVIDYUT COMPANY LIMITED

Report on the Audit of the Financial Statements

We have audited the accompanying financial statement of Madhya Bhotekoshi Jalvidyut Company Limited (the 'Company') which comprise the Statement of Financial Position as at Ashadh 31, 2080 (July 16, 2023), the Statement of Profit or Loss (including Other Comprehensive Income), the Statement of Change in Equity and the Statement of Cash Flow for the Year then ended on that date, and a summary of the significant accounting policies and other explanatory information (here after referred to as "the financial statement").

#### Opinion

In our opinion, and to the best of our information and according to the explanations given to us, and subject to the effect of matters mentioned in 'Basis of Qualified Opinion' section, the aforesaid financial statements presents fairly, in all material respects, the financial position of the company as at Ashadh 31, 2080 (July 16, 2023) and its financial performance, change in equity, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with Nepal Financial Reporting Standards and comply with Companies Act, 2063.

#### Basis of Opinion

We conduct our audit of the financial statement 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 on the Company according with the 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 audit opinion in the financial statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statement of the current period. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to communicate in our report.

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Key Audit Matters	Audit Procedure involved
<p><b>Non- Compliance of NFRS and IFRIC 12</b>            MBJCL has not complied with NFRS which is necessary for public listed company.</p> <p>MBJCL has not complied with IFRIC 12 and its non-compliance has its implication on recognition, measurement and disclosure of item impacting the financial statements.</p>	<p><b>How our auditor the key audit matter</b></p> <ul style="list-style-type: none"> <li>• Review of the financial statement prepared by management</li> <li>• We also evaluate the effect on the financial position of the company due to the non-adoption of NFRS and IFRIC 12.</li> <li>• We discussed with the management and TCWG the non-adoption of the NFRS and IFRIC 12 projects for the current reporting period, which is compulsory for hydropower projects running based on service concession arrangements.</li> <li>• The management has committed to adopt NFRS after commercial production has started.</li> </ul>
<p><b>Extension of RCOD with NEA</b>            Although the construction work has been finished, the 5<sup>th</sup> PPA agreement has been expired on 2080/04/05 and again 6<sup>th</sup> PPA agreement is in process for extension of Required Commercial Operation Date (RCOD) of project to Mangsir 14, 2080.</p>	<ul style="list-style-type: none"> <li>• We have discussed with the management and TCWG the continuous extension of the RCOD agreement with NEA.</li> <li>• As discussed with management, the substation of Barhabise Municipality has not been completely prepared for the transmission of electricity due to disturbances from the local people of Barhabise Municipality.</li> </ul>
<p><b>Treatment of Exchange difference in Security Retention of dollar amount</b>            Entity has retained 5% of IPS amount for security purpose as a retention money. The entity has not accounted for the exchange difference on such retention dollar(\$) amount in the books of accounts.</p>	<ul style="list-style-type: none"> <li>• We have performed audit procedures for determining exchange difference of dollar amount.</li> <li>• We have also asked with management regarding treatment of exchange difference in the books of account.</li> </ul>


**Information Other than the financial Statements and Auditor's Report Thereon**

The Company Management is responsible for the preparation of other information. The other information comprises the information included in the Management Report, Report of the Board of Directors and Chairman's Statement but does not include the financial statement and our auditor's report thereon.

Our opinion in the financial statements does not cover the other information and we don't express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent

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with the financial statements of our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibility of Management and those Charges with Governance for the Financial Statements**

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

### **Auditors Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are **free** from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of user 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 risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and
- obtain audit evidence that is sufficient and appropriate to provide the basis of our opinion. The risk of not detecting a material misstatement resulting from a fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policy used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtain whether a material on uncertainty exist related to event or condition 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 conclusion is based on the audit evidence obtain up to the date of an auditor's report. However, further events or condition may cause the Company to cease to continue as a going concern.
- Evaluate overall presentation, structure, and content of the financial statements; include the disclosures, and whether the financial statements represent the underlying transaction and event in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Company to express an opinion in the Financial Statements. We are responsible for the direction, suspension, and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

### **Report on Other Legal and Regulatory Requirements**

The Statement of Financial position as at Ashadh 31, 2080 corresponding 16<sup>th</sup> July, 2023 and Statement of Profit or Loss Account and other comprehensive Income, Statement of Cash Flow and Statement of changes in equity and for the year the ended, and notes to the financial statements deal with by this report are prepared in accordance with Nepal Financial Reporting Standard (NFRS).

Company Act 2063, and in agreement with the books of account maintained by the company.

- I. 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;
- II. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of such books of accounts;
- III. In our opinion, the Balance Sheet, Income Statement and Statement of Changes in Equity dealt with by this report are in agreement with the books of accounts;

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IV. To the best of our information and according to explanation 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 the board of directors or any representative or any employee of the company have acted contrary to the provisions of laws relating to accounts or committed any misappropriation or caused any loss or damage to the company.

Dated: 2080/08/26  
Kathmandu, Nepal  
UDIN No: 231220(A001132pux1)

For, H. K. S. D. Associates  
Chartered Accountants


CA. Hari Kumar Silwal  
Engagement Partner



## UDIN Document

Fiscal Year: 2079/80

<b>Date / Time:</b> 2023-12-20 14:34:16	<b>UDIN Number:</b> 231220CA00113apuxl
<b>Member Name:</b> HARI KUMAR SILWAL	<b>Date of Signing Document:</b> 2023-12-12
<b>Document Type:</b> Audit	<b>Audit Type:</b> Statutory Audit
<b>Office Type:</b> Listed Public Company	<b>Office Name:</b> MADHYA BHOTEKOSHI JALAVIDYUT COMPANY LIMITED
<b>Type of Audit Opinion:</b> Qualified Opinion	<b>Period (AD):</b> 2022-07-17 to 2023-07-16
<b>PAN No:</b> 304954751	

### Financial figures

S.N.	Heading	Amount
1	Total Asset/Liabilities	NRs. 17059264086
2	Gross Revenue/Turnover	NRs. 0
3	Gross Expenses	NRs. 56047378
4	Net Profit Or Loss	NRs. -46600619

**Status:** Active Document

### Document Description:

The UDIN System has been developed by the Institute of Chartered Accountants of Nepal (ICAN) to facilitate its members for verification and certification of the documents and for securing documents and authenticity thereof by Authorities, Regulators and Stakeholders. However, ICAN assumes no responsibility of verification and certification of document(s) carried out by the Members and the concerned member(s) shall alone be responsible therefore.

To verify UDIN, please go to [www.udin.ican.org.np](http://www.udin.ican.org.np)



**Madhya Bhotekoshi Jalavidyut Company Limited**

**Statement of Financial Position**

**As at 31st Ashadh 2080 (16 July 2023)**

NRs.

Particulars	Notes	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	1.1	471,099,148	475,944,433
Capital Work in Progress	1.2	16,251,344,509	12,203,735,156
		<u>16,722,443,657</u>	<u>12,679,679,589</u>
<b>Current Assets</b>			
Investments	2	210,000,000	690,000,000
Inventory	3	817,232	516,141
Prepayments	4	-	-
Advances, Deposits and Other Assets	5.1.1	70,496,517	220,141,007
Cash and Cash Equivalents	5.1.2	55,506,680	155,756,837
<b>Total Current assets</b>		<u>336,820,429</u>	<u>1,066,413,985</u>
<b>Total Assets</b>		<u>17,059,264,086</u>	<u>13,746,093,574</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share Capital	6	6,000,000,000	6,000,000,000
Retained Earnings	7	(393,349,395)	(346,748,776)
<b>Total Equity</b>		<u>5,606,650,605</u>	<u>5,653,251,224</u>
<b>Non Current Liabilities</b>			
Other Non Current Liabilities			
Long Term Loans	10	11,005,639,298	7,795,287,324
Provisions	11	11,008,315	2,646,614
		<u>11,016,647,613</u>	<u>7,797,933,938</u>
<b>Current Liabilities</b>			
Trade and Other Payables	5.2.1	435,965,868	294,908,412
<b>Total Liabilities</b>		<u>11,452,613,481</u>	<u>8,092,842,350</u>
<b>Total Equity and Liabilities</b>		<u>17,059,264,086</u>	<u>13,746,093,574</u>

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Shreeram Baj Pandey  
Member

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Tulasi Ram Dhakal  
Member

.....  
Subhash Kumar Mishra  
Chairman

.....  
Ram Kumar Thebe  
Member

.....  
Govinda Prasad Parajuli  
Member

.....  
Narayan Prasad Acharya  
Member

.....  
Rama Khadka  
Member

.....  
Bhuminanda Aryal  
Member

As per our report of even date

.....  
C.A. Hari Kumar Silwal  
H. K. S. D. Associates  
Chartered Accountants

.....  
Tika Datta Dhakal  
Chief Finance Officer

.....  
Ram Gopal Siwakoti  
Chief Executive Officer





**Madhya Bhotekoshi Jalavidyut Company Limited**  
**Statement of Profit or Loss and other Comprehensive Income**  
**For the year ended 31st Ashadh 2080 (16 July 2023)**

NRs.

Particulars	Notes	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
<b>Income</b>			
Revenue from Sale of Electricity		-	-
<b>Expenses</b>			
Administrative and Other Operating Expenses	8,13	55,356,964	34,543,162
Depreciation	1.1	690,414	686,211
<b>Operating Profit/ (Loss)</b>		<b>(56,047,378)</b>	<b>(35,229,373)</b>
Finance Income	14	37,036,371	-
Other Income	15	11,300	104,632
Finance Charge	16	-	(8,462,919)
<b>Profit/ (Loss) before Tax</b>		<b>(18,999,707)</b>	<b>(43,587,660)</b>
<b>Less: Tax</b>			
Current Tax	9	7,822,760	-
Prior Year Tax	9	19,778,151	-
Deferred Tax Income (Expense)	9	-	-
<b>Net Profit/ (Loss) For the Year</b>		<b>(46,600,619)</b>	<b>(43,587,660)</b>
<b>Earnings Per Share</b>			
Basic (Net Profit/(Loss)/Share Capital	17	(0.78)	(0.73)
Diluted		(0.78)	(0.73)
<b>Other Comprehensive Income:</b>			
Changes in revaluation surplus		-	-
Actuarial Gain (Loss) on remeasurements of defined benefit plans		-	-
Gains and Losses on financial assets measured at fair value through other comprehensive income		-	-
Income Tax relating to items that will not be reclassified		-	-
<b>Other Comprehensive Income for the Year</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>(46,600,619)</b>	<b>(43,587,660)</b>

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Ram Gopal Siwakoti  
Chief Executive Officer

Date : 2080/08/26 (12th December 2023)  
Place: Maharajgunj, Kathmandu



**Madhya Bhotekoshi Jalavidyut Company Limited**  
**Statement of Cash Flows**  
**For the year ended 31st Ashadh 2080 (16 July 2023)**

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
<b>Cash Flow from Operating Activities</b>		
Profit before Tax	(46,600,619)	(43,587,660)
<b>Adjustments</b>		
Depreciation	6,301,724	7,054,686
Income from Investment and Bank Deposit	(37,036,371)	-
Finance Charge	-	8,462,919
Share issue expenses	-	(15,933,668)
<b>Movements in Working Capital</b>		
(Increase)/Decrease in Inventory	(301,091)	(241,951)
(Increase)/Decrease in Prepayments	-	4,026,850
(Increase)/Decrease in Advances, Deposits and Other Receivables	149,644,490	232,975,589
Increase/(Decrease) in Provisions	8,361,701	332,157
Increase/(Decrease) in Trade and Other Payable	141,057,457	51,334,662
Income Taxes Paid	-	-
<b>Total Adjustments</b>	<b>268,027,910</b>	<b>288,011,244</b>
<b>Net Cash flow from Operating Activities (A)</b>	<b>221,427,291</b>	<b>244,423,584</b>
<b>Cash Flow from Investing Activities</b>		
Increase in Property, Plant and Equipment	(1,456,439)	(2,062,966.00)
Increase in CWIP	(4,047,609,353)	(2,815,484,144)
Proceeds from Sale of Asset	-	-
Decrease/ (Increase) in Investment	480,000,000	(440,000,000)
Income from Investment and Bank Deposit	37,036,371	-
<b>Net Cash Flow from Investing Activities (B)</b>	<b>(3,532,029,421)</b>	<b>(3,257,547,110)</b>
<b>Cash Flow from Financing Activities</b>		
Increase/ (Decrease) in Capital	-	1,500,000,000
Increase/ (Decrease) in Long Term Borrowings	3,210,351,974	1,547,728,601
<b>Net Cash Flow from Financing Activities (C)</b>	<b>3,210,351,974</b>	<b>3,047,728,601</b>
<b>Net Increase in Cash (A+B+C)</b>	<b>(100,250,156)</b>	<b>34,605,075</b>
<b>Cash at Beginning of the Year</b>	<b>155,756,837</b>	<b>121,151,762</b>
<b>Cash at the End of the Year</b>	<b>55,506,680</b>	<b>155,756,837</b>

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Shreeram Raj Pandey  
Member

.....  
Ram Kumar Thebe  
Member

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Rama Khadka  
Member

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Tika Datta Dhakal  
Chief Finance Officer

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Tulasi Ram Dhakal  
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Govinda Prasad Parajuli  
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Bhuminanda Aryal  
Member

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Ram Gopal Siwakoti  
Chief Executive Officer

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Subhash Kumar Mishra  
Chairman

.....  
Narayan Prasad Acharya  
Member

As per our report of even date

.....  
C.A. Hari Kumar Silwal  
H. K. S. D. Associates  
Chartered Accountants

Date : 2080/08/26 (12th December 2023)  
Place: Maharajgunj, Kathmandu

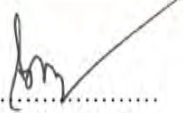


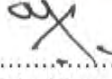



**Madhya Bhotekoshi Jalavidyut Company Limited**  
**Statement of Changes in Equity**  
**For the year ended 31st Ashadh 2080 (16 July 2023)**

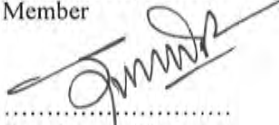
NRs.


Particulars	Share Capital	Retained Earning	Total
<b>Opening Balance as on 1 Shrawan 2078 (16 July 2021)</b>			
Adjustments	4,500,000,000	(287,227,447)	4,212,772,553
Adjusted Opening Balance	4,500,000,000	(287,227,447)	4,212,772,553
Receipt of Call Amount of Equity Shares	1,500,000,000		1,500,000,000
Net Profit after Tax		(43,587,660)	(43,587,660)
Share Issue Expenses	-	(15,933,669)	(15,933,669)
<b>Closing Balance as on 31 Ashadh 2079 (16 July 2022)</b>	<b>6,000,000,000</b>	<b>(346,748,776)</b>	<b>5,653,251,224</b>
<b>Opening Balance as on 1 Shrawan 2079 (16 July 2022)</b>			
Adjustments	6,000,000,000	(346,748,776)	5,653,251,224
Adjusted Opening Balance	6,000,000,000	(346,748,776)	5,653,251,224
Receipt of Call Amount of Equity Shares	-	-	-
Net Profit after Tax		(46,600,619)	(46,600,619)
Share Issue Expenses	-	-	-
<b>Closing Balance as on 31 Ashadh 2080 (16 July 2023)</b>	<b>6,000,000,000</b>	<b>(393,349,395)</b>	<b>5,606,650,605</b>

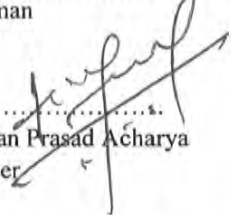
  
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 Shreeram Raj Pandey  
 Member

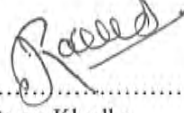
  
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 Tulasi Ram Dhakal  
 Member

  
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 Subhash Kumar Mishra  
 Chairman


  
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 Ram Kumar Thebe  
 Member


  
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 Govinda Prasad Parajuli  
 Member

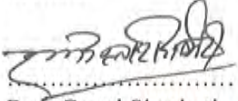
  
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**As per our report of even date**  
  
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 Chief Finance Officer

  
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 Ram Gopal Siwakoti  
 Chief Executive Officer

Date : 2080/08/26 (12th December 2023)  
 Place: Maharajgunj, Kathmandu





**Madhya Bhotekoshi Jalavidyut Company Limited**  
**Details of Property, Plant & Equipment FY 2079/080 (2022/023)**

Figures in NPR

Particulars	Land	Building (Other)	Building (Project)	Furniture and Fixtures	Other Assets	Vehicles	Office Equipment	Heavy Equipments	Tools & Equipment	Total
<b>Cost</b>										
Balance at 1st Shrawan 2078	376,312,214	812,761	80,684,021	9,148,449	2,520,169	62,311,382	9,217,379	29,896,075	2,701,844	573,604,293
Additions	-	-	355,710	20,905	230,934	324,900	1,130,517	-	-	2,062,966
Transfer from CWIP	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
<b>Balance at 32nd Ashad 2079</b>	<b>376,312,214</b>	<b>812,761</b>	<b>81,039,731</b>	<b>9,169,354</b>	<b>2,751,103</b>	<b>62,636,282</b>	<b>10,347,895</b>	<b>29,896,075</b>	<b>2,701,844</b>	<b>575,667,258</b>
Additions	-	-	-	282,636	217,599	275,000	681,204	-	-	1,456,439
Disposals	-	-	-	-	-	-	-	-	-	-
Transfer from CWIP	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31st Ashad 2080</b>	<b>376,312,214</b>	<b>812,761</b>	<b>81,039,731</b>	<b>9,451,989</b>	<b>2,968,702</b>	<b>62,911,282</b>	<b>11,029,099</b>	<b>29,896,075</b>	<b>2,701,844</b>	<b>577,123,697</b>
<b>Accumulated Depreciation</b>										
Balance at 1st Shrawan 2078	-	133,826	5,554,987	7,040,110	1,244,579	48,055,282	7,870,940	20,791,278	1,977,136	92,668,138
Charge for the Year	-	29,382	1,605,417	528,686	228,440	2,911,389	276,949	1,365,719	108,705	7,054,686
Disposals	-	-	-	-	-	-	-	-	-	-
<b>Balance at 32nd Ashad 2079</b>	<b>-</b>	<b>163,208</b>	<b>7,160,404</b>	<b>7,568,796</b>	<b>1,473,019</b>	<b>50,966,671</b>	<b>8,147,889</b>	<b>22,156,997</b>	<b>2,085,841</b>	<b>99,722,825</b>
Charge for the Year	-	15,108	1,633,329	440,398	225,072	2,363,603	370,952	1,160,861	92,399	6,301,724
Disposals	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31st Ashad 2080</b>	<b>-</b>	<b>178,316</b>	<b>8,793,733</b>	<b>8,009,194</b>	<b>1,698,091</b>	<b>53,330,274</b>	<b>8,518,841</b>	<b>23,317,858</b>	<b>2,178,241</b>	<b>106,024,548</b>
<b>Net Book Value</b>										
At 1st Shrawan 2078	376,312,214	678,935	75,129,034	2,108,339	1,275,590	14,256,100	1,346,438	9,104,797	734,708	480,936,154
At 32nd Ashad 2079	376,312,214	649,553	73,879,327	1,600,558	1,278,084	11,669,611	2,200,007	7,739,078	616,003	475,944,433
At 31st Ashad 2080	376,312,214	634,445	72,245,997	1,442,795	1,270,611	9,581,008	2,510,258	6,578,216	523,603	471,099,148









**Madhya Bhotekoshi Jalavidyut Company Limited**  
**Notes to the financial statements**  
**For the year ended 31st Ashadh 2080 (16 July 2023)**

**Note 1.2: Capital Work in Progress**

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Capital Expenditure	11,727,193,255	8,843,239,871
Revenue Expenditure	4,524,151,254	3,360,495,285
<b>Total</b>	<b>16,251,344,509</b>	<b>12,203,735,156</b>

**Note 2: Investments**

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Fixed Deposits to different BFIs	210,000,000	690,000,000
<b>Total</b>	<b>210,000,000</b>	<b>690,000,000</b>

**Note 3: Inventories**

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Miscellaneous Store-Central Office	735,570	489,820
Miscellaneous Store-Project Office	81,662	26,321
<b>Total</b>	<b>817,232</b>	<b>516,141</b>

**Note 4: Prepayments**

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Prepaid Amount	-	-
Share Issue Expenses	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Note 5.1.1: Advances, Deposits and Other Assets**

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
<b>Advances</b>		
Employee Loan/Advances	353,862	1,394,362
Advance Tax (on Bank Interest)	34,810,758	35,775,560
Accured Interest Receivables	4,596,986	6,606,296
Andritz Hydro	-	115,608,392
Guangxi Hydroelectric Construction Bureau	-	31,746,369
Urja-AC JV	2,008,637	4,341,906
Other advances	15,973,058	7,920,995
<b>Sub-total</b>	<b>57,743,301</b>	<b>203,393,880</b>
<b>Deposits</b>		
Deposit	11,775,939	15,769,850
Sindhupalchok District Office	977,277	977,277
Others	-	-
<b>Sub-total</b>	<b>12,753,216</b>	<b>16,747,127</b>
<b>Other Assets</b>		
Deferred Share Issue Expenditure	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>70,496,517</b>	<b>220,141,007</b>



## Madhya Bhotekoshi Jalavidyut Company Limited

### Notes to the financial statements

For the year ended 31st Ashadh 2080 (16 July 2023)

#### Note 5.1.2: Cash and Cash Equivalents

##### Balance With Banks

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Everest Bank Ltd	3,148,046	92,911,860
Nepal Investment Bank Ltd	23,599,560	1,208,479
Himalayan Bank Ltd	12,158,529	5,588,633
Siddhartha Bank Limited	16,135,633	5,709,001
Sanima Bank Ltd	464,912	50,338,863
<b>Total</b>	<b>55,506,680</b>	<b>155,756,837</b>

#### Note 6: Equity Share Capital

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
<b>Authorized Capital</b>		
621,00,000 Shares @ RS 100 each	6,210,000,000	6,210,000,000
<b>Issued Capital</b>		
600,00,000 Shares @ Rs 100 each	6,000,000,000	6,000,000,000
<b>Paid Up Capital</b>		
600,00,000 Shares @ Rs 100 each	6,000,000,000	6,000,000,000
<b>Total</b>	<b>6,000,000,000</b>	<b>6,000,000,000</b>

#### Note 7: Retained Earnings

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Opening Balance	(346,748,776)	(287,227,447)
Adjustments for NFRS	-	-
<b>Opening Balance (Restated)</b>	<b>(346,748,776)</b>	<b>(287,227,447)</b>
Net Profit after Tax	(46,600,619)	(43,587,660)
Share Issue Expenses	-	(15,933,668)
<b>Closing Balance</b>	<b>(393,349,395)</b>	<b>(346,748,776)</b>

#### Note 10: Long Term Loans

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Employee Provident Fund-Project Loan	9,717,783,949	6,247,558,723
Employee Provident Fund-Bridge Gap Loan	1,287,855,349	-
Interest Payable on Loan	-	1,547,728,601
<b>Total</b>	<b>11,005,639,298</b>	<b>7,795,287,324</b>

#### Note 11: Provisions

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Employee Leave Provision	3,185,555	2,646,614
Provision for Income Tax	7,822,760	-
<b>Total</b>	<b>11,008,315</b>	<b>2,646,614</b>





**Madhya Bhotekoshi Jalavidyut Company Limited**  
**Notes to the financial statements**  
**For the year ended 31st Ashadh 2080 (16 July 2023)**

**Note 5.2.1: Trade and Other Payables**

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Retention Money	418,797,673	289,307,989
Sundry Payables	2,205,141	5,516,284
Andritz Payable	14,741,172	-
Other Liabilities	221,882	84,139
<b>Total</b>	<b>435,965,868</b>	<b>294,908,412</b>

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**Madhya Bhotekoshi Jalavidyut Company Limited**  
**Notes to the financial statements**  
**For the year ended 31st Ashadh 2080 (16 July 2023)**

**Note 13: Administrative and Other Operating Expenses**

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Salary	8,774,992	7,334,316
Wages	3,000	-
Allowances and Benefits	13,949,405	7,943,787
Contribution to Social security Fund	1,232,989	1,027,537
Overtime Allowance	1,320,657	1,124,618
Provident Fund	261,005	176,996
Gratuity	69,906	56,484
Leave Encashment	841,406	610,384
Employee Insurance	39,712	128,351
Medical Benefits	698,763	541,021
Other Services	783,648	938,234
Water & Electricity	222,544	193,399
Fuel	1,623,409	1,456,832
Other Repairs- Computer & Assessories	238,338	159,834
Mobile & Lubricants	108,514	91,921
Repair - Vehicles	1,433,503	865,954
Repairs - Civil	-	200,207
Insurance	44,328	160,634
Licence Fee	374,786	486,400
Postage and Courier	1,500	4,510
Telephone	243,492	241,311
Corporate Development Expense	8,466,136	99,800
Training	168,185	60,000
Legal Expenses	542,800	744,218
Prining and Stationery	305,466	208,899
Magazine & Newspaper	22,575	42,701
Advertisement	530,162	395,038
Annual Functions and Workshop	1,143,134	13,000
Guest Entertainment	635,281	299,815
Other Expenses	206,533	239,236
Meeting Allowance	2,705,500	2,126,000
Meeting Management Expense	685,889	1,072,304
Travel	48,629	36,450
Bank Charges & Commission	7,398	10,382
Director Allowance	1,817,500	1,912,000
Audit Fee	472,440	496,070
Audit Expense	233,579	128,165
House Rent	2,236,560	2,172,720
Financial Assistance, Donation and Prizes	144,000	164,500
Regulatory Renewal expenses	2,677,703	-
Other Site Expenses	41,600	579,135
<b>Total</b>	<b>55,356,964</b>	<b>34,543,162</b>

**Madhya Bhotekoshi Jalavidyut Company Limited**  
**Notes to the financial statements**  
**For the year ended 31st Ashadh 2080 (16 July 2023)**

**Note 14: Finance Income**

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Interest Income on FD	31,291,041	-
Interest Income on Call	5,745,330	-
<b>Total</b>	<b>37,036,371</b>	<b>-</b>

**Note 15 : Other Income**

NRs.

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Other Income	11,300	104,632
<b>Total</b>	<b>11,300</b>	<b>104,632</b>

**Note 16: Finance Charge**

Particulars	FY 2079/080 (2022/023)	FY 2078/079 (2021/022)
Finance Charge for Retention Deposit	-	8,462,919
<b>Total</b>	<b>-</b>	<b>8,462,919</b>





**Note: 1.2: Capital Work in Progress**  
**For the year ended 31st Ashadh 2080 (16 July 2023)**

**Note 1.2.1: Capital Nature**

Particulars	31.03.2079 (16.07.2022)	Addition During the Year 79-80	Transferred to PPE	31.03.2080 (16.07.2023)
Distribution Line	2,795,469	667,518	-	3,462,987
Residential Building (Camp Facilities)	14,720,939	-	-	14,720,939
Initial Project Expenditure (Drilling)	1,993,654	-	-	1,993,654
Initial Project Expenditure (Explosive Management)	26,977,906	-	-	26,977,906
Test Adit	42,742,667	-	-	42,742,667
Diversion Tunnel	185,342,191	-	-	185,342,191
Core Drilling	1,733,700	-	-	1,733,700
Other Civil Work at Site	3,602,249	-	-	3,602,249
Camp Protection Work	19,261,213	-	-	19,261,213
Contractor Site Office and Storage Construction	463,725,601	-	-	463,725,601
Main Civil Work	2,527,069,238	2,085,537,020	-	4,612,606,258
M/S 1 to 16 Hydromechanical Parts	3,362,701	-	-	3,362,701
Powerhouse Equipment and Machinery	1,469,697,102	593,061,985	-	2,062,759,087
Powerhouse Construction Support Work	409,355,834	-	-	409,355,834
Headrace Tunnel Work	1,168,603,845	-	-	1,168,603,845
Headrace Tunnel Supporting Work	321,231,960	-	-	321,231,960
Tunnel 3 Excavation Work	116,418,140	-	-	116,418,140
Excavation Work at Intake	82,244,296	-	-	82,244,296
Transmission Line Work	55,464,280	62,968,327	-	118,432,607
Excavation Wier	40,113,144	-	-	40,113,144
Concrete and Desander	993,252,187	-	-	993,252,187
Ceiling Element Cut Off Wall Board Complete	16,178,426	-	-	16,178,426
Feasibility Study Cost	2,858,538	-	-	2,858,538
Consulting Expenses	872,552,900	141,718,533	-	1,014,271,433
Social Development Expenditure	1,941,690	-	-	1,941,690
<b>Total</b>	<b>8,843,239,871</b>	<b>2,883,953,384</b>	<b>-</b>	<b>11,727,193,255</b>

**Note 1.2.2: Revenue Expenses at Project Office**

Particulars	31.03.2079 (16.07.2022)	Addition During the Year 79-80	Transferred to PPE	31.03.2080 (16.07.2023)
Salary	164,051,102	23,881,243	-	187,932,345
Wages	8,538,738	895,126	-	9,433,864
Allowance and Facilities	129,562,846	31,976,708	-	161,539,554
Contribution to Social security fund	3,830,236	4,461,461	-	8,291,697
Overtime Allowance	17,166,468	4,696,052	-	21,862,521
Employee Provident Fund	12,475,392	157,394	-	12,632,785
Employee Leave Expenses	9,399,142	1,911,015	-	11,310,157
Contribution to Gratuity Fund	451,539	75,622	-	527,161
Nepal Electricity Authority Overhead	15,744,387	2,308,268	-	18,052,655
Employee Insurance	1,386,822	162,949	-	1,549,771
Medical Expenses	11,576,208	1,961,589	-	13,537,797
Water and Electricity	4,514,930	743,737	-	5,258,667
Consultancy Expenses	19,920,085	5,857,808	-	25,777,893
Other Services	12,948,187	2,145,679	-	15,093,866
Repair - Civil	7,709,046	892,157	-	8,601,203
Repair - Vehicle	20,627,828	5,490,670	-	26,118,498
Repair - Other	1,905,114	301,176	-	2,206,290
Power	27,250,749	6,829,868	-	34,080,617
Mobil and Lubricant	1,894,996	199,372	-	2,094,369
Other Expenses related to Vehicle	92,692	-	-	92,692
Rental Expenses - Building	7,655,644	145,205	-	7,800,849
Rental Expenses - Land	43,441,880	6,483,622	-	49,925,502
Other Rent	169,399	15,000	-	184,399
Land & Property Taxes	73,428	75,277	-	148,705
Renewal Expenses - Vehicle	7,515,257	470,600	-	7,985,857
Insurance	6,374,699	1,039,810	-	7,414,509
Telephone and Internet	5,861,162	663,394	-	6,524,556
Legal Expenses	480,923	-	-	480,923
Audit Expenses	206,853	36,750	-	243,602
Transportation Expenses	2,162,291	47,183	-	2,209,474
Travelling Expenses	3,256,357	454,592	-	3,710,949
Training	1,054,807	1,130,725	-	2,185,532
Printing Expenses	2,762,153	112,702	-	2,874,855
Newspaper and Magazine	178,350	-	-	178,350
Notice Expenses	4,972,704	-	-	4,972,704
Meeting Allowance	1,675,150	301,000	-	1,976,150
Meeting Management Expenses	71,214	-	-	71,214
Compensation Expenses	19,657,257	2,915,301	-	22,572,558
Other Expenses	6,490,607	383,388	-	6,873,995
Interest Expenses	2,387,574,867	1,008,454,714	-	3,396,029,580
Bank Charge	4,383,587	125,600	-	4,509,187
Bank Service Charge	11,803,200	5,507,925	-	17,311,125
Depreciation	83,790,467	5,611,310	-	89,401,777
Relief and Rescue Expenses	3,319,123	-	-	3,319,123
Foreign Exchange Loss	6,586	-	-	6,586
Guest expenses	-	886,188	-	886,188
Ceremonial Expenses	28,600	-	-	28,600
CSR Expenses	284,482,214	33,847,790	-	318,330,004
<b>Total</b>	<b>3,360,495,285</b>	<b>1,163,655,970</b>	<b>-</b>	<b>4,524,151,254</b>



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# Madhya Bhotekoshi Jalavidyut Company Ltd.

Maharajgunj, Kathmandu

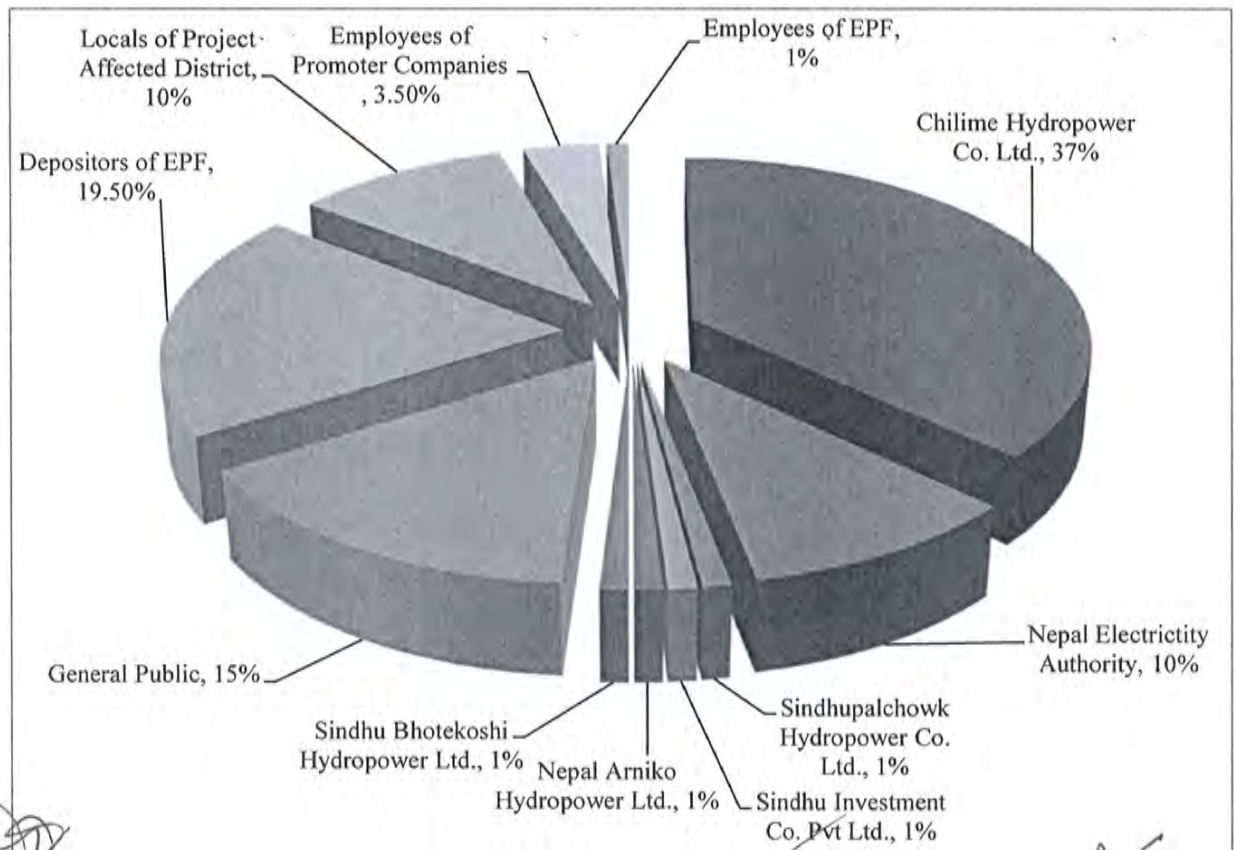
## Explanatory Notes FY 2079/80 (2022/23)

### 1. General Information of the Company

Madhya Bhotekoshi Jalavidyut Company Ltd. (MBJCL or the Company) was incorporated in 2067 BS with the objective of hydroelectricity generation through optimal utilization of resources available within the country. The Company is registered with the Office of the Company Registrar as a Public Limited Company.

Chilime Hydropower Company Limited (CHCL) holds majority ownership with 37% shareholding. Remaining 63% shareholding is from Nepal Electricity Authority (NEA), four local companies, Local Public of Project Affected District, Depositors of EPF, Employees of Promoter companies & EPF, and General Public.

The detailed structure of Equity of the Company is given as below:



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The Company is handling the project of Middle Bhotekoshi Hydroelectric Project (MBKHEP) with 102 MW installed capacity power plant. The construction of project was started on February 11, 2014 (2070/10/28). The project is located in Barhabise Municipality & Bhotekoshi Gaunpalika. It has entered into an agreement with NEA for bulk electricity supply at rates agreed upon in Power Purchase Agreement (PPA). The annual energy generation from the plant is estimated to be approximately 542,297,900 KWh.

## 2. Statement of Compliance:

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) to the extent applicable and as published by the Accounting Standards Board (ASB) Nepal and is approved by the 321<sup>st</sup> Meeting of Board of Directors held on 2080/08/26 (12<sup>th</sup> December 2023) and have been recommended for approval by shareholders in the 12<sup>th</sup> Annual General Meeting.

## 3. IFRIC 12 Considerations

The company has considered applicability of IFRIC 12 Service Concession Agreement, issued by International Accounting Standard Board (IASB) for preparation and presentation of financial statements. Madhya Bhotekoshi Jalavidyut Company Ltd. (MBJCL), after due consideration has not applied IFRIC 12 while preparing these financial statements on the following grounds.

- a. The company sells electricity to Nepal Electricity Authority at price independent of the price charged by NEA to general public. NEA for the ultimate sale of electricity is bound by the rates determined by Electricity Tariff Commission set up by the government, whereas NEA purchases electricity on the basis of different commercial agreement with the power producers. Electricity Tariff Commission does not determine the rate at which NEA purchases or has to purchase from the power producers. There have been instances where the rates charged by NEA to the general public is lower than it paid to some of the power producers.
- b. The license agreement with Department of Electricity Development (DoED) for Middle Bhotekoshi Hydroelectric Project being developed by MBJCL does not obligate the company to sell electricity to NEA or any specific buyer.
- c. The company does not receive any specific concession for the use of the natural resource. The company has to pay to the government for the use of the natural resources in the form of royalty.
- d. The company under Power Purchase Agreement (PPA) sells energy to NEA and not directly to the general public.
- e. Though the project is to be transferred to the government at the end of the licence period the legal title of the project is with the company, including the control of access to the project site. In addition, the company has right to pledge the assets as lien for availing finances from financial institutions.



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#### 4. Basis of Preparation and Reporting Pronouncements

The Company has, for the preparation and presentation of Financial Statements, opted to adopt Nepal Financial Reporting Standards (NFRSs) from the erstwhile Nepal Accounting Standards (NASs) both pronounced by Accounting Standards Board (ASB) Nepal. NFRS was pronounced by ASB Nepal as effective on September 13, 2013.

The relevant financial and disclosure impacts have been detailed and disclosed in relevant sections.

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those only become applicable when ASB Nepal incorporates them within NFRS.

#### 5. Accounting Convention

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

The Financial Statements are prepared on accrual basis.

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

#### 6. Presentations

##### Presentation Currency

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

##### Rearrangement and Reclassification

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

##### Statement of Financial Position

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

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

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

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



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### Statement of Cash Flows

The statement of Cash Flows has been prepared using indirect method and the activities has been grouped under three major categories (Cash flows from operating activities, Cash flows from investing activities and Cash flows from financing activities) in accordance with NAS 07.

### Statements of Changes in Equity

The Statements of Changes in Equity has been prepared disclosing changes in each elements of equity.

## 7. Accounting Policies and Accounting Estimates

### Accounting Polices

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

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

### Accounting Estimates

The preparation of Financial Statements in line with NFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of Financial Statements and the reported amounts of revenue and expenses during the reporting period.

Management has applied estimation in preparing and presenting the Financial Statements. The estimates and the underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimates are revised, if the revisions affect only that period; they are recognised in the period of revision and the future periods if the revisions affect both current and future periods.

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

### Notes

#### 1. Property, Plant and Equipment

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

PPE are stated in the SFP at their cost less accumulated depreciation and accumulated impairment losses, if applicable.



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## Cost

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

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

## Depreciation

If an item of PPE consists of several significant components with different estimated useful lives and if the cost of each component can be measured reliably, those components are depreciated separately over their individual useful lives.

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

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

## De-recognition

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

### 1.1 Change in Classification, Useful Lives and Depreciation Method

#### 1.1.1 Re-classification

Assets have been reclassified wherever required for compliance with NFRS. Capital work in progress, are assets that are in the process of construction or installation have been reported under PPE without charging depreciation. These were previously being shown separately from property, plant and equipment.

The Company used to carry the costs of access road as a separate component of PPE even though direct control and ownership of such road is not with the Company. However, under the provisions of NFRS, costs that are directly attributable to bringing asset to the location and condition necessary for it to be capable of operating in manner intended are to be included in the cost of PPE. Therefore, once the project is completed and depreciation on project assets is started, the cost of access road will be systematically apportioned to the assets at the generation site as directly attributable costs.



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**1.1.2 Estimation of Useful Lives and Depreciation Method used**

The useful life of assets has been reassessed and adjusted as at the date of opening NFRS SFP. Depreciation method has been selected considering the pattern of inflow of economic benefits to the organization and thereby depreciated using Diminishing Balance Method (DBM).

The Project is still in construction and, therefore, the depreciation on Project assets have not been started and estimation of life of project assets is not viable.

However, the Company has estimated the life of completed assets of as follows:

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Assets Class/ Sub Class	Prior to adoption of NERS			Revised for NERS Adoption		
	Depreciation Rate	Useful Life (In years)	Depreciation Method Applied	Depreciation Rate	Useful Life (In years)	Depreciation Method Applied
Land - Project	-	-	None	-	35	None
Land - Not related to project	-	-	None	-	-	None
Office Building (Kathmandu)	-	-	None	-	-	None
Building - Others	5	20	DBM	5	20	DBM
Office Building (Project)	2	35	DBM	2	35	DBM
Distribution Line	-	-	None	-	-	None
Diversion Tunnel	2	50	DBM	2	50	DBM
Head Works						
Headrace Tunnel						
Power House	3.33	30	DBM	3.33	30	DBM
Transmission Line						
Hydro Mechanical Works	-	-	None	-	-	None
Heavy Equipment	15	7	DBM	15	7	DBM
Electro Mechanical Works	-	-	None	-	-	None
Tools and Equipment	15	7	DBM	15	7	DBM
Office Equipment	25	4	DBM	25	4	DBM
Furniture & Fixture	25	4	DBM	25	4	DBM
Vehicles	20	5	DBM	20	5	DBM
Other Assets	15	7	DBM	15	7	DBM

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**MBK JCL**  
ESTD. 19

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### 1.1.3 Useful life of Electromechanical Works

The assets under Electromechanical Works heading comprise of various components and sub-component which have different useful lives.

The electromechanical assets will be grouped, and life will be estimated once the project will be completed. Management has estimated the useful lives as follows;

Particulars	Expected Life (Years)	Particular	Expected Life - Years
Turbine	50	Ancillary Equipment	50
	40		40
	30		35
Generator	30		30
	30		25
Station Transformers & Other Transformers	30		20
66KV Switchgear Equipment	50		15
Relay & Control switchboards	30	Cables	50
	20		35
	30		30
Instrument Transformers	40	Miscellaneous Materials	40
12 KV Switchgear	50		15
Low Voltage Distribution Panel	35	Steel Structures	50
Lightning Arrestor	15	Communication Equipment	20
Storage Battery & Battery Charger	50		15
Grounding Material			

### Other notes on PPE

#### 1.1.4 Land

Land and properties with ownership documents (i.e. in occupation and with valid documentation) have been recognised meeting the asset recognition criteria.



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**Land under BOOT Arrangement**

MBJCL has obtained the licence for operation from the Ministry of Energy for a period of 35 years (i.e. from 2070-08-18 to 2105-08-17), therefore the useful life of assets of the project cannot exceed 35 years even if the economic life of the asset is more as the entire generation unit needs to be transferred to the Government of Nepal at the end of this licence term.

Location	Area	Cost upto 2079/80 (NRs.)
Barhabise Municipality and Gaunpalika	266-12-1-3 (Ropani-Aana-Pausta-Dam)	376,312,214

**1.1.5 Building and Civil Structure**

All civil infrastructures of Project site have been classified on the basis of their built type.

**1.1.6 Capital Work in Progress**

Assets in the course of acquisition and installation of new plant and equipment till the date of commissioning, or civil works under construction till the date of completion are recognized as Capital Work in Progress (CWIP) and are carried at cost, less accumulated impairment losses, if any.

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Capital Expenditure upto 2079/080

(NRs.)

Particulars	32.03.2079 (16.07.2022)	Addition During the Year 2079/080	Transferred to PPE	31.03.2080 (16.07.2023)
Distribution Line	2,795,469	667,518	-	3,462,987
Residential Building (Camp Facilities)	14,720,939	-	-	14,720,939
Initial Project Expenditure (Drilling)	1,993,654	-	-	1,993,654
Initial Project Expenditure (Explosive Management)	26,977,906	-	-	26,977,906
Test Adit	42,742,667	-	-	42,742,667
Diversion Tunnel	185,342,191	-	-	185,342,191
Core Drilling	1,733,700	-	-	1,733,700
Other Civil Work at Site	3,602,249	-	-	3,602,249
Camp Protection Work	19,261,213	-	-	19,261,213
Contractor Site office and Storage Construction	463,725,601	-	-	463,725,601
Main Civil Work	2,527,069,238	2,085,537,020	-	4,612,606,258
MS 1 to 16 Hydromechanical Parts	3,362,701	-	-	3,362,701
Powerhouse Equipment and Machinery	1,469,697,102	593,061,985	-	2,062,759,087
Powerhouse Construction Support Work	409,355,834	-	-	409,355,834
Headrace Tunnel Work	1,168,603,845	-	-	1,168,603,845
Headrace Tunnel Supporting Work	321,231,960	-	-	321,231,960
Tunnel 3 excavation work	116,418,140	-	-	116,418,140
Excavation work at Intake	82,244,296	-	-	82,244,296
Transmission Line Work	55,464,280	62,968,327	-	118,432,607
Excavation ware	40,113,144	-	-	40,113,144
Concrete and Desander	993,252,187	-	-	993,252,187
Ceiling element cut off wall board complete	16,178,426	-	-	16,178,426
Feasibility Study Cost	2,858,538	-	-	2,858,538
Consulting Expenses	872,552,900	141,718,533	-	1,014,271,433
Social Development Expenditure	1,941,690	-	-	1,941,690
<b>Total</b>	<b>8,843,239,871</b>	<b>2,883,953,384</b>		<b>11,727,193,255</b>










Other Direct Cost Capitalized in 2079/080

(NRs.)

Particulars	32.03.2079 (16.07.2022)	Addition During the Year 2079/080	Transferred to PPE	31.03.2080 (16.07.2023)
Salary	164,051,102	23,881,243	-	187,932,345
Wages	8,538,738	895,126	-	9,433,864
Allowance and Facilities	129,562,846	31,976,708	-	161,539,554
Contribution to Social security fund	3,830,236	4,461,461	-	8,291,697
Overtime Allowance	17,166,468	4,696,052	-	21,862,521
Employee Provident Fund	12,475,392	157,394	-	12,632,785
Employee Leave Expenses	9,399,142	1,911,015	-	11,310,157
Contribution to Gratuity Fund	451,539	75,622	-	527,161
Nepal Electricity Authority Overhead	15,744,387	2,308,268	-	18,052,655
Employee Insurance	1,386,822	162,949	-	1,549,771
Medical Expenses	11,576,208	1,961,589	-	13,537,797
Water and Electricity	4,514,930	743,737	-	5,258,667
Consultancy Expenses	19,920,085	5,857,808	-	25,777,893
Other Services	12,948,187	2,145,679	-	15,093,866
Repair - Civil	7,709,046	892,157	-	8,601,203
Repair - Vehicle	20,627,828	5,490,670	-	26,118,498
Repair - Other	1,905,114	301,176	-	2,206,290
Power	27,250,749	6,829,868	-	34,080,617
Mobil and Lubricant	1,894,996	199,372	-	2,094,369
Other Expenses related to Vehicle	92,692	-	-	92,692
Rental Expenses - Building	7,655,644	145,205	-	7,800,849
Rental Expenses - Land	43,441,880	6,483,622	-	49,925,502
Other Rent	169,399	15,000	-	184,399
Land & Property taxes	73,428	75,277	-	148,705
Renewal Expenses - Vehicle	7,515,257	470,600	-	7,985,857
Insurance	6,374,699	1,039,810	-	7,414,509
Telephone and Internet	5,861,162	663,394	-	6,524,556
Legal Expenses	480,923	-	-	480,923
Audit Expenses	206,853	36,750	-	243,602
Transportation Expenses	2,162,291	47,183	-	2,209,474
Travelling Expenses	3,256,357	454,592	-	3,710,949
Training	1,054,807	1,130,725	-	2,185,532
Printing Expenses	2,762,153	112,702	-	2,874,855



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Depreciation on these assets commence when these assets are ready for their intended use. These items are shown at cost and disclosed as CWIP under PPE.

All the costs directly related to the development of the projects are charged to the CWIP and carried until the assets are ready to be used to be recognised under property plant and equipment. Any charges are subsequently transferred to CWIP as they directly and indirectly contribute towards creation of those assets. Expenses that are of administrative nature are also included in the cost of CWIP as these expenses are considered directly attributable to the project cost by the Management.

### 1.1.7 Restriction on PPE

MBJCL has obtained the licence for operation from the Ministry of Energy for a period of 35 years (i.e., from B.S 2070-08-18 to B.S. 2105-08-17), the useful life of assets of the project cannot exceed 35 years even if the economic life of the asset is more. After the end of 35 years of operation, MBJCL will have to transfer the entire generation unit to Government of Nepal under BOOT provision.

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1.2 Details of Property, Plant and Equipment

Schedule of 2079/80

(NRS.)

Particulars	Land	Building (Other)	Building (Project)	Furniture and Fixtures	Other Assets	Vehicles	Office Equipment	Heavy Equipment	Tools & Equipment	Total
<b>Cost</b>										
Balance at 1 Shrawan 2078	376,312,214	812,761	80,684,021	9,148,449	2,520,169	62,311,382	9,217,379	29,896,075	2,701,844	573,604,293
Additions	-	-	355,710	20,905	230,934	324,900	1,130,517	-	-	2,062,966
Transfer From CWIP										
Disposals										
<b>Balance at 32 Ashad 2079</b>	<b>376,312,214</b>	<b>812,761</b>	<b>81,039,731</b>	<b>9,169,354</b>	<b>2,751,103</b>	<b>62,636,282</b>	<b>10,347,895</b>	<b>29,896,075</b>	<b>2,701,844</b>	<b>575,667,258</b>
Additions				282,636	217,599	275,000	681,204			1,456,439
Disposals										
Transfer From CWIP										
<b>Balance at 31 Ashad 2080</b>	<b>376,312,214</b>	<b>812,761</b>	<b>81,039,731</b>	<b>9,451,989</b>	<b>2,968,702</b>	<b>62,911,282</b>	<b>11,029,099</b>	<b>29,896,075</b>	<b>2,701,844</b>	<b>577,123,697</b>
<b>Accumulated Depreciation</b>										
Balance at 1 Shrawan 2078	-	133,826	5,554,987	7,040,110	1,244,579	48,055,282	7,870,940	20,791,278	1,977,136	92,668,138
Charge for The Year		29,382	1,605,417	528,686	228,440	2,911,389	276,949	1,365,719	108,705	7,054,686
Disposals										
<b>Balance at 32 Ashad 2079</b>	<b>-</b>	<b>163,208</b>	<b>7,160,404</b>	<b>7,568,796</b>	<b>1,473,019</b>	<b>50,966,671</b>	<b>8,147,889</b>	<b>22,156,997</b>	<b>2,085,841</b>	<b>99,722,825</b>
Charge for The Year		15,108	1,633,329	440,398	225,072	2,363,603	370,952	1,160,861	92,399	6,301,724
Disposals										
<b>Balance at 31 Ashad 2080</b>	<b>-</b>	<b>178,316</b>	<b>8,793,733</b>	<b>8,009,194</b>	<b>1,698,091</b>	<b>53,330,274</b>	<b>8,518,841</b>	<b>23,317,858</b>	<b>2,178,241</b>	<b>106,024,548</b>
<b>Net Book Value</b>										
At 1 Shrawan 2078	376,312,214	678,935	75,129,034	2,108,339	1,275,590	14,256,100	1,346,438	9,104,797	724,708	480,936,154
At 32 Ashad 2079	376,312,214	649,553	73,879,327	1,600,558	1,278,084	11,669,611	2,200,007	7,739,078	616,003	475,944,433
At 31 Ashad 2080	376,312,214	634,445	72,245,997	1,442,795	1,270,611	9,581,008	2,510,258	6,578,216	523,603	471,099,148

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The above statement of Property, Plant and Equipment comprise assets of both project office and corporate office. The assets of Project office are directly related with the project and the depreciation on the project site assets form part of project cost and, therefore, capitalized to Capital Work in Progress. However, on the other hand, depreciation on assets of corporate office is of administrative nature and hence expensed off to Income Statement.

**The details of depreciation capitalized and expensed off to Income Statement is as follows:** (NRs.)

	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Capitalized to CWIP	11,727,193,255	8,843,239,871
Expensed off to income statement	4,524,151,254	3,360,495,285
Total	16,251,344,509	12,203,735,156

### 1.3 Impairment of Property, Plant and Equipment

#### 1.3.1 Application of Impairment Tests

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

At each reporting date, the Company assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. The recoverable amount of a CGU is determined at the higher of fair value less cost to sell on disposal and value-in-use. Generally recoverable amount is determined by means of discounted cash flows unless it can be determined on the basis of a market price. Cash flow calculations are supported by past trend and external sources of information and discount rate is used to reflect the risk specific to the asset or CGU.

#### 1.3.2 Impairment Indication

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

## 2. Investments

	(NRs.)	
Particulars	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Fixed Deposits to different BFIs	210,000,000	690,000,000
Total	210,000,000	690,000,000



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KATHMANDU NEPAL

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### 3. Inventory

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

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

The details about inventory of the Company are as under:

Particulars	(NRs.)	
	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Miscellaneous Store-Corporate Office	735,570	489,820
Miscellaneous Store-Project Office	81,662	26,321
Total	817,232	516,141

### Store, Spare Parts, and Loose Tools

NAS 16, paragraph 8 and 9 specifically says that,

- Spare parts and servicing equipment are usually carried as inventory and recognised in Statement of Profit or Loss when consumed.
- Major spare parts and stand-by equipment qualify as PPE when an entity expects to use them for more than one period.
- The standard does not prescribe the unit measure for recognition and judgement is to be applied in determining what constitutes an item of PPE.

Management determines that these stores and spare parts are of consumable nature and are held for consumption in the production (generation) of electrical energy. These are either expected to be used within one year or the economic values will be obtained when consumed. Therefore, these stores, spare parts and loose tools have been considered as inventory and presented accordingly.

### 4. Prepayments

These are expenses paid for the period beyond the financial period covered by the financial statement. These will be charged off as expenses in the respective period for which such expenses pertain to.

### 5. Financial Instrument

The company classifies financial assets and financial liabilities in accordance with the categories specified in NFRS 9, NAS 32 and NAS 39.

#### 5.1 Financial Instruments: Financial Assets

Financial asset is any asset that is:



- (a) Cash
- (b) An equity instrument of another entity;
- (c) A contractual right:
  - (i) To receive cash or another financial asset from another entity; or
  - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) 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 receive a variable number of the entity's own equity instruments;
 or
  - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

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

#### Loans and Receivables

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

#### 5.1.1 Advances, Deposits and Other Assets

These comprise advances, deposits, prepayments, and other Assets. Details are as given below:

Particulars	(NRs.)	
	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Employee Loan/Advances	353,862	1,394,362
Advance tax on interest	34,810,758	35,775,560
Accrued Interest	4,596,986	6,606,296
Andritz Hydro	-	115,608,392
Guangxi Hydroelectric Construction Bureau	-	31,746,369
Urja AC JV	2,008,637	4,341,906
Other Advances	15,973,058	7,920,995
<b>Total</b>	<b>57,743,302</b>	<b>203,393,880</b>



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The cumulative effect of foreign exchange gain incurred on settlement of mobilization advance in dollar against the Dollar Portion of Running Bills of Guangxi Hydroelectric Construction Bureau for up to FY 2078/79 has been given (in this year) amounting of NRs.126,799,952. This amount has been deducted from CWIP (Main Works) while preparing the financial statement.

However, effect of foreign exchange gain incurred on settlement of mobilization advance in dollar against the Running Bills of Andritz Hydro Pvt. Ltd. for up to FY 2079/80 has not been given till now.

Particulars	(NRs.)	
	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Deposits	11,775,939	15,769,850
District Administration Office, Sindhupalchowk	977,277	977,277
Others	-	-
<b>Total</b>	<b>12,753,216</b>	<b>16,747,127</b>

#### Tax Deposits and Advance Tax

There is an advance tax deposits of NRs. 31 lakhs by the company for the year.

Details of advance tax is as follows:

Particulars	(NRs.)	
	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Advance Tax	34,810,758	35,775,560
<b>Total</b>	<b>34,810,758</b>	<b>35,775,560</b>

#### Impairment of Advances, deposits and other receivables

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

#### 5.1.2 Cash and Cash Equivalent

Cash and cash equivalents include deposits account balances maintained with banks and financial institutions. These enable the Company to meet its short-term liquidity requirements.

The carrying amount of cash and cash equivalents approximates their fair value. They are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

These balances have been used as Cash and Cash Equivalents for the presentation of Statement of Cash Flows as well.



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Banks and financial institution in Nepal are closely regulated by the Nepal Rastra Bank. The Company closely assesses the risks of these instruments and there is no apparent indication of impairment of these balances.

The Company discourages the use and holding of cash balances therefore there are no cash balances as on the reporting dates.

**The details of Cash and Cash Equivalents are given below:**

(NRs.)

Particulars	31.03.2080	32.03.2079
	(16.07.2023)	(16.07.2022)
Everest Bank Ltd.	3,148,046	92,911,860
Nepal Investment Mega Bank Ltd.	23,599,560	1,208,479
Himalayan Bank Ltd.	12,158,529	5,588,633
Siddhartha Bank Ltd.	16,135,633	5,709,001
Sanima Bank Ltd.	464,912	50,338,863
<b>Total</b>	<b>55,506,680</b>	<b>155,756,837</b>

### 5.1.3 Risk Associated with Financial Assets

The Company closely monitors the risks associated with the Financial Assets. The Company has an enterprise risk management system commensurate with the nature and the size of the business, which the management considers sufficient to identify, manage and monitor risks.

### 5.2 Financial Instruments: Financial Liabilities

A financial liability is any liability that is:

a) Contractual Obligation:

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

b) A contract that will or may be settled in the entity's own 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 under NFRS 9 are to be classified as Fair Value through Profit or Loss (FVTPL) and those held at Amortised Cost.



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## 7. Retained Earnings

The details of retained earnings is as given below:  
(NRs.)

Particulars	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Opening Balance	(346,748,776)	(287,227,447)
Adjustments for NFRS	-	-
Opening Balance (Restated)	(346,748,776)	(287,227,447)
Net Profit after tax	(46,600,619)	(43,587,660)
Share Issue Expenses	-	(15,933,668)
Closing Balance	(393,349,395)	(346,748,776)

Share Issues Expenses occurred in FY 2077/78 and FY 2078/79 has been adjusted with equity (Retained Earning) as per NFRS requirements.

## 8. Employee Benefits

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

### 8.1 Current Employee Benefits

Current period Employee benefit costs are as follows:

(NRs.)

Particulars	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Salary	8,774,992	7,334,316
Wages	3,000	-
Allowances and Benefits	13,949,404	7,943,787
Contribution to Social security Fund	1,232,989	1,027,537
Overtime Allowance	1,320,657	1,124,618
Provident Fund	261,005	176,996
Gratuity	69,906	56,484
Leave Encashment	841,406	610,384
Employee Insurance	39,712	128,351
Medical Benefits	698,763	541,021
Total	27,191,834	18,943,494

### 8.2 Post-Employment Benefits

Three permanent employees of NEA has been deputed to the company and post-employment benefit will not be incurred by the Company. Provident fund will be contributed for employee on contract basis.



### 8.3 Others

Staff Loan Facilities: The Company does not provide loans to its staffs.

## 9. Income Tax

The company has adopted the policy of accounting and reporting tax related elements of Financial Statements in accordance with NAS 12 and it represents current tax and deferred tax for the year.

### 9.1 Current Tax

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

The Company is still in the phase of construction because of which it has no obligation for current tax. The company has been granted 100% tax holiday for 10 years and 50% tax holiday for subsequent 5 years by the tax authorities under Income Tax Act, 2058. However, the company has provided for income tax liability pertaining to other incomes except electricity income in accordance with the Income Tax Act, 2058 enacted and as applicable in Nepal. So, Income earned from fixed deposits on BFLs shall be taxable. Based on these tax regulations, the company has allocated NRs. 7,822,760/- as a provision for income tax for this year. Additionally, on review of the financials from the previous years company has paid the income tax amounting to NRs. 19,778,151/- on income earned from fixed deposits for previous years and the same is reflected as prior years' tax on the statement of profit or Loss.

### 9.2 Deferred Tax

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

- a. Temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in computation of taxable profit,
- b. Unused tax losses and/or
- c. Unused tax credits. Currently, The Company has not recognized deferred tax due to its accumulated loss and the project is still in construction phase.

## 10. Long Term Loan

MBJCL has obtained long term loan for project construction from Employees Provident Fund (EPF) against corporate guarantee of CHCL & NEA.

NFRS 9 requires loans to be measured and recognised at amortised cost using Effective Interest Rate. Due to the uncertainty of administrative charges related to loan and also the timing of the arisen of the charges, also no immediate repayment obligation is due, discounting of long term loan is not done and hence recognized at face value and administrative charges are written off to profit and loss account.



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Amount owed by the Company to the EPF in relation to the loan is as follows: (NRs.)

Particulars	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Employee Provident Fund-Project Loan	9,717,783,949	6,247,558,723
Employee Provident Fund-Bridgегap Loan	1,287,855,349	
Interest payable on loan		1,547,728,601
<b>Total</b>	<b>11,005,639,298</b>	<b>7,795,287,324</b>

### 11. Provisions

When the Company has a present obligation (legal or constructive) as a result of a past event, provisions are recognized only if it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Provision upto 2079/080 is as follows: (NRs.)

Particulars	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Employee Leave Provision	3,185,555	2,646,614
<b>Total</b>	<b>3,185,555</b>	<b>2,646,614</b>

### 12. Revenue from Sale of Electricity

The Company is still in construction phase and, therefore, commercial transaction has not been started. Therefore, the Company has no any revenue from Sale of Electricity.

### 13. Administrative Expenses (Excluding Employee Benefit Expenses)

Particulars	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Other Services	783,648	938,234
Water & Electricity	222,544	193,399
Fuel	1,623,409	1,456,832
Consultancy Service	-	-
Other Repairs	238,338	159,834
Mobile & Lubricants	108,514	91,921



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Repair - Vehicles	1,433,503	865,954
Repairs - Civil	-	200,207
Insurance	44,328	160,634
License Fee	374,786	486,400
Postage and Courier	1,500	4,510
Telephone	243,492	241,311
Corporate Development Expense	8,466,136	99,800
Training	168,185	60,000
Legal Expenses	542,800	744,218
Printing and Stationery	305,466	208,899
Magazine & Newspaper	22,575	42,701
Advertisement	530,162	395,038
Annual Functions and Workshop	1,143,134	13,000
Guest Entertainment	635,281	299,815
Other Expenses	206,533	239,236
Meeting Allowance	2,705,500	2,126,000
Meeting Management Expense	685,889	1,072,304
Travel	48,629	36,450
Bank Charges & Commission	7,398	10,382
Director Allowance	1,817,500	1,912,000
Audit Fee	472,440	496,070
Audit Expense	233,579	128,165
House Rent	2,236,560	2,172,720
Financial Assistance, Donation and Prizes	144,000	164,500
Regulatory Renewal expenses	2,677,703	-
Other Site Expenses	41,600	579,135
<b>Total</b>	<b>28,165,130</b>	<b>15,578,779</b>

#### 14. Finance Income

Finance Income is comprised of the interest income received or receivable from bank(s) on temporary deposits.

(NRs.)

Particulars	31.03.2080 (16.07.2023)
Interest Income on FD	31,291,041
Interest Income on Call	5,745,330
<b>Total</b>	<b>37,036,371</b>

Company has transferred the finance income of Rs. 37,036,371 in the profit and loss account during the year whereas it was offset with interest expenses and transferred to capital work in progress in the previous year i.e. FY 2078/79. Company has treated the Interest Income of FD of Rs. 31,291,041 as separate income and has paid 25% income tax thereon in during the year.



### 15. Other Income

Other income comprises sale of tender form and other miscellaneous income. The details of other income are presented as below:

(NRs.)

Particulars	31.03.2080 (16.07.2023)	32.03.2079 (16.07.2022)
Other Income	11,300	104,632
Total	<b>11,300</b>	<b>104,632</b>

### 16. Finance Charge

Finance charge comprises the interest component of retention money measured at amortised cost. Retention money payable in the future was discounted and recorded at amortised cost and annual interest cost is expensed off to income statement.

Finance charge has been calculated considering the repayment of security deposit shall be made from the FY 2082/83. i.e. 2 years after the completion of project completion date. The management has considered the project to be completed by March 2024.

Finance charges details is as follows:

(NRs.)

Particulars	32.03.2079 (16.07.2022)
Finance Charge for Retention Deposit	8,462,919
Total	<b>8,462,919</b>

### 17. Earnings Per Share (EPS)

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

### 18. Related Parties

The Company identifies the following as its related parties:

#### 18.1 Parent

Chilime Hydropower Company Limited (CHCL) controls the Company through majority control in its Board of Directors.

Loan amount of NRs.17 crore from CHCL was taken and repaid with interest during the FY2079/080. Other than this, no any transactions took place with the parent company during the year. Corporate Guarantee against the loan agreement with EPF has been provided by CHCL & NEA. Two employees has been deputed from CHCL on request of the company during the FY 2079/080. Similarly, one employee has been provided by Chilime Engineering and Services Co. Ltd. (ChesCo.) under consultancy agreement.





Three permanent employees of NEA have been deputed to the company, and the remuneration and other benefits are provided by the company as per company's rule. Additionally, the company is paying overhead charges to NEA for these staffs based on the basic salary.

### 18.2 Directors and their Relatives

The Company has provision of 11-membered Board of Directors, out of which 5 members are nominated from Promoter Companies, four are elected from general public including one female member. The position of two independent members is still not fulfilled and company is seeking for suitable candidates.

Except for the following transactions, the Company has not conducted any other transaction with directors or their relatives during the financial year 2079/080 (2022/023).

**Transaction with BoD of the Company for the year 2079/80 is as follows:**

(NRs.)

S.N	Name of BoD	Role/Position	Meeting Allowance (NRs.)	Other Compensation (NRs.)	Balance at Year end	Remarks
1	Mr. Hara Raj Neupane	BoD Chairman	15,000	7,500	22,500	Upto 2079/07/05
2	Mr. Subhash Kumar Mishra	BoD Member/Chairman	199,000	30,000	229,000	Chairman from 2079/07/06
3	Mr. Tulasi Ram Dhakal	BoD Member	283,000	30,000	313,000	
4	Mr. Shree Ram Raj Pandey	BoD Member	246,000	30,000	276,000	
5	Mr. Narayan Prasad Acharya	BoD Member	389,000	30,000	419,000	
6	Mr. Govinda Prasad Parajuli	BoD Member	148,000	15,000	163,000	From 2079/10/02
7	Mr. Dhurba Bhattarai	BoD Member	338,000	30,000	368,000	Upto 2080/03/20
8	Mr. Ram Kumar Thebe	BoD Member	5,000	-	5,000	Elected from 2080/03/20
9	Mr. Bhuminda Aryal	BoD Member	5,000	-	5,000	Elected from 2080/03/20
10	Ms. Rama Khadka	Bod Member	5,000	-	5,000	Elected from 2080/03/20
11	Mr. Subas Karmacharya	BoD Member	61,000	15,000	76,000	Upto Magh 1, 2079

### 18.3 Key Management Personnel and Their Relatives

The company has not conducted any transaction (other than payment of employee benefits) with the Key Management Personnel or their relatives during the year.



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**Key Management Personnel compensation comprised the following:**

S.N.	Name	Position	Salary, Allowance & Other Benefits Paid (NRs.)	Balance at Year end	Remarks
1	Mr. Ram Gopal Shiwakoti	CEO	3,593,818.99	-	
2.	Mr. Bijay Lal Shrestha	Technical Manager	29,40,517.50		
3.	Mr. Suryanath Bhurtyal	Project Manager	2,614,403.60	-	
4.	Mr. Ram Prasad Silwal	C. Contract & Planning Officer	2,336,151.00		
5.	Mr. Tika Datta Dhakal*	Chief Finance Officer	3,99,976.80		

\*Deputed from NEA and working in MBJCL from 2080/01/13

**18.4 Employee Retirement Benefit Plans**

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

**18.5 Operating Segment**

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

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

**19. Interim Reports**

Interim reports have been publicly reported in accordance with the requirement of Securities Board of Nepal (SEBON) and Nepal Stock Exchange Ltd. (NEPSE). These requirements are materially aligned with the requirements of NAS 34.



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## 20. Contingent Liabilities and Commitments

### 20.1 Contingent Liabilities

A contingent liability is identified as follows:

- (a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) A present obligation that arises from past events but is not recognised because:
- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

The Company discloses contingent liabilities unless the possibility of an outflow of resources embodying economic benefits is remote. Followings are the details of contingent liabilities which has the possibility of outflow of resources:

#### 20.1.1 Contingent Liability due to extension in Commercial Date of Operation (COD):

As per section 10 of Power Purchase Agreement (PPA) entered into between the Company and NEA, if the Company could not supply the agreed power to NEA, it will be penalised as per said section. The amended Required Commercial date of Operation (RCoD) approved by Electricity Regulatory Commission (ERC) is 2080/08/14 and further extension of this date is under process.

#### 20.1.2 Contingent Liability due to irrevocable capital commitments:

The company has been allocating an annual amount of Rs.30,35,000/- for five local project affected VDCs (*now Wards as per Local Constituency*), which also includes support for teacher salaries in one school of each ward.

#### 20.1.3 Contingent Liability due to irrevocable Agreements:

The Company has entered into agreement with Tractebel Engineering GmbH (TE), Andritz Hydro Pvt. Ltd. (AHPL), China Engineering Energy Group Guangxi Hydroelectric Construction Bureau (CEEC GHCB) etc. for consulting, electromechanical work and civil & hydromechanical construction work respectively. The details of such contingent liabilities are as follows:

S u	Particulars	Agreement Amount		Paid till date		Remaining to be paid	
		Foreign Currency Portion	NRs. Portion	Foreign Currency Portion	NRs. Portion	Foreign Currency Portion	NRs. Portion
1	Lot -1, Civil & Hydromechanical Works, (CEECGHCB)	USD 62,091,674.14	2,579,407,978.00	USD 54,335,916.76	2,161,964,592.90	USD 7,755,757.38	417,443,385.10
2	Lot-2, Electromechanical Works, (AHPL)	USD 20,461,253.67	407,044,417.87	USD 17,459,234.15	82,963,348.02	USD 3,002,091.52	3,24,081,069.85
3	Consulting Services, (TE)	USD 8,296,409.99	297,739,631.12	USD 7,048,770.16	279,291,347.09	USD 1,247,639.83	18,448,284.03
4	Transmission Line Works, (Urja AC JV)	USD 64,407.70 INR 13,524,223.20	123,482,811.83	USD 42,966 INR 11,873,224	48,860,213.75	USD 21,441.70 INR 1,650,999.20	74,622,598.08

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