

Independent Auditor's Report

For the FY 2081.82

To the Shareholders

Daramkhola Hydro Energy Limited

KMC-11, Kathamandu, Nepal

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of M/s. **Daramkhola Hydro Energy Limited.**, which comprise the Statement of Financial Position as at 32nd Aasadh, 2082 (16th July 2025), and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and Explanatory Notes, including Company Overview and Significant Accounting Policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements read together with Explanatory Notes give a true and fair view of the Financial Position of the company as at 32nd Aasadh, 2082 (16th July 2025), of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

Basis for Opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the financial statements of the financial year ended on 32nd Aasadh, 2082 (16th July 2025). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. Our assessed key audit matters and how we addressed them are outlined below to our role as an independent auditor of financial statements of the company.



Key Audit Matter	How our audit addressed the key audit matter
The title (Ownership) of the land is registered in the name of individuals other than the company. Consequently, the amount has been recorded as 'Land Advance' in the financial statements.	We discussed the matter of land advance and ownership with management and those charged with governance. Due to the ownership ceiling (Hakbandi) of 75 Ropani applicable to the company, the title transfer has not yet occurred. However, management has indicated that the land will ultimately be transferred to the company. Accordingly, the amount has been presented as 'Land Advance' in the financial statements Our audit procedures to address this matter included, but were not limited to, the following: • Reviewing legal agreements, supporting documents, and correspondences to assess the company's rights over the land. • Verifying payments made and reconciling them with the advance balance disclosed in the financial statements. • Engaging with management and, where applicable, external legal counsel to evaluate the steps taken by the company to transfer the title to its name. • Site inspection to confirm whether the land is used by the company and same has been confirmed by the management. Based on the procedures performed, we have concluded that the company's payment for the land qualifies as a land advance, and the related disclosures in the financial statements are appropriate.

Other information

Management is responsible for the other information. The other information comprises all information in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not 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 with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we found that there is a material misstatement of information; we are required to report that fact. We have nothing to report on in this regard.

Emphasis of Matter

We draw attention to Note 6.8 of the financial statements, which describes advances provided to various contractors, petty contractors, and other parties for project-related work and development of the project. These advances are not secured by any form of guarantee or collateral. The absence of security for these advances could potentially expose the company to certain risks if the contractors or parties fail to meet their obligations.

We also draw attention to Note 6.30 of the accompanying financial statements, which describes a contingent liability arising from an ongoing dispute with Ramechhap Sherpa Construction Private Limited, currently subject to arbitration. As the matter is still in progress and the likelihood of an outflow of economic benefits is assessed as remote, no provision has been recognized in the financial statements.

Further, we draw attention to Note 6.34 to the accompanying financial statements, which indicates that the Company commenced its commercial operations on 23rd Kartik 2082.

We further draw attention to Note 6.32 and Note 6.34 to the accompanying financial statements, which describe the Company's plan to undertake an Initial Public Offering (IPO). As disclosed, Daram Khola Hydro Energy Limited



(DHEL) has issued and listed 10,305,000 ordinary shares with a par value of NPR 100 each, aggregating to an issued and paid-up capital of NPR 1,030,500,000. These shares have been registered in accordance with the Company Listing Regulation, 2075, and are eligible for trading in the Regular Segment of the Nepal Stock Exchange effective from 16th Kartik 2082.

Our opinion is not modified in respect of these matters.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Pradeep Kumar
Pradeep Kumar
Kathmandu
Chartered Accountants & Associates

Report on Other Legal and Regulatory Requirements

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

- 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 company has kept proper books of account as required by law so far, as appears from our examinations of those books.
- The Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows have been prepared in compliance with the Nepal Financial Reporting Standards (NFRSs) and are in agreement with the books of accounts maintained by the company.
- The Statement of Financial Position, the Statements of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows read together with notes to account give information required by the Companies Act, 2063 in the manner so required and give a true and fair view:
 - i. In case of Statement of Financial Position, of the state of affairs of the company as at 32nd Aasadh, 2082; and
 - ii. In case of Statement of Profit or Loss and Other Comprehensive Income, of the results of operation of the company for the year ended on 32nd Aasadh, 2082; and
 - iii. In case of Statement of Cash Flows, of the cash inflow and outflow of the company for the year ended on 32nd Aasadh, 2082
- Neither have we come across any information about the misappropriation of the fund by the directors or any of the representatives of the company's staff during the course of our audit nor have we received any such information from the management.
- No accounting fraud has been observed during the course of our audit.
- As per examination, we have observed following non-compliance with other legal and regulatory requirements:
 - i) With reference to Note No. 6.21 of the Explanatory Notes, the company has not made provision for any liabilities relating to the employee benefits in accordance with Labor Act 2074 and neither has it been registered with Social Security Fund as per the provision of Contribution based Social Security Act, 2074.

CA Saket Acharya
Principal



Saket Acharya & Associates
Chartered Accountants
COP No: 1182
UDIN: 260408CA01734BX6pz

Date: 2082-12-25

Place: Kathmandu, Nepal

Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Statement of Financial Position
As on 32nd Aasadh, 2082 (16th July, 2025)

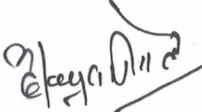
Figures in NPR

Particulars	Notes	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
ASSETS			
Non- Current Assets			
Property, Plant and Equipment	6.1	1,48,304	1,97,738
Intangible Assets	6.2	-	-
Intangible Assets under Development	6.3	2,72,22,54,900	2,46,44,94,143
Financial Assets			
Other Non Current Assets	6.4	-	12,35,698
		<u>2,72,24,03,204</u>	<u>2,46,59,27,579</u>
Current Assets			
Financial Assets			
Cash and Cash Equivalents	6.5	16,71,082	8,26,481
Margin and Deposits	6.6	66,10,000	41,53,000
Inventories	6.7	-	-
Other Current Assets	6.8	7,82,95,030	6,73,10,107
		<u>8,65,76,112</u>	<u>7,22,89,588</u>
Total Assets		<u>2,80,89,79,316</u>	<u>2,53,82,17,167</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	6.9	63,55,00,000	63,55,00,000
Reserve and Surplus	6.10	29,52,03,622	27,20,52,773
		<u>93,07,03,622</u>	<u>90,75,52,773</u>
Non Current Liabilities			
Financial Liabilities			
Long Term Loans and Borrowings	6.11	1,27,54,02,603	1,21,39,98,172
Other Non Current Liabilities	6.12	-	-
		<u>1,27,54,02,603</u>	<u>1,21,39,98,172</u>
Current Liabilities			
Financial Liabilities			
Short Term Loans and Borrowings	6.13	48,97,73,476	31,94,64,074
Trade and Retention Payables	6.14	6,81,41,745	7,93,33,533
Other Financial Liabilities	6.15	4,43,85,417	1,34,06,505
Duties and Taxes	6.16	5,72,453	44,62,110
Provision	6.17	-	-
		<u>60,28,73,091</u>	<u>41,66,66,222</u>
Total Equity and Liabilities		<u>2,80,89,79,316</u>	<u>2,53,82,17,167</u>

This is the Statement of Financial Position referred to our report.

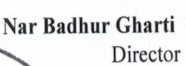
Company Overview and Significant Accounting Policies
Other Explanatory Notes


Parshuram Dhakal
Finance Manager


Madhav Prasad Kharel
Director


Ram Prasad Kandel
Director


Shaligram Sapkota
Director


Nar Badhur Gharti
Director


Gayatri Devi Sharma
Director


Hari Prasad Sapkota
Director


Indramani Sapkota
Director


Nar Bahadur Puri
Chairman


Saket Acharya
Principal

Saket Acharya & Associates
Chartered Accountants

Date: 19th Chaitra, 2082
Place: Kathmandu, Nepal



Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

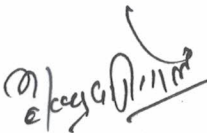
Statement of Profit or Loss and Other Comprehensive Income
For the Period from 1st Shrawan, 2081 to 32nd Aasadh, 2082 (16th July, 2024 to 16th July, 2025)

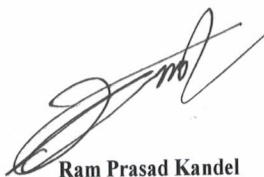
			Figures in NPR
Particulars	Notes	FY 2081-082	FY 2080-081
Revenue	6.18	3,00,56,908	6,21,90,955
Cost of Sales		-	-
Gross Profit / (Loss)		3,00,56,908	6,21,90,955
Add: Other Income	6.19	471	249
Total Income		3,00,57,379	6,21,91,204
Administrative Expenses	6.20	15,34,126	11,89,003
Employee Benefit Expenses	6.21	14,86,660	11,22,500
Depreciation Expenses	6.1	49,435	65,913
Amortization Expenses	6.2	-	6,882
Operating Profit / (Loss)		2,69,87,159	5,98,06,907
Finance Costs	6.22	-	-
Profit / (Loss) before Staff Bonus		2,69,87,159	5,98,06,907
Staff Bonus		-	-
Profit / (Loss) before tax		2,69,87,159	5,98,06,907
Income Tax Expenses of Current Year		-	-
Income Tax Expenses of Previous Years		-	-
Deferred Tax-Income (Expense)		-	-
Net profit / (Loss) for the year		2,69,87,159	5,98,06,907
Other Comprehensive Income			
Remeasurement of Employee Benefit Obligation		-	-
Remeasurement of Long Term Payable		-	-
Remeasurement of fair value of planned assets		-	-
Deferred tax Impact on Acturial (gain)/ loss		-	-
Revaluation of Property, Plant and Equipment		-	-
Revaluation of Intangible Assets		-	-
Other Comprehensive Income / (Loss) for the Year		2,69,87,159	5,98,06,907
Total Comprehensive Income		2,69,87,159	5,98,06,907

This is the Statement of Profit or Loss and Other Comprehensive Income referred to our report.

Company Overview and Significant Accounting Policies 1-5
Other Explanatory Notes 6


Parshuram Dhakal
Finance Manager


Madhav Prasad Kharel
Director


Ram Prasad Kandel
Director


Shaktikram Sapkota
Director

Nar Badhur Gharti
Director


Gayatri Devi Sharma
Director

Hari Prasad Sapkota
Director


Indramani Sapkota
Director


Nar Bahadur Pun
Chairman


Saket Acharya
Principal
Chartered Accountants



Date: 19th Chaitra, 2082
Place: Kathmandu



Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Statement of Cash Flows

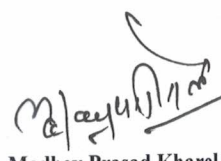
For the Period from 1st Shrawan, 2081 to 32nd Aasadh, 2082 (16th July, 2024 to 16th July, 2025)

	Figures in NPR	
Particulars	FY 2081-082	FY 2080-081
A. Operating Activities		
Net Profit After Tax	2,69,87,159	5,98,06,906
Adjustments:		
Add: Profit as per IFRIC -12	(3,00,56,908)	(6,21,90,955)
Add: Depreciation and Amortization Expenses	49,435	72,795
Add: Finance Costs	-	-
Cash Flow Before Change in Working Capital	(30,20,315)	(23,11,254)
Change in Working Capital:		
Change in Current Assets	(1,34,41,923)	2,73,18,035
Change in Current Liabilities	18,62,06,869	23,08,04,439
Net Cash Flow from Operating Activities	16,97,44,631	25,58,11,220
B. Investing Activities		
Sale/(Purchase) of Property, Plant and Equipment	-	-
Sale/(Purchase) of Intangible Assets	-	-
Changes in Intangible Assets under Development	(22,77,03,849)	(47,11,43,597)
Changes in Non Current Assets	12,35,698	-
Net Cash Flow from Investing Activities	(22,64,68,151)	(47,11,43,597)
C. Financing Activities		
Changes in Share Capital	-	-
Changes in Advance for Share Capital	-	-
Changes in Long Term Loans and Borrowings	6,14,04,431	21,42,91,953
Share Issue Cost	(38,36,310)	(23,76,501)
Dividend Paid	-	-
Net Cash Flow from Financing Activities	5,75,68,121	21,19,15,452
Net Changes in Cash and Cash Equivalents (A+B+C)	8,44,601	(34,16,926)
Cash and Cash Equivalents at beginning of the year/period	8,26,481	42,43,406
Cash and Cash Equivalents at end of the year/period	16,71,082	8,26,481
Components of Cash and Cash Equivalents	16,71,082	8,26,481
Cash in hand	3,992	3,677
Balance with Banks	16,67,090	8,22,804

This is the Statement of Cash Flows referred to our report.

Company Overview and Significant Accounting Policies 1-5
Other Explanatory Notes 6


Parshuram Dhakal
Finance Manager


Madhav Prasad Kharel
Director


Ram Prasad Kandel
Director


Shalikram Sapkota
Director

Nar Badhur Gharti
Director

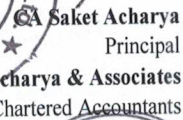

Gayatri Devi Sharma
Director

Hari Prasad Sapkota
Director


Indramani Sapkota
Director

Nar Bahadur Pun
Chairman




Saket Acharya
Principal
Chartered Accountants



Date: 19th Chaitra, 2082
Place: Kathmandu

Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Statement of Changes in Equity

For the Period from 1st Shrawan, 2081 to 32nd Aasadh, 2082 (16th July, 2024 to 16th July, 2025)

Figures in NPR

Particular	Share Capital	Share Advance	Accumulated Profit/ Loss	Total
Balance at the beginning of FY 2080-81	63,55,00,000		21,46,22,368	85,01,22,368
Issue of Share Capital	-	-	-	-
Net Advance for Share Capital received	-	-	-	-
Total Comprehensive Income for the Year	-	-	5,98,06,907	5,98,06,907
Share Issuance Cost			(23,76,501)	(23,76,501)
Balance at the end of the Year FY 2080-81	63,55,00,000	-	27,20,52,774	90,75,52,774
Balance at the beginning of FY 2081-82	63,55,00,000	-	27,20,52,774	90,75,52,774
Issue of Share Capital	-	-	-	-
Net Advance for Share Capital received	-	-	-	-
Total Comprehensive Income for the Year	-	-	2,69,87,159	2,69,87,159
Share Issuance Cost	-	-	(38,36,310)	(38,36,310)
Balance at the end of the Year FY 2081-82	63,55,00,000	-	29,52,03,622	93,07,03,622

This is the Statement of Changes in Equity referred to our report.

Company Overview and Significant Accounting Policies
Other Explanatory Notes

1-5

6


Parshuram Dhakal
Finance Manager


Madhav Prasad Kharel
Director


Ram Prasad Kandel
Director


Shalikram Sapkota
Director

Nar Badhur Gharti
Director


Gayatri Devi Sharma
Director

Hari Prasad Sapkota
Director


Indramani Sapkota
Director

Nar Bahadur Pun
Chairman




Saket Acharya
Principal
Saket Acharya & Associates
Chartered Accountants



Date: 19th Chaitra, 2082
Place: Kathmandu

DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming
part of Financial Statements for FY 2081/82

1. Company Overview

M/s Daramkhola Hydro Energy Limited (The "Company") is a company incorporated under Companies Act, 2063 having registered office at Righa-7, Baglung, Dhaulagiri, Nepal. The company was registered with the Income Tax Office on 24th Poush, 2072 with PAN 603804399 and was registered with the Office of Company Registrar with Registration no. 142811/072/073 on 5th Poush, 2072.

This company was established with an objective of developing hydropower in Nepal. The company's main line of business involves development of hydropower projects including detailed feasibility, construction and operation and transmission and distribution of hydro energy. The company is currently engaged in developing Daramkhola Hydropower Project. The energy generation capacity of the project plant is 9.6 MW. The company is in the construction phase and commercial operation of the company has not started as on 32nd Aasadh, 2082.

2. Basis of Preparation and Measurement

2.1. Statement of Compliance:

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board, Nepal which are generally in compliance with the International Financial Reporting Standards as issued and applicable, except mentioned hereinafter. NFRS also includes interpretations (IFRIC and SIC) as issued by the International Accounting Standards Board.

The Financial Statements have also been prepared in accordance with the Companies Act, 2063 (revised 2074) of Nepal.

The financial statements include Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Explanatory Notes forming the part of Financial Statements.

2.2. Basis of Preparation:

The financial statements have been prepared on an accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements.

2.3. Responsibility of Financial Statements:

The Board of Directors of the Company is responsible for the preparation and presentation of the Company's financial statements and for the estimates and judgments used in them.

2.4. Presentation:

Presentation Currency

The financial statements are prepared in Nepalese Rupees (NPR), which is the functional currency. All financial information presented in Nepalese Rupees has been rounded to the nearest rupee except otherwise indicated.

Rearrangement / Reclassification and Remeasurement

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

Statement of Financial Position

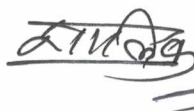
The elements of Statement of Financial Position (SoFP) other than equity (Assets and Liabilities, where applicable) are bifurcated in Current and Non-Current based on their respective maturity as well as the company's normal operating cycle.

Statement of Profit or Loss and Other Comprehensive Income

The elements of Statement of Profit or Loss (SoPL) and Other Comprehensive Income (OCI) has been prepared using classification 'by function' method. The details of revenue, expenses, gain and/or losses have been disclosed in the relevant section.



Indrmani



DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming
part of Financial Statements for FY 2081/82

Statement of Cash Flows

The Statement of Cash Flows (SoCF) has been prepared using indirect method and the activities have 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 Statement of Changes in Equity (SoCE) has been prepared disclosing changes in each element of equity.

2.5. Financial Period:

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

Relevant Financial Statements	Nepalese Calendar/Period	Gregorian Calendar Date / Period
Reporting Date	32 nd Aasadh, 2082	16 th July, 2025
Comparative Reporting Date	31 st Aasadh, 2081	15 th July, 2024
Reporting Period	1 st Shrawan, 2081 -32 nd Aasadh, 2082	16 th July, 2024-16 th July, 2025
Comparative Reporting Period	1 st Shrawan, 2080 -31 st Aasadh, 2081	17 th July, 2023-15 th July, 2024

2.6. Basis of Measurement:

These financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS and explained in the ensuing policies below.

2.7. IFRIC 12 Consideration:

IFRIC (International Financial Reporting Interpretation Committee) 12 gives guidance on accounting by operators for public-to-private service concession arrangements. This interpretation sets out general principles on recognizing and measuring obligations and related rights in service concession arrangements. The company has considered the applicability of IFRIC 12 Service Concession Arrangement, issued by International Accounting Standard Board (IASB) for preparation and presentation of financial statements. Daramkhola Hydro Energy Limited, after due consideration has applied IFRIC 12 while preparing these financial statements.

3. Use of Estimates, Assumptions or Judgments

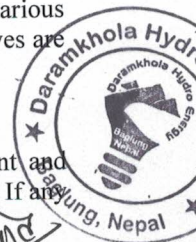
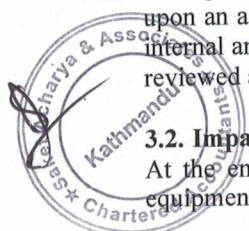
The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The company makes certain estimates and assumptions regarding future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods, except otherwise stated. Specific accounting estimates have been included in the relevant section of the note, wherever have been applied along with the nature and effect of the changes of accounting estimates, if any. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes: -

3.1. Useful life and residual value of Property, Plant and Equipment:

Management reviews the useful life of property, plant and equipment at least once a year. Such life is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the management.

3.2. Impairment of Property, Plant and Equipment:

At the end of each reporting period, the company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any



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DARAMKHOLA HYDRO ENERGY LIMITED

KMC-11, Kathmandu, Nepal

Company Overview, Significant Accounting Policies and Explanatory Notes forming part of Financial Statements for FY 2081/82

such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above-mentioned factors could impact the carrying value of assets.

Since, the hydropower plant is still in construction phase and all the expenditures which are directly attributable to acquisition, construction or production of the assets are shown as Intangible Assets under Development and hence test of impairment of asset is not done for those assets.

3.3. Contingencies:

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

3.4. Fair Value Measurements:

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

4. Significant Accounting Policies

The Significant accounting policies of the company are explained below:

4.1. Property, Plant and Equipment:

Recognition & Measurement

Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred. The company identifies and determines cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted, if appropriate.

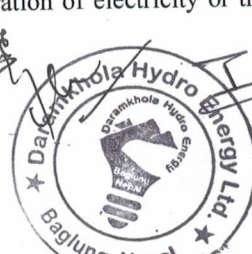
An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

Depreciation and Amortization

- Depreciation is recognized so as to write off the cost of assets (other than Freehold Land, Properties under Construction and Intangible assets) less their residual values over their useful lives, using the Written Down Value (WDV) method.
- Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on a Straight-Line basis.

Amortization is recognized so as to write off Intangible Assets other than Service Concession Agreement on a Straight-Line Method (SLM) over their estimated useful lives.

Project Assets (under Service Concession Arrangements) is amortized over the remaining life of agreement on a Straight-Line Method (SLM) from the date of generation of electricity or the date on which the plant is ready for put-to-use whichever is earlier.



DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming
part of Financial Statements for FY 2081/82

- The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis, except otherwise stated in the notes to accounts.

The estimated useful lives of the significant items of Property, Plant and Equipment and Intangible Assets are as follows:

S.N.	Assets Block	Estimated Useful Life	Depreciation Rate	Depreciation Method
1	Land	NA	NA	NA
2	Office Equipment	5-8 Years	25%	WDV
3	Furniture and Fixtures	5-8 Years	25%	WDV
4	Vehicles	10-15 Years	20%	WDV
5	Plant and Machinery	10-12 Years	15%	WDV
6	Intangible Assets	5 Years	20%	SLM

Only those items having values more than 5,000 per item are capitalized.

Restriction on PPE

The company has to transfer the entire generation unit to Government of Nepal under BOOT arrangement after expiry of period of generation license i.e. Magh 22, 2108 or 35 years from Commercial Operation Date (COD) whichever is earlier. Thus, the useful life of PPE has been modified accordingly.

4.2. Intangible Assets under Development (Project Assets under Construction):

The hydropower project is still in the construction phase and all the expenditures which are directly attributable to acquisition, construction or production of the assets are shown as Intangible Assets under Development. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimated cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized. Revenue generated from generations during the trial period is capitalized. Assets that are directly related to the project, the project being in progress, have been capitalized in Intangible Assets under Development.

Service Concession Arrangements

Under IFRIC 12 – Service Concession Arrangements applies to public-to-private service concession arrangements if:

- The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and
- The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement
- Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement or is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement? Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met. These arrangements are accounted for on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

4.3. Other Intangible Assets:

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Certain computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there for a period longer than one year. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal



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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming
part of Financial Statements for FY 2081/82

proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

4.4. Impairment of Tangible and Intangible Assets:

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and impairment loss is recognized whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit or Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Profit or Loss.

4.5. Borrowing Cost:

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are expenditure in the period in which they occur. Any investment income on the temporary investment of borrowed funds has been deducted from borrowing costs.

4.6. Cash and Cash Equivalents:

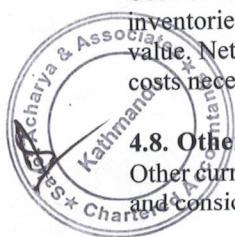
Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and demand deposits with an original maturity of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.7. Inventories:

Cost of inventories includes cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The inventories are measured at a lower cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less than the estimated costs necessary to make the sale.

4.8. Other Current Assets:

Other current assets include current assets other than inventory and cash and cash equivalents, which are unsecured and considered good, unless otherwise stated.



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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal

**Company Overview, Significant Accounting Policies and Explanatory Notes forming
part of Financial Statements for FY 2081/82**

4.9. Revenue Recognition:

4.9.1 Sales of Electricity:

Revenue is recognized to the extent that it is probable that economic benefit will flow to the company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates, charges and other similar allowances. Revenue is recognized when substantial risks and rewards for ownership are transferred to the buyer under the terms of the contract.

4.9.2 Finance Income:

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

4.9.3 Construction Revenue and Expenses as per IFRIC 12:

Under IFRIC 12 – Service Concession Arrangements applies to public-to-private service concession arrangements if:

- (a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and
- (b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement
- (c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement or is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement? Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met. These arrangements are accounted based on below mentioned models depending on the nature of consideration and relevant contract law.

Financial Asset Model

The Financial asset model is used when the Company, being an operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Unconditional contractual rights are established when the grantor contractually guarantees to pay the operator (a) specific or determinable amount; (b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

Intangible Asset Model

The intangible asset model is used to the extent that the Group, being an operator, receives a right (a license) to charge users of public service. The right to charge users of public services is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the services. Both type of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a Financial Asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset. The Company manages concession arrangements which include power supply from its two hydro power plants. The Company maintains and services the infrastructure during the concession period. These concession arrangements set out rights and obligations related to the infrastructure and the services to be provided. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied. Income from the concession arrangements earned under the intangible asset model consists of the

- (i) Fair Value of the contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and
- (ii) Payments actually received from the users.

The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the assets' economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession. Any asset carried under concession arrangements is de-recognized on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.



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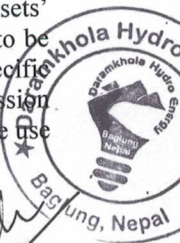
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DARAMKHOLA HYDRO ENERGY LIMITED

KMC-11, Kathmandu, Nepal

Company Overview, Significant Accounting Policies and Explanatory Notes forming part of Financial Statements for FY 2081/82

Revenue and cost related to the construction are accounted in accordance with IFRIC 12. The cost of each activity related to acquisition, construction and production of assets are recognized as construction expenses by reference to the stage of completion of that activity. Construction revenue, as the fair value of amount due from the guarantor for the activity undertaken, is recognized at the same time. The fair value is calculated based on an IRR of 13.20%.

An amount to the extent of Net Construction Revenue in accordance with IFRIC 12 is recognized as addition to Intangible Assets under Construction.

4.10. Foreign Currency Transactions:

The functional currency of the company is determined based on the primary economic environment in which it operates. The functional currency of the Company is Nepalese Rupee (NPR).

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. The effect from fluctuation of exchange rate raised while initially recognizing the transaction as per contract on the base rate mentioned in the contract and settling the transactions at the settlement date has been recognized in Intangible Assets under construction. Foreign exchange gain/loss occurring from other activity has been charged to Statement of Profit or Loss.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

4.11. Employment Benefits:

A liability is recognized for benefits accruing to employees in respect of wages and salaries, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service

Short Term Employee Benefits:

- i. A liability is recognized for benefits accruing to employees in respect of wages and salaries, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.
- ii. Liabilities recognized in respect of short-term employees and contractual employees; benefits are measured at the undiscounted amount of benefits expected to be paid in exchange for the related service.

Staff Bonus:

Provision for employee bonus is provided as per the provisions of the Electricity Act and Rules 2049 (at the rate of 2% of the amount of Net profit). Provision is created as per annual profit and paid in the subsequent period as per the provisions of Bonus Act, 2030. Unspent amounts are transferred to Welfare Funds as per the provisions of Bonus Act, 2030.

As the company is in the construction phase and no profits have been earned by the company, provision for a bonus has not been provided.

4.12. Income tax:

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the statement of financial performance except to the extent that it relates to items recognized directly to equity.

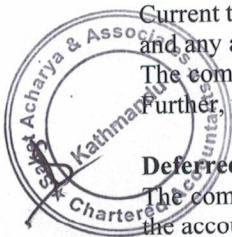
Current Tax:

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

The commercial operation of the company has not been started hence no tax liability has arisen to the company. Further, the company is entitled to Tax holiday of 10 years from commencement of commercial operation.

Deferred Tax:

The company is in the construction phase and after completion it will get a tax holiday for 10 years. Therefore, the accounting of deferred tax assets or liabilities has not been started yet.



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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming
part of Financial Statements for FY 2081/82

4.13. Earnings per share:

- I. Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).
- II. Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares decreases the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted at the beginning of the period, unless they have been issued at a later date. Diluted EPS has not been calculated as no potential equity exists on the reporting period.

4.14. Provisions, Contingencies and Commitments:

A provision is recognized 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. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

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

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

4.15. Investment Property:

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the supply of services or for administrative purpose.

4.16. Financial Instruments:

Recognition and Measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognized in the statement of profit and loss.

Effective Interest Rate Method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income/ expense arising on financial instruments after applying an effective interest rate is recognized in the Statement of Profit and Loss and is included in the "Other finance income" or "Other finance cost" line item. Where interest component is present in the financial instruments, the implicit interest rate approximates the effective interest rate.

4.17. Financial Assets:

Financial Assets at Amortized Cost



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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming
part of Financial Statements for FY 2081/82

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

Financial Assets measured at Fair Value

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company in respect of equity investments (other than in subsidiaries, associates and joint ventures) which are not held for trading has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such equity instruments. Such an election is made by the Company on an instrument-by-instrument basis at the time of initial recognition of such equity investments.

Financial assets not measured at amortized cost or at fair value through other comprehensive income are carried at fair value through the statement of profit or loss. For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the shorter maturity of these instruments.

Impairment of Financial Assets

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

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

De-recognition of Financial Assets

The Company de-recognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under NFRS 9. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the assets and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On de-recognition of a financial asset in its entirety, the differences between the carrying amounts measured at the date of de-recognition and the consideration received is recognized in the statement of profit or loss.

4.18. Financial Liabilities and Equity:

Classification as debt or equity

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

Equity Instruments

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

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in the statement of profit and loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.



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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming
part of Financial Statements for FY 2081/82

Financial Guarantee Contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

De-recognition of Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

4.19. Leases:

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

NFRS 16-Lease is effective for annual periods beginning on or after 1 Shrawan, 2078. The new standard removes the distinction between operating or finance lease for lessee accounting, resulting in all leases being treated as finance leases. A lessee is required to recognize a right-of-use (ROU) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The standard permits a lessee to choose either a full retrospective or modified retrospective transition approach.

The company recognizes a right-of-use asset and a lease liability for the remaining period of lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The cost of borrowing of company till the date of signing any lease contract has been considered as its incremental borrowing rate.

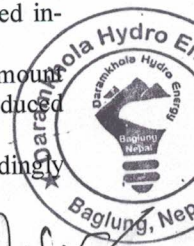
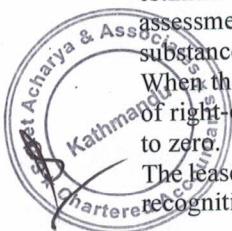
Lease payments included in the measurement of the lease liability comprises the following:

- Fixed payment, including in-substance fixed payments, less any lease incentives receivable.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable under a residual value guarantee and
- The exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using an effective interest method. It is re-measured when there is change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of right-of-use asset or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The lease period for the office is less than one year; hence the lease is classified as short-term lease and accordingly recognition exemption as per NFRS 16 has been applied.



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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming
part of Financial Statements for FY 2081/82

4.20. Segment Reporting:

The company is engaged in only one business activity of "Generation and Sale of Electricity". Thus, separate segment information is not provided as per NFRS 8 "Operating Segments".

5. Composition of Board of Directors

The company's Board of Directors plays a primary role in ensuring good governance and function of the company. All statutory and other significant and material information is placed before the board to enable it to discharge its responsibility of strategic supervision of the company and decision making as trustees of the shareholder.

The composition of Board of Directors of the company as on reporting date as follows:

S.N.	Name	Designation	Share Qty	Percentage
1	Nar Bahadur Pun	Chairman	10,000,000	1.57%
2	Indramani Sapkota	Director	40,500,000	6.37%
3	Madhav Prasad Kharel	Director	24,500,000	3.86%
4	Ram Prasad Kandel	Director	22,800,000	3.59%
5	Hari Prasad Sapkota	Director	21,500,000	3.38%
6	Bhabadatta Subedi	Director	10,000,000	1.57%
7	Nar Badhur Gharti	Director	9,944,000	1.56%
8	Salik Ram Sapkota	Director	1,000,000	0.16%
9	Gayatri Devi Sharma	Female Director	100,000	0.02%
10	Tara Prasad Sapkota	Independent Director	-	-
11	Amrita Pant	Independent Director	-	-

[Handwritten signatures of board members: Nar Bahadur Pun, Indramani Sapkota, Madhav Prasad Kharel, Ram Prasad Kandel, Hari Prasad Sapkota, Bhabadatta Subedi, Nar Badhur Gharti, Salik Ram Sapkota, Gayatri Devi Sharma, Tara Prasad Sapkota, Amrita Pant]



Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

Note 6.1

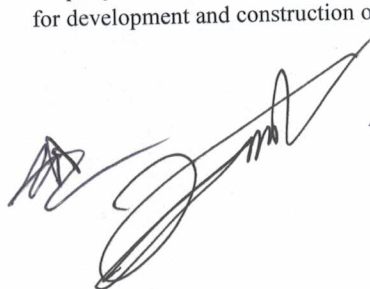
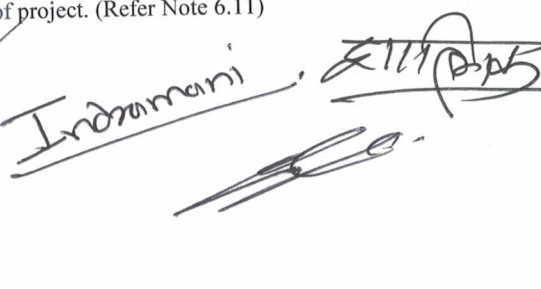
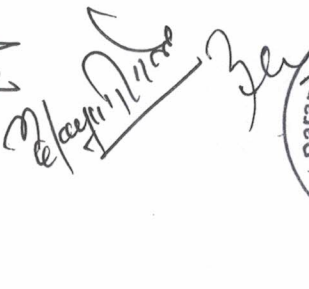
Property, Plant and Equipment

Particulars

	Furniture and Fixtures	Office Equipment and Accessories	Total
Cost			
Balance at 1st Shrawan, 2080	165,184	492,459	657,643
Additions during FY 2080-81	-	-	-
Disposal	-	-	-
Balance at Aasadh end, 2081	165,184	492,459	657,643
Balance at 1st Shrawan, 2081	165,184	492,459	657,643
Additions during FY 2081-82	-	-	-
Disposal	-	-	-
Balance at Aasadh end, 2082	165,184	492,459	657,643
Depreciation			
Balance at 1st Shrawan, 2080	107,540	286,453	393,993
Depreciation for the year	14,411	51,502	65,913
Charged to Reserve	-	-	-
Balance at Aasadh end, 2081	121,951	337,955	459,905
Balance at 1st Shrawan, 2081	121,951	337,955	459,905
Depreciation for the year	10,808	38,626	49,435
Charged to Reserve	-	-	-
Balance at Aasadh end, 2082	132,759	376,581	509,340
Carrying Amounts			
As at Aasadh end, 2081	43,233	154,505	197,738
As at Aasadh end, 2082	32,425	115,879	148,304

Only the assets used at the Daramkhola Hydro Energy Limited Kathmandu office are shown as Property, Plant and Equipment. All other assets related to the project and all the expenditure (capital & revenue nature) which are directly attributable to acquisition and construction of the assets are capitalized and shown as Intangible Assets under Development.

Property, Plant and Equipment given as security against loan obtained from Nepal Infrastructure Bank Limited and NIC Asia Bank Limited for development and construction of project. (Refer Note 6.11)




Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

Note 6.2

Intangible Assets			
Particulars	Tally Software	Project Assets	Total
Cost			
Balance at 1st Shrawan, 2080	34,409	-	34,409
Additions during FY 2080-81	-	-	-
Disposal	-	-	-
Balance at Aasadh end, 2081	34,409	-	34,409
Balance at 1st Shrawan, 2081	34,409	-	34,409
Additions during FY 2081-82	-	-	-
Disposal	-	-	-
Balance at Aasadh end, 2082	34,409	-	34,409
Amortization			
Balance at 1st Shrawan, 2080	27,527	-	27,527
Amortization for the year	6,882	-	6,882
Charged to Reserve	-	-	-
Balance at Aasadh end, 2081	34,409	-	34,409
Balance at 1st Shrawan, 2081	34,409	-	34,409
Depreciation for the year	-	-	-
Charged to Reserve	-	-	-
Balance at Aasadh end, 2082	34,409	-	34,409
Carrying Amounts			
As at Aasadh end, 2081	-	-	-
As at Aasadh end, 2082	-	-	-

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Indramani

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Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

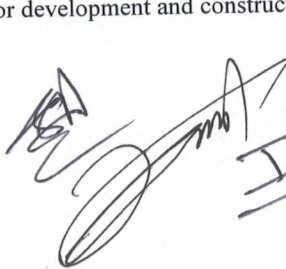
Note 6.3

Intangible Assets under Development

Particulars	Sub-Notes	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Pre-Operating Expenses	6.3A	64,563,039	-	64,563,039
Civil Construction Works	6.3B	809,468,337	16,517,505	792,950,832
Metal Works	6.3C	527,592,699	7,293,246	520,299,453
Plant and Machinery Cost	6.3D	257,905,017	24,994,732	232,910,285
Transmission Line and Switchyard	6.3E	15,071,982	1,149,357	13,922,625
Land Purchase and Development	6.3F	57,676,027	-	57,676,027
Site Office Building	6.3G	4,204,778	-	4,204,778
Office Equipment Cost	6.3H	427,800	-	427,800
Vehicle Cost	6.3I	4,534,468	-	4,534,468
Infrastructure Development Cost	6.3J	405,000	-	405,000
Environment/ Social Mitigation Cost	6.3K	27,170,087	48,400	27,121,687
Project Supervision Cost	6.3L	149,815,338	10,152,917	139,662,421
Insurance Cost	6.3M	17,883,727	5,643,006	12,240,721
Interest During Construction	6.3N	468,100,517	161,904,686	306,195,831
Add: Intangible Assets recognized as per IFRIC 12*		317,436,084	30,056,908	287,379,176
Total		2,722,254,900	257,760,757	2,464,494,143

*The company has been constructing Daramkhola Hydropower Project (9.60 MW). The cost of each activity related to acquisition and construction of assets are recognized as construction expenses by reference to the stage of completion of that activity. Construction Revenue and Intangible Assets are recognized as per IFRIC-12, as the fair value of amount due from the guarantor for the activity undertaken is recognized at the same time. The fair value is calculated based on IRR of the project i.e. 13.20%.

Property, Plant and Equipment given as security against loan obtained from Nepal Infrastructure Bank Limited and NIC Asia Bank Limited for development and construction of project. (Refer Note 6.11)


Indramani









Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

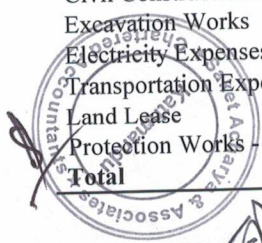
Sub-Note 6.3A : Pre-Operating Expenses

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Salary and Allowance	12,361,904	-	12,361,904
Labor	63,980	-	63,980
Food Expenses	392,225	-	392,225
Site Visit	212,890	-	212,890
Access Road	6,500,000	-	6,500,000
Consultancy Expenses	7,103,529	-	7,103,529
Design and Consultancy	1,130,000	-	1,130,000
General Expenses	2,500,000	-	2,500,000
ERT expenses	1,180,000	-	1,180,000
License	33,500,000	-	33,500,000
General Science	700,000	-	700,000
Grid Connection Agreement	100,000	-	100,000
PPA Fee	3,680,000	-	3,680,000
Less: Indirect Income*	(4,861,489)	-	(4,861,489)
Total	64,563,039	-	64,563,039

*Interest Income on Fixed Deposit held with bank for the purpose of Bank Guarantee and Letter of Credit (LC) is reduced from the cost of project as Pre-Operating Expenses.

Sub-Note 6.3B : Civil Construction Works

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
1st Civil Running Bill	62,539,222	-	62,539,222
2nd Civil Running Bill	52,478,387	-	52,478,387
3rd Civil Running Bill	52,853,908	-	52,853,908
4th Civil Running Bill	63,449,733	-	63,449,733
5th Civil Running Bill	35,851,855	-	35,851,855
6th Civil Running Bill	16,894,305	-	16,894,305
7th Civil Running Bill	21,854,825	-	21,854,825
8th Civil Running Bill	19,835,217	-	19,835,217
9th Civil Running Bill	29,242,905	-	29,242,905
10th Civil Running Bill	39,219,381	-	39,219,381
11th Civil Running Bill	31,728,939	-	31,728,939
12th Civil Running Bill	22,848,687	-	22,848,687
13th Civil Running Bill	44,923,120	-	44,923,120
14th Civil Running Bill	51,588,552	-	51,588,552
15th Civil Running Bill	29,097,713	-	29,097,713
16th Civil Running Bill	33,530,499	-	33,530,499
17th Civil Running Bill	23,740,708	-	23,740,708
18th Civil Running Bill	46,257,870	-	46,257,870
19th Civil Running Bill	32,017,352	-	32,017,352
Site Material Expenses	9,934,617	6,639,392	3,295,225
Civil Running Bill (Second Part)	24,612,201	-	24,612,201
Construction of Switchyard	10,133,728	4,461,167	5,672,561
Maintenance of Access Road	13,230,486	-	13,230,486
Ankar Block Maintenance	535,903	-	535,903
Power and Fuel Expense	2,220,965	2,220,965	-
Shotter Fabrication and Installation Expense	420,000	420,000	-
Power House Maintenance	192,370	-	192,370
Construction Material for Camp	2,933,374	-	2,933,374
Civil Construction Expenses	5,750,311	2,714,667	3,035,644
Excavation Works	1,702,361	55,500	1,646,861
Electricity Expenses	1,010,745	-	1,010,745
Transportation Expenses	178,559	5,814	172,745
Land Lease	56,400	-	56,400
Protection Works - Alignment and Headworks	26,603,139	-	26,603,139
Total	809,468,337	16,517,505	792,950,832



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Kathmandu, Nepal

Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

Sub-Note 6.3C : Metal Works

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Aerial Bunched Cable	643,309	-	643,309
Adapter Pipe	217,327	-	217,327
Bifurcation Works	2,500,708	-	2,500,708
Custom Duty 1% HM Works	3,741,834	-	3,741,834
Custom Service Charge HM Works	6,215	-	6,215
HDEP Sheet	1,353,058	-	1,353,058
Hydromechanical Expenses- Miscellaneous	9,718	-	9,718
Intake Gate Pannel	1,543,928	-	1,543,928
LC Charge HM	1,664,115	-	1,664,115
Electricity Expenses HM	3,431,047	1,075,951	2,355,096
M.S. SAW Pipe	374,173,498	-	374,173,498
Reducer Pipe with Thrust Ring	415,592	-	415,592
Fabrication and Erection of Pipes	67,113,404	6,702,045	60,411,359
Expansion Joint	2,466,536	-	2,466,536
Air Release Valve	1,525,500	-	1,525,500
Saddel Plate	4,924,358	-	4,924,358
Stiffner	772,531	-	772,531
Transportation Expenses - HM	22,461	-	22,461
Unloading Works	120,684	-	120,684
Fabrication and Erection	1,757,277	-	1,757,277
Erection of Headrace and Pipes	32,116,983	-	32,116,983
Expansion and Stiffner	5,875,108	-	5,875,108
Expansion and Accessories	13,336,826	-	13,336,826
Panel and Accessories	4,911,428	-	4,911,428
Surge Tank	1,004,373	-	1,004,373
Trashrack	2,429,631	-	2,429,631
High Voltage Insulation Tester	141,250	141,250	-
Less: Scrap Sales	(626,000)	(626,000)	-
Total	527,592,699	7,293,246	520,299,453

Sub-Note 6.3D : Plant and Machinery Cost

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
JCB Machine	8,387,945	-	8,387,945
Survey Machine	554,703	-	554,703
1st Lot Electromechanical Equipment	3,298,890	-	3,298,890
2nd Lot Electromechanical Equipment	24,456,037	-	24,456,037
3rd Lot Electomechnical Equipment	25,411,669	-	25,411,669
4th Lot Electomechnical Equipment	25,107,772	-	25,107,772
5th Lot Electomechnical Equipment	53,887,113	-	53,887,113
6th Lot Electomechnical Equipment	7,373,818	-	7,373,818
7th Lot Electomechnical Equipment	54,069,460	-	54,069,460
8th Lot Electomechnical Equipment	9,310,099	-	9,310,099
9th Lot Electomechnical Equipment	485,006	-	485,006
10th Lot Electomechnical Equipment	5,762,319	-	5,762,319
11th Lot Electomechnical Equipment	2,032,536	-	2,032,536
12th Lot Electomechnical Equipment	16,449,723	16,449,723	-
Custom Duty - EM	8,101,836	4,008,517	4,093,319
REL / IPC	48,383	-	48,383
Service Charge- EM	46,330	-	46,330
Electromechanical Detention Charge	6,400,000	-	6,400,000
Electromechanical Works - Drilling Works	124,300	-	124,300
LC Charge - EM	1,423,382	156,796	1,266,586
Reparing Expense - EM Works	3,500,584	3,500,584	-
Gulf crest EP ISO-Turbine Oil	879,112	879,112	-
Transportation Expenses-EM	794,000	-	794,000
Total	257,905,017	24,994,732	232,910,285



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Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

Sub-Note 6.3E : Transmission Line and Switchyard

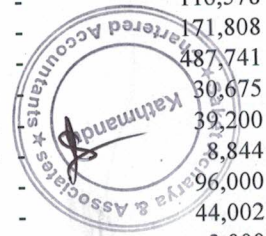
Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
1. Transmission Line and Substation			
Desk Study for 33KV Transmission Line	67,800	-	67,800
Duties and Taxes for DOD	166,446	-	166,446
Transmission Line Expenses	2,315,434	105,011	2,210,423
LC Charge	32,913	11,095	21,818
Electrical Equipments for Switchyard	9,558,670	-	9,558,670
Tower Column T28B Structure	344,821	344,821	-
Wire and Cable	688,430	688,430	-
2. Construction Power			
100 KVA 11/0.4 KV Transformer	531,100	-	531,100
150 KVA 11/04 KV Transformer	717,550	-	717,550
Expenses for Construction Power	545,065	-	545,065
Wages -Construction Power	103,753	-	103,753
Total	15,071,982	1,149,357	13,922,625

Sub-Note 6.3F : Land Purchase and Development

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Land Acquisition	53,105,000	-	53,105,000
Land Lease Expenses	100,000	-	100,000
Expenses for Land Monitoring	1,531,762	-	1,531,762
Printing and Stationary - Land	21,389	-	21,389
Travelling -Land	107,575	-	107,575
Land Registration Tax	1,739,070	-	1,739,070
Land Registration	1,071,231	-	1,071,231
Total	57,676,027	-	57,676,027

Sub-Note 6.3G : Site Office Building

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Number Itta	420,998	-	420,998
ABC Cable	81,835	-	81,835
Aluminium 238 Kg	121,000	-	121,000
Aluminium Froblie	132,650	-	132,650
Baluwa and Gietti	78,500	-	78,500
Camp Expenses	295,097	-	295,097
Chaukosh (Dhoka)	51,200	-	51,200
Dandi -Rod	34,420	-	34,420
Door , Window and Other Furniture	93,600	-	93,600
Electrical Materials	170,815	-	170,815
Gril Nad Primar	52,332	-	52,332
Gypsum Board and Gi - Profile Related	136,006	-	136,006
Labor Expenses	18,000	-	18,000
Mettele Primer	14,748	-	14,748
Mettel Works	58,166	-	58,166
NS Pipe	18,550	-	18,550
Olding Rod	5,100	-	5,100
Other Material Site Construction	116,578	-	116,578
Paints	171,808	-	171,808
Pipe with Plate	487,741	-	487,741
PVC Pipe	30,675	-	30,675
Rangin Plan Sheet	39,200	-	39,200
Salimar Tripal	8,844	-	8,844
Sand	96,000	-	96,000
Sill Bella (Toilet Commode) - 4pcs	44,002	-	44,002
Tarpin Oil	3,000	-	3,000



Mayur *Suman* *Indrmani*

Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

Sub-Note 6.3G : Site Office Building

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
<i>Continue...</i>	87,013	-	87,013
Tile	191,620	-	191,620
Transportation Expenses	377,304	-	377,304
Trust Pata with Screw	713,586	-	713,586
Wages Exp-camp	9,000	-	9,000
Wire Rope	36,000	-	36,000
Wooden Expenses	9,390	-	9,390
Wying Materials	4,204,778	-	4,204,778
Total			

Sub-Note 6.3H : Office Equipment Cost

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Furniture and Fixture (Site Office)	374,844	-	374,844
Office Equipment	52,956	-	52,956
Total	427,800	-	427,800

Sub-Note 6.3I : Vehicle Cost

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Bike Pulsar 160"NS" Engine No. JEYCJF 66121	275,900	-	275,900
Motorcycle Pulsar150cc Engine No. DHYRJE37757	249,900	-	249,900
Motorcycle (Sine) Engine No. JC65E72089996	192,900	-	192,900
Scorpio Decoration Cost	95,768	-	95,768
Scorpio Engine No.VFJ 4G13910	3,720,000	-	3,720,000
Total	4,534,468	-	4,534,468

Sub-Note 6.3J : Infrastructure Development Cost

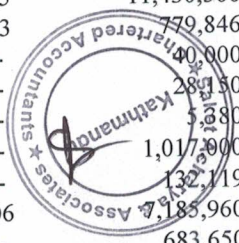
Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Fuel Expenses for Access Road	405,000	-	405,000
Total	405,000	-	405,000

Sub-Note 6.3K : Environment/ Social Mitigation Cost

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Compensation Expense	132,000	-	132,000
Pipe	25,000	-	25,000
Donation Expenses	232,973	-	232,973
Social Management Expenses	26,347,851	48,400	26,299,451
Wages - Social Cost	432,263	-	432,263
Total	27,170,087	48,400	27,121,687

Sub-Note 6.3L : Project Supervision Cost

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Auditing and Consultancy Expenses	13,009,675	1,579,175	11,430,500
Bank Charges	941,159	161,313	779,846
Biddut Bikash Bivag - Prasanlicence	40,000	-	40,000
Business Tax	28,150	-	28,150
Cleaning Expenses	5,380	-	5,380
DDA Expenses	9,182,166	-	1,017,000
Duties and Tax	132,119	-	132,119
Food Expenses	683,650	1,996,206	2,680,000
IEE Expenses	187,643	25,221	162,422
Internet Expenses	323,635	-	323,635
Interest Expenses			



Indramani

Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

Sub-Note 6.3L : Project Supervision Cost

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
<i>Continue...</i>	22,400	-	22,400
Kitchen Expenses	34,750	-	34,750
Lakhapadi Expenses	49,473	-	49,473
Land Assets Tax	678,830	470,500	208,330
Legal Expenses	4,415,567	-	4,415,567
Meeting and Other Allowances	24,860	24,860	-
Public Notice Expense	1,036,567	197,072	839,495
Office Expenses	967,500	-	967,500
Office Rent Expenses	6,221,547	788,759	5,432,788
Power and Fuel Expenses	120,000	-	120,000
PPA Expenses	471,968	89,705	382,263
Printing and Stationary Expenses	425,000	-	425,000
Registration Expenses	3,778,161	771,735	3,006,426
Repair and Maintenance Expenses	34,185,851	2,922,943	31,262,908
Salary Expenses	1,000	-	1,000
Service Charge	668,000	-	668,000
Sitting Expenses	461,496	-	461,496
Telephone Expenses	5,618,012	183,966	5,434,046
Travelling Expenses	296,730	37,500	259,230
Vehicle Tax	188,115	89,697	98,418
Wages Expenses	68,502	-	68,502
Water and Electricity Expenses	58,850,124	-	58,850,124
Construction Supervision and Management	571,000	-	571,000
Office Rent - Righa	278,440	-	278,440
Site Office Decoration	1,375,357	-	1,375,357
Electricity Expenses	56,500	-	56,500
Technical Support Expenses	1,143,311	560,015	583,296
Site Office Overhead	2,255,700	254,250	2,001,450
Technical Consulting Expenses	149,815,338	10,152,917	139,662,421
Total			

Sub-Note 6.3M : Insurance Cost

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Group Accident Insurance Policy	470,762	-	470,762
Insurance Expenses	290,903	14,381	276,522
Insurance for Material Damage	17,122,062	5,628,625	11,493,437
Total	17,883,727	5,643,006	12,240,721

Sub-Note 6.3N : Interest During Construction

Particulars	As on 32nd Aasadh, 2082	Addition during the year	As on 31st Aasadh, 2081
Agency Fee	2,856,984	2,346,163	510,821
Bank Charge and Interest	465,243,533	159,558,523	305,685,010
Total	468,100,517	161,904,686	306,195,831









Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

		Note 6.4
Other Non Current Assets		
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
Kosh Tatha Lekha-Palpa (Deposit)	-	1,235,698
Total	-	1,235,698

		Note 6.5
Cash and Cash Equivalents		
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
Cash in hand	3,992	3,677
Balances with Banks		
Global IME Bank Limited.-Current A/C	6,617	25,817
Laxmi Bank Limited.-Current A/C	68,283	387,833
NIC Asia Bank Limited.-Current A/C	-	57,765
Nepal Infrastructure Bank Limited.-Current A/C	1,355,857	159,924
Prabhu Bank Limited-Call A/C	162,764	102,253
Prabhu Bank Limited-Current A/C	72,569	88,212
Sanima Bank Limited-Current A/C	1,000	1,000
Total	1,671,082	826,481

		Note 6.6
Margin and Deposits		
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
NIC Asia Bank Limited- Cash Margin	845,000	630,000
NIC Asia Bank Limited -NRB Margin	4,733,000	2,431,000
Prabhu Bank Limited-Cash Margin	-	60,000
Nepal Infrastructure Bank Limited-Cash Margin	1,032,000	1,032,000
Total	6,610,000	4,153,000

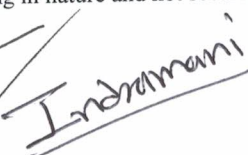
NIC Asia Bank Limited, Prabhu Bank Limited, and Nepal Infrastructure Bank Limited have retained cash margins provided by the company against Letters of Credit (LC) and Bank Guarantees (BG) issued during the normal course of business. These financial instruments were obtained to facilitate the procurement of imported materials required for the development and construction of the project.

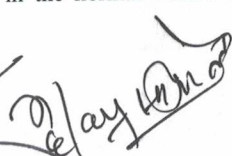
		Note 6.7
Inventories		
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
General Consumables	-	-
Total	-	-

		Note 6.8
Other Current Assets		
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
Prepaid Expenses	1,033,685	899,049
Advance Tax	44,542	44,996
Advance for Land Purchase* (Annexure-1)	35,170,500	34,794,500
Advance against Project Works** (Annexure-2)	40,889,460	29,948,749
Other Advance (Annexure-3)	1,156,843	1,622,813
Total	78,295,030	67,310,107

*The Company has made advance payment for the procurement of land to various individuals. However, ownership of land has not been transferred in the name of company as on reporting date due to threshold limit for land ownership.

**The company has provided advances to contractors, petty contractors, and other parties for project works in the normal course of business which is non-interest bearing in nature and not secured with any type of guarantee.






Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

		Note 6.9
Share Capital		
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
Authorized Share Capital	1,030,500,000	1,030,500,000
Ordinary shares of NPR 100 each		
Issued Share Capital	1,030,500,000	1,030,500,000
Ordinary shares of NPR 100 each		
Subscribed and Paid up Share Capital	635,500,000	635,500,000
Ordinary shares of NPR 100 each		
Total	635,500,000	635,500,000

Paid up share capital is an ordinary equity share capital fully paid up having equal voting right.

		Note 6.9.1
Reconciliation of Number of Shares Outstanding		
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
Balance at the beginning of the year	6,355,000	6,355,000
Add: Issued and Paid-up Shares	-	-
Add: Bonus Shares	-	-
Total	6,355,000	6,355,000

		Note 6.10
Reserve and Surplus		
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
Balance at the beginning of the year	272,052,773	214,622,368
Add: Profit during the year	26,987,159	59,806,906
Less: Share Issuance Cost*	(3,836,310)	(2,376,501)
Total	295,203,622	272,052,773

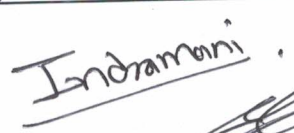
* Fee to Issue Manager (M/s Laxmi Capital Market Limited), Underwriting Agents (M/s NMB Capital Limited and M/s Nepal SBI Merchant Banking Limited), IPO Issue Approval Fee to Electricity Regulatory Commission and Issuer Rating fee has been charged to Share Issuance Cost.

		Note 6.11
Long Term Loans and Borrowings		
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
Secured Loan from Bank	295,510,768	294,340,797
Term Loan-NIC Asia Bank Limited	979,891,835	919,657,375
Term Loan-Nepal Infrastructure Bank Limited	-	-
Less: Current Portion of Maturity	-	-
Total	1,275,402,603	1,213,998,172

The company has availed credit facility of total NPR. 130 crore term loan (within term loan facility) from the Nepal Infrastructure Bank Limited. (lead bank) and NIC Asia Bank (participating bank) Limited for the project finance of the Daramkhola Hydropower Project (9.60 MW) located at Righa, Baglung District.

Loan has been secured against registered mortgage and/or registered or unregistered pledge/hypothecation of the entire project (present and to be created in future) including the land, building, plant and machinery, movable and immovable assets on land owned (including lease hold land) by the company and entire present/future current assets of the project including receivable from NEA.

		Note 6.12
Other Non Current Liabilities		
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
Other Non Current Liabilities	-	-
Total	-	-









Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

			Note 6.13
Short Term Loans and Borrowings			
Particulars	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081	
Secured Loan from Bank			
Bridge Gap Loan -Nepal Infrastructure Bank Limited*	82,690,502	19,260,000	
Laxmi Sunrise Bank Limited**	389,994,074	299,344,074	
Add:Current Portion of Maturity	-	-	
Unsecured Loan from Directors[#]			
Hari Prasad Sapkota	3,908,900	200,000	
Nar Bahadur Gharti	1,300,000	200,000	
Ram Prasad Kandel	4,670,000	350,000	
Shalik Ram Sapkota	1,310,000	110,000	
Bhabadatta Subedi	500,000	-	
Indramani Sapkota	1,000,000	-	
Madhav Prashad Kharel	1,600,000	-	
Nar Bahadur Pun	1,300,000	-	
Unsecured Loan from Shareholders[#]			
Baburam Sapkota	500,000	-	
Tikaram Kharel	1,000,000	-	
Total	489,773,476	319,464,074	

*The company has availed the Bridge Gap Loan (within term loan facility) which will be converted into term loan after verification of bills from consultant appointed by the bank, and hence, company has treated bridge gap loan as Short Term Loans and Borrowings.

**The company has entered into a Loan Agreement for bridge gap loan (loan against IPO) with Laxmi Sunrise Bank Limited to cover cost overrun of Daramkhola Hydropower Project for the period of 12 Months.

[#]The Company has availed a short-term, non-interest-bearing loan facility from its director and shareholders to meet various short term financial requirements during the construction of its project.

			Note 6.14
Trade and Retention Payables			
Particulars	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081	
Trade Payable (Annexure-4)	34,532,904	41,058,812	
Retention Payables*	33,608,841	38,274,721	
Total	68,141,745	79,333,533	

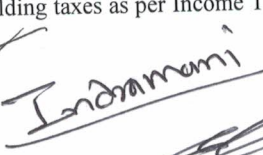
*The retention amount withheld will be released upon the successful completion of the respective contract and the overall project.

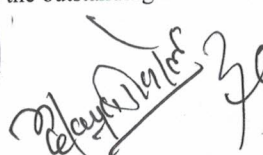
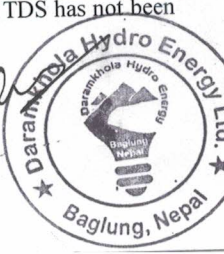
			Note 6.15
Other Financial Liabilities			
Particulars	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081	
Salary Payable (Annexure-5)	8,731,017	8,620,976	
Payable to Directors (Annexure-6)	679,152	211,488	
Payable to Others (Annexure-7)	2,690,066	4,462,541	
Interest Payable*	31,950,682	-	
Audit Fee Payable	334,500	111,500	
Total	44,385,417	13,406,505	

*The interest payable on the loan obtained for the development of the Daramkhola Hydropower Project (9.60 MW) from Nepal Infrastructure Bank Limited and NIC Asia Bank Limited for the fourth quarter of FY 2081/82 remained outstanding as of the reporting date. However, we note that the accrued interest was fully settled as of the date the financial statements were adopted by the Board of Directors.

			Note 6.16
Duties and Taxes			
Particulars	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081	
VAT Payable	-	22,126	
Duties and Liabilities (Annexure-8)*	572,453	4,439,984	
Total	572,453	4,462,110	

*The Company has deducted withholding taxes as per Income Tax Act 2058. The interest on the outstanding amount of TDS has not been shown in the books of account.



Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

		Note 6.17
Provision		
Particulars	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Provisions for Tax-Current Year	-	-
Provisions for Tax-Previous Year	-	-
Provisions for Staff Bonus	-	-
Total	-	-

		Note 6.18
Revenue as per IFRIC 12		
Particulars	FY 2081-082	FY 2080-081
Construction Revenue as per IFRIC 12	257,760,757	533,334,552
Construction Expenses as per IFRIC 12	227,703,849	471,143,597
Total	30,056,908	62,190,955

Revenue from sale of electricity is nil as the construction of project is still ongoing and commercial operation of company has not started as on the reporting date. However, revenue and cost related to constructions is recognised in accordance to IFRIC 12 (Service Concession Agreement).

The cost of each activity related to acquisition, construction and production of assets are recognized as construction expenses by reference to the stage of completion of that activity. Construction revenue, as the fair value of amount due from the guarantor for the activity undertaken is recognized at the same time. The fair value is calculated based on IRR of the project i.e. 13.20%.

		Note 6.19
Other Income		
Particulars	FY 2081-082	FY 2080-081
Miscellaneous Income	471	249
Total	471	249

		Note 6.20
Administrative Expenses		
Particulars	FY 2081-082	FY 2080-081
Audit Fee	339,000	113,000
AGM Expenses	56,500	-
Bank Charges	77,753	60,567
Electricity Expenses	5,044	12,095
Fine and Penalties	395,002	233,429
Internet Expenses	11,865	14,690
Legal and Professional Fee	59,502	45,000
Office Expenses	4,790	5,340
Office Rent*	439,236	363,000
Printing and Stationery Expenses	15,705	12,650
Rating Fee	90,400	10,402
Registration and Renewal Expenses	36,000	225,702
Telephone Expenses	2,805	3,060
TDS Receivable written off	524	90,068
Total	1,534,126	1,189,003

*The lease period for the office is less than one year, hence the lease is classified as short-term lease and accordingly recognition exemption as per NFRS 16 has been applied.

		Note 6.21
Employee Benefit Expenses		
Particulars	FY 2081-082	FY 2080-081
Salary, Overtime, Wages and Allowances	1,486,660	1,122,500
Leave- Expense	-	-
Total	1,486,660	1,122,500

The company does not have any scheme of employment benefits. Accordingly, the company has not made provisions for any liabilities relating to employees which arise on account of accumulated leave, provident fund, etc. in accordance with Labor Act, 2074 and has not been registered with Social Security Fund as per Contribution Based Social Security Act, 2074 as on reporting date.









Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Other Explanatory Notes

		Note 6.22
Finance Costs		
	FY 2081-082	FY 2080-081
Particulars		
Interest Expenses	-	-
Bank Charge	-	-
Unwinding Interest Income	-	-
Total	-	-

The company has entered into credit facility agreement for the project financing with Nepal Infrastructure Bank Limited. (lead bank) and NIC Asia Bank (participating bank) Limited for the development of the Daramkhola Hydropower Project (9.60 MW) and shall capitalise borrowing costs that are directly attributable to the aquisition, construction of project of qualifying assest as part of the cost of that assets and after the generation of the Electricity same has been charged in the Statement of Profit or Loss and Other Comprehensive Income (As per NAS 23-Borrowing costs).

		Note 6.23
Earnings Per Share		
	FY 2081-082	FY 2080-081
Particulars		
Net Profit*	26,987,159	59,806,907
Number of Weighted Average Equity Share Outstanding	6,355,000	6,355,000
Basic Earnings per Share	4.25	9.41

* Net revenue as per IFRIC 12 (Service Concession Arrangements) has resulted in profit of the company although there is no actual sale of electricity by the company as the company is in construction phase.



DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming part of
Financial Statements for FY 2081/82

Other Explanatory Notes

Note 6.24: Income Tax

Current Tax: The Company has not started its commercial operation as of the reporting date. Hence, the tax exemption as per the provisions of section 11 (3 Gha) of Income Tax Act, 2058 is not applicable for the financial year 2080/81. Accordingly, the tax rate applicable to the company for the year is 20%. However, the revenue and cost of sales disclosed in the statement of profit/(loss) resulted due to treatment under IFRIC 12 (Service Concession Agreement) assuming the IRR of the project at 13.20% which is purely a accounting profit not within the purview of section 24 and 26 of the Income Tax Act, 2058. The Income Tax Act, 2058 applicable to the company does not consider taxability of revenue/profit resulting due to service concession arrangements. Therefore, management is of the view that the profit resulting from service concession arrangements is not taxable and assets resulting due to such profit is also not admissible as expenses while computing tax liability.

Deferred Tax: The Company is in the last stage of completion and after completion it will get a tax holiday for 10 years and 50% tax exemption for the next 5 years. Therefore, the accounting of deferred tax assets or liabilities has not been started yet.

Note 6.25: Post- Employment Benefits

The company does not have any scheme of employment benefits other than salary and allowance. Accordingly, the company has not made provisions for any liabilities relating to employees which arise on account of accumulated leave, provident fund, etc. in accordance with Labor Act, 2074 and has neither been registered with Social Security Fund as per the provision of Contribution based Social Security Act, 2074 as on reporting date.

Note 6.26: Provision for Bonus

As per the provisions outlined in the Electricity Act, 2049 and the Electricity Regulation, 2050, a mandatory employee bonus equivalent to 2% of net profit must be allocated annually. This provision is based on the company's yearly profit and is disbursed in the following fiscal period in accordance with the Bonus Act, 2030. Any unutilized amounts are directed to Welfare Funds, adhering to the Bonus Act's stipulations. However, since the company is currently in its construction phase and has not generated any profits, no provision for the employee bonus has been made

Note 6.27: Provision for Corporate Social Responsibility Expenses

Industrial Enterprises Act 2076; Section 54 makes it mandatory to allocate 1% of the annual profit to be utilized towards corporate social responsibility (the "CSR Requirement"). The fund created for CSR is to be utilized on the basis of annual plans and programs. As the commercial operation of the company has not started and there is no revenue, fund has not been allocated for CSR.

Note 6.28: Substantial Shareholders

There are a total of 862 promoter shareholders of the company as on 32.03.2082. The details of Shareholders holding more than 1% of share capital and percentage of holding is given below:

S.N.	Name	Share Qty	Percentage
1	Indramani Sapkota	40,500,000	6.37%
2	Madhav Prasad Kharel	24,500,000	3.86%
3	Ram Prashad Kandel	22,800,000	3.59%
4	Hari Prashad Sapkota	21,500,000	3.38%
5	Tirthanath Sapkota	21,000,000	3.30%
6	Baburam Kharel	19,500,000	3.07%
7	Ang Tashi Lama Sherpa	15,000,000	2.36%
8	Bhuwananda Sapkota	13,000,000	2.05%
9	Tikaram Kharel	12,500,000	1.97%
10	Rupak Lal Shrestha	11,100,000	1.75%
11	Nar Bahadur Pun	10,000,000	1.57%
12	Baburam Sapkota	10,000,000	1.57%



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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming part of
Financial Statements for FY 2081/82

S.N.	Name	Share Qty	Percentage
13	Bhabadatta Subedi	10,000,000	1.57%
14	Baburam Sapkota	10,000,000	1.57%
15	Rudralal Niure	10,000,000	1.57%
16	Agindhar Aryal	10,000,000	1.57%
17	Nar Badhur Gharti	9,944,000	1.56%
18	Arjun Sapkota	9,700,000	1.53%
19	Sashikala Sapkota	8,000,000	1.26%
20	Gulmi Yatayat Private Limited	8,000,000	1.26%
21	Kusham Pun	7,500,000	1.18%
22	Milan Thapa	7,500,000	1.18%
23	Prem Nath Kandel	7,000,000	1.10%
24	Nar Badhur Thapa Magar	6,500,000	1.02%

Note 6.29: Related Party Transactions

There are no related parties except Key Management Personnel (KMP) & Entities over which substantial Shareholders have significant influence.

Key Managerial Personnel (KMP)

The company has incurred the following transactions with the Key Managerial Personnel (KMP) who are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly. Such KMP include the board of Directors of the company (including both Executive and Non-Executive) and key employee who has holding directorship in the Subsidiary company.

S.N.	Key Management Personnel	Relationship	Status
1	Nar Bahadur Pun	Chairman	Reappointed w.e.f 2082.01.03
2	Madhav Prasad Kharel	Director	Reappointed w.e.f 2082.01.03
3	Ram Prasad Kandel	Director	Reappointed w.e.f 2082.01.03
4	Salik Ram Sapkota	Director	Reappointed w.e.f 2082.01.03
5	Indramani Sapkota	Director	Reappointed w.e.f 2082.01.03
6	Gayatri Devi Sharma	Female Director	Reappointed w.e.f 2082.01.03
7	Hari Prasad Sapkota	Director	Reappointed w.e.f 2082.01.04
8	Nar Badhur Gharti	Director	Reappointed w.e.f 2082.01.04
9	Bhabadatta Subedi	Director	Reappointed w.e.f 2082.01.04
10	Tara Prasad Sapkota	Independent Director	Appointed w.e.f 2082.01.04
11	Amrita Panti	Independent Director	Appointed w.e.f 2082.01.04

The company identify following as related parties under requirements of NAS-24

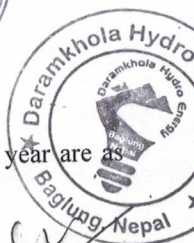
- Subsidiary Company
- Shareholder holding 1% or more shares during the year
- Companies represented by directors
- Director of company and their close family members

Related Party Transactions are identified by the management. The related Party transactions during the year are as follows:

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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming part of
Financial Statements for FY 2081/82

Related Party	Relation	Opening Balance	During the year		Outstanding Amount
		Payable / (Receivable)	Amount	Nature	Payable / (Receivable)
Nar Bahadur Pun	Chairman	54,320	29,181	Reimbursement of Expenses	83,501
		165,750	-	Salary and Allowance	165,750
		-	1,300,000	Loan From Director	1,300,000
Hari Prasad Sapkota	Director	-	920,727	Reimbursement of Expenses	431,443
		678,750	-	Salary and Allowance	678,750
		200,000	3,708,900	Loan From Director	3,908,900
Indramani Sapkota	Director	83,984	-	Reimbursement of Expenses	91,024
		678,750	-	Salary and Allowance	678,750
		-	1,000,000	Loan From Director	1,000,000
Nar Bahadur Gharti	Director	73,184	120,000	Reimbursement of Expenses	73,184
		678,749	-	Salary and Allowance	678,749
		200,000	1,100,000	Loan From Director	1,300,000
Ram Prasad Kandel	Director	350,000	4,320,000	Loan From Director	4,670,000
		686,047	-	Salary and Allowance	686,047
Salik Ram Sapkota	Director	110,000	1,200,000	Loan From Director	1,310,000
		165,750	-	Salary and Allowance	165,750
Bhabadatta Subedi	Director	-	500,000	Loan From Director	500,000
		165,750	-	Salary and Allowance	165,750
Madhav Prasad Kharel	Director	-	1,600,000	Loan From Director	1,600,000
		165,750	-	Salary and Allowance	165,750
Gayatri Devi Sharma	Female Director	165,750	-	Salary and Allowance	165,750

Note 6.30: Contingent Liabilities:

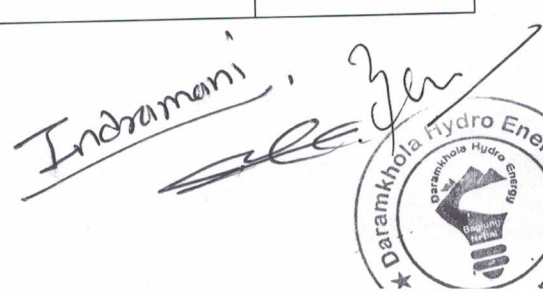
In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable to crystallize or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognized. The company has taken Letter of Credit with following amounts and the respective obligations remaining are listed below:

Bank Guarantee provided and Contingent Liability outstanding against such guarantees as on 32nd Aasadh, 2082:

S.N.	Bank Name	Purpose	Beneficiary	Amount
1	Nepal Infrastructure Bank Limited	For Hill side road and cutting Construction	Pusphalal (Mid Hill) Highway Project Directorate	20,623,092



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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming part of
Financial Statements for FY 2081/82

Letter of Credit (LC) Opened and Contingent Liability outstanding against such LCs as on 32nd Aasadh, 2082:

S.N.	Bank Name	Purpose	Amount
1	NIC Asia Bank Limited	For import/purchase of electromechanical equipment	10,554,945
2	NIC Asia Bank Limited	For import/purchase of transmission line equipment	1,698,353

Details of Contingent Liability outstanding as on 32nd Aasadh, 2082:

S.N.	Particulars	Details	Amount
1	Ramechhap Sherpa Construction Private Limited	Litigation of a civil works case was filed by the Company on 23rd Aasadh 2082 with an arbitrator for arbitration and settlement of contractual liabilities between the contractor and the Company.	97,676,675
2	North Hydro Engineering Private Limited	A case has been filed by M/s North Hydro Engineering Private Limited at the High Court, Lalitpur. The Company had previously secured a favorable judgment from the Higher Court, Butwal on 32nd Shrawan 2081.	4,631,682

The Company is engaged in ongoing litigation with M/s Ramechhap Sherpa Construction Private Limited, a civil contractor, concerning a disputed claim amounting to NPR 97,676,675. The contractor has raised a claim for this sum, which remains under legal review. As the case is still in progress, no provision has been made for this liability in the financial statements. The Company, based on legal counsel and its assessment of the situation, is of the view that the matter will be resolved in its favor.

The Company is also involved in litigation with M/s North Hydro Engineering Private Limited in respect of a disputed claim amounting to NPR 4,631,682. The Company had previously obtained a favorable judgment from the Higher Court, Butwal. However, the contractor has subsequently filed a case at the Higher Court, Lalitpur, and the matter is currently under legal proceedings. Based on the legal advice and the favorable outcome of the earlier judgment, management believes that the final decision is likely to be in favor of the Company. Accordingly, no provision has been recognized in the financial statements, and the matter has been disclosed as a contingent liability.

Note 6.31: Project Cost Overrun:

Initially, the project cost was estimated as NPR 1,861,769,480 (including interest during construction). But due to impact of COVID 19, change in the alignment of the project, significant price hike in metal pipes, amendment in design of civil works, change in foreign exchange rate, prolongation of construction period, project cost has been revised to NPR 2,150,000,000 (including interest during construction) which has been approved by Consortium Meeting.

As of the reporting date, the total cost incurred for the project amounted to NPR 2,404,818,816 which represents approximately 111.85% of the revised estimated cost. This indicates that the project has experienced a cost overrun compared to the revised budget.

Note 6.32: Public Issue

The Company has entered into an agreement with M/s Laxmi Capital Limited herein referred as Issue Manager on 2079.10.05 for Public Issue Shares of NPR 395,000,000 (3,950,000 shares having face value of Rs. 100/- each). The company has entered into an agreement with M/s NMB Capital Limited and M/s Nepal SBI Merchant Banking Limited as Underwriting Agent for public issue of shares. The company has issued shares to public as on the date the financial statements were adopted by Board of Directors.

Note 6.33: Issuer Rating

M/s Infomerics Credit Rating Nepal Limited has reaffirmed the Issuer Rating of the company [IRN BB-(Is)] pronounced Double B Minus (Issuer). Issuers with this rating is considered to have moderate risk of default regarding timely servicing of financial obligations.

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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming part of
Financial Statements for FY 2081/82

Note 6.34: Subsequent Events

There has been significant reportable event after the reporting date which requires to be either adjusted or disclosed.

1. The Nepal Electricity Authority (NEA) has officially declared the Commercial Operation Date (COD) of the Daram Khola Hydropower Project, a 9.6 MW facility promoted by Daram Khola Hydro Energy Limited. After successful testing and commissioning of the powerhouse and interconnection facilities, electricity has already started flowing into NEA's grid. Based on the Coordination Committee's decision dated 2082/07/23 B.S. (November 9, 2025), the COD has been set for November 9, 2025. This marks the beginning of commercial generation under the Power Purchase Agreement, establishing the point for revenue recognition, billing, and tariff application. A Commercial Operation Report has been attached for record purposes, and the notice has been circulated to relevant NEA directorates, regional offices, and the project promoter.
2. Daram Khola Hydro Energy Limited (DHEL), Righa-11, Baglung, has listed a total of 10,305,000 units of ordinary shares, each with a par value of NPR 100, amounting to an issued and paid-up capital of NPR 1,030,500,000. These shares have been registered in accordance with the Company Listing Regulation, 2075. Effective from 2082/07/16, the shares are eligible for trading in the Regular Segment of the Nepal Stock Exchange. Promoters share capital includes share capital held by promoters having a lock in period of 3 years from the date of allotment (16th Ashoj, 2082) as per Securities Registrations and Issuance Regulations, 2074. Also, among the share capital issued to public. Share capital held by local people affected by the project having share capital amounting NPR 7,881,815 shall have a lock in period of 3 years from the date of allotment as per the terms mentioned in the prospectus.

Note 6.35: Segment Reporting

The company is engaged in only one business activity of "Generation and Sale of Electricity". Thus, separate segment information is not provided as per NFRS 8 "Operating Segments".

Note 6.36: Credit Rating for Bank Facilities

M/s Infomerics Credit Rating Nepal Limited has reaffirmed the Credit Rating for bank facilities of the company [IRN BB-(Is)] pronounced Double B Minus (Issuer) for long term bank facilities-Term Loan that means Moderate risk of default regarding timely servicing of financial obligations. M/s Infomerics Credit Rating Nepal Limited has reaffirmed the Credit Rating for bank facilities of the company [IRN A4] for short term bank facilities-Fund Based Loans and short-term bank facilities-Non-Fund Based Loans - that means minimal degree of safety regarding timely payment of financial obligations.

Note 6.37: Risk Management

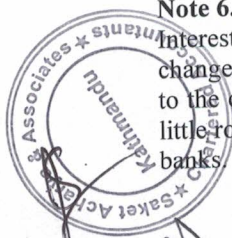
The company's business activities expose itself to a variety of risks, namely primarily to liquidity risk and fluctuations in interest rates, which may adversely impact the operation of company. The company's Board and management have overall responsibility for the establishment and oversight of the company's risk management. The company's risk management policies are established to identify and analyses 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.

Note 6.38: Liquid Risk

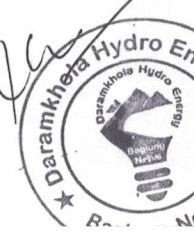
Liquidity risk is the risk that the company will face in meeting its obligations associated with financial liabilities. The company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. A material and sustained shortfall in cash flow could create potential business continuity risk. The Company is fully dependent on Nepal Electricity Authority for its revenue based on the PPA. Any delay in settlement of dues by NEA will make it difficult for the company to operate smoothly

Note 6.39: Interest Rate Risk

Interest Rate Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations. Since the interest rate is influenced by market forces, the company has little role in minimizing the risk. The company manages the interest rate risks by negotiating with reputed commercial banks.



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DARAMKHOLA HYDRO ENERGY LIMITED
KMC-11, Kathmandu, Nepal
Company Overview, Significant Accounting Policies and Explanatory Notes forming part of
Financial Statements for FY 2081/82

Note 6.40: Capital Management

Capital includes issued capital and all other 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 optimize 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 needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

Note 6.41: Reclassification

The followings items have been reclassified for the purpose of facilitating better comparison and presentation.

Items	Current Classification	Previous Classification	Amount NPR (FY 2081-82)
TN Acharya and Company	Payable to Others	Trade Payable	392,350
Karobar Media Private Limited	Trade Payable	Payable to Others	9,199
Salary Payable	Other Financial Liabilities	Other Current Liabilities	8,620,976
Payable to Directors	Other Financial Liabilities	Other Current Liabilities	211,488
Payable to Others	Other Financial Liabilities	Other Current Liabilities	4,462,541
Audit Fee Payable	Other Financial Liabilities	Other Current Liabilities	111,500

Note 6.42: Miscellaneous

- All the figures stated on the financial statements are Nepalese Rupees and rounded up to the nearest rupee.
- Notes form an integral part of financial statements.
- Confirmation from most of the parties has been obtained and confirmation from a few parties are yet to be obtained.

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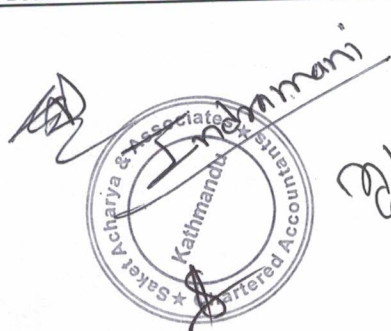


Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Annexures for Explanatory Notes forming the part of Financial Statements

Details of Advance for Land Purchase	Annexure-1	
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
Bhima Shahi	400,000	400,000
Bhim Bdr Shrees	72,000	72,000
Birendra Thapa	155,000	155,000
Bishnu Gharti	1,794,000	1,794,000
Chitra Kumari Shrees	530,000	530,000
Davimaya Gharti	12,567,000	12,567,000
Dhan Badhur Shrees	3,500,000	3,500,000
Dhan Badhur Thapa	1,150,000	1,150,000
Hom Badhur Sarki	520,000	520,000
Kharka Bahadur Thapa	2,000,000	2,000,000
Lal Bahadur Sarki	200,000	200,000
Narendra Gharti Pun	1,500,000	1,500,000
OM Badhur Siris	470,000	470,000
Ram Bahadur Shrees	225,000	225,000
Rana Maya Shrees	1,021,000	1,021,000
Sanjay Pun	470,000	470,000
Shyam Bdr Shrees	325,500	325,500
Tajendra Shrees	1,200,000	1,200,000
Tek Bahadur Shrees	5,600,000	5,600,000
Thaman Shahi	595,000	595,000
Yamlal Neupane	500,000	500,000
Man Bahadur Shrees	200,000	-
Tika Bahadur Shrees	48,000	-
Youbraj Sapkota	128,000	-
Total	35,170,500	34,794,500

Advance against Project Works	Annexure-2	
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Particulars		
Advance for Civil Construction Works		
Satyasai Builders and Trading Private Limited	-	1,633,727
Mijar Nirman Sewa Private Limited	-	403,500
Nation Builders Private Limited	178,465	-
Ashal Nirman Sewa Private Limited	10,178,323	-
Advance for Hydromechanical Works		
Cream Hydel Private Limited	2,070,483	3,849,787
Gipal Technologies Private Limited	-	210,000
Global Shipping and Air Cargo Private Limited	1,600,000	1,600,000
North Hydro Engineering Private Limited	19,100,000	19,100,000
Advance for Electromechanical Works		
Hydro Reliance Private Limited	-	18,001
Flovel Energy Private Limited	1,510,695	137,988
K Two R Enterprises Private Limited	3,648,420	-
Advance for Transmission Line Works		
New Satakri Khimti Construction Private Limited	972,328	1,365,000
Sampradha Power Trading Private Limited	1,630,746	1,630,746
Total	40,889,460	29,948,749



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Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Annexures for Explanatory Notes forming the part of Financial Statements

		Annexure-3	
Other Advances		As on 32nd Aasadh,	As on 31st Aasadh,
Particulars		2082	2081
Advance to Parties			
Lable Up Construction and Suppliers Private Limited		25,000	25,000
Legal Service and Research Network Private Limited		100,000	-
Bhairab Machinery and Tools Private Limited		211,211	-
Manakamana Hardwares Private Limited		409,500	-
Balaji Gash Suppliers		58,000	-
B.B. Automobile Private Limited		59,440	-
Technoquarry Consults Private Limited		-	11,330
Hotel Jungle House and Restaurent		-	4,199
Hotel Tulip Pokhare Private Limited		-	50,000
Sub Total		863,151	90,529
Advance to Individual			
Krishna Kumar Raj Bhandari		73,081	69,445
Baburam Nepali		-	154,500
Chitra Bhandari		-	200,000
Kul Bahadur Thapa		-	173,014
Men Bahadur Thapa		-	235,000
Resham Budathoki		-	70,000
Prem Kc		-	23,325
Shreekrishna Sapkota		-	82,000
Madhukar Garg		150,000	150,000
Baburam Nepali		-	225,000
Sudarshan Nepali		-	150,000
Anesh Badhur Sahar		38,905	-
Ashish Rijal		31,706	-
Sub Total		293,692	1,532,284
Total		1,156,843	1,622,813

		Annexure-4	
Trade Payable		As on 32nd Aasadh,	As on 31st Aasadh,
Particulars		2082	2081
Bhu Chandra Hardware and Suppliers Private Limited		44,002	44,002
Biraj Hardware Private Limited		24,986	24,986
Bistha Engineering Group and Services Private Limited		87,500	87,500
CNC Private Limited		2,260	2,260
Cream Hydel Private Limited		1,261,321	7,026,236
Eastern Electrical Enterprises Private Limited		19,159	-
Finmin Service Private Limited		133,562	32,500
Good Automobile Private Limited		-	6,628
JCO Gas Pipe Limited		-	28,827
Katuwal Nirman Sewa Private Limited		-	392,672
Nepal Wire and Cable Private Limited		310,773	310,773
Om Shahi Furniture Private Limited		26,334	26,334
Ramechhap Sherpa Construction Private Limited		15,742,138	15,742,138
Sandip Kirana Pashal		504,385	39,560
Apil Brothers Hardware Private Limited		62,362	62,362
April Gril Udhyog Private Limited		46,573	207,849
Bhairab Machinery and Tools Private Limited		-	88,789
Bhattra Hardware Private Limited		24,045	585,542
Gautam Hardware Private Limited		783,347	415,461
Hiradevi Construction Private Limited		3,049,319	4,049,319
Nation Builders Private Limited		-	4,821,535
Nepal Dhorpatan Construction Private Limited		136,028	136,028
NMB Capital Limited		960,375	960,375
Sharada Printing and Traders Private Limited		11,819	11,819
Gipal Technologies Private Limited		204,425	-
Hydro Reliance Private Limited		1,602,709	-
Hydro Steel Company Private Limited		15,258	-



Maya Datta

Indra Mani

Indra Mani

Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

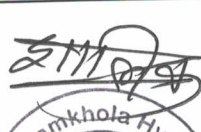
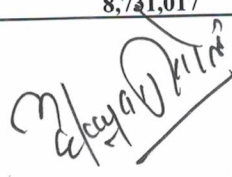
Annexures for Explanatory Notes forming the part of Financial Statements

Kalika Stores Private Limited	174,270	-
Rudrawati Builders and Suppliers Private Limited	633,239	-
Satyasai Bulders and Trading Private Limited	3,039,338	-
Karobar Media Private Limited	33,729	9,199
Hotel Jungle House and Restaurent Private Limited	366,450	-
Shree Shivashakti Greel Udyog Private Limited	78,478	78,478
Units Engineering Consultant Private Limited	4,867,720	5,867,640
Technoquarry Consults Private Limited	239,545	-
United Wire and Cable Industries Private Limited	47,455	-
Total	34,532,904	41,058,812

Particulars	Annexure-5	
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Salary Payable : Staff	140,005	105,005
Amit Thapa	-	29,700
Bibek Chapagain	27,348	27,348
Bikash Kumar Shrestha	331,650	331,650
Dil Bahadur Budhathoki	264,679	243,879
Dipak Shahi	45,029	15,329
Indra Bdr Basnet	6,844	883
Parshu Ram Dhakal	-	5,000
Prabesh Neupane	25,000	25,000
Prem Bohora	41,301	28,001
Saroj Chaudhari	20,125	4,625
Shiva Bdr Shrees	90,006	90,006
Shiva Prasad Kandel	30,156	20,156
Subendra Shahi	55,200	25,000
Suman Taranimagar	29,700	47,400
Sushil Tamang	42,560	42,560
Samir Lamichhane	-	29,700
Suman Dhakal	195,000	195,000
Sunil Kafle	24,188	24,188
Yak Bahadur Gharti	862,000	862,000
Bhabilal Chalise	862,000	862,000
Pradip Sapkota	862,000	862,000
Kamala Kandel	862,000	862,000
Prakash Niure	31,680	-
Rahul Singh	4,848,471	4,738,430
Sub Total		

Salary and Allowance : Payable to Director	165,750	165,750
Bhabadatta Subedi	165,750	165,750
Gyatri Devi Sharma	678,750	678,750
Hari Prasad Sapkota	678,750	678,750
Indramani Sapkota	165,750	165,750
Madhav Prasad Kharel	678,749	678,749
Nar Bahadur Gharti	165,750	165,750
Nar Bahadur Pun	686,047	686,047
Ram Prasad Kandel	165,750	165,750
Rupaklall Shrestha	165,750	165,750
Salikram Sapkota	165,750	165,750
Tikaram Kharel	3,882,546	3,882,546
Sub Total	8,731,017	8,620,976
Total		





Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Annexures for Explanatory Notes forming the part of Financial Statements

Reimbursement Expenses : Payable to Directors

Particulars	Annexure-6	
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Nar Bahadur Gharti	73,184	73,184
Nar Bahadur Pun	83,501	54,320
Indramani Sapkota	91,024	83,984
Hari Prasad Sapkota	431,443	-
Total	679,152	211,488

Payable to Others

Particulars	Annexure-7	
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
Payable to Parties		
Kandel and Associates	-	133,800
Kandel and Associates (Partnership)	343,300	66,900
Saket Acharya and Associates	245,300	144,950
TN Acharya and Company	392,350	392,350
SR Pathak and Associates	55,750	-
Sub Total	1,036,700	738,000

Payable to Individual

Matimaya Shrees	300,000	300,000
Maya Khanal	17,190	17,190
Parshuram Dhakal	19,999	-
Prem KC	30,916	-
Narendra Paudyal	87,423	120,423
Indra Bahadur Basnet	117,930	-
Aginder Aryal	1,079,908	3,286,928
Sub Total	1,653,366	3,724,541
Total	2,690,066	4,462,541

Duties and Liabilities

Particulars	Annexure-8	
	As on 32nd Aasadh, 2082	As on 31st Aasadh, 2081
TDS on Allowances	-	228,618
TDS on Auditing and Consultancy Expenses	28,838	140,505
TDS on Metal Works	91,118	834,663
TDS on Office Rent	39,936	36,300
TDS on Remuneration	67,999	372,060
Social Security Tax	39,697	71,768
TDS on Civil Construction Works	190,202	2,444,139
TDS on Plant and Machinery Cost	59,033	84,956
TDS on Transmission Line and Switchyard	13,716	126,930
TDS on Repair and Maintenance	4,144	60,271
TDS on Project Supervision Cost	13,953	4,224
TDS on Share Issuance Cost	23,817	35,550
Total	572,453	4,439,984

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Daramkhola Hydro Energy Limited
KMC-11, Kathmandu, Nepal

Annexure-9

Particulars	As on 32nd Asadh, 2082				As on 31st Asadh, 2081			
	Fair Value		Amortized Cost		Fair Value		Amortized Cost	
	FVTPL	FVOCI	FVTPL	FVOCI	FVTPL	FVOCI	FVTPL	FVOCI
Financial Assets								
Other Non Current Assets	-	-	-	-	-	-	-	-
Cash and Cash Equivalents	-	-	1,671,082	-	-	-	826,481	-
Margin and Deposits	-	-	6,610,000	-	-	-	4,153,000	-
Total Financial Assets	-	-	8,281,082	-	-	-	6,215,179	-
Financial Liabilities								
Long Term Loans and Borrowings	-	-	1,275,402,603	-	-	-	1,213,998,172	-
Short Term Loans and Borrowings	-	-	489,773,476	-	-	-	319,464,074	-
Trade and Retention Payables	-	-	68,141,745	-	-	-	79,333,533	-
Other Financial Liabilities	-	-	44,385,417	-	-	-	13,406,505	-
Total Financial Liabilities	-	-	1,877,703,241	-	-	-	1,626,202,284	-

Indramani

