

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of  
Kalanga Hydro Limited

**Opinion**

We have audited the accompanying financial statements of **Kalanga Hydro Limited**, Kathmandu, Nepal which comprise the Statement of Financial Position as at Asadh 31, 2081 (corresponding to 15 July 2024), Statement of Profit or Loss and other Comprehensive Income, Statement of cash flows and Statement of Changes in Equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our Opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the company as at Ashadh 31, 2081 (corresponding to 15 July 2024), and of its financial performance and its cash flows for the year ended in accordance with the Nepal Financial Reporting Framework.

**Basis of Opinion**

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial Statements section of our report. We are independent of the Company in accordance with the ICAN's Handbook of code of ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, 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.

**Emphasis of Matter – Change in Accounting Policy**

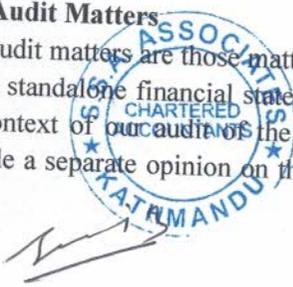
We draw attention to Note 2.3 and Note 10 of the financial statements, which describes the change in the Company's accounting policy for the classification of assets under the scope of IFRIC 12 Service Concession Arrangements. During the year, the Company has classified certain assets previously recognized as Capital WIP to Intangible Assets Under Construction. This change is in accordance with IFRIC 12 and reflects the Company's right to charge users for services rendered through the assets.

As disclosed in Note 2.3 and Note 10, the reclassification has resulted in the recognition of a notional profit for the construction phase of the service concession arrangement, which has been included in retained earnings.

Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended Ashad 31, 2081. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key



audit matters to be communicated in our report. We have fulfilled the responsibilities described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Long-Term and Short-Term Borrowings</b></p> <p>As on Ashadh 31 2081, the Long-Term and Short-Term Borrowings is Rs. 2,962,739,999 and 602,263,409 respectively which is 65.60% and 13.33% of the total Assets of the current fiscal year.</p>	<ul style="list-style-type: none"> <li>• We confirmed that any new borrowings were taken during the current fiscal year.</li> <li>• We reviewed all loan repayment through bank statements.</li> <li>• We also obtained balance confirmation as on Ashadh 31 2081 from the respective banks to verify the Loan as per ledger is tallying with Borrowing balance shown by the banks.</li> </ul>

**Other Information**

Management is responsible for the other information. The other information comprises the information included in Directors Report of Annual Report but does not include the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Management's Responsibility for Financial Statement**

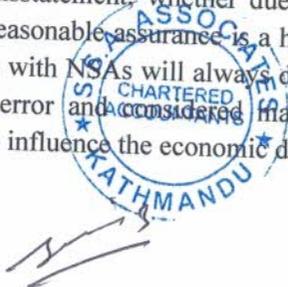
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease 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 Responsibility**

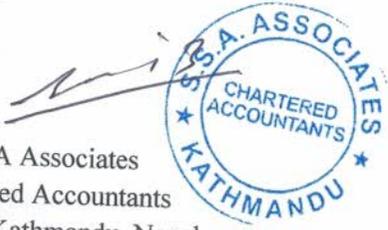
Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an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



### Report on Other Legal and Regulatory Requirements

- a. We have obtained prompt replies to our queries and explanations asked for.
- b. The financial statements are in agreement with the books of accounts maintained by the company.
- c. The accounts and records of the company have been accurately maintained in accordance with the law and practice.
- d. In our opinion and to the best of our information and according to the explanation given to us, the Board of Directors, the representative or any employee of the Company has not acted contrary to the provision of law relating to accounts nor caused direct loss or damage to the Company deliberately or acted in a manner that would jeopardized the interest and security of the company except for the section 86 of the Companies Act and the business of the Company appears to have been conducted satisfactorily.

Shree Krishna Thapa Magar, FCA  
Partner



For SSA Associates  
Chartered Accountants  
Place: Kathmandu, Nepal  
Date: 2024.12.18

**UDIN: 241218CA00924aPmRn**

# Kalanga Hydro Limited

Dhobighat, Lalitpur, Nepal

## STATEMENT OF FINANCIAL POSITION

As on 31st Ashad, 2081

Figures in NPR

	Note	As at 31st Ashadh 2081	Restated* As at 32nd Ashadh 2080	Restated* As at 1st Shrawan 2079
<b>ASSETS</b>				
<b>Non Current Assets</b>				
Property, Plants and Equipments	1	16,566,362	17,315,045	19,863,151
Intangible Assets	2	4,357,919,699	4,512,725,453	-
Intangible Assets Under Construction	2	-	-	-
Capital Advances	5	-	-	4,102,847,906
Financial Assets		-	-	-
Other Financial Assets	6	-	-	-
Other Assets	7	-	-	-
<b>Total Non-Current Assets</b>		<b>4,374,486,061</b>	<b>4,530,040,498</b>	<b>4,123,011,057</b>
<b>Current Assets</b>				
Capital Advances	5	7,516,337	18,302,953	59,175,481
Financial assets				
Cash and cash equivalents	3	8,149,731	9,551,103	1,367,462
Bank balance other than cash and cash equivalents	4	1,874,500	1,899,500	2,389,500
Other Financial Assets	6	96,253,008	79,311,545	16,622,637
Other Assets	7	27,875,618	26,638,618	120,322,299
<b>Total Current Assets</b>		<b>141,669,194</b>	<b>135,703,719</b>	<b>199,877,378</b>
<b>Total Assets</b>		<b>4,516,155,255</b>	<b>4,665,744,216</b>	<b>4,322,888,435</b>
<b>EQUITY AND LIABILITIES</b>				
Equity share capital	9	909,029,000	630,000,000	630,000,000
Advance for Share	10	-	170,068,000	111,882,500
Retained Earnings	10	3,131,263	143,679,901	232,236,674
<b>Total Equity</b>		<b>912,160,263</b>	<b>943,747,901</b>	<b>974,119,174</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Financial Liabilities				
Borrowings	11	2,962,739,999	2,975,258,338	3,242,990,000
Other financial liabilities	13	-	-	-
Other Liabilities				
Deffered tax	8	-	-	-
<b>Total Non-Current Liabilities</b>		<b>2,962,739,999</b>	<b>2,975,258,338</b>	<b>3,242,990,000</b>
<b>Current Liabilities</b>				
Financial Liabilities				
Borrowings	11	602,263,409	614,915,793	18,603,866
Other financial liabilities	13	38,453,954	128,875,431	86,621,254
Other Liabilities	12	537,630	2,946,755	554,142
<b>Total Current liabilities</b>		<b>641,254,992</b>	<b>746,737,979</b>	<b>105,779,261</b>
<b>Total Liabilities</b>		<b>3,603,994,991</b>	<b>3,721,996,317</b>	<b>3,348,769,261</b>
<b>Total Equity and liabilities</b>		<b>4,516,155,255</b>	<b>4,665,744,216</b>	<b>4,322,888,435</b>

The accompanying notes are integral part of these financial statements.

  
Deputy General Manager

  
Khageswor Bohara  
Chairperson

  
Shree Krishna Thapa Magar, FCA  
Partner  
SSA Associates,  
Chartered Accountants

Date: Poush 1, 2081  
Place: Lalitpur

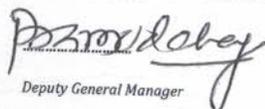


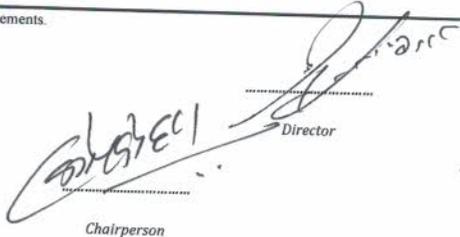
**Kalanga Hydro Limited**  
Dhobighat, Lalitpur, Nepal

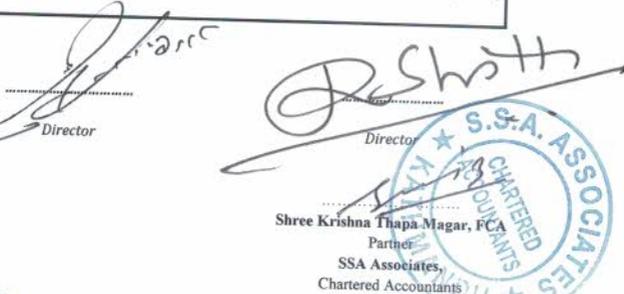
**Statement of Profit or loss and Other Comprehensive Income**  
For the year ended 31st Ashad 2081 (July 15 2024)

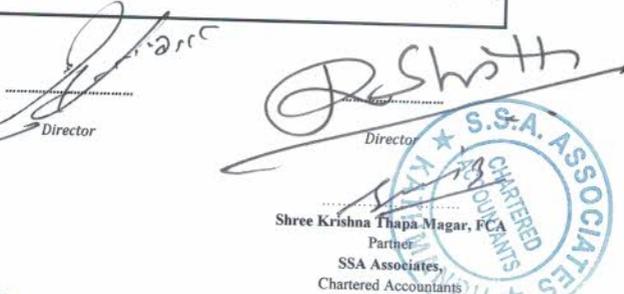
Particulars	Note	For the FY 2080-81	For the FY 2079-80 *Restated
<b>Revenue</b>			
<b>Cost of sales</b>	14	476,685,418	177,763,686
Royalty Expenses			
Operational Bay Charges	15	(11,034,021)	(4,166,549)
Internal Consumption	15	(432,000)	(432,000)
	15	(53,676)	(109,404)
<b>Gross Profit</b>		465,165,721	173,055,733
Construction Revenue as per IFRIC 12	17	-	477,482,309
Less: Construction expenses as per IFRIC 12	17	-	450,455,008
<b>Notional Profit recognized as per IFRIC 12</b>		-	27,027,300
<b>Total Income</b>		465,165,721	200,083,034
Depreciation for the period		(1,096,132)	(998,152,000)
Amortisation expenses	1	(157,255,629)	(67,604,761)
Other Income		4,316,361	727,467
Administrative and other operating expenses	14	(48,921,316)	(39,948,858)
<b>Profit from operation</b>		262,209,005	92,258,729
Finance incomes		-	-
Finance costs	18	(402,757,642)	(180,815,502)
<b>Profit Before Tax</b>		(140,548,638)	(88,556,773)
<b>Income Tax Expense</b>			
Current tax		-	-
Deferred tax credit/(charge)		-	-
<b>Profit for the period</b>		(140,548,638)	(88,556,773)
<b>Other Comprehensive Income</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Change in revaluation of property		-	-
Re-measurement (losses) / gains on post employment defined benefit plans		-	-
Changes in the fair value of equity investments at fair value through other comprehensive income		-	-
Tax relating to items that will not to be reclassified to profit or loss		-	-
<i>Items that may be reclassified to profit or loss in subsequent periods</i>			
Changes in the fair value of debt instruments at fair value through other comprehensive income		-	-
Exchange gains arising on translation of foreign operations		-	-
Cash flow hedges		-	-
Tax relating to items that may be reclassified to profit or loss		-	-
<b>Other comprehensive gain/(loss) for the year, net of tax</b>		-	-
<b>Total Comprehensive gain/(loss) for the year, net of tax</b>		(140,548,638)	(88,556,773)
<b>Earnings per equity share of Rs. 100 each</b>			
Basic Earnings per share - Rs.		(15.46)	(14.06)
Diluted Earnings per share - Rs.		(15.46)	(14.06)

The accompanying notes are integral part of these financial statements.

  
Deputy General Manager

  
Chairperson

  
Director

  
Shree Krishna Thapa Magar, FCA  
Partner  
SSA Associates,  
Chartered Accountants

Date: Poush 1, 2081  
Place: Lalitpur

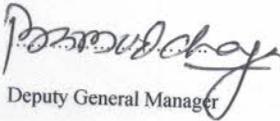


**Kalanga Hydro Limited**  
Dhobighat, Lalitpur, Nepal

**Statement of Cash Flows**  
For the year ended 31st Ashad 2081 (July 15 2024)

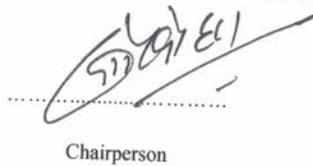
Particulars	Figures in NPR	
	2080-81	2079-80
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year		
<i>Adjustments for:</i>	(140,548,638)	(88,556,773)
Deferred Tax Credit	-	-
Depreciation of property, plant and equipment	1,096,132	998,152
Amortisation of intangible fixed assets	157,255,629	67,604,761
Notional profit recognized as per IFRIC 12	-	(27,027,300)
Finance cost	402,757,642	180,815,502
<b>Working Capital Adjustments:</b>		
(Increase)/ Decrease in other financial assets	(16,941,463)	(62,688,908)
(Increase)/ Decrease in Capital Advances	10,786,616	40,872,528
(Increase)/ Decrease in Other Assets	(1,237,000)	93,983,681
Increase / (Decrease) in financial liabilities	(90,421,477)	42,254,177
Increase / (Decrease) in other current liabilities	(2,409,125)	2,392,613
<b>Cash generated from operations</b>	<b>320,338,318</b>	<b>250,648,432</b>
Income tax paid	-	-
Bonus paid	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>320,338,318</b>	<b>250,648,432</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property, plant and Equipment	(347,449)	1,549,954
(Increase)/Decrease in Project work-in-progress	(2,449,875)	(450,455,008)
(Increase)/ Decrease in Other Investments	-	-
Bank balance other than cash and cash equivalents	25,000	490,000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(2,772,324)</b>	<b>(448,415,054)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of Shares through Private Placement	279,029,000	-
Advance for Share Settled	(170,068,000)	-
Advance for Share received	-	58,185,500
Borrowing (repaid) / taken (net)	(25,170,723)	328,580,265
Interest paid	(402,757,642)	(180,815,502)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(318,967,365)</b>	<b>205,950,262</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,401,372)</b>	<b>8,183,641</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>9,551,103</b>	<b>1,367,462</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>8,149,731</b>	<b>9,551,103</b>

The accompanying notes are integral part of these financial statements.

  
Deputy General Manager

  
Director

  
Director

  
Chairperson

  
Shree Krishna Thapa Magar, FCA  
Partner  
SSA Associates,  
Chartered Accountants



Date: Poush 1, 2081  
Place: Lalitpur

**Kalanga Hydro Limited**  
Dhobighat, Lalitpur, Nepal

**Statements of Changes in Equity**  
For the year ended 31st Ashadh 2081 (July 15 2024)

*Figures in NPR*

	Equity Share Capital	Advance for Share	Share Premium	Retained Earnings and Reserves			Total
				General Reserve	Fair Value Reserves	Retained Earnings	
<b>Balance at 1 Shrawan 2079</b>	630,000,000	111,882,500	-	-	-	-	741,882,500
Effect of Restatements due to Change in Accounting Policies	-	-	-	-	232,236,674	-	232,236,674
<b>Restated Balance on 1 Shrawan 2079</b>	<b>630,000,000</b>	<b>111,882,500</b>	-	-	<b>232,236,674</b>	-	<b>974,119,174</b>
Profit or loss for the year	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	-
Advance Received	-	-	-	-	-	-	-
Private Placement Issue	-	58,185,500	-	-	-	-	58,185,500
Share Issue Cost	-	-	-	-	-	-	-
Profit or loss for the year	-	-	-	-	-	(88,556,773)	-
<b>Balance as at 31st Ashadh 2080</b>	<b>630,000,000</b>	<b>170,068,000</b>	-	-	<b>143,679,901</b>	-	<b>943,747,901</b>
Effect of Restatements due to Change in Accounting Policies	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	(140,548,638)	(140,548,638)
Other comprehensive income	-	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	-	-	-	(140,548,638)	(140,548,638)
Advance Received	-	-	-	-	-	-	-
Private Placement Issue	-	280,000,000	-	-	-	-	280,000,000
Share Issue Cost	-	(971,000)	-	-	-	-	(971,000)
<b>Balance as at 31st Ashadh 2081</b>	<b>909,029,000</b>	-	-	-	-	<b>3,131,263</b>	<b>912,160,263</b>

The accompanying notes are integral part of these financial statements.

*[Signature]*  
Deputy General Manager

*[Signature]*  
Director



*[Signature]*  
Chairperson



Shree Krishna Thapa Magar, FCA  
Partner  
SSA Associates,  
Chartered Accountants

Date: Poush 1, 2081  
Place: Lalitpur

# Kalanga Hydro Limited

Notes to the financial statements for the year ended 31st Ashadh 2081

Figures in NPR

Note no: 1  
Property, plant and equipment:

Cost	Land	Building	Office Equipment	Furniture & Fixture	Networking System	Computers	Storage Tanks	Vehicle	Total
Balance at 1st Shrawan 2079	-	13,110,447	1,617,083	3,628,206	-	1,408,489	502,139	15,173,540	35,439,904
Additions	-	-	-	37,290	-	-	-	-	37,290
Transfer from CWIP	-	-	-	-	-	-	-	-	-
Disposals	-	(787,061)	-	-	-	-	-	(2,215,000)	(3,002,061)
Balance at 31st Ashadh 2080	-	12,323,386	1,617,083	3,665,496	-	1,408,489	502,139	12,958,540	32,475,133
Additions	-	-	794,000	-	802,339	-	-	3,115,000	4,711,339
Transfer from CWIP	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	(4,363,889)	(4,363,889)
Balance at 31st Ashadh 2081	-	12,323,386	2,411,083	3,665,496	802,339	1,408,489	502,139	11,709,651	32,822,583
Accumulated depreciation	-	-	-	-	-	-	-	-	-
Balance at 1st Shrawan 2079	-	1,433,068	822,096	2,434,327	-	1,242,987	378,746	9,265,529	15,576,753
Charge for the year	-	558,143	261,237	150,280	-	151,680	6,855	984,668	2,112,863
Disposals	-	(787,061)	-	-	-	-	-	(1,742,467)	(2,529,528)
Balance at 31st Ashadh 2080	-	1,204,150	1,083,333	2,584,607	-	1,394,667	385,601	8,507,730	15,160,088
Charge for the year	-	401,373	321,963	150,915	40,117	13,822	24,679	143,264	1,096,132
Disposals	-	-	-	-	-	-	-	-	-
Balance at 31st Ashadh 2081	-	1,605,522	1,405,296	2,735,522	40,117	1,408,489	410,280	8,650,994	16,256,221
Net book value	-	-	-	-	-	-	-	-	-
At 1st Shrawan 2079	-	11,677,379	794,987	1,193,879	-	165,502	123,393	5,908,011	19,863,151
At 31st Ashadh 2080	-	11,119,236	533,750	1,080,889	-	13,822	116,538	4,450,810	17,315,045
At 31st Ashadh 2081	-	10,717,863	1,005,787	929,974	762,222	-	91,859	3,058,656	16,506,362

a) Refer Note no: 11 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.






## Kalanga Hydro Limited

Notes to the financial statements for the year ended 31st Ashadh 2081

Figures in NPR

### Note no: 2

#### Intangible Assets

Particulars	Intangible Assets	Intangible Assets Under construction
<b>Balance as on 1st Shrawan 2079</b>	-	<b>4,102,847,906</b>
Addition During the period of FY 2079.80	4,580,330,214	477,482,309
Transfer of Intangible Assets under construction	(67,604,761)	(4,580,330,214)
Amortisation during the Year	-	-
<b>Balance as on 31st Ashadh 2080</b>	<b>4,512,725,453.00</b>	-
Addition during the year	2,449,875.00	-
Transfer of Intangible Assets Under Construction	-	-
Amortisation during the year	(157,255,629.00)	-
<b>Balance as on 31st Ashadh 2081</b>	<b>4,357,919,699</b>	-

### Note 2.1: Details of Intangible Assets

Particulars	As at 31st Ashadh 2081	During the FY 2080/81	Restated* As at 32nd Ashadh 2080	During the FY 2079/80	Restated* As at 1st Shrawan 2079
	Pre Operating Expenses	39,051,204	-	39,051,204	-
Civil Construction Works	2,164,768,051	-	2,164,768,051	139,772,419	2,024,995,632
Interest During the Construction	1,017,638,108	-	1,017,638,108	223,223,737	794,414,371
Project Supervision & Engineering Cost	115,497,919	-	115,497,919	391,626	115,106,293
Plant and Machinery (Electro- Mechanical)	343,305,609	2,449,875	340,855,734	15,346,930	325,508,804
Infrastructure Development Cost	67,540,566	-	67,540,566	1,010,100	66,530,466
Project Management Cost	126,522,317	-	126,522,317	10,903,895	115,618,422
Environmental & Social Mitigation Cost	38,745,467	-	38,745,467	14,269,331	24,476,136
Metal Works Cost - Hydro Mechanical	162,404,523	-	162,404,523	56,500	162,348,023
Land	112,465,350	-	112,465,350	1,631,780	110,833,570
Transmission Line & Switchyard	135,577,001	-	135,577,001	43,848,691	91,728,310
Add: Intangible Assets recognised as per IFRIC 12	259,263,974	-	259,263,974	27,027,300	232,236,674
<b>Total Intangible Assets</b>	<b>4,582,780,089</b>	<b>2,449,875</b>	<b>4,580,330,214</b>	<b>477,482,309</b>	<b>4,102,847,906</b>
Opening Accumulated Amortisation expenses	67,604,761	-	67,604,761	-	-
Amortisation Expenses for the	157,255,629	-	157,255,629	-	-
Closing Accumulated Amortisation	224,860,390	-	224,860,390	-	-
<b>Net Intangible Assets Under Construction</b>	<b>4,357,919,699</b>	<b>4,512,725,453</b>	<b>4,512,725,453</b>	<b>477,482,309</b>	<b>4,102,847,906</b>




**Kalanga Hydro Limited**  
Notes to the financial statements for the year ended 31st Ashadh 2081

*Figures in NPR*

Note no: 3

**Cash and cash equivalents**

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080	As at 1st Shrawan 2079
<b>Balances with banks</b>			
Local currency account			
In current accounts	8,066,731	9,472,613	1,357,462
In call accounts	-	-	-
In deposits accounts (Original maturity less than 3 months)	-	-	-
Cash in hand	83,000	78,490	10,000
<b>Total</b>	<u>8,149,731</u>	<u>9551103.03</u>	<u>1,367,462</u>

a) Refer Note no: 11 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.

Note no: 4

**Bank balance other than cash and cash equivalents**

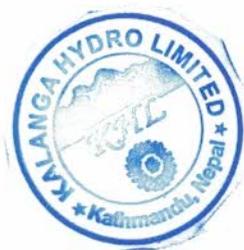
Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080	As at 1st Shrawan 2079
<b>Balances with Bank</b>			
In deposit account	-	-	-
<b>Embarked balance with bank</b>			
Margin money	1,874,500	1,899,500	2,389,500
<b>Total</b>	<u>1,874,500</u>	<u>1899500</u>	<u>2,389,500</u>

a) Refer Note no: 11 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.

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# Kalanga Hydro Limited

Notes to the financial statements for the year ended 31st Ashadh 2081

Figures in NPR

**Note no: 5**  
**Capital Advances**

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080		As at 1st Shrawan 2079	
	Current	Non-current	Current	Non-current	Current	Non-current
Advance for Land Purchase	7,516,337	-	18,302,953	-	59,175,481	-
<b>Total</b>	<b>7,516,337</b>	<b>-</b>	<b>18,302,953</b>	<b>-</b>	<b>59,175,481</b>	<b>-</b>

a) Refer Note no: 11 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.

**Note no: 6**  
**Other financial assets (Current and Non-current)**

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080		As at 1st Shrawan 2079	
	Current	Non-current	Current	Non-current	Current	Non-current
Site Office Advances	(18,813)	-	441,395	-	2,166,968	-
Advance to Consultants	1,751,000	-	-	-	-	-
Suppliers' Advances	1,238,148	-	-	-	-	-
Nepal Electricity Authority	63,476,360	-	71,791,868	-	-	-
Other Advances	29,806,313	-	7,078,283	-	4,181,693	-
Deposit (Others)	-	-	-	-	3,040,000	-
Advance to Directors/Promoters	-	-	-	-	7,233,976	-
<b>Total</b>	<b>96,253,008</b>	<b>-</b>	<b>79,311,545</b>	<b>-</b>	<b>16,622,637</b>	<b>-</b>

a) Refer Note no: 11 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.

**Note no: 7**  
**Other assets (Current and Non-current)**

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080		As at 1st Shrawan 2079	
	Current	Non-current	Current	Non-current	Current	Non-current
Advances to Staff	28,227	-	18,150	-	237,574	-
Prepaid Expenses	11,704,890	-	12,342,199	-	-	-
Contractor's Advances	16,142,500	-	14,278,269	-	120,084,725	300,000
<b>Total</b>	<b>27,875,618</b>	<b>-</b>	<b>26,638,618</b>	<b>-</b>	<b>120,322,299</b>	<b>300,000</b>

a) Refer Note no: 11 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.

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**Kalanga Hydro Limited**  
Notes to the financial statements for the year ended 31st Ashadh 2081

*Figures in NPR*

**Note no: 8**  
**INCOME TAXES**

**A. Tax expense recognised in the Statement of Profit and Loss**

	Year ended 31 Ashadh, 2081	Year ended 31 Ashadh, 2080
<b>Current tax expenses</b>		
Current tax on profits for the year		
Adjustments for under provision in prior periods		
<b>Deferred tax credit/charge</b>		
Origination and reversal of temporary differences	-	-
Adjustments/(credits) related to previous years - (net)		
<b>Income tax expense reported in Statement of Profit or Loss</b>	-	-

**B. Tax expense recognised in Other comprehensive income**

	Year ended 31 Ashadh, 2081	Year ended 31 Ashadh, 2080
<b>Deferred tax</b>		
Origination and reversal of temporary differences		
Adjustments/(credits) related to previous years - (net)		
<b>Income tax charged to OCI</b>	-	-

**C. The movement in deferred tax assets and liabilities during the year ended 32 Ashadh, 2079 and 31 Ashadh, 2080:**

**i. Movement during the year ended 31 Ashadh, 2080**

	As at 1 Shrawan, 2079	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive	As at 31 Ashadh, 2080
<b>Deferred tax assets/(liabilities)</b>				
Arising from Depreciation and Amortisation	-	-		-
<b>Total</b>	-	-	-	-

**ii. Movement during the year ended 31 Ashadh, 2081**

	As at 1 Shrawan, 2080	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive	As at 31 Ashadh, 2081
<b>Deferred tax assets/(liabilities)</b>				
Arising from Depreciation and Amortisation	-	-		-
<b>Total</b>	-	-	-	-

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**Kalanga Hydro Limited**  
Notes to the financial statements for the year ended 31st Ashadh 2081

Figures in NPR

**Note no: 9**  
**Equity Share Capital**  
**Particulars**

	As at 31st Ashadh, 2081		As at 31st Ashadh, 2080		As at 1st Shrawan 2079	
	No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount
<b>A. Equity Shares</b>						
<b>Authorised</b>						
Equity Shares of Rs. 100 each with voting rights	14,000,000	1,400,000,000	10,000,000	1,000,000,000	10,000,000	1,000,000,000
<b>Issued</b>						
Equity Shares of Rs. 100 each with voting rights	9,100,000	910,000,000	6,300,000	630,000,000	6,300,000	630,000,000
<b>Subscribed and Fully Paid</b>						
Equity Shares of Rs. 100 each with voting rights	9,100,000	910,000,000	6,300,000	630,000,000	6,300,000	630,000,000
	<b>9,100,000</b>	<b>910,000,000</b>	<b>6,300,000</b>	<b>630,000,000</b>	<b>6,300,000</b>	<b>630,000,000</b>

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

	As at 31st Ashadh, 2081	As at 31st Ashadh, 2080
	No. of Shares	No. of Shares
Balance as at the beginning of the year	6,300,000	6,300,000
Add: Issue of shares through Private	2,800,000	-
<b>Balance as at end of the year</b>	<b>9,100,000</b>	<b>6,300,000</b>

**C. Details of shareholding more than 1%**

Particulars	As at 31st Ashadh, 2081		As at 31st Ashadh, 2080		As at 1st Shrawan, 2079	
	No. of Shares	Share %	No. of Shares	Share %	No. of Shares	Share %
Jalanjali Investment P Ltd.	1,819,131.00	19.99%	2,053,131	32.59%	2,053,131	32.59%
Shiva Shankar Investment Pvt. Ltd	1,405,923.00	15.45%	1,180,302	18.73%	1,180,302	18.73%
Barun Investment Pvt. Ltd	1,013,046.00	11.13%	881,043	13.98%	881,043	13.98%
Jaya Ganesh Investment P. Ltd.	713,349.00	7.84%	581,785	9.23%	581,785	9.23%
Kalanga Urja Bikash Investment P. Ltd.	489,470.00	5.38%	590,000	9.37%	590,000	9.37%
Shubha Laxmi Hydro Investment P Ltd.	250,000.00	2.75%	250,000	3.97%	250,000	3.97%
Rajesh Kumar Shrestha	222,987.00	2.45%	-	0.00%	-	-
Dropati Bhatt	200,000.00	2.20%	-	0.00%	-	-
Yagya Prasad Chapagain	172,680.00	1.90%	-	0.00%	-	-
Sugam Ghimire	167,550.00	1.84%	-	0.00%	-	-
Chop Narayan Shrestha	145,000.00	1.59%	145,000	2.30%	145,000	2.30%
Suiina Ghimire	140,000.00	1.54%	-	0.00%	-	-
Nupse Investment Pvt Ltd	115,000.00	1.26%	-	0.00%	-	-
Indita Malla	105,630.00	1.16%	75,630	1.20%	75,630	1.20%
Kumar Bahadur Maharjan	105,000.00	1.15%	105,000	1.67%	105,000	1.67%
Bidya Limbu	98,000.00	1.08%	-	0.00%	-	-
Kiran Malla	-	0.00%	105,000	1.67%	105,000	1.67%
Birendra Bahadur Malla	-	0.00%	64,370	1.02%	64,370	1.02%

**D. Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of NPR 100 per share. Every member holding equity shares therein shall have voting rights in proportion to the member's share of the paid up equity share capital. The Company declares and pays dividend in Nepalese rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

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**Kalanga Hydro Limited**  
Notes to the financial statements for the year ended 31st Ashadh 2081

Figures in NPR

Note no: 10  
Other equity

	Advance for Share	Retained Earnings		Total
		Retained Earnings	Reserves Due to IFRIC Adjustment	
<b>Balance at 1 Shrawan 2079</b>	111,882,500	-	-	111,882,500
Changes due to application of IFRIC 12	-	-	232,236,674	232,236,674
<b>Balance at 1 Shrawan 2079</b>	<b>111,882,500</b>	-	<b>232,236,674</b>	<b>344,119,174</b>
Profit for the year	-	(111,757,389)	27,027,300	(84,730,088)
Amortization of Notional Profit	-	-	(3,826,685)	(3,826,685)
Other comprehensive income	-	-	-	-
Receipt of Advance	58,185,500	-	-	58,185,500
Issue of right share	-	-	-	-
Issue of Further Public Offering	-	-	-	-
Issue of bonus share	-	-	-	-
Share Issue Cost	-	-	-	-
Dividends to shareholders	-	-	-	-
<b>Balance at 31st Ashadh 2080</b>	<b>170,068,000</b>	<b>(111,757,389)</b>	<b>255,437,290</b>	<b>313,747,901</b>
Profit for the year	-	(131,652,134)	-	(131,652,134)
Amortization of Notional Profit	-	-	(8,896,504)	(8,896,504)
Other comprehensive income	-	-	-	-
Receipt of Advance	(170,068,000)	-	-	(170,068,000)
Issue of right share	-	-	-	-
Issue of Further Public Offering	-	-	-	-
Issue of bonus share	-	-	-	-
Share Issue Cost	-	-	-	-
Dividends to shareholders	-	-	-	-
<b>Balance at 31st Ashadh 2081</b>	<b>-</b>	<b>(243,409,523)</b>	<b>246,540,786</b>	<b>3,131,263</b>

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## Kalanga Hydro Limited

Notes to the financial statements for the year ended 31st Ashadh 2081

Figures in NPR

**Note no: 11**

**Borrowings**

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080		As at 1st Shrawan 2079	
	Current	Non-Current	Current	Non-Current	Current	Non-current
<b>Unsecured Borrowings</b>						
Advances from Directors	-	-	-	-	18,603,866	-
<b>Measured at amortised cost</b>						
<b>Secured Borrowings from Banks</b>						
Term loan						
Mid Term Loan	32,250,000	2,962,739,999	-	2,975,258,338	-	2,744,314,886
Bridge Gap Loan	377,567,012	-	377,567,012	-	-	243,000,000
Working Capital Loan	40,000,000	-	78,597,741	-	-	255,675,114
Interest Payable	59,700,000	-	59,700,000	-	-	-
	92,746,396	-	99,051,039	-	-	-
<b>Total</b>	<b>602,263,409</b>	<b>2,962,739,999</b>	<b>614,915,793</b>	<b>2,975,258,338</b>	<b>18,603,866</b>	<b>3,242,990,000</b>

1) Term loan and Bridge Gap Loan include loans obtained under a Syndicated Credit Facilities Agreement from a consortium of the following Banks:  
Lead Bank: Nepal Infrastructure Development Bank  
Participating Banks: Global IME Bank Limited, Kumari Bank Limited, NIC Asia Limited, Civil bank Limited, and Jyoti Bikash Bank Limited.

2) The Secured Borrowings have been secured by way of first legal charge in favour of the Consortium Banks on Pari-pasu basis, by the way of registered mortgage over the entire present and future fixed assets (Land, Buildings, and other constructions, plant & equipment of hydro-mechanical, Electro-mechanical, transmission line & office equipment, etc) and current assets (bills & receivables, spare parts, etc.) created with or without financing owned by the borrower.

3) Terms of Repayment of Term Loans. The Principal Repayment of Loans will commence only after the commencement of commercial generation of electricity.

**Note no: 12**

**Other liabilities (current and non-current)**

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080		As at 1st Shrawan 2079	
	Current	Non-Current	Current	Non-Current	Current	Non-current
Statutory dues	-	-	-	-	-	-
TDS Payable	537,630	-	2,946,755	-	554,142	-
<b>Total</b>	<b>537,630</b>	<b>-</b>	<b>2,946,755</b>	<b>-</b>	<b>554,142</b>	<b>-</b>

**Note no: 13**

**Other Financial Liabilities**

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080		As at 1st Shrawan 2079	
	Current	Non-Current	Current	Non-Current	Current	Non-current
Employees Accounts Payable	2,604,538	-	1,452,060	-	422,554	-
Retention Payable	5,451,692	-	65,769,696	-	61,728,436	-
Royalty Payable	2,192,400	-	659,400	-	-	-
Consultant's Payable	16,407,660	-	21,581,600	-	21,327,345	-
Creditors Payables	649,854	-	4,392,803	-	-	-
Contractor's Payables	9,846,996	-	27,854,966	-	-	-
Lease Liability	-	-	30,250	-	-	-
Directors Payables	760,100	-	-	-	-	-
Other Payable	540,714	-	-	-	-	-
<b>Total</b>	<b>38,453,954</b>	<b>-</b>	<b>128,875,431</b>	<b>-</b>	<b>2,955,343</b>	<b>-</b>

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**Kalanga Hydro Limited**  
Notes to the financial statements for the year ended 31st Ashadh 2081

*Figures in NPR*

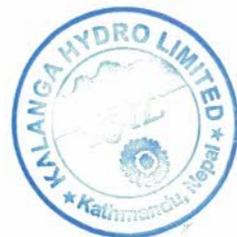
Particulars	For the FY 2080-81	For the FY 2079-80
<b>Note no: 14</b>		
<b>Revenue and Other Income</b>		<b>Restated</b>
Sale of Electricity to NEA	476,685,418	177,763,686
Gain on Sale of Vehicle	4,316,361	727,467
<b>Total Income during the reporting period</b>	<b>481,001,779</b>	<b>178,491,152</b>
<b>Note no: 15</b>		
<b>Direct Expenses</b>	<b>For the FY 2080-81</b>	<b>For the FY 2079-80</b>
	-	<b>Restated</b>
Royalty Expenses	11,034,021	4,166,548.50
Operational Bay Charges	432,000	432000
Internal Consumption	53,676	109,404.00
Depreciation Expenses	-	-
<b>Total Direct Expenses</b>	<b>11,519,697</b>	<b>69,122,919</b>
<b>Note no: 16</b>		
<b>Administrative and other operating expenses</b>	<b>For the FY 2080-81</b>	<b>For the FY 2079-80</b>
	-	<b>Restated</b>
Consultancy Expenses	626,246	50,850
Insurance Expenses	14,017,894	1,580,429
Logistic Expenses	691,588	-
Mesh Expenses	459,677	37,911.60
Penalty for Late COD	-	32,516,287
Penalty for Short Supply	6,812,357	2,296,856.31
Repair and Maintenance Expenses	11,104,245	279,133.79
Renewal & Registration Expenses	72,750	-
Social & Compensation Expenses	828,866	-
Advertisement Expenses	25,848	-
Audit Expenses	282,500	-
Bank Charges	52,028	1,690.00
Communication Expenses	308,002	76,826.51
Fuel Expenses	642,126	193,661.42
Fine & Penalties Expenses	64,897	-
Meeting Allowances	1,006,764	-
Miscellaneous Expenses	-	3,350.00
Office Expenses	51,860	-
Office Rent Expenses	363,000	155,713.11
Printing and Stationery Expenses	158,170	104,703.00
Employee Benefits Expenses	10,945,870	2,453,942.48
Site Office Expenses	-	155,175.50
Travel Expenses	143,839	9,305.00
Utilities Expenses	262,790	33,023.57
<b>Total Administrative Expenses</b>	<b>48,921,316</b>	<b>39,948,858</b>

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## Kalanga Hydro Limited

Notes to the financial statements for the year ended 31st Ashadh 2081

*Figures in NPR*

**Note no: 17**

**Construction revenue (As per IFRIC 12)**

	For the FY 2080-81	For the FY 2079-80
Construction revenue as per IFRIC 12	-	<b>Restated</b> 477,482,309
Construction costs as per IFRIC 12	-	450,455,008
<b>Notional Profit as per IFRIC 12</b>	-	<b>27,027,300</b>

**Note no: 18**

**Financial Charges**

	For the FY 2080-81	For the FY 2079-80
Interest on TL	-	<b>Restated</b> 153,505,152.09
Interest on MTL	337,911,528	21,173,252.47
Interest on WCL	46,558,734	1,062,116.20
Interest on BGL	7,136,551	5,074,981
Loan Renewal & Loan Agency Fees	7,678,004	-
<b>Total Direct Expenses</b>	<b>402,757,642</b>	<b>180,815,502</b>

P. Prasad
G. B. P. P.
R. S. P.
S. P.



**Kalanga Hydro Limited**  
Notes to the financial statements for the year ended 31st Ashadh 2081

*Figures in NPR*

Note no: 19

**RELATED PARTY DISCLOSURES**

**(a) Relationship**

Relationship	Related Parties
Company with Common Directors	Sanigad Hydro Limited Bungal Hydro Limited
Parent Company (Holding more than 20% but less than 50%)	Jalanjali Investment P Ltd. Shiva Shankar Investment Pvt. Ltd Barun Investment Pvt. Ltd Kalanga Urja Bikash Investment P. Ltd.

**(b) Those charged with governance**

Those charged with governance of KHL include members of Board of directors namely:

Name	Designation
Khageshwar Bohora	Chairman
Umesh Shrestha	Director
Rajesh Kumar Shrestha	Director
Tirtha Raj Chataut	Director
Shiva Prasad Ghimire	Director
Birendra Bahadur Malla	Director

The following provides expenses incurred for those charged with governance of KHL:

Nature of Expense	Current Year	Previous Year
Meeting Allowances	955,000	502,500
<b>Total</b>	<b>955,000</b>	<b>502,500</b>

**(c) Transactions with key management personnel**

Key Management personnel includes:

Particulars	Current year	Previous Year
i) Mr. Pushpa Chitrakar (Chief Executive Officer)	-	871,680
ii) Mr. Khageshwar Bohara	753,333	
	<b>753,333</b>	<b>871,680</b>

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*Chitrakar*

*Shrestha*

*Chitrakar*



**Kalanga Hydro Limited**  
**Notes to the financial statements for the year ended 31<sup>st</sup> Ashadh 2081**

*Figure in NPR*

**Note 1: Background**

Kalanga Hydro Pvt. Ltd. is a private limited company registered with office of Company Registered on 2064/09/05(Registration No-49966/6465), having registered office in Lalitpur, and currently, the Company is converted to Public Limited as on 2078/03/31.

The principle objective of the company is to explore survey, design, construct and manage power project and provides related consultancy services in Nepal. Company has developed 15.33 MW Hydro Electric Project from Kalangagad River in Bhajang District.

**Note 2: Significant accounting policies**

**2.1 Basis of Preparation and measurement**

**i. Statement of Compliance**

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). The Financial Statements have also been prepared in accordance with the relevant presentational requirements of the Companies Act, 2063 of Nepal.

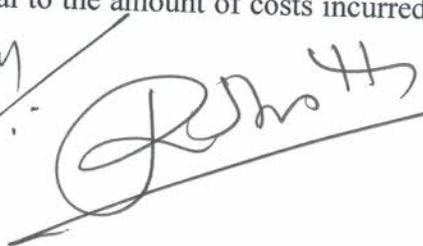
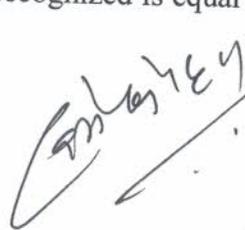
**New Standards issued by ICAN which are applicable at 15<sup>th</sup> July 2024**

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue which is applicable for FY 2080-81 (2023-24). Revenue from service concession arrangement under the intangible asset model is recognized based on the principles laid down under IFRIC-12 and in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

The company has applied intangible asset model to recognize the asset as per IFRIC 12 – Service concession arrangements. Income from the concession arrangements earned under the intangible asset model consists of:

- i. fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and
- ii. payments received from the users.

The cost for such improvements to concession assets is based on actual costs incurred by the Company in the execution of the upgradation, considering the requirements in the concession agreement. The amount of revenue recognized is equal to the amount of costs incurred, considering the fair value of



**Kalanga Hydro Limited**  
**Notes to the financial statements for the year ended 31<sup>st</sup> Ashadh 2081**

*Figure in NPR*

the amount transferred, therefore no adjustments were made to revenue and cost incurred. The amounts paid are set at market value.

**New Standards which are yet to be adopted at 15<sup>th</sup> July 2024**

Kalanga Hydro Limited has not opted for the adoption of the new set of NFRS pronounced by ICAN, which may relate to it, but not specifically relevant to the company. These standards include:

NFRS 17 “Insurance Contracts” NFRS 17 would be effective from July 16, 2024 and early application is allowed. The effect of application of NFRS 17 is being studied and initial assessment is that our business would not be materially affected by NFRS 17.

NAS 29 “Financial Reporting in Hyperinflationary Economies” applicable from 16th July 2021, has not been adopted based and initial assessment is that our business would not be materially affected by NAS 29.

**ii. Basis of preparation**

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements are presented in the functional and presentation currency of the Company i.e., Nepalese Rupee (“NPR”) which is the currency of the primary economic environment in which the Company operates.

**iii. 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.

**2.2 Critical accounting estimates and 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. The estimates and assumptions that have a significant risk

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of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily include: -

### **Useful life and residual value of property, plant and equipment**

Management reviews the useful life and residual values of property, plants, and equipment at least once a year. Such a 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.

### **Impairment of property plant and equipment**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant, and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). The 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 on the carrying value of assets.

### **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 recognised.

### **Fair value measurements**

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. 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 as per necessity. The management works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

### **Recognition of deferred tax assets**

A significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about

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future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

### 2.3 Service Concession Arrangements

IFRIC 12 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 price; 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) 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

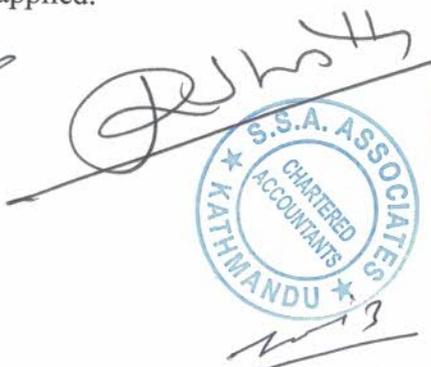
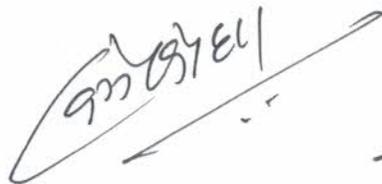
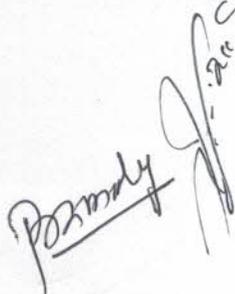
The infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC if the conditions in (a) above are met. These arrangements are accounted for based on below-mentioned models depending on the nature of consideration 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 right is established when the grantor contractually guarantees to pay the operator (a) specific or determinable amount; (b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

**Intangible asset model:** The intangible asset model is used to the extent that the Company, being an operator, receives the right (a license) to charge users of the public service. A right to charge users of public service is not an unconditional right to receive cash because the amounts are contingent on to the extent the public uses the services. Both types 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.

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

The Company manages concession arrangements, which include power supply from its hydropower plants viz. Kalanga Hydro Electric Project -15.33 MW (KGHEP). The Company maintains and services the infrastructure during the concession period. Further, the concession arrangement gives KHL the right to use the hydropower project for generating electricity and earn revenue by selling electricity to NEA and local consumers. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied.



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**Notes to the financial statements for the year ended 31<sup>st</sup> Ashadh 2081**

*Figure in NPR*

For earlier period, management had not adopted "Service Concession Arrangement-IFRIC 12" for revenue recognition and assets recognition during the construction phase of Hydropower Project. The financial statements for the year ended 31 Ashad 2081 are the first that the Company has adopted "Service Concession Arrangement- IFRIC 12". For all periods up to and including the year ended 31 Ashad 2080, Company prepared its financial statements in accordance with earlier applicable Nepal Accounting Standards without adopting . The financial statements for the year ended 31 Ashad 2080 and the opening Statement of Financial Position as at 1 Shrawan 2080 have been restated in accordance with NFRS for comparative information. Reconciliations and explanations of the effect of the transition from NAS to NFRS on the Company's statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows are provided here below.

Revenue from service concession arrangement under the intangible asset model is recognized in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

Any asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire. The tenure of the Service Concession Arrangement of 15.33 MW KGHEP for generation, transmission, and distribution shall be ended on Chaitra 2108 B.S.

i. The cost of Kalanga Hydro Limited (15.33 MW), which was capitalized as Project WIP in the previous years, was transferred to property, plant and equipment on its Commercial Operation on 6<sup>th</sup> Falgun, 2079. Under application of IFRIC 12, the cost of KGHEP has been classified as "Intangible Assets" and booked revenue at the rate of 6% in addition to the cost.

**Reconciliation of Intangible Assets and Property, Plant and Equipment as on 1<sup>st</sup> Shrawan 2079**

Particulars	Local GAAP	Adjustments	Restated balance
Property, Plant and Equipment	3,890,474,383	(3,870,611,232)	19,863,151
Intangible Assets Under Construction	-	4,102,847,906	4,102,847,906
Retained Earnings	-	232,236,674	232,236,674

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**Kalanga Hydro Limited**  
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**Reconciliation of Profit/Loss for the FY 2079.80**

Particulars	Amount (NPR)
Profit or loss as Earlier Before IFRIC 12	(111,757,389)
Notional Profit recognized as per IFRIC 12	27,027,301
Add: Depreciation previously recognized	63,778,076
Less: Amortization expenses	(67,604,761)
<b>Restated Net profit or loss</b>	<b>(88,556,773)</b>

Total amount of NPR 3,870,611,232 incurred in construction of the project has been transferred from PPE to Intangible Assets Under Construction as on 1st Shrawan 2079. Accordingly, as per IFRIC 12, the company has recorded profit of NPR 232,236,674 in relation to construction till the earliest prior period presented i.e. 1<sup>st</sup> Shrawan 2079. Similarly, the company has recorded profit of NPR 27,027,300 during the FY 2079/80.

During the FY 2080/81, construction cost of NPR. 2,449,785 have been capitalized to the project. However, no any constructin cost and construction revenue have been recognized as per IFRIC 12 during the year as the commercial production of electricity have already started since FY 2079/80.

The revenue recognized in relation to construction during the year represents the fair value of the construction services provided in constructing the project. The Company has recognized an intangible asset net of amortization cost of NRs. 4,357,919,699 till date for right to sell electricity to NEA as specified in PPA through construction of project assets under service concession arrangement.

Particulars	For the year ended 15 July 2024	For the year ended 16 July 2023 (Restated)	As on 1 <sup>st</sup> July 2022 (Restated)
Contract revenue recognized (Note 17)	-	477,482,309	4,102,847,906
Total amount of contract cost incurred and recognized as Intangible Assets (Note 17)	-	450,455,008	3,870,611,232
Notional Profit recognized under IFRIC 12	-	27,027,300	232,236,674

**2.4 Property, plant and equipment**

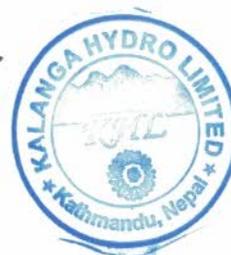
- i. All items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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**Kalanga Hydro Limited**  
**Notes to the financial statements for the year ended 31<sup>st</sup> Ashadh 2081**

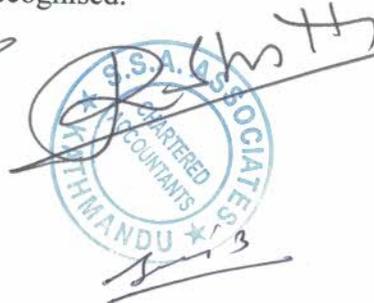
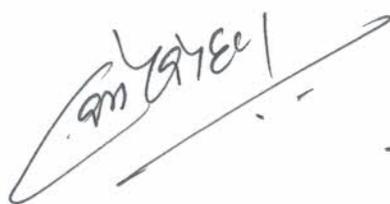
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- ii. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.
- iii. The Company identifies and determines the cost of each component/ part of the asset separately if the component/ part has a cost that 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.
- iv. The residual values, useful lives, and methods of depreciation of property, plant, and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
- v. An item of property, plant, and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 derecognised.
- vi. Assets in the course of construction are capitalized in the assets under capital work in progress account (CWIP). 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 estimate 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 production during the trial period is capitalized.

The following table shows the specific expenses made on such categories, and the allocation of common cost:

### 2.5 Other Intangible Assets

- i. 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.
- ii. Certain computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence, and significant benefits expected to flow therefrom for a period longer than one year.
- iii. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.



**2.6 Depreciation and Amortization**

- i. Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the Straight-Line Method.
- ii. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation 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.
- iii. Depreciation is provided on the Straight-Line Method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on a pro-rata basis in the year when it is available for use. The general useful lives of the assets and the corresponding rates at which the assets are depreciated are as follows:

Category of asset	Estimated useful life	Depreciation Rate
Building		
Pre-fab Building*	30.70 Years	3.257%
Office Equipment	5 Years	20%
Computers	3 Years	33.33%
Furniture & Fixture	10 Years	10%
Vehicles	8 Years	12.5%
Network and Servers	6 Years	16.67%

- iv. Computer software is amortised over the period of validity of license on straight-line basis.
  - v. The useful life of all assets has been estimated in accordance with Appendix 1 of Application Guidance to NAS 16, except for the Pre-fab building \*, as the useful life of such assets have been determined to be up to the validity of the electricity generation license.
  - vi. Useful life is either the period during which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset.
- The estimated useful life, residual values, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.
- vii. Residual Values of all items of Property, Plant, and Equipment is taken to be zero for the purpose of calculation of depreciation amount.
  - viii. All components of Property, Plant and Equipment with Written Down Value less than NPR 5,000 are charged to the profit and loss account in the year.

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**CPA ASSOCIATES**  
CHARTERED ACCOUNTANTS  
KATHMANDU



ix. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight-line basis.

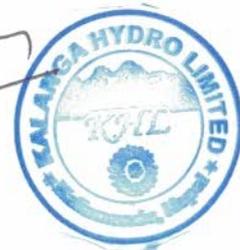
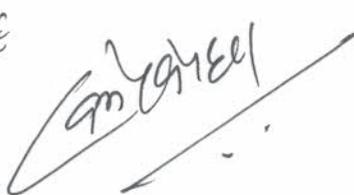
## 2.7 Impairment of tangible and intangible assets

- i. 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.
- ii. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
- iii. 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.
- iv. 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 recognised immediately in the Statement of Profit and Loss.
- v. 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss.

## 2.8 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 to the extent regarded as an adjustment to the borrowing 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 incurred in the period in which they occur.



## 2.9 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on 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 net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

## 2.10 Inventories

The cost of inventories includes the cost of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Inventories of stores, spare parts, and loose tools are stated at the lower of weighted average cost and net realizable value. The net realizable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale.

## 2.11 Revenue recognition

### i) Sale 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 and other similar allowances. Revenue is recognized when substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.

### ii) Other Electricity services

Fees from other electricity services are accounted on an accrual basis as and when the right to receive arises.

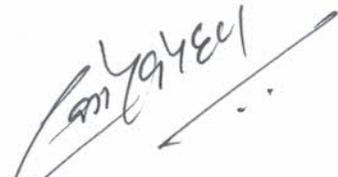
### iii) Dividend income

Dividend income (net of withholding taxes) from investments is recognised when the shareholder's right to receive payment has been established (if it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably). In the case of a stock dividend, only the number of shares is increased.

### iv) Interest income

Interest income from a financial asset is recognised 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.









## 2.12 Foreign currency transactions

- i. The functional currency of the Company and its subsidiaries is determined based on the primary economic environment in which it operates. The functional currency of the Company is the Nepalese Rupee (NPR).
- ii. In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.
- iii. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined.
- iv. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.
- v. Exchange differences on monetary items are recognised in the Statement of Profit and Loss in the period in which they arise.

## 2.13 Employment Benefits

The Company does not have any schemes of long-term employment benefits. The expenses related to Short term employee benefits are recognised through Statement of Profit and Loss, in the period in which they are incurred.

## 2.14 Taxation

### Income Tax

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement 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.

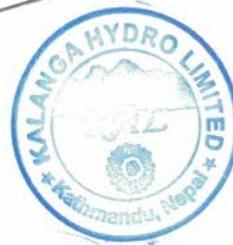
### Deferred tax

- i. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected

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**Kalanga Hydro Limited**  
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realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The entity will enjoy a Tax Holiday for 15 years, after the commencement of commercial generation of electricity, in the following manner:

First 10 years: 100% Exemption and 11<sup>th</sup> to 15<sup>th</sup> Years: 50% Exemption

### 2.15 Earnings per share

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 treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares).

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.

### 2.16 Provisions, contingencies, and commitments

- i. Provisions are recognised when the Company has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
- ii. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.
- iii. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

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**Kalanga Hydro Limited**  
**Notes to the financial statements for the year ended 31<sup>st</sup> Ashadh 2081**

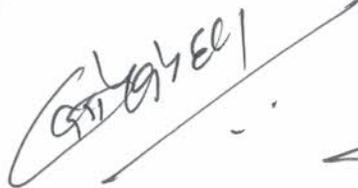
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- iv. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.
- v. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.
- vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize contingent liability but discloses its existence in the financial statements.
- vii. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
- viii. Commitments include the amount of purchase order (net of advances) issued to parties for the completion of assets.
- ix. Provisions, contingent liabilities, contingent assets, and commitments are reviewed at each reporting period.

## 2.17 Financial Instruments

### i. Financial instruments

Financial assets and financial liabilities are recognised 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 a financial asset or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the statement of profit and loss. In case of interest-free or concession loans/debentures/preference shares given to subsidiaries, associates, and joint ventures, the excess of the actual amount of the loan over the initial measure at fair value is accounted as an equity investment.



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**Notes to the financial statements for the year ended 31<sup>st</sup> Ashadh 2081**

*Figure in NPR*

Investment in equity instruments issued by subsidiaries, associates and joint ventures are measured at cost less impairment.

Investment in preference shares/debentures of the subsidiaries are treated as equity instruments if the same are convertible into equity shares or are redeemable out of the proceeds of equity instruments issued for the purpose of redemption of such investments. Investments in preference shares/debentures not meeting the aforesaid conditions are classified as debt instruments at amortised cost.

**ii. Effective interest method**

The entity has opted to take the carve-out option provided by the Institute of Chartered Accountants of Nepal regarding Effective Interest Rate method up till financial year 2080/81.

**iii. Financial assets**

**Financial assets at amortised cost**

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets 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**

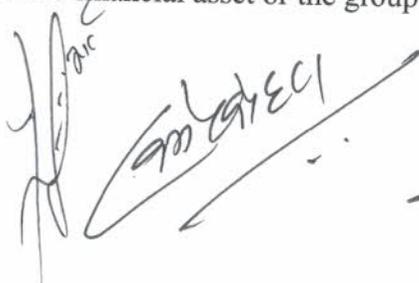
Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise 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 amortised cost or at fair value through other comprehensive income is carried at fair value through the statement of profit and 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**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.



**Kalanga Hydro Limited**  
**Notes to the financial statements for the year ended 31<sup>st</sup> Ashadh 2081**

*Figure in NPR*

**De-recognition of financial assets**

The Company derecognises 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 recognises 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 recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognised in a statement of profit or loss.

**iv. Financial liabilities and equity instruments**

**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 amortised 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 amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised 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.

**Financial guarantee contracts**



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*Figure in NPR*

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 recognised 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**

Financial liability is derecognised 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 recognised in the statement of profit and loss.

**v. Off-setting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount is reported in the standalone balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**vi. Fair Value measurement:**

The Company measures financial instruments, such as investment in equity instruments, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

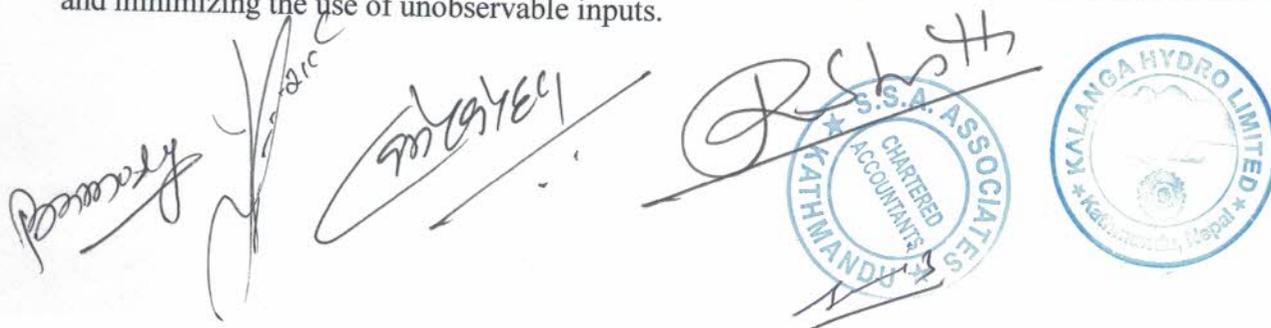
- i) In the principal market for the asset or liability, or
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The bottom of the page features several handwritten signatures and official stamps. On the left, there are three distinct handwritten signatures. In the center, there is a circular blue stamp for 'K. S. S. A. ASSOCIATES' with 'CHARTERED ACCOUNTANTS' and 'KATHMANDU' written around the perimeter. To the right of this is another circular blue stamp for 'KALANGA HYDRO LIMITED' with 'KATHMANDU, Nepal' written around the perimeter. The signatures and stamps are overlaid on the bottom portion of the text.

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**Notes to the financial statements for the year ended 31<sup>st</sup> Ashadh 2081**

*Figure in NPR*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### **2.18 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 contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

#### **The company as a Lessee**

At the commencement date, the Company shall recognize a right to use asset at cost and a lease liability at the present values of the lease payments that are not paid at that date. The lease payment shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the company shall use its incremental borrowing rate.

After the commencement date, the company shall measure the right to use asset applying a cost model or measurement model. To apply a cost model, the company shall measure the right of use asset at cost less any depreciation and any accumulated impairment losses adjusted for remeasurement of lease liability as mentioned below.

After the commencement date, the company shall measure the lease liability by

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications to reflect revised in-substance fixed lease payments

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

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**Kalanga Hydro Limited**  
**Notes to the financial statements for the year ended 31<sup>st</sup> Ashadh 2081**

*Figure in NPR*

is not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease.

### **2.19 Non-current assets held for sale**

The Company classifies non-current assets as held for sale if their carrying amounts are recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.

The criteria for held for sale classification is regarded as met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

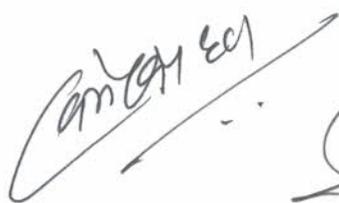
Property, plant and equipment, and intangible assets once classified as held for sale/ distribution to owners are not depreciated or amortized.

As of the reporting date, no assets of the company have been classified as Held for Sale.

### **2.20 Capital Management**

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

The Company's aim is to translate profitable growth to superior cash generation through efficient capital management. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain the future development and growth of its business. The Company's focus is on keeping a strong total equity base to ensure independence, and security, as well as high financial flexibility for potential future borrowings, if required, without impacting on the risk profile of the Company. The Company will take appropriate steps to maintain, or if necessary, adjust its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.



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*Figure in NPR*

No changes were made in the objectives, policies, or processes for managing capital during the years ended 31<sup>st</sup> Ashadh, 2080 and 32<sup>nd</sup> Ashadh, 2079.

**2.21 Segment reporting**

The Chief Executive Officer and functional managers of the Company have been identified as the Chief Operating Decision Maker (CODM) as defined by NFRS 8, Operating Segments. The CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators, however the Company has not engaged in any revenue generating activities during the reporting period and most of its operations are in Nepal. Hence the Company does not have any reportable Segments as per NFRS 8 "Operating Segments".

**2.22 Staff bonus**

A 2% bonus on net profit on electricity income in line with the provisions of the Electricity Act 2049, 2% bonus on dividend Income and a 10% bonus on income from other sources as per Bonus Act 2030 have to be provided to the staff, by KHL. However, no such bonus has yet been provided to the staff by the company as the company hasn't earned any profits during the year.

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## UDIN Document

Fiscal Year: 2080/81

<b>Generated Date / Time:</b> 2024-12-18 17:36:29	<b>UDIN Number:</b> 241218CA00924aPmRn
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<b>Document Type:</b> Audit	<b>Audit Type:</b> Statutory Audit
<b>Office Type:</b> Unlisted Public Company	<b>Office Name:</b> Kalanga Hydro Limited
<b>Type of Audit Opinion:</b> Unqualified Audit Opinion with EoM Paragraph	<b>Period (AD):</b>
<b>Office PAN:</b> 302814943	

### Financial figures

S.N.	Heading	Amount
1	Total Asset/Liabilities	NRs. 4516155255
2	Gross Revenue/Turnover	NRs. 476685418
3	Gross Expenses	NRs. 617234056
4	Net Profit Or Loss	NRs. -140548638

**Status:** Active Document

### Document Description:

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