



Report of the Independent Auditor

to the Shareholders of Khanikhola Hydropower Company Limited.

We have audited the financial statements of Khanikhola Hydropower Company Limited for the year ended 31 Ashadh 2074 (15 July 2017). The financial reporting framework that has been applied in their preparation is applicable laws and Nepal Accounting Standards. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management of the company is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS) that comply with International Financial Reporting Standards (IFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

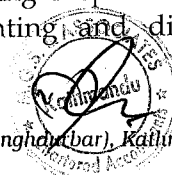
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the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

Scope of the Audit of the Financial Statements

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Disclaimer of Opinion

All Listed Companies or company having loan liability exceeding NRs. 500 Millions needs to adopt Nepal Financial Reporting Standards from Nepal Accounting Standards (previous Local GAAP) effective from fiscal year 2016/17. However, Khanikhola Hydropower Company Limited's financial statement has not been prepared adopting Nepal Financial Reporting Standards. The cumulative effect of not restating, presenting, and disclosing financial



information based on transitional provision of NFRS is uncertain and could be material and pervasive.

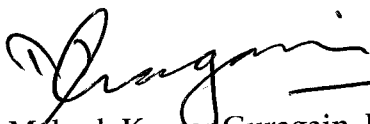
Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence for cumulative effect of not restating financial items and making additional disclosure as required by first time adopter of Nepal Financial Reporting Standards to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements which have not been prepared in accordance with Nepal Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act, 2063, we report that:

- a. We have audited all information and explanations; we have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our explanations.
- b. In our opinion, proper books of account as required by the Companies Act have been kept by the Company to state the fair presentation of its transactions.
- c. Balance Sheet, Income Statement and Cash Flow Statement provided to us have been prepared in accordance with Nepal Accounting Standards and these statements are in agreement with the books of accounts maintained by the Company.
- d. In our Opinion and to the best of our information and according to the explanations given to us and from our examination of the books of the accounts of the Company, we have not come across the cases where the board of directors or any member thereof or any employees of the company have acted contrary to the provision of the prevailing law or caused loss or damage to the company or committed any misappropriation of the properties of the Company. .
- a. In our Opinion, the business of the Company has been conducted satisfactorily and within its authority.



Mahesh Kumar Guragain, FCA
Senior Partner



COP:- 059, the Institute of Chartered Accountants of Nepal (ICAN).

Date:- 18th December 2017

Place : Kathmandu

Khani Khola Hydropower Company Ltd.


Dhumbahar, Kathmandu

Balance Sheet

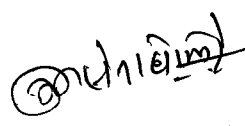
As on 31 Ashadh 2074



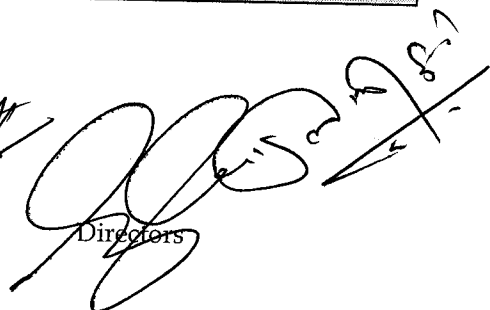
Particulars	Schedule	As on 31-03-2074 (NRs)	As on 31-03-2073 (NRs)
Sources of Funds			
Paid up Share Capital	1	465,714,300.00	377,228,500.00
Resurves and Surplus			
Net Profit (Loss) upto previos year		(10,428,271.03)	(2,021,786.07)
Net Profit (Loss) this year		(109,894,552.80)	(8,406,484.96)
		(120,322,823.83)	(10,428,271.03)
Term Loan	2	831,786,325.17	750,723,473.76
Total		1,177,177,801.34	1,117,523,702.73
Application of Funds			
Fixed Assets	11	1,159,919,264.14	36,091,292.57
Project Development Cost (WIP)	4	-	1,111,581,079.36
Investment	3	45,008,000.00	-
Current Assets:			
Deposits	10	14,000.00	1,639,000.00
Advance / Debtors & Receivables	5	19,001,499.25	27,955,350.27
Cash and Bank Balances	6	3,092,175.85	14,564,711.61
Total Current Assets		22,107,675.10	44,159,061.88
Less: Current Liabilities			
Less: Current Liabilities	7	49,857,137.90	74,307,731.08
Total Current Liabilities		49,857,137.90	74,307,731.08
Net Current Assets		(27,749,462.80)	(30,148,669.20)
Total		1,177,177,801.34	1,117,523,702.73


(Sagar Nepal)
Accountant

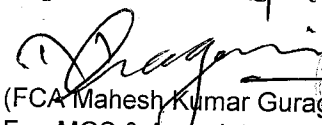

(Bijaya Man Sherchan)
Chairman

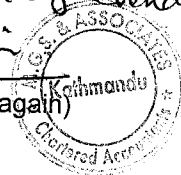

Directors


Directors

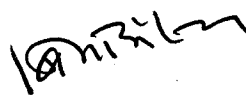

Directors

As per our Report of Auditors.


(FCA Mahesh Kumar Guragain)
For: MGS & Associates
Chartered Accountants



Date: 18 Dec 2017



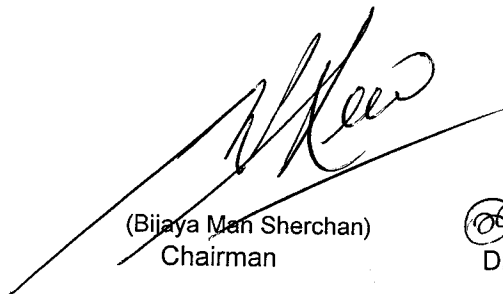
Khani Khola Hydro Power Company Ltd.
Dhumbaram 4, Kathmandu

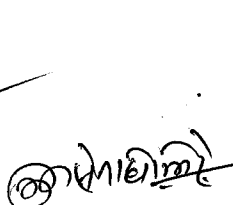
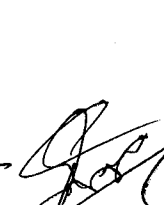
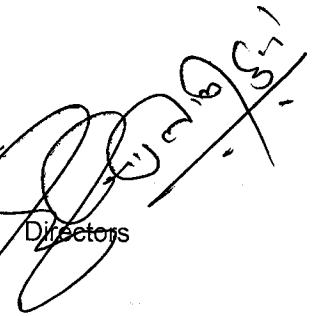
Income Statement

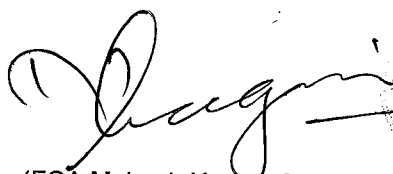
For the period ending 1st Shrawan 2073 to 31st Asadh 2074

INCOME	Schedule	31-03-2074 (NRs)	31-03-2073 (NRs)
Electricity Sales	8	35,317,826.90	
Interest /Others	8	945,697.20	2,450,214.98
Miscellaneous Income	8	20,007.07	
Other Income - Penalty	8	1,292,425.64	
Gross Profit / (Loss)		37,575,956.81	2,450,214.98
Less : Administration expenses	9	164,377,124.11	10,856,699.94
Profit Before Tax		(126,801,167.30)	(8,406,484.96)
Provision for Tax		-	-
Provision for staff Bous		-	-
Net Profit/Loss Transferred to Balance Sheet		(126,801,167.30)	(8,406,484.96)

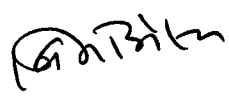

 (Sagar Nepal)
 Accountant


 (Bijaya Man Sherchan)
 Chairman

  
 Directors Directors Directors


 (FCA Mahesh Kumar Guragain)
 For: MGS & Associates
 Chartered Accountants
 Date: 18 Dec 2017





KHANI KHOLA HYDROPOWER COMPANY LIMITED

Dhumbarani-4, Kathmandu

STATEMENT OF CASH FLOW

For the period Ended 31st Asadha 2074.



Particulars	2073/74 (NRs).	2072/73 (NRs).
A. Cash Flow from operating activities:		
Net Profit / (Loss)	(109,894,552.80)	(8,406,484.96)
Adjustment for:		
Depreciation	64,254,622.80	1,575,964.53
Operating Profit/(Loss) before working Capital Changes	(45,639,930.00)	(6,830,520.43)
Increase / Decrease in debtors/Recoverables/Deposits	10,578,851.02	24,645,232.36
Increase / Decrease in payables	(24,450,593.18)	5,414,819.08
Net cash flow from operating activities (A)	(59,511,672.16)	23,229,531.01
B. Cash Flow from Investing activities:		
Fixed Assets additions	(1,188,082,594.38)	(14,166,726.12)
Increase /Decrease -WIP	1,111,581,079.36	(256,753,964.37)
Net cash flow from investing activities (B)	(76,501,515.02)	(270,920,690.49)
C. Cash Flow from Financing activities:		
Increase in Share Capital	88,485,800.00	51,228,500.00
Increase in Long Term Loan	81,062,851.41	209,574,938.32
Increase in Investment	(45,008,000.00)	
Net cash flow in financing activities (C)	124,540,651.41	260,803,438.32
Net increases in cash and cash equivalent(A+B+C)	(11,472,535.76)	13,112,278.84
Cash and bank balance at the beginning of the year	14,564,711.61	1,452,432.77
Cash and bank balance at the end of the year	3,092,175.85	14,564,711.61

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KHANI KHOLA HYDROPOWER COMPANY LIMITED

Dhumbahala, Kathmandu

Statement of Changes in Equity

For the period Ended 31 Asadha 2074.

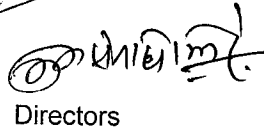
Particulars	Paid up Capital	Retained Earnings	Total
Balance as on 31-03-2072	326,000,000.00	(2,021,786.07)	323,978,213.93
This Year	51,228,500.00	(8,406,484.96)	42,822,015.04
Balance as on 31-03-2073	377,228,500.00	(10,428,271.03)	366,800,228.97
This Year	88,485,800.00	(127,429,084.30)	(38,943,284.30)
Prior Period Adjustment		17,534,531.50	17,534,531.50
Balance as on 31-03-2074	465,714,300.00	(120,322,823.83)	345,391,476.17



(Sagar Nepal)
Accountant



(Bijaya Man Sherchan)
Chairman



Directors



Directors

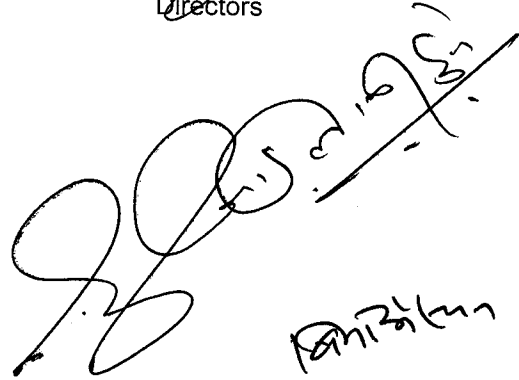
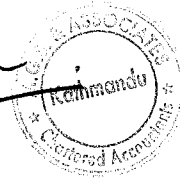


(FCA Mahesh Kumar Guragain)

For: MGS & Associates

Chartered Accountants

Date:

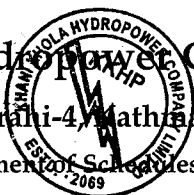


Directors

Khani Khola Hydropower Company Ltd.

Dhumbarahi-4, Mathabandu

Statement of Schedules



Schedule-1

Statement of Share Capital For the year ending 31 Asadha 2073	31/03/2074 (NRs)	31/03/2073 (NRs)
Authorised Share Capital	500,000,000.00	500,000,000.00
50,00,000 Ordinary shares of NRs.100 each		
Issued and Subscribed Share Capital		
46,57,143 Ordinary shares of NRs.100 each	465,714,300.00	465,714,300.00
Subscribed and paid up 465714300	465,714,300.00	377,228,500.00
Unpaid Share Capital		
Paid Up Share Capital	465,714,300.00	377,228,500.00

Schedule-2

Loans	31/03/2074 (NRs)	31/03/2073 (NRs)
Term Loan	831,786,325.17	546,656,682.54
Bridge Gap Loan		204,066,791.22
Total	831,786,325.17	750,723,473.76

Schedule-3

Investment	31/03/2074 (NRs)	31/03/2073 (NRs)
Maya Khola Hydropower Company Limited	45,000,000.00	-
South Lalitpur Gramin Bidhyut Sahakari Ltd	8,000.00	-
Total	45,008,000.00	

Schedule-4

Statement Of Project Expenses - Work in Progress:	31/03/2074 (NRs)	31/03/2073 (NRs)
Connection, PPA & Generation licence	-	3,127,184.00
Salary for Project Site Staffs	-	24,427,294.00
Entertainment/Refreshment	-	648,658.00
Administration Expenses	-	8,650,225.34
Site Mess/Refreshment	-	1,139,603.00
Transmission line - Licence Fee	-	720,000.00
Transmission Line Expenses	-	196,517.00
Advertisement /Publicity	-	160,804.00
Access Road Construction	-	6,195,526.00
Loan Management Fees	-	7,051,700.00
Vehicle Rent	-	827,467.00
Repair & Maintenance	-	861,926.50
Survey, IEE, Detail Engineering, Feasibility Expense	-	9,838,010.91
Transportation Expenses	-	308,810.00
Forest Lease Expenses	-	51,919.00
Labour Charge	-	64,600.00
Camping Facility	-	64,145.00
Civil Construction Works	-	431,664,476.59
Environment Mitigation	-	1,683,658.00
Land Compensation	-	3,383,596.50
Infrastructure & Access	-	2,544,790.55
Interest During Construction	-	115,672,270.96
Metal Works	-	182,985,968.76
Plant & Machinery	-	265,256,592.00
Pre - Operating Cost	-	162,797.00
Project Insurance	-	7,788,067.06
Project Supervision & Management	-	27,148,477.35
WIP Transmission Line	-	2,000,000.00
Depreciation	-	6,955,994.84
Total		1,111,581,079.36



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Khani Khola Hydropower Company Ltd.

Dhumbarahi-4, Kathmandu



Schedule-5

Statement Of Advances / Debtors and Recoverables :	31/03/2074 (NRs)	31/03/2073 (NRs)
TDS - Interest (2069/70)	165,099.90	165,099.90
TDS - Interest (2070/71)	156,049.25	156,049.25
TDS - Interest (2071/72)	9,841.61	9,841.61
TDS - Interest (2072/73)	73,532.24	73,532.24
TDS - Interest (2073/74)	141,857.14	
Advance - Civil Works	2,050,152.19	9,003,484.39
Land Purchase	-	207,292.00
Metal Works	321,751.63	4,422,569.50
Plant & Machinery	3,130,825.00	142,800.00
Project Supervision & Management		657,397.43
Transmission Line & Switchyard	2,600,000.00	91,500.00
Environment Mitigation	197,207.00	956,516.00
Project Works		7,367,017.95
Sankhu - Ikkudol- Bhattedanda Road User Commette		200,000.00
LC - Margin EM (KKHP)	712,856.25	1,425,712.50
LC - Margin EM (TTKHP)	1,538,268.75	3,076,537.50
Decode Intenational Pvt Ltd	368,457.00	-
Mr. Mahesh Sharma Dhakal	25,000.00	
Mr. Bhimsen Ghimire		
Soutj Lalitpur Rural Electric Co-Operation Ltd.	650,000.00	
Sundry Debtors-NEA	5,407,588.76	
Prepaid Insurance	1,453,012.53	
Total	19,001,499.25	27,955,350.27

Schedule-6

Statement Of Cash And Bank Balances:	31/03/2074 (NRs)	31/03/2073 (NRs)
NCC Bank	75,754.46	223,567.71
Cash in hand	28,527.60	5,907.60
Prabhu Bank Limited	85,686.58	4,865,487.51
Civil Bank	95,672.40	22,901.66
Citizen Bank Limited - Current	2,221,185.42	9,446,847.13
Citizen Bank Limited - Call	328,570.93	
Mega Bank Limited	254,689.18	
Global IME Bank	2,089.28	
Total	3,092,175.85	14,564,711.61

Schedule-7

Statement Of Sundry Creditors And Provisions:	31/03/2074 (NRs)	31/03/2073 (NRs)
Civil Works Contractor		22,569,766.30
Metal Works Contractor	7,826.18	6,113,542.10
Retention Money	4,492,499.08	14,419,827.55
Pashupati Energy Development Company	20,000,000.00	5,000,000.00
Audit Fee Payable	223,000.00	223,000.00
CIT	79,356.00	
TDS - Payable	-	5,672.06
Plant & Machinery Contractor	24,827,000.00	-
IPO Refund	213,456.64	
Mr. Bir Bahasur Tamang	14,000.00	
Work Done Bill Not Submitted		17,500,359.82
Work Done but Bill not yet Approved		2,975,563.25
Provision for IPO Expences		5,500,000.00
Total	49,857,137.90	74,307,731.08

Khani Khola Hydro Power Company Ltd.

Dhumbakani-4, Kathmandu



Schedule-8

Statement of Income	31/03/2074 (NRs)	31/03/2073 (NRs)
Electricity Sales - KKHP	8,452,728.50	
Electricity Sales - TTKHP	26,865,098.40	
Interest Income	945,697.20	490,214.98
Income from Bank Guarantee (Encashment)		1,960,000.00
Miscellaneous Income	20,007.07	
Other Income - Penalty	1,292,425.64	
	37,575,956.81	2,450,214.98

Schedule-9

Statement Of Administrative Expenses:	31/03/2074 (NRs)	31/03/2073 (NRs)
Advertisement Expenses	17,647.00	11,765.00
AGM Expenses -PP	122,152.00	79,060.00
Bank Charges	480.59	6,745.44
Audit fee	226,000.00	226,000.00
Dashain Allowances	-	115,080.00
Entertainment/Refrehment	245,626.00	87,975.00
Insurance Expenses	316,302.88	
Business Promotion	20,000.00	30,000.00
Board Meeting Allowances	107,000.00	44,000.00
Telephone/Internet/communication	141,456.00	114,786.00
Consultany Fees	524,364.00	128,250.00
Conveyance / Local travelling		11,740.00
Office rent	180,000.00	375,000.00
Miscellaneous Expenses	18,111.00	
Utility	29,418.00	47,979.00
Printing and stationary	24,497.00	37,778.40
Renewal and Registration Fee	609,395.00	20,000.00
Repair and maintenance - Miscellaneous	7,923.00	42,893.00
Staff Salary	7,761,420.00	1,834,458.00
Donation		12,500.00
Vehicle Fuel Expen.	168,127.00	118,320.00
Rates & Taxes		1,260.00
Bad debt		29,000.00
IPO Expenses	1,943,336.70	7,482,110.10
Repair and Maintenance - Access Road	1,219,786.00	
Repair and Maintenance - Civil Works	1,539,784.00	
Repair and Maintenance - Transmission Line	920,017.00	
Repair & Maintenance - Vehicles	249,648.00	
Corporate Social Responsibility	800,788.75	
Site Mess Expenses	631,220.00	
Transportation	170,100.00	
Site Visit Allowances	78,822.00	
Vehicle Rent	25,556.00	
Tools & Accessories	20,227.00	
Site Office Operating Expenses	123,137.00	
Interest Expenses - Citizen	15,832,441.45	
Interest Expenses - Civil	6,214,438.13	
Interest Expenses - Global	12,220,571.96	
Interest Expenses - Mega	12,426,706.70	
Loan Mangement Fees	1,000,000.00	
Royalty Expenses	1,193,650.00	
Depreciation	64,254,622.80	
Loss on Sales of Vehicle	1,849,073.33	
Impairment Loss	11,106,188.77	
Project Supervision	20,037,089.05	
Total	164,377,124.11	10,856,699.94



Khani Khola Hydropower Company Ltd.

Dhumbarahi-4, Kathmandu



Schedule-10

Statement Of Deposits	31/03/2074 (NRs)	31/03/2073 (NRs)
Deposit	7,000.00	
Deposit-Construction Power	7,000.00	
Total	14,000.00	

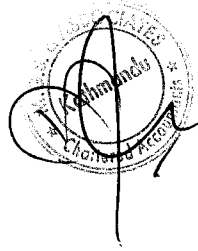
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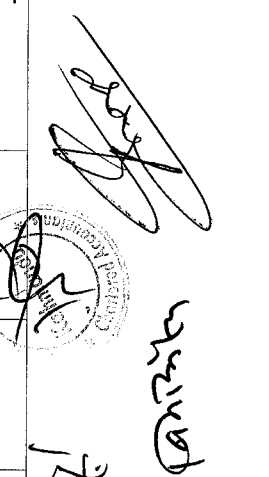


KHANI KHOLA HYDROPOWER COMPANY LIMITED
 Dhumbarahi-4, Kathmandu
 Statement of Fixed Assets and Depreciation
 For the year ended 31st Asadha 2074

Schedule -11

Description	Rate %	Historical Cost	Addition/ Deduction for capitalization	Total Capitalized Value	Addition during the year	Disposal during the year	Total NRS.	Depreciation for the year	Total Depreciation (31/03/2074)	WDV as on 31/03/2074
Pool - A										
Land	5	6,147,966.42	141,919.00	6,289,885.42			6,289,885.42			6,289,885.42
Access Road	5	11,690,760.78	11,690,760.78	11,690,760.78			11,690,760.78	357,128.72	357,128.72	11,333,632.06
Camp Construction & Compound Wall	5	7,093,967.19	(884,922.00)	6,209,045.19			6,209,045.19	189,673.57	189,673.57	6,019,371.62
Civil Works-KKHP	5	157,482,504.30	157,482,504.30	157,482,504.30	25,218.41		157,507,722.71	4,811,607.53	4,811,607.53	152,696,115.18
Headrace	5	94,117,849.89	94,117,849.89	94,117,849.89			94,117,849.89	2,875,106.92	2,875,106.92	91,242,742.97
Head Pond - Khani	5	8,363,812.01	8,363,812.01	8,363,812.01			8,363,812.01	255,497.27	255,497.27	8,108,314.74
Surge Tank	5	14,885,414.57	14,885,414.57	14,885,414.57			14,885,414.57	454,718.83	454,718.83	14,430,695.74
Penstock Allignment	5	3,781,458.48	3,781,458.48	3,781,458.48			3,781,458.48	115,515.79	115,515.79	3,665,942.69
Anchor Block	5	4,957,789.56	4,957,789.56	4,957,789.56			4,957,789.56	151,450.28	151,450.28	4,806,339.28
Saddle Support	5	828,616.06	828,616.06	828,616.06			828,616.06	25,312.52	25,312.52	803,303.54
Power House	5	22,166,933.66	22,166,933.66	22,166,933.66	25,218.41		22,192,152.07	677,994.89	677,994.89	21,514,157.19
Tailrace and Rivertraining Works	5	8,380,630.06	8,380,630.06	8,380,630.06			8,380,630.06	256,011.03	256,011.03	8,124,619.03
Civil Works-TTKHP	5	289,626,293.64	289,626,293.64	289,626,293.64	30,504.99		289,656,798.63	8,849,013.40	8,849,013.40	280,807,785.23
Head Works	5	88,334,223.71	88,334,223.71	88,334,223.71	30,504.99		88,364,728.70	2,699,954.28	2,699,954.28	85,664,774.43
Connecting Canal and Gravel Tap	5	12,335,307.30	12,335,307.30	12,335,307.30			12,335,307.30	376,818.29	376,818.29	11,958,489.01
Desander Spillway & Aqueduct	5	54,985,831.69	54,985,831.69	54,985,831.69			54,985,831.69	1,679,704.17	1,679,704.17	53,306,127.51
Headrace Allignment	5	44,249,717.62	44,249,717.62	44,249,717.62			44,249,717.62	1,351,737.95	1,351,737.95	42,897,979.67
Anchor Block	5	27,452,154.14	27,452,154.14	27,452,154.14			27,452,154.14	838,606.90	838,606.90	26,613,547.24
Saddle Supports & Protection Structure	5	18,043,503.43	18,043,503.43	18,043,503.43			18,043,503.43	551,191.95	551,191.95	17,492,311.48
Valve House	5	2,121,824.79	2,121,824.79	2,121,824.79			2,121,824.79	64,817.39	64,817.39	2,057,007.41
Penstock Allignment	5	2,376,836.19	2,376,836.19	2,376,836.19			2,376,836.19	72,607.46	72,607.46	2,304,228.73
Powerhouse	5	35,975,764.99	35,975,764.99	35,975,764.99			35,975,764.99	1,098,985.70	1,098,985.70	34,876,779.29
Tailrace and Rivertraining Works	5	3,751,129.77	3,751,129.77	3,751,129.77			3,751,129.77	114,589.31	114,589.31	3,636,540.47
Tunnel & Forebay	5	90,783,994.20	90,783,994.20	90,783,994.20			90,783,994.20	2,773,264.48	2,773,264.48	88,010,729.72
Hydromechanical KKHP	5	107,139,181.22	107,139,181.22	107,139,181.22			107,139,181.22	3,272,881.84	3,272,881.84	103,866,299.39
Hydromechanical TTKHP	5	113,411,483.46	113,411,483.46	113,411,483.46			113,411,483.46	3,464,487.78	3,464,487.78	109,946,995.68
Pool - B										
Office Equipments	25	1,108,128.00	844,305.40	1,952,433.40			1,952,433.40	298,214.14	298,214.14	1,654,219.26
Computer & Accessories	25	432,300.00	(432,300.00)	-			-	-	-	-




 Controller of Accounts

 Chief Executive Officer

KHANI KHOLA HYDROPOWER COMPANY LIMITED
Dhumbachaur, Kathmandu
Statement of Fixed Assets and Depreciation
For the year ended 31st March 2074

Schedule -11

Description	Rate %	Historical Cost	Addition/ Deduction for capitalization	Total Capitalized Value	Addition during the year	Disposal during the year	Total NRS.	Depreciation for the year	Total Depreciation (31/03/2074)	WDV as on 31/03/2074
Furniture & Fixtures	25	278,790.40	226,776.60	505,567.00	-	-	505,567.00	77,220.17	77,220.17	428,346.83
Pool - C										
Vehicle	20	2,565,073.33	-	2,565,073.33	2,922,205.00	(2,565,073.33)	2,922,205.00	194,813.67	194,813.67	2,727,391.33
Pool - D										
Electrification/Transmission Line & Switchyard	15		44,092,169.22	44,092,169.22			44,092,169.22	4,040,775.51	4,040,775.51	40,051,393.71
Electromechanical Plant & Machinery -ITKHP	15		266,193,537.07	266,193,537.07			266,193,537.07	24,394,996.75	24,394,996.75	241,798,540.32
Electromechanical Plant & Machinery -KKHP	15		125,491,303.65	125,491,303.65			125,491,303.65	11,500,504.40	11,500,504.40	113,990,799.24
Other Assets	15		327,800.00	327,800.00			327,800.00	30,040.85	30,040.85	297,759.15
Total		17,626,225.34	1,206,134,806.54	1,223,761,031.88	2,977,928.40	(2,565,073.33)	1,224,173,886.95	64,254,622.80	64,254,622.80	1,159,919,264.14
		17,626,225.34	1,206,134,806.54	1,223,761,031.88	2,977,928.40	(2,565,073.33)	1,224,173,886.95	64,254,622.80	64,254,622.80	1,159,919,264.14

Note: The assets of projects KKHPC and TKHPC have been capitalized of Mangshir 20 2073 and Kartik 09 2073 respectively and the assets have been recognized and the depreciation charged accordingly.



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Khani Khola Hydropower Company Ltd.
Notes to Accounts

F/Y-2073/74

**KHANI KHOLA HYDROPOWER COMPANY LTD,
Bishalnagar-4, Kathmandu**

For the Financial year ending 31st Ashad 2074

**Significant accounting policies and explanatory notes to accounts:
Company overview:**

Khani Khola Hydropower Company Ltd. (KKHPCL) is registered as a public limited company with the Office of the Registrar of Company under the Company Act 2063 17th Ashwin 069. Its registration No. is 106404/069/070 dated 3-10-2012.

KKHPCL is registered with an objective of generating 4362 kw/hr. Hydro electricity from its power station located at TungunThosne and 2000 kw/hr. Hydro electricity from another power station located at KhaniKhola. The total generating capacity of this company is 6362 kw/hr.

KKHPCL has reached a power purchase agreement with Nepal Electricity Authority wherein NEA has agreed to buy all generated electricity from KHHPCL at an agreed price.

PAN No. is 600866644.

Responsibility of Financial Statements

The financial statements were adopted by the Board of Directors on 2074/09/03. The Board of Directors of the company acknowledges the responsibility of preparation of financial statements of the company.

A. Significant accounting policies:

1. Accounting Convention

The Balance Sheet, Income Statement and Cash Flow Statement, together with the Accounting Policies and Notes (Financial Statements) are prepared under the historical cost convention on an accrual basis and are in accordance with Nepal Accounting Standards and relevant practices in Nepal and the requirement of the Companies Act 2063, except otherwise stated

2. Uses of estimates:

The preparation of financial statements in conformity with NASs requires the KKHPCL's management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of financial statements and the reported amounts of income and expenses during the period. Such estimates include accounting of contract costs expected to be incurred to complete the hydropower project activities, provisions for doubtful debts, future obligations under employee retirement benefits plans, Contingencies are recorded when it is probable that a liability will be incurred and the amount can be reasonable estimated. Actual results could differ from those estimates.

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3. Revenue Recognition.

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent that is probable that economic benefits will flow to the company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

4. Depreciation and amortization:

Depreciation on fixed assets is accounted for on Written down Value (WDV) method and at rates prescribed in the Income Tax Act 2058 and Income Tax rules 2059.

Rates of depreciation are as follows:

Assets	Rate of depreciation
Block A :Building & Structure	5%
Block B : Office Equipments Furniture and Fixtures	25%
Block D: Vehicle	20%
Block D Plant & Machinery & Other Assets	15%

5. Borrowing Costs

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalized as stated below.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The amount of borrowing costs eligible for capitalization are determined as the borrowing costs incurred that borrowing during the period less any investment income on the temporary investment of those borrowings.

6. Impairment loss

Impairment loss is the amount by which carrying amount of an asset or cash generating unit exceeds its recoverable amount

Recoverable amount is the amount higher of asset's fair value less cost to sell and its value in use. Value in use is the present value of future cash flow expected to derive from an asset or cash generating unit

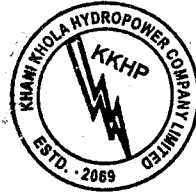
7. Related Party

Any related party transaction is disclosed in separate schedule, forming the part of financial statements.

B. Notes to accounts:

1. Share Capital

At the year end the company had authorized share capital of Rs. 500,000,000.00, Issued share capital of Rs. 465,714,300.00, paid up share capital of Rs. 465,714,300.00.



2. Borrowing

The details of borrowing of company as on Ashad end 2074 is:

Lender/ Bank	Term Loan 1	Term Loan 2
Citizens Bank International	248,410,720.00	27,397,901.22
Civil Bank	99,364,000.00	10,686,001.23
Global IME Bank	198,728,480.00	21,108,642.38
Mega Bank	203,696,800.00	22,393,780.34
Total	750,200,000.00	81,586,325.17
Grand Total		831,786,325.17

3. Borrowing Cost

The cost of borrowing of fund that are directly related with construction of qualifying assets are capitalized to the extent of deduction for interest income from temporary investment of those funds, the details of same is :

Amount in Rs.

Particulars	Capitalized Value
KKHP Civil Works	20,915,441.57
TTKHP Civil Works	34,448,228.53
Tunnel & Forebay	12,033,682.57
Hydromechanical KKHP	14,817,884.99
Hydromechanical TTKHP	14,136,812.63
Electromechanical Works	54,209,663.47
Grand Total	150,561,713.75

The total borrowing cost capitalized is transferred to Project cost on the Commercial Operation Date (COD)

4. Expenses:

The expenses incurred at the project site until the commercial date of operation have been capitalized and that of the head office have been accounted in the profit and loss. After the commercial operation date all the expenses of revenue nature have been accounted as expenditure in the Profit & Loss Account and that of capital nature have been accounted in the respective asset in the Balance Sheet.

5. Capital Work in Progress:

The amount expensed under Capital Work in progress incurred from the inception are accumulated, recorded, reclassified and recognized are capitalized as assets at the commercial operation date. The COD of TTKHP is 9th Kartik 2073 and that of KKHP is 20th Mangsir 2073 and such expenses have been capitalized on the respective dates.

The total amount expensed amounting NRs. 1,223,761,031.87 have been capitalized on the respective dates.

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The following is the detail of the assets capitalized.

S.N	Particulars	Total(NRs)
Block A :Building & Structure		
1	Land	6,289,885.42
2	Access Road	11,690,760.78
3	Camp Construction	6,135,621.59
4	Compound wall	73,423.60
5	KKHP Civil Works	157,482,504.30
6	TTKHP Civil Works	289,626,293.64
7	Tunnel & Forebay	90,783,994.20
8	Hydromechanical KKHP	107,139,181.22
9	Hydromechanical TTKHP	113,411,483.46
Block B : Office Equipment's Furniture and Fixtures		
1	Furniture/Furnishing	505,567.00
2	Office Equipment	1,952,433.40
Block C : Vehicles		
1	Vehicles	2,565,073.33
Block D Plant & Machinery & Other Assets		
Electromechanical Works		
1	Electrification/Transmission Line & Switchyard.	44,092,169.22
2	Electromechaical Works - TTKHP	266,193,537.07
3	Electromechaical Works - KKHP	125,491,303.65
Other Assets		
1	Kitchen Utensils	54,400.00
2	Solar & UPS Batteries	273,400.00
Total		1,223,761,031.88
Total (A)		1,223,761,031.88

Administrative expenses of NRs 17,534,531.50 previously included in Capital work in progress, which do not qualify for capitalization has been adjusted through retained earnings in current year.

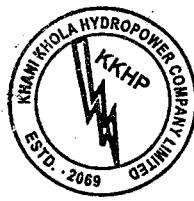
6. Income Tax

Provision for income tax has been calculated as per Income Tax Act 2058

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7. Impairment Loss:

The loss on the insurance claimed for the assets damaged during the earthquake 2072 have been adjusted in the current year as impairment loss. The following is the detail.

Contract No.	Contract Items	Claimed Amount	Vat	Supervision	Total Claimed	Claimed Received (NRs)
TTKHP						
TTKHP-C-01	Thosne Headworks	545,924.29	70,970.16	81,888.64	698,783.09	244,772.14
TTKHP-C-02	Thosne-Tungun Headrace Pipe	514,062.50	66,828.13	77,109.38	658,000.00	230,486.50
TTKHP-C-03	Tunnel Works	528,726.00	68,734.38	79,308.90	676,769.28	237,061.07
TTKHP-HM	Hydro-Mechanical Works	4,688,841.74	609,549.43	703,326.26	6,001,717.43	2,102,302.19
TTKHP-AR	Access Road	906,360.00	117,826.80	135,954.00	1,160,140.80	406,378.10
Total		7,183,914.53	933,908.89	1,077,587.18	9,195,410.60	3,221,000.00
KKHP						
KKHP-C-02	Khani Head Race Pipe	522,500.00	67,925.00	78,375.00	668,800.00	176,086.46
KKHP-C-01	Powerhouse	636,212.94	82,707.68	95,431.94	814,352.56	214,408.58
KKHP-HM-02	Hydro-mechanical Works	4,283,301.26	556,829.16	642,495.19	5,482,625.61	1,443,504.96
Total		5,442,014.20	707,461.85	816,302.13	6,965,778.18	1,834,000.00
Total Amount Received from Insurance						5,055,000.00
Total Amount Claimed for Insurance						16,161,188.77
Impairment Loss						11,106,188.77

8. Related party Disclosure:

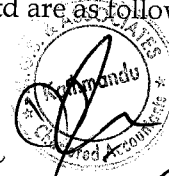
➤ The company has acquired NRs. 20,000,000.00 from one of its promoter company Pashupati Energy Development Company Limited during the year and the same appears as payable in the financial statement.

➤ The name and relationship of the parties of the Khanikhola Hydropower Company Ltd are as follows:

Key Management Personnel

Mr. Bijayaman Sherchan
Mr. Manohar Prasad Sherchan
Mr. Batu Lamichhane
Mr. Binod Thakali Sherchan

Chairman/Executive Director
Director
Director
Director



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Khani Khola Hydropower Company Ltd.
Notes to Accounts

F/Y-2073/74

Mr. Chiranjivi Karki
Mr. Bhimshen Ghimire

Director
Director

The short term employee benefits paid to Chairman is NRs. 1,121,650.00 (Previous Year Rs. 1,250,940.00).

9. Segment Reporting

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

10. Previous year's figures:

Previous year's figures have been reinstated, rearranged and regrouped wherever necessary.

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