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UDIN Number: 261001CA006282zhTW

Independent Auditor's Report

To the Shareholders of Taksar Pikhuwa Khola Hydropower Limited

Unqualified Opinion

We have audited the accompanying financial statements of Taksar Pikhuwa Khola Hydropower Limited. ("the Company") which comprise the Statement of Financial Position as at 32nd Ashadh 2083 (16th July 2026), 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.

- Give a true and fair view of the Financial Position of the Taksar Pikhuwa Khola Hydropower Limited. as at 32nd Ashadh 2083 (16th July 2026) and of its financial performance and its cash flows for the year then ended;
- Have been properly prepared in accordance with the applicable Nepal Financial Reporting Standard (NFRS)

Basis for Opinion

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

Key Audit Matters

Key matters those matters that, in our professional judgement were of most significance in our audit of the financial statement of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

S. No.	Descriptions of the Matter	Our Audit Procedure
1.	**Assessment of Control over Investment in Taksar Cascade Power Pvt. Ltd. under NFRS 10** **Description of the Matter** The Company holds an equity investment of NPR 80,000,000 in Taksar Cascade Power Pvt. Ltd., representing approximately 66.67% of the investee's total equity of NPR 120,000,000 as at the reporting date. Management has assessed, in accordance with NFRS 10 – Consolidated Financial Statements, that the Company does not have control over the investee and has therefore not consolidated the investee in these separate financial statements.	• Obtaining and reviewing the **share purchase agreement**, **share certificates**, and **statutory registers** of the investee to confirm the Company's legal ownership and equity interest. • Reading the **Articles of Association** and any **shareholders' agreement** of the investee to identify rights attached to the investment, including voting rights, reserved matters, and any protective or substantive rights held by the Company. • Reviewing **minutes of the Board of Directors and general meetings** of both the Company and the investee to assess whether the Company



	Management's conclusion is based on factors including the absence of substantive rights that provide control, non-participation in key financial and operating policy decisions of the investee, the intention not to increase its investment beyond the current level, and the anticipated dilution of its relative interest upon future capital raising by the investee. We identified this as a key audit matter because the assessment of control under NFRS 10 requires significant management judgment and involves the evaluation of complex facts and circumstances, including voting rights, contractual arrangements, and substantive rights. The determination directly affects whether the financial statements should be prepared on a standalone or consolidated basis, which is fundamental to users' understanding of the financial statements. The carrying amount of the investment is material to the financial statements.	participates in, or has the ability to direct, the relevant activities of the investee. • Inquiring of management regarding their assessment of control under NFRS 10, including their consideration of **potential voting rights**, **future dilution**, and **substantive rights**, and evaluating the reasonableness of their judgments against the requirements of the standard. • Evaluating whether the **disclosures** in the financial statements regarding the nature of the investment, the basis for the control conclusion, and the related party relationship are adequate and in accordance with NFRS 10 and NAS 24. • Assessing the **adequacy of the management representation letter** in respect of the control conclusion and related disclosures.
2.	**Applicability of IFRIC 12 – Service Concession Arrangements** The Company operates a hydropower project under a **Power Purchase Agreement (PPA)** with the **Nepal Electricity Authority (NEA)** and holds a generation licence issued by the Government of Nepal. The project is of a **Build-Own-Operate-Transfer (BOOT)** nature, with the infrastructure to be transferred to the Government at the end of the licence period. Management has assessed the applicability of **IFRIC 12 – Service Concession Arrangements** and concluded that the arrangement does not fall within its scope. Accordingly, the project infrastructure has been recognized as **Property, Plant and Equipment** under NAS 16, and revenue from the sale of electricity has been recognized in accordance with the PPA tariff. We identified this as a key audit matter because the application of IFRIC 12 involves **significant judgment** in evaluating whether the grantor controls or regulates the services, to whom they must be provided, and at what price, and whether the grantor controls any significant residual interest in the infrastructure. The determination affects the **recognition, measurement, and presentation** of the project infrastructure, revenue, and expenses, and is therefore fundamental to the financial statements.	• Obtaining and reviewing the **Power** Purchase **Agreement (PPA)** with NEA, the **generation licence** issued by the Department of Electricity Development, and any related **concession or project agreements**. • Evaluating the terms of the arrangements against the specific criteria in **IFRIC 12**, including: o Whether the grantor controls or regulates **what services** the operator must provide, **to whom**, and at **what price**. o Whether the grantor controls any **significant residual interest** in the infrastructure at the end of the arrangement. o Whether the infrastructure is constructed or acquired by the operator for the purpose of the service arrangement. • Inquiring of management regarding their assessment, including their consideration of the **Electricity Tariff Commission's role**, the **pricing mechanism under the PPA**, the **legal title** to the project assets, and the **right to pledge assets** as security for borrowings. • Reviewing the **accounting policy disclosures** in the financial statements and assessing whether they adequately explain management's basis for non-application of IFRIC 12. • Comparing the Company's treatment with **prevailing industry practice** and guidance from the **Institute of Chartered Accountants of Nepal**

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		(ICAN) and the **Nepal Accounting Standards Board (NASB)**. • Assessing the **adequacy of the management representation letter** in respect of the IFRIC 12 conclusion.
3.	**Impairment Assessment of Property, Plant and Equipment** The Company's Property, Plant and Equipment (PPE) represent a significant portion of its total assets, with a carrying amount of NPR 1,639,569,935 as at 32nd Ashad 2083. The Company is required to assess at each reporting date whether there is any indication that its PPE may be impaired, in accordance with NAS 36 – Impairment of Assets. If any such indication exists, the recoverable amount of the asset or cash-generating unit (CGU) must be estimated. We identified this as a key audit matter because: • The carrying amount of PPE is material to the financial statements. • The impairment assessment involves significant management judgment, particularly in estimating future cash flows, discount rates, and other key assumptions. • The hydropower sector is subject to regulatory, market, and hydrological risks that could affect the recoverability of the project assets.	• Evaluating management's **impairment assessment** and the methodology used, including the identification of cash-generating units (CGUs). • Reviewing the **key assumptions** used in the impairment model, including projected electricity generation, tariff rates under the PPA, operating costs, discount rates, and terminal values. • Comparing the assumptions with **historical performance**, **industry benchmarks**, and **available market data**. • Assessing the **reasonableness of the discount rate** used and whether it reflects the risks specific to the asset. • Performing **sensitivity analysis** on the key assumptions to evaluate the impact of changes on the recoverable amount. • Evaluating whether the **disclosures** in the financial statements regarding the impairment assessment are adequate and in accordance with NAS 36. • Assessing the **adequacy of the management representation letter** in respect of the impairment assessment.

Emphasis of Matters

Audit Committee Not Constituted

We draw attention to the fact that Taksar Pikhuwa Khola Hydropower Ltd. has not constituted an audit committee during the year ended FY 2082/83, as required by Clause 26 of the Directives on Good Corporate Governance of a Body Corporate, 2074 (as amended 2075), issued by the Securities Board of Nepal (SEBON). Our opinion is not modified in respect of this matter.

Applicability of IFRIC -12

We draw attention to Note 2.1. (a) to the financial statements, which describes the Company's assessment of the applicability of **IFRIC 12 – Service Concession Arrangements** to its hydropower project.

The Company operates its hydropower project under a **Power Purchase Agreement (PPA)** with the **Nepal Electricity Authority (NEA)** and holds a generation licence issued by the Government of Nepal. The project is of a **Build-Own-Operate-Transfer (BOOT)** nature, with the infrastructure to be transferred to the Government at the end of the licence period.



Taksar Pikhuwa Khola Hydropower Ltd.
Kathmandu, Nepal

Statement of Financial Position
As at 32 Ashad 2083 (July 16, 2026)

Amount in NRs.

Particulars	Schedule	As at Ashad 32, 2083	As at Asadh 32, 2082
Assets			
Non Current Assets			
(a) Property, Plant & Equipment	5		
(i) General Asset		2,11,00,075	95,40,075
Less: Accumulated Depreciation		(64,45,317)	(51,98,538)
General Asset (Net)		**1,46,54,758**	**43,41,537**
(ii) Project Assets		1,89,61,80,628	1,89,61,80,628
Less: Accumulated Depreciation		(27,12,65,451)	(20,40,27,582)
Project Asset(Net)		**1,62,49,15,177**	**1,69,21,53,046**
(b) Intangible Asset	6	-	-
Total Non Current Assets		**1,63,95,69,935**	**1,69,64,94,584**
Current Assets			
(a) Financial Asset			
(i) Trade Receivables	7	4,36,60,097	2,96,25,926
(ii) Other Financial Assets	8	66,207	58,129
(iii) Investment	9	20,53,88,300	20,53,88,300
(iv) Cash and Cash Equivalents	10	38,81,273	20,00,362
(b) Current Tax Asset	11	-	-
(c) Other Current Asset	12	19,40,78,607	22,48,60,885
Total Current Assets		**44,70,74,484**	**46,19,33,603**
Total Assets		**2,08,66,44,418**	**2,15,84,28,186**
Equity and Liabilities			
Equity			
Share Capital	13	1,20,00,00,000	77,69,33,200
Other Equity	14	2,93,27,703	59,29,150
Total Equity		**1,22,93,27,703**	**78,28,62,350**
Non-Current Liabilities			
(a) Financial Liability			
(i) Long Term Loan	15	80,53,12,955	1,10,34,79,031
Total Non-Current Liabilities		**80,53,12,955**	**1,10,34,79,031**
Current Liabilities & Provisions			
(a) Financial Liability			
(i) Borrowings	16	3,99,99,500	16,99,54,021
(ii) Other Financial Liabilities	17	1,07,48,981	8,76,23,772
(iii) Provisions	18	-	-
(b) Current Tax Liability			
(c) Other Current Liability	19	12,55,279	3,75,700
Current Liabilities & Provisions		**5,20,03,761**	**25,79,53,492**
Total Equity and Liabilities		**2,08,66,44,418**	**2,14,42,94,874**

Schedules,notes to accounts and significant accounting policies are part of the financial statement

Taksar Pikhuwa Khola Hydropower Ltd. Kathmandu

For Taksar Pikhuwa Khola Hydropower Ltd.

Ajay Ballav Pant
Chairman

Suresh Kumar Shapit
Director

Shambhu Prasad Pant
Director

Panch Bir Singh Tuladhar
Director

Rashmi Nepal
Director

Rajesh Tamang
CEO

Date: 2083.06.01
Place: Kathmandu

For S.Subedi & Associates
Chartered Accountants

CA. Roshan Dahal
Partner

S.SUBEDI & ASSOCIATES CHARTERED ACCOUNTANTS ssbdi

Taksar Pikhuwa Khola Hydropower Ltd.
Kathmandu, Nepal

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 32 Ashad, 2083 (July 16, 2026)

Amount in NRs.

Particulars	Schedule	As at Ashad 32, 2083	As at Asadh 32, 2082
Revenue			
Revenue From Operation	20	25,02,47,775	21,14,90,714
Cost of Sales	21	1,66,34,897	1,99,48,795
Gross Profit		**23,36,12,878**	**19,15,41,919**
Other Income	22	-	-
		23,36,12,878	**19,15,41,919**
Expenses			
Administrative Expenses	23	91,10,192	1,06,42,207
Employee Benefit Expenses	24	1,76,52,941	1,53,03,087
Depreciation and Amortization Expenses	25	6,84,84,649	6,71,87,268
Finance Cost	26	10,27,89,429	10,40,22,106
Impairment Losses on Financial Assets	27	-	-
Total Expenses		**19,80,37,212**	**19,71,54,668**
Profit/(Loss) before Tax		**3,55,75,666**	**(56,12,749)**
Provision for Staff Bonus		-	-
Provision for Income Tax	28	-	-
Tax Expense		-	-
(i) Current Tax		-	-
(ii) Deffered Tax Asset		-	-
Profit/(Loss) Before CSR Expenses		**3,55,75,666**	**(56,12,749)**
Provision for CSR			
Net Profit/(Loss) for the year		**3,55,75,666**	**(56,12,749)**
Earnings Per Equity Share (For Continuing Operation):	29		
(1) Basic (in Rs.)		2.96	(0.72)
(2) Diluted (in Rs.)		2.96	(0.72)

Schedules,notes to accounts and significant accounting policies are part of the financial statement

For Taksar Pikhuwa Khola Hydropower Ltd.

Taksar Pikhuwa Khola Hydropower Ltd. Kathmandu

Ajay Ballav Pant
Chairman

Suresh Kumar Sthapit
Director

Shambhu Prasad Pant
Director

For S.Subedi & Associates
Chartered Accountants

CA. Roshan Dahal
Partner

Panch Bir Singh Tuladhar
Director

Rashmi Nepal
Director

Rupesh Tamang
CEO

Date: 2083.06.01
Place: Kathmandu

Taksar Pikhuwa Khola Hydropower Ltd.
Statement of cash flows for the year ended on Ashad 32,2083
All amounts are in Rs unless otherwise stated

	Period ended Ashad 32, 2083	Year ended Ashad 32, 2082
Cash Flows From Operating Activities		
Profit For The Year	3,55,75,666	(56,12,749)
Adjustments For:		
Finance Costs	10,27,89,429	10,40,22,106
Profit on Disposal of Assets		
Depreciation And Amortization Of Non-Current Assets	6,84,84,649	6,71,87,268
	20,68,49,745	**16,55,96,625**
Movements In Operating Assets:		
(Increase)/Decrease in Trade Receivables	(1,40,34,170)	(93,32,605)
(Increase)/Decrease in Other Financial Assets	(8,078)	15,000
(Increase)/Decrease in Other Current Assets	3,07,82,278	(11,09,617)
Increase/ (Decrease) in Other Financial Liabilities	(7,68,74,791)	(1,49,131)
Increase/(Decrease) in Provisions	-	-
Increase/(Decrease) in Other Current Liabilities	8,79,579	(7,04,454)
	(5,92,55,182)	**(1,12,80,806)**
Cash Generated From Operations	**14,75,94,563**	**15,43,15,819**
Cash Flows From Investing Activities		
Addition in General Assets	(1,15,60,000)	(1,00,900)
Addition on Project Assets Under Development	-	-
Addition in Project Assets Assets	-	-
Addition on Investment	-	-
Sale of Property, Plant And Equipment		
Net Cash (Used In)/Generated By Investing Activities	**(1,15,60,000)**	**(1,00,900)**
Cash Flows From Financing Activities		
Increase or Decrease Of Borrowings	(42,81,20,597)	(4,92,92,367)
IOP Issue Expenses	(1,21,77,113.80)	-
Increase or Decrease in Share Capital	42,30,66,800.00	-
Finance Expenses	(10,27,89,429)	(10,40,22,106)
Net Cash Used In Financing Activities	**(12,00,20,340)**	**(15,33,14,472)**
Net Increase In Cash And Cash Equivalents	**1,60,14,223**	**9,00,446**
Cash And Cash Equivalents At The Beginning Of The Year	20,00,362	10,99,916
Effects Of Exchange Rate Changes On The Balance Of Cash And Cash Equivalents Held In Foreign Currencies		-
Cash And Cash Equivalents At The End Of The Year	**1,80,14,585**	**20,00,362**

For Taksar Pikhuwa Khola Hydropower Ltd.

Taksar Pikhuwa Khola Hydropower Ltd. Kathmandu

Ajay Ballav Pant
Chairman

Suresh Kumar Sthapit
Director

Shambhu Prasad Pant
Director

Panch Bir Singh Tuladhar
Director

Rashmi Nepal
Director

Rupesh Tamang
CEO

For S.Subedi & Associates
Chartered Accountants

CA. Roshan Dahal
Partner

Date: 2083.06.01
Place: Kathmandu

Taksar Pikhuwa Khola Hydropower Ltd.
Statement of changes in equity for the period ended Ashad 32, 2083
All amounts are in Rs' unless otherwise stated

Particulars	Share Capital	Reserves and Surplus					Total
		Capital Reserve	Securities Premium Reserve	Equity Instrument Through Other Comprehensive Income	General Reserve	Retained Earnings	
Balance as at Ashad 31, 2082	**77,69,33,200**	-	-	-	-	**1,15,41,899**	**78,84,75,099**
Issue of Share Capital	-	-	-	-	-	-	-
Profit For The Year	-	-	-	-	-	(56,12,749)	(56,12,749)
Dividend Paid (Bonus Share)	-	-	-	-	-	-	-
Other Comprehensive Income For The Year, Net Of Income Tax	-	-	-	-	-	-	-
Transfer To Retained Earnings	-	-	-	-	-	-	-
Balance as at Ashad 32, 2083	**77,69,33,200**	-	-	-	-	**59,29,150**	**78,28,62,350**
Issue of Share Capital	42,30,66,800	-	-	-	-	-	42,30,66,800
Profit For The Year	-	-	-	-	-	3,55,75,666	3,55,75,666
IPO Issue Expenses						(1,21,77,114)	
Dividend Paid (Bonus Share)	-	-	-	-	-	-	-
Other Comprehensive Income For The Year, Net Of Income Tax	-	-	-	-	-	-	-
Transfer To Retained Earnings	-	-	-	-	-	-	-
Balance as at Ashad 32, 2083	###########	-	-	-	-	**2,93,27,703**	**1,24,15,04,817**

Taksar Pikhuwa Khola Hydropower Ltd. Kathmandu

For Taksar Pikhuwa Khola Hydropower Ltd.

Ajay Ballav Pant
Chairman

Suresh Kumar Sthapit
Director

Shambhu Prasad Pant
Director

For S.Subedi & Associates
Chartered Accountants

CA. Roshan Dahal
Partner

S.SUBEDI & ASSOCIATES CHARTERED ACCOUNTANTS ssbdi

Panch Bir Singh Tuladhar
Director

Rashmi Nepal
Director

Rupesh
CEO

Date: 2083.06.01
Place: Kathmandu

Taksar Pikhuwa Khola Hydropower Ltd.
Notes to the financial statements for the year ended Ashad 32, 2083
All amounts are in Rs unless otherwise stated

5. Property, Plant and Equipment

Particulars	Cost or deemed cost				Accumulated depreciation and impairment					Carrying Amount	
	Balance at Sharawan 1, 2082	Additions	Disposals/ Transfer	Balance at Ashad 32, 2083	Balance at Sharawan 1, 2082	Eliminated on disposals of assets	Impairment losses recognised in profit or loss	Depreciation expense	Balance at Ashad 32, 2083	Balance at Ashad 32, 2083	As at Ashad 32, 2082
General Asset											
Furniture & Office Equipment	35,95,596	40,00,000		75,95,596	21,43,499			4,75,725	26,19,224	49,76,372	14,52,097
Vehicles	31,30,400	75,60,000		1,06,90,400	18,85,636			7,07,798	25,93,433	80,96,967	12,44,764
Plant and Machinery	27,74,529			27,74,529	11,29,853			63,257	11,93,110	15,81,419	16,44,676
Software	39,550			39,550	39,550			-	39,550	-	-
Total	**95,40,075**	**95,40,075**	-	**2,11,00,075**	**51,98,538**	-	-	12,46,780	**64,45,317**	**1,46,54,758**	**43,41,537**
Project Asset											
Civil & Project Structure											
Civil Works	88,08,64,579	1,03,72,685		89,12,37,264	9,55,89,780			3,16,15,132	12,72,04,911	76,40,32,353	78,52,74,800
Site Camp and Building	85,39,422			85,39,422	8,98,028			3,03,632	12,01,660	73,37,762	76,41,393
Hydromechanical Works	66,93,68,979			66,93,68,979	7,24,42,256			2,37,18,943	9,61,61,198	57,32,07,780	59,69,26,723
Electro-Mechanical Plant	25,76,57,180	37,60,627		26,14,17,807	2,79,79,240			92,75,705	3,72,54,945	22,41,62,863	22,96,77,940
Transmission Line & Switch Yar	3,83,17,156			3,83,17,156	41,53,745			13,57,487	55,11,231	3,28,05,925	3,41,63,411
Land and Land Development	2,73,00,000			2,73,00,000	29,64,533			9,66,972	39,31,505	2,33,68,495	2,43,35,467
Total	**1,88,20,47,316**	**1,41,33,312**	-	**1,89,61,80,628**	**20,40,27,582**	-	-	**6,72,37,869**	**27,12,65,451**	**1,62,49,15,177**	**1,67,80,19,734**
GRAND TOTAL	**1,89,15,87,391**	**2,36,73,388**	-	**1,91,72,80,703**	**20,92,26,120**	-	-	**6,84,84,649**	**27,77,10,769**	**1,63,95,69,935**	**1,68,23,61,271**

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Taksar Pikhuwa Khola Hydropower Ltd. Kathmandu

Taksar Pikhuwa Khola Hydropower Ltd.
Notes to the financial statements for the year ended Ashad 32, 2083
All amounts are in Rs unless otherwise stated

6) Intangible assets

Amounts in NRs.

Particulars	Computer Softwares	Total Intangible Assets
Cost		
Deemed Cost as at 01.04.2081	-	-
Addition during the FY 2081.82	-	-
Disposals	-	-
Balance as on 32.03.2082	-	-
Balance as at 01.04.2082	-	-
Addition during the period	-	-
Disposals	-	-
Balance as on 32.03.2083	-	-
Amortization		
Balance as at 01.04.2081	-	-
Charge for the FY 2081.82	-	-
Disposals	-	-
Balance as on 32.03.2082	-	-
Balance as at 01.04.2082	-	-
Charge for the Period		-
Disposals	-	-
Balance as on 32.03.2083	-	-
Opening Balance as at 01.04.2081	-	-
Closing Balance as at 32.03.2082	-	-
Closing Balance as at 32.03.2083	-	-

Taksar Pikhuwa Khola Hydropower Ltd. Kathmandu

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Taksar Pikhuwa Khola Hydropower Ltd.

Kathmandu, Nepal

As at 32 Ashad 2083 (July 16, 2026)

7) Trade Receivables

Particulars	As at Ashad 32, 2683	As at Asadh 32, 2082
Debtors		
Nepal Electricity Authority- Debtors	4,36,60,097	2,96,25,926
Total	**4,36,60,097**	**2,96,25,926**

8) Other Financial Assets

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Deposits & Margin		
Margin on TT-Terra Green	8,078	-
Service Deposit	1,500	1,500
NRB Security Margin	56,629	56,629
Total	**66,207**	**58,129**

9) Investments

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Nepal Power Exchange Ltd. (ordinary shares of Rs. 100 each)	10,00,000	10,00,000
United Mewa Khola Hydropower Limited (ordinary shares of Rs. 100 each)	2,24,46,700	2,24,46,700
Taksar Cascade Power Pvt. Ltd. (ordinary shares of Rs. 100 each)	8,00,00,000	8,00,00,000
Thulo Khola Hydropower Limited (ordinary shares of Rs. 100 each)	10,19,41,600	10,19,41,600
Total	**20,53,88,300**	**20,53,88,300**

10) Cash and Cash Equivalents

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Cash in Hand	5,45,324	5,45,324
Cash at Bank	**33,35,949**	**14,55,038**
Citizen Bank International Ltd(00100003324CA)	7,642	81,043
Citizen Bank International Ltd (Bhojpur Branch)	32,461	2,68,230
Machhapuchrey Bank Ltd	1,80,204	83,897
Nabil Bank Ltd	10,075	10,075
Prabhu Bank Ltd	5,03,840	5,03,840
Prime Commercial Bank Ltd.	26,01,728	5,07,953
Total	**38,81,273**	**20,00,362**

11) Current Tax Asset

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Current Tax Asset		-
Total	-	-

12) Other Current Asset

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Advances & Receivables		
Advance to Parties	1,17,59,313	1,23,20,017
Land Purchase Advance	2,39,86,000	2,23,30,000
Prepaid Insurance	53,12,061	37,89,635
Advance for investment	4,69,61,675	56,11,675
Advance others	60,59,558	58,09,558
Receivable from Taksar Cascade Power P. Ltd.	10,00,00,000	17,50,00,000
Total	**19,40,78,607**	**22,48,60,885**

Taksar Pikhuwa Khola Hydropower Ltd. Kathmandu

Taksar Pikhuwa Khola Hydropower Ltd. Kathmandu

Taksar Pikhuwa Khola Hydropower Ltd.

Kathmandu, Nepal

As at 32 Ashad 2083 (July 16, 2026)

13) Share Capital

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Authorised Share Capital		
Ordinary shares of NRs.100 each	1,20,00,00,000	1,20,00,00,000
Issued Share Capital		
Ordinary shares of NRs.100 each	1,20,00,00,000	1,20,00,00,000
Paid Up Share Capital		
Ordinary shares of NRs.100 each	1,20,00,00,000	77,69,33,200
Total	**1,20,00,00,000**	**77,69,33,200**

The Company has single class of equity shares having face value of Rs. 100 per share. Every shareholder holding equity share shall have voting rights in proportion to the their share.

Reconciliation of number of share outstanding

Particular	As at Ashad 32, 2083	As at Asadh 32, 2082
Balance at the beginning of the year	1,20,00,000	77,69,332
Add: Share Issued	-	-
Balance at the end of the year	**1,20,00,000**	**77,69,332**

14) Other Equity

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Reserve For Equity Instruments Through Other Comprehensive Income		
Balance At Beginning Of Year		-
FVTOCI		
Instruments At FVTOCI		
Balance At End Of The Year	-	-
Share Premuim		
Share Premuim		-
Share Application Money		
Balance At Beginning Of Year		-
Additions during the year		
Issue / Transferred to share capital		-
Balance at the end of the Year	-	-
Retained Earnings		
Balance At Beginning Of Year	59,29,150	1,15,41,899
Adjustments	-	-
Profit For The Year	3,55,75,666	(56,12,749)
Less: IPO Issue Expenses	(1,21,77,114)	
Less: Dividend Paid (Cash)		-
Total Retained Earging	**2,93,27,703**	**59,29,150**
Balance at End of the Year	**2,93,27,703**	**59,29,150**
Total	**2,93,27,703**	**59,29,150**

15) Long Term Loans

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Secured Loan - Amortized Cost		
Prime Commercial Bank Ltd.	56,12,50,000	74,10,00,000
Machhapuchchhre Bank Ltd.	31,94,65,284	48,40,00,000
Prime Commercial Bank Ltd- Vehicle Loan	56,61,014	-
Less: NFRS Adjustment	(8,10,63,343)	(10,07,60,969)
Less: Current Portion of the Long Term Debt	-	(2,07,60,000)
Total	**80,53,12,955**	**1,10,34,79,031**

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Taksar Pikhuwa Khola Hydropower Ltd. Kathmandu

Taksar Pikhuwa Khola Hydropower Ltd.

Kathmandu, Nepal

As at 32 Ashad 2083 (July 16, 2026)

16) Borrowings

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Short Term Loan		
Overdraft - Prime Commercial Bank Ltd.	3,99,99,500	4,91,94,021
Demand Loan- Prime Commercial Bank Ltd.	-	10,00,00,000
Current portion of Long term debt		2,07,60,000
Total	**3,99,99,500**	**16,99,54,021**

17) Other Financial Liabilities

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Staff Payable	-	19,95,845
Sundry Creditors	61,99,391	32,13,687
Rent Payable	-	10,80,000
Audit Fees payable	2,22,013	2,22,013
Royalty Payable	16,97,478	22,16,793
Payable to Director & Shareholders	26,30,100	7,88,95,434
Total	**1,07,48,981**	**8,76,23,772**

18) Provisions

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Provision for Income Tax	-	-
Provision for staff bonus	-	-
Provision for expenses	-	-
Total	-	-

19) Other Current Liability

Particulars	As at Ashad 32, 2083	As at Asadh 32, 2082
Tax & Duties payable		
TDS payable	12,55,279	3,75,700
Total	**12,55,279**	**3,75,700**

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Taksar Pikhuwa Khola Hydropower Ltd.
Kathmandu, Nepal
For the year ended 32 Ashad, 2083 (July 16, 2026)

20) Revenue from Operation

Amount in NRs.

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
Sales of Electricity	25,02,47,775	21,14,90,714
Total	**25,02,47,775**	**21,14,90,714**

21) Cost of Sales

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
Insurance Expenses	51,14,292	80,80,239
Repair & Maintenance Expenses	49,86,871	40,45,906
Site Mesh, Consumable and other Expenses	12,57,307	8,22,212
Electricity Expenses	72,144	61,020
Royalty Expenses	52,04,283	57,03,578
Rebate Expenses	-	12,35,840
Total	**1,66,34,897**	**1,99,48,795**

22) Other Income

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
Dividend Income	-	-
Other Income	-	-
Total	-	-

23) Administrative & Operating Expenses

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
Office Rent	12,00,000	12,00,000
Printing and stationary	33,520	18,130
Bank Charges	38,050	7,282
Site Wages	9,44,000	3,48,622
Guest Refreshment Expenses	2,68,736	2,08,400
Internet & Communication Expenses	1,70,320	75,500
Fees & Renewal Charge	3,22,500	1,82,611
Meeting Allowance	1,22,353	-
Fuel & Lubricant Expenses	8,97,988	6,93,991
Forest Royaly Expenses	-	1,63,590
Advertisement Expenses	1,46,500	52,545
Audit Fees	2,25,000	2,25,000
Consultancy Fees	1,01,500	-
Rating Expenses	2,64,646	2,40,238
Other Office Expenses	4,02,505	2,27,375
Site Visit, Travelling and Transportation	6,73,950	13,74,836
Interest and Fine	49,250	35,81,892
Donation & Compensation Expenses	15,86,752	13,99,728
Securities Servies Expenses	3,77,872	-
Documentation Expenses	12,84,750	6,42,466
Total	**91,10,192**	**1,06,42,207**

24) Employee Benefit Expenses

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
Staff Salary & Allowances	1,76,52,941	1,53,03,087
Total	**1,76,52,941**	**1,53,03,087**

25) Depreciation And Amortizaiton Expenses

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
Depreciation of General Asset	12,46,780	5,10,987
Depreciation of Project Asset	6,72,37,869	6,66,76,281
Total	**6,84,84,649**	**6,71,87,268**

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Taksar Pikhuwa Hydropower Ltd. Kathmandu

26) Financial Cost

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
Interest Expenses	8,15,90,721	11,29,22,165
Bank Agency Fee	13,88,583	55,79,926
Loan Management Fees	1,12,500	5,00,000
Pre-Payment Charge	-	40,52,908
NFRS Adjustment - (Income)/Expenses	1,96,97,625	(1,90,32,892)
Total	**10,27,89,429**	**10,40,22,106**

27) Impairment Losses On Financial Assets And Reversal Of Impairment On Financial Assets

The management has concluded to the best of its decisions, there are no indications of impairment as at Balance sheet date and the carrying amount of these asset , exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). Hence, no impairment losses on financial assets and reversal of impairment on financial assets is recognized.

28) Income Taxes Relating to Continuing Operations

28.1 Income Tax Recognised in Profit or Loss

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
Current tax		
In respect of the current year		-
In respect of prior years		-
Others		-
	-	-
Deferred tax		
In respect of the current year		-
	-	-
Total income tax expense recognised in the current year relating to continuing operations		-

28.2 Income Tax Recognized in Other Comprehensive Income

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
Current tax		
In respect of the current year		
In respect of prior years		
Others		
	-	-
Deferred tax		
In respect of the current year		
	-	-
Total income tax expense recognised in the current year relating to continuing operations		-

29) Earnings Per Share

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
From Continuing Operations	**Rs. per share**	**Rs. per share**
Basic Earnings Per Share	2.96	(0.72)
Diluted Earnings Per Share	2.96	(0.72)

a)There are no potential dilutive instruments.

29.1 Basic Earnings per share

The earnings and weighted average number of equity shares used in the calculation of basic earnings per share are as follows.
Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.
Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted on convertible preference shares, debentures or to employees.
Since, the company does not have any convertible instruments and has not granted any options to its employees, diluted EPS is considered the same as basic EPS.

Particulars	Year ended Ashad 32,2083	Year ended Ashad 32,2082
Profit for the year attributable to owners of the Company (A)	3,55,75,666	(56,12,749)
Weighted average number of equity shares for the purposes of basic earnings per share (B)	1,20,00,000	77,69,332
Basic Earnings per share (A/B)	**2.96**	**(0.72)**

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30) Segment Reporting

The management evaluates the Company's performance and allocates resources based on the analysis of various performance indicators, however the company is primarily engaged in only one segment, i.e., "Generation and sale of electricity" and that all its operations are in Nepal. Hence the Company does not have any reportable segments as per NFRS 8 "Operating Segments".

31) Financial risk management objectives

The company's principal financial liabilities, comprise trade and other payables and borrowings. The main purpose of these financial liabilities is to support its operations. The company's principal financial assets include trade and other receivables, cash & cash equivalents, that are derived directly from its operations. The company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk. The company's Board of Directors reviews and sets out policies for managing these risks and monitors suitable actions taken by management to minimize potential adverse effects of such risks on the company's operational and financial performance.

32.1 Credit Risk

Credit risk arises when a counterparty defaults on its contractual obligations to pay resulting in financial loss to the Company.

Trade and other receivables: The company's business is predominantly through sales of power. The company has PPA agreement with Nepal Electricity Authority (NEA). NEA is government body due to which the risk of credit default is significantly low.

Other Financial Assets: Credit risk from balances with banks and financial institutions are managed by maintaining the balances with highly reputed Commercial banks only.

32.2 Liquidity risk management

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure , as far as possible, that will always have sufficient liquidity to meet both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputations.

Liquidity risk tables

The following tables detail the company's remaining contractual maturity for its financial liabilities with agreed repayment periods.

Financial Liabilities	Less than 1 year	One Year or More than one year	Total
32 Ashad, 2083			
(i) Borrowing	3,99,99,500	80,53,12,955	84,53,12,455
(ii) Other Financial Liabilities	1,07,48,981		1,07,48,981
	5,07,48,481	**80,53,12,955**	**85,60,61,436**
32 Ashah, 2082			
(i) Borrowing	16,99,54,021	1,10,34,79,031	1,27,34,33,052
(ii) Other Financial Liabilities	8,76,23,772	-	8,76,23,772
	25,75,77,793	**1,10,34,79,031**	**1,36,10,56,824**

32.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market prices. Market prices comprise three type of risk: interest rate risk, currency risk and other price risk such as equity price risk .

Interest Rate Risk: The company has material exposure to the debt instruments and on which interest rate is fluctuating according to the market .

Currency Risk :The Company has not foreign currency payables / receivables at the year end, Hence there is not significant currency risk.

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32.4 Categories of Financial Instruments

Particulars	As at Ashad 32, 2083		As at Ashad 32,2082	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Assets				
Non-current Assets				
Current Assets				
(i) Trade Receivables	4,36,60.097	4,36,60,097	2,96,25,926	2,96,25,926
(ii) Other Financial Assets	66,207	66,207	58,129	58,129
(iii) Investment	20,53,88,300	20,53,88,300	20,53,88,300	20,53,88,300
(iv) Cash and Cash Equivalents	38,81,273	38,81,273	20,00,362	20,00,362
Total	**25,29,95,876**	**25,29,95,876**	**23,70,72,718**	**23,70,72,718**
Liabilities				
Non current Liabilities				
(i) Long Term Loan	80,53,12,955	80,53,12,955	1,10,34,79,031	1,10,34,79,031
Current Liabilities				
(i) Borrowings	3,99,99,500	3,99,99,500	16,99,54,021	16,99,54,021
(ii) Other Financial Liabilities	1,07,48,981	1,07,48,981	8,76,23,772	8,76,23,772
Total	**85,60,61,436**	**85,60,61,436**	**1,36,10,56,824**	**1,36,10,56,824**

32) Fair value measurements

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

Fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

• Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

• Level 3 inputs are unobservable inputs for the asset or liability.

The directors are of the belief that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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33) Related Party Disclosures

(a) Key Management Personnel

Mr. Ajay Ballav Pant	Chairman
Mr. Suresh Kumar Sthapit	Director
Mr. Shambhu Prasad Pant	Director
Mr. Pancha Bir Singh Tuladhar	Director
Mrs. Rashmi Nepal	Independent Director

34) Contingent Liabilities and Commitments

Where appropriate, the Company recognizes a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation(s).

35) The previous year figure has been reclassified wherever necessary.

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S. SUBEDI & ASSOCIATES ssbdi CHARTERED ACCOUNTANTS

1 REPORTING ENTITY

Taksar Pikhuwa Khola Hydropower Limited is a company registered under the companies Act, 2063. The principal objective of the company is to carry out Hydropower Projects in Nepal. The company has completed the Taksar Pikhuwa Khola Hydropower Project (8 MW) and started its commercial operation from Baisakh 1, 2078.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

a) Statement of Compliance

The financial statements have been prepared in accordance with the applicable Nepal Financial Reporting Standards (NFRS) as issued by the Accounting Standard Board (ASB), Nepal. The financial statements have also been prepared in accordance with the relevant presentational requirements of the Company Act, 2063 of Nepal.

IFRIC 12 – Service Concession Arrangements

The Company operates its hydropower project under a Power Purchase Agreement (PPA) with the Nepal Electricity Authority (NEA) and holds a generation license issued by the Government of Nepal. The project is structured as a Build-Own-Operate-Transfer (BOOT) arrangement, with the infrastructure to be transferred to the Government at the end of the license period.

The Company has assessed the applicability of IFRIC 12 – *Service Concession Arrangements* and has concluded that the arrangement does not fall within its scope.

b) Reporting Period and Approval of Financial Statements

The Company follows the Nepalese financial year based on the Nepali calendar, starting from 1st Shrawan 2082 and ending on 32nd Ashad 2083.

These financial statements consist of the statement of financial position as at 32nd Ashad 2083. The Company has also presented the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from 1st Shrawan 2082 to 32nd Ashad 2083, together with the summary of significant accounting policies and other explanatory information.

The Board of Directors acknowledges the responsibility for the preparation and presentation of financial statements.

c) Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (Rs.) which is the currency of the primary economic environment in which the Company operates.

d) Use of Estimates, Assumptions and Judgments

In application of the Company's accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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e) Going Concern

The financial statements are prepared on a going concern basis, as the board of the Company is satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

f) Changes in Accounting Policies

The accounting policies are applied consistently to all periods except where deviations have been explicitly mandated by the applicable accounting standards presented in the financial statements.

g) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis except explicitly mentioned otherwise.

h) Discounting

The non- current assets and liabilities are discounted whenever the discounting is material and if required by the NFRS.

2.2. SIGNIFICANT ACCOUNTING POLICIES

a) Property, Plant and Equipment

i. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

ii. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

iii. 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.

iv. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits
are expected from its use 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 or loss when the asset is derecognized.

v. The Company adopts cost model for all classes of Property, Plant and Equipment.

Depreciation of Property Plant and Equipment

i. Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

ii. The estimated useful life and depreciation 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. The depreciation rates at which the assets are depreciated are as follows: -

Particulars	Useful Life	Depreciation Method
Civil & Project Structure	302 Months (As on 2082/04/01)	Straight Line
Project Land and Land Development	302 Months (As on 2082/04/01)	Straight Line
Furniture & Office Equipment's	96 Months	Straight Line
Vehicles	120 Months	Straight Line
Plant and Machinery	180 Months	Straight Line

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b) Non-Current assets classified as held for sale

Except for the investment in Taksar Cascade Power Pvt. Ltd. disclosed in the critical accounting judgements section, the Company does not classify any other assets as held for sale in the current period.

c) Intangible Assets

Intangible assets are stated at their cost of acquisition, less accumulated amortization and impairment losses. An intangible asset is recognized, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured. The amortizable amount of intangible assets is allocated over the best estimate of its useful life on a straight-line basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Amortization of Intangible Assets

The Intangible assets are amortized on straight line method on remaining useful lives. The remaining useful lives of intangible assets of the Company as at 31st Ashad 2083 are as follows:

Particulars	Remaining Useful Life	Depreciation Method
Software	Fully Amortized	Straight Line

d) Impairment of Tangible and Intangible Assets

An asset is considered as impaired in accordance with NAS 36 on Impairment of Assets when at the balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in profit or loss.

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

e) Classification of Current and Non-current of Assets and Liabilities.

All assets and liabilities have been classified as current and non-current assets as per the Company's 'normal operating cycle. Based on the nature of products and time between acquisition of assets for processing and their realization of cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of classification of current and non-current assets and liabilities.

f) 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 qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are

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substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

g) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

All Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL) are added to or deducted from the fair value as appropriate, on initial recognition. Transaction costs in relation to financial assets or financial liabilities which are carried at fair value through profit or loss (FVTPL) are charged to the statement of profit and loss as and when incurred.

1. Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets

Financial assets are classified under the categories required by NFRS 9, namely:

i. Measured at amortised cost

The Financial assets that meet following conditions are recognized are measured at amortised cost:

- the assets held within a business model whose objective is to hold assets in to collect contractual cash flows and
- The Contractual term of the instrument gives rise to interest specified dates to cash flows that are solely payments of principal and interest on the principal outstanding,

Which are subsequently measured at amortised cost using the effective interest rate ('EIR') method less impairment, if any. The amortization of EIR and loss arising from impairment, if any is recognized in the Statement of Profit or Loss.

ii. Measured at fair value through OCI

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI).

Equity Instrument which are held as long-term strategic investments and not for trading for which the Company makes an irrevocable election to carry the changes in fair value of the instrument through OCI are measured at Fair Value through Other Comprehensive Income (OCI).

iii. Financial assets at Fair Value Through Profit or Loss (FVTPL)

The Company classifies the financial assets as fair value through profit or loss if they are held for trading or designated at fair value through profit or loss.

Any other financial asset not classified as either financial assets at amortised cost or financial assets at FVTOCI, is classified as financial assets at FVTPL.

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2. Financial Liabilities and Equity Instruments

Financial Liabilities

Financial Liabilities are classified under two categories as follows:

i. Financial Liabilities at Fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Upon initial recognition, transaction cost incurred is directly attributable to the acquisition are recognized in Statement of Profit or Loss. Subsequent changes in fair value are recognized at profit or loss.

ii. Financial Liabilities measured at amortised cost

All financial liabilities other than measured at fair value profit or loss are classified as subsequently measured at amortised cost using effective interest method.

Equity Instruments

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

Derecognition of Financial Instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual right to receive the cash flows from the asset.

A financial liability (or a part of a financial liability) is derecognized when the obligation specified in the contract is discharged or cancelled or expires.

3. Trading Assets

Financial assets are classified as trading assets (held for trading) if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit making. They are recognized on trade date, when the Company enters into contractual arrangements with counterparties, and are normally derecognized when sold. They are initially measured at fair value, with transaction costs taken to profit or loss. Subsequent changes in their fair values are recognized in profit or loss in 'Net trading income.'

4. Derivative Assets and Derivative Liabilities

Derivative instruments include transactions like interest rate swap, currency swap , forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. However, the Company does not such instruments as on 32nd Ashad 2083.

h) Determination of Fair Value

The fair value of a financial instrument 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 Company follows three levels of the fair value hierarchy as described below:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets;

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Level 2: Significant inputs to the fair value measurement are directly or indirectly observable or valuations of quoted for similar instruments in active markets or quoted prices for identical or similar instrument in inactive markets; and
Level 3: Significant inputs to the fair value measurement are unobservable

i) Income Tax

Tax expenses comprise of current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit and Loss because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 asset to be recovered.

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 measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and Deferred Tax for the Year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

j) Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation at that date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and are reversed if there is no probability of outflow of resources.

A contingent liability is a possible obligation that arises from past event whose existence will be confirmed by the occurrence of one or more uncertain future events beyond the control of the Company or present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations or a reliable estimate of the amount of obligation cannot be made.

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A contingent asset is not recognized in the financial statements. However, where an inflow of economic benefits is probable, the Company discloses the contingent asset in accordance with the applicable requirements.

k) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates, penalties, short supply and other similar items. Revenue from operations comprises of sale of power. It is recognized at an amount that reflects the consideration for which the Company expects to be entitled in exchange for transfer of power (goods / service) to the customer. Revenue from sale of power is accounted in accordance with tariff provided in Power Purchase Agreement (PPA) with the Nepal Electricity Authority (NEA) and no significant uncertainty as to the measurability or collectability exist.

l) Employee Benefits

Compensation to employees for services rendered is measured and accounted for in accordance with the applicable requirements of the standard on Employee Benefits.

Short Term-Employee Benefits

Employee Benefits such as salaries, allowances, and non-monetary benefits which fall due for payment within a period of twelve months after rendering service, are charged as expense to profit or loss in the period in which the service is rendered.

Post- Employment employee benefits

Defined Contribution Plans

Post-Employment benefits plan under which the Company pays a fixed contribution to a separate entity and retains no legal or constructive obligation to pay future amounts are categorized under defined contribution plans. The contributions to defined contribution plans are recognized in profit or loss as and when the services are rendered by employees.

Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company does not have any defined benefit plan.

Other Long Term Employee Benefits

Other Long-term Employee Benefits are those employee benefits other than those classified as either short-term, post-retirement or termination benefits.

Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared.

The shares issue expenses which can be avoided for the issue was charged in the year of issue directly through equity and disclosed in the statement of changes in equity.

m) Earnings Per Share

The Company presents basic and diluted Earnings per Share (EPS) in accordance with NAS 33 Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

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n) Leases

The Company, as a lessee, recognizes a right of use asset and a lease liability for its leasing arrangements, as the contract conveys the right to control the use of an identified asset. The contract conveys the right to control the use of an identified asset, as it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right of use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are 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 uses incremental borrowing rate.

For short-term and low-value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the lease term. The Company has elected to apply the recognition exemptions for short-term leases and leases for which the underlying asset is of low value, where applicable.

o) Cash Flow Statement

The Cash Flow Statement is prepared by the indirect method set out in NAS 7 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company.

p) Cash and Cash Equivalents

The cash and cash equivalents for the purpose of cash flow statement include cash in hand, balances with banks and financial institutions, money at call and short notice and highly liquid financial assets with original maturity of three months or less from the acquisition date that are subject to and insignificant risk of changes in their fair values and are used by the Company in the management of its short-term commitments. Cash and Cash equivalents includes cash in hand, deposits with BFIs and other short-term investments with original maturities of three months or less.

4.1 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In application of the Company's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying Accounting Policies

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

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Income Taxes

The Company's tax jurisdiction is in Nepal. Significant judgments are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful Lives of Property, Plant and Equipment

As described above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. There was no change in the useful life of property, plant and equipment as compared to previous year.

Impairment of Trade Receivables

The Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer status, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

Investment in Taksar Cascade Power Private Limited

The Company holds an equity investment of NPR 80,000,000 in Taksar Cascade Power Pvt. Ltd., Management has assessed that this investment is more appropriately classified under NFRS 5 – Non-current Assets Held for Sale and Discontinued Operations rather than NFRS 10 – Consolidated Financial Statements, as the Company does not intend to retain the investment on a long-term basis for the purpose of controlling the investee's operating activities; rather, the Company plans to sell or dilute its equity interest in the future, and the investee is expected to raise significant additional capital that will substantially dilute the Company's relative interest and result in a loss of control, which under NFRS 5 is treated as equivalent to a sale. Accordingly, the investment has been classified as held for sale, measured at the lower of its carrying amount and fair value less costs to sell, presented separately in the Statement of Financial Position, and not consolidated.

Effective Interest Rate

The Company estimates the interest payments for the future period at **9.11%** as a rate applied by the bank for the purpose of the calculation of effective interest rate.

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