

### INDEPENDENT AUDITORS REPORT

To,  
Shareholders of  
Sanigad Hydro Limited  
Kathmandu

#### Report on the Audit of the Financial Statements for the FY 2081/82

##### Opinion

We have audited the financial statements of Sanigad Hydro Ltd., which comprise the Statement of Financial Position as at Ashad 32, 2082 and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended, and Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of Sanigad Hydro Limited as at Ashadh 32 2082 and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (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 Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our 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 audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended Ashad 32, 2082. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.



The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<b>Long-Term and Short-Term Borrowings</b>	
<p>As on Ashadh 32 2082, the Long-Term and Short-Term Borrowings is Rs. 5,83,48,27,054 and Rs. 74,69,17,265 respectively which is 67.14 % and 8.59 % of the total Assets of the current fiscal year.</p>	<ul style="list-style-type: none"> <li>• We confirmed that any new borrowings were taken during the current fiscal year.</li> <li>• We reviewed all loan repayment through bank statements.</li> </ul> <p>We also obtained balance confirmation as on Ashadh 32 2082 from the respective banks to verify the Loan as per ledger is tallying with Borrowing balance shown by the banks.</p>

#### ***Information other than the Financial Statements and Auditor's Report thereon***

The Board of Directors are responsible for the other information. The other information comprises the information included in the Report of the Board of Directors (BOD), including annexures to the BOD's Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Managements is responsible for the preparation and fair presentation of the financial statements in accordance with Nepal Accounting Standards, and for such internal control as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charges with governance are responsible for overseeing the company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

- a. We have obtained prompt replies to our queries and explanations asked for.
- b. The financial statements are in agreement with the books of accounts maintained by the company.
- c. The accounts and records of the company have been accurately maintained in accordance with the law and practice.



- d. In our opinion and to the best of our information and according to the explanation given to us, the Board of Directors, the representative or any employee of the Company has not acted contrary to the provision of law relating to accounts nor caused direct loss or damage to the Company deliberately or acted in a manner that would jeopardized the interest and security of the company except for the section 86 of the Companies Act and the business of the Company appears to have been conducted satisfactorily.

Address: Kathmandu

Date: 21 November 2025

  
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**Saphal Kumar Wagle, CA**  
Proprietor,

S.K. Wagle & Associates,

Chartered Accountants

**UDIN : 251125CA01201KP4VR**

# Sanigad Hydro Limited

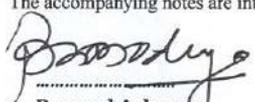
Dhobighat, Lalitpur, Nepal

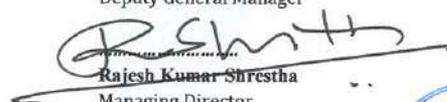
## STATEMENT OF FINANCIAL POSITION

As on 32nd Ashadh, 2082

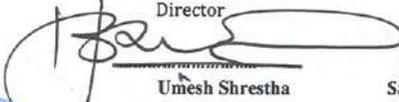
Particulars	Note	As at 32nd Ashadh 2082	As at 31st Ashadh 2081
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plants and Equipments	1	47,439,595	49,882,184
Intangible Assets	2	8,282,202,098	8,621,304,582
Intangible Assets Under Construction	2	-	-
Capital Advances	6	-	-
<b>Financial Assets</b>			
Investments	3	5,115,000	5,115,000
Other Financial Assets	7	-	-
Other Assets	8	40,000	40,000
<b>Total Non-Current Assets</b>		<b>8,334,796,692</b>	<b>8,676,341,766</b>
<b>Current Assets</b>			
Capital Advances	6	4,692,757	3,764,940
<b>Financial assets</b>			
Cash and cash equivalents	4	2,117,242	5,284,140
Bank balance other than cash and cash equivalents	5	2,414,131	1,922,633
Other Financial Assets	7	247,955,230	199,205,217
Other Assets	8	98,748,837	111,538,956
<b>Total Current Assets</b>		<b>355,928,197</b>	<b>321,715,886</b>
<b>Total Assets</b>		<b>8,690,724,890</b>	<b>8,998,057,652</b>
<b>EQUITY AND LIABILITIES</b>			
Equity share capital	10	1,995,000,000	1,995,000,000
Advance for Share capital	11	-	-
Retained Earnings	11	91,246,562	31,603,014
<b>Total Equity</b>		<b>2,086,246,562</b>	<b>2,026,603,014</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	12	5,834,827,054	6,320,933,536
Other financial liabilities	14	-	-
Deffered tax	9	-	-
<b>Total Non-Current Liabilities</b>		<b>5,834,827,054</b>	<b>6,320,933,536</b>
<b>Current Liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	12	746,917,265	493,908,111
Other Liabilities	13	1,235,898	1,984,116
Other financial liabilities	14	21,498,111	154,628,875
<b>Total Current liabilities</b>		<b>769,651,274</b>	<b>650,521,102</b>
<b>Total Liabilities</b>		<b>6,604,478,328</b>	<b>6,971,454,638</b>
<b>Total Equity and liabilities</b>		<b>8,690,724,890</b>	<b>8,998,057,652</b>

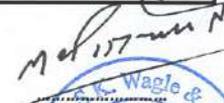
The accompanying notes are integral part of these financial statements.

  
Pramod Acharya  
Deputy General Manager

  
Rajesh Kumar Shrestha  
Managing Director

  
Shiva Prasad Ghimire  
Director

  
Umesh Shrestha  
Chairperson

  
Tirtha Raj Chatuwar  
Director

  
Saphal Kumar Wagle, FCA  
Proprietor  
S.K. Wagle & Associates,  
Chartered Accountants

Date: Mangsir 05, 2082  
Place: Lalitpur



# Sanigad Hydro Limited

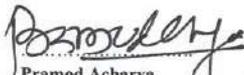
Dhobighat, Lalitpur, Nepal

## Statement of Profit or loss and Other Comprehensive Income For the year ended 32nd Ashad 2082 (July 16, 2025)

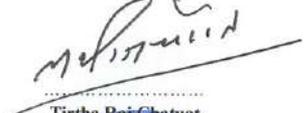
Figures in NPR

Particulars	Note	2081-82	2080-81
<b>Revenue</b>	15	1,070,962,087	966,881,754
<b>Cost of sales</b>			
Royalty Expenses	16	(25,712,538)	(22,737,739)
Internal Consumption	16	(39,852)	(109,404)
Amortisation expenses	2	(323,009,749)	(323,170,239)
Depreciation Expenses	16	-	-
Other Direct Expenses	16	(62,862,884)	(94,818,344)
<b>Gross Profit</b>		<b>659,337,063</b>	<b>526,046,028</b>
Other Income	15	1,559,422	3,991,023
Depreciation for the period	1	(3,647,398)	(4,788,196)
Administrative and other operating expenses	17	(24,624,970)	(25,819,062)
<b>Profit from operation</b>		<b>632,624,118</b>	<b>499,429,793</b>
Bonus to Employees		(1,116,070)	-
CSR Expenses	19	(569,196)	-
Finance costs	18	(575,135,335)	(780,821,828)
<b>Profit Before Tax</b>		<b>55,803,517</b>	<b>(281,392,035)</b>
<b>Income Tax Expense</b>			
Current tax		-	-
Deferred tax credit/(charge)		-	-
<b>Profit for the period</b>		<b>55,803,517</b>	<b>(281,392,035)</b>
<b>Other Comprehensive Income</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Change in revaluation of property		-	-
Re-measurement (losses) / gains on post employment defined benefit plans		-	-
Changes in the fair value of equity investments at fair value through other comprehensive income		-	-
Tax relating to items that will not to be reclassified to profit or loss		-	-
		<b>55,803,517</b>	<b>(281,392,035)</b>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>			
Changes in the fair value of debt instruments at fair value through other comprehensive income		-	-
Exchange gains arising on translation of foreign operations		-	-
Cash flow hedges		-	-
Tax relating to items that may be reclassified to profit or loss		-	-
<b>Other comprehensive gain/(loss) for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive gain/(loss) for the year, net of tax</b>		<b>55,803,517</b>	<b>(281,392,035)</b>
<b>Earnings per equity share of Rs. 100 each</b>			
Basic Earnings per share - Rs.		2.80	(14.10)
Diluted Earnings per share - Rs.		2.80	(14.10)

The accompanying notes are integral part of these financial statements.

  
Pramod Acharya  
Deputy General Manager

  
Shiva Prasad Ghimire  
Director

  
Tirtha Raj Chatur  
Director

  
Rajesh Kumar Shrestha  
Managing Director

  
Umesh Shrestha  
Chairperson

  
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Date: Mangsir 05, 2082  
Place: Lalitpur



# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

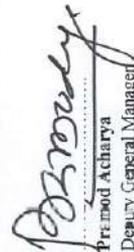
## Statements of Changes in Equity

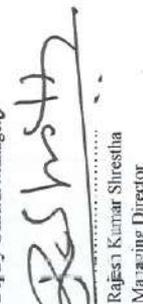
For the year ended 32nd Ashad 2082 (July 16, 2025)

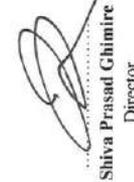
Figures in NPR

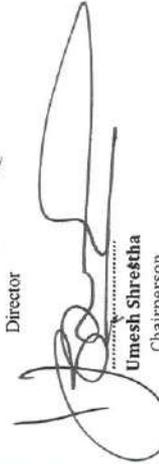
	Retained Earnings and Reserves					Total
	Equity Share Capital	Advance for Share	Share Premium	General Reserve	Fair Value Reserves	
Balance as at 31st Ashadh 2080	1,260,000,000	617,919,700	-	-	-	1,877,919,700
Effect of Restatements due to Change in Accounting Policies	-	-	-	-	-	-
Restated balance as at 1st Shrawan 2080	1,260,000,000	617,919,700	-	-	-	314,743,999
Profit for the year	-	-	-	-	-	314,743,999
Other comprehensive income	-	-	-	-	-	(281,392,035)
<b>Total Comprehensive Income</b>	-	-	-	-	-	(281,392,035)
Advance Received	-	-	-	-	-	-
Private Placement Issue	735,000,000	(617,919,700)	-	-	-	117,080,300
Share Issue Cost	-	-	-	-	-	(1,748,950)
<b>Balance as at 31st Ashadh 2081</b>	<b>1,995,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,603,014</b>	<b>2,026,603,014</b>
Effect of Restatements due to Change in Accounting Policies	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	55,803,517
Other comprehensive income	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	-	-	-	55,803,517
Adjustments of last year	-	-	-	-	-	3,840,030
Advance Received	-	-	-	-	-	-
Private Placement Issue	-	-	-	-	-	-
Share Issue Cost	-	-	-	-	-	-
<b>Balance as at 32nd Ashadh 2082</b>	<b>1,995,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,246,562</b>	<b>2,086,246,562</b>

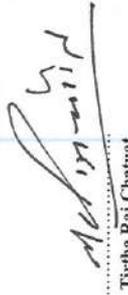
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Premod Acharya  
Deputy General Manager

  
Rajesh Kumar Shrestha  
Managing Director

  
Shiva Prasad Ghimire  
Director

  
Umesh Shrestha  
Chairperson

  
Tirtha Raj Chatur  
Director

  
S.K. Wagle & Associates,  
Chartered Accountants



Date: Mangsir 05, 2082  
Place: Lalitpur

# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

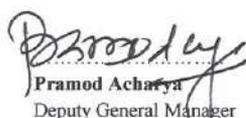
## Statement of Cash Flows

For the year ended 32nd Ashad 2082 (July 16, 2025)

Figures in NPR

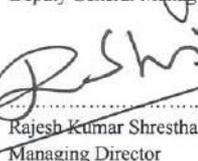
Particulars	Note	2081-82	2080-81
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		55,803,517	(281,392,035)
<b>Adjustments for:</b>			
Prior Period Expenses		3,840,030	-
Deferred Tax Credit		-	-
Depreciation of property, plant and equipment		3,647,398	4,788,196
Amortisation of intangible fixed assets		323,009,749	323,170,239
Finance cost		575,135,335	780,821,828
<b>Working Capital Adjustments:</b>			
(Increase)/ Decrease in other financial assets		(48,750,013)	3,576,136
(Increase)/ Decrease in Capital Advances		(927,817)	1,972,697
(Increase)/ Decrease in Other Assets		12,790,119	(42,890,874)
Increase / (Decrease) in financial liabilities		(133,130,765)	(253,629,551)
Increase / (Decrease) in other current liabilities		(748,218)	(9,009,248)
<b>Cash generated from operations</b>		<b>790,669,335</b>	<b>527,407,388</b>
Income tax paid		-	-
Bonus paid		-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>790,669,335</b>	<b>527,407,388</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Acquisition of Property, plant and Equipment		16,209,070	2,693,177
(Increase)/Decrease in Project work-in-progress		(1,321,144)	(13,095,883)
(Increase)/ Decrease in Other Investments		-	-
Bank balance other than cash and cash equivalents		(491,498)	1,905,612
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>14,396,428</b>	<b>(8,497,094)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of Shares through Private Placement		-	735,000,000
Advance for Share Received		-	(619,668,650)
Borrowing (repaid) / taken (net)		(233,097,327)	81,252,242
Interest paid		(575,135,335)	(780,821,828)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(808,232,662)</b>	<b>(584,238,236)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(3,166,898)</b>	<b>(65,327,943)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>5,284,140</b>	<b>70,612,083</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>2,117,242</b>	<b>5,284,140</b>

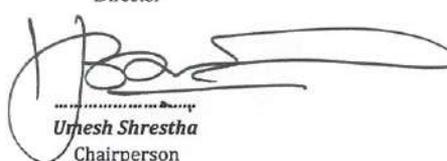
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Proprietor  
S.K. Wagle & Associates,  
Chartered Accountants



Date: Mangsir 05, 2082  
Place: Lalitpur

# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

Notes to the financial statements for the year ended 32nd Ashadh, 2082

Figures in NPR

Note no: 1 Property, plant and equipment:		Building	Office Equipment	Furniture & Fixture	Computers & Network	Vehicle	Leasehold Improvements Assets	Total
<b>Cost</b>								
Balance at 1st Shrawan 2080		49,051,497	2,083,692	6,017,395	1,835,073	38,666,995	5,163,280	102,817,932
Additions		-	1,508,850	49,600	-	4,575,000	-	6,133,450
Disposals		-	-	-	-	(35,166,995)	-	(35,166,995)
Balance at 31 Ashadh 2081		49,051,497	3,592,542	6,066,995	1,835,073	8,075,000	5,163,280	73,784,387
Additions		-	1,517,617	58,000	-	-	-	1,575,617
Disposals		-	-	-	-	(3,500,000)	-	(3,500,000)
Balance at 32nd Ashadh 2082		49,051,497	5,110,159	6,124,995	1,835,073	4,575,000	5,163,280	71,860,004
<b>Accumulated depreciation</b>								
Balance at 1st Shrawan 2080		4,234,047	1,740,706	3,636,632	1,656,243	29,023,469	5,163,280	45,454,376
Charge for the year		1,599,079	718,508	1,213,399	178,830	1,078,380	-	4,788,196
Disposals		-	-	-	-	(26,340,368)	-	(26,340,368)
Balance at 31 Ashadh 2081		5,833,126	2,459,214	4,850,031	1,835,073	3,761,480	5,163,280	23,902,203
Charge for the year		1,599,079	629,294	838,558	-	580,466	-	3,647,398
Disposals		-	-	-	-	(3,129,191)	-	(3,129,191)
Balance at 32nd Ashadh 2082		7,432,205	3,088,508	5,688,589	1,835,073	1,212,755	5,163,280	24,420,410
<b>Net book value</b>								
Balance at 1st Shrawan 2080		44,817,450	342,986	2,380,764	178,830	9,643,527	-	57,363,556
At 31 Ashadh 2081		43,218,371	1,133,328	1,216,965	-	4,313,520	-	49,882,184
At 32nd Ashadh 2082		41,619,292	2,021,651	436,406	-	3,362,245	-	47,439,595

*(Handwritten signatures and initials)*



# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

## Notes to the financial statements for the year ended 32nd Ashadh, 2082

Figures in NPR

Particulars	Intangible Assets under IFRIC 12	Intangible Assets Under construction	Computer Software
<b>Balance as on 1st Shrawan 2080</b>	8,931,378,938.17	-	-
Addition During the period of FY 2080.81	13,095,883	-	-
Transfer of Intangible Assets under construction	-	(13,095,883)	-
Amortisation during the Year	(323,170,239)	-	-
<b>Balance as on 31st Ashadh 2081</b>	<b>8,621,304,582.25</b>	<b>(13,095,883)</b>	-
Addition during the year	1,321,144	-	-
Adjustments During the year	(17,413,879)	-	-
Transfer of Intangible Assets Under Construction	-	-	-
Amortisation during the year	(323,009,749)	-	-
<b>Balance as on 32nd Ashadh 2082</b>	<b>8,282,202,098</b>	<b>(13,095,883)</b>	-

### Note 2.1: Details of Intangible Assets Under IFRIC 12

Particulars	As at 32nd Ashadh 2082	During the FY 2081/82	As at 31st Ashadh 2081	During the FY 2080/81	Restated* As at 32nd Ashadh
Project Initial Expenses	67,728,031	-	67,728,031	-	67,728,031
Civil Construction Works	3,685,192,565	-	3,685,192,565	-	3,685,192,565
Interest Capitalization	1,836,031,259	-	1,836,031,259	-	1,836,031,259
Project Supervision & Consultancy	200,901,727	-	200,901,727	-	200,901,727
Environmental Mitigation & Social Contribution	161,438,001	-	161,438,001	-	161,438,001
Infrastructure Development / Access Road	366,252,477	-	366,252,477	-	366,252,477
Plant & Machinery - HM	426,811,525	-	426,811,525	-	426,811,525
Insurance & Loan Arrangement Fees	11,979,705	(17,413,879)	29,393,585	-	29,393,585
Electromechanical Works	897,186,734	-	897,186,734	10,879,405	886,307,328
Project Administrative Expenses	340,393,691	-	340,393,691	-	340,393,691
Land Development	205,702,620	-	205,702,620	934,920	204,767,700
Transmission Line and Power	345,327,466	1,321,144	344,006,322	1,281,558	342,724,764
Add: Intangible Assets recognised as per IFRIC 12	512,876,559	-	512,876,559	-	512,876,559
<b>Total Intangible Assets</b>	<b>9,057,822,360</b>	<b>(16,092,735)</b>	<b>9,073,915,096</b>	<b>13,095,883</b>	<b>9,060,819,213</b>
Opening Accumulated Amortisation expenses	452,610,513	-	129,440,274	-	-
Amortisation Expenses for the year	323,009,749	-	323,170,239	-	-
Closing Accumulated Amortisation	775,620,263	-	452,610,513	-	-
<b>Net Intangible Assets Under Construction</b>	<b>8,282,202,098</b>	<b>(16,092,735)</b>	<b>8,621,304,582</b>	-	-







# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

Notes to the financial statements for the year ended 32nd Ashadh, 2082

Figures in NPR

Note no: 3  
Investments

Particulars	As at 32nd Ashadh 2082		As at 31st Ashadh 2081	
	No. of shares	Amount	No. of shares	Amount
<b>Unquoted Investments at fair value through other comprehensive income</b>				
Investment in equity instruments of Bungal Hydro Ltd.(Equity Shares of NPR 100 each fully paid up)	1,150	115,000	1,150	115,000
Investment in equity instruments of Nepal Power Exchange Limited (Equity Shares of NPR 100 each NPR 10 Paid up)	500,000	5,000,000	500,000	5,000,000
<b>Total Investment at Fair Value through Other Comprehensive Income</b>		<b>5,115,000</b>		<b>5,115,000</b>
<b>Total other investments</b>		<b>5,115,000</b>		<b>5,115,000</b>

a) Refer to Note no: 20 for details regarding Fair Value Measurements



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# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

Figures in NPR

## Note no: 4

### Cash and cash equivalents

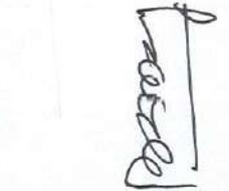
Particulars	As at 32nd Ashadh 2082	As at 31st Ashadh 2081
<b>Balances with banks</b>		
Local currency account		
In current accounts	2,017,242	5,204,140
In call accounts	-	-
In deposits accounts (Original maturity less than 3 months)	-	-
Cash in hand	100,000	80,000
<b>Total</b>	<b>2,117,242</b>	<b>5,284,140</b>

a) Refer Note no: 12 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.

## Note no: 5

### Bank balance other than cash and cash equivalents

Particulars	As at 32nd Ashadh 2082	As at 31st Ashadh 2081
<b>Balances with Bank</b>		
In deposit account	-	-
<b>Emarked balance with bank</b>		
Margin money	2,414,131	1,922,633
<b>Total</b>	<b>2,414,131</b>	<b>1,922,633</b>



# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

Figures in NPR

## Note no: 6

### Capital Advances

#### Particulars

Particulars	As at 32nd Ashadh 2082		As at 31st Ashadh 2081	
	Current	Non-current	Current	Non-current
Advance for Land Purchase	4,692,757	-	3,764,940	-
<b>Total</b>	<b>4,692,757</b>	<b>-</b>	<b>3,764,940</b>	<b>-</b>

a) Refer Note no: 12 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.

## Note no: 7

### Other financial assets (Current and Non-current)

#### Particulars

Particulars	As at 32nd Ashadh 2082		As at 31st Ashadh 2081	
	Current	Non-current	Current	Non-current
Deposit (Others)	-	40,000	-	40,000
Advances to Staff	431,495	-	1,416,208	-
Site Office Advances	27,585	-	11,606,448	-
Sundry Debtors	219,869,355	-	181,086,132	-
Prepaid Expenses	3,347,128	-	3,560,768	-
Advance Income Tax	161,292	-	149,257	-
Spare Stock	16,724,927	-	-	-
Other Advances	7,393,449	-	1,386,403	-
<b>Total</b>	<b>247,955,230</b>	<b>40,000</b>	<b>199,205,217</b>	<b>40,000</b>

a) Refer Note no: 12 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.

## Note no: 8

### Other Assets (Current and Non-Current)

#### Particulars

Particulars	As at 32nd Ashadh 2082		As at 31st Ashadh 2081	
	Current	Non-current	Current	Non-current
Contractor's Advances	85,688,426	-	107,366,191	-
Advances to Suppliers	6,996,412	-	1,215,765	-
Consultant's Advances	6,064,000	-	2,957,000	-
<b>Total</b>	<b>98,748,837</b>	<b>-</b>	<b>111,538,956</b>	<b>-</b>



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# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

Figures in NPR

Note no: 9

## INCOME TAXES

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

	Year ended 32 Ashadh, 2082	Year ended 31 Ashadh, 2081
<b>Current tax expenses</b>		
Current tax on profits for the year	-	-
Adjustments for under provision in prior periods	-	-
<b>Deferred tax credit/charge</b>		
Origination and reversal of temporary differences	-	-
Adjustments/(credits) related to previous years - (net)	-	-
<b>Income tax expense reported in Statement of Profit or Loss</b>	-	-

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

	Year ended 32 Ashadh, 2082	Year ended 31 Ashadh, 2081
<b>Deferred tax</b>		
Origination and reversal of temporary differences	-	-
Adjustments/(credits) related to previous years - (net)	-	-
<b>Income tax charged to OCI</b>	-	-

### C. The movement in deferred tax assets and liabilities during the year ended 31 Ashadh, 2081 and 32 Ashadh, 2082:

#### i. Movement during the year ended 31 Ashadh, 2081

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

#### ii. Movement during the year ended 32 Ashadh, 2082

	As at 1 Shrawan, 2081	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 32 Ashadh, 2082
<b>Deferred tax assets/(liabilities)</b>				
Arising from Depreciation and Amortisation	-	-	-	-
Unused tax losses	-	-	-	-
<b>Total</b>	-	-	-	-

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# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

Figures in NPR

Particulars	As at 32nd Ashadh, 2082		As at 31st Ashadh, 2081	
	No. of Shares	Amount	No. of Shares	Amount
<b>A. Equity Shares</b>				
Authorised				
Equity Shares of Rs. 100 each with voting rights	28,500,000	2,850,000,000	28,500,000	2,850,000,000
<b>Issued</b>				
Equity Shares of Rs. 100 each with voting rights	19,950,000	1,995,000,000	19,950,000	1,995,000,000
<b>Subscribed and Fully Paid</b>				
Equity Shares of Rs. 100 each with voting rights	19,950,000	1,995,000,000	19,950,000	1,995,000,000
	<b>19,950,000</b>	<b>1,995,000,000</b>	<b>19,950,000</b>	<b>1,995,000,000</b>

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

Particulars	As at 32nd Ashadh, 2082		As at 31st Ashadh, 2081	
	No. of Shares	Amount	No. of Shares	Amount
Balance as at the beginning of the year				
Add: Issue of shares through Private Placement	19,950,000			
<b>Balance as at end of the year</b>	<b>19,950,000</b>	<b>19,950,000</b>	<b>19,950,000</b>	<b>19,950,000</b>

## C. Details of shareholding more than 1%

Particulars	As at 32nd Ashadh, 2082		As at 31st Ashadh, 2081	
	No. of Shares	Share %	No. of Shares	Share %
Alpha Plus Vision Fund	2,500,000	12.53%	2,500,000	12.53%
Sanigad Hydro Investment P Ltd	2,333,248	11.70%	2,333,248	11.70%
Jalanjali Investment P. Ltd.	2,032,126	10.19%	2,032,126	10.19%
Barun Investment Pvt. Ltd	1,979,301	9.92%	1,979,301	9.92%
Shiva Shankar Investment Pvt. Ltd	1,944,811	9.75%	1,944,811	9.75%
Jaya Ganesh Investment Pvt. Ltd.	1,360,103	6.82%	1,360,103	6.82%
Shubha Laxmi Hydro Investment P Ltd.	500,000	2.51%	500,000	2.51%
Sudip Ghimire	427,120	2.14%	427,120	2.14%
Chop Narayan Shrestha	360,000	1.80%	360,000	1.80%
Naveen Bohara	287,500	1.44%	287,500	1.44%
Kumar Bhadur Maharjan	237,255	1.19%	237,255	1.19%
Nupse Investment Pvt Ltd	230,000	1.15%	230,000	1.15%
Credible Investment Pvt. Ltd.	230,000	1.15%	230,000	1.15%
Birendra Bahadur Mallia	205,720	1.03%	205,720	1.03%
Kiran Mallia	5,183,100	0.26%	5,183,100	0.26%
Indita Mall	13,245,000	0.66%	13,245,000	0.66%



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# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

Figures in NPR

## D. Terms/rights attached to equity shares

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

### Note no: 11 Other equity

Particulars	Advance for Share Capital	Retained Earnings	Reserves Due to IFRIC Adjustment	Total
<b>Balance at 1 Shrawan 2080</b>	617,919,700	(190,805,752)	505,549,751	932,663,699
Changes due to application of IFRIC 12	-	-	-	-
<b>Balance at 1 Shrawan 2080</b>	617,919,700	(190,805,752)	505,549,751	932,663,699
Profit for the year	-	(264,874,731)	-	(264,874,731)
Amortization of Notional Profit	-	-	(18,266,254)	(18,266,254)
Other comprehensive income	-	-	-	-
<b>Advance Received</b>	(617,919,700)	-	-	(617,919,700)
Issue of right share	-	-	-	-
Issue of bonus share	-	-	-	-
Share Issue Cost	-	-	-	-
Dividends to shareholders	-	-	-	-
Prior Year's Adjustment	-	-	1,748,950	1,748,950
<b>Balance at 31st Ashadh 2081</b>	-	(455,680,483)	487,283,497	31,603,014
Profit for the year	-	74,093,137	-	74,093,137
Amortization of Notional Profit	-	-	(18,289,620)	(18,289,620)
Prior Period Expenses	-	3,840,030	-	3,840,030
Other comprehensive income	-	-	-	-
Advance Received	-	-	-	-
Issue of right share	-	-	-	-
Issue of Further Public Offering	-	-	-	-
Issue of bonus share	-	-	-	-
Share Issue Cost	-	-	-	-
Dividends to shareholders	-	-	-	-
<b>Balance at 32nd Ashadh 2082</b>	-	(377,747,315)	468,993,877	91,246,562



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# Sanigad Hydro Limited

Dhobighat, Lalitpur, Nepal

Figures in NPR

Particulars	As at 32nd Ashadh 2082		As at 31st Ashadh 2081	
	Current	Non-Current	Current	Non-Current
<b>Note no: 12</b>				
<b>Borrowings</b>				
Unsecured Borrowings	2,810,500	-	2,810,500	-
Advances from Directors	-	-	-	-
<b>Secured Borrowings from Banks (Measured at amortised cost)</b>				
Term loan	475,295,797	5,852,545,524	322,000,000	6,320,933,536
Add/(Less): Adjustment during the year (NFRS 9)	-	(17,718,469)	-	-
<b>Sub-total</b>	<b>475,295,797</b>	<b>5,834,827,054</b>	<b>322,000,000</b>	<b>6,320,933,536</b>
Bridge Gap Loan	268,810,969	-	169,097,611	-
<b>Total</b>	<b>746,917,265</b>	<b>5,834,827,054</b>	<b>493,908,111</b>	<b>6,320,933,536</b>

1) Term loan and Bridge Gap Loan include loans obtained under a Syndicated Credit Facilities Agreement from a consortium of the following Banks:

Lend Bank: Macchhapuchhre Bank Limited

Participating Banks: Rastriya Banijyaya Bank, Nepal Bank Limited, Laxmi Sunrise Bank Limited, Global IME Bank Limited and Himalayan bank Limited.

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

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

**Note no: 13**

**Other liabilities (Current and Non-current)**

Particulars	As at 32nd Ashadh 2082		As at 31st Ashadh 2081	
	Current	Non-Current	Current	Non-Current
Statutory dues	569,196	-	-	-
TDS Payable	666,702	-	1,984,116	-
<b>Total</b>	<b>1,235,898</b>	<b>-</b>	<b>1,984,116</b>	<b>-</b>

**Note no: 14**

**Other Financial Liabilities**

Particulars	As at 32nd Ashadh 2082		As at 31st Ashadh 2081	
	Current	Non-Current	Current	Non-Current
Employees Accounts Payable	5,162,904	-	4,750,014	-
Retention Payable	5,110,144	-	17,410,120	-
Royalty Payable	-	-	5,416,011	-
Consultants Payable	685,725	-	1,284,398	-
Contractors Payables	248,801	-	14,172,915	-
Creditors Payables	1,347,014	-	1,725,782	-
Lease Liability	-	-	-	-
Other Payable	8,943,523	-	109,869,636	-
<b>Total</b>	<b>21,498,112</b>	<b>-</b>	<b>154,628,875</b>	<b>-</b>



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# Sanigad Hydro Ltd

Dhobighat, Lalitpur, Nepal

Figures in NPR

	Year Ended 32nd Ashadh, 2082	Year Ended 31st Ashadh, 2081
<b>Note no: 15 - Revenue and Other Income</b>		
Sale of Electricity to NEA	1,070,962,087	966,881,754
Dividend Income	-	250,000
Other Income	1,550,831	3,741,023
<b>Total Income during the reporting period</b>	<b>1,072,512,918</b>	<b>970,872,777</b>

## Note no: 16 - Direct Expenses

Royalty Expenses	25,712,538	22,737,739
Internal Consumption	39,852	109,404
<b>Other Direct Expenses</b>		
SCADA Intregation Fee	3,558,640	-
Depreciation Expenses	-	-
Employee Benefit Expense	26,782,484	25,861,598
Site Mess Expense	558,126	500,696
Site Fuel Expense	2,197,942	3,421,070
Site Office Expense	456,170	522,099
Site Insurance Expenses	15,356,637	12,600,075
Penalty for Short Supply	-	34,153,330
Site Repair and Maintenance	13,952,885	17,759,476
<b>Sub-total</b>	<b>62,862,884</b>	<b>94,818,344</b>
<b>Total Direct Expenses</b>	<b>88,615,274</b>	<b>117,665,487</b>

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# Sanigad Hydro Ltd

Dhobighat, Lalitpur, Nepal

## Note no: 17 -Administrative and other operating expenses

Advertisement Expenses	282,229	38,984
Audit Fees	452,000	452,000
Bank Charges	50,961	39,174
Communication Expenses	210,967	204,872
Compensation Expenses	8,101,948	2,119,094
Consultancy Expenses	2,693,926	4,482,885
Consumables Expenses	11,170	192,263
Electricity & Water Expenses	144,905	169,309
Festival & Puja Expenses	239,138	314,530
Insurances Expenses	6,271,009	6,700,888
LC Charges	47,963	207,657
Meeting Allowances	1,262,000	915,000
Meeting Expenses	101,057	163,440
Mess Expenses	74,043	430,996
Miscellaneous Expenses	7,272	100,655
Office Expenses	80,019	277,727
Office Rent Expenses	871,200	871,200
Other Taxes	58,330	334,854
Printing and Stationery Expenses	282,452	319,967
Registration & Renewal Expenses	134,620	167,850
Repair and Maintenance Expenses	789,663	2,029,247
Security Expenses	1,515,150	2,169,000
Transportation Expenses	236,270	1,055,960
Travel Expenses	690,014	282,994
Vehicle Hire Charges	16,667	1,778,518
<b>Total Administrative Expenses</b>	<b>24,624,970</b>	<b>25,819,062</b>

## Note no: 18 - Financial Charges

Interest on TL	521,194,768	659,983,738
Interest on MTL	26,167,461	42,681,518
Interest on BGL	17,298,135	67,102,837
Loan Processing & Agency Fees	10,474,971	11,053,734
<b>Total Financial Charges</b>	<b>575,135,335</b>	<b>780,821,828</b>

## Note no: 19 - CSR Expenses

CSR Expenses	569,196	-
<b>Total CSR Expenses</b>	<b>569,196</b>	<b>-</b>



# Sanigad Hydro Ltd

Dhobighat, Lalitpur, Nepal

*Figures in NPR*

Note no: 20

Financial Instruments: Classifications and fair value measurements

A. Fair value measurements

Particulars	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 32nd Ashadh 2082	As at 31st Ashadh 2081		
<b>Financial assets :</b>				
Investment in equity instruments of Bungal Hydro Ltd.(Equity Shares of NPR 100 each fully paid up)	115,000	115,000	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
Investment in equity instruments of Nepal Power Exchange Limited (Equity Shares of NPR 100 each NPR 10 Paid up)	5,000,000	5,000,000	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



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# Sanigad Hydro Ltd

Dhobighat, Lalitpur, Nepal

Figures in NPR

Note no: 21

## RELATED PARTY DISCLOSURES

### (a) Relationship

Relationship	Related Parties
Company with Common Directors	Kalanga Hydro Limited
	Bungal Hydro Limited

### (b) Those charged with governance

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

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

Nature of Expense	Current year	Previous year
Meeting Allowances	1,190,000	875,000
<b>Total</b>	<b>1,190,000</b>	<b>875,000</b>

### (c) Transactions with key management personnel

Key Management personnel includes:

		Current year	Previous Year
i) Mr. Rajesh Kumar Shrestha ( MD)	Short-term employee benefits	2,400,000	753,333
		<b>2,400,000</b>	<b>753,333</b>

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**Sanigad Hydro Limited**  
**Notes to the financial statements for the year ended 32<sup>nd</sup> Ashadh 2082**

*Figure in NPR*

**Note 1: Background**

Previously, Sanigad Hydro Limited (SHL) is a private limited company registered with office of Company Registered on 2064/09/05(Registration No-49965/6465), having registered office in Lalitpur and Currently, the Company is converted to Public Limited as on 2078/03/31.

The principal objective of the company is to explore survey, design, construct and manage power project and provides related consultancy services in Nepal. Company is developing 38.46 MW Hydro Electric Projects from Kalanga River in Bajhang District.

**Note 2: Significant Accounting Policies**

**2.1 Basis of Preparation and Measurement**

**i. Statement of Compliance**

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

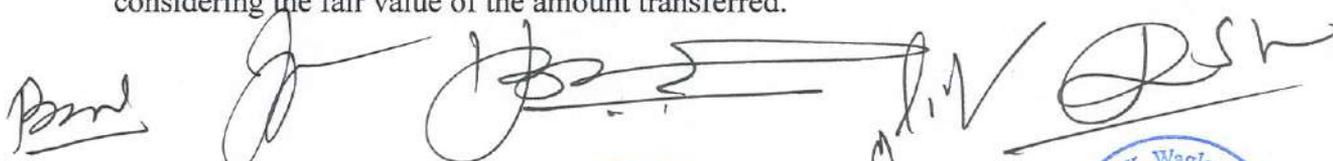
**New Standards issued by ICAN which are applicable at 15<sup>th</sup> July 2024**

NFRS 15 “Revenue from Contracts with Customers” is the new NFRS standard governing the accounting principles for revenue which is applicable for FY 2081-82 (2024-25). Revenue from service concession arrangement under the intangible asset model is recognized based on the principles laid down under IFRIC-12 and in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset’s economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

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

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

The cost for such improvements to concession assets is based on actual costs incurred by the Company in the execution of the upgradation, considering the requirements in the concession agreement. The amount of revenue recognized is equal to the amount of costs incurred plus 6% markup to cost, considering the fair value of the amount transferred.


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**Notes to the financial statements for the year ended 32<sup>nd</sup> Ashadh 2082**

*Figure in NPR*

**New Standards which are yet to be adopted at 15<sup>th</sup> July 2025**

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

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

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

**ii. Basis of preparation**

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

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

**iii. Basis of measurement**

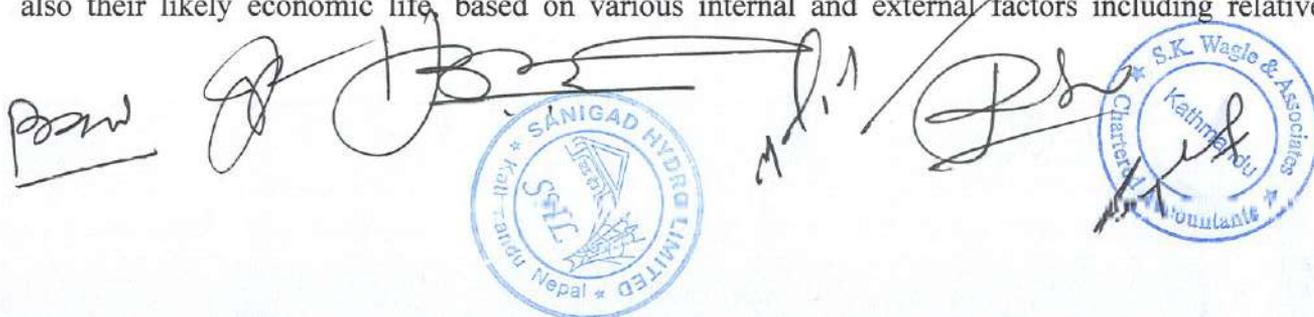
These financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS and explained in the ensuing policies below.

**2.2 Critical accounting estimates and judgments**

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

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

Management reviews the useful life and residual values of property, plants, and equipment at least once a year. Such a life is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative



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efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

**Impairment of property plant and equipment**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant, and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates, and other factors. Any subsequent changes to cash flow due to changes in the above-mentioned factors could impact on the carrying value of assets.

**Contingencies**

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

**Fair value measurements**

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third-party qualified valuers to perform the valuation as per necessity. The management works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

**Recognition of deferred tax assets**

A significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

**2.2 Service Concession Arrangements**

IFRIC 12 applies to public-to-private service concession arrangements if:

- (a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- (b) the grantor controls-through ownership, beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the arrangement.



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- (c) the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement OR is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement

The infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC if the conditions in (a) above are met. These arrangements are accounted for based on below-mentioned models depending on the nature of consideration and relevant contract law.

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

**Intangible asset model:** The intangible asset model is used to the extent that the Company, being an operator, receives the right (a license) to charge users of the public service. A right to charge users of public service is not an unconditional right to receive cash because the amounts are contingent on to the extent the public uses the services. Both types of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e., considered as a financial asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset.

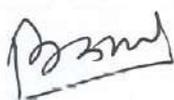
**Intangible Assets under Service Concession Arrangement (SCA)**

The Company manages concession arrangements which include power supply from its hydropower plants viz. Sanigad Hydropower Project (38.46 MW). The Company maintains and services the infrastructure during the concession period. Further, the concession arrangement gives SHL the right to use the hydropower project for generating electricity and earn revenue by selling electricity to NEA and local consumers. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied.

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

Any asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire. The tenure of the Service Concession Arrangement of 38.46 MW Sanigad for generation, transmission, and distribution shall be ended on 13<sup>th</sup> Chaitra 2107 B.S.

During the current financial year, the Company has adopted **NFRS 9 – Financial Instruments**. Following this adoption, the Company reassessed the accounting treatment of **interest expenses** incurred in relation to borrowings used for financing service concession assets recognized under **IFRIC 12 – Service Concession Arrangements**.



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*Figure in NPR*

In the previous financial years, the Company had **wholly capitalized interest expenses** incurred on such borrowings as part of the **intangible asset** during both the construction and operational phases of the concession arrangement. Under NFRS 9, the effective interest rate (EIR) method is applied to measure financial liabilities, and capitalization of borrowing costs is restricted to the **construction or development period** of the qualifying asset in accordance with **NAS 23 – Borrowing Costs**.

Consequently, the Company has **ceased capitalization of interest expenses** beyond the construction period, with such interest now recognized as **finance cost in profit or loss**. This change has resulted in a **restatement** of the carrying amount of intangible assets under IFRIC 12 and a corresponding adjustment to **retained earnings** as at 16<sup>th</sup> July 2025. Comparative figures have been restated where applicable.

A summary of the impact is as follows:

Particulars	As previously reported (Rs.)	Adjustment (Rs.)	As restated (Rs.)
Intangible Assets (under IFRIC 12)	8,621,304,582	(17,413,879)	8,603,890,703
Retained Earnings	2,026,603,014	3,840,030	2,030,443,044
Finance Cost (Statement of Profit or Loss)	571,599,894	3,535,440	575,135,335

Amortization expenses during the year on intangible asset amounts to Rs 322,910,582

### 2.3 Property, plant and equipment

- i. All items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
- 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. The carrying amount of any component accounted for as a separate asset are derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.
- iii. The Company identifies and determines the cost of each component/ part of the asset separately if the component/ part has a cost that is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.
- iv. The residual values, useful lives, and methods of depreciation of property, plant, and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
- v. An item of property, plant, and equipment and any significant part initially 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 and loss when the asset is derecognized.

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vi. Assets in the course of construction are capitalized in the assets under capital work in progress account (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimate cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized.

**2.4 Other Intangible Assets**

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

ii. Certain computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence, and significant benefits expected to flow therefrom for a period longer than one year.

iii. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**2.5 Depreciation and Amortization**

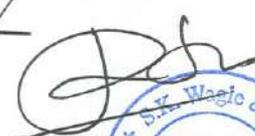
i. Depreciation is recognized so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the Straight-Line Method.

ii. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

iii. Depreciation is provided on the Straight-Line Method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on a pro-rata basis in the year when it is available for use. The general useful lives of the assets and the corresponding rates at which the assets are depreciated are as follows:

Category of asset	Estimated useful life	Depreciation Rate
Building		
Pre-fab Building*	30.70 Years	3.257%
Main Camp*	29.70 Yeas	3.367%
Office Equipment	5 Years	20%
Computers	3 Years	33.33%
Furniture & Fixture	10 Years	10%
Vehicles	8 Years	12.5%
Network and Servers	6 Years	16.67%








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iv. The useful life of all assets has been estimated in accordance with Appendix 1 of Application Guidance to NAS 16, except for the Land\*, Pre-fab building \* and Main Camp\* as the useful life of such assets have been determined to be up to the validity of the electricity generation license.

v. Useful life is either the period during which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset.

The estimated useful life, residual values, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

vi. Residual Values of all items of Property, Plant, and Equipment is taken to be zero for the purpose of calculation of depreciation amount.

vii. All components of Property, Plant and Equipment with Written Down Value less than NPR 5,000 are charged to the profit and loss account in the year.

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

## **2.6 Impairment of tangible and intangible assets**

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

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

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

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

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

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*Figure in NPR*

impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Profit and Loss.

### **2.7 Borrowing cost**

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

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are incurred in the period in which they occur.

### **2.8 Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and demand deposits with an original maturity of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

### **2.9 Inventories**

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

### **2.10 Revenue recognition**

#### **i) Sale of Electricity**

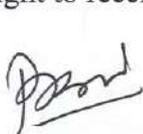
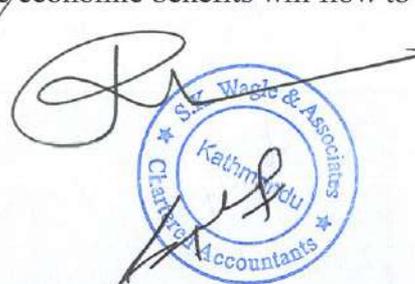
Revenue is recognized to the extent that it is probable that economic benefit will flow to the Company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.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

#### **ii) Other Electricity services**

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

#### **iii) Dividend income**

Dividend income (net of withholding taxes) from investments is recognized when the shareholder's right to receive payment has been established (if it is probable that the economic benefits will flow to


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*Figure in NPR*

the Company and the amount of income can be measured reliably). In the case of a stock dividend, only the number of shares is increased.

**iv) Interest income**

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

**2.11 Foreign currency transactions**

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

ii. In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

iii. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined.

iv. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

v. Exchange differences on monetary items are recognized in the Statement of Profit and Loss in the period in which they arise.

**2.12 Employment Benefits**

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

**2.13 Taxation**

**Income Tax**

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

**Current tax**

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

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**Deferred tax**

- i. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.
- ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.
- iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

**2.14 Earnings per share**

Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equities shares outstanding during the year. The weighted average number of equities shares outstanding during the year is adjusted for treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares).

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest, and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares decreases the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted at the beginning of the period unless they have been issued at a later date.

Earnings per share during the fiscal year 2081/82 is Rs 2.80 per share.

**2.15 Provisions, contingencies, and commitments**

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

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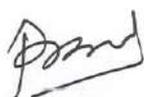
*Figure in NPR*

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

## **2.16 Financial Instruments**

### **i. Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities, and financial guarantee contracts are initially measured at transaction cost, and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of a financial asset or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognized in the statement of profit and loss. In case of interest-free or concession loans/debentures/preference shares given to subsidiaries, associates, and joint ventures, the excess of the actual amount of the loan over the initial measure at fair value is accounted as an equity investment.



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*Figure in NPR*

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

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

**ii. Effective interest method**

The Company has adopted **NFRS 9 – Financial Instruments**, effective from 16<sup>th</sup> July 2024. NFRS 9 replaces **NAS 39 – Financial Instruments: Recognition and Measurement** and introduces new requirements for the classification and measurement of financial assets and liabilities, impairment, and hedge accounting.

Upon adoption, the Company reassessed its accounting treatment for **borrowing costs** associated with service concession arrangements accounted for under **IFRIC 12 – Service Concession Arrangements**. In prior periods, borrowing costs incurred on loans obtained for concession projects were **wholly capitalized** as part of the intangible asset. Under NFRS 9, the **effective interest rate (EIR) method** is applied for the recognition of interest expense on financial liabilities, and the capitalization of borrowing costs is restricted to the **construction or development period** in accordance with **NAS 23 – Borrowing Costs**.

As a result, borrowing costs incurred after completion of the construction phase are no longer capitalized and are now recognized as **finance costs in profit or loss**. This change has led to a **restatement of intangible assets** under IFRIC 12 and a corresponding **adjustment to retained earnings** as at 16<sup>th</sup> July 2025. Comparative information has been restated where applicable.

A summary of the impact is as follows:

Particulars	As previously reported (Rs.)	Adjustment (Rs.)	As restated (Rs.)
Intangible Assets (under IFRIC 12)	8,621,304,582	(17,413,879)	8,603,890,703
Retained Earnings	2,026,603,014	3,840,030	2,030,443,044
Finance Cost (Statement of Profit or Loss)	571,599,894	3,535,440	575,135,335

**iii. Financial assets**

**Financial assets at amortized cost**

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

**Financial assets measured at fair value**

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets to collect contractual

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**Sanigad Hydro Limited**  
**Notes to the financial statements for the year ended 32<sup>nd</sup> Ashadh 2082**

*Figure in NPR*

cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company in respect of equity investments (other than in subsidiaries, associates, and joint ventures) which are not held for trading has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such equity instruments. Such an election is made by the Company on an instrument-by-instrument basis at the time of initial recognition of such equity investments.

Financial assets not measured at amortized cost or at fair value through other comprehensive income is carried at fair value through the statement of profit and loss.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the shorter maturity of these instruments.

**Impairment of financial assets**

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

**De-recognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset, and the transfer qualifies for de-recognition under NFRS 9.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

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

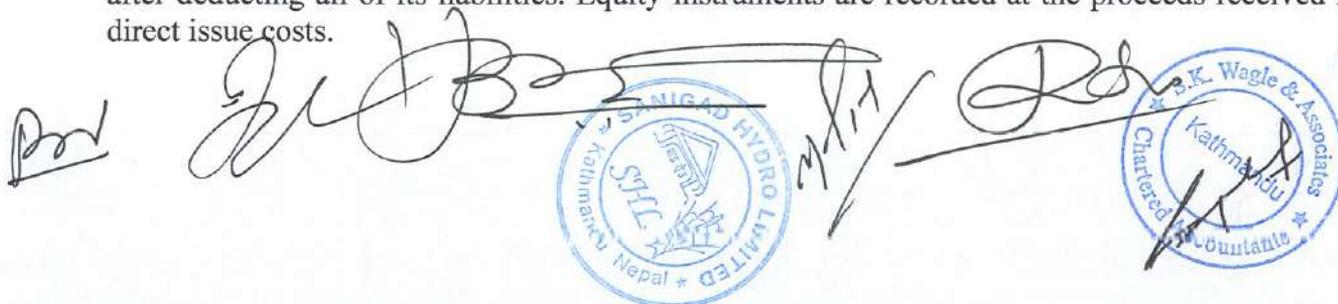
**iv. Financial liabilities and equity instruments**

**Classification as debt or equity**

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

**Equity Instruments**

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



**Sanigad Hydro Limited**  
**Notes to the financial statements for the year ended 32<sup>nd</sup> Ashadh 2082**

*Figure in NPR*

**Financial Liabilities**

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method where the time value of money is significant. Interest-bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in the statement of profit and loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

During the current financial year, the Company has applied **NFRS 9 – Financial Instruments** in full, withdrawing the **previous carve-out** that had been applied in earlier reporting periods. NFRS 9 replaces **NAS 39 – Financial Instruments: Recognition and Measurement** and introduces new requirements for the classification and measurement of financial instruments, impairment using the **Expected Credit Loss (ECL)** model, and the recognition of interest using the **Effective Interest Rate (EIR)** method.

Under the earlier carve-out, the Company had recognized loan liabilities at their **nominal value**, without adjusting for **transaction costs and processing fees**. Upon full application of NFRS 9, such **processing fees, documentation charges, and other directly attributable transaction costs** have been **capitalized and amortized** over the tenure of the loan using the EIR method.

As a result, the carrying amount of the **loan liabilities** has been **restated**, and the corresponding impact has been adjusted to **retained earnings** as at 16<sup>th</sup> July 2025. Comparative figures have been restated wherever applicable.

**Reconciliation of Loan Liabilities due to Adoption of NFRS 9**

Particulars	Amount Before Adjustment (Rs.)	Adjustment (Rs.)	As restated (Rs.)
Loan Liabilities	6,596,652,289	(17,718,469)	6,578,933,820
Retained Earnings	2,026,603,014	3,840,030	2,030,443,044

Detail of the same is given below:

Particulars	Himalayan Bank Limited	Global IME Bank	Kumari Bank	MBL	Nepal Bank	RBB	Sunrise	Total	Impact of NFRS 9		Balances on Audit FS
									Amortized processing fee	Unamortized processing fee	
As per Confirmation Letter (Figures in "000")											
Bridge Gap Loan											



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*Figure in NPR*

Bridge Gap Loan				268,811				268,811			268,811
<b>Sub Total</b>				<b>268,811</b>				<b>268,811</b>			<b>268,811</b>
<b>Term Loan</b>											
Term Loan I	364,355	573,639	1,014,135	728,692	645,359	682,236	1,083,869	5,092,285	12,111	11,689	5,080,5
Term Loan II			135,681	123,066	68,704	66,214		393,665	417	2,017	391,6
Term Loan III			65,358	264,997				330,355	1,238	97	330,2
Term Loan IV			69,109	61,128	38,986			169,223	157	1,249	167,9
Term Loan V			52,406	78,089	31,818			162,313	194	1,616	160,6
<b>Sub Total</b>	<b>364,355</b>	<b>573,639</b>	<b>1,336,689</b>	<b>1,255,972</b>	<b>784,868</b>	<b>748,450</b>	<b>1,083,869</b>	<b>6,147,841</b>	<b>14,117</b>	<b>16,667</b>	<b>6,131,1</b>
Mid Term Loan				180,000				180,000	911	1,051	178,9
<b>Sub Total</b>				<b>180,000</b>				<b>180,000</b>	<b>911</b>	<b>1,051</b>	<b>178,9</b>
<b>Total</b>	<b>364,355</b>	<b>573,639</b>	<b>1,336,689</b>	<b>1,704,783</b>	<b>784,868</b>	<b>748,450</b>	<b>1,083,869</b>	<b>6,596,652</b>	<b>15,028</b>	<b>17,718</b>	<b>6,578,5</b>

The adjustment represents the effect of recognizing loan processing fees and other directly attributable transaction costs using the **effective interest rate method**, which results in the amortization of such costs over the expected life of the financial liability rather than immediate expensing or exclusion from measurement.

Management believes that the withdrawal of the carve-out and the full application of NFRS 9 result in a more accurate reflection of the Company's financial position and performance, consistent with the recognition and measurement principles of **NFRS 9**.

#### **Financial guarantee contracts**

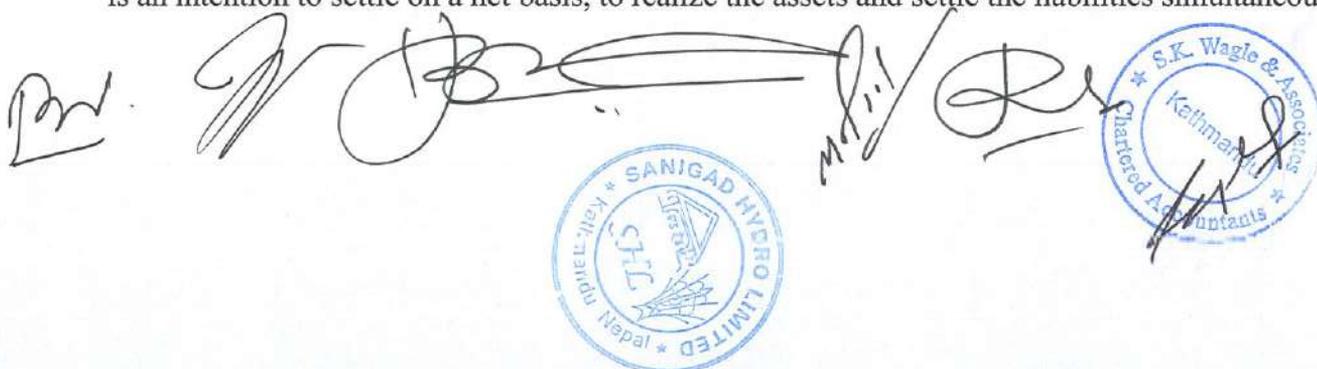
Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized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

#### **De-recognition of financial liability**

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

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

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



**Sanigad Hydro Limited**  
**Notes to the financial statements for the year ended 32<sup>nd</sup> Ashadh 2082**

*Figure in NPR*

**vi. Fair Value measurement:**

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

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

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

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

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

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

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

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

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

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

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

**2.17 Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

**The company as a Lessee**

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


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**Notes to the financial statements for the year ended 32<sup>nd</sup> Ashadh 2082**

*Figure in NPR*

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

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

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

The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease.

The Company has adopted NFRS 16 - Leases, which requires the recognition of Right-of-Use (ROU) assets and corresponding lease liabilities for all leases unless specific exemptions apply.

For leases with termination clauses and significant uncertainty about the expected lease term, the Company has assessed that the lease does not meet the criteria for recognizing a ROU asset and lease liability. Instead, such leases are accounted for as operating leases, and lease payments are recognized as an expense on a straight-line basis over the lease term.

The rent agreement, originally executed for five years from 2074/08/01, has expired and has not yet been renewed.

Uncertainty in Lease Term: Due to operational and strategic uncertainties regarding the use of the leased premises, the Company cannot reasonably determine the lease term with sufficient certainty. As a result, the lease has been treated as an operating lease.

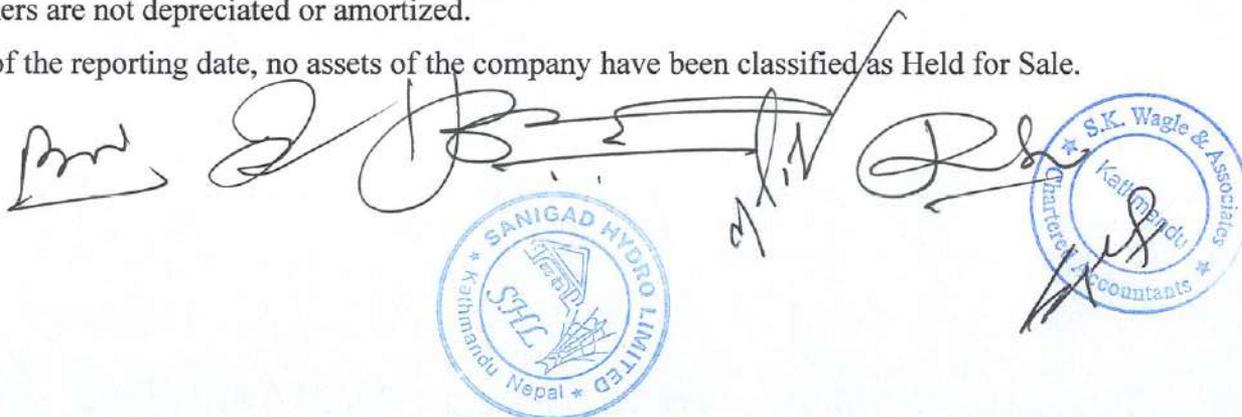
### **2.18 Non-current assets held for sale**

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

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

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

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



**Sanigad Hydro Limited**  
**Notes to the financial statements for the year ended 32<sup>nd</sup> Ashadh 2082**

*Figure in NPR*

**2.19 Capital Management**

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

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

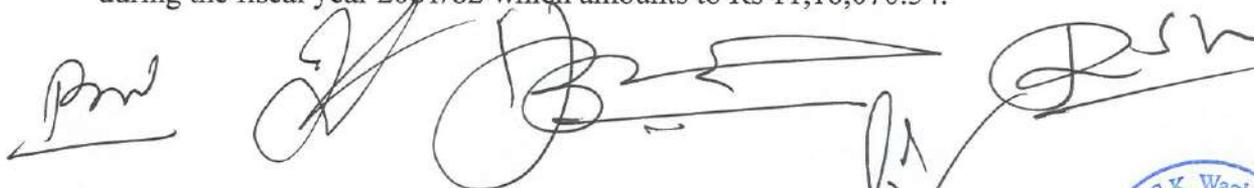
No changes were made in the objectives, policies, or processes for managing capital during the years ended 32<sup>nd</sup> Ashadh, 2082.

**2.20 Segment reporting**

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

**2.21 Staff bonus**

A 2% bonus on net profit on electricity income in line with the provisions of the Electricity Act 2049, 2% bonus on dividend income and a 10% bonus on income from other sources as per Bonus Act 2030 have to be provided to the staff, by SHL. However, only 2% bonus on net profit has been booked during the fiscal year 2081/82 which amounts to Rs 11,16,070.34.





**Sanigad Hydro Limited**  
**Notes to the financial statements for the year ended 32<sup>nd</sup> Ashadh 2082**

*Figure in NPR*

**2.22 Corporate Social Responsibility**

In this Fiscal Year a provision of 1% of Net Profit after tax has been allocated for CSR Fund as per the provision of Industrial Enterprises Act 2076, 54(1).

Particulars	2081/82	2080/81
Opening CSR	-	-
CSR Expenses for the year	-	-
Provision for the year	5,69,195.87	-
<b>Total</b>	<b>569,195.87</b>	-

**2.23 SCADA Integration Fees**

The Company incurs certain one-time charges payable to the Nepal Electricity Authority (NEA) in connection with grid interconnection, SCADA software integration, and control system synchronization during project commissioning.

These charges do not result in acquisition or control of any tangible or intangible asset by the Company, as the related software and control systems remain under the ownership and management of NEA.

Accordingly, such integration fees are recognized as revenue expenditure in the year in which they are incurred, in line with NAS 38 – Intangible Assets and the Conceptual Framework for Financial Reporting under NFRS. This amounts to Rs 3,558,640.

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