



## Independent Auditor's Report

To the Shareholders,

**Super Mai Hydropower Limited**

KMC-30, Gyaneshwor, Kathmandu, Nepal

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **M/s Super Mai Hydropower Limited**, which comprises the Statement of Financial Position as on Ashadh 31, 2081 (15<sup>th</sup> July 2024), Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements read together with Notes forming part of financial statements give the information required by the provision of Companies Act, 2063, as amended ("the Act") in the manner so required and, give a true and fair view of the Financial Position of the company as at Ashadh 31, 2081 (15th July 2024), its financial performance and its cash flow for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the financial statements of the financial year ended on Ashadh 31, 2081 (15th July 2024). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We did not come across any matter that were considered to be as a Key Audit Matter pertaining to our role as an independent auditor of standalone financial statements of the company.



## **Other Information**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with NFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If



we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease as a going concern.

- Evaluate the overall presentation, structure & content of financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in the manner that achieve 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 statement that we have complied with relevant ethical requirements regarding the 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**

As per requirements of section 115 of the Companies Act, 2063 (First Amendment 2074), we further report that:

- We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- In our opinion, the company has kept proper books of account as required by the law so far, as appears from our examinations of those books.
- The Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows have been prepared in compliance with the Nepal Financial Reporting Standards (NFRSS) and are in agreement with the books of accounts maintained by the company.
- In our opinion, the Statement of Financial Position, the Statements of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows read together with notes to account give information required by the Companies Act, 2063.
- Neither we have come across any information about the misappropriation of the fund by the directors or any of the representatives of the company's staff during the course of our audit nor have we received any such information from the management.
- As per examination, we have observed following non-compliance with other legal and regulatory requirements:
  - i) With reference to note 22 of the notes to the financial statements, the company has not made provision for gratuity in accordance with the Labor Act, 2074 and has neither been registered under the Contribution based Social Security Fund Act, 2074.

  
CA Narayan Kandel  
Partner  
Kandel & Associates  
COP:775

UDIN: 240905CA01065hF7Bn

Date: 17<sup>th</sup> Bhadra, 2081

# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Statement of Financial Position As on Ashadh 31, 2081 (July 15, 2024)

Amount in NRs.

Particulars	Note	As on Ashadh 31, 2081	As on Ashadh 31, 2080
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	7.1	2,372,563	2,661,718
Intangible Assets	7.2	1,289,893,533	1,318,364,246
Other Non Current Assets	8	10,000,000	10,000,000
<b>Total Non Current Assets</b>		<b>1,302,266,096</b>	<b>1,331,025,964</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	9	16,750,145	1,938,590
Inventory	10	5,415,128	4,704,696
Trade Receivables	11	41,632,543	39,462,131
Other Current Assets	12	47,738,246	49,445,419
<b>Total Current Assets</b>		<b>111,536,062</b>	<b>95,550,836</b>
<b>Total Assets</b>		<b>1,413,802,158</b>	<b>1,426,576,800</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	13	500,000,000	500,000,000
Reserve and Surplus	14	122,064,758	51,761,068
<b>Total Equity</b>		<b>622,064,758</b>	<b>551,761,068</b>
<b>Non-Current Liabilities</b>			
Medium and Long Term Loan	15	689,700,000	785,345,000
Other Non Current Liabilities		-	-
<b>Total Non-Current Liabilities</b>		<b>689,700,000</b>	<b>785,345,000</b>
<b>Current Liabilities</b>			
Short Term Loan	16	95,645,000	84,145,000
Trade and Other Payable	17	1,029,074	250,906
Other Current Liabilities	18	5,363,326	5,074,826
<b>Total Current Liabilities</b>		<b>102,037,400</b>	<b>89,470,732</b>
<b>Total Equity and Liabilities</b>		<b>1,413,802,158</b>	<b>1,426,576,800</b>

The accompanying Significant Accounting Policies and Explanatory Notes form an integral part of the Financial Statements.

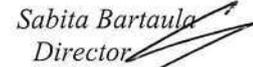
  
Aadesh Karki  
Accountant

  
Dinesh Kumar Bartaula  
Chief Executive Officer

  
Buddhi Bahadur Thapa  
Director

  
Diwash Lal Maskey  
Director

  
Navraj Raut  
Director

  
Sabita Bartaula  
Director

  
Shiyaraj Joshi  
Director

  
Kailashman Rajbhandari  
Director

  
Ashok Kumar Khadka  
Chairman

As per our report of even date  
For Kandel & Associates  
Chartered Accountants

Date : 17<sup>th</sup> Bhadra, 2081  
Place : Kathmandu, Nepal

  
Super Mai Hydropower

  
CA Narayan Kandel  
Partner

  
Kandel & Associates  
Firm  
Reg. No.: 678  
Chartered Accountants

# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Statement of Profit or Loss and Other Comprehensive Income

For the Period from 1st Shrawan, 2080 to 31st Ashadh, 2081 (17th July, 2023 to 15th July, 2024)

Amount in NRs.

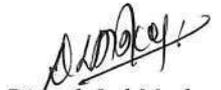
Particulars	Note	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
Revenue from Operation	19	219,615,296	217,123,692
Cost of Sales	20	22,369,876	21,540,493
<b>Gross Profit / (Loss)</b>		<b>197,245,420</b>	<b>195,583,199</b>
Add: Other Income	21	8,415,624	2,754,392
<b>Total Income</b>		<b>205,661,044</b>	<b>198,337,591</b>
Employee Benefit Expenses	22	1,714,337	1,628,000
Administrative and Other Expenses	23	5,435,570	6,185,453
Depreciation and Amortization Expenses	7	47,457,057	46,874,012
<b>Net Profit from Operation</b>		<b>151,054,080</b>	<b>143,650,126</b>
Finance Cost	24	78,590,990	89,914,825
<b>Profit before Bonus, Tax Expenses and CSR</b>		<b>72,463,090</b>	<b>53,735,301</b>
Provision for Staff Bonus	25	1,449,262	1,074,706
<b>Profit Before Tax and CSR Expenses</b>		<b>71,013,828</b>	<b>52,660,595</b>
Provision for CSR Expenses	26	710,138	526,606
<b>Profit Before Tax and CSR Expenses</b>		<b>70,303,690</b>	<b>52,133,989</b>
Current Tax Expenses		-	-
Deferred Tax-Income (Expense)		-	-
<b>Net Profit / (Loss) for the Year</b>		<b>70,303,690</b>	<b>52,133,989</b>
<b>Other Comprehensive Income</b>			
Profit/(Loss) on Revaluation of PPE		-	-
Profit/(Loss) on Revaluation of Intangible Assets		-	-
Income Tax relating to above		-	-
<b>Total Other Comprehensive Income / (Loss) for the Year</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>70,303,690</b>	<b>52,133,989</b>
<b>Earnings per equity shares of NRs. 100 each</b>			
Basic Earnings per share-NRs.	27	14.06	10.43
Diluted Earnings per share-NRs.	27	14.06	10.43

The accompanying Significant Accounting Policies and Explanatory Notes form an integral part of the Financial Statements.

  
Aadesh Karki  
Accountant

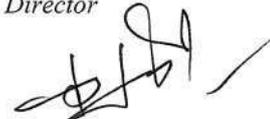
  
Dinesh Kumar Bartaula  
Chief Executive Officer

  
Buddhi Bahadur Thapa  
Director

  
Diwash Lal Maskey  
Director

  
Navaraj Raut  
Director

  
Sabita Bartaula  
Director

  
Shivaraj Joshi  
Director

  
Kailashman Rajbhandari  
Director

  
Ashok Kumar Khadka  
Chairman

As per our report of even date  
For Kandel & Associates  
Chartered Accountants

Date : 17<sup>th</sup> Bhadra 2081  
Place : Kathmandu, Nepal



# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Statement of Cash Flows

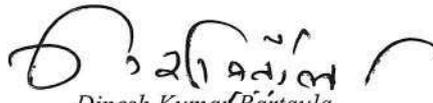
For the Period from 1st Shrawan, 2080 to 31st Ashadh, 2081 (17th July, 2023 to 15th July, 2024)

Amount in NRs.

Particulars	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
<b>A) Cash Flow From Operating Activities</b>		
Profit/(Loss) for the year	70,303,690	52,133,989
Adjustment for:		
Depreciation and Amortization Expenses	47,457,057	46,874,012
Finance Cost	78,590,990	89,914,825
Decrease/ (Increase) in Current Assets	(1,173,671)	9,063,273
Increase/ (Decrease) in Current Liabilities	1,066,669	(2,651,399)
<b>Cash Flow From Operating Activities</b>	<b>196,244,735</b>	<b>195,334,700</b>
Other Prior Year Adjustment	-	-
<b>Net Cash Flow From Operating Activities (A)</b>	<b>196,244,735</b>	<b>195,334,700</b>
<b>B. Cash Flow from Investing Activities</b>		
Acquisition of Property, Plant and Equipment	(139,540)	(494,162)
Addition to Intangible Assets	(18,557,650)	(6,402,921)
Decrease/ (Increase) in Investment	-	(10,000,000)
<b>Net Cash Flow From Investing Activities (B)</b>	<b>(18,697,190)</b>	<b>(16,897,083)</b>
<b>C. Cash Flow from Financing Activities</b>		
Increase/ (Decrease) in Share Capital	-	100,000,000
Share Issue Cost	-	(3,394,808)
Dividend to Shareholders	-	(120,000,000)
Increase/ (Decrease) of Bank Loan	(84,145,000)	(72,000,000)
Finance Cost	(78,590,990)	(89,914,825)
<b>Net Cash Flow From Financing Activities (C)</b>	<b>(162,735,990)</b>	<b>(185,309,633)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>14,811,555</b>	<b>(6,872,017)</b>
Cash and Cash Equivalent at the beginning of the year	1,938,590	8,810,607
<b>Cash and Cash Equivalent at the end of the year</b>	<b>16,750,145</b>	<b>1,938,590</b>

The accompanying Significant Accounting Policies and Explanatory Notes form an integral part of the Financial Statements.

  
Aadesh Karki  
Accountant

  
Dinesh Kumar Barataula  
Chief Executive Officer

  
Buddhi Bahadur Thapa  
Director

  
Diwash Lal Maskey  
Director

Navaraj Raut  
Director

  
Sabita Barataula  
Director

  
Shivaraj Joshi  
Director

  
Kailashman Rajbhandari  
Director

  
Ashok Kumar Khadka  
Chairman

As per our report of even date  
For Kandel & Associates  
Chartered Accountants

Date: 19<sup>th</sup> Bhadra, 2081  
Place: Kathmandu Nepal

  
Supermai Hydropower



# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Statement of Changes in Equity

For the Period from 1st Shrawan, 2080 to 31st Ashadh, 2081 (17th July, 2023 to 15th July, 2024)

Amount in NRs

Particulars	Share Capital	Retained Earnings	Total
<b>Balance as on 1st Shrawan, 2079</b>	<b>400,000,000</b>	<b>123,021,887</b>	<b>523,021,887</b>
Issue of Shares	100,000,000	-	100,000,000
Net Profit for the period	-	52,133,989	52,133,989
Dividend to Shareholders	-	(120,000,000)	(120,000,000)
Cost related to Public Issue	-	(3,394,808)	(3,394,808)
<b>Balance as on 31st Ashadh, 2080</b>	<b>500,000,000</b>	<b>51,761,068</b>	<b>551,761,068</b>
Issue of Shares	-	-	-
Net Profit for the period	-	70,303,690	70,303,690
Dividend to Shareholders	-	-	-
Cost related to Public Issue	-	-	-
<b>Balance as on 31st Ashadh, 2081</b>	<b>500,000,000</b>	<b>122,064,758</b>	<b>622,064,758</b>

The accompanying Significant Accounting Policies and Explanatory Notes form an integral part of the Financial Statements.

  
Aadesh Karki  
Accountant

  
Dinesh Kumar Bartaula  
Chief Executive Officer

  
Buddhi Bahadur Thapa  
Director

  
Diwash Lal Maskey  
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Navraj Raut  
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Sabita Bartaula  
Director

  
Shivaraj Joshi  
Director

  
Kailashman Rajbhandari  
Director

  
Ashok Kumar Khadka  
Chairman

As per our report of even date  
For Kandel & Associates  
Chartered Accountants

Date : 14<sup>th</sup> Bhadra, 2081  
Place : Kathmandu Nepal



**SUPER MAI HYDROPOWER LIMITED**  
**KMC-30, Gyaneshwor, Kathmandu, Nepal**

**Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of  
Financial Statements for FY 2080/81**

**1. Corporate Overview**

**M/s Super Mai Hydropower Limited** (The "Company") is a company incorporated under Companies Act, 2063 having registered office at KMC-30, Gyaneshwor, Kathmandu, Nepal. The company was registered with Office of Company Registrar in 2071 BS with Registration No. 127379/071/072 and with Income Tax Office on 14<sup>th</sup> Kartik, 2071 BS with PAN 602424750. The company was converted from Private Limited to Public Limited on 18<sup>th</sup> Ashadh, 2074 BS with registration number 170437/73/74.

This company was established with the objective of development of hydropower sector and generation, transmission, and distribution of hydro energy.

The company has developed and been operating Supermai Hydropower Project. The energy generation capacity of the plant is 7.8 MW. The project of company is located at Illam District of Nepal. The commercial operation of the company was started on 11<sup>th</sup> Kartik, 2075.

**2. Basis of Preparation**

**2.1 Statement of Compliance**

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

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

The financial statements include Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to Accounts.

**2.2 Basis of Preparation:**

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

**2.3 Responsibility of Financial Statements:**

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

**2.4 Presentation:**

**Presentation Currency**

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

**Rearrangement / Reclassification and Remeasurement**

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



*[Handwritten signatures and the Supermai Hydropower logo are present at the bottom of the page.]*

**SUPER MAI HYDROPOWER LIMITED**  
**KMC-30, Gyaneshwor, Kathmandu, Nepal**

**Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of  
Financial Statements for FY 2080/81**

**Statement of Financial Position**

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

**Statement of Profit or Loss and Other Comprehensive Income**

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

**Statement of Cash Flows**

The Statement of Cash Flows (SoCF) has been prepared using indirect method and the activities have been grouped under three major categories (Cash flows from operating activities, Cash flows from investing activities and Cash flows from financing activities) in accordance with NAS 07.

**Statements of Changes in Equity**

The Statement of Changes in Equity (SoCE) has been prepared disclosing changes in each element of equity.

**2.5 Financial Period:**

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

Relevant Financial Statements	Nepalese Calendar/Period	Gregorian Calendar Date / Period
Reporting Date	31 <sup>st</sup> Ashadh, 2081	15 <sup>th</sup> July, 2024
Comparative Reporting Date	31 <sup>st</sup> Ashadh, 2080	16 <sup>th</sup> July, 2023
Reporting Period	1 <sup>st</sup> Shrawan, 2080 -31 <sup>st</sup> Ashadh, 2081	17 <sup>th</sup> July, 2023-15 <sup>th</sup> July, 2024
Comparative Reporting Period	1 <sup>st</sup> Shrawan, 2079 -31 <sup>st</sup> Ashadh, 2080	17 <sup>th</sup> July, 2022-16 <sup>th</sup> July, 2023

**2.6 Basis of Measurement:**

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

**2.7 IFRIC 12 Consideration:**

IFRIC (International Financial Reporting Interpretation Committee) 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. This interpretation sets out general principles on recognizing and measuring obligations and related rights in service concession arrangements. The company has not considered the applicability of IFRIC 12 Service Concession Arrangement, issued by International Accounting Standard Board (IASB) for preparation and presentation of financial statements.

Super Mai Hydropower Company Limited, after due consideration has not applied IFRIC 12 while preparing these financial statements on following ground:

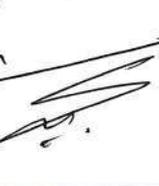
- The company sells electricity to Nepal Electricity Authority at a price independent of the price charged by NEA to the general public. NEA, for the ultimate sale of electricity, is bound by the rates determined by the Electricity tariff commission set up by the government, whereas NEA purchases electricity on the basis of different commercial agreements with the















**SUPER MAI HYDROPOWER LIMITED**  
KMC-30, Gyaneshwor, Kathmandu, Nepal

**Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of  
Financial Statements for FY 2080/81**

power producers. The Electricity Tariff Commission does not determine the rate at which NEA purchases or has to purchase electricity from the power producers. There have been instances where the rates charged by NEA to the general public is lower than it paid to some of the power producers.

- The company does not receive any specific concession for the use of the natural resource. The company has to pay to the government for the use of the natural resources in the form of royalty.
- The company under Power Purchase Agreement (PPA) sells energy to NEA and not directly to the general public.
- Though the project is to be transferred to the government at the end of the license period the legal title of the project is with the company, including the control of access to the project site. In addition, the company has the right to pledge the assets as lien for availing finances from financial institutions.

**3 Use of Estimates, Assumptions or Judgments:**

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

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

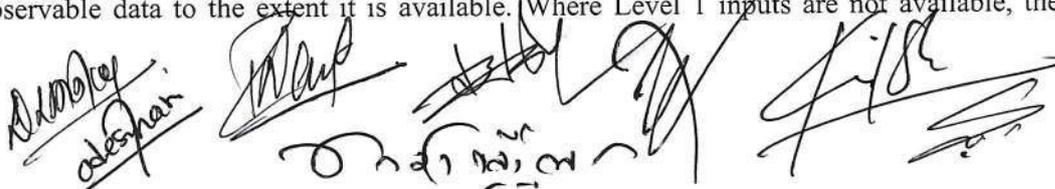
Management reviews the useful life of property, plant and equipment at least once a year. Such life is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating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

**3.2. Impairment of Property, Plant and Equipment:**

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

**3.3. Fair Value Measurements:**

The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company


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engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

**3.4. Recognition of Deferred Tax Assets/Liabilities:**

Deferred Tax is the tax expected to be payable or recoverable in future arising from:

- temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in computation of taxable profit,
- unused tax losses and/or
- unused tax credits

The 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.

**4. Significant Accounting Policies:**

The Significant accounting policies of the company are explained below:

**4.1. Property, Plant & Equipment:**

**Recognition & Measurement**

All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred. The Company identifies and determines cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted, if appropriate.

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

**Depreciation and Amortization**

- Depreciation is recognized so as to write off the cost of assets (other than project asset & Intangible asset) less their residual values over their useful lives, using the Written down value (WDV) method.
- Leasehold Improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on a straight line basis.
- Amortization is recognized so as to write off Intangible Assets on a Straight Line basis over their estimated useful lives.

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- The project asset and additions on project assets shall be amortized over the remaining useful life of the project on straight line method.
- The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis, except otherwise stated in the notes to accounts.

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

S.N.	Assets Block	Estimated Useful Life	Depreciation Rate	Depreciation Method
1	Land (other than classified under project assets)	NA	NA	NA
2	Building (other than classified under project assets)	20 Years	5%	WDV
3	Computers and Accessories	4 Years	25%	WDV
4	Office Equipment, Furniture & Fixtures	4 Years	25%	WDV
5	Vehicles	5 Years	20%	WDV
6	Intangible Software	5 Years	20%	SLM
8	Intangible-Service Concession Agreement (Project Assets)	28.67 Years*	3.03%	SLM

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

**\*Restriction on PPE**

The company has to transfer the entire generation unit to Government of Nepal under BOOT arrangement after expiry of period of generation license i.e. till 29<sup>th</sup> Falgun, 2108 or 35 years from the date of commercial operation whichever is earlier. The Commercial Operation Date (COD) date is 11<sup>th</sup> Kartik 2075. Thus, the useful life of project assets is 33.39 years from the Commercial Operation Date (COD). The remaining useful life of assets is 28.67 years.

**4.2 Intangible Assets-Project Assets:**

All the costs which are directly attributable to acquisition, construction project are charged to project assets. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimated cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized. Revenue generated from generation during the trial period is capitalized.

Assets/Costs that are directly related to the project, while the project was in progress, had been capitalized and at the date of completion of the project, the project cost has been transferred to Project Assets under Intangible Assets.

The company has not considered the applicability of IFRIC 12 Service Concession Arrangement, issued by International Accounting Standard Board (IASB) for preparation and presentation of financial statements.


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**Service concession arrangements**

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

- (a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and
- (b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement
- (c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement or is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement? Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met. These arrangements are accounted for on the basis of 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 a right (a license) to charge users of the public service. A right to charge users of public services is not an unconditional right to receive cash because the amounts are contingent on to the extent that public uses the services. Both type of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a Financial asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset. The Company manages concession arrangements which include power supply from its hydro power plant. The Company maintains and services the infrastructure during the concession period. These concession arrangements set out rights and obligations related to the infrastructure and the services to be provided. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset models is applied. Income from the concession arrangements earned under the intangible asset model consists of the

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

The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the 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 de-recognized on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

**4.3 Other Intangible Assets:**

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

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

**4.4 Impairment of Tangible and Intangible Assets:**

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

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

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

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

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

**4.5 Borrowing Cost:**

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time 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 expensed in the period in which they occur. Any investment income on the temporary investment of borrowed funds has been deducted from borrowing costs.

**4.6 Cash and Cash Equivalents:**

Cash and cash equivalents in the balance sheet comprise cash at banks, cash in hand, cheques in hand considered good 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. Fixed Deposits whose maturity period is below 3 months have been classified as Cash and Cash Equivalents.



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**4.7 Inventories:**

Inventories are carried at lower of the cost and net realizable value (NRV). Cost comprises of cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using First in First out (FIFO) method.

**4.8 Investment in Equity Instruments:**

The company has plan to hold the investment for long term and not for sale. Investments are measured at Fair Value through Other Comprehensive Income as per NFRS 9.

**4.9 Other Current Assets:**

**4.9.1 Prepaid Expenses:**

The Company has a policy of bifurcating the expenses amounting to more than NRs. 10,000 to prepaid and incurred. Expenses amounting less than this threshold are expensed entirely within the reporting period.

**4.9.2 Other Current Assets:**

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

**4.10 Revenue Recognition**

**4.10.1 Sale of Electricity:**

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

The main business of the company is generation and sale of electricity. Revenue is recognized based on energy supplied to Nepal Electricity Authority (NEA) at the rate given in the Power Purchase Agreement (PPA). Energy supplied to NEA is based on the approved meter reading from Godak (Illam) Substation of Nepal Electricity Authority (NEA).

**4.10.2 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.

**4.10.3 Insurance Income:**

Compensation against insurance claim are recognized as income when the claim from insurer is virtually certain and compensation becomes receivable.

**4.11 Foreign Currency Transactions:**

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



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Foreign exchange gain/loss occurring from the activity has been charged to Statement of Profit or Loss.

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

**4.12 Employment Benefits:**

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

The company has made contributions to the Provident Fund as per the provision of The Labor Act, 2074 and has done Group Medical Insurance for the employees. However, the company has not made provision for Gratuity. The company has not been registered with the Social Security Fund as per the Contribution based Social Security Act, 2074 as of the reporting date and accordingly provision for employee benefits has not been made.

**4.13 Staff Bonus**

Provision for employee bonus is provided as per the provisions of the Electricity Act, 2049 and Electricity Regulation 2050 (i.e. 2% of net profit). Provision is created as per annual profit and paid in the subsequent period as per the provisions of Bonus Act, 2030. Unspent amounts, if any are transferred to Welfare Funds as per the provisions of Bonus Act, 2030.

**4.14 Income tax**

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

**Current Tax**

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

The Company is involved in the commercial generation, distribution, and transmission of electricity in the fiscal year 2080/81. The Company is entitled to tax exemption as per the provisions of section 11 (3 Gha) of Income Tax Act, 2058. ( i.e. the company is assessed at 0% tax rates for first 10 years of operation and 50% of the applicable tax rate for later 5 years). Accordingly, the tax rate applicable to the company for the year is 0%.

**Deferred Tax**

Provision for deferred tax has not been made since the company is assessed at 0% tax rates for first 10 years of operation and 50% tax rate for later 5 years.

**4.15 Earnings per share**

- I. Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).
- II. Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of

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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 would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

**4.16 Provisions, Contingencies and Commitments:**

A provision is recognized as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

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

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

**4.17 Investment Property**

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

**4.18 Financial Instruments:**

**Recognition and Measurement**

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

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

**Effective Interest Rate Method**

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

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**4.19 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 in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial assets measured at fair value**

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

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

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

**Impairment of Financial Assets**

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

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

**De-recognition of financial assets**

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

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*[Logo: Supermai Hydropower]*

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**4.20 Financial Liabilities & Equity:**

**Classification as debt or equity**

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

**Equity Instruments**

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

**Financial Liabilities**

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

**Financial Guarantee Contracts**

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

**De-recognition of financial liability**

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

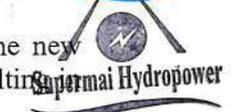
**Offsetting of Financial Instruments**

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.

**4.21 Leases**

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

NFRS 16-Lease is effective for annual periods beginning on or after 1 Shrawan, 2078. The new standard removes the distinction between operating or finance lease for lessee accounting, resulting in



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all leases being treated as finance leases. A lessee is required to recognize a right-of-use (ROU) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The standard permits a lessee to choose either a full retrospective or modified retrospective transition approach.

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

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

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

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

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

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

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

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

Rent amount is considered to be nominal as compared to revenue generated from its business and management has decided to measure rent expenses at cost in the statement of Profit & Loss and Other Comprehensive Income.

### 5. Controlling Body

There are a total of 47 promoter shareholders in the company as on 31.03.2081. The details of promoter shareholders holding more than 1% of share capital and percentage of holding is given below:

S.N.	Name	Share Quantity	Percentage of Total Holding
1	Mohan Bikram Karki	556,250	11.13%
2	Sabita Bartaula	510,892	10.22%
3	Kriti Kumari Mahato	250,000	5.00%
4	Bam Bahadur Thapa	247,571	4.95%



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**SUPER MAI HYDROPOWER LIMITED**  
KMC-30, Gyaneshwor, Kathmandu, Nepal  
*Supermai Hydropower*

**Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of  
Financial Statements for FY 2080/81**

5	Bed Bahadur Shrestha	186,965	3.74%
6	Dal Bahadur Rumba	186,964	3.74%
7	Rajendra Kumar BC	181,072	3.62%
8	Ashok Kumar Khadka	170,000	3.40%
9	Suwash Pradhan	143,108	2.86%
10	Nawaraj Raut	140,000	2.80%
11	Suchitra Sijapati	130,000	2.60%
12	Kalina Lama	100,000	2.00%
13	Rameshor Singh Sijapati	100,000	2.00%
14	Kailashman Rajbhandari	89,464	1.79%
15	Moti Ram Oli	80,000	1.60%
16	Gopal Prasad Niure	76,470	1.53%
17	Srish Khadka	76,371	1.53%
18	Purna Dhoj Karki	75,000	1.50%
19	Kiran Kumar Shrestha	63,875	1.28%
20	Tara Bahadur Karki	56,468	1.13%
21	Santosh Neupane	56,000	1.12%
22	Meghnath Dhungana	50,000	1.00%
23	Sanni Agrawal	50,000	1.00%

**6. Composition of Board of Directors**

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

Total 16 meetings were held in FY 2080-81. The composition of Board of Directors of the company as on reporting date as follows:

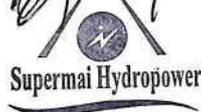
S.N.	Name	Designation	Share Qty	Percentage	Effective From
1	Ashok Kumar Khadka	Chairman	170,000	3.40%	31.04.2079
2	Sabita Bartaula	Director (Women)	510,892	10.22%	31.04.2079
3	Kailashman Rajbhandari	Director	86,964	1.79%	31.04.2079
4	Navaraj Raut	Director	140,000	2.80%	31.04.2079
5	Diwash Lal Maskey	Director (Independent)	NA	NA	31.04.2079
6	Buddhi Bahadur Thapa	Director	33,875	0.01%	31.04.2079
7	Shivaraj Joshi	Director (Public holding)	500	0.01%	26.06.2080

The new Board of Directors (except Shiva Raj Joshi) was appointed by the Eighth Annual General Meeting of the company. The decision of 84th Board Meeting to appoint Shivaraj Joshi as a director from public representative was approved by the Ninth Annual General Meeting of the company held on 26<sup>th</sup> Ashwin, 2080.

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Supermai Hydropower

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**Super Mai Hydropower Limited**  
KMC-30, Gyaneshwor, Kathmandu, Nepal

As on Ashadh 31, 2081 (July 15, 2024)  
Property, Plant & Equipment & Intangible Assets

Note 7

**7.1 Property, Plant & Equipment**

Particulars	Office Equipment, Furniture & Fixtures	Computer & Accessories	Vehicle	Total
<b>Cost</b>				
<b>Balance as at 01.04.2079</b>	5,687,065	-	3,324,450	9,011,515
Additions	93,111	192,709	421,539	707,359
Disposals	-	-	(213,197)	(213,197)
<b>Balance as at 31.03.2080</b>	5,780,176	192,709	3,532,792	9,505,676
Balance as at 01.04.2080	5,780,176	192,709	3,532,792	9,505,676
Additions	78,040	61,499	-	139,539
Disposals	-	-	-	-
<b>Balance as at 31.03.2081</b>	5,858,216	254,208	3,532,792	9,645,216
<b>Depreciation</b>				
<b>Balance as at 01.04.2079</b>	3,863,397	-	2,224,119	6,087,516
Depreciation for the year 2079.80	470,398	21,828	264,216	756,442
<b>Balance as at 31.03.2080</b>	4,333,795	21,828	2,488,335	6,843,958
Balance as at 01.04.2080	4,333,795	21,828	2,488,335	6,843,958
Depreciation for the year 2080.81	375,065	53,630	-	428,695
<b>Balance as at 31.03.2081</b>	4,708,860	75,458	2,488,335	7,272,653
<b>Carrying Amounts</b>				
<b>Balance as at 31.03.2080</b>	1,446,381	170,881	1,044,457	2,661,718
<b>Balance as at 31.03.2081</b>	1,149,356	178,750	1,044,457	2,372,563

**7.2 Intangible Assets**

Particulars	Project Assets	Other Intangible Assets	Total
<b>Cost</b>			
<b>Balance as at 01.04.2079</b>	1,522,205,470	80,230	1,522,285,700
Additions during the year	6,372,412	30,510	6,402,922
Disposal during the year	-	-	-
<b>Balance as at 31.03.2080</b>	1,528,577,881	110,740	1,528,688,621
Balance as at 01.04.2080	1,528,577,881	110,740	1,528,688,621
Additions during the year	18,557,650	-	18,557,650
Disposal during the year	-	-	-
<b>Balance as at 31.03.2081</b>	1,547,135,531	110,740	1,547,246,271
<b>Amortization</b>			
<b>Balance as on 01.04.2079</b>	164,155,530	51,276	164,206,806
Amortization for the year 2079.80	46,108,076	9,494	46,117,570
<b>Balance as at 31.03.2080</b>	210,263,606	60,770	210,324,376
Balance as at 01.04.2080	210,263,606	60,770	210,324,376
Amortization for the year 2080.81	47,014,739	13,623	47,028,362
<b>Balance as at 31.03.2081</b>	257,278,345	74,393	257,352,738
<b>Carrying Amounts</b>			
<b>As at 31.03.2080</b>	1,318,314,275	49,970	1,318,364,245
<b>As at 31.03.2081</b>	1,289,857,186	36,347	1,289,893,533

\*Property, Plant and Equipment given as security for borrowings from bank (Refer Note No 15 and 16).







# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Notes Forming Part of Statement of Financial Position

As on Ashadh 31, 2081 (July 15, 2024)

### Other Non Current Assets

Note 8

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Investment*	10,000,000	10,000,000
<b>Total</b>	<b>10,000,000</b>	<b>10,000,000</b>

\* Company has made investment of NPR 1 crore in M/s Him River Power Limited. The company has plan to hold the investment for long term and not for sale. Investments are measured at Fair Value through Other Comprehensive Income as per NFRS 9. However, as M/S Him River Power Limited is an unlisted public company, the face value of shares is considered as fair value.

### Cash and Cash Equivalents

Note 9

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
<b>Cash</b>		
Cash in Hand	229,396	2,544
<b>Balances with Banks</b>		
Machhapuchchhre Bank Limited-Head Office	22,511	22,511
Machhapuchchhre Bank Limited-Site Account	22,245	22,245
Nabil Bank Limited - Operating Account	238,275	-
Nabil Bank Limited - Control Account	229,847	-
Prime Commercial Bank Limited - Operating Account	534,664	-
Century Bank Limited-Current Account	765	765
Rastriya Banijaya Bank Limited-Current Account	39,927	3,692
Rastriya Banijaya Bank Limited-Escrow Account	3,000	3,320
Rastriya Banijaya Bank Limited-Ilam Bazar	3,080	3,025
Sanima Bank Limited -Current Account	156,639	156,939
Sanima Bank Limited-Call Account	55,815	61,458
Sanima Bank Limited -Maintenance Account	1,000	1,000
Samriddhi Finance Company Limited-Call and Current Account	185,714	510,463
Siddhartha Bank Limited -Operating Account	15,027,267	1,150,628
<b>Total</b>	<b>16,750,145</b>	<b>1,938,590</b>

Cash and cash equivalents include call, current, escrow/control account balances maintained with banks or financial institutions and cash in hand. These enable the Company to meet its short-term liquidity requirements. The carrying amount of cash and cash equivalents approximates their fair value. They are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

These balances have been used as Cash and Cash Equivalents for the presentation of Statement of Cash Flows as well.

### Inventory

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Spare Parts	5,415,128	4,704,696
<b>Total</b>	<b>5,415,128</b>	<b>4,704,696</b>

The company has stock of Electromechanical related spares parts as on reporting date.

### Trade Receivable

Note 11

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Nepal Electricity Authority (NEA)	41,632,543	39,462,131
<b>Total</b>	<b>41,632,543</b>	<b>39,462,131</b>

Income from sale of electricity is booked on monthly basis as per the invoice raised by company and issued to Nepal Electricity Authority (NEA). The amount is receivable from NEA within 45 days of issue of invoice. Accordingly, the receivable amount from NEA as on reporting date represents the income from sale of energy for the month of Jestha and Ashadh, 2081.



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# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Notes Forming Part of Statement of Financial Position

### Other Current Assets

Note 12

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
<b>Loans and Advances</b>		
Staff Advance (Annexure 1)	899,530	869,793
Advance for Vehicle Loan	1,450,500	1,450,500
Advance against Project and Supervision (Annexure 2)	658,091	3,533,750
Insurance Claim Receivable - United Ajod Insurance Limited*	1,000,000	-
Fixed Deposits with Bank**(Annexure 3)	40,000,000	40,000,000
Margin and Deposits**(Annexure 4)	587,035	923,880
Prepaid Expenses (Annexure 5)	2,135,150	2,065,348
TDS Receivable	1,148,928	602,149
Less: Allowance for Doubtful Staff Advance	(140,988)	-
<b>Total</b>	<b>47,738,246</b>	<b>49,445,419</b>

\*Insurance Claim was applied by the Company on 24th Jestha, 2080 for the damage of Unit - 2 of the powerhouse. Upon assessment, United Ajod Insurance Limited agreed to make a claim settlement amounting to NRs. 4,759,000 on 9th Baisakh, 2081. Out of the agreed settlement amount, NRs. 3,759,000 has been received in the reporting period and NRs. 1,000,000 is receivable as on the reporting date.

BG margin has been retained by Sanima Bank Limited for issue of Bank Guarantee for Exim Code to Department of Custom. LC & TT Margin has been retained by Rastriya Banijya Bank Limited against LC issued for import of Electromechanical Items and spare parts from Flovel Energy Private Limited.

\*\*These balances with Banks have been regrouped from Cash and Cash Equivalents to Other Current Assets. Further information have been disclosed in the notes to accounts. Refer Note 40 for more details.

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# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Notes Forming Part of Statement of Financial Position

Supermai Hydropower

Equity Share Capital		Note 13	
Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080	
<b>Authorized Share Capital</b>			
Ordinary Shares 50,00,000 @ 100 each	500,000,000	500,000,000	
<b>Issued</b>			
Ordinary Shares 5,000,000 @ 100 each	500,000,000	500,000,000	
<b>Subscribed and Paid Up Capital</b>			
Paid up Capital 4,000,000 Equity Shares @100 each-Promoter Share	400,000,000	400,000,000	
Paid up Capital 1,000,000 Equity Shares @100 each-Public Issue	100,000,000	100,000,000	
<b>Total</b>	<b>500,000,000</b>	<b>500,000,000</b>	

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

Reserve and Surplus		Note 14	
Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080	
Opening Balance	51,761,068	123,021,887	
Add: Net Profit /(Loss) for the Year	70,303,690	52,133,989	
Less: Dividend to Shareholders	-	(120,000,000)	
Less: Expenses related to Public Issue	-	(3,394,808)	
<b>Closing Reserve and Surplus</b>	<b>122,064,758</b>	<b>51,761,068</b>	

Medium and Long Term Loan		Note 15	
Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080	
<b>Secured Loan-Loan from Banks</b>			
Rastriya Banijya Bank Limited	-	864,490,000	
Nabil Bank Limited	785,345,000	-	
Less: Current Maturity of Term Loan	(95,645,000)	(79,145,000)	
<b>Total</b>	<b>689,700,000</b>	<b>785,345,000</b>	

The company had availed credit facility from the Rastriya Banijya Bank Limited for the project finance of the Super Mai Hydro Power Project (7.8 MW) located at Illam District, Nepal. This credit facility was swapped with Nabil Bank Limited during the financial year 2080/81 at 8% interest rate for the first three years and afterwards 1% + Average Base Rate of immediate last three months. The repayment period of this credit is agreed at 6 years and three quarters. This credit facility has been secured by mortgaging the project assets held by Supermai Hydropower Project (7.8MW), hypothecation of stocks held by the Company, mortgaging the land/building held by the Company which was locked by Rastriya Banijya Bank Limited as well as on personal guarantee of the Board of Directors.

Loan repayable within one year from reporting date are classified as short term loans and borrowings.

Short Term Loan		Note 16	
Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080	
<b>Secured Loan-Loan from Banks and Financial Institutions</b>			
Rastriya Banijya Bank Limited-Current Maturity of Term Loan	-	79,145,000	
Nabil Bank Limited-Current Maturity of Term Loan	95,645,000	-	
Samriddhi Finance Company Limited	-	5,000,000	
<b>Total</b>	<b>95,645,000</b>	<b>84,145,000</b>	

The short term loan obtained from Samriddhi Finance Company Limited was secured against Fixed Deposit of NRs. 2 Crore maintained at Samriddhi Finance Company Limited and it has been repaid during the current reporting period.

The current portion of long-term borrowings has been classified as short term liabilities on Statement of Financial Position to provide a more accurate view of a company's current liquidity and the company's ability to pay current liabilities as they become due.

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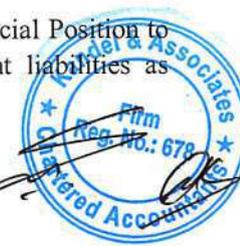
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Supermai Hydropower



# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Notes Forming Part of Statement of Financial Position

### Trade and Other Payable

Note 17

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Capital Management and Consultants Private Limited	22,300	-
DHL Express	-	178,431
Kandel and Associates	111,500	-
Neo Engineering Services and Solutions	-	72,475
Pinnacle IT and Management Private Limited	780	-
Sakar Law Firm Private Limited	27,875	-
Time Media Service Private Limited	3,612	-
Venus Hydro and Electric Private Limited	804,135	-
World Link Communication Private Limited	58,872	-
<b>Total</b>	<b>1,029,074</b>	<b>250,906</b>

### Other Current Liabilities

Note 18

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Audit Fee Payable	139,375	334,500
Duties and Taxes Payable (Annexure 6) <sup>#</sup>	272,500	632,289
Royalty Payable	832,651	789,444
Staff Salary Payable (Annexure 7)	-	13,810
Tax Audit Fee Payable	139,375	223,000
Provident Fund (PF) Payable	39,043	95,600
Other Payables	223,000	-
<b>Provisions</b>		
Provision for Current Tax*	-	-
Provision for Staff Bonus**	1,592,946	1,141,884
Provision for CSR***	2,124,436	1,844,298
<b>Total</b>	<b>5,363,326</b>	<b>5,074,826</b>

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

\*Although, the company is in profit, the company has not made provision for current tax due to entitlement to Tax holiday of 10 years from commencement of commercial operation as per the Section 11(3Gha) of Income Tax Act, 2058. The commercial operation of company was started on 11th Kartik, 2075.

\*\*The company has made provision for staff bonus as per the Electricity Act, 2049 and Electricity Regulation, 2050 (i.e. 2% of net profit before tax). The company has made bonus payment of NRs.998,200 during the year and out of provision made till last financial year, the company has bonus payable of NRs. 143,684 and the same has not been transferred to Welfare Fund.

\*\*\*The company has made provision for CSR expenses as per The Industrial Enterprises Act, 2076 (i.e. 1% of net profit). The company has made CSR expenses of NRs.430,000 during the year and out of provision made till last financial year, the company has unspent CSR provision of NRs. 1,414,298.

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**Supermai Hydropower**

**Kandel & Associates**  
Firm  
Reg. No.: 678  
Chartered Accountants

# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Note forming Part of Statement of Profit or Loss

For the Period from 1st Shrawan, 2080 to 31st Ashadh, 2081 (17th July, 2023 to 15th July, 2024)

### Revenue from Operation

Note 19

Particulars	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
Revenue from Sale of Energy	219,615,296	217,123,692
<b>Total</b>	<b>219,615,296</b>	<b>217,123,692</b>

Revenue from operation refers to income from sale of electricity. Revenue is booked on monthly basis as per the invoice raised by company and issued to Nepal Electricity Authority (NEA). The amount is receivable within 45 days of issue of invoice. The company receives payment as per internal memo of NEA. There is no such material difference between invoice raised by company and MEMO issued by NEA.

### Cost of Sales

Note 20

Particulars	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
Opening Stock	4,704,696	1,411,005
Add: Purchase of Material	2,404,040	3,293,691
Add: Direct Expenses (Note 20.1)	20,676,268	21,540,493
Less: Closing Stock	5,415,128	4,704,696
<b>Cost of Sales</b>	<b>22,369,876</b>	<b>21,540,493</b>

### Direct Expenses

Note 20.1

Revenue Royalty Expenses	4,391,791	4,342,474
Fixed Royalty Expenses	780,000	780,000
Backfeed Energy Charges	25,736	19,182
Bay Charges	432,000	324,000
Project Insurance Expense	3,895,427	3,045,615
Site Office Salary and Admin Expenses (Annexure -4)	10,472,594	10,326,792
Repair and Maintenance Expenses-Site (Annexure -5)	678,720	2,702,430
<b>Total</b>	<b>20,676,268</b>	<b>21,540,493</b>

The Company has a policy of bifurcating the expenses amounting to more than Rs.10,000 into prepaid and incurred expenses and any expenses below this threshold are expensed entirely within the reporting period.

### Other Income

Note 21

Particulars	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
Interest Income	3,645,193	2,138,031
Insurance Income	4,759,000	616,361
Foreign Exchange Gain	11,431	-
<b>Total</b>	<b>8,415,624</b>	<b>2,754,392</b>

Interest Income has been earned by the Company on fixed deposits with various banks (refer Annexure 3) and call deposit accounts in Sanima Bank Limited and Samriddhi Finance Company Limited.

Insurance Income has been recognized by the company as per the agreed claim settlement with M/s United Ajod Insurance Ltd amounting NRs.4,759,000. For more details refer Note 12.

Supermai Hydropower



# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Note forming Part of Statement of Profit or Loss

For the Period from 1st Shrawan, 2080 to 31st Ashadh, 2081 (17th July, 2023 to 15th July, 2024)

### Employee Benefit Expenses

Note 22

Particulars	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
Salary and Allowances	1,654,337	1,628,000
Leave Pay Salary	30,000	-
Gratuity	30,000	-
<b>Total</b>	<b>1,714,337</b>	<b>1,628,000</b>

The company has made contribution to the Provident Fund as per the provision of The Labor Act, 2074 and has done Group Medical Insurance for the employees. However, the company has not made provision for Gratuity. The company has not been registered with Social Security Fund as per Contribution based Social Security Act, 2074 as of the reporting date.

Bonus to staff has been provided separately in note 25.

Employment benefit expenses related to the site office staff are charged in the cost of sales (details provided in note 20).

### Administrative and Other Expenses

Note 23

Particulars	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
Advertisement Expenses	72,918	75,229
AGM Expense	302,064	497,748
Annual Registration and Renewal Charges	246,164	-
Audit Fee	141,250	339,000
Charity and Donation	-	37,000
Credit Rating Fee	168,301	188,090
Fine and Penalties	4,286	-
Fuel Expenses	198,320	127,043
Insurance Expenses	343,963	390,086
Internet and Communication Expenses	139,047	140,429
Legal and Professional Fee	50,850	75,710
Loss of Disposal Vehicle	-	213,197
Meeting Allowance	1,678,000	1,878,000
Office Rent Expenses*	615,000	600,000
Office Expenses	41,350	218,165
Printing and Stationery Expenses	108,575	170,502
Rates and Tax	-	1,500
Refreshment and Hospitality Expenses	270,939	229,350
Repair and Maintenance Expenses (Annexure 10)	79,002	80,010
Staff Fooding Expenses	404,301	433,540
Tax Audit Fee	141,250	113,000
Travelling Expenses	221,245	284,050
Vehicle Insurance and Renewal Expenses	54,994	83,092
Water and Electricity Expenses	12,763	10,712
Allowance for Doubtful Staff Advance**	140,988	-
<b>Total</b>	<b>5,435,570</b>	<b>6,185,453</b>

\*The company's Kathmandu office is located in rental property with monthly rental expenses of NRs. 50,000 for first nine months and NRs. 55,000 for last three months. As rent amount is considered to be nominal as compared to revenue generated from its business, management has decided to measure rent expenses at cost.

\*\*Allowance for doubtful receivable has been made for advance to Mr. Nirajan Karki (ex-staff of the company) which has been long outstanding and there is no any certainty about amount to be received during the operating cycle.

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# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Note forming Part of Statement of Profit or Loss

For the Period from 1st Shrawan, 2080 to 31st Ashadh, 2081 (17th July, 2023 to 15th July, 2024)

### Finance Cost

Note 24

Particulars	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
Bank Charges	139,957	56,436
Loan Swap Charges	2,945,044	-
Interest on Term Loan - Rastriya Banijya Bank Limited	69,535,795	89,858,389
Interest on Term Loan - Nabil Bank Limited	5,680,304	-
Interest on OD Loan - Samriddhi Finance	289,890	-
<b>Total</b>	<b>78,590,990</b>	<b>89,914,825</b>

Interest of NRs. 3,278,484 reversed (credited in the bank account) by Rastriya Banijya Bank Ltd as rebate during the period has been deducted from interest expenses and net interest expenses for the period has been considered.

The Company has swapped its Credit Facility from Rastriya Banijya Bank Limited to Nabil Bank Limited in the current financial year. The company has paid loan swap charges to Rastriya Banijya Bank Ltd.

For more details, refer note 15.

### Provision for Staff Bonus

Note 25

Particulars	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
Staff Bonus	1,449,262	1,074,706
<b>Total</b>	<b>1,449,262</b>	<b>1,074,706</b>

The company has made provision for staff bonus as per the Electricity Act, 2049 and Electricity Regulation, 2050 (i.e. 2% of net profit before tax). Provision is created as per annual profit and paid in the subsequent period as per the provisions of Bonus Act, 2030. However, the Company has not fully distributed the staff bonus provided for in the previous year amounting to NRs.143,684 which needs to be transferred to a welfare fund in the current year.

### Provision for CSR Expenses

Note 26

Particulars	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
Provision for CSR Expenses	710,138	526,606
<b>Total</b>	<b>710,138</b>	<b>526,606</b>

The company has made provision for CSR expenses as per The Industrial Enterprises Act, 2076 (i.e. 1% of net profit).

### Earnings Per Share

Note 27

Particulars	For the Year Ended on 31st Ashadh, 2081	For the Year Ended on 31st Ashadh, 2080
Net Profit for the Period	70,303,690	52,133,989
No of Shares Outstanding	5,000,000	5,000,000
Weighted Average Number of Shares	5,000,000	5,000,000
Basic Earnings per Share	14.06	10
Diluted Earnings per Share	14.06	10

*[Handwritten signatures and notes]*

Supermai Hydropower



**SUPER MAI HYDROPOWER LIMITED**  
KMC-30, Gyaneshwor, Kathmandu, Nepal

**Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of  
Financial Statements for FY 2080/81**

**Other Explanatory Notes**

**Note 28: Income Tax**

**Current Tax:** The Company has been involved in the commercial generation, distribution, and transmission of electricity in the current fiscal year 2080/81. Hence, the tax exemption as per the provisions of section 11 (3 Gha) of Income Tax Act, 2058 is applicable for the financial year 2080/81 (i.e. the company is assessed at 0% of applicable tax rates for first 10 years of operation and 50% of applicable tax rate for later 5 years). The commercial operation of company was started on 11<sup>th</sup> Kartik, 2075. Accordingly, the tax rate applicable to the company for the year is 0% and hence, no amount is made as provision for tax.

**Deferred Tax:** Provision for deferred tax has not been made since the company is assessed at 0% of applicable tax rates for first 10 years of operation and 50% of applicable tax rate for later 5 years.

**Note 29: Depreciation charged on Land**

As per Income Tax Directive example 18.6.21, if any project is developed under BOOT method and later is transferrable to Nepal Government, land has to be classified under Group "E" and the value of land has to be written off over the license period on SLM Basis.

**Note 30: Employment Benefits**

The company has made a contribution to the Provident Fund as per provision of The Labour Act, 2074 and has done Group Medical Insurance for the employees. However, the company has not made provision for Gratuity as per the provision of the Labor Act, 2074. The company has not been registered with the Social Security Fund as per Contribution based Social Security Act, 2074 as of the reporting date and has not made any post-employment/long term benefit plan for its employees.

**Note 31: Provision for Bonus**

Provision for employees bonus is provided as per the provisions of the Electricity Act, 2049 and Electricity Regulation 2050 (i.e. 2% of net profit). Provision is created as per annual profit and paid in the subsequent period as per the provisions of Bonus Act, 2030.

However, unspent amounts of NRs.143,684 has not been transferred to welfare fund as on reporting date.

**Note 32: Provision for CSR Expenses**

As per Section 54 of the Industrial Enterprises Act, 2076, medium, large industries, or cottage and small industries with annual turnover of more than 15 crores shall allocate at least 1% of the annual net profit of each fiscal year to be utilized towards corporate social responsibility. The company has made provision for CSR according to the provisions of the Industrial Enterprises Act, 2076.

The funds created for CSR shall be spent in such areas upon making annual plans and programs. The company has allocated NRs. 1,844,298 for CSR Fund till the end of the previous financial year. However, during the financial year, the company has spent NRs. 430,000 only towards CSR expenses.

**Note 33: Royalty**

As per the provision of Nepal Electricity Act, 2049, the company has to pay fixed royalty of NRs.1000 per kilowatt for each installed kilowatt of electricity per year and 2% of average tariff per unit for the term up to 15 years from the date of generation of electricity for commercial purpose. After 15 years, the company has to pay fixed royalty of NRs.1000 per kilowatt for each installed kilowatt of electricity per year and 10% of average tariff per unit.

The company has paid royalty to Government of Nepal as per provision of Electricity Act and Regulation.



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**SUPER MAI HYDROPOWER LTD**  
KMC-30, Gyaneshwor, Kathmandu, Nepal

**Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of  
Financial Statements for FY 2080/81**

**Note 34: Related Party Transactions**

**Key Management Personnel (KMP)**

The company has incurred the following transactions with the Key Managerial Personal (KMP) who are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly.

Such KMP includes the Board of Directors of the company (including both Executive and Non-Executive) and key employee who has holding directorship in the Subsidiary company.

S.N.	Key Management Personnel	Relationship
1	Ashok Kumar Khadka	Chairman
2	Sabita Bartaula	Director (Women)
3	Kailashman Rajbhandari	Director
4	Navaraj Raut	Director
5	Diwash Lal Maskey	Director (Independent)
6	Buddhi Bahadur Thapa	Director
7	Shivaraj Joshi	Director (Public holding)

**Transactions with Key Management Personnel (KMP) & Related Party:**

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

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

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

S N	Name	Nature of Transactions	During the Period	Outstanding (Payable)/Receivable as on		Nature of Relations
				Ashadh 31, 2081	Ashadh 31, 2080	
1	Dinesh Kumar Bartaula	Salary, Allowances and Bonus	857,500	-	41,490	Chief Executive Officer
		Meeting Allowance	204,000	-	-	
		Reimbursement of Travelling Expenses	90,413	196,716	195,639	
		Loan given for Vehicle	-	1,450,500	1,450,500	
2	Ashok Kumar Khadka	Board Meeting Allowances	238,000	-	-	Chairman
3	Sabita Bartaula	Board Meeting Allowances	204,000	-	-	Director
4	Navaraj Raut	Board Meeting Allowances	204,000	-	-	Director
5	Kailashman Rajbhandari	Board Meeting Allowances	204,000	-	-	Director
6	Diwash Lal Maskey	Board Meeting Allowances	204,000	-	-	Director

*Diwash Lal Maskey*

*Sabita Bartaula*

*Ashok Kumar Khadka*

*Kailashman Rajbhandari*

*Navaraj Raut*



Supermai Hydropower

**SUPER MAI HYDROPOWER LTD**  
KMC-30, Gyaneshwor, Kathmandu, Nepal

**Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of  
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7	Buddhi Bahadur Thapa	Board Meeting Allowances	204,000	-	-	Director
8	Mohan Bikram Karki	Board Meeting Allowances	12,000	-	-	From Shareholders
9	Shiva Raj Joshi	Board Meeting Allowances	204,000	-	-	Director

**Note 35: Segment Reporting**

Since the Company is engaged in only one segment "Generation and sale of electricity" the company does not have any reportable segments as per NFRS 8.

**Note 36: Subsequent Events**

There has not been any significant reportable event after the reporting date which requires to be either Adjusted or disclosed.

**Note 37: Sharing of Cost**

The company has entered cost sharing agreement with M/s Panchakanya Mai Hydropower Ltd on 22<sup>nd</sup> Ashadh, 2074 for sharing joint cost towards repair and maintenance of transmission line and related cost on the ratio of installed capacity.

**Note 38: Contingent Liabilities and Other Commitments:**

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. Details of contingent liabilities are as follows:

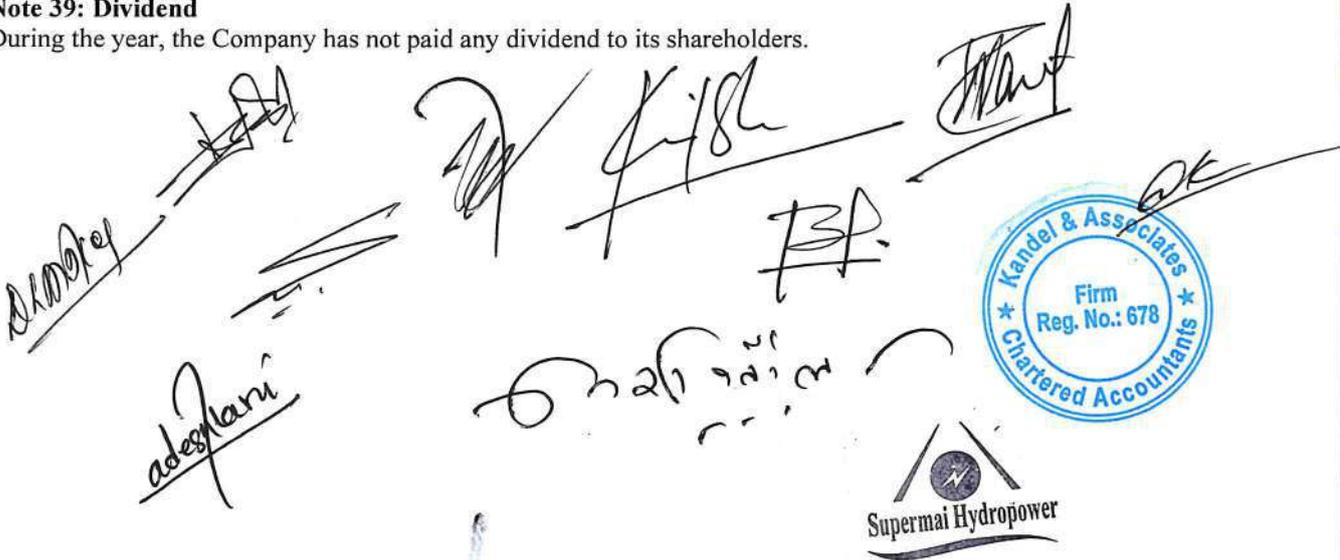
S.N.	Particulars	Purpose	Beneficiary	Amount
1	Bank Guarantee	For EXIM Code	Department of Customs	300,000
2	Letter of Credit	For import of Electromechanical Items	Flovel Energy Pvt Ltd (India)	-
3	Tax Payable on Administrative Review with IRD	For Litigation against IRD for Tax Case	IRD	930,614

**Note 38.1: Tax on Capital Gain Case**

Inland Revenue Office Tangal assessed the income tax and TDS liabilities of the Company for FY 2076.77 by notifying the Company on 2080.11.20. On 2081.01.27, the IRO assessed that the Company had to pay Capital Gain Tax amounting to NRs. 930,614 (including interest and penalties), which was contested by the Company. For the unaccepted amount of NRs. 930,614, the Company has filed the case for Administrative Review on 2081.03.14 contesting the assessment made by the IRO by depositing one-fourth (1/4th) of the disputed liabilities amounting NRs. 232,655.

**Note 39: Dividend**

During the year, the Company has not paid any dividend to its shareholders.


  
 Multiple handwritten signatures in black ink are present, including names like 'Kishu', 'B.P.', and 'adeghani'. A blue circular stamp from 'Kandel & Associates' is visible, stating 'Firm Reg. No.: 678' and 'Chartered Accountants'. At the bottom right, there is a logo for 'Supermai Hydropower' featuring a lightning bolt and a mountain peak.

**SUPER MAI HYDROPOWER LTD**  
KMC-30, Gyaneshwor, Kathmandu, Nepal

**Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of  
Financial Statements for FY 2080/81**

**Note 40: Reclassification**

The following items have been reclassified for the purpose of facilitating better comparison and presentation:

S.N.	Items	Current Classification	Previous Classification	Amount (FY 2079-80)	Remarks
1	Bank Guarantee Deposit	Other Current Assets	Cash & Cash Equivalents	300,000	Margin retained by bank
2	LC & TT Margin	Other Current Assets	Cash & Cash Equivalents	612,080	
3	Siddhartha Bank Limited – Fixed Deposit	Other Current Assets	Cash & Cash Equivalents	20,000,000	Fixed Deposit with a term of more than 3 months
4	Samriddhi Finance Company Limited – Fixed Deposit	Other Current Assets	Cash & Cash Equivalents	20,000,000	Fixed Deposit with a term of more than 3 months

**Note 41: Insurance Claim**

Insurance Claim was applied by the Company on 24th Jestha, 2080 for the damage of Unit - 2 of the powerhouse. Upon assessment, United Ajod Insurance Limited agreed to make a claim settlement amounting to NRs. 4,759,000 on 9th Baisakh, 2081. Out of the agreed settlement amount, NRs. 3,759,000 has been received in the reporting period and NRs. 1,000,000 is receivable as on the reporting date. The agreed settlement amount of NRs. 4,759,000 has been recognized as Insurance Income during the reporting period.

**Note 42: Rating of the Company**

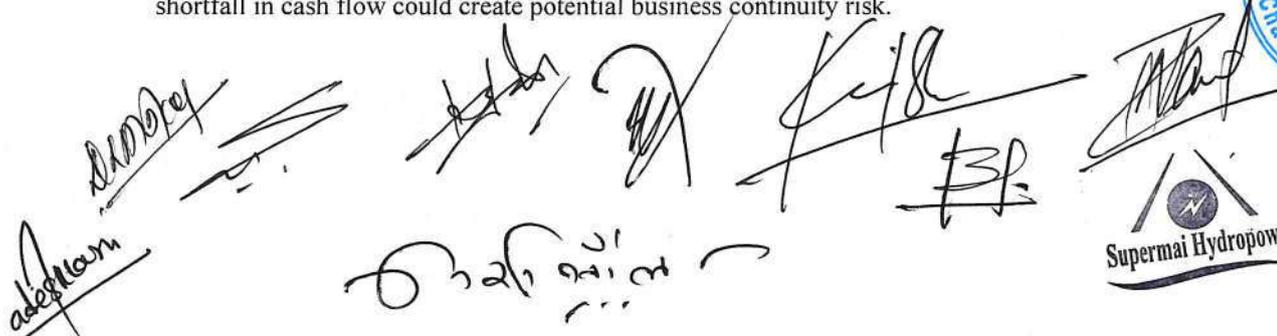
ICRA Nepal has reaffirmed the issuer rating of Super Mai Hydropower Limited (SMHL) at [ICRANP-IR] BBB- (pronounced ICRA NP issuer rating triple B minus), indicating a moderate degree of safety regarding timely servicing of financial obligations with a moderate credit risk. This rating is only an opinion on the general creditworthiness of the rated entity and is not specific to any debt instrument. ICRA Nepal has also reaffirmed the company's long-term loan rating at [ICRANP] LBBB- (pronounced ICRA NP L triple B minus) and also reaffirmed its short-term loan rating at [ICRANP] A3 (pronounced ICRA NP A three). This has been done by issue of report by ICRA on July 8, 2024.

**Note 43: Risk Management**

The company's business activities expose to a variety of risks, namely primarily to liquidity risk and fluctuations in interest rates, which may adversely impact the operation of company. The company's Board and management have overall responsibility for the establishment and oversight of the company's risk management. The company's risk management policies are established to identify and analyses the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

**Note 43.1: Liquid Risk**

Liquidity risk is the risk that the company will face in meeting its obligations associated with financial liabilities. The company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. A material and sustained shortfall in cash flow could create potential business continuity risk.







**SUPER MAI HYDROPOWER LTD**  
**KMC-30, Gyaneshwor, Kathmandu, Nepal**

**Company Overview, Significant Accounting Policies and Explanatory Notes Forming part of  
Financial Statements for FY 2080/81**

The Company is fully dependent on Nepal Electricity Authority for its revenue based on the PPA. Any delay in settlement of dues by NEA will make it difficult for the company to operate smoothly.

**Note 43.2: Interest Rate Risk**

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

**Note 43.3: Capital Management**

Capital includes issued capital and all other reserves attributable to the equity holders of the company. The company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

**Note 44: Miscellaneous**

- All the figures stated on the financial statements are Nepalese Rupees and rounded up to the nearest rupee.
- Notes form the integral part of financial statements.
- Confirmation from most of the parties has obtained and confirmation from few parties are in due process of obtaining.
- Previous year figures have been reclassified wherever necessary.

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Supermai Hydropower

  
Kandel & Associates  
Firm  
Reg. No.: 678  
Chartered Accountants

# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Annexures for Notes forming the part of Financial Position



### Staff Advance

### Annexure 1

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Aadesh Karki	366,530	-
Amar Paikara	-	302,278
Bhisma Khadka	-	1,550
Dinesh Kumar Bartaula	196,716	237,129
Dipak Singh	34,656	30,166
Kishore Gutta	-	54,115
Nirajan Karki*	140,988	140,988
Ramesh Kandel	39,739	39,739
Sujan Adhikari	-	4,565
Sujan Adhikari-Engineer	70,238	8,600
Topraj Shiwakoti	50,663	50,663
<b>Total</b>	<b>899,530</b>	<b>869,793</b>

\*Allowance for doubtful receivable has been made for staff advance to Nirajan Karki which has been long outstanding and there is no any certainty about amount to be received during the operating cycle.

Loans and advance includes staff advance and other advance that are non interest bearing in the due course of the business and same will be settled in the subsequent year.

### Advance against Project and Supervision

### Annexure 2

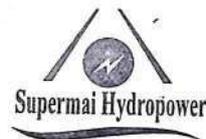
Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
CCTV Station and Smart Home Private Limited	100,000	100,000
Delta Hydro Solution	410,591	-
Flovel Energy Private Limited	-	3,408,000
ICRA Nepal Limited	114,633	-
Pal Engineering Trade Centre Private Limited	-	625
Rajeev and Company	31,742	-
RBB Merchant Banking Limited	1,125	-
Venus Hydro and Electric Private Limited	-	25,125
<b>Total</b>	<b>658,091</b>	<b>3,533,750</b>

### Fixed Deposits with Banks

### Annexure 3

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Prime Commercial Bank	25,000,000	-
Siddhartha Bank Limited	-	20,000,000
Samriddhi Finance Company Limited	15,000,000	20,000,000
<b>Total</b>	<b>40,000,000</b>	<b>40,000,000</b>

*[Handwritten signatures and initials]*



# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

Supermai Hydropower

## Annexures for Notes forming the part of Financial Position

### Margins and Deposits

Annexure 4

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
<b>With Banks</b>		
Bank Guarantee Deposit	300,000	300,000
LC and TT Margin	44,080	612,080
<b>With Others</b>		
Other Deposit	10,300	10,300
Other Advances	-	1,500
Deposit with IRD for Tax Case*	232,655	-
<b>Total</b>	<b>587,035</b>	<b>923,880</b>

\*The Company has contested the assessment made by Inland Revenue Office, Tangal (IRD) and filed for Administrative Review on 14th Ashadh 2081 for the disputed amount of NRs.930,614. The Company has deposited 1/4th of the disputed amount NRs.232,655 with IRD and in case the decision is made against the Company, residual amount (NRs, 697,590) 75% of the disputed tax amount shall have to be paid.

### Prepaid Expenses

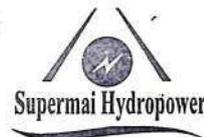
Annexure 5

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Prepaid Insurance	1,661,318	1,535,142
Prepaid Fixed Royalty Expenses	195,000	195,000
Prepaid Bay Charge	108,000	108,000
Prepaid Credit Rating	-	168,301
Prepaid Internet and Communication - Site	92,111	-
Prepaid Internet - HO	20,981	-
Prepaid RTS Fee (Sanima Capital Limited)	-	58,904
Prepaid RTS Fee (RBB Merchant Banking Limited)	57,740	-
<b>Total</b>	<b>2,135,150</b>	<b>2,065,348</b>

Expenses which are incurred for future period other than reporting period are recognized as prepaid expenses. Prepaid of previous year related to current reporting period has been recognized as expenses in Statement of Profit or loss and other comprehensive income.

The Company has a policy of bifurcating the expenses amounting to more than Rs.10,000 into prepaid and incurred expenses and any expenses below this threshold are expensed entirely within the reporting period.

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# Super Mai Hydropower Limited

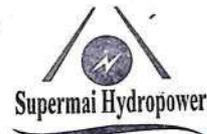
KMC-30, Gyaneshwor, Kathmandu, Nepal

## Annexures for Notes forming the part of Financial Position

Duties and Taxes Payable	Annexure 6	
Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
TDS on Legal Expenses	375	-
TDS Consultancy Fee	300	-
TDS on Internet	792	-
TDS- Nees Engineering	4,062	-
TDS on Biplob Construction	951	-
TDS on Sumiran Construction	1,643	-
TDS-Venus Hydro	34,350	-
TDS on Bhairab Engineering	1,088	-
TDS on CDSC	1,800	-
TDS on NEPSE	750	-
TDS on RBB Merchant	1,125	-
TDS on Paramount Office System	68	-
TDS - Pinnacle IT	90	-
TDS at Service	-	7,131
TDS on Advertisement	378	613
TDS on Audit Fee	1,875	4,500
TDS on Board Meeting	75,300	136,200
TDS on Civil Works	-	50,189
TDS on Tax Audit Fee	1,875	1,500
SST on Salary	18,559	105,929
TDS on Share Issue Cost	-	1,500
TDS on Vehicle Rent	-	6,667
TDS on Remuneration	26,987	318,060
TDS on Gratuity	14,573	-
TDS on Leave Pay Salary	17,573	-
Reverse VAT Payable	67,986	-
<b>Total</b>	<b>272,500</b>	<b>632,289</b>

Salary Payable	Annexure 7	
Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Madhab Karki	-	5,700
Dik Bahadur Nogu	-	110
Hemant Jha	-	8,000
<b>Total</b>	<b>-</b>	<b>13,810</b>

*[Handwritten signatures and initials]*



# Super Mai Hydropower Limited

KMC-30, Gyaneshwor, Kathmandu, Nepal

## Annexures for Notes forming the part of Financial Position



### Site Office Salary and Admin Expenses

Annexure 8

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Dashain and Tihar Expenses	223,290	223,500
Designing Cost - Site	81,925	-
Fuel Cost-Site Office	765,727	339,814
Godak Meter Reading Expenses	96,950	113,300
Indirect Material Cost-Site	74,785	169,626
Internet and Communication -Site	131,047	96,330
Kitchen Expenses-Site	1,059,178	955,724
Medical Expenses-Site	2,904	68,243
Plantation Expenses	180,900	-
Printing and Stationary Expenses-Site	10,080	28,397
Puja Expenses-Site	74,910	22,000
Rates and Taxes- Site	12,429	-
Salary and Allowance Expenses-Site Office	7,408,531	7,887,560
Travelling Expenses-Site	212,372	87,555
Water and Electricity Expenses- Site	33,371	47,831
Office Expenses -Site	104,195	286,912
<b>Total</b>	<b>10,472,594</b>	<b>10,326,792</b>

### Repair and Maintenance Expenses-Site

Annexure 9

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Repair and Maintenance Expenses - Vehicle	-	430,561
Repair and Maintenance Expenses - Transmission Line	390,764	270,785
Repair and Maintenance Plant - Civil	-	1,722,633
Repair and Maintenance Plant - Electromechanical	119,812	-
Repair and Maintenance Plant - General	168,143	278,451
<b>Total</b>	<b>678,720</b>	<b>2,702,430</b>

### Repair and Maintenance Expenses-Head Office

Annexure 10

Particulars	As on Ashadh 31, 2081	As on Ashadh 31, 2080
Repair and Maintenance Vehicle	79,002	60,310
Repair and Maintenance-Office	-	19,700
<b>Total</b>	<b>79,002</b>	<b>80,010</b>

*[Handwritten signatures and initials]*



**Super Mai Hydropower Limited**

KMC-30, Gyaneshwor, Kathmandu, Nepal



**Financial Assets and Liabilities**

**Annexure-II**

Particulars	As on Ashadh 31, 2081		As on Ashadh 31, 2080		
	Fair Value		Fair Value		Amortized Cost
	FVTPL	FVOCI	FVTPL	FVOCI	
<b>Financial Assets</b>					
Cash and Cash Equivalents	-	-	-	-	1,938,590
Inventory	-	-	-	-	4,704,696
Trade Receivable	-	-	-	-	39,462,131
Other Current Assets	-	-	-	-	47,380,071
Investment	-	-	-	-	10,000,000
<b>Total Financial Assets</b>	-	-	-	-	<b>103,485,488</b>
<b>Financial Liabilities</b>					
Trade and Other Payables	-	-	-	-	250,906
Loans and Borrowings	-	-	-	-	869,490,000
Other Current Liabilities	-	-	-	-	5,074,826
<b>Total Financial Liabilities</b>	-	-	-	-	<b>874,815,731.66</b>



