

S. Dhakal & Associates

Chartered Accountants

Mem/COP No. 510/474

Firm No. 392

Address : Kathmandu, Nepal

Cell No. : 977-9841685799

Email : samratdu@gmail.com

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
M/s Rivers Falls Power Limited**

Opinion

We have audited the financial statements of **M/s Rivers Falls Power Limited (the Company)**, which comprise the statement of financial position as at Ashadh 31, 2080, and the 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 corporate information, including a summary of significant accounting policies and other financial information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at Ashadh 31, 2080, and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

Basis of opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Nepal Financial Reporting Standards, 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 the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



A handwritten signature in black ink, appearing to read "S. Dhakal", written over a horizontal line.

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 on the basis of these financial statements.

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

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

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

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

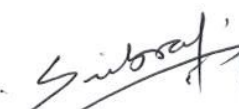


A handwritten signature in black ink, appearing to read "S. Dhakal", written over the circular stamp.

Report on Other Legal and Regulatory Requirements

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

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion the Company has kept proper books of account as required by law so far, as appears from our examinations of those Books
- c) The financial statements are in agreement with the books of account.
- d) In our opinion and to the best of our information and according to the explanation given to us, the financial statement the said the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows and notes to the financial statements, including a summary of significant accounting policies give the information required by the Companies Act, 2063 (First Amendment 2074) in the manner so required and give a true and fair view:
 - i. In the case of Statement of Financial Position, of the state of affairs of the Company as at 31 Ashadh, 2080; and
 - ii. In the case of Statement of Profit or Loss and Other Comprehensive Income, of the results of operations of the Company for the year ended on 31 Ashadh, 2080; and
 - iii. In the case of the Statement of Cash Flows, of Cash inflow and outflow of Company for the year ended on that date.
- e) Neither we have come across any of the information about the misappropriation of fund by the directors or any of the representative or company's staffs during the course of our audit nor have we received any such information from the management.
- f) No accounting fraud has been observed during the course of our audit.


CA Subrat Dhakal
Proprietor
S. Dhakal & Associates
Chartered Accountants
Mem. No: 510
CoP No: 474
UDIN: 240430CA00510GgTpy



Date: 28.12.2080
Place: Kathmandu, Nepal

River Falls Power Limited
Statement of Financial Position
As at Ashad 31, 2080 (16 July 2023)

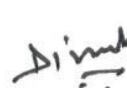
		Figures in NPR		
	Note	31st Ashad 2080	Restated* 32nd Ashad 2079	Restated* 1st Shrawan 2078
ASSETS				
Non-Current Assets				
Property, plant and equipment	4	6,481,447	8,028,838	9,839,016
Intangible assets	5	8,634	14,103	19,572
Intangible assets under development	6	2,050,838,073	1,490,832,950	681,353,603
Other non-current assets	7	336,776,199	412,958,963	441,198,853
Total Non-Current Assets		2,394,104,353	1,911,834,854	1,132,411,044
Current assets				
Financial assets				
Cash and cash equivalents	8	5,097,562	1,492,552	42,874,660
Bank Balance other than Cash and Cash Equivalents	9	6,974,900	16,536,198	15,549,100
Investment in Financial Assets measured through OCI	10	189,233,900	189,297,000	100,000
Other financial assets	11	500	16,717,100	95,746,100
Other current assets	12	3,059,805	-	141,420
Total current assets		204,366,667	224,042,850	154,411,280
Total assets		2,598,471,020	2,135,877,704	1,286,822,324
EQUITY AND LIABILITIES				
Equity				
Share capital	13	700,000,000	700,000,000	357,000,000
Other equity	14	(60,715,644)	(49,980,055)	(41,541,816)
Total Equity		639,284,356	650,019,945	315,458,184
Liabilities				
Non-Current Liabilities				
Financial liabilities				
Borrowings	15	1,518,549,161	1,172,688,695	518,820,592
Deferred Tax Liability	16	33,475	49,250	-
Total Non-Current Liabilities		1,518,582,636	1,172,737,945	518,820,592
Current Liabilities				
Financial liabilities				
Borrowings	15	80,837,355	113,384,000	407,000,000
Trade & Other Payables	17	145,487,313	124,611,695	43,554,148
Other financial liabilities	18	214,279,360	75,124,119	1,989,401
Provisions	19	-	-	-
Total Current Liabilities		440,604,028	313,119,814	452,543,549
Total Liabilities		1,959,186,664	1,485,857,759	971,364,140
Total Equity and Liabilities		2,598,471,020	2,135,877,704	1,286,822,324

The accompanying notes are integral part of these financial statements.

As per our report of even date


Subhash Amatya
 Chairperson


Dinesh Prashad Shrestha
 Director


Dinesh Gurung
 Director


S. Dhakal
 Principal
 Chartered Accountant


Mitralal Shrestha
 Director


Shaila Shrestha
 Director


Ram Bahadur Rawal
 Account Officer

Date: Chaitra 28, 2080
 Place: Kathmandu

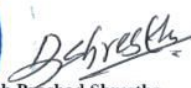
River Falls Power Limited
Statement of Profit or Loss and other Comprehensive Income
For the year ended 31st Ashad 2080 (16 July 2023)

		Figures in NPR	
	Note	2079-80	2078-79
Revenue during construction phase	6	2,050,838,073	1,490,832,950
Cost incurred during construction phase	6	2,050,838,073	1,490,832,950
Gross profit		-	-
Other income	20	300,464	10,814,268
Administrative and other operating expenses	21	10,407,944	18,276,970
Depreciation & Amortisation	22	477,198	590,804
Finance Costs	23	103,586	532,483
Profit/(Loss) Before Tax		(10,688,264)	(8,585,989)
Income Tax Expense			
Current tax		-	-
Deferred tax		-	-
Profit/(Loss) from continuing operations		(10,688,264)	(8,585,989)
OTHER COMPREHENSIVE INCOME			
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods			
i. Changes in the fair value of equity investments at fair value through OCI		(63,100)	197,000
ii. Actuarial Gain/(Loss) on defined Employment benefit		-	-
iii. Gain/Loss on Revaluation		-	-
iv. Income tax relating to items that will not be reclassified to profit or loss		15,775	(49,250)
Other comprehensive gain/(loss) for the year, net of tax.		(47,325)	147,750
Total Comprehensive gain/(loss) for the year, net of tax		(10,735,589)	(8,438,239)
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	24	(1.53)	(1.23)
Diluted Earnings per share - Rs.	24	(1.53)	(1.23)

The accompanying notes are integral part of these financial statements.

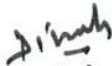
As per our report of even date attached

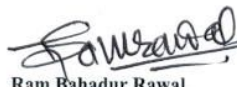

Subhash Amatya
 Chairperson

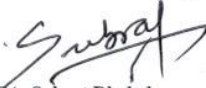


Dinesh Prasad Shrestha
 Director


Nirulal Shrestha
 Director


Shaila Shrestha
 Director


Dinesh Gurung
 Director


Ram Bahadur Rawal
 Account Officer


C.A. Subrat Dhakal
 Principal
 S. Dhakal & Associates
 Chartered Accountants



Date: Chaitra 28, 2080
 Place: Kathmandu

River Falls Power Limited
Statement of Cash Flows
For the year ended 31st Ashad 2080 (16 July 2023)

	Figures in NPR	
	2079-80	2078-79
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	(10,688,264)	(8,585,989)
Adjustments for:		
Depreciation and amortization	477,198	590,804
Finance Income	(5,459)	(5,720)
Provision for expenses	-	-
Working capital adjustments:		
(Increase) / decrease in Other Financial Assets	16,716,600	79,029,000
(Increase) / decrease in Bank Balance other than Cash & Cash Equivalents	9,561,298	(987,098)
(Increase) / decrease in Other Current Assets	(3,059,805)	141,420
Increase / (decrease) in Trade and other payables	20,875,618	81,057,547
Increase / (decrease) in Other Current Liabilities	139,155,241	73,134,718
Cash generated from operations	183,248,952	232,375,588
NET CASH FLOWS FROM OPERATING ACTIVITIES	173,032,428	224,374,682
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
(Increase)/decrease in Intangible assets under development	(558,789,656)	(807,978,089)
(Increase)/decrease in other non-current assets	76,182,764	28,239,889
Acquisition of Property, plant and Equipment	(139,805)	(276,415)
Acquisition of Intangible Assets	-	-
Purchase of Financial Assets	-	(189,000,000)
Finance Income	5,459	5,720
NET CASH FLOWS FROM INVESTING ACTIVITIES	(482,741,238)	(969,008,893)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Prepayment	-	-
Increase in Borrowings	313,313,821	360,252,103
Increment in Share Capital	-	343,000,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	313,313,821	703,252,103
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,605,011	(41,382,108)
CASH AND CASH EQUIVALENTS, Beginning of Period	1,492,552	42,874,660
CASH AND CASH EQUIVALENTS, End of Period	5,097,562	1,492,552

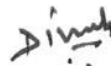
The accompanying notes are integral part of these financial statements.

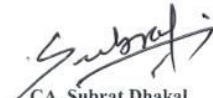
As per our report of even date


Subhash Amatya
Chairperson



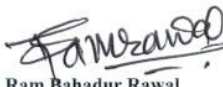

Dinesh Prashad Shrestha
Director


Dinesh Gurung
Director


CA. Subrat Dhakal
Principal
S. Dhakal & Associates
Chartered Accountants


Anuraj Shrestha
Director


Shaila Shrestha
Director


Ram Bahadur Rawal
Account Officer



Date: Chaitra 28, 2080
Place: Kathmandu

River Falls Power Limited
Statement of Changes in Equity
For the year ended 31st Ashad 2080 (16 July 2023)

Particulars	Share Capital	Retained Earnings	Advance towards share capital	Figures in NPR
				Total
Balance at 1 Shrawan 2077	357,000,000	(34,494,701)	-	322,505,299
Adjustment	-	1,380,889	-	1,380,889
Opening Balance After Adjustment	357,000,000	(33,113,812)	-	323,886,188
Profit for the year	-	-	-	-
Other comprehensive income	-	(8,428,004)	-	(8,428,004)
Total comprehensive income	-	(8,428,004)	-	(8,428,004)
Issue of bonus shares	-	-	-	-
Dividends to shareholders	-	-	-	-
Issue of new shares	-	-	-	-
Advance share capital	-	-	-	-
Balance at 31st Ashad 2078	357,000,000	(41,541,816)	-	315,458,184
Profit for the year	-	(8,585,989)	-	(8,585,989)
Other comprehensive income	-	147,750	-	147,750
Total comprehensive income	-	(8,438,239)	-	(8,438,239)
Issue of bonus shares	-	-	-	-
Dividends to shareholders	-	-	-	-
Issue of new shares	343,000,000	-	-	343,000,000
Advance share capital	-	-	-	-
Balance at 32nd Ashad 2079	700,000,000	(49,980,055)	-	650,019,945
Profit for the year	-	(10,688,264)	-	(10,688,264)
Other comprehensive income	-	(47,325)	-	(47,325)
Total comprehensive income	-	(10,735,589)	-	(10,735,589)
Issue of bonus shares	-	-	-	-
Dividends to shareholders	-	-	-	-
Issue of new shares	-	-	-	-
Advance share capital	-	-	-	-
Balance at 31st Ashad 2080	700,000,000	(60,715,644)	-	639,284,356

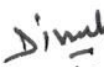
The accompanying notes are integral part of these financial statements.

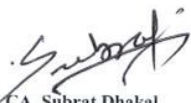
As per our report of even date


Subhash Amatya
Chairperson



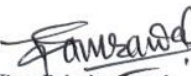

Dinesh Prashad Shrestha
Director


Dinesh Gurung
Director


CA. Subrat Dhakal
Principal
S. Dhakal & Associates
Chartered Accountants


Anuraj Shrestha
Director


Shaila Shrestha
Director


Ram Bahadur Rawal
Account Officer



Date: Chaitra 28, 2080
Place: Kathmandu

River Falls Power Limited
Notes to Financial Statements
For the year ended 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note no: 3

FIRST TIME ADOPTION OF NFRS

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN); with effect from 1 Shrawan, 2079, with a transition date of 1 Shrawan, 2078. These financial statements for the year ended 31 Ashad, 2080 are the first the Company has prepared under NFRS. For all periods up to and including the year ended 32 Ashad, 2079, the Company prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP'). The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the Company has prepared financial statements which comply with NFRS for year ended 31 Ashad, 2080, together with the comparative information as at and for the year ended 32 Ashad, 2079 and the opening NFRS Balance Sheet as at 1 Shrawan, 2078, the date of transition to NFRS. In preparing these NFRS financial statements, the Company has availed certain exemptions and exceptions in accordance with NFRS 1, as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at the transition date under NFRS and Previous GAAP have been recognised directly in equity (retained earnings or another appropriate category of equity). This note explains the adjustments made by the Company in restating its Previous GAAP financial statements, including the Statement of Financial Position as at 1 Shrawan, 2078 and the financial statements as at and for the year ended 32 Ashad, 2079.

A. Exemptions from retrospective application

NFRS 1 allows first-time adopters certain exemptions from retrospective application of certain requirements under NFRS. The Company has elected to apply the following optional exemptions from retrospective application:

a) Deemed cost for property, plant and equipment and intangible assets

The Company has elected to measure all its property, plant and equipment and intangible assets at the Previous GAAP carrying amount as its deemed cost on the date of transition to NFRS.

B. Exceptions to retrospective application

The Company has applied the following exceptions to the retrospective application of NFRS as mandatorily required under NFRS 1:

a) Estimates

On assessment of the estimates made under the Previous GAAP financial statements, the Company has concluded that there is no necessity to revise the estimates under NFRS, as there is no objective evidence that those estimates were in error. However, estimates that were required under NFRS but not required under Previous GAAP are made by the Company for the relevant reporting dates reflecting conditions existing as at that date.

b) Classification and measurement of financial assets

The classification of financial assets to be measured at amortized cost or fair value through other comprehensive income is made on the basis of the facts and circumstances that existed on the date of transition to NFRS.

c) Derecognition of financial assets and liabilities

The Company has applied the derecognition requirements of financial assets and financial liabilities.

C. Transition to NFRS - Reconciliations

The following reconciliations provide the explanations and quantification of the differences arising from the transition from Previous GAAP to NFRS in accordance

- Reconciliation of Equity as at 1 Shrawan, 2078.
- Reconciliation of Equity as at 32 Ashad, 2079.
- Reconciliation of Statement of Profit or Loss and other Comprehensive income for the year ended 32 Ashad, 2079.
- Adjustments to Statement of Cash Flows

Previous GAAP information has been reclassified/regrouped in accordance with NFRS, wherever necessary, based on the audited financial statements of the Company for the year ended 32 Ashad, 2079 and 31 Ashad, 2078.

I. Reconciliation of Equity as at 1 Shrawan, 2078

	Note	Previously reported balance	Reconciliation	NFRS Balance
ASSETS				
Non-Current Assets				
Property, plant and equipment	A	9,858,588	(19,572)	9,839,016
Intangible assets	A	-	19,572	19,572
Intangible assets under development	B	683,934,634	(2,581,031)	681,353,603
Other non-current assets	C	-	441,198,853	441,198,853
Current assets				
Financial assets				
Cash and cash equivalents		42,874,660	-	42,874,660
Bank Balance other than Cash and Cash Equivalents	D	15,549,600	(500)	15,549,100
Investment in Financial Assets measured through OCI	E	100,000	-	100,000
Other financial assets	F	537,085,873	(441,339,773)	95,746,100
Other current assets	G	-	141,420	141,420
Total assets		1,289,403,355	(2,581,031)	1,286,822,324



Handwritten signatures and stamps at the bottom of the page, including a circular stamp of 'S. Dhakal & Associates Chartered Accountants'.

River Falls Power Limited
Notes to Financial Statements
For the year ended 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note no: 3

FIRST TIME ADOPTION OF NFRS

EQUITY AND LIABILITIES

Equity

Share capital		357,000,000	-	357,000,000
Other equity	H	(42,922,705)	1,380,889	(41,541,816)

Non-Current Liabilities

Financial liabilities				
Borrowings	I	522,782,512	(3,961,920)	518,820,592
Deferred Tax Liability	J	-	-	-

Current Liabilities

Financial liabilities				
Borrowings		407,000,000	-	407,000,000
Trade & Other Payables	K	45,543,549	(1,989,401)	43,554,148
Other financial liabilities	K	-	1,989,401	1,989,401
Provisions		-	-	-

Total Equity and Liabilities		1,289,403,355	(2,581,031)	1,286,822,324
-------------------------------------	--	----------------------	--------------------	----------------------

II. Reconciliation of Equity as at 1 Shrawan, 2079

	Note	Previously reported balance	Reconciliation	NFRS Balance
ASSETS				
Non-Current Assets				
Property, plant and equipment	A	8,042,941	(14,103)	8,028,838
Intangible assets	A	-	14,103	14,103
Intangible assets under development	B	1,482,934,030	7,898,920	1,490,832,950
Other non-current assets	C	429,675,563	(16,716,600)	412,958,963
Current assets				
Financial assets				
Cash and cash equivalents		1,492,552	-	1,492,552
Bank Balance other than Cash and Cash Equivalents	D	16,536,698	(500)	16,536,198
Investment in Financial Assets measured through OCI	E	189,100,000	197,000	189,297,000
Other financial assets	F	-	16,717,100	16,717,100
Other current assets	G	-	-	-
Total assets		2,127,781,785	8,095,920	2,135,877,704

EQUITY AND LIABILITIES

Equity

Share capital		700,000,000	-	700,000,000
Other equity	H	(53,009,953)	3,029,898	(49,980,055)

Non-Current Liabilities

Financial liabilities				
Borrowings	I	1,167,671,923	5,016,772	1,172,688,695
Deferred Tax Liability	J	-	49,250	49,250

Current Liabilities

Financial liabilities				
Borrowings		113,384,000	-	113,384,000
Trade and other payables	K	199,735,815	(75,124,120)	124,611,695
Other financial liabilities	K	-	75,124,119	75,124,119
Provisions		-	-	-

Total Equity and Liabilities		2,127,781,785	8,095,919	2,135,877,704
-------------------------------------	--	----------------------	------------------	----------------------

III. Reconciliation of Statement of Profit or Loss and other Comprehensive income for the year ended 31 Ashad, 2079

	Note	Previously reported balance	Reconciliation	NFRS Balance
Revenue during construction phase	L	-	1,490,832,950	1,490,832,950
Cost incurred during construction phase	L	-	1,490,832,950	1,490,832,950
Gross profit		-	-	-



Atul

Debojyoti
Kailash

S.A. Khan
Dr. Anshu
Fauzan



River Falls Power Limited
Notes to Financial Statements
For the year ended 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note no: 3

FIRST TIME ADOPTION OF NFRS

Other income		10,814,268	-	10,814,268
Administrative and other operating expenses	M	18,809,453	(532,483)	18,276,970
Depreciation & Amortisation	N	2,092,062	(1,501,259)	590,804
Finance Costs	M	-	532,483	532,483
Profit / (Loss) Before Tax		(10,087,248)	1,501,259	(8,585,989)
Income Tax Expense				
Current tax		-	-	-
Deferred tax		-	-	-
Net Profit for the year		(10,087,248)	1,501,259	(8,585,989)
Other comprehensive Income:				
Other comprehensive gain/(loss) for the year, net of tax	O	-	147,750	147,750
Total Comprehensive gain/(loss) for the year, net of tax		(10,087,248)	1,649,009	(8,438,239)

A. Property, plant and equipment

Intangible Assets i.e. Software previously classidied as Property, Plant and Equipmetn has now been reclassified under Intangible Assets.

B. Intangible assets under development

- Depreciation expense of the assets used both in site and in the project are segregated into both "Intangible assets under development" and charged to Statement of Profit or Loss in the ratio determined by the management.
- Unamortized loan processing fees and documentation has been reclassified under "Borrowings" which was previously capitalized as borrowing cost.

C. Other non current assets

Capital Advances previously classified under "Advances and Other Receivables" now reclassified under Other non-current assets.

D. Bank Balance other than Cash and Cash Equivalents

Deposits (World Link Deposit) has been reclassified to Other Financial Assets.

E. Investment in Financial Assets measured through OCI

Investment made in Trishuli Cascade Power Pvt. Ltd. and Ngadi Group Power Limited, and their gain/loss has been reclassified under head Financial Assets through OCI.

F. Other financial assets

Capital Advances previously classified under "Advances and Other Receivables" now reclassified under Other non-current assets.

G. Other current assets

Pre Paid Insurance has been reclassified under Other Current Assets.

H. Other equity

- Depreciation expense of the assets used both in site and in the project are segregated into both "Intangible assets under development" and charged to Statement of Profit or Loss in the ratio determined by the management. The depreciation for the year prior to date of transition is reflected directly in Other Equity.
- Changes in Fair Value of Investment in Financial Assets measured through OCI are adjusted through Fair Value Reserve in other equity.

I. Borrowings

Unamortised portion of the loan processing fees previously capitalised under Intangible Assets under development, now reclassified under borrowings.

J. Deferred Tax Liability

Deferred tax related to gain/loss in Investments in financial Assets Measured through OCI.

K. Trade & Other Payables & Other financial liabilities

Trade and Other Payables under GAAP financial statements is segregated into Trade and other payables, and other financial liabilities.

L. Revenue and cost during construction phase

Under previous GAAP, revenue and cost during construction phase was not recognized considering that the project is on construction phase. However, as per the requirement of IFRIC 12, revenue and cost incurred during the construction phase has been recognized in SOPL.

M. Administrative and other operating expenses

Bank Charges has been reclassified into Finance Cost.



Handwritten signatures and initials:
 Deshrestle, S.A. 42, Rautavaad, A. K. S. Thapa, G. A. G., D. S. M.



River Falls Power Limited
Notes to Financial Statements
For the year ended 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note no: 3

FIRST TIME ADOPTION OF NFRS

N. Depreciation & Amortisation

Depreciation expense of the assets used both in site and in the project are segregated into both "Intangible assets under development" and charged to Statement of Profit or Loss in the ratio determined by the management.

O. Other comprehensive gain/(loss) for the year, net of tax

Gain or (loss) on fair value through OCI financial assets net of deferred taxation is presented under Other Comprehensive Income Section.

IV. Adjustments to Statement of Cash Flows

There is no major presentation adjustment in statement of cash flow due to first time implementation of NFRS.


S.A. [Signature] *[Signature]* *[Signature]* *[Signature]* *[Signature]*
[Signature] *[Signature]* *[Signature]* *[Signature]* *[Signature]*


River Falls Power Limited
Notes to Financial Statements
As at 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note no: 4

Property, plant and equipment

	Land	Buildings & Structure	Furniture & Office Equipment	Vehicles	Plant and Machinery	Total
Cost						
Balance at 1st Shrawan 2077	-	-	2,336,916	137,520	-	2,474,436
Additions	-	-	983,981	9,643,573	-	10,627,553
Revaluation and adjustments	-	-	-	-	-	-
Transfer to PPE	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31st Ashad 2078	-	-	3,320,897	9,781,093	-	13,101,989
Additions	-	-	35,415	241,000	-	276,415
Revaluation and adjustments	-	-	-	-	-	-
Transfer to PPE	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 32nd Ashad 2079	-	-	3,356,312	10,022,093	-	13,378,404
Additions	-	-	139,805	-	-	139,805
Revaluation and adjustments	-	-	-	-	-	-
Transfer to PPE	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31st Ashad 2080	-	-	3,496,117	10,022,093	-	13,518,209
Depreciation and impairment losses						
Balance at 1st Shrawan 2077	-	-	1,138,175	67,110	-	1,205,285
Charge for the year	-	-	523,367	1,534,321	-	2,057,688
Adjustment due to Revaluations and others	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31st Ashad 2078	-	-	1,661,542	1,601,431	-	3,262,973
Charge for the year	-	-	418,528	1,668,065	-	2,086,593
Adjustment due to Revaluations and others	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 32nd Ashad 2079	-	-	2,080,070	3,269,496	-	5,349,566
Charge for the year	-	-	336,677	1,350,519	-	1,687,196
Adjustment due to Revaluations and others	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31st Ashad 2080	-	-	2,416,747	4,620,015	-	7,036,762
Net book value						
At 1st Shrawan 2077	-	-	1,198,741	70,410	-	1,269,151
At 31st Ashad 2078	-	-	1,659,355	8,179,662	-	9,839,016
At 32nd Ashad 2079	-	-	1,276,242	6,752,597	-	8,028,838
At 31st Ashad 2080	-	-	1,079,370	5,402,078	-	6,481,447



S.A. 141

Signature of S.A. 141

Signature of S.A. 141



River Falls Power Limited
Notes to Financial Statements
As at 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note no: 5

Intangible assets

	Computer Software	Total
Cost		
Balance at 31st Ashad 2077	11,526	11,526
Additions - Externally acquired	15,820	15,820
Other acquisitions internally developed	-	-
Balance at 31st Ashad 2078	<u>27,346</u>	<u>27,346</u>
Additions - Externally acquired	-	-
Other acquisitions internally developed	-	-
Balance at 32nd Ashad 2079	<u>27,346</u>	<u>27,346</u>
Additions - Externally acquired	-	-
Other acquisitions internally developed	-	-
Balance at 31st Ashad 2080	<u>27,346</u>	<u>27,346</u>
Amortisation and impairment losses		
Balance at 31st Ashad 2077	2,305	2,305
Charge for the year	5,469	5,469
Impairment losses	-	-
Balance at 31st Ashad 2078	<u>7,774</u>	<u>7,774</u>
Charge for the year	5,469	5,469
Impairment losses	-	-
Balance at 32nd Ashad 2079	<u>13,243</u>	<u>13,243</u>
Charge for the year	5,469	5,469
Impairment losses	-	-
Balance at 31st Ashad 2080	<u>18,712</u>	<u>18,712</u>
Net book value		
At 31st Ashad 2077	9,221	9,221
At 31st Ashad 2078	19,572	19,572
At 32nd Ashad 2079	14,103	14,103
At 31st Ashad 2080	8,634	8,634

Gross carrying amount of any fully amortised intangibles that are still in use

Behresth

S.A. Lye



Loila

At the time

Fauzawal



River Falls Power Limited
Notes to Financial Statements
As at 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note 6

Intangible assets under development

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Project Study & Development Expenses	47,060,565	46,483,065	31,098,215
Civil Construction Work	704,611,740	570,297,613	364,922,629
Electro-Mechanical Works	286,658,246	196,943,548	3,100,224
Hydro-Mechanical Works	438,685,567	301,503,312	89,667,005
Transmission Line works	11,981,579	11,862,075	-
Land Purchase & Land Compensation Expenses	35,715,392	32,095,392	27,306,435
Site office Building & Camping Facility	3,525,676	3,525,676	3,525,676
Infrastructure and Access Road	49,358,413	49,358,413	49,291,793
Environmental Mitigation & Social Cost	20,781,075	19,836,075	19,261,075
Project Supervision and Management	80,809,405	66,701,427	41,306,653
Depreciation of Property, Plant & Equipment	4,097,615	2,882,147	1,380,889
Interest During Construction	367,552,800	189,344,207	50,493,010
Total (A+B+C+D+E)	2,050,838,073	1,490,832,950	681,353,603

a) The Company is a developer of hydro electricity. The company is yet to start generation of hydro electricity at the end of FY 2079-80 and currently it is at final stage of construction phase. Profit margin on construction phase is assumed to be 0% (i.e. Revenue is recognised at Cost plus Zero percent markup) and accordingly revenue and cost during construction phase has been recognized which is equal to actual construction cost during the period.
For more detail refer note 2.4 and note 2.17.

b) The Required Commercial Operation Date (RCOD) of the Project has expired since 2079 Ashad 16. As the company has finally started commercial operation since 2080 Shrawan 25, NEA has charged a fine to the company for the delay in COD of the project amounting to NPR 6,729,345.86.

c) Refer Note no: 15 for the details in respect of assets hypothecated/Pledged/ mortgaged as security for borrowings.

Note no: 7

Other non-current assets

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Advance to Suppliers/ Contractors/ Sub-contractors	308,435,199	384,617,963	412,857,853
Advance for land purchase	28,341,000	28,341,000	28,341,000
Total	336,776,199	412,958,963	441,198,853

The company has provided advances to contractors for construction project and advances to other suppliers for purchase of materials required for the construction. These advances will be reclassified to Intangible Assets under development upon settlement with the contractors and suppliers. The advance provided for land purchase will also be reclassified to Intangible Assets under development upon the transfer of all the risk and rewards related to the land along with legal title is transferred to the company.

Note no: 8

Cash and cash equivalents

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Cash on hand	243,384	9,147	40,328
Cash at bank	4,854,178	1,483,405	42,834,332
Total	5,097,562	1,492,552	42,874,660

Note no: 9

Bank Balance other than Cash and Cash Equivalents

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Earmarked Balance with Banks			
Margin money			
Guarantee Margin	5,622,300	12,319,400	3,373,100
LC Margin	1,352,600	4,216,798	12,176,000
Total	6,974,900	16,536,198	15,549,100



S.A. Singh

Asst. Mgr.

D. Shrestha

Kailash

Fauzand
Dimy



River Falls Power Limited
Notes to Financial Statements
As at 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note no: 10

Investment in Financial Assets measured through OCI

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Investment in Unquoted Equity Instruments			
Trishuli Cascade Power Pvt. Ltd. (1,890,000 ordinary shares)	189,000,000	189,000,000	-
Investment in Quoted Equity Instruments			
Ngadi Group Power Limited (1,000 ordinary shares)	233,900	297,000	100,000
Total	189,233,900	189,297,000	100,000

The cost basis of the above financial assets measured at Fair value through other comprehensive income is:

	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Trishuli Cascade Power Pvt. Ltd. (1,890,000 ordinary shares)	189,000,000	189,000,000	-
Ngadi Group Power Limited (1,000 ordinary shares)	100,000	100,000	100,000
Total	189,100,000	189,100,000	100,000

Note no: 11

Other financial assets

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Deposits	500	500	500
Other Receivables	-	16,716,600	95,745,600
Total	500	16,717,100	95,746,100

Note no: 12

Other current assets

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Other Advances	-	-	-
Prepaid Expenses	3,059,805	-	141,420
Total	3,059,805	-	141,420

Note no: 13

Share capital

A. Equity Share Capital

Authorized

10,000,000 Ordinary Equity Shares of Rs. 100 each with voting rights	1,000,000,000	1,000,000,000	1,000,000,000
--	---------------	---------------	---------------

Issued

7,000,000 Ordinary Equity Shares of Rs. 100 each with voting rights	700,000,000	700,000,000	700,000,000
---	-------------	-------------	-------------

Fully Paid

7,000,000/7,000,000/3,570,000 Ordinary Equity Shares of Rs. 100 each with voting rights	700,000,000	700,000,000	357,000,000
---	-------------	-------------	-------------

Total

	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Total	700,000,000	700,000,000	357,000,000

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

Particulars

	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Authorized			
Equity Shares of Rs. 100 each with voting rights	10,000,000	10,000,000	10,000,000
Issued			
Equity Shares of Rs. 100 each with voting rights	7,000,000	7,000,000	7,000,000
Fully Paid			
Equity Shares of Rs. 100 each with voting rights	7,000,000	7,000,000	3,570,000
Issue of new shares	-	3,430,000	1,012,267
Total	7,000,000	7,000,000	3,570,000



S.A. Singh

Bhresth
A. K. Singh

Kailash
Singh

Rameshwar



River Falls Power Limited
Notes to Financial Statements
As at 31st Ashad 2080 (16 July 2023)

Figures in NPR

C. Details of shareholding structure (Proportion)

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Promoters Share	51%	51%	51%
Local IPO	10%	10%	0%
General Public, Employees & Mutual Fund	39%	39%	0%
Total	100%	100%	51%

The Company has only one class of equity shares having par value of NPR 100 per share. Every member holding equity shares therein shall have voting rights in proportion to the member's share of the paid up equity share capital.

Note no: 14

Other equity

	Retained earnings	Fair Value Reserve	Total
Balance at 1 Shrawan 2077	(34,494,701)	-	(34,494,701)
Adjustment due to First Time Adoption as per NFRS 1	1,380,889	-	1,380,889
Opening Balance After Adjustment	(33,113,812)	-	(33,113,812)
Profit for the year	(8,428,004)	-	(8,428,004)
Other comprehensive income	-	-	-
Dividends to shareholders	-	-	-
Balance at 31st Ashad 2078	(41,541,816)	-	(41,541,816)
Profit for the year	(8,585,989)	-	(8,585,989)
Other comprehensive income	-	147,750	147,750
Dividends to shareholders	-	-	-
Balance at 32nd Ashad 2079	(50,127,805)	147,750	(49,980,055)
Profit for the year	(10,688,264)	-	(10,688,264)
Other comprehensive income	-	(47,325)	(47,325)
Dividends to shareholders	-	-	-
Balance at 31st Ashad 2080	(60,816,069)	100,425	(60,715,644)



Debasish
After the

Laila

Kamranul
Dr. M. K.



River Falls Power Limited
Notes to Financial Statements
As at 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note no: 15
Borrowings

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Measured at amortized cost			
Secured Borrowings from Banks			
Term loan	1,416,308,963	1,167,671,923	522,782,512
Bridge Gap Loan	192,171,630	113,384,000	287,000,000
Demand Loan	-	-	120,000,000
Less: Unamortised loan processing fee	(9,094,077)	5,016,772	(3,961,920)
Total	1,599,386,516	1,286,072,695	925,820,592

Particulars	31st Ashad 2080	Current 32nd Ashad 2079	1st Shrawan 2078
Term loan	25,000,000	-	-
Bridge Gap Loan	55,837,355	113,384,000	287,000,000
Demand Loan	-	-	120,000,000
Total	80,837,355	113,384,000	407,000,000

Particulars	31st Ashad 2080	Non-Current 32nd Ashad 2079	1st Shrawan 2078
Term loan	1,391,308,963	1,167,671,923	522,782,512
Bridge Gap Loan	136,334,275	-	-
Demand Loan	-	-	-
Less: Unamortised loan processing fee	(9,094,077)	5,016,772	(3,961,920)
Total	1,518,549,161	1,172,688,695	518,820,592

The credit facilities from the bank are secured by the following:

1. First charge by way of registered mortgage over the entire land, building, plant, Machineries, equipment and spares that are/ or to be created in the future with or without financing to be owned by the project on the pari-passu basis in the favour of consortium banks.
2. First legal charge by way of charge over the entire current assets, present and future, created with or without the financing of the consortium banks owned by the borrower including assignment over the receivables from NEA on pari-passu basis in favour of consortium banks.
3. First charge over receivables from NEA and other receivables to the consortium on pari-passu basis.
4. Authorised charge on the the Power Purchase Agreement signed between NEA and borrower for supply and delivery of energy (electricity) produced by the borrower from its hydropower project Down Piluwa Khola Small Hydropower Project (10.30 MW) and Power Generation License of the borrower in the favour of consortium banks.
5. Charge on escrow account maintained with the lead bank on proportionate basis.
6. Joint and several personal guarantees for NPR 1370 million of the following: Bijay Man Sherchan, Subhash Amatya, Mitralal Shrestha and Aditya Shrestha.
7. Corporate Guarantee of Sunrise Holdings Pvt. Ltd. and Liberty Enterprises Pvt. Ltd.
8. Pledge of entire shares owned by directors and held by promoters (except public holding) of the company in the name of consortium banks.
9. Assignment of Project Guarantee.

Note no: 16
Deferred Tax Liability/ Assets

Deferred tax is calculated on temporary differences using a tax rate of 25%. Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the management believe it is probable that these assets will be recovered.

Reconciliation of deferred tax assets

	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Opening Balance as on 1 Shrawan	(49,250)	-	-
Tax income/(expense) during the period recognized in profit or loss	-	-	-
Tax income/(expense) during the period recognized in OCI	15,775	(49,250)	-
Closing balance as on Ashad end	(33,475)	(49,250)	-

Details of the deferred tax liability, amounts recognized in profit or loss and amounts recognized in other comprehensive income are as follows:

Debretha



B. K. Shrestha

Laila
Dinh

Pamrawad

Gubraj



River Falls Power Limited
Notes to Financial Statements
As at 31st Ashad 2080 (16 July 2023)

Figures in NPR

Particulars	Asset/ (Liability)	(Charged)/Credited to Profit or Loss and OCI
	2079-80	2079-80
Property, Plant and Equipment	-	-
Intangible assets	-	-
Investments	(33,475)	15,775
Total	(33,475)	15,775

Particulars	Asset/ (Liability)	(Charged)/Credited to Profit or Loss and OCI
	2078-79	2078-79
Property, Plant and Equipment	-	-
Intangible assets	-	-
Intangible assets	(49,250)	(49,250)
Total	(49,250)	(49,250)

Particulars	Asset/ (Liability)	(Charged)/Credited to Profit or Loss and OCI
	2077-78	2077-78
Property, Plant and Equipment	-	-
Intangible assets	-	-
Investment in equity instruments	-	-
Total	-	-

Note no: 17

Trade and other payables

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Audit Fees Payable	334,500	111,500	83,625
Lease rent payable	66,000	90,000	45,000
Meeting allowance payable	15,000	5,000	15,000
Retention money payable	13,619,540	44,597,236	16,264,891
Employee related accrual	5,718,113	3,168,019	1,513,779
Accounts payable	44,603,146	8,471,327	-
TDS Payable	8,167,311	7,894,804	3,925,114
Other payables	72,963,704	60,273,809	21,706,739
Total	145,487,313	124,611,695	43,554,148

Note no: 18

Other financial liabilities

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Other payables	214,279,360	75,124,119	1,989,401
Total	214,279,360	75,124,119	1,989,401

Note no: 19

Provisions

Particulars	31st Ashad 2080	32nd Ashad 2079	1st Shrawan 2078
Provision for Leave Encashment	-	-	-
Provision for expenses	-	-	-
Total	-	-	-

Debrech



At the

hail
Shank



River Falls Power Limited
Notes to Financial Statements
For the year ended 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note no: 20
Other income

Particulars	For FY 2079-80	For FY 2078-79
Finance income	5,459	5,720
Miscellaneous Income	295,005	10,808,547
Total	300,464	10,814,268

Note no: 21
Administrative and other operating expenses

Particulars	For FY 2079-80	For FY 2078-79
Salaries and other employee cost	1,695,604	2,023,634
Lodging & Fooding Expenses	1,556,773	1,020,113
Audit Fee and related expenses	339,000	113,000
AGM and Board Expenses	-	38,202
Registration & renewal expenses	2,618,960	354,228
Advertisement Expenses	239,504	-
Communication Expenses	119,849	167,658
Donation and Gifts	905,658	845,311
Guest and Hospitality Expenses	3,900	687,437
Lease rental expense	751,665	600,000
Insurance	-	290,712
IPO Related Expenses	-	8,661,669
Fuel Expenses	488,435	436,273
Meeting Allowance	49,997	61,761
Office Expenses	348,935	398,739
Medical Expenses	4,505	101,905
Water and electricity	145,599	139,783
Printing & Stationary	73,080	176,041
Repair and Maintenance	377,855	514,500
Refreshment Expenses	303,184	593,637
Fine & Penalty Expense	142,188	530,594
Travel Expenses	93,269	281,018
Other expenses	149,984	240,756
Total	10,407,944	18,276,970

Note no: 22
Depreciation & Amortisation

Particulars	For FY 2079-80	For FY 2078-79
Depreciation on Property, Plant & Equipment	471,729	585,335
Amortisation on Intangible Assets	5,469	5,469
Total	477,198	590,804

Note No: 23
Finance Costs

Particulars	For FY 2079-80	For FY 2078-79
Interest Expenses	-	-
Bank Charges	103,586	532,483
Total	103,586	532,483

Note No: 24
Earnings per share

Particulars	For FY 2079-80	For FY 2078-79
Profit for the year	(10,688,264)	(8,585,989)
Weighted average number of equity shares outstanding	7,000,000	7,000,000
Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share)	(1.53)	(1.23)
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	7,000,000	7,000,000
Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share)	(1.53)	(1.23)

Bhrestle



Attest

Saila
Dr. Subir



River Falls Power Limited
Notes to Financial Statements
For the year ended 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note no: 25

Financial Instruments: Classifications and fair value measurements
Fair value measurements

Particulars	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	31st Ashad 2080	32nd Ashad 2079		
Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)				
Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values:				
As at 31st Ashad 2080	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at amortized cost				
Cash and cash equivalents	5,097,562	-	-	5,097,562
Bank Balance other than Cash and Cash Equivalents	6,974,900	-	-	6,974,900
Other financial assets	500	-	-	500
Financial Assets carried at Fair Value				
Investment in Financial Assets measured through OCI	189,233,900	233,900	-	189,000,000
Total Financial Assets	201,306,862	233,900	-	201,072,962
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Loans and borrowings	1,599,386,516	-	-	1,599,386,516
Trade and other payables	145,487,313	-	-	145,487,313
Other financial liabilities	214,279,360	-	-	214,279,360
Total Financial Liabilities	1,959,153,189	-	-	1,959,153,189
As at 32nd Ashad 2079	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at amortized cost				
Cash and cash equivalents	1,492,552	-	-	1,492,552
Bank Balance other than Cash and Cash Equivalents	16,536,198	-	-	16,536,198
Other financial assets	500	-	-	500
Financial Assets carried at Fair Value				
Investment in Financial Assets measured through OCI	189,297,000	297,000	-	189,000,000
Total Financial Assets	207,326,250	297,000	-	207,029,250
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Loans and borrowings	600,761,313	-	-	600,761,313
Trade and other payables	-	-	-	-
Other financial liabilities	75,124,119	-	-	75,124,119
Total Financial Liabilities	675,885,432	-	-	675,885,432

Dhreshtha



A. K. S. S.

Haig

Ramsawal



River Falls Power Limited
Notes to Financial Statements
For the year ended 31st Ashad 2080 (16 July 2023)

Figures in NPR

Note No: 26

RELATED PARTY DISCLOSURES

(a) Relationship

The following are the related parties of the company:

Relationship	Related Parties
1) Shuvam Power Limited	Company with same director
2) Sunrise Holdings Pvt.Ltd	Company with same director
3) Pragyan Securities Pvt. Ltd.	Company with same director
4) Trishuli Cascade Power Pvt.Ltd.	Company with same director
5) Siuri Nagdi Power Limited	Company with same director

(b) Those charged with governance, Key Management Personnel and transaction with them

Those charged with governance of the RFPL include members of Board of directors namely:

Name	Designation	Transaction	Current year	Previous Year
1) Subhash Amatya	Chairperson	Salary & Allowance	-	1,237,475
2) Dinesh Prashad Shrestha	Director	Project Allowance	-	150,000
3) Dinesh Gurung	Director	Salary & Allowance	-	1,009,980
4) Mitralal Shrestha	Director	Salary & Allowance	-	1,009,980
5) Shaila Shrestha	Director	Allowances	-	-

There are no other facilities provided to those charged with governance and key management personnel.

(d) Other related party transactions

Name of the related party	Nature of transaction	Transaction		Closing Balance	
		Current Year	Previous year	Current Year	Previous year
1) Shuvam Power Limited	Other payables	-	-	16,678,809	16,678,809
2) Sunrise Holdings Pvt.Ltd	Other payables	-	-	3,745,000	3,745,000
3) Pragyan Securities Pvt. Ltd.	Other payables	-	-	32,000,000	32,000,000
4) Trishuli Cascade Power Pvt.Ltd.	Other payables	6,189,895	-	6,189,895	-
5) Siuri Nagdi Power Limited	Other payables	-	-	7,850,000	7,850,000

Note No: 27

CAPITAL COMMITMENTS

Particulars

a) Bank Guarantee

Bank Name	Purpose	Current Year	Previous year
Citizens Bank International Limited	As per requirement of Power Purchase Agreement (PPA) with Nepal Electricity Authority (NEA)*	5,700,000	5,700,000
Citizens Bank International Limited	For custom clearance with Mechi and Biratnagar custom office.	2,250,000	33,350,000

* This performance guarantee is released after the successful commercial operation of the project since 2080 Shrawan 25.

Note No: 28

CONTINGENT LIABILITIES

Particulars

a) Required Commercial Operation Date (RCOD)

The power purchase agreement (PPA) with Nepal Electricity Authority (NEA) was signed on 2071.10.18 and the financial closure has been completed on 2077.05.15. The extended Required Commercial Operation Date (RCOD) is 2079.10.27. As per PPA entered between RFPL and NEA, if the Actual Commercial Operation Date is not within RCOD, the project shall pay penalty and fines to NEA calculated as below.

Fine & Penalties = [0.05 x Energy computed for delayed days (from 6 months of RCOD to COD) on the basis of contract energy x PPA Rate at COD]

Actual commercial operation date is 2080.04.25, and RFPL has paid fine amounting NPR 6,729,345.86 for delay in COD of the project.

Behreckle



After this

Kindly Forward
Smth



River Falls Power Limited
Notes to the financial statements for the year ended 31st Ashad 2080

1. Background

River Falls Power Limited (RFPL) is registered under the Companies Act 2063 and under the existing laws of Nepal, for the purpose of implementation, ownership, and operation of the hydroelectricity generation project with its registered office at Kamaladi, Kathmandu, Nepal. The company was registered on 2061-06-19 as a private limited company and later converted into a public limited company on 2072-06-19. RFPL has obtained approval for the development of 10.30 MW Down Puluwa Khola Hydroelectric project located in Sankhuwasabha district. The project is run of river (ROR) type. The company has obtained the generation license from the Ministry of Energy, Water Resources, and Irrigation; Department of Electricity Development (DoED) on 2070-11-04 with validity till 2105-11-03. The power purchase agreement (PPA) with Nepal Electricity Authority (NEA) was signed on 2071-10-18 for the purchase of electricity generated from a 9.5 MW hydroelectric project which was later, on 2077-11-02 agreed in principle with NEA for purchasing the power generated from 0.8 MW hydroelectric project. The financial closure was completed on 2077.05.15. The Required Commercial Operation Date (RCOD) was fixed to be on 2079-10-27.

The financial statements apply to the financial year ended 31st Ashad 2080 (16th July 2023). In the Financial Statements, River Falls Power Limited has been referred to as "RFPL" or "the Company".

The accompanying financial statements have been approved for publication by the Board of Directors of the RFPL in its meeting held on Chaitra 28, 2080. The Board of Directors acknowledges the responsibility for the preparation of financial statements.

2. Significant accounting policies

2.1 Basis of Preparation and measurement

i. Statement of Compliance

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

ii. 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. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

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

iii. Basis of measurement

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

2.2 Critical accounting estimates and judgments

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

Debasish
S. A. Khan
Alister
Laila
Dr. S. K. Poudel
S. K. Poudel
S. K. Poudel





restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized. Revenue generated from production during the trial period is capitalized.

River Falls Power Limited has business of generation of hydro power energy and for this it has obtained license from Nepal Government which is valid till 2105.11.03 B.S. Further, upon the expiration of the term, company shall arrange for the transfer to NEA all the ownership interest in the project for a nominal consideration of 1 Rupee”.

For accounting purposes, it is assumed that the profit margin during construction phase is assumed to be Nil. All the expenses incurred during the suspended period have been fully charged to revenue on basis of management's best estimates considering status of the project.

- i. Depreciation is recognized so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method.
- ii. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.
- iii. Depreciation is provided on the diminishing balance method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on a pro-rata basis in the year of purchase. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows: -

Category of asset	Estimated useful life	Depreciation Rate
Building, Structure	20-25 years	5%
Office equipment	4-7 years	25%
Furniture and Fixtures	4-7 years	25%
Automobiles	5-8 years	20%
Softwares	5 years	20%

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

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

- iv. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.
- v. Depreciation on assets under construction does not commence until they are complete and available for use.
- vi. Depreciation and amortization expenses are allocated to “Intangible Assets under development” and “Depreciation and Amortization expenses” on the basis of management’s best estimates.

i. At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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

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

River Falls Power Limited
Notes to the financial statements for the year ended 31st Ashad 2080

- cash-generating units, or otherwise they are allocated to the smallest cash-generating units for which a reasonable and consistent allocation basis can be identified.
- ii. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
 - iii. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
 - iv. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit and Loss.
 - v. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Profit and Loss.

2.7 Borrowing cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are incurred in the period in which they occur. In determining the borrowing cost eligible for capitalizations under Intangible Assets under Development, any investment income i.e., interest income derived on Bank Call Account is deducted from the borrowing cost incurred in gross.

2.8 Cash and cash equivalents

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

2.9 Inventories

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

2.10 Foreign currency transactions

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

Debrastle



Atul

Kailash
Drish

Pankaj

Yubal



River Falls Power Limited
Notes to the financial statements for the year ended 31st Ashad 2080

2.11 Employment Benefits

The Company has schemes of employment benefits namely provident fund, gratuity fund, and accumulated leave payable as per its personnel bylaw.

Defined contribution plan – Provident Fund and Gratuity

The Company has not paid provident funds and gratuity to the employees as required by the Labour Act 2074.

Short-term and long-term employment benefits

- i. A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period when the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.
- ii. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.
- iii. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the obligation as at the Balance sheet date determined based on actual calculation as per Personnel Bye Laws of the company. An actuarial valuation of compensated absence has not been done as the amount is not significant.

2.12 Taxation

Income Tax

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

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date.

Tax Exemption

As per section 11(3gha), of Income Tax Act, 2058 Nepal, Institution having license to generate, transmit and distribute electricity shall be provided 100% tax exemption up to 10 years and 50% tax exemption up to subsequent 5 years if the commercial electricity generation, transmission, or distribution commences up to Chaitra 2084 B.S.

Deferred tax

- i. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using enacted tax rates at the balance sheet date.
- ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Hence, at this point, deferred tax assets have not been recognized against deductible temporary differences. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.
- iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.13 Earnings per share

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

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares.

Debreck *S.A.M.*  *gaur* *gaur* *gaur* 

River Falls Power Limited
Notes to the financial statements for the year ended 31st Ashad 2080

by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted at the beginning of the period, unless they have been issued at a later date.

2.14 Provisions, contingencies and commitments

- i. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
- ii. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.
- iii. The expense relating to a provision is presented in the statement of profit and loss (except allocated to intangible asset under development as referred in 2.4) net of any reimbursement.
- iv. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.
- v. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.
- vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the standalone financial statements.
- vii. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
- viii. Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.
- ix. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

2.15 Financial Instruments

i. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of 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.

ii. Effective interest 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.

Dehresh *S. A. M.* *R. P. S.* *Sharma* *Kailash* *P. S. S.* *S. S. S.*

River Falls Power Limited

*S. S. S. Associates * Chartered Accountants*

iii. Financial assets

Financial assets at amortized cost

Financial assets are subsequently measured at amortized cost if these financial assets are held within a business model whose objective is to hold these assets 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 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 is carried at fair value through the statement of profit and loss.

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

Impairment of financial assets

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 the 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. A 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.

- i. 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.
- ii. 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 difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognized in statement of profit or loss or retained earnings, as applicable.

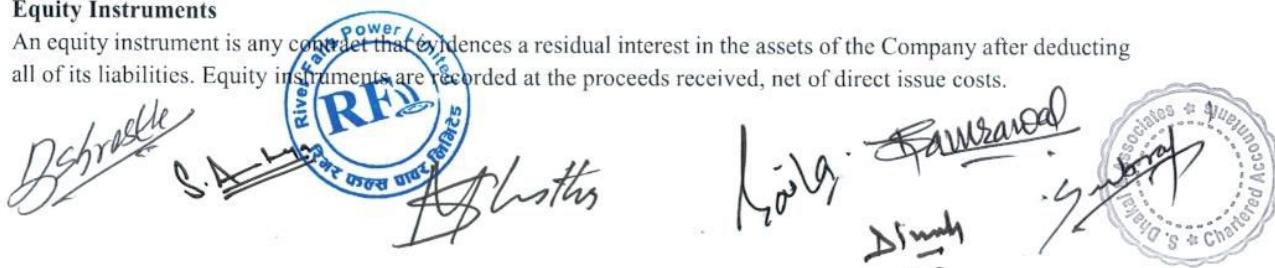
iv. Financial liabilities and equity instruments

Classification as debt or equity

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

Equity Instruments

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



River Falls Power Limited
Notes to the financial statements for the year ended 31st Ashad 2080

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

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

v. Off-setting of financial instruments

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

vi. Fair Value measurement

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

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

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

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

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

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

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

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

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

B. Shrestha
S. A. L.
River Falls Power Limited
River Falls Power Limited
Harish
Kailash
P. K. Shrestha
Dr. K. Shrestha
G. K. Shrestha
Chartered Accountant

River Falls Power Limited
Notes to the financial statements for the year ended 31st Ashad 2080

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

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

2.16 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 fulfilment 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. A lease is classified at the inception date as a finance lease or an operating lease.

The company as a lessee

For any new contracts entered on or after 1st Shrawan 2078, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- a. The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company.
- b. The company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the company has the right to direct the use of the identified asset throughout the period of use.

The company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

The company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

2.17 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.

Behresla
*Apkrother*
Lailg.
Faruwal
Sinh


Intangible asset model

The intangible asset model is used to the extent that the Group, being an operator, receives a right (a license) to charge users of the public service. A right to charge users of a public service 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 is constructing a hydro power project after obtaining license from DoED and will maintain and service the infrastructure during the concession period up to 2105-11-03 BS. The concession arrangement provides RFPL obligation to construct the hydro power, generate electricity and sell the same to Nepal Electricity Authority at rates agreed as per Power Purchase agreement. Further, the concession arrangement gives RFPL the right to use the hydro power project for generating electricity and earn revenue by selling electricity to NEA. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied.

At this point of time, the project is in construction period so all the incidental cost attributable to set up of the project is charged to "Intangible Assets under Development".

2.18 Financial risk management objectives and policies

The Company's business activities expose it to a variety of financial risks, namely primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity, and credit risk, which may adversely impact the fair value of its financial instruments. The Company's Board and senior management has 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.

The Risk Management is done by the Company's management that provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Company's policies and risk objectives.

Credit risk

Credit risk refers to the risk that a counterparty including its subsidiaries and associates will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. In addition, the Company is exposed to credit risk in relation to financial guarantees given to banks provided by the Company. The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on. This amount has been recognized in the financial position as Current liabilities.

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, in case of KEL, the interest rate risk is not much influenced by market forces, it has minimal risk associated with the interest rate fluctuations.

Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its 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. In doing this, management considers both normal and stressful conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

The Company's Finance department regularly monitors the cash position to ensure it has sufficient cash on-going basis to meet operational needs.

Behrath *S. A. Singh* *R. K. Singh* *Harib* *S. A. Singh* *S. A. Singh* *S. A. Singh*



2.19 Capital Management

For the purpose of the Company's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the company. The Company manages its capital 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 judgment of the appropriate balance of key elements in order to meet its strategic and day-to-day 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.

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

Bhaskar
S.A. Singh
*Atul Kumar*
Harish
Singh
Harish
Singh
