नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(Established under the Nepal Chartered Accountants Act, 1997)

Fiscal Year: 2078/79

UDIN Document

Date / Time: 2024-03-10 12:35:22	**UDIN Number:** 240310CA00510TKybW
Member Name: SUBRAT DHAKAL	**Date of Signing Document:** 2024-02-09
Document Type: Audit	**Audit Type:** Statutory Audit
Office Type: Unlisted Public Company	**Office Name:** River Falls Power Limited
Type of Audit Opinion: Disclaimer Of Opinion	**Period (AD):** 2021-07-16 to 2022-07-16
PAN No: 301742191	

Financial figures

S.N.	Heading	Amount
1	**Total Asset/Liabilities**	**NRs. 2127781784**
2	**Gross Revenue/Turnover**	**NRs. 10814268**
3	**Gross Expenses**	**NRs. 20901515**
4	**Net Profit Or Loss**	**NRs. -10087248**

Status: Active Document

Document Description:

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

Disclaimer Opinion

We have audited the financial statements of **M/s Rivers Falls Power Limited (the Company)**, which comprise the balance sheet as at Ashadh 32, 2079, and the income statement, cash flow statement 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.

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

Basis for disclaimer 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 disclaimer of opinion.

The company has prepared financial statements based on Nepal Accounting Standards as disclosed in Schedule 13 Note no 2.2 of Significant Accounting Policies and Notes to Accounts but the applicable financial reporting framework for entities those having public accountability (is in the process of issuing equity instruments) was changed to of Nepal Financial Reporting Standards from Nepal Accounting Standards effective from fiscal year July 15, 2021. Para 21 of NFRS required that the entity's first Nepal Financial Reporting Standards complaint financial statements shall include at least three statements of financial position, two statements of comprehensive income, two separate income statements (if presented) two statements of cash flows and two statements of changes in equity and related notes, including comparative information.

However, Nepal Financial Reporting Standards based financial statements have not been prepared and financial information of previous years have not been restated and disclosed based on provisions of Nepal Financial Reporting Standards1.The cumulative effect of not restating, presenting and disclosing financial information based on Nepal Financial Reporting Statements is uncertain and could be material and pervasive.

S. Dhakal & Associates
Chartered Accountants

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 Accounting 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.

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.

S. Dhakal & Associates Chartered Accountants

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

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

Report on Other Legal and Regulatory Requirements

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 32 Ashadh, 2079; and

    ii. In the case of Statement of Profit or Loss, of the results of operations of the Company for the year ended on 32 Ashadh, 2079; and

    iii. In the case of the Statement 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.

S. Dhakal & Associates Chartered Accountants

CA Subrat Dhakal
Proprietor
S. Dhakal & Associates
Chartered Accountants
Mem. No: 510
CoP No: 474
UDIN: 240310CA00510TKybW

Date: 26.10.2080
Place: Kathmandu, Nepal

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Balance Sheet
As at Ashad 32, 2079 (16 July 2022)

Amount in Rs.

Particulars	Sch	Ashad 32, 2079	Ashad 31, 2078
Assets			
Non Current Assets			
Property, Plant & Equipment	1	8,042,941	9,858,588
Capital Work In Progress	2	1,482,934,030	683,934,634
Investments	3	189,100,000	100,000
Current Assets			
Cash and Cash Equivalents	4	1,492,551	42,874,660
Advances and Other Receivables	5	429,675,563	537,085,873
Deposits and Margins	6	16,536,698	15,549,600
Total		**2,127,781,784**	**1,289,403,355**
Equity and Liabilities			
Equity			
Share Capital	7	700,000,000	357,000,000
Reserve and Surplus	8	(53,009,953)	(42,922,705)
Non Current Liablities			
Long Term Loan	9	1,167,671,923	522,782,512
Current Liabilities			
Short Term Loan	10	113,384,000	407,000,000
Trade and Other Payables	11	199,735,814	45,543,549
Total		**2,127,781,784**	**1,289,403,355**

Significant accounting polices and Notes to Accounts 13
Schedules 1-13 form integral part of the financial statements.

As per our report of even date

S. Dhakal & Associates Chartered Accountants

Subhash Amatya
Chairman

Dinesh Prashad Shrestha
Director

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

River Falls Power Limited RF

Dinesh Gurung
Director

Mitralal Shrestha
Director

Ram Bahadur Rawal
Account Officer

Date: Poush 16 , 2080
Place: Kathmandu

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Income Statement
For the year ended Ashad 32, 2079 (16 July 2022)

Amount in Rs.

Particulars	Sch	2078/79	2077/78
Revenue			
Sales Revenue			-
Interest Income		5,720	6,273
Other Income		10,808,547	-
Total Revenue		**10,814,268**	**6,273**
Expenses			
Administrative Expenses	12	18,809,453	6,371,121
Depreciation		2,092,062	2,063,157
Total Expenses		**20,901,515**	**8,434,278**
Profit/(Loss) before Tax		**(10,087,248)**	**(8,428,004)**
Provision for Income Tax		-	-
Deferred Tax Income/(Loss)		-	-
Net Profit/(Loss) for the year		**(10,087,248)**	**(8,428,004)**

Schedules 1-12 form integral part of the financial statements.

As per our report of even date

Subhash Amatya
Chairman

Dinesh Prashad Shrestha
Director

CA. Subrat Dhakal
Principal
S Dhakal & Associates
Chartered Accountants

Dinesh Gurung
Director

Mitralal Shrestha
Director

Ram Bahadur Rawal
Account Officer

Date: Poush 16 , 2080
Place: Kathmandu

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Cash Flow Statement
For the year ended Ashad 32, 2079 (16 July 2022)

Amount in Rs.

Particulars	2078/79	2077/78
A. Cash Flow from operating activities:		
Net Profit / (Loss) before tax	(10,087,248)	(8,428,004)
Adjustment for:		
Disposal of Fixed Assets		-
Depreciation	2,092,062	2,063,157
Operating profit/loss before working capital change	**(7,995,186)**	**(6,364,847)**
Change in Advances and Other Receivables	107,410,310	(326,669,951)
Change Deposits and Margins	(987,098)	(14,123,600)
Change in Trade and Other Payables	154,192,265	17,033,556
Net cash flow from operating activities (A)	**252,620,292**	**(330,124,843)**
B. Cash Flow from Investing activities:		
Purchase of Property, Plant & Equipment	(276,415)	(10,643,373)
Sale of Property, Plant & Equipment	-	-
Change in Investment	(189,000,000)	98,254,000
Change in Capital Work In Progress	(798,999,396)	(523,231,341)
Net cash flow from investing activities (B)	**(988,275,811)**	**(435,620,715)**
C. Cash Flow from Financing activities:		
Change in Share Capital	343,000,000	101,226,700
Change in Advance for Share Caoital	-	(76,878,878)
Change in Loans Liabilities	351,273,411	779,782,512
Net cash flow in financing activities (C)	**694,273,411**	**804,130,334**
Net increases/(Decrease) in cash and cash equivalent (A+B+C)	**(41,382,109)**	**38,384,776**
Cash and bank equivalents at the beginning of the year	42,874,660	4,489,883
Cash and bank balance at the end of the year	**1,492,551**	**42,874,660**

As per our report of even date

S. Dhakal & Associates Chartered Accountants

Subhash Amatya
Chairman

Dinesh Prashad Shrestha
Director

CA. Subrat Dhakal
Principal
S Dhakal & Associates
Chartered Accountants

River Falls Power Limited

Dinesh Gurung
Director

Mitralal Shrestha
Director

Ram Bahadur Rawal
Account Officer

Date: Poush 16 , 2080
Place: Kathmandu

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Statement of Changes in Equity
For the year ended Ashad 32, 2079 (16 July 2022)

Amount in Rs.

Particulars	Share Capital	Advance for Share Capital	Reserve & Surplus	Total
Opening Balance	357,000,000	-	(42,922,705)	**314,077,295**
Adjustments for Profit/Loss accounts			-	-
Restated opening Balance	**357,000,000**	-	**(42,922,705)**	**314,077,295**
Increase in share capital	343,000,000	-	-	**343,000,000**
Net profit/(Loss)for the year	-		(10,087,248)	**(10,087,248)**
Balance as Ashad 32, 2079	**700,000,000**	-	**(53,009,953)**	**646,990,047**

As per our report of even date

Subhash Amatya
Chairman

Dinesh Prashad Shrestha
Director

CA. Subrat Dhakal
Principal
S Dhakal & Associates
Chartered Accountants

Dinesh Gurung
Director

Mitralal Shrestha
Director

Ram Bahadur Rawal
Account Officer

Date: Poush 16 , 2080
Place: Kathmandu

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Schedule 1 - Property, Plant and Equipment

Amount in Rs.

Pool	Particulars	Rate	Gross Block (At Cost)			Depreciation/Amortization			Written Down Value	
			As at Shrawan 1, 2078	Additions during the year	As at Ashad 32, 2079	As at Shrawan 1, 2078	For the year	As at Ashad 32, 2079	As at Ashad 32, 2079	As at Ashad 31, 2078
A	Land									
B	Buildings & Structure	5%	-		-	-	-	-	-	-
C	Furniture & Office	25%	3,320,897	35,415	3,356,312	1,661,542	418,528	2,080,070	1,276,242	1,659,355
D	Vehicles	20%	9,781,093	241,000	10,022,093	1,601,431	1,668,065	3,269,496	6,752,597	8,179,662
E	Plant and Machinery	15%	-		-	-	-	-	-	-
F	Software	5 yrs	27,346		27,346	7,774	5,469	13,243	14,103	19,572
	Total		**13,129,335**	**276,415**	**13,405,750**	**3,270,747**	**2,092,062.00**	**5,362,809**	**8,042,941**	**9,858,588**

River Falls Power Limited
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S. Dhakal & Associates
Chartered Accountants

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Schedules to Financial Statements
As at Ashad 32, 2079 (16 July 2022)

Schedule - 2 Capital Work In Progress Amount in Rs.

Particulars	Ashad 32, 2079	Ashad 31, 2078
Project Study & Development Expenses	46,483,065	31,098,215
Civil Construction Work	570,297,613	364,922,629
Electro-Mechanical Works	196,943,548	3,100,224
Hydro-Mechanical Works	301,503,312	89,667,005
Transmission Line works	11,862,075	-
Land Purchase & Land Compensation Expenses	32,095,392	27,306,435
Site office Building & Camping Facility	3,525,676	3,525,676
Infrastructure and Access	49,358,413	49,291,793
Environmental Mitigation & Social Cost	19,836,075	19,261,075
Project Supervision and Management	66,701,427	40,806,653
Miscellaneous & Contingencies	-	500,000
Interest During Construction	184,327,434	54,454,930
Total	**1,482,934,030**	**683,934,634**

Schedule - 3 Investments Amount in Rs.

Particulars	Ashad 32, 2079	Ashad 31, 2078
Trishuli Cascade Power Pvt. Ltd. (1,890,000 ordinary shares of Rs 100 each fully pais up)	189,000,000	-
Ngadi Group Power Limited (1,000 ordinary shares of Rs 100 each fully pais up)	100,000	100,000
Total	**189,100,000**	**100,000**

Schedule - 4 Cash and Cash Equivalents Amount in Rs.

Particulars	Ashad 32, 2079	Ashad 31, 2078
Cash in Hand	9,146	40,328
Century Commercial Bank Limited	45,345	44,732
Guheswori Mechant Banking & Finance	248,515	243,708
Nepal Investment Bank Ltd.	308,329	10,632
Lumbini Bikash Bank Limitied	5,000	5,000
Global IME Bank Limited	6,856	7,106
Citizens Bank International Ltd.	845,771	42,472,342
Prabhu Bank Limited	23,589	50,812
Total	**1,492,551**	**42,874,660**

River Falls Power Limited
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S. Dhakal & Associates
Chartered Accountants

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Schedules to Financial Statements
As at Ashad 32, 2079 (16 July 2022)

Schedule - 5 Advances and Other Receivables Amount in Rs.

Particulars	Ashad 32, 2079	Ashad 31, 2078
Advances		
Dhaulagiri Construction & Development Pvt. Ltd	105,131,885	129,320,326
Ishan Construction Pvt.Ltd.	-	45,874,752
Hydro Design Management Co.Pvt.Ltd	25,527,910	12,844,030
S.B. Construction	113,259,260	-
Motherland Hydro Builders Pvt.Ltd.	-	5,500,000
Mecamidi HPP India Private Limited	16,155,932	93,059,962
Sevcik Hydro S.R.O.	7,341,985	-
CNC Tvar S.R.O+A87	13,374,240	-
JCO Gas Pipe Limited	11,975,697	17,377,780
CBMEW (India) Pvt.Ltd.	5,214,228	-
NASA Structure & Hydr. Works Pvt.Lt	23,482,803	9,415,000
Precise Hydro Eng. & Con.Pvt.Ltd	55,865,214	21,440,000
Three Dimentional Freight & Cargo Pvt.Ltd.	-	69,043,936
Advance for Land Purchase	29,241,000	28,341,000
Guru Dahal	3,500,000	3,500,000
Ramesh Basnet	76,320	76,320
Angel Engineering Consultancy P.Ltd.	193,680	229,980
Realtime Automation Pvt.Ltd.	200,000	200,000
Advance Others	2,418,810	1,180,768
Yagya Subedi	-	3,795,000
Pre-Paid Insurance	-	141,420
Other Receivables	16,716,600	95,745,600
Total	**429,675,563**	**537,085,873**

Schedule - 6 Deposits and Margins Amount in Rs.

Particulars	Ashad 32, 2079	Ashad 31, 2078
Deposits		
World Link Deposit	500	500
Margins		
Guarantee Margin	12,319,400	3,373,100
LC Margin	4,216,798	12,176,000
Total	**16,536,698**	**15,549,600**

River Falls Power Limited
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S. Dhakal & Associates
Chartered Accountants

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Schedules to Financial Statements
As at Ashad 32, 2079 (16 July 2022)

Schedule - 7 Share Capital Amount in Rs.

Particulars	Ashad 32, 2079	Ashad 31, 2078
Authorised Share Capital		
10,000,000 Ordinary shares of Rs.100 each	1,000,000,000	1,000,000,000
Issued Share Capital		
7,000,000 Ordinary shares of Rs.100 each	700,000,000	700,000,000
Paid Up Share Capital		
7,000,000 (3,570,000) Ordinary shares of Rs.100 each	700,000,000	357,000,000
Total	**700,000,000**	**357,000,000**

Schedule - 8 Reserve and Surplus Amount in Rs.

Particulars	Ashad 32, 2079	Ashad 31, 2078
Accumulated profit/Loss up to previous year	(42,922,705)	(34,494,701)
Profit/(Loss) during the year	(10,087,248)	(8,428,004)
Total	**(53,009,953)**	**(42,922,705)**

Schedule - 9 Long Term Loans Amount in Rs.

Particulars	Ashad 32, 2079	Ashad 31, 2078
Term Loan - Citizens Bank	574,851,451	258,555,804
Term Loan - Prabhu Bank	221,125,961	99,028,531
Term Loan - Nepal Investment Bank	371,694,510	165,198,177
Total	**1,167,671,923**	**522,782,512**

Schedule - 10 Short Term Loans Amount in Rs.

Particulars	Ashad 32, 2079	Ashad 31, 2078
Bridge Gap Loan - Citizens Bank International Ltd.	113,384,000	287,000,000
Demand Loan - Citizens Bank International Ltd.	-	120,000,000
Total	**113,384,000**	**407,000,000**

River Falls Power Limited
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S. Dhakal & Associates
Chartered Accountants

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Schedules to Financial Statements
As at Ashad 32, 2079 (16 July 2022)

Schedule - 11 Trade and Other Payables Amount in Rs.

Particulars	Ashad 32, 2079	Ashad 31, 2078
Audit Fees Payable	111,500	83,625
Gratuity Payable	248,050	91,195
Payable to Staff	2,284,019	1,234,204
Staff CIT Payable	635,950	188,380
Retention Payable	44,597,236	16,264,891
Muktinath Capital Limited	-	583,100
S.D. & Associates	-	55,750
Shuvam Power Limited	16,678,809	9,440,970
K&D Associates	-	167,250
Sunrise Holdings Pvt.Ltd	3,745,000	3,400,000
Pragyan Securities Pvt. Ltd.	32,000,000	-
Three Dimentional Freight & Cargo Pvt.Ltd.	7,334,027	-
House Rent payable	90,000	45,000
Meeting Allowance Payable	5,000	15,000
Raj Kumar Karki	-	200,000
Siuri Nagdi Power Limited	7,850,000	7,850,000
PNET-CSD JV	1,137,300	-
TDS Payable	7,894,804	3,925,114
Other Payables	75,124,119	1,999,070
Total	**199,735,814**	**45,543,549**

River Falls Power Limited
RF
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S. Dhakal & Associates
Chartered Accountants

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Schedules to Financial Statements
For the year ended Ashad 32, 2079 (16 July 2022)

Schedule - 12 Administrative Expenses Amount in Rs.

Particulars	2078/79	2077/78
Advertisement Expenses	-	57,996
AGM Expenses	38,202	84,526
Audit Fee	113,000	84,750
Bank Charge	532,483	188,275
Communication Expenses	167,658	52,968
Dashain Allowance	320,000	39,000
Donation and Gifts	845,311	578,333
Registration and Renewal exp.	354,228	204,965
Guest and Hospitality Expenses	687,437	125,350
House Rent	600,000	723,250
Insurance Expenses	290,712	35,381
IPO Related Expenses	8,548,669	981,000
IPO Rating Fees	113,000	226,000
Lodging & Fooding Expenses	1,020,113	236,496
Certification expenses	56,500	67,800
Fuel Expenses	436,273	95,721
Meeting Allowance	61,761	61,761
Membership Fees	-	15,000
Misc. Expenses	184,256	102,787
Office Expenses	398,739	370,745
Medical Expenses	101,905	-
Electricity and Water	139,783	75,216
Printing & Stationary	176,041	135,556
Repair and Maintenance	514,500	117,389
Salary and wages	1,703,634	1,251,914
Refreshment Expenses	593,637	255,123
Fine & Penalty Expense	530,594	83,582
Travel Expenses	281,018	116,736
Web Site Expenses	-	3,500
Total	**18,809,453**	**6,371,121**

River Falls Power Limited
Kathmandu-28, Kamladi, Nepal

Schedule 13
Significant Accounting Policies and Notes to the Accounts

1 General Information

1.1 River Falls Power Limited is a limited company registered with Office of Company Registrar on 2061.06.19 vide registration number 140905/061/62. The company has been converted to Public Limited Company (Public Ltd. No. 140905/072/073) during the FY 2072/73 under the Company Act, 2063.The Company is registered with Inland Revenue Department on 2061.06.20 vide PAN 301742191.

The main objective of the company is to construct hydroelectricity project and generate revenue by electricity production. The Company has been construction Down Piluwa Hydro Power Project of 10.3 MW

1.2 **Approval of Financial Statements by Board of Directors**

The Financial Statements for the year ended on Ashad 32, 2079 was approved for issue on Poush 16, 2080. The Board of Directors acknowledges the responsibility of preparation of financial statements.

2 Significant Accounting Policies & Notes to the Accounts

2.1 Accounting Convention

The financial statements are presented on a historical cost convention, following accural basis of accounting.

2.2 Statement of Compliance

The Financial Statements have been prepared in accordance with Nepal Accounting Standards ("NAS"), unless otherswise stated, Generally Accepted Accounting Principles ("GAAP") and in compliance with Companies Act, 2063.

2.3 Use of estimates

The preparation of the financial statements in conformity with GAAP and NAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of balance sheet. Actual amount could differ from those estimates. Any differences from those estimates are recorded in the period in which they are identified.

2.4 Going Concern

The Directors have made an assessment of River Falls Power Limited ability to continue as going concern and is satisfied that it has resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainty that may cast significant doubt upon company's ability to continue as going concern and do not intend either to liquidate or to cease operations of it. Therefore, the financial statements are prepared on going concern.

Bshrestha S.A Dinesh A.Jha Samrawal Subraj

River Falls Power Limited RF रिभर फल्स पावर लिमिटेड

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2.5 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue and associated costs incurred or to be incurred can be reliably measured. The project is under construction phase and no revenue has been generated.

2.6 Property, Plant & Equipment

Property, Plant & Equipment have been accounted at cost of purchase/construction plus the incidental expenses related to such purchase/construction.

Depreciation on Property, Plant & Equipment has been calculated on diminishing balance value method. Depreciation rate and method has been adopted as prescribed by Income Tax Act, 2058.

2.7 Capital Work in Progress

All direct expenses in connection with development and construction of the project have been presented as Capital Work In Progress. Borrowing cost incurred during the year are against the amount borrowed for the purpose of construction, hence the interest thereon is treated as Capital Work in Progress, which shall be capitalised on the respective assets upon completion of the project.

2.8 Investment

The Company has investment of Rs. 100,000 in Nagdi Group Power Limited. The investment are in the form of equity shares and are stated at Rs.100/share.

2.9 Income Tax

Current Tax: Provision for current tax is recognized as per applicable provisions of Income Tax Act, 2058 & Rules, 2059 along with amendments that are applicable in particular income year. No income tax provision is provided as company is bearing net losses.

Deferrred Tax: Deferred taxes are recognized on temporary differences that arise among financial accounts and tax accounts. A deferred tax asset is recognized on future deductible difference where as deferred tax liability is recognized on future taxable difference arising as on balance sheet date. Company has not recognised deferred tax assets on account of unused carry forward tax losses.

2.10 Required Commercial Operation Date (RCOD)

RCOD of the Down Piluwa Hydropower project as per six amendement between Nepal Electricity dated 2080/02/31 is 2079/10/27.

As per Power Purchase Agreement entered between Riverfalls Power Limited and Nepal Electricty Authority on 2071/10/18 if the Acutal Commecial Operation Date is not within ROCD, the project shall pay penalty and fines to Nepal Electrictiy Authority calculated as below.

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

Actual Commercial Operation date as per the later dated 2080.05.26 of Nepal Electricity Authority,

River Falls Power Limited

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2.11 Related Paries Transaction

a) Directors Salary and/or Allowance

Name	Relationship	Transaction	Amount Rs.
1. Subhash Amatya	Chairman	Salary & Allowance	1,237,475
2. Mitra Lal Shrestha	Director	Salary & Allowance	1,009,980
3. Dinesh Gurung	Director	Salary & Allowance	1,009,980
4. Dinesh Prashad Shrestha	Director	Project Alowance	150,000

2.12 Performance Bond Guarantee

The Company has deposited a performance bond guarantee for an amount Rs. 5,700,000 for signing Power Purchase Agreement with Nepal Electricity Authority and Rs. 33,350,000 for custom clearance with Mechi and Biratnagar custom office.

2.13 Previous year's figures have been regrouped and rearranged wherever necessary to facilitate comparison.

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