



# Dipendra Phuyal & Associates

CHARTERED ACCOUNTANTS

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Kathmandu, Nepal

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## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF BHUGOL ENERGY DEVELOPMENT COMPANY LTD.

#### Opinion

We have audited the financial statements of Bhugol Energy Development Company Ltd. (referred to as the "Company"), which comprise the Statement of Financial Position as at Ashadh 32, 2079 (July 16, 2022), and the Statement of Profit or Loss, and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the Financial Position of the Company as at Ashadh 32, 2079 (July 16, 2022), and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards [NFRS].

#### Basis for Opinion

The company has amortized its intangible assets by 33 years, however as per the Power Purchase Agreement with Nepal Electricity Authority, the agreement is valid for 30 years from commercial operation date or period as per generation license, whichever is less. Hence, the intangible assets are to be amortized by 33 years instead of 30 years which has decreased the amortization expenses resulting in Intangible Assets to be overvalued by such shortfall in amortization in the previous years.

The Company has not complied with the provisions of the Labour Act, 2074 relating to gratuity and leave encashment. Also, the Company has not complied with the provisions of Social Security Act, 2075.

We conducted our audit in accordance with Nepal Standards on Auditing [NSA]. 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 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. We believe that the audit evidences we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### Emphasis of Matter

We draw attention to deferred tax, which have not been recognized due to the tax holiday. Our opinion on the financial statements is so far as it relates to the amounts and disclosures included in respect of such matter is based solely on the available management representation provide to us.





We draw attention to the other income recognized by the Company amounting NPR 205,117,467.98 which includes income from access road sharing NPR 35,000,000, write-off of advance from director amounting NPR 39,630,000, write-off of payable to vendor amounting 5,837,467.87, and income from transferring right to use transmission line to other company amounting NPR 124,650,000. These incomes are solely based on the agreements, minutes of meetings of the board of directors, and management representation letter made available to us.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

### **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 Standard (NFRS), 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 BEDCL'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 BEDCL or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement whether caused due to fraud or error, and to issue 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.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of BEDCL'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.

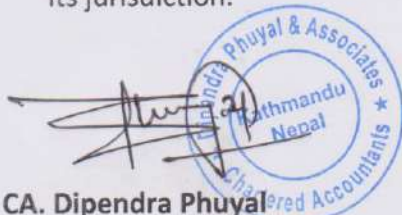


- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BEDCL to express an on Financial Statements. We are responsible for the direction, supervision and performance of the audit. We remain responsible solely for our audit opinion.

### Report on Other Legal and Regulatory Requirements

We have determined to communicate following matters in accordance with the Companies Act, 2063, and other regulatory requirements: -

- We have obtained all the information and the explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- Based on our audit, proper books of accounts as required by law have been kept by the Company.
- The Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Cash Flow Statement, and the Statement of Changes in Equity dealt with by this report are in agreement with the books of accounts maintained by the Company.
- Companies Act, 2063 requires public companies to hold at least six meetings of board directors in a year, which has not been complied by the Company.
- BEDCL has not provided provident fund, gratuity, leave facility, and insurance to its staffs as required under Labor Act, 2074.
- The Company has not complied with the provisions of the Social Security Act, 2075.
- In our opinion and to the best of our information and according to the explanations and from our examination of the books of accounts of the Company, we have not come across any case where the Board or Directors or any office bearer of the Company have acted contrary to the provisions of law, or committed any misappropriation or caused any loss or damage to the Company and violated or acted in a manner, as would jeopardize the interest and security of the Company, its shareholders.
- The business of the Company has been conducted satisfactorily and operated within its jurisdiction.



**CA. Dipendra Phuyal**  
 Proprietor  
**Dipendra Phuyal & Associates**  
 Chartered Accountants  
 UDIN: 221011CA013335cHTV

Place: Kathmandu  
 Date: October 10, 2022



## Bhugol Energy Development Company Ltd.

Thapagau, Kathmandu, Nepal

### Statement of Financial Position

As at Ashadh 32, 2079 (16 July 2022)

*Figures in NRs*

Particulars	Note	Current Year	Previous Year
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	3.1	685,101,382	709,902,777
Intangible Assets	3.2	-	-
Biological Assets	3.3	-	-
Investment Property	3.4	-	-
Investment in Associates	3.4	-	-
Other Investments	3.5	-	-
Deferred-tax Assets	3.6	-	-
Other Receivables	3.7	-	-
<b>Total Non Current Assets</b>		<b>685,101,382</b>	<b>709,902,777</b>
<b>Current Assets</b>			
Investments	3.5	-	-
Inventories	3.8	-	-
Biological Assets	3.3	-	-
Income Tax Receivable		-	-
Trade & Other Receivable	3.7	245,665,605	25,653,230
Cash & Cash Equivalents	3.9	1,016,670	12,711
Assets classified as held for sale		-	-
<b>Total Current Assets</b>		<b>246,682,275</b>	<b>25,665,941</b>
<b>Total Assets</b>		<b>931,783,657</b>	<b>735,568,717</b>
<b>Equity</b>			
Equity Share Capital	3.10	380,837,400	241,139,500
Reserves	3.11	(101,901,411)	(123,612,702)
Non Controlling Interests		-	-
<b>Total Equity</b>		<b>278,935,989</b>	<b>117,526,798</b>
<b>Liabilities</b>			
Loans & Borrowing	3.12	372,284,000	534,300,000
Employee Benefits	3.13	-	-
Deferred Government Grants/Revenue		-	-
Derivative Financial Liabilities	3.5	-	-
Provisions	3.14	-	-
Deferred Tax Liabilities	3.6	-	-
<b>Total Non-Current Liabilities</b>		<b>372,284,000</b>	<b>534,300,000</b>
<b>Current Liabilities</b>			
Loans & Borrowings	3.12	274,755,428	34,322,263
Trade & Other Payable	3.15	2,498,605	49,419,656
Income Tax Liability		-	-
Employee Benefits	3.13	-	-
Provisions	3.14	3,309,634	-
Derivative Financial Liabilities	3.5	-	-
Liabilities Directly Associated with assets classied as held for sale		-	-
<b>Total Current Liabilities</b>		<b>280,563,667</b>	<b>83,741,919</b>
<b>Total Liabilities</b>		<b>652,847,667</b>	<b>618,041,919</b>
<b>Total Equity &amp; Liabilities</b>		<b>931,783,657</b>	<b>735,568,717</b>

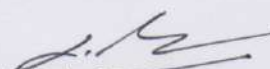
*Significant Accounting Policies & Notes to Accounts*

*Schedules referred to above form an integral part of the Statement of Financial Position*

Saurav Aryal  
Chairman

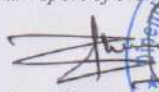




Rajendra Gautam  
Director



*As per our report of even date*

CA. Dipendra Phuyal  
Dipendra Phuyal & Associates  
Proprietor  
Chartered Accountants

Date : 10 October 2022  
Place : Kathmandu Nepal

**Bhugol Energy Development Company Ltd.**

Thapagau, Kathmandu, Nepal

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

For the year ended 32 Ashadh 2079 (16 July 2022)

*Figures in NRs*

Particulars	Note	Current Year	Previous Year
Revenue from Operations	3.19	42,899,548	50,022,773
Cost of Sales	3.17	1,211,303	1,841,352
<b>Gross Profit</b>		<b>41,688,245</b>	<b>48,181,421</b>
Other Income	3.19	228,214,607	-
Distribution Expenses	3.20	-	-
Administration Expenses	3.21	(15,225,572)	(6,233,298)
Other Operating Expenses	3.22	-	-
Depreciation	3.1	(437,140)	(548,894)
Amortization	3.2	(23,601,381)	(24,694,786)
<b>Profit from Operations</b>		<b>230,638,759</b>	<b>16,704,443</b>
Finance Cost	3.23	68,466,694	68,411,304
<b>Profit Before Tax</b>		<b>162,172,065</b>	<b>(51,706,861)</b>
Income Tax Expense	3.24	-	-
<b>Profit from Continuing Operations</b>		<b>162,172,065</b>	<b>(51,706,861)</b>
Profit/(Loss) on Discontinued Operations (Net of tax)	3.18	-	-
<b>Net Profit for the year</b>		<b>162,172,065</b>	<b>(51,706,861)</b>
Basic Earnings per share (NPR)	3.26	42.58	(21.44)
Diluted Earnings per share (NPR)	3.26	42.58	(21.44)
<b>Net Profit Attributable to</b>			
Owners of the Company		162,172,065	
Non-controlling Interests			
<b>Other Comprehensive Income</b>			
Net Profit for the year as per Profit or Loss Statements		<b>162,172,065</b>	<b>(51,706,861)</b>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Surplus/(Deficit) on Revaluation		-	22,886,200
Amortization/Depreciation on revalued properties		(762,873)	(762,873)
Tax relating to components of other comprehensive income		-	-
<b>Other Comprehensive Gain/(Loss) for the year net of tax</b>		<b>(762,873)</b>	<b>22,123,327</b>
<b>Total Comprehensive Gain/(Loss) for the year net of tax</b>		<b>161,409,191</b>	<b>(29,583,534)</b>


*Significant Accounting Policies & Notes to Accounts**Schedules referred to above form an integral part of the Statement of Profit or Loss*

  
Saurav Aryal  
Chairman



  
Rajendra Gautam  
Director

*As per our report of even date*

  
CA. Dipendra Phuyal  
Dipendra Phuyal & Associates  
Proprietor  
Chartered Accountants

Date : 10 October 2022  
Place : Kathmandu Nepal

**Bhugol Energy Development Company Ltd.**  
Thapagaun, Kathmandu, Nepal  
**Statement of Changes in Equity**  
For the year ended 32 Ashadh 2079 (16 July 2022)

Particulars	Share Capital	Shares to be Issued	Share Premium	Capital Redemption Reserve	Treasury Share Reserve	Foreign Exchange Reserve	Other Reserve	Retained Earnings	Non Controlling Interest	Total
Balance as at Shrawan 1, 2078	241,139,500	139,697,900	-	-	-	-	22,123,327	(285,433,929)	-	117,526,798
Change in Accounting Policies	-	-	-	-	-	-	-	-	-	-
<b>Restated Balance at Shrawan, 2078</b>	<b>241,139,500</b>	<b>139,697,900</b>					<b>22,123,327</b>	<b>(285,433,929)</b>		<b>117,526,798</b>
Profit for the year	-	-	-	-	-	-	-	162,172,065	-	162,172,065
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of Properties	-	-	-	-	-	-	-	-	-	-
Amortization of Revalued Property	-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of investments	-	-	-	-	-	-	(762,873)	-	-	(762,873)
Issue of Share Capital	139,697,900	(139,697,900)	-	-	-	-	-	-	-	-
Dividends to Shareholders	-	-	-	-	-	-	-	-	-	-
Shares to be issued as part of consideration in business combination	-	-	-	-	-	-	-	-	-	-
Share Based payments	-	-	-	-	-	-	-	-	-	-
Issues of Shares held by ESOP to employees	-	-	-	-	-	-	-	-	-	-
Shares purchased for cancellation	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 32nd Ashadh, 2079</b>	<b>380,837,400</b>						<b>21,560,454</b>	<b>(123,261,864)</b>		<b>278,935,989</b>

Saurav Aryal  
Chairman



Rajendra Gautam  
Director



As per our report of equity dipendra  
CA Dipendra Phuyal  
Dipendra Phuyal & Associates  
Proprietorship  
Chartered Accountants

Date : 10 October 2022  
Place : Kathmandu Nepal



**Bhugol Energy Development Company Ltd.**

Thapagau, Kathmandu, Nepal

**Statement of Cash Flow**

(Indirect Method)


For the year ended 32 Ashadh 2079 (16 July 2022)

*Figures in NRs*

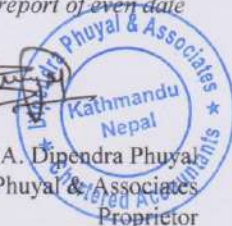
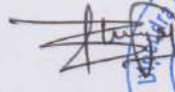
Particulars	Note	Current Year	Previous Year
<b>Cash Flow From Operating Activities:</b>			
Net Profit/(Loss) for the year		162,172,065	(51,706,861)
<b>Adjustment for:</b>			
Add: Depreciation & Amortization		24,038,521	25,243,680
Add: Finance Cost		68,466,694	68,411,304
<b>Cash Flow from Operating activities before changes in W/C</b>		<b>254,677,280</b>	<b>41,948,123</b>
<b>Cash Flow From Operating Activities:</b>			
Increase/ (Decrease) in Trade and Other Receivables		(220,012,375)	(12,641,800)
Decrease/ (Increase) in Other Current Assets			33,250,032
Increase/ (Decrease) in Current Liabilities & Provisions		196,821,748	34,726,758
<b>Cash Flow From Operating Activities</b>		<b>231,486,653</b>	<b>97,283,113</b>
Income Tax Paid		-	-
<b>Net Cash Flow From Operating Activities (A)</b>		<b>231,486,653</b>	<b>97,283,113</b>
<b>Cash Flow from Investing Activities</b>			
Addition to Intangibles		-	(35,306,500)
<b>Net Cash Flow From Investing Activities (B)</b>		<b>-</b>	<b>(35,306,500)</b>
<b>Cash Flow from Financing Activities</b>			
Increase in Share Capital		139,697,900	-
Changes in share to be issued		(139,697,900)	
Proceeds from other non-current borrowings/Repayment of Borrowings		(162,016,000)	6,411,167
Finance Cost		(68,466,694)	(68,411,305)
<b>Net Cash Flow From Financing Activities (C)</b>		<b>(230,482,694)</b>	<b>(62,000,138)</b>
<b>Net Increase/(Decrease in Cash and Cash Equivalent</b>		<b>1,003,959</b>	<b>(23,525)</b>
Cash & Cash Equivalent at the beginning of the year		12,711	36,236
<b>Cash &amp; Cash Equivalent at the end of the year</b>		<b>1,016,670</b>	<b>12,711</b>

*The accompanying notes are integral parts of financial statements*

Saurav Aryal  
Chairman



Rajendra Gautam  
Director

*As per our report of even date*

CA. Dipendra Phuyal  
Dipendra Phuyal & Associates  
Proprietor  
Chartered Accountants

Date : 10 October 2022  
Place : Kathmandu Nepal

**Bhugol Energy Development Company Ltd.**  
Thapagau, Kathmandu, Nepal  
As at Ashadh 32, 2079 (16 July 2022)  
Property, Plant & Equipment & Intangible Assets

**3.1 Property, Plant & Equipment**

Particulars	Furniture & Fixtures	Office Equipment	Computer & Accessories	Other Assets	Vehicle	Total
Balance as at 01.04.2078	85,946	18,856	166,463	288,536	1,630,216	2,190,017
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>Total Cost</b>	<b>85,946</b>	<b>18,856</b>	<b>166,463</b>	<b>288,536</b>	<b>1,630,216</b>	<b>2,190,017</b>
Depreciation Charge for the Year	21,487	4,714	41,616	43,280	326,043	437,140
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>Total Depreciation</b>	<b>21,487</b>	<b>4,714</b>	<b>41,616</b>	<b>43,280</b>	<b>326,043</b>	<b>437,140</b>
<b>Carrying Amount at 32.03.2079</b>	<b>64,460</b>	<b>14,142</b>	<b>124,847</b>	<b>245,256</b>	<b>1,304,173</b>	<b>1,752,877</b>

**3.1 Project Assets**

Particulars	Amount	Total
<b>Cost</b>		
Balance as at 01.04.2078	786,712,705	786,712,705
Additions	-	-
Disposal	-	-
<b>Total Cost</b>	<b>786,712,705</b>	<b>786,712,705</b>
<b>Revaluation</b>		
Balance as at 01.04.2078	22,886,200	22,886,200
For the year	-	-
<b>Total Revaluation</b>	<b>22,886,200</b>	<b>22,886,200</b>
<b>Total Value of Project Asset</b>	<b>809,598,905</b>	<b>809,598,905</b>
<b>Amortization</b>		
Up to Previous Year	101,886,146	101,886,146
On Cost	101,123,273	101,123,273
On Revalued	762,873	762,873
Charge for the year	24,364,254	24,364,254
On Cost	23,601,381	23,601,381
On Revalued	762,873	762,873
<b>Total Amortization</b>	<b>126,250,400</b>	<b>126,250,400</b>
<b>Closing Balance at 32.03.2079</b>	<b>683,348,505</b>	<b>683,348,505</b>



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**Bhugol Energy Development Company Ltd.**  
Thapagau, Kathmandu, Nepal  
**Notes Forming Part of Statement of Financial Statement**  
As on Ashadh 32, 2079 (July 16, 2022)

**3.2 Intangible Assets**

Particulars	Current Year	Previous Year
	-	-
<b>Total</b>	-	-

**3.3 Biological Assets**

Particulars	Current Year	Previous Year
	-	-
<b>Total</b>	-	-

**3.4 Investment Property**

Particulars	Current Year	Previous Year
	-	-
<b>Total</b>	-	-

**3.4 Investment in Associates**

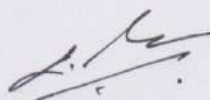
Particulars	Current Year	Previous Year
	-	-
<b>Total</b>	-	-

**3.5 Other Investments**

Particulars	Current Year	Previous Year
Non-Current Investment	-	-
Current Investment	-	-
<b>Total</b>	-	-

**3.6 Deferred Tax Assets**

Particulars	Current Year	Previous Year
	-	-
<b>Total</b>	-	-



# Bhugol Energy Development Company Ltd.

Thapagau, Kathmandu, Nepal

## Notes Forming Part of Statement of Financial Statement

### 3.7 Trade and Other Receivables

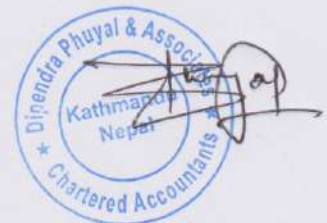
Particulars	Current Year	Previous Year
<b>Non-Current Receivables</b>	-	-
<b>Total Non-Current Receivables</b>	-	-
<b>Current Receivables</b>		
Nepal Electricity Authority (NEA)	16,244,147	18,588,764
Upper Lohore Khola Hydropower Company Limited	159,650,000	-
Guheshwori Concern Pvt Ltd	28,000	-
Jayash Trading Concern	39,402	-
Shree Subh Laxmi Traders	37,632	-
Everest Insurance Company Ltd.	13,138,699	-
Nerine Consultant Advance	1,327	-
NIC Asia Capital	622,932	-
Prabhu Capital Limited	408,040	-
Prepaid Expenses	2,217,140	1,338,578
Other Advances	-	5,725,888
<b>Contractor Advance</b>		
Advance for Transmission Line Maintenance Three Phase Construction	500,000 36,400,000	- -
<b>Consultant Advance</b>		
Advance to Project Design-Units Engineers	750,000	-
Ferroweld Consultancy	360,328	-
Shrestha S & Assocaites	158,750	-
<b>Other Advances</b>		
Advance for Fixed Royalty	231,201	-
Other Advances	14,878,007	-
<b>Total Current Receivables</b>	<b>245,665,605</b>	<b>25,653,230</b>
<b>Total Receivables</b>	<b>245,665,605</b>	<b>25,653,230</b>

### 3.8 Inventories

Particulars	Current Year	Previous Year
	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### 3.9 Cash and Cash Equivalent

Particulars	Current Year	Previous Year
Cash in Hand	12,314	-
Balances with Bank	1,004,356	12,711
<b>Total</b>	<b>1,016,670</b>	<b>12,711</b>





**Bhugol Energy Development Company Ltd.**  
Thapagau, Kathmandu, Nepal  
**Notes Forming Part of Statement of Financial Statement**

**3.10 Equity Share Capital**

Particulars	Current Year	Previous Year
<b>Authorized Share Capital</b>		
Ordinary Shares 60,00,000 @ 100 each	600,000,000	600,000,000
<b>Issued</b>		
Ordinary Shares 54,40,534 @ 100 each	600,000,000	544,053,400
<b>Subscribed and Paid Up Capital</b>		
Paid up Capital 24,11,395 Equity Shares @100 each	-	241,139,500
Paid up Capital 38,08,374 Equity Shares @100 each	380,837,400	-
<b>Total</b>	<b>380,837,400</b>	<b>241,139,500</b>

**3.11 Reserves**

Particulars	Current Year	Previous Year
Retained Earning	(285,433,929)	(285,433,929)
Add: Net profit/(loss) during the year	162,172,065	-
Shares to be issued	-	139,697,900
Revaluation Reserve	21,360,454	22,123,327
<b>Total</b>	<b>(101,901,411)</b>	<b>(123,612,702)</b>

**3.12 Loans & Borrowing**

Particulars	Current Year	Previous Year
Term Loan (Non Current Portion)	372,284,000	534,300,000
	<b>372,284,000</b>	<b>534,300,000</b>
Term Loan (Current Portion)	164,816,000	34,322,263
Citizens Bank Overdraft Loan	14,939,428	-
Demand Loan	15,000,000	-
Demand Loan II	80,000,000	-
	<b>274,755,428</b>	<b>34,322,263</b>
<b>Total</b>	<b>647,039,428</b>	<b>568,622,263</b>



**Bhugol Energy Development Company Ltd.**  
Thapagau, Kathmandu, Nepal  
**Notes Forming Part of Statement of Financial Statement**

**3.13 Employee Benefits**

Particulars	Current Year	Previous Year
	-	-
<b>Total</b>	-	-

**3.14 Provisions**

Particulars	Current Year	Previous Year
Staff Bonus Provision	3,309,634	-
<b>Total</b>	<b>3,309,634</b>	-

**3.15 Trade & Other Payable**

Particulars	Current Year	Previous Year
<b>Sundry Creditors:</b>		
B Four Engineering & Construction Private Limited	18,208	-
BSRD Engineering Payable	407,011	-
Crystal/sunita Kavita/ La Nirman Jv Payable	1,042,504	-
T.P.Adhikari & Associates	78,400	-
Royalty Payable-DOED	-	787,009
Audit Fee Payable	111,500	-
ICRA Payable	528,750	-
Other Payable	-	48,404,372
TDS Payables	312,232	228,275
<b>Total</b>	<b>2,498,605</b>	<b>49,419,656</b>



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**Bhugol Energy Development Company Ltd.**

Thapagau, Kathmandu, Nepal

**Note forming Part of Statement of Profit and Loss**

For the Period from 1st Shrawan 2078 to 32nd Ashadh 2079

**3.19 Revenue**

Particulars	Current Year	Previous Year
Revenue from Energy Sales	41,815,149	50,022,773
Outage Revenue	1,084,398	-
Less: Short Supply Charges	-	-
<b>Total</b>	<b>42,899,548</b>	<b>50,022,773</b>

**3.19 Other Income**

Particulars	Current Year	Previous Year
Other Income	80,467,468	-
Income from Insurance Claim	23,097,139	-
Income from Transmission Line	124,650,000	-
<b>Total</b>	<b>228,214,607</b>	<b>-</b>

**3.17 Cost of Sales**

Particulars	Current Year	Previous Year
Site office Expenses (Annexure -1)	-	465,897
Fixed Royalty Expenses	375,000	375,000
Revenue Royalty Expenses	836,303	1,000,455
<b>Total</b>	<b>1,211,303</b>	<b>1,841,352</b>

**3.20 Distribution Expenses**

Particulars	Current Year	Previous Year
	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**3.21 Administrative Cost**

Particulars	Current Year	Previous Year
Audit Fee	113,000	113,000
AGM Expenses	11,300	-
Energy Supply to project by NEA	47,137	15,942
Financial Assignment Consultancy Exps	179,100	-
IPO Expenses	350,000	-
Legal Fees	490,000	-
Insurance Expenses	2,210,201	1,777,674
Office Rent Expenses	264,000	180,000
Rates & Taxes	150,150	-
Rating Fees	565,000	-
Rebate on NEA Bill	851,042	398,772
Repair and Maintenance Exp	3,094,607	-
Salary & Other Employees Cost	3,590,400	3,740,000
Office Expenses	-	7,910
Staff Bonus	3,309,634	-
<b>Total</b>	<b>15,225,572</b>	<b>6,233,298</b>



**Bhugol Energy Development Company Ltd.**

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Note forming Part of Statement of Profit and Loss  
For the Period from 1st Shrawan 2078 to 32nd Ashadh 2079

**3.22 Other Operating Expenses**

Particulars	Current Year	Previous Year
	-	-
Total	-	-

**3.23 Finance Cost**

Particulars	Current Year	Previous Year
Bank Commission & Charge	45,062	883,486
Interest on Bank Loan	66,115,765	67,527,818
Loan Management Fee	600,000	-
Agency Fee	1,705,867	-
Total	68,466,694	68,411,304

**3.24 Income Tax Expenses**

Particulars	Current Year	Previous Year
	-	-
Total	-	-



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**Bhugol Energy Development Company Ltd.**  
**Significant Accounting Policies and Notes to Accounts**

**1. General Information**

Bhugol Energy Development Company Ltd. (from hereon, referred to as "BEDCL" or "Company") was established and registered as a private limited company under the Companies Act 2063 on 16<sup>th</sup> February 2009 with the objectives of generation and distribution of hydroelectricity. The company was converted into a Public Company under the Companies Act 2063 on 31<sup>st</sup> October 2017. The registered office of the company is located in Kathmandu. The hydroelectricity project undertaken by the company is 'Dwari Khola Small Hydropower Project' in Dailekh district of Nepal with a capacity of 3750 KW. The company entered into a power purchase agreement (PPA) with Nepal Electricity Authority (NEA) on 12<sup>th</sup> April 2013 (30.12.2069).

The financial statements apply to the financial year ended on 16<sup>th</sup> July, 2022 (32.03.2079)

**2. Significant Accounting Policies**

The significant accounting policies applied in the preparation & presentation of the financial statements of the company and Notes to Accounts are stated herein below. The said policies have been consistently applied to all the years presented unless stated otherwise.

**2.1 Basis of Preparation**

The financial statements have been prepared on the accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by the Institute of Chartered Accountants of Nepal (ICAN).

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

The Accounting policies are applied consistently to all the periods presented in the financial statements.

**2.2 Statement of Compliance**

The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal. The financial statements were authorized for issue by the board of directors on 9<sup>th</sup> Ashwin, 2079.

**2.3 Basis for Measurement**

Financial Statements are prepared and/or presented based on the following considerations:

- Financial Statements are prepared on a Going Concern Basis.
- Financial Statements are presented in Nepalese Rupees (NPR) which is the functional and presentation currency
- Financial Statements are prepared applying the accrual basis of accounting (except as otherwise stated therein).
- Statement of Financial Position has been prepared with the bifurcation of assets and liabilities into current and non-current nature, Statement of Profit or Loss and Other Comprehensive Income has been prepared using classification 'by nature' method, as permitted by NAS 1.



**Bhugol Energy Development Company Ltd.**  
**Significant Accounting Policies and Notes to Accounts**

**2.4 Use of Estimates and Assumptions**

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 obviously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, the actual result may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are explained in the following notes.

**2.4.1 Useful life of Property, Plant and Equipment**

Management reviews useful life and residual values of property, plant and equipment at the end of each reporting period. Such life is dependent upon the assessment of both, technical life of assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the management.

**2.4.2 Impairment of Property, Plant, and Equipment**

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

**2.4.3 Recognition of Deferred Tax**

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company.

**2.4.4 Contingencies**

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





**Bhugol Energy Development Company Ltd.**  
**Significant Accounting Policies and Notes to Accounts**

**2.5 Accounting Policies**

The principal Accounting Policies adopted in preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements requires the use of certain accounting estimates. The areas where significant judgements and estimates have been made in preparing the financial statements and their effects are to be disclosed.

**2.5.1 Going Concern**

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

**2.5.2 Property, Plant and Equipment**

Items of Property, Plant and Equipment are initially recognized at cost. Cost includes the Purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Subsequent costs are included in the assets' carrying amount or recognized as separate costs, as appropriate, only when it is probable that future economic benefits associated with the item flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounting for as a separate asset is derecognized when replaced. All other repair and maintenance are charged to profit and loss during the reporting period in which they incurred.

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure and is directly attributable to the acquisition of the items.

**2.5.3 Depreciation**

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their carrying value over the expected useful life.

Depreciation has been computed on Written Down Value Method. Estimated useful life and Rates of depreciation are as follows:

Category of Assets Rate	Estimated useful life	Depreciation
Furniture and Fixtures	4 years	25%
Office Equipment	4 years	25%
Computer and Accessories	4 years	25%
Vehicles	5 years	20%
Other Assets	6.67 years	15%



**Bhugol Energy Development Company Ltd.**  
**Significant Accounting Policies and Notes to Accounts**

Depreciation on additions of property, plant and equipment is charged on pro-rata basis in the year of purchase. The excess depreciation on revalued property over the amount that would have been charged on a historical cost basis are expensed through the statement of comprehensive income. On disposal of the asset the balance of the revaluation reserve will be transferred to retained earnings.

**2.5.4 Intangible Assets**

**Computer Software**

Purchased computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to the use of software. These costs are amortized over the estimated useful lives.

**Other Intangible Assets –Service Concession Agreements**

IFRIC 12-Service Concession Agreement applies to public private service concession agreements 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 concludes through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

Infrastructure used in a public to private service concession arrangement for its entire useful life is within the scope of this IFRIC, if the conditions above are met.

These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant laws.

**Financial Asset Model**

The financial asset model applies if the operator has contractual right to receive cash from or at the direction of the grantor and the grantor has little, if any, discretion to avoid payment. This will be the case if the grantor contractually guarantees to pay the operator:

- Specified or determinable amounts: or
- The shortfall, if any, between amounts received form users of the public service and specified or determinable amounts.

The operator measures financial assets at fair value.

**Intangible Asset Model**

The intangible asset model applies if the operator receives a right (a license) to charge users, or the grantor, based on usage of the public service. There is no unconditional right to receive cash as the amounts are contingent on the extent that the public uses of the service.

The intangible asset generates a second stream of revenue when the operator receives cash from the users or from the grantor based on usage. This is in contrast while the financial asset model in which monies received are treated as partial repayment of financial asset. In



**Bhugol Energy Development Company Ltd.**  
**Significant Accounting Policies and Notes to Accounts**

the intangible asset model, the intangible asset is reduced by amortization rather than repayment.

The company manages service concession arrangement of power supply from the hydropower power plant. The company maintains and services the infrastructures during the concession period. This concession arrangement sets out rights and obligations related to the infrastructure and the services to be provided. The right to consideration gives rise to and intangible asset and accordingly, the intangible asset model is applied.

**Amortization**

The intangible asset is amortized over the expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the company, starting from the date when the right to operate starts to be used. Based on this principle, the intangible asset is amortized in line with the usage of the specific public facility, with the maximum of the duration of the concession. The amortization on such intangible assets of the company have been charged based on the life of the project on the generation license.

**2.5.5 Financial Assets and Financial Liabilities**

**Recognition**

The company initially recognizes financial assets on trade date which is the date on which the company becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is measured initially at fair value plus, or an item not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue.

**Classification and Measurement**

**Financial Assets**

The classification and measurement of the financial assets depend on how these are managed (the company's business model) and their contractual cash flows characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL').

**Financial Liabilities**

All financial liabilities are recognized initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest rate method.

**De-recognition**

**Financial Assets**

The company derecognizes a financial assets when the contractual rights to the cash flow from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of the ownership of the

**Bhugol Energy Development Company Ltd.**  
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financial assets are transferred or in which the company neither transfer not retains substantially all of the risk and rewards of the ownership and it does not retain control of the financial assets.

**Financial Liabilities**

The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

**Offsetting**

The financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.5.6 Trade and other receivables**

Trade and other receivables are stated at their transaction cost since they approximate their fair value.

**2.5.7 Cash and Cash Equivalents**

Cash and cash equivalents comprises cash balances, call deposits and other short term highly liquid investments. Bank overdrafts that are repayable on demand can form an integral part of the company's cash management are included within borrowings in current liabilities on the statement of financial position.

**2.5.8 Equity**

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company's equity shares are classified as equity instruments.

The company has single class of equity shares face value of Rs. 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.

**2.5.9 Reserves**

The company has not created any specific reserves beside retained earnings which represents the net profit earned net of any distributions to shareholders & Revaluation Surplus. The following describe the nature and purpose of each reserve within Equity.

Reserve	Description and Purpose
Retained Earnings	Net profit for each year is added to this reserve.
Revaluation Reserve	Gains/ Losses arising on the revaluation of property.
Shres to be issued	Shares for which consideration has been received but are not issued yet.





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**2.5.10 Borrowing Costs**

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing cost are charged to statement of profit or losses as there are no qualifying assets in the current fiscal year.

**2.5.11 Employee Benefits**

Employee Benefits of the company comprise of short term benefits such as salary and allowances. These benefits are provided as per the policy of the company. The company does not have any policy for the long term employee benefits or termination benefits.

**2.5.12 Taxation (including deferred taxes)**

Although the company has started commercial operation, the company is entitled to Tax Holiday for certain years from commencement of commercial operation as provisioned in Income Tax Act, 2058, hence there is no tax liability to the company in the current fiscal year.

Deferred tax assets have not been recognized as management estimates that is not probable that future taxable profit will be available against which unused tax losses can be utilized due to tax holiday. Further since the company is currently enjoying tax holiday and will enjoy 50% rebate on income tax rate for certain years thereafter, the calculations of deferred taxes will be impracticable or highly complex. NAS 12 Income Taxes does not require or permit the discounting of deferred tax assets and liabilities. So, the management is of the view that such deferred taxes calculations may not be practical due to the current tax holiday.

**2.5.13 Trade and Other Payables**

Trade and other payables are stated at their transaction cost.

**2.5.14 Provisions**

The company applies NAS 37 Provisions, Contingent Liabilities and Contingent Assets in accounting for non-financial liabilities. Provisions are recognized for present obligations arising as consequences for past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated costs when an obligation exists.

**2.5.15 Revenue**

Revenue is recognized only when it is probable that the future economic benefits will flow to the company and that revenue and associated costs incurred or to be incurred can be reliably measured.

Revenue from sale of electricity is recognized at the time of issuing invoice to Nepal Electricity Authority (NEA) as per the Power Purchase Agreement (PPA) held in between Nepal Electricity Authority and the company.



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**Significant Accounting Policies and Notes to Accounts**

**2.5.16 Other Income**

Income other than sale of electricity is accounted on accrual basis to extent practical. When the income cannot be accounted for accrual basis, such are accounted for on cash basis.

**2.5.17 Expenses**

Expenses are accounted on accrual basis where there are reasonable basis to estimate the obligation and rationality of such obligation, except for such cases where due to the nature of the transaction, has to be accounted for on cash basis.

**Operating Lease Payments**

A lease is classified at the inception date as a finance lease or an operating lease. The company has determined whether the arrangement contain lease on the basis of facts and circumstances on the date of transaction.

The company has not entered into finance lease during the current fiscal year.

The company has entered into operating lease arrangement for its registered office. The lease rental based on the lease agreement is booked as operating lease expenses, which the company believes more representative than the straight line method, in line with para 33 of NAS 17 Leases.

**2.5.18 Current and non-current classification**

Current Assets are expected to be realized within the normal operating cycle of the company or within twelve months after the reporting period or intended for sale or consumption within the normal operating cycle of the company or are held primarily for the purpose of trading or are cash and cash equivalents. All other assets are classified as Non-current Assets.

Current Liabilities are expected to be settled in the company's normal operating cycle or the primarily held for trading or are due settled within a period of twelve months after the reporting period. All other liabilities are classified as non-current liabilities.

**2.6 Earnings Per Share**

Basic earnings per share is calculated by dividing the total profit or loss attributable to equity shareholders. Diluted earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by weighted average number of equity shares for the effects of all dilutive potential equity shares. If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of reverse share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively.

**3. Other Explanatory Notes**

**3.1 Impairment of assets**

The Company has not recognized any impairment of assets as there has been no any indication that suggests impairment of assets.





**Bhugol Energy Development Company Ltd.**  
**Significant Accounting Policies and Notes to Accounts**

**3.2 Other Income**

Other Income of NPR 80,467,468 includes NPR 35,000,000 receivable from M/s Upper Lohore Khola Hydropower Company Ltd. against the use of access road constructed by the Company and the NPR 39,630,000 payable to Mr. Saurav Aryal, Chairman of the Company which has been considered as income since such amount has been relinquished by Mr. Aryal and the Company has accepted such amount as income via board meeting dated 2079 Ashadh 15 and write-off of retention amount of M/s Mecamidi (HPP) India Pvt. Ltd. amounting NPR 5,837,467.87.

Income from insurance claim NPR 23,097,193 is the sum of insurance claim lodged with Everest Insurance Company for loss of profit and some damage to pipelines due to landslide at site. Out of total amount of claim the Company has already received NPR 9,958,440 in current reporting period. Company has booked balance amount as receivable and expected to be received in next reporting period.

Income from transmission line amounting NPR 124,650,000 is the sum receivable from M/s Upper Lohore Khola Hydropower Company Ltd. for partial transfer of ownership of transmission line to Upper Lohore Khola Project. The Upper Lohore Khola will have ownership of transmission till cessation of the license of the Company or 30 year after Commercial Operation Date of the company as per Power Purchase Agreement (PPA). The agreed amount is expected to be received in next reporting period. The Company has not given any effect to the intangible assets (transmission line portion) because as per the PPA the Company will have to transfer the ownership of the project to the Nepal Electricity Authority (NEA). So the Company has adopted the policy that any proceeds from disposal, sharing or damage of the property shall be treated as income to the Company without giving effect to the value of the property.

**3.3 Financial Liabilities at Amortized Cost**

Details of secured loan measured at amortized cost and finance expense as shown in Statement of Financial Position and Statement of Comprehensive Income recognized during the years are shown as follows.

Particulars	Amount NPR FY 2078/79
<i>Secured Term Loan</i>	
Non-Current Portion	274,284,000
Current Portion	164,816,000
<b>Total Secured Loan</b>	<b>537,100,000</b>
<i>Finance Expenses on Term Loan</i>	
Finance Expenses on Term Loan	62,191,458.79
<b>Total Finance Expenses</b>	<b>62,191,458.79</b>

Finance expenses paid on demand loan and overdraft loan present effective interest rate on the loan balance. Working capital loans and overdraft loans which has been renewed for some time and loans which management intends to renew and use for more than twelve months after the reporting period are classified as non-current liability on Statement of Financial Position.

All the installments of term loan which fall due within 12 months after the reporting period are



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classified as current liability. Also, the Company has applied to Securities Board of Nepal for Initial Public Offering (IPO) for 1,632,160 number of shares at NPR 100 per share. The Company has estimated to complete the IPO and realise the proceeds from IPO within 12 months after reporting period. The Company has planned to reduce the Term Loan from the proceeds from the IPO. Hence Company has classified the long term loan amount equivalent to the proceeds from IPS as current liability.

Trade payables and other short term payables are measured at transaction value in Statement of Financial Position.

Company does not have any financial liabilities measured at fair value.

### 3.4 Lease Expenses

The Company has recognized lease expenses worth of NPR 264,000 and NPR 180,000 on FY 2078/79 and FY 2077/78 respectively on terms of a cancellable lease.

### 3.5 Initial Public Offering

Company is in process to issue IPO and has applied to SEBON for the same for 1,632,160 number of shares to be offered to local and general public. For the purpose of IPO, the Company has appointed M/s NIC Asia Capital Ltd and M/s Prabhu Capital Ltd. as Issue Manager and Underwriter respectively.

The Company has estimated to complete the IPO and receive proceeds in reporting period following current reporting period.

### 3.6 Related Party Disclosure

As per paragraphs 2 of NAS 24 on Related Party Disclosures, the transaction and outstanding balance of the related parties requires the disclosure in the financial statement of parent, venture or investor Company or entity. Key Management Personnel includes members of the Board of Directors which comprises of:

Name	Designation
Mr. Saurav Aryal	Chairperson
Mr. Rajendra Gautam	Director
Mr. Ramchandra Karki	Director
Mr. Santan Kumar Aryal	Director
Mr. Ranjan Kumar Gautam	Director

### Transaction with Related Parties

Related Party's Name	Relation	Nature of transaction	Amount (NRs.)
Mr. Saurav Aryal	Chairperson	Advance Write-off	39,630,000





**Bhugol Energy Development Company Ltd.**  
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**3.7 Earnings Per Share**

Company has earning per share of NPR 42.58 in FY 2078/79. Since company does not have any convertible instruments, the earnings of shareholders will not be diluted. For calculating basic and diluted earnings per share, total equity shares issued and paid up have been considered.

**3.8 Operating Segments**

Company does not have any component that engages in business activities from which it earns revenues and incur expenses and whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker. Thus, Company does not have any reportable operating segments.

**3.9 Rearranging Previous Year Figures**

Other figures of previous years are rearranged and regrouped wherever necessary for the compatible of comparison with the current year figures.

