Madhya Bhotekoshi Jalavidyut Company Ltd.
Maharajgunj, Kathmandu, Nepal

Financial Statements of Fiscal Year- 2077/078

As per Nepal Financial Reporting Standards (NFRS)

H.K.C.A. ASSOCIATES
CHARTERED ACCOUNTANTS

P.O.Box: 25112, New Plaza, Putalisadak, Kathmandu, Nepal
Tel: +977-01-4528459, Email: hkca@hkca.com.np

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
MADHYA BHOTEKOSHI JALVIDYUT COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Madhya Bhotekoshi Jalvidyut Company Limited.** (the 'Company'), which comprise the Statement of Financial position as at Ashadh 31, 2078, Statement of Profit or Loss Account and other comprehensive Income, Statement of the Cash Flow and Statement of changes in equity and for the year the ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at Ashadh 31, 2078 and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standard (NFRS).

Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the *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. 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 financial statements in accordance with Nepal Accounting Standards, and for such internal control as management determine 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 have no realistic alternative but to do so.
Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statement of the current period. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon,

and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to communicate in our report.

Key Audit Matters	The Risk	Audit Procedure involved
Due to various factors like COVID-19, flood and other many procedural delays and complexity of the project, Commercial Operation Date (COD) of the project has been extended multiple times. Accordingly, contract with contractors has been revised/extended. As per the latest amendment in PPA agreement with Nepal Electricity Authority COD of the project will start from 14th Mangsir 2078.	As per the PPA Agreement-latest revision (Cost Version), the COD starts from 14th Mangsir 2078. But, project is not in the condition to start COD from this date due to which IDC (Interest Direct Cost) & Other Costs associated with the project may be increased which will increase Overall Project Cost. Moreover, the company will get less numbers of price increments as mentioned in clause no. 12.1 of the PPA.	Our audit procedures performance includes following 1. Review of the contracts including revised contracts for extension of dates and Power Purchase Agreement(PPA) with NEA (Nepal Electricity Authority) including latest amendment. 2. Review of project status report prepared by the technical professional. 3. Site inspection to ascertain whether the project is actually at the stages shown by the project status reports.

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.

Further report on other and legal Requirements

On the basis of our examination, we would like to report that:

The Statement of Financial position as at Ashadh 31, 2078 corresponding 15th July,2021and Statement of Profit or Loss Account and other comprehensive Income, Statement of Cash Flow and Statement of changes in equity and for the year the ended, and notes to the financial statements deal with by this report are prepared in accordance with Nepal Financial Reporting Standard (NFRS).

Company Act 2063, and in agreement with the books of account maintained by the company.

CHARTERED ACCOUNTANTS * B.K. C.A. ASSOCIATES * KATHMANDU NEPAL

i) 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;

ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of such books of accounts;

iii) In our opinion, the Balance Sheet, Income Statement and Statement of Changes in Equity dealt with by this report are in agreement with the books of accounts;

iv) To the best of our information and according to explanation given to us and from our examination of the books of account of the company necessary for the purpose of our audit, we have not come across cases where the board of directors or any representative or any employee of the company have acted contrary to the provisions of laws relating to accounts or committed any misappropriation or caused any loss or damage to the company.

For H.K.C.A. Associates,
Chartered Accountants

CA. Hari Kumar Silwal
Partner

UDIN: 211124CA00113vgQjf

Date : 2078/08/08
Place : Kathmandu

Madhya Bhotekoshi Jalavidyut Company Limited
Statement of Financial Position
As at 31st Ashadh 2078 (15th July 2021)

NRs.

Particulars	Notes	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Assets			
Non Current Assets			
Property, Plant and Equipment	1.1	480,936,154	488,188,860
Capital Work in Progress	1.2	9,388,251,011	7,698,539,739
		9,869,187,165	**8,186,728,599**
Current Assets			
Investments	2	250,000,000	250,000,000
Inventory	3	274,190	238,416
Prepayments	4	4,344,448	803,114
Advances, Deposits and Other Assets	5.1.1	452,798,998	917,848,090
Cash and Cash Equivalents	5.1.2	121,151,763	135,235,939
Total Current assets		**828,569,399**	**1,304,125,559**
Total Assets		**10,697,756,564**	**9,490,854,159**
Equity and Liabilities			
Equity			
Share Capital	6	4,500,000,000	4,500,000,000
Retained Earnings	7	(287,227,447)	(252,526,701)
Total Equity		**4,212,772,553**	**4,247,473,299**
Non Current Liabilities			
Other Non Current Liabilities			
Long Term Loans	10	6,247,558,723	5,009,648,186
Provisions	11	2,314,457	2,357,746
		6,249,873,180	**5,012,005,933**
Current Liabilities			
Trade and Other Payables	5.2.1	235,110,830	231,374,927
Total Liabilities		**6,484,984,011**	**5,243,380,860**
Total Equity and Liabilities		**10,697,756,564**	**9,490,854,159**

Hara Raj Neupane
Chairman

Dhurba Bhattarai
Member

Tulasi Ram Dhakal
Member

Subhash Kumar Mishra
Member

Shreeram Raj Pandey
Member

As per our report of even date

Naresh Lal Shrestha
Member

Narayan Prasad Acharya
Member

C.A. Hari Kumar Silwal
H.K.C.A Associates
Chartered Accountants

Pharshuram Pandey
Chief Finance Officer

Ram Gopal Siwakoti
Chief Executive Officer

Date : 2078/08/06 (22nd November 2021)

Place: Kathmandu, Nepal

Madhya Bhotekoshi Jalavidyut Company Limited
Statement of Profit or Loss and other Comprehensive Income
From 1st Shrawan 2077 to 31st Ashadh 2078
(16th July 2020 to 15th July 2021)

NRs.

Particulars	Notes	FY 2077/078 (2020/21)	FY 2076/077 (2019/20)
Income			
Revenue from Sale of Electricity		-	-
Expenses			
Administrative and Other Operating Expenses	8,13	28,314,197	29,415,970
Depreciation	1.1	715,048	912,033
Operating Profit/ (Loss)		**(29,029,245)**	**(30,328,004)**
Finance Income	14	-	-
Other Income	15	8,083	210,608
Finance Charge	16	(5,679,584)	(24,913,927)
Profit/ (Loss) before Tax		**(34,700,745)**	**(55,031,322)**
Less: Tax			
Current Tax	9	-	
Deferred Tax Income (Expense)	9	-	
Net Profit/ (Loss) For the Year		**(34,700,745)**	**(55,031,322)**
Earnings Per Share			
Basic (Net Profit/(Loss)/Share Capital	17	(0.77)	(1.22)
Diluted		(0.77)	(1.22)
Other Comprehensive Income:			
Changes in revaluation surplus		-	-
Actuarial Gain (Loss) on remeasurements of defined benefit plans			
Gains and Losses on financial assets measured at fair value through other comprehensive income			
Income Tax relating to items that will not be reclassified			
Other Comprehensive Income for the Year		-	-
Total Comprehensive Income		**(34,700,745)**	**(55,031,322)**

Hara Raj Neupane
Chairman

Dhurba Bhattarai
Member

Tulasi Ram Dhakal
Member

Subhash Kumar Mishra
Member

Shreeram Raj Pandey
Member

Naresh Lal Shrestha
Member

Narayan Prasad Acharya
Member

Pharshuram Pandey
Chief Finance Officer

Ram Gopal Siwakoti
Chief Executive Officer

As per our report of even date

C.A. Hari Kumar Silwal
H.K.C.A Associates
Chartered Accountants

Date : 2078/08/06 (22nd November 2021)

Place: Kathmandu, Nepal

Madhya Bhotekoshi Jalavidyut Company Limited
Statement of Cash Flows
For the year ended 31st Ashadh 2078 (15th July 2021)

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.30.31 (15.07.2020)
Cash Flow from Operating Activities		
Profit before Tax	(34,700,745)	(55,031,322)
Adjustments		
Depreciation	8,095,609	9,449,880
Income from Investment and Bank Deposit	-	-
Finance Charge	5,679,584	24,913,927
Share issue expenses of previous year	-	-
Movements in Working Capital		
(Increase)/Decrease in Inventory	(35,774)	135,788
(Increase)/Decrease in Prepayments	(3,541,334)	(268,383)
(Increase)/Decrease in Advances, Deposits and Other Receivables	465,049,092	(36,173,254)
Increase/(Decrease) in Provisions	(43,289)	648,128
Increase/(Decrease) in Trade anf other payable	(1,943,681)	64,631,132
Income Taxes Paid	-	-
Total Adjustments	**473,260,207**	**63,337,218**
Net Cash flow from Operating Activities (A)	**438,559,462**	**8,305,896**
Cash Flow from Investing Activities		
Increase in Property, Plant and Equipment	(842,903)	(1,209,007.49)
Increase in CWIP	(1,689,711,272)	(1,981,091,823.95)
Proceeds from Sale of Asset		
Decrease/ (Increase) in Investment	-	920,000,000
Income from Investment and Bank Deposit	-	-
Net Cash Flow from Investing Activities (B)	**(1,690,554,175)**	**(1,062,300,831)**
Cash Flow from Financing Activities		
Increase/ (Decrease) in Capital	-	-
Increase/ (Decrease) in Long Term Borrowings	1,237,910,536	1,114,340,886
Net Cash Flow from Financing Activities (C)	**1,237,910,536**	**1,114,340,886**
Net Increase in Cash (A+B+C)	**(14,084,176)**	**60,345,951**
Cash at Beginning of the Year	**135,235,940**	**74,889,988**
Cash at the End of the Year	**121,151,763**	**135,235,940**

Hara Raj Neupane
Chairman

Dhurba Bhattarai
Member

Tulasi Ram Dhakal
Member

Subhash Kumar Mishra
Member

Shreeram Raj Pandey
Member

Naresh Lal Shrestha
Member

Narayan Prasad Acharya
Member

As per our report of even date

C.A. Hari Kumar Siwal
H.K.C.A Associates
Chartered Accountants

Pharshuram Pandey
Chief Finance Officer

Ram Gopal Siwakoti
Chief Executive Officer

Date : 2078/08/06 (22nd November 2021)

Place: Kathmandu, Nepal

Madhya Bhotekoshi Jalavidyut Company Limited
Statement of Changes in Equity
For the year ended 31st Ashadh 2078 (15th July 2021)

NRs.

Particulars	Share Capital	Retained Earning	Total
Opening Balance as on 1st Shrawan 2077 (15th July 2020)	**4,500,000,000**	**(252,526,701)**	**4,247,473,299**
Adjustments			
Adjusted Opening Balance	**4,500,000,000**	**(252,526,701)**	**4,247,473,299**
Receipt of Call Amount of Equity Shares	-		-
Net Profit after Tax		(34,700,745)	**(34,700,745)**
Adjustments	-		-
Closing Balance as on 31st Ashadh 2078 (15th July 2021)	**4,500,000,000**	**(287,227,447)**	**4,212,772,553**

Hara Raj Neupane
Chairman

Dhurba Bhattarai
Member

Tulasi Ram Dhakal
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Member

As per our report of even date

C.A. Hari Kumar Silwal
H.K.C.A Associates
Chartered Accountants

Pharshuram Pandey
Chief Finance Officer

Ram Gopal Siwakoti
Chief Executive Officer

Date : 2078/08/06 (22nd November 2021)

Place: Kathmandu, Nepal

Madhya Bhotekoshi Jalavidyut Company Limited

Notes to the Financial Statements

Property, Plant and Equipment

For the year ended 31st Ashadh 2078 (15th July 2021)

Note 1.1 : Property, Plant and Equipment

NRs.

Particulars	Cost				Rates %	Accumulated Depreciation				Accumulated Impairment Loss	WDV as at	
	Opening	Addition	Disposal	Closing		Opening	For the Year	On disposal	Closing		2078.03.31	2077.03.31
Land	-			-	-	-			-	-		
Land – Project	376,312,214			376,312,214	-	-			-	-	376,312,214	376,312,214
Land – Not related to project	-			-	-	-			-	-	-	-
											-	-
Building											-	-
Office Building (Kathmandu)	-			-	-	-			-	-	-	-
Building - Others	812,761			812,761	5%	102,898	30,928		133,826	-	678,934	709,863
Office Building (Project)	80,270,843	413,178		80,684,021	2%	4,028,310	1,526,677		5,554,987	-	75,129,034	76,242,533
											-	-
Distribution Line											-	-
Distribution Line	-			-	-	-			-	-	-	-
											-	-
Hydro Mechanical Works											-	-
Hydro Mechanical Works	-			-	-	-			-	-	-	-
Heavy Equipments	29,896,075			29,896,075	-	19,184,549	1,606,729		20,791,278	-	9,104,797	10,711,526
											-	-
Electro Mechnanical Works											-	-
Electro Mechnanical Works	-			-	-	-			-	-	-	-
											-	-
Tools											-	-
Tools and Equipment	2,701,844			2,701,844	15%	1,349,247	127,890		1,977,136	-	724,708	852,597
											-	-
Office Equipment and Furnitures											-	-
Office Equipment	9,102,879	114,500		9,217,379	25%	7,464,170	406,770		7,870,940	-	1,346,438	1,638,708
Furniture & Fixture	8,833,224	315,225		9,148,449	25%	6,434,017	606,093		7,040,110	-	2,108,339	2,399,207
											-	-
Vehicles											-	-
Vehicles	62,311,382			62,311,382	20%	44,491,257	3,564,025		48,055,282	-	14,256,100	17,820,125
											-	-
Other Assets											-	-
Other Assets	2,520,169			2,520,169	15%	1,018,081	226,498		1,244,579	-	1,275,590	1,502,088
Total	**572,761,389**	**842,903**	**-**	**573,604,292**		**84,572,529**	**8,095,609**	**-**	**92,668,138**	**-**	**480,936,154**	**488,188,860**
Depreciation of Project Office PPE TRF to CWIP							**7,380,561**					
Depreciation of Corporate Office PPE TRF to P/L							**715,048**					

Madhya Bhotekoshi Jalavidyut Company Limited
Notes to the Financial Statements

Note: 1.2: Capital Work in Progress
For the year ended 31st Ashadh 2078 (15th July 2021)

Note 1.2.1: Capital Nature

NRs.

Particulars	2077.03.31 (15.07.2020)	Addition During the Year 77-78	Transferred to PPE	2078.03.31 (15.07.2021)
Distribution Line	2,736,073	-	-	2,736,073
Residential Building (Camp Facilities)	690,342	-	-	690,342
Initial Project Expenditure (Drilling)	1,993,654	-	-	1,993,654
Initial Project Expenditure (Exploisive Management)	26,977,906	-	-	26,977,906
Test Adit	42,742,667	-	-	42,742,667
Diversion Tunnel	185,342,191	-	-	185,342,191
Core Drilling	1,733,700	-	-	1,733,700
Other Civil Work at Site	3,602,249	-	-	3,602,249
Camp Protection Work	19,261,213	-	-	19,261,213
Contractor Site office and Storage Construction	463,725,601	-	-	463,725,601
Main Civil Work	608,339,572	-	-	608,339,572
MS 1 to 16 Hydromechanical Parts	-	3,362,701	-	3,362,701
Powerhouse Equipments and Machinery	1,390,085,329	35,183,180	-	1,425,268,509
Powerhouse Construction Support Work	72,962,516	336,393,318	-	409,355,834
Headrace Tunnel Work	1,168,603,845	-	-	1,168,603,845
Headrace Tunnel Supporting Work	321,231,960	-	-	321,231,960
Tunnel 3 excavation work	116,418,140	-	-	116,418,140
Excavation work at Intek	40,527,541	41,716,755	-	82,244,296
Transmission Line Work	10,464,548	18,685,626	-	29,150,174
Excavation ware	40,113,144	-	-	40,113,144
Concrete and Decender	442,418,382	550,833,805	-	993,252,187
Ceiling element cut off wall board complete	16,178,426	-	-	16,178,426
Feasibility Study Cost	2,858,538	-	-	2,858,538
Consulting Expenses	665,978,276	87,192,373	-	753,170,650
Social Development Expenditure	1,941,690	-	-	1,941,690
Total	**5,646,927,503**	**1,073,367,758**	**-**	**6,720,295,261**

H.K. C.A. ASSOCIATES KATHMANDU NEPAL CHARTERED ACCOUNTANTS

Madhya Bhotekoshi Jalavidyut Company Limited
Notes to the Financial Statements

Note: 1.2: Capital Work in Progress
For the year ended 31st Ashadh 2078 (15th July 2021)

Note 1.2.2: Revenue Expenses at Project Office

NRs.

Particulars	2077.03.31 (15.07.2020)	Addition During the Year 77-78	Transferred to PPE	2078.03.31 (15.07.2021)
Salary	123,996,175	19,547,633	-	143,543,808
Wages	7,419,155	552,063	-	7,971,218
Allowance and Facilities	99,658,114	14,187,393	-	113,845,507
Overtime Allowance	11,065,255	2,525,024	-	13,590,279
Employee Provident Fund	10,236,908	2,060,206	-	12,297,113
Employee Leave Expenses	6,402,399	1,374,792	-	7,777,191
Contribution to Gratuity Fund	283,401	103,717	-	387,118
Nepal Electricity Authority Overhead	11,816,259	1,945,596	-	13,761,855
Employee Insurance	670,396	443,681	-	1,114,077
Medical Expenses	8,229,946	1,647,498	-	9,877,444
Water and Electricity	3,239,383	636,069	-	3,875,451
Consultancy Expenses	15,316,394	1,184,750	-	16,501,144
Other Services	10,441,961	1,211,700	-	11,653,661
Repair - Civil	6,423,871	963,557	-	7,387,428
Repair - Vehicle	13,045,741	2,060,306	-	15,106,047
Repair - Other	1,178,095	140,288	-	1,318,383
Power	20,106,762	2,214,641	-	22,321,403
Mobil and Lubricant	1,704,618	71,527	-	1,776,145
Other Expenses related to Vehicle	92,692	-	-	92,692
Rental Expenses - Building	7,324,911	158,738	-	7,483,648
Rental Expenses - Land	30,020,094	5,850,279	-	35,870,372
Other Rent	119,453	-	-	119,453
Renewal Expenses - Vehicle	6,506,982	502,075	-	7,009,057
Insurance	4,746,285	843,088	-	5,589,373
Telephone and Internet	4,437,732	749,226	-	5,186,958
Legal Expenses	198,423	282,500	-	480,923
Audit Expenses	108,350	66,170	-	174,520
Transportation Expenses	2,104,211	-	-	2,104,211
Travelling Expenses	2,971,507	162,300	-	3,133,807
Training	662,282	392,525	-	1,054,807
Printing Expenses	2,537,900	57,706	-	2,595,606
Newspaper and Magazine	178,350	-	-	178,350
Notice Expeenses	4,803,089	139,865	-	4,942,954
Meeting Allowance	1,128,150	146,000	-	1,274,150
Meeting Management Expenses	63,714	7,500	-	71,214
Compensation Expenses	17,962,070	2,958	-	17,965,028
Other Expenses	5,710,650	256,713	-	5,967,363
Interest Expenses	1,300,060,347	509,603,288	-	1,809,663,635
Bank Charge	4,195,628	187,753	-	4,383,381
Bank Service Charge	7,742,700	1,800,000	-	9,542,700
Share Issue Expenses	-	-	-	-
Depreciation	70,041,430	7,380,561	-	77,421,992
Relief and Rescue Expenses	3,319,123	-	-	3,319,123
Foreign Exchange Loss	6,586	-	-	6,586
Guest expenses	-	-	-	-
Donation	-	-	-	-
Ceremonial Expenses	-	-	-	-
CSR Expenses	223,334,744	34,883,831	-	258,218,575
Total	**2,051,612,236**	**616,343,514**	**-**	**2,667,955,750**

Madhya Bhotekoshi Jalavidyut Company Limited
Notes to the Financial Statements

Note 1.2: Capital Work in Progress

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Capital Expenditure	6,720,295,261	5,646,927,503
Revenue Expenditure	2,667,955,750	2,051,612,236
Total	**9,388,251,011**	**7,698,539,739**

Note 2: Investments

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Fixed Deposits to different BFIs	250,000,000	250,000,000
Total	**250,000,000**	**250,000,000**

Note 3: Inventories

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Miscellaneous Store-Central Office	204,702	186,329
Miscellaneous Store-Project Office	69,488	52,087
Total	**274,190**	**238,416**

Note 4: Prepayments

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Prepaid Insurance	317,598	803,114
Share Issue Expenses	4,026,850	-
Total	**4,344,448**	**803,114**

Note 5.1.1: Advances, Deposits and Other Assets

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Advances		
Employee Loan/Advances	2,580,540	1,229,304
Advance Tax (on Bank Interest)	26,028,651	24,782,564
Andritz Hydro	123,382,322	131,754,308
Guangxi Hydroelectric Construction Bureau	275,705,860	738,919,517
Urza ACJV	6,424,870	6,879,870
Sub-total	**434,122,243**	**903,565,563**
Deposits		
Deposit	14,022,750	13,305,250
Sindhupalchok District Office	977,277	977,277
Others	3,676,728	-
Sub-total	**18,676,755**	**14,282,527**
Other Assets		
Deferred Share Issue Expenditure	-	-
Sub-total	**-**	**-**
Grand Total	**452,798,998**	**917,848,090**

Madhya Bhotekoshi Jalavidyut Company Limited
Notes to the Financial Statements

Note 5.1.2: Cash and Cash Equivalents

Balance With Banks

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Everest Bank Ltd	13,395,030	1,775,098
Nepal Investment Bank Ltd	3,295,174	16,968,027
Himalayan Bank Ltd	4,075,480	2,972,822
Sanima Bank Ltd	100,386,079	113,519,992
Total	**121,151,763**	**135,235,939**

Note 6: Equity Share Capital

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Authorized Capital		
621,00,000 Shares @ RS 100 each	**6,210,000,000**	**6,210,000,000**
Issued Capital		
600,00,000 Shares @ Rs 100 each	**6,000,000,000**	**6,000,000,000**
Paid Up Capital		
450,00,000 Shares @ Rs 100 each	4,500,000,000	4,500,000,000
Total	**4,500,000,000**	**4,500,000,000**

Note 7: Retained Earnings

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Opening Balance	(252,526,701)	(197,495,379)
Adjustments for NFRS	-	-
Opening Balance (Restated)	**(252,526,701)**	**(197,495,379)**
Net Profit after tax	(34,700,745)	(55,031,322)
Closing Balance	**(287,227,447)**	**(252,526,701)**

Note 10: Long Term Loans

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Employee Provident Fund	4,277,080,000	3,557,080,000
Interest payable on Loan	1,970,478,723	1,452,568,186
Total	**6,247,558,723**	**5,009,648,186**

Note 11: Provisions

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Employee Leave Provision	2,314,457	2,357,746
Total	**2,314,457**	**2,357,746**

Note 5.2.1: Trade and Other Payables

NRs.

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Retention Money	230,360,096	172,502,322
Sundry Payables	4,723,440	58,293,844
Payable to employees	16,844	53,000
Other Liabilities	10,450	525,761
Total	**235,110,830**	**231,374,927**

MBK JCL

Madhya Bhotekoshi Jalavidyut Company Limited
Notes to the Financial Statements

Note 13: Administrative and Other Operating Expenses

NRs.

Particulars	FY 2077/078 (2020/21)	FY 2076/077 (2019/20)
Salary	6,540,356	6,761,580
Wages	-	500
Allowances and Benefits	6,563,117	6,931,090
Overtime Allowance	871,913	776,456
Provident Fund	691,978	676,158
Leave Encashment	536,601	602,334
Employee Insurance	135,540	32,149
Medical Benefits	573,865	556,261
Other Services	740,579	740,579
Water & Electricity	188,689	202,835
Fuel	829,340	673,401
Consultancy Service	-	62,150
Other Repairs	179,092	113,948
Mobile & Lubricants	51,167	51,779
Repair - Vehicles	710,637	411,130
Repairs - Civil	-	-
Insurance	86,228	34,694
License Fee	102,293	93,290
Postage and Courier	-	4,510
Telephone	262,546	292,146
Corporate Development Expense	-	-
Training	384,338	9,040
Legal Expenses	495,668	478,668
Prining and Stationery	142,617	186,302
Magazine & Newspaper	60,444	95,695
Advertisement	230,064	132,500
Annual Functions and Workshop	81,871	51,816
Guest Entertainment	272,155	289,662
Other Expenses	255,804	228,335
Meeting Allowance	1,050,500	972,000
Meeting Management Expense	703,598	648,956
Travel	31,080	1,080
Bank Charges & Commission	782,515	4,489
Director Allowance	1,735,000	1,240,000
Audit Fee	370,540	355,950
Audit Expense	134,109	172,731
House Rent	2,108,880	2,045,040
Financial Assistance, Donation and Prizes	17,000	150,000
Share issue expenses	-	2,852,700
Other Site Expenses	394,072	484,015
Total	**28,314,197**	**29,415,970**

Madhya Bhotekoshi Jalavidyut Company Limited
Notes to the Financial Statements

Note 14: Finance Income

NRs.

Particulars	FY 2077/078 (2020/21)	FY 2076/077 (2019/20)
Interest Income	-	-
	-	-
Total	-	-

Note 15 : Other Income

NRs.

Particulars	FY 2077/078 (2020/21)	FY 2076/077 (2019/20)
Other Income	8,083	210,608
Total	**8,083**	**210,608**

Note 16: Finance Charge

Particulars	FY 2077/078 (2020/21)	FY 2076/077 (2019/20)
Finance Charge for Retention Deposit	5,679,584	24,913,927
Total	**5,679,584**	**24,913,927**

Madhya Bhotekoshi Jalavidyut Company Ltd.

Maharajgunj, Kathmandu

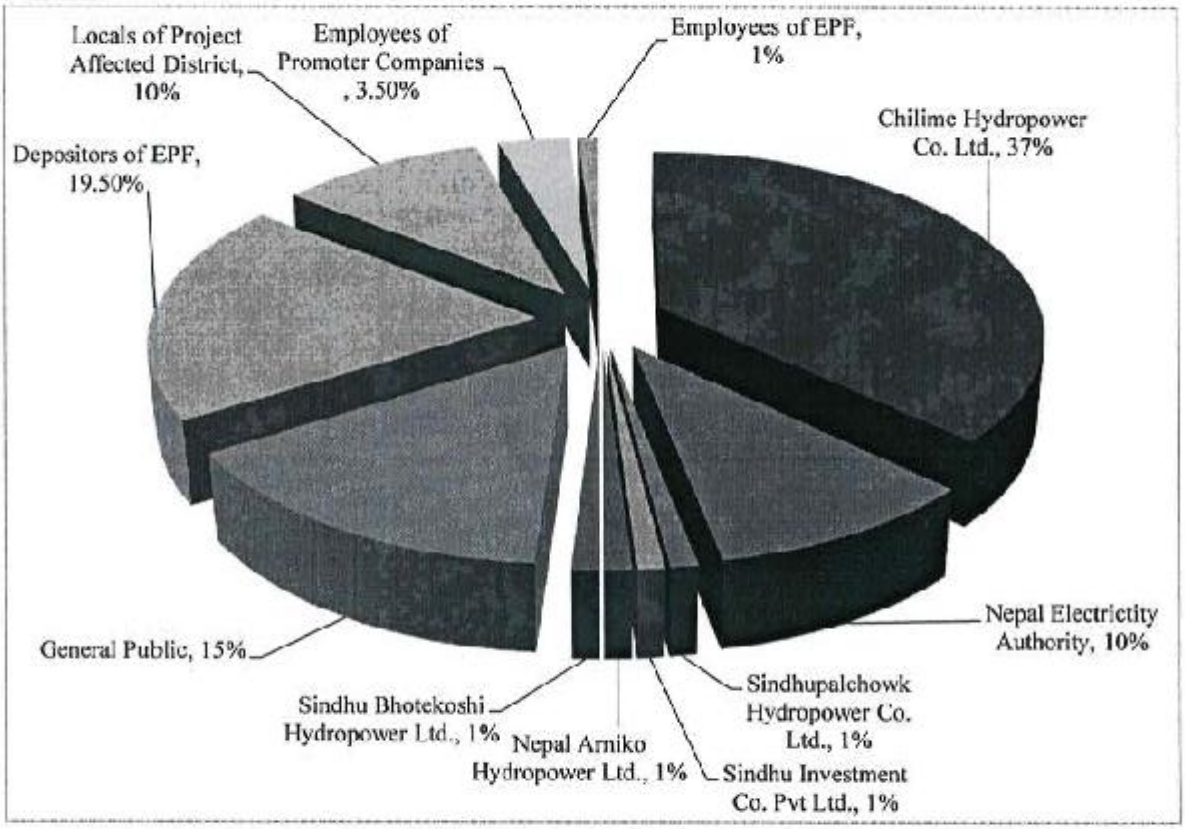
Explanatory Notes FY 2077-78 (2020/21)

1. General Information of the Company

Madhya Bhotekoshi Jalavidyut Company Ltd (MBJCL or the Company) was incorporated in 2067 BS with the objective of hydroelectricity generation through optimal utilization of resources available within the country. The Company is registered with the Office of the Company Registrar as a Public Limited Company.

Chilime Hydropower Company Limited (CHPCL) holds majority ownership with 37% shareholding. Remaining 63% shareholding is from Nepal Electricity Authority (NEA), four local companies, Local Public of Project Affected District, Depositors of EPF, Employees of Promoter companies & EPF, and General Public.

The detailed structure of Equity of the Company is given as below:



The company is handling the project of Middle Bhotekoshi Hydroelectric Project (MBKHEP) with 102 MW installed capacity power plant. The construction of project was started on February 11, 2014 (2070/10/28). The project is located in Barhabise Municipality & Bhotekoshi Gaunpalika. It has entered into an agreement with NEA for bulk electricity supply at rates agreed upon in Power Purchase Agreement (PPA). The annual energy generation from the plant is estimated to be approximately 542,297,900 KWh.

2. Statement of Compliance

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) to the extent applicable and as published by the Accounting Standards Board (ASB) Nepal and is approved by the 258th Meeting of Board of Directors held on 2078/08/06 (22nd November 2021) and have been recommended for approval by shareholders in the 10th Annual General Meeting.

3. IFRIC 12 Considerations

The company has considered applicability of IFRIC 12 Service Concession Agreement, issued by International Accounting Standard Board (IASB) for preparation and presentation of financial statements. Madhya Bhotekoshi Jalavidyut Company Ltd. (MBJCL), after due consideration has not applied IFRIC 12 while preparing these financial statements on the following grounds:

a. The company sells electricity to Nepal Electricity Authority (NEA) at price independent of the price charged by NEA to general public. NEA for the ultimate sale of electricity is bound by the rates determined by Electricity Tariff Commission set up by the government, whereas NEA purchases electricity on the basis of different commercial agreement with the power producers. Electricity Tariff Commission does not determine the rate at which NEA purchases or has to purchase from the power producers. There have been instances where the rates charged by NEA to the general public is lower than it paid to some of the power producers.

b. The license agreement with Department of Electricity Development (DoED) for Middle Bhotekoshi Hydroelectric Project being developed by MBJCL does not obligate the company to sell electricity to NEA or any specific buyer.

c. The company does not receive any specific concession for the use of the natural resource. The company has to pay to the government for the use of the natural resources in the form of royalty.

d. The company under Power Purchase Agreement (PPA) sells energy to NEA and not directly to the general public.

e. Though the project is to be transferred to the government at the end of the licence period the legal title of the project is with the company, including the control of access to the project site. In addition, the company has right to pledge the assets as lien for availing finances from financial institutions.

4. Basis of Preparation and Reporting Pronouncements

The company has, for the preparation and presentation of Financial Statements, opted to adopt Nepal Financial Reporting Standards (NFRSs) from the erstwhile Nepal Accounting Standards (NASs) both pronounced by Accounting Standards Board (ASB) Nepal. NFRS was pronounced by ASB Nepal as effective on September 13, 2013.

The relevant financial and disclosure impacts have been detailed and disclosed in relevant sections.

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those only become applicable when ASB Nepal incorporates them within NFRS.

5. Accounting Convention

The Financial Statements have been prepared on a historical cost convention except for certain financial elements that have been measured at fair value, wherever NFRS requires or allowed such measurement. The fair values, wherever used, are discussed in relevant Notes.

The Financial Statements are prepared on accrual basis.

The Financial Statements have been prepared on a going concern basis. The company has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future.

6. Presentations

Presentation Currency

The company operate within the jurisdiction of Nepal. Nepalese Rupees (NRs) is the presentation and functional currency of the company. Accordingly, the Financial Statements are prepared and presented in Nepalese Rupees and rounded off to the nearest Rupee.

Rearrangement and Reclassification

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

Statement of Financial Position

The elements of Statement of Financial Position other than equity is presented in order of their liquidity by considering current and non-current nature which are further detailed in relevant sections.

MBK JCL

H.K. C.A. ASSOCIATES KATHMANDU NEPAL CHARTERED ACCOUNTANTS

Statement of Profit or Loss and Other Comprehensive Income

The elements of Statement of Profit or Loss and Other Comprehensive Income has been prepared using classification 'by function' method. The details of revenue, expenses, income, gains and/ or losses have been disclosed in the relevant section of this notes.

Earnings per share has been disclosed in the face of 'Statement of Profit or Loss and Other Comprehensive Income' in accordance with the NAS 33.

Statement of Cash Flows

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

Statements of Changes in Equity

The Statements of Changes in Equity has been prepared disclosing changes in each elements of equity.

7. Accounting Policies and Accounting Estimates

Accounting Polices

The company, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. The preparation of Financial Statements in conformity with the Policy requires management to make judgments, estimates and assumptions in respect of the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Specific accounting policies have been included in the relevant notes for each item of the Financial Statements. The effect and nature of the changes, if any, have been disclosed.

Accounting Estimates

The preparation of Financial Statements in line with NFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of Financial Statements and the reported amounts of revenue and expenses during the reporting period.

Management has applied estimation in preparing and presenting the Financial Statements. The estimates and the underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimates are revised, if the revisions affect only that period; they are recognised in the period of revision and the future periods if the revisions affect both current and future periods.

Specific accounting estimates have been included in the relevant section of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

Notes

1. Property, Plant and Equipment

Property, Plant and Equipment (PPE) are those tangible assets used for generation and supply of energy, for administrative purpose or for rentals to others. These are recognised as PPE, if and only if it is probable that future (i.e., for more than one accounting period) economic benefits associated with the items will flow to the company; and the cost of the item can be measured reliably.

PPE are stated in the SFP at their cost less accumulated depreciation and accumulated impairment losses, if applicable.

Cost

The initial cost of PPEs includes purchase price and directly attributable cost to bringing the asset to the location and conditions necessary for it to be capable of operating in the manner intended by management. Subsequent costs that do not qualify the recognition criteria under NAS 16 are expensed as and when incurred.

NAS 16 and IFRIC 1 require cost of PPE to include the estimated cost for dismantling and removal of the assets and restoring the site on which they are located. Management perceives that such costs are difficult to estimate and considering the past practice the amount of such costs will not be material to affect the economic decision of the user as a result of such non- inclusion. Therefore, asset retirement obligation has not be recognised.

Depreciation

The management has estimated that the cost equals depreciable amount of the asset and thus the cost is systematically allocated based on the expected useful life of an asset. Items of property, plant and equipment are depreciated in full in the year of acquisition.

If an item of PPE consists of several significant components with different estimated useful lives and if the cost of each component can be measured reliably, those components are depreciated separately over their individual useful lives.

The residual values, useful lives and the depreciation methods of assets are reviewed at least annually, and if expectations differ from previous estimates, changes are made in the estimates and are accounted for as a change in accounting estimates in accordance with NAS 8.

If the management considers the assets have an indefinite useful life, no amortisation / depreciation is charged.

De-recognition

Assets that have been decommissioned or identified as damaged beyond economic repair or rendered useless due to obsolescence, are derecognised whenever identified. On disposal of an item of PPE or when no economic benefits are expected from its use or disposal, the carrying amount of an item is derecognised. The gain or loss arising from the disposal of an item of PPE is the difference between net disposal proceeds, if any, and the carrying amount of that item and is recognised in the Statement of Profit or Loss.

1.1 Change in Classification, Useful Lives and Depreciation Method

1.1.1 Re-classification

Assets have been reclassified wherever required for compliance with NFRS. Capital work in progress, are assets that are in the process of construction or installation have been reported under PPE without charging depreciation. These were previously being shown separately from property plant and equipment.

The company used to carry the costs of access road as a separate component of PPE even though direct control and ownership of such road is not with the company. However, under the provisions of NFRS, costs that are directly attributable to bringing asset to the location and condition necessary for it to be capable of operating in manner intended are to be included in the cost of PPE. Therefore, once the project is completed and depreciation on project assets is started, the cost of access road will be systematically apportioned to the assets at the generation site as directly attributable cots.

1.1.2 Estimation of Useful Lives and Depreciation Method used

The useful life of assets has been reassessed and adjusted as at the date of opening NFRS SFP. Depreciation method has been selected considering the pattern of inflow of economic benefits to the organization and thereby depreciated using Diminishing Balance Method (DBM).

The Project is still in construction and, therefore, the depreciation on Project assets have not been started and estimation of life of project assets is not viable.

However, the Company has estimated the life of completed assets of as follows:

Assets Class/ Sub Class	Prior to adoption of NFRS			Revised for NFRS Adoption		
	Depreciation Rate	Useful Life (In years)	Depreciation Method Applied	Depreciation Rate	Useful Life (In years)	Depreciation Method Applied
Land – Project	-	-	None	-	35	None
Land – Not related to project	-	-	None	-		None
Office Building (Kathmandu)	-	-	None	-	-	None
Building - Others	5	20	DBM	5	20	DBM
Office Building (Project)	2	35	DBM	2	35	DBM
Distribution Line	-	-	None	-	-	None
Diversion Tunnel						
Head Works	2	50	DBM	2	50	DBM
Headrace Tunnel						
Power House	3.33	30	DBM	3.33	30	DBM
Transmission Line						
Hydro Mechanical Works	-	-	None	-	-	None
Heavy Equipment	15	7	DBM	15	7	DBM
Electro Mechanical Works	-	-	None	-	-	None
Tools and Equipment	15	7	DBM	15	7	DBM
Office Equipment	25	4	DBM	25	4	DBM
Furniture & Fixture	25	4	DBM	25	4	DBM
Vehicles	20	5	DBM	20	5	DBM
Other Assets	15	7	DBM	15	7	DBM

1.1.3 Useful life of Electromechanical Works

The assets under Electromechanical Works heading comprise of various components and sub-component which have different useful lives.

The electromechanical assets will be grouped, and life will be estimated once the project will be completed. Management has estimated the useful lives as follows;

Particulars	Expected Life (Years)	Particular	Expected Life -Years
Turbine	50	Ancillary Equipment	50
	40		40
	30		35
Generator	30		30
Power Transformers	30		25
Station Transformers & Other Transformers	30		20
66KV Switchgear Equipment	50		15
Relay & Control switchboards	30	Cables	50
	20		35
Instrument Transformers	30		30
12 KV Switchgear	40	Miscellaneous Materials	40
Low Voltage Distribution Panel	50		15
Lightning Arrestor	35	Steel Structures	50
Storage Battery & Battery Charger	15	Communication Equipment	20
Grounding Material	50		15

Other notes on PPE

1.1.4 Land

Land properties with ownership documents (i.e. in occupation and with valid documentation) have been recognised meeting the asset recognition criteria.

Land under BOOT Arrangement

MBJCL has obtained the licence for operation from the Ministry of Energy for a period of 35 years (i.e. from 2070-08-18 to 2105-08-17), therefore the useful life of assets of the project cannot exceed 35 years even if the economic life of the asset is more as the entire generation unit needs to be transferred to the Government of Nepal at the end of this licence term.

Location	Area	Cost upto 2077-78 (NRs.)
Barhabise Municipality and Bhotekoshi Gaunpalika	266-12-1-3 (Ropani-Aana-Paisa-Dam)	376,312,214

1.1.5 Building and Civil Structure

All civil infrastructures of Project site have been classified on the basis of their built type.

1.1.6 Capital Work in Progress

Assets in the course of acquisition and installation of new plant and equipment till the date of commissioning, or civil works under construction till the date of completion are recognized as Capital Work in Progress (CWIP) and are carried at cost, less accumulated impairment losses, if any.

Capital Expenditure upto 2077-78

(NRs.)

Particulars	2077.03.31 (15.07.2020)	Addition During the Year 77-78	Transferred to PPE	2078.03.31 (15.07.2021)
Distribution Line	2,736,073	-	-	2,736,073
Residential Building (Camp Facilities)	690,342	-	-	690,342
Initial Project Expenditure (Drilling)	1,993,654	-	-	1,993,654
Initial Project Expenditure (Explosive Management)	26,977,906	-	-	26,977,906
Test Adit	42,742,667	-	-	42,742,667
Diversion Tunnel	185,342,191	-	-	185,342,191
Core Drilling	1,733,700	-	-	1,733,700
Other Civil Work at Site	3,602,249	-	-	3,602,249
Camp Protection Work	19,261,213	-	-	19,261,213
Contractor Site office and Storage Construction	463,725,601	-	-	463,725,601
Main Civil Work	608,339,572	-	-	608,339,572
MS 1 to 16 Hydromechanical Parts	-	3,362,701	-	3,362,701
Powerhouse Equipments and Machinery	1,390,085,329	35,183,180	-	1,425,268,509
Powerhouse Construction Support Work	72,962,516	336,393,318	-	409,355,834
Headrace Tunnel Work	1,168,603,845	-	-	1,168,603,845
Headrace Tunnel Supporting Work	321,231,960	-	-	321,231,960
Tunnel 3 excavation work	116,418,140	-	-	116,418,140
Excavation work at Intek	40,527,541	41,716,755	-	82,244,296
Transmission Line Work	10,464,548	18,685,626	-	29,150,174
Excavation ware	40,113,144	-	-	40,113,144
Concrete and Descender	442,418,382	550,833,805	-	993,252,187
Ceiling element cut off wall board complete	16,178,426	-	-	16,178,426
Feasibility Study Cost	2,858,538	-	-	2,858,538
Consulting Expenses	665,978,276	87,192,373	-	753,170,650
Social Development Expenditure	1,941,690	-	-	1,941,690
Total	**5,646,927,503**	**1,073,367,758**	-	**6,720,295,261**

Other Direct Cost Capitalised in 2077-78

(NRs.)

Particulars	2077.03.31 (15.07.2020)	Addition During the Year 77-78	Transferred to PPE	2078.03.31 (15.07.2021)
Salary	123,996,175	19,547,633	-	143,543,808
Wages	7,419,155	552,063	-	7,971,218
Allowance and Facilities	99,658,114	14,187,393	-	113,845,507
Overtime Allowance	11,065,255	2,525,024	-	13,590,279
Employee Provident Fund	10,236,908	2,060,206	-	12,297,113
Employee Leave Expenses	6,402,399	1,374,792	-	7,777,191
Contribution to Gratuity Fund	283,401	103,717	-	387,118
Nepal Electricity Authority Overhead	11,816,259	1,945,596	-	13,761,855
Employee Insurance	670,396	443,681	-	1,114,077
Medical Expenses	8,229,946	1,647,498	-	9,877,444
Water and Electricity	3,239,383	636,069	-	3,875,451
Consultancy Expenses	15,316,394	1,184,750	-	16,501,144
Other Services	10,441,961	1,211,700	-	11,653,661
Repair - Civil	6,423,871	963,557	-	7,387,428
Repair - Vehicle	13,045,741	2,060,306	-	15,106,047
Repair - Other	1,178,095	140,288	-	1,318,383
Power	20,106,762	2,214,641	-	22,321,403
Mobil and Lubricant	1,704,618	71,527	-	1,776,145
Other Expenses related to Vehicle	92,692	-	-	92,692
Rental Expenses - Building	7,324,911	158,738	-	7,483,648
Rental Expenses - Land	30,020,094	5,850,279	-	35,870,372
Other Rent	119,453	-	-	119,453
Renewal Expenses - Vehicle	6,506,982	502,075	-	7,009,057
Insurance	4,746,285	843,088	-	5,589,373
Telephone and Internet	4,437,732	749,226	-	5,186,958
Legal Expenses	198,423	282,500	-	480,923
Audit Expenses	108,350	66,170	-	174,520

Particulars	2077.03.31 (15.07.2020)	Addition During the Year 77-78	Transferred to PPE	2078.03.31 (15.07.2021)
Transportation Expenses	2,104,211	-	-	2,104,211
Travelling Expenses	2,971,507	162,300	-	3,133,807
Training	662,282	392,525	-	1,054,807
Printing Expenses	2,537,900	57,706	-	2,595,606
Newspaper and Magazine	178,350	-	-	178,350
Notice Expeenses	4,803,089	139,865	-	4,942,954
Meeting Allowance	1,128,150	146,000	-	1,274,150
Meeting Management Expenses	63,714	7,500	-	71,214
Compensation Expenses	17,962,070	2,958	-	17,965,028
Other Expenses	5,710,650	256,713	-	5,967,363
Interest Expenses	1,300,060,347	509,603,288	-	1,809,663,635
Bank Charge	4,195,628	187,753	-	4,383,381
Bank Service Charge	7,742,700	1,800,000	-	9,542,700
Share Issue Expenses	-	-	-	-
Depreciation	70,041,430	7,380,561	-	77,421,992
Relief and Rescue Expenses	3,319,123	-	-	3,319,123
Foreign Exchange Loss	6,586	-	-	6,586
Guest expenses	-	-	-	-
Donation	-	-	-	-
Ceremonial Expenses	-	-	-	-
CSR Expenses	223,334,744	34,883,831	-	258,218,575
Total	**2,051,612,236**	**616,343,514**	-	**2,667,955,750**

MBK JCL

H.K. C.A. ASSOCIATES KATHMANDU NEPAL CHARTERED ACCOUNTANTS

Depreciation on these assets commence when these assets are ready for their intended use. These items are shown at cost and disclosed as CWIP under PPE.

All the costs directly related to the development of the projects are charged to the CWIP and carried until the assets are ready to be used to be recognised under property plant and equipment. Any charges are subsequently transferred to CWIP as they directly and indirectly contribute toward creation of those assets. Expenses that are of administrative nature are also included in the cost of CWIP as these expenses are considered directly attributable to the project cost by the Management.

1.1.7 Restriction on PPE

MBJCL has obtained the licence for operation from the Ministry of Energy for a period of 35 years (i.e., from B.S 2070-08-18 to B.S. 2105-08-17), the useful life of assets of the project cannot exceed 35 years even if the economic life of the asset is more. After the end of 35 years of operation, MBJCL will have to transfer the entire generation unit to Government of Nepal under BOOT provision.

1.2 Details of Property, Plant and Equipment

Schedule of 2077-78

(NRs.)

Particulars	Cost				Rates %	Accumulated Depreciation				Accumulated Impairment Loss	WDV as at	
	Opening	Addition	Disposal	Closing		Opening	For the Year	On disposal	Closing		2078.03.31	2077.03.31
Land	-			-	-	-			-	-		
Land – Project	376,312,214			376,312,214	-	-			-	-	376,312,214	376,312,214
Land – Not related to project	-			-	-	-			-	-	-	-
											-	-
Building											-	-
Office Building (Kathmandu)	-			-	-	-			-	-	-	-
Building - Others	812,761			812,761	5%	102,898	30,928		133,826	-	678,934	709,863
Office Building (Project)	80,270,843	413,178		80,684,021	2%	4,028,310	1,526,677		5,554,987	-	75,129,034	76,242,533
											-	-
Distribution Line											-	-
Distribution Line	-			-	-	-			-	-	-	-
											-	-
Hydro Mechanical Works											-	-
Hydro Mechanical Works	-			-	-	-			-	-	-	-
Heavy Equipments	29,896,075			29,896,075	-	19,184,549	1,606,729		20,791,278	-	9,104,797	10,711,526
											-	-
Electro Mechanical Works											-	-
Electro Mechanical Works	-			-	-	-			-	-	-	-
											-	-
Tools											-	-
Tools and Equipment	2,701,844			2,701,844	15%	1,849,247	127,890		1,977,135	-	724,708	852,597
											-	-
Office Equipment and Furnitures											-	-
Office Equipment	9,102,879	114,500		9,217,379	25%	7,464,170	406,770		7,870,940	-	1,346,438	1,638,708
Furniture & Fixture	8,833,224	315,225		9,148,449	25%	6,434,017	606,093		7,040,110	-	2,108,339	2,399,207
											-	-
Vehicles											-	-
Vehicles	62,311,382			62,311,382	20%	44,491,257	3,564,025		48,055,282	-	14,256,100	17,820,125
											-	-
Other Assets											-	-
Other Assets	2,520,169			2,520,169	15%	1,018,081	226,498		1,244,579	-	1,275,590	1,502,088
Total	**572,761,389**	**842,903**	**-**	**573,604,292**		**84,572,529**	**8,095,609**	**-**	**92,668,138**	**-**	**480,936,154**	**488,188,860**

The above statement of Property, Plant and Equipment comprise assets of both project office and corporate office. The assets of Project office are directly related with the project and the depreciation on the project site assets form part of project cost and, therefore, capitalized to Capital Work in Progress. However, on the other hand, depreciation on assets of corporate office is of administrative nature and hence expensed off to Income Statement.

The details of depreciation capitalized and expensed off to Income Statement is as follows:

(NRs.)

	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Capitalized to CWIP	7,380,561	8,537,847
Expensed off to income statement	715,048	912,033
Total	**8,095,609**	**9,449,880**

1.3 Impairment of Property, Plant and Equipment

1.3.1 Application of Impairment Tests

Impairment of an item of PPE is identified by comparing the carrying amount with its recoverable amount. If individual asset does not generate future cash flows independently of other assets, recoverability is assessed on the basis of cash generating unit (CGU) to which the asset can be allocated.

At each reporting date, the Company assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. The recoverable amount of a CGU is determined at the higher of fair value less cost to sell on disposal and value-in-use. Generally recoverable amount is determined by means of discounted cash flows unless it can be determined on the basis of a market price. Cash flow calculations are supported by past trend and external sources of information and discount rate is used to reflect the risk specific to the asset or CGU.

1.3.2 Impairment Indication

There has been no apparent indication of impairment of PPE taken as cash generating units (CGU). The recoverability of economic benefits from the existing PPE is considered more than the carrying amount.

2. Investments

(NRs.)

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Fixed Deposits to different BFIs	250,000,000	250,000,000
Total	**250,000,000**	**250,000,000**

3. Inventory

Inventories are carried at the lower of cost or net realisable value (NRV). Cost comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost is measured using First In First Out (FIFO) method.

The details about inventory of the Company is as under:

(NRs.)

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Miscellaneous Store-Corporate Office	204,702	186,329
Miscellaneous Store-Project Office	69,488	52,087
Total	**274,190**	**238,416**

Store, Spare Parts and Loose Tools

NAS 16, paragraph 8 and 9 specifically says that,

- Spare parts and servicing equipment are usually carried as inventory and recognised in Statement of Profit or Loss when consumed.
- Major spare parts and stand-by equipment qualify as PPE when an entity expects to use them for more than one period.
- The standard does not prescribe the unit measure for recognition and judgement is to be applied in determining what constitutes an item of PPE

Management determines that these stores and spare parts are of consumable nature and are held for consumption in the production (generation) of electrical energy. These are either expected to be used within one year or the economic values will be obtained when consumed. Therefore, these stores, spare parts and loose tools have been considered as inventory and presented accordingly.

4. Prepayments

These are expenses paid for the period beyond the financial period covered by the financial statement. These will be charged off as expenses in the respective period for which such expenses pertain to. MBJCL's prepayments pertain to insurance premium.

The details about Prepayments is as under: (NRs.)

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Prepaid Insurance	317,598	803,114
Share Issue Expense	4,026,850	-
Total	4,344,448	803,114

Share issue expense (expenses for Initial Public Offering- IPO) incurred during the FY under audit is presented under prepayments which will be adjusted with the equity during FY 2078/79 (the year in which proceeds of IPO realised by the company).

5. Financial Instrument

The company classifies financial assets and financial liabilities in accordance with the categories specified in NAS 32 and NAS 39.

5.1 Financial Instruments: Financial Assets

Financial asset is any asset that is:

(a) Cash

(b) An equity instrument of another entity;

(c) A contractual right:

i) To receive cash or another financial asset from another entity; or

ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) A contract that will or may be settled in the entity's own equity instruments and is:

(i) A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments;

or

(ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial assets are classified under four categories as required by NAS 39, namely,

- Fair Value through Profit or Loss (FVTPL),
- Held to Maturity,
- Loans and Receivables and
- Available for Sale

Financial Assets of the Company comprises of Advances, Deposits, Other Receivables, Trade Receivables and Cash/Bank Balances.

These instruments are interest bearing and non-interest bearing. Where interest component is present, the implicit interest rate approximates effective interest rate. It is assumed that the carrying amount represents the amortised cost of the assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial resource will be recovered, other than because of credit deterioration.

Held to Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through Profit or Loss or as Available for Sale. Held-to-maturity investments are measured at amortised cost.

5.1.1 Advances, Deposits and Other Assets

These comprise advances, deposits, prepayments and other Assets. Details are as given below:

Advances

(NRs.)

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Employee Loan/Advances	2,580,540	1,229,304
Andritz Hydro	123,382,322	131,754,308
Guangxi Hydroelectric Construction Bureau	275,705,860	738,919,517
Other Advances	6,424,870	6,879,870
Total	**408,093,592**	**878,782,999**

Deposits

(NRs.)

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Deposits	14,022,750	13,305,250
District Administration Office, Sindhupalchowk	977,277	977,277
Others	3,676,728	-
Total	**18,676,755**	**14,282,527**

Tax Deposits and Advance Tax

There are no tax deposits of the company for the year.

Details of advance tax is as follows:

(NRs.)

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Advance Tax (on Bank Interest)	26,028,651	24,782,564
Total	**26,028,651**	**24,782,564**

Impairment of Advances, deposits and other receivables

Impairment of advances, deposits and other receivables are tested if any indication is known. The Company has a system of tracking the recoverability of these assets.

5.1.2 Cash and Cash Equivalent

Cash and cash equivalents include deposits account balances maintained with banks and financial institutions. These enable the Company to meet its short-term liquidity requirements.

The carrying amount of cash and cash equivalents approximates their fair value. They are readily convertible to known amount of cash and are subject to insignificant risk of change in value. These balances have been used as Cash and Cash Equivalents for the presentation of Statement of Cash Flows as well.

Banks and financial institution in Nepal are closely regulated by the Nepal Rastra Bank. The Company closely assesses the risks of these instruments and there is no apparent indication of impairment of these balances.

The Company discourages the use and holding of cash balances therefore there are no cash balances as on the reporting dates.

The details of Cash and Cash Equivalents are given below:

(NRs.)

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Everest Bank Ltd.	13,395,030	1,775,098
Nepal Investment Bank Ltd.	3,295,174	16,968,027
Himalayan Bank Ltd.	4,075,480	2,972,822
Sanima Bank Ltd.	100,386,079	113,519,992
Total	**121,151,763**	**135,235,939**

5.1.3 Risk Associated with Financial Assets

The Company closely monitors the risks associated with the financial assets. The Company has an enterprise risk management system commensurate with the nature and the size of the business, which the management considers sufficient to identify, manage and monitor risks.

5.2 Financial Instruments: Financial Liabilities

A financial liability is any liability that is:

a) Contractual obligation:

(i) To deliver cash or another financial asset to another entity; or

(ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

b) A contract that will or may be settled in the entity's own equity instruments and is:

(i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments;

or

(ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial Liabilities under NAS 39 are to be classified as Fair Value through Profit or Loss (FVTPL) and those held at Amortised Cost. Currently the company holds retention deposit amounts that required to be recorded at amortised cost.

5.2.1 Trade and Other Payables

Trade and other payables mainly consist of amounts the Company owes to suppliers and government authority that have been invoiced or are accrued. These also include taxes due in relation to the Company's role as an employer. These amounts have been initially recognized at cost and it is continued at cost as it fairly represents the value to be paid since it does not include interest on payment.

Detail schedule of trade and other payables is as follows:

(NRs.)

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Retention Money	230,360,096	172,502,322
Security Deposit	4,723,440	58,293,844
Payable to employees	16,844	53,000
Other Liabilities	10,450	525,761
Total	**235,110,830**	**231,374,927**

6. Share Capital

The company's registered share capital structure is as follows: (NRs.)

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Authorized Capital		
621,00,000 Shares @ RS 100 each	6,210,000,000	6,210,000,000
Issued Capital		
600,00,000 Shares @ Rs 100 each	6,000,000,000	6,000,000,000
Paid Up Capital		
450,00,000 Shares @ Rs 100 each	4,500,000,000	4,500,000,000
Total	**4,500,000,000**	**4,500,000,000**

It is the Company's policy to net off share issue expenses with the capital collected under NFRS. However, the Company's share capital has not been adjusted for such expenses as they pertain to periods of non-adjusting events of the Company and will be net off from share capital in subsequent year where share capital is recognised. Therefore, share issue expenses incurred for the year is deferred and will be settled once the share capital is recognised.

7. Retained Earnings

The details of retained earnings is as given below: (NRs.)

Particulars	2078.03.31 (15.07.2021)	2077.03.31 (15.07.2020)
Opening Balance	**(252,526,701)**	(197,495,379)
Adjustments for NFRS (Refer Below)	(4,026,850)	-
Opening Balance (Restated)	**(256,553,551)**	(197,495,379)
Net Profit after tax	(34,700,745)	(55,031,322)
Closing Balance	**(291,254,297)**	**(252,526,701)**

8. Employee Benefits

The company provides employee benefits in accordance to its by-laws in compliance with the local laws and regulations. The employee benefits are classified as current benefits and post-employment benefits.

8.1 Current Employee Benefits

Current period Employee benefit costs are as follows: **(NRs.)**

Particulars	FY 2077/078 (2020/21)	FY 2076/077 (2019/20)
Salary	6,540,356	6,761,580
Wages	-	500
Allowances and Benefits	6,563,117	6,931,090

Particulars	FY 2077/078 (2020/21)	FY 2076/077 (2019/20)
Overtime Allowance	871,913	776,456
Provident Fund	691,978	676,158
Leave Encashment	536,601	602,334
Employee Insurance	135,540	32,149
Medical Benefits	573,865	556,261
Total	**15,913,371**	**16,336,529**

8.2 Post-Employment Benefits

The company has deputed 3 permanent employees of NEA and post-employment benefit will not be incurred by the Company. Provident fund will be contributed for employee on contract basis.

8.3 Others

Staff Loan facilities: The Company does not provide loans to its staffs.

9. Income Tax

The company has adopted the policy of accounting and reporting tax related elements of Financial Statements in accordance with NAS 12 and it represents current tax and deferred tax for the year.

9.1 Current Tax

Current tax payable (or recoverable) is based on the taxable profit for the year. Taxable profit differs from the profit reported in the Statement of Profit or Loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible.

The Company is still in the phase of construction because of which it has no obligation for current tax. The company has been granted 100% tax holiday for 10 years and 50% tax holiday for subsequent 5 years by the tax authorities under Income Tax Act, 2058. However, the company has provided for income tax liability pertaining to other incomes except electricity income in accordance with the Income Tax Act, 2058 enacted and as applicable in Nepal.

9.2 Deferred Tax

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

a. Temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in computation of taxable profit,

b. Unused tax losses and/or

c. Unused tax credits.

Currently, the company has not recognized deferred tax due to its accumulated loss and the project is still in construction phase.

10. Long Term Loan

MBJCL has obtained long term loan for project construction from Employees Provident Fund (EPF) against corporate guarantee.

NFRS 9 requires loans to be measured and recognised at amortised cost using Effective Interest Rate. Due to the uncertainty of administrative charges related to loan and also the timing of the arisen of the charges, also no immediate repayment obligation is due, discounting of long term loan is not done and hence recognized at face value and administrative charges are written off to profit and loss account.

Amount owed by the Company to the EPF in relation to the loan is as follows: (NRs.)

Particulars	31.03.2078 (15.07.2021)	31.03.2077 (15.07.2020)
Employee Provident Fund	4,277,080,000	3,557,080,000
Interest payable on Loan	1,970,478,723	1,452,568,186
Total	**6,247,558,723**	**5,009,648,186**

11. Provisions

When the Company has a present obligation (legal or constructive) as a result of a past event, provisions are recognized only if it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Provision upto 2077-78 is as follows: (NRs.)

Particulars	31.03.2078 (15.07.2021)	31.03.2077 (15.07.2020)
Employee Leave Provision	2,314,457	2,357,746
Total	**2,314,457**	**2,357,746**

12. Revenue from Sale of Electricity

The Company is still in construction phase and, therefore, commercial transaction has not been started. Therefore, the Company has no any revenue from Sale of Electricity.

MBK JCL

H.K. & ASSOCIATES ★ CHARTERED ACCOUNTANTS ★ KATHMANDU NEPAL

13. Administrative Expenses (Excluding Employee Benefit Expenses)

(NRs.)

Particulars	FY 2077/078 (2020/21)	FY 2076/077 (2019/20)
Other Services	740,579	740,579
Water & Electricity	188,689	202,835
Fuel	829,340	673,401
Consultancy Service	-	62,150
Other Repairs	179,092	113,948
Mobile & Lubricants	51,167	51,779
Repair - Vehicles	710,637	411,130
Repairs - Civil	-	-
Insurance	86,228	34,694
License Fee	102,293	93,290
Postage and Courier	-	4,510
Telephone	262,546	292,146
Corporate Development Expense	-	-
Training	384,338	9,040
Legal Expenses	495,668	478,668
Prining and Stationery	142,617	186,302
Magazine & Newspaper	60,444	95,695
Advertisement	230,064	132,500
Annual Functions and Workshop	81,871	51,816
Guest Entertainment	272,155	289,662
Other Expenses	255,804	228,335
Meeting Allowance	1,050,500	972,000
Meeting Management Expense	703,598	648,956
Travel	31,080	1,080
Bank Charges & Commission	782,515	4,489
Director Allowance	1,735,000	1,240,000
Audit Fee	370,540	355,950
Audit Expense	134,109	172,731
House Rent	2,108,880	2,045,040
Financial Assistance, Donation and Prizes	17,000	150,000
Share issue expenses	-	2,852,700
Other Site Expenses	394,072	484,015
Total	**12,400,826**	**13,079,441**

14. Finance Income

Finance Income is comprised of the interest income received or receivable from bank(s) on temporary deposits. The interest income is adjusted with the interest expenses capitalised in CWIP. The details of which are as follows

(NRs.)

Particulars	Interest Income
Finance income adjusted to interest expenses 2077-78	8,307,249
Total	**8,307,249**

15. Other Income

Other income comprises sale of tender form and other miscellaneous income. The details of other income are presented as below:

(NRs.)

Particulars	FY 2077/078 (2020/21)	FY 2076/077 (2019/20)
Other Income	8,083	210,608
Total	**8,083**	**210,608**

16. Finance Charge

Finance charge comprise the interest component of retention money measured at amortised cost. Retention money payable in the future was discounted and recorded at amortised cost and annual interest cost is expensed off to income statement.

Finance charges details is as follows: (NRs.)

Particulars	FY 2077/078 (2020/21)	FY 2076/077 (2019/20)
Finance Charge for Retention Deposit	5,679,584	24,913,927
Total	**5,679,584**	**24,913,927**

17. Earnings Per Share (EPS)

Earnings per share has been disclosed on the face of 'Statement of Profit or Loss and Other Comprehensive Income' in accordance with the NAS 33.

18. Related Parties

The Company identifies the following as its related parties:

18.1 Parent

Chilime Hydropower Company Limited (CHPCL) controls the Company through majority control in its Board of Directors.

No any transactions took place with the parent company during the year.

18.2 Directors and their Relatives

The Company has 11-membered Board of Directors (BoD) appointed under the provisions of Companies Act, 2063. Except for the following transactions, the Company has not conducted any other transaction with directors or their relatives during the financial year 2077-78 (2020/021).

Transaction with BoD of the Company for the year 2077-78 is as follows: (NRs.)

S. N	Name of BoD	Role/Position	Meeting Allowance (NRs.)	Other Compensation (NRs.)	Balance at Year end	Remarks
1	Mr. Hara Raj Neupane	BoD Chairman	145,000	30,000		
2	Mr. Lekhnath Koirala	BoD Member	164,000	30,000	-	
3	Mr. Dhurba Bhattarai	BoD Member	226,000	30,000	-	
4	Mr. Tulasi Ram Dhakal	BoD Member	280,000	30,000	-	
5	Mr. Braj Bhushan Chaudhary	BoD Member	35,000	10,000	-	BOD member upto Kartik 2077
6	Mr. Subhash Kumar Mishra	BoD Member	264,000	30,000	-	
7	Mr. Madhav Sapkota	BoD Member	135,000	15,000	-	BOD member upto Poush 2077
8	Mr. Shreeram Raj Pandey	BoD Member	70,000	15,000	-	BOD member in Magh 2077
9	Mr. Naresh Lal Shrestha	BoD Member	74,000	15,000	-	BOD member in Magh 2077

18.3 Key Management Personnel and Their Relatives

The Company considers its Chief Executive Officer (CEO), Project Manager (PM) to be Key Management Personnel. The company has not conducted any transaction (other than payment of employee benefits) with the Key Management Personnel or their relatives during the year.

Key Management Personnel compensation comprised the following:

S.N.	Name	Position	Total Salary Paid (NRs.)	Balance at Year end	Remarks
1	Mr. Mani Kumar Kafle	CEO	950,996	-	Upto 2077 Mangsir
2	Mr. Subhash Kumar Mishra	CEO	-	-	2077 Mangsir to 2077 Falgun
3	Mr. Ram Gopal Shiwakoti	CEO	786,358	-	2077 Chaitra to 2078 Ashadh
4	Dr. Sunil Kumar Lama	Project Manager	1,101,144	-	Upto 2077 Poush
5	Mr. Surya Nath Bhurtyal	Project Manager	1,878,046	-	Construction Division Chief assigned as Officiating PM from 2077 Poush

18.4 Employee Retirement Benefit Plans

The company considers a retirement benefit plan to be a related party if the entity is a post-employment defined benefit plan for the benefit of employees of either the company or an entity related to the company. As the company has not made any investments with respect to the liability on account of defined benefit obligation, it does not have any related party with regards to Defined Benefit Plan.

18.5 Special provision for effect of COVID 19 and Lockdown by Government of Nepal

The outbreak of COVID 19 that lead to go under lockdown for almost 5 months in the country, the development work (technical and physical) for MBJCL have not been affected much as the work was carried on smoothly. There is no requirement for suspension of capitalisation of borrowing cost as outlined by NAS 23.

19. Operating Segment

NFRS 8 Operating Segments requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers.

The company has only one reportable operating segment (both in terms of geography and products) and therefore, identification, classification and disclosure of separate reportable operating segments in accordance with NFRS 8 is not disclosed separately.

20. Contingent Liabilities and Commitments

20.1 Contingent Liabilities

A contingent liability is identified as follows:

(a) A possible obligation 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; or

(b) A present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

The Company discloses contingent liabilities unless the possibility of an outflow of resources embodying economic benefits is remote. Followings are the details of contingent liabilities which has the possibility of outflow of resources:

20.1.1 Contingent Liability due to extension in Commercial Date of Operation (COD):

As per section 10 of Power Purchase Agreement (PPA) entered into between the Company and NEA, if the Company could not supply the agreed power to NEA, it will be penalised as per said section. The Required Commercial date of Operation (RCOD) was agreed with NEA to be extended to 2076/12/28 (10th April 2020) from 2074/03/01(15th June 2017) which was further extended to 2077/11/16 (28th February, 2021). Again it was extended to 2078/08/14 (30th November 2021)

However, no any agreement is entered into regarding waiver of penalties to be imposed by NEA due to extension of COD. Therefore, the company may have to incur substantial penalty amount due to extension of COD.

20.1.2 Contingent Liability due to irrevocable capital commitments:

The project has affected 5 local VDCs, for which it has committed to give Rs 30,00,000 per year to each VDC until the completion of the project.

20.1.3 Contingent Liability due to irrevocable Agreements:

The Company has entered into agreement with Lahmeyer International, Andritz Hydropower Ltd. and Guangxi Hydroelectric Construction Bureau for consulting, electromechanical work and civil & hydromechanical construction work respectively.

The details of such contingent liabilities are as follows

S. N	Particulars	Agreement Amount	Total Agreement Amount (in NRs.)	Paid till date (in NRs.)	Remaining amount to be paid (NRs.)
1	Lot -1, Civil & Hydromechanical Works (Guangxi Hydroelectric Construction Bureau, China)	USD 62,091,674.15 NRs. 2,579,407,978.54	8,912,758,742	4,712,845,317	4,199,913,425
2	Lot-2, Electromechanical Works (Andritz Hydro Pvt. Ltd., India)	USD 20,461,253.67 NRs. 407,044,417.87	2,494,092,292	1,548,650,831	945,441,461
3	Consultant (Tractebel Engineering GmbH, Germany)	USD 6,736,961.91 NRs. 231,977,252.96	975,042,192	753,170,650	221,871,542
4	Transmission Line Works (Urja AC JV, Lalitpur, Nepal)	USD 64,407.70 INR 1,35,24,223.20 NRs. 8,29,63,809.00	111,226,000	35,575,044	75,650,956
5	Camp Facilities & Access Road (Gauri/Parbati Kharidhunga/Sobarna JV)	NRs. 86,499,999.45	86,499,999	71,499,999	15,000,000
	Total		**12,579,619,226**	**7,121,741,841**	**5,457,877,385**