



# A. POKHREL AND ASSOCIATES

## CHARTERED ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TERHATHUM POWER COMPANY LIMITED. KATHMANDU, NEPAL

#### Opinion

We have audited the Financial Statements of **Terhathum Power Company Limited** (the Company), which comprise the Statement of Financial Position as at 31<sup>st</sup> Ashad, 2081 and Statement of Profit & Loss and Other Comprehensive Income, Statement of Cash Flow, Statement in Changes in Equity for the period then 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 respect, the financial position of the company as at 31<sup>st</sup> Ashad, 2081 (15<sup>th</sup> July, 2024), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (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 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.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year ended 31<sup>st</sup> Ashadh, 2081. These matters were addressed in the context of our audit of the Financial Statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have determined the matters described below to be the key audit matters to be communicated in our report.

*Ashish*



S.N.	Key Audit Matters	How our Audit Addressed the Key Audit Matters
1.	The generation license for Khorunga Tangmaya Project (2MW) was not applied before the expiry of survey license, hence the survey license has been terminated during current fiscal year and the company has re-applied for the license by paying the required deposit amount which is under review in Department of Electricity Development. The company has not provided for impairment loss of Intangible Asset Under Development.	• Management concluded that the management strongly believes that the company will obtain the survey license as it has followed the procedures for re-application, hence the Intangible Asset Under Development has not been impaired.

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

Management is responsible for the preparation of the Financial Statements in accordance with the Generally Accepted Accounting Principles (GAAP) and applicable Nepal Financial Reporting Standards (NFRS) prevalent in Nepal and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

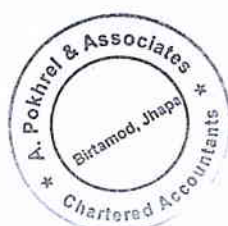
In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

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

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

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Nepal Standards on Auditing (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.

*Ashish*



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

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

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

We also provide those charged with governance with a Statement that we have complied with the relevant ethical requirements regarding independence and to communicate with them all relationship and other matter that may reasonably be thought to bear on our independence and where applicable related safeguard.

*Aashish*



### Report on Other Legal and regulatory Requirements:

We further report that:

- a. We have obtained information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
- c. In our opinion, the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flow and Statement of Changes in Equity with explanatory notes dealt with by this report follow the provision of the Companies act 2063.
- d. In our opinion, so far as appeared from our examination of the books, the business of the Company has been conducted satisfactorily.
- e. To the best of our information and according to the explanation given to us and from our examination of the books of account of the Company necessary for the purpose of the audit, we have not come across cases where the Board of Director (BoD) or any employees of the Company have acted contrary to the legal provisions relating to the account.
- f. The company has not formed an Audit Committee and hence it has violated the provision of Section 164 of Companies Act, 2063.

For and behalf of,  
A. Pokhrel & Associates  
Chartered Accountants



Aashish Pokhrel, FCA  
COP no: 855

Place: Kathmandu, Nepal

Date: 02 Mangsir, 2081

UDIN: 241119CA01218b5t6Q



**TERHATHUM POWER COMPANY LIMITED**

Kathmandu, Nepal

Statement of Financial Position

As at 31 Ashad 2081 (15 July 2024)

*NPR*

Particulars	Notes	Current Year	Previous Year
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, Plant & Equipment (Net block)	3	2,656,357	1,122,130
Intangible Assets	3.1	1,128,835,138	1,172,869,074
Intangible Assets under Development (IAUD)	3.2	30,454,975	27,454,975
<b>CURRENT ASSETS</b>			
<b>Financial assets</b>			
Cash & Cash Equivalents	4	759,826	9,231,014
Trade Receivables	5	23,715,966	22,126,838
Other Financial Assets	6	526,812	519,490
Other Current Assets	7	25,249,080	26,034,950
<b>TOTAL ASSETS</b>		<b>1,212,198,154</b>	<b>1,259,358,472</b>

<b>EQUITY &amp; LIABILITIES</b>			
<b>EQUITY</b>			
Equity Share Capital	8	400,000,000	400,000,000
Other Equity			
Reserve & Surplus	8.1	(176,883,449)	(145,461,397)
<b>NON CURRENT LIABILITIES</b>			
Long Term Borrowings	9	925,152,207	966,137,711
<b>CURRENT LIABILITIES</b>			
<b>Financial liabilities</b>			
Trade Payables	10	17,101,838	11,707,226
Short Term Borrowings	9	42,921,409	22,000,000
Provision	11	-	-
Other Current Liabilities	12	3,906,149	4,974,932
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>1,212,198,154</b>	<b>1,259,358,472</b>

Summary of significant accounting policies

2

As per our report of even date

**The accompanying notes are an integral part of these financial statements**

For and on behalf of Board


For: A. Pokhrel & Associates

Chartered Accountants

  
Bhupati Lal Shrestha  
Chairman

  
Mohan Kumar Dangi  
Managing Director

  
Prem Kumar Khatri  
Adm. Finance Manager

  
Aashish Pokhrel, FCA  
Proprietor

Date: 2081.08.02

Place: Kathmandu, Nepal





**TERHATHUM POWER COMPANY LIMITED**  
Kathmandu, Nepal  
Statement of Profit or Loss and other Comprehensive Income  
For the year ended 31 Ashadh, 2081 (July 15, 2024)

NPR

Particulars	Notes	Current Year	Previous Year
<b>INCOME</b>			
Revenue	13	128,929,894	121,646,868
Cost of Revenue	14	49,636,382	49,134,310
<b>Revenue from operations (Net)</b>		<u>79,293,512</u>	<u>72,512,558</u>
Other Income	17	-	-
<b>Expenses</b>			
Employee Benefit Expenses	15	657,750	624,500
Depreciation	3	620,325	521,731
Administrative Expenses	16	8,266,225	9,117,752
Finance Costs	18	101,171,264	109,478,032
Loss on Sale of Assets			36,508
<b>Profit/loss before tax</b>		<u>(31,422,052)</u>	<u>(47,265,964)</u>
Less: Tax			
Current Tax		-	-
Deferred Tax		-	-
<b>Net Profit/(Loss) for the Year</b>		<u>(31,422,052)</u>	<u>(47,265,964)</u>
Loss per Share			
Basic		(7.86)	(11.82)
Diluted		(7.86)	(11.82)
<b>Other comprehensive income</b>			
Changes in revaluation surplus		-	-
<b>Other comprehensive income for the year</b>		-	-
<b>Total Profit / (Loss) &amp; Other Comprehensive Income</b>		<u>(31,422,052)</u>	<u>(47,265,964)</u>

Summary of significant accounting policies

2


The accompanying notes are an integral part of these financial statements


For and on behalf of Board

As per our report of even date  
For: A. Pokhrel & Associates  
Chartered Accountants

    
Bhupati Lal Shrestha  
Chairman

Mohan Kumar Dangi  
Managing Director

  
Prem Kumar Khatri  
Adm. Finance Manager

  
Aashish Pokhrel, FCA  
Proprietor

Date: 2081.08.02

Place: Kathmandu, Nepal



**TERHATHUM POWER COMPANY LIMITED**  
Kathmandu, Nepal  
**Statement of Cash Flow**  
For the year ended 31 Ashadh, 2081 (July 15, 2024)


**NPR**


Particulars	Current Year	Previous Year
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the year	(31,422,052)	(47,265,964)
Adjustments		
Depreciation on Property, Plant & Equipment	613,545	511,547
Amortization of Intangible Assets	44,067,836	44,071,239
Finance Cost	101,171,264	109,478,032
Profit/(Loss) on Sale of Vehicle	-	-
Working capital adjustments:		
(Increase)/Decrease in Other Financial Assets	(7,322)	(120,078)
(Increase)/Decrease in Other Current Assets	785,870	(1,193,423)
Increase/(Decrease) in Trade Receivable	(1,589,128)	9,295,051
Increase/(Decrease) in Trade Payables	5,394,612	1,166,579
Increase/(Decrease) in Short Term Borrowings	20,921,409	-
Increase/(Decrease) in Other Current Liabilities	(1,068,783)	73,813
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>138,867,251</b>	<b>116,016,796</b>
<b>CASH FLOW FROM /(USED IN) INVESTING ACTIVITIES</b>		
Acquisition of Property, Plant & Equipment	(2,147,772)	-
Sales of Property, Plant & Equipment	-	636,508
(Increase) /Decrease in Intangible assets	(3,033,900)	(2,033,570)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>(5,181,672)</b>	<b>(1,397,062)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase/(Decrease) in Share capital	-	-
Long Term Borrowing (repaid)/ taken (net)	(40,985,503)	(5,186,182)
Interest Paid	(101,171,264)	(109,478,032)
Transaction Cost Incurred in Respect of Issuance of Equity Share	-	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>(142,156,767)</b>	<b>(114,664,214)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(8,471,187)</b>	<b>(44,480)</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	<b>9,231,014</b>	<b>9,275,494</b>
<b>Cash and Cash Equivalents, end of period</b>	<b>759,826</b>	<b>9,231,014</b>

The accompanying notes are an integral part of these financial statements  
For and on behalf of Board

As per our report of even date  
For: A. Pokhrel & Associates  
Chartered Accountants

   
Bhupati Lal Shrestha      Mohan Kumar Dangi  
Chairman      Managing Director

  
Prem Kumar Khatri  
Adm. Finance Manager

  
Aashish Pokhrel, FCA  
Proprietor

Date: 2081.08.02  
Place: Kathmandu, Nepal



TERHATHUM POWER COMPANY LIMITED

Kathmandu, Nepal

Statement of Changes in Equity

For the year ended 31 Ashadh, 2081 (July 15, 2024)

NPR

Particulars	Equity Share Capital	Advance Against Share Capital	Reserve & surplus	Total
<b>Balance as at 32 Ashad, 2079 (16 July, 2022)</b>	400,000,000	-	(98,195,433)	301,804,567
Profit/ (loss) for the year	-	-	(47,265,964)	(47,265,964)
Other Comprehensive income/ (Expenses) for the year	-	-	-	-
<b>Total comprehensive income</b>	-	-	(47,265,964)	(47,265,964)
Issue of Share Capital	-	-	-	-
Calls in Advance	-	-	-	-
Transaction cost incurred in respect of issuance of equity share	-	-	-	-
<b>Balance as at 31 Ashad, 2080 (16 July, 2023)</b>	400,000,000	-	(145,461,397)	254,538,603
Profit/ (loss) for the year	-	-	(31,422,052)	(31,422,052)
Other Comprehensive income/ (Expenses) for the year	-	-	-	-
<b>Total comprehensive income</b>	-	-	(31,422,052)	(31,422,052)
Issue of Share Capital	-	-	-	-
Calls in Advance	-	-	-	-
Transaction cost incurred in respect of issuance of equity share	-	-	-	-
<b>Balance as at 31 Ashad, 2081 (15 July, 2024)</b>	400,000,000	-	(176,883,449)	223,116,551


The accompanying notes are an integral part of these financial statements

As per our report of even date  
For: A. Pokhrel & Associates  
Chartered Accountants

  
Bhupati Lal Shrestha  
Chairman

  
Rohan Kumar Dang  
Managing Director

  
Prem Kumar Khatri  
Adm. Finance Manager

  
Aashish Pokhrel, FCA  
Proprietor

Date: 2081.08.02

Place: Kathmandu, Nepal





# TERHATHUM POWER COMPANY LIMITED

## Kathmandu, Nepal

### Significant Accounting Policies and Notes to Accounts

#### 1. General Information of the Company

Terhathum Power Company Limited (TPCL) has been established under Companies Act, 2063 and registered on 32nd Shrawan 2066 under registration number 65066/066/067 as for the development and implementation of the hydro Power project. It is a limited liability company having its registered office in Kathmandu which has been converted from private to public limited on 7th Ashad 2075 under registration number 192117/074/075. Its site office and hydropower plant are located at Morahang-VDC Menchyayam Rural Municipality, Terhathum District.

This company has developed Upper Khorunga khola Small Hydropower Project with an installed capacity of 7.5 MW in Morahang-VDC, Menchyayam Rural Municipality, and Terhathum District. The company has entered into Power Purchase Agreement with Nepal Electricity Authority (NEA) on 29<sup>th</sup> Kartik 2073.

Financial year of this company starts from 1st Shrawan every year and ends on Ashad end of next year. Financial Statements of the company comprises Statement of Financial position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity, Accounting Policies and Notes to Accounts.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the applicable Nepal Financial Reporting Standards (NFRS) as issued by the Accounting Standard Board (ASB). The Financial Statements have also been prepared in accordance with the relevant presentational requirements of the Companies Act, 2063 of Nepal.

##### 2.2 BASIS OF PREPARATION

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or noncurrent classification of assets and liabilities.

##### 2.3 BASIS OF MEASUREMENT

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

##### 2.4 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are prepared in Nepalese Rupee ("NPR"), which is the company's functional currency. All the financial information presented in Nepalese Rupee ("NPR") has been rounded to the nearest rupee, except otherwise indicated.

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**TERHATHUM POWER COMPANY LIMITED**  
**Kathmandu, Nepal**

**Significant Accounting Policies and Notes to Accounts**

**2.5 CRITICAL ACCOUNTING ESTIMATES**

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 the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates are recognized prospectively in current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes: -

**Useful life and residual value of Property, Plant and Equipment**

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

**Impairment of Property, Plant and Equipment**

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

**Contingencies**

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

**Fair Value Measurements**

The company's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The management works closely

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**TERHATHUM POWER COMPANY LIMITED**  
**Kathmandu, Nepal**

**Significant Accounting Policies and Notes to Accounts**

with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

**Recognition of Deferred Tax Assets**

Significant management judgment is required to determine the deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The company based its assumptions and estimates on parameter available when the financial statements were prepared. Existing circumstances and assumptions about the future developments, however, may change due to market changes and circumstances arising beyond the control of the company.

**2.6 PROPERTY, PLANT AND EQUIPMENT**

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

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

iii. The Company identifies and determines cost of each component/ part of the asset separately, if the component/ part have a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset.

iv. These components are depreciated over their useful lives.

v. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

**2.7 INTANGIBLE ASSETS UNDER DEVELOPMENT (IAUD)**

i. Assets in the course of construction are classified in the assets under IAUD. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences.

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**TERHATHUM POWER COMPANY LIMITED**  
**Kathmandu, Nepal**

**Significant Accounting Policies and Notes to Accounts**

**2.8 DEPRECIATION & AMORTISATION**

- i. Depreciation is recognized so as to write off the cost of assets (other than properties under construction), using the written down method.
- ii. Land & Land Development grouped under Intangible Assets meets asset recognition criteria and hence has been amortized over the useful life the project, using the straight-line method.
- iii. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.
- iv. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows: -

ASSET CLASS – SUBCLASS	DEPRECIATION RATE	DEPRECIATION METHOD APPLIED
Furniture & Fixture	25%	WDV
Office Equipment	25%	WDV
Computer & Accessories	25%	WDV
Vehicles	20%	WDV
Plant & Machinery (other than the assets grouped under Intangible Assets)	15%	WDV

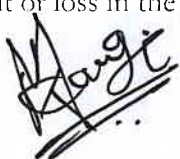
**2.9 INTANGIBLE ASSETS**

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible asset acquired separately are measured at cost. Cost includes expenditure that is directly attributable to the acquisition of an item of intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in statement of profit or loss as incurred.

**a. Derecognition**

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset, is recognized in statement of profit or loss in the year the asset is derecognized.





**TERHATHUM POWER COMPANY LIMITED**  
**Kathmandu, Nepal**

**Significant Accounting Policies and Notes to Accounts**

*b. Useful economic lives, amortization and impairment*

The useful economic life of an intangible asset is considered finite where the right to such asset is limited to a specified period of time by contract or by the likelihood of technological obsolescence. Intangible assets with finite lives are amortized using the straight-line method to write down the cost over its estimated useful economic lives and is recognized in statement of profit or loss.

<i>Class of intangible assets</i>	<i>Useful life</i>
Capitalized software	5 Years
Service Concession Arrangement	29.99 Years

The amortization method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**2.10 BORROWING COST**

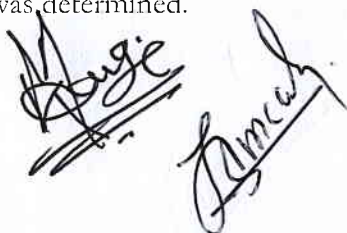
Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of such asset till such time the asset is ready for its intended use or sale. Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also includes exchange differences to the extent regarded as an adjustment to the borrowing cost. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sell. All other borrowing costs are expensed in the period in which they occur.

**2.11 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**2.12 FOREIGN CURRENCY TRANSACTIONS**

- i. The functional currency of the Company is determined on the basis of the primary economic environment in which it operates. The functional currency of the Company is Nepalese Rupee (NPR).
- ii. In preparing the financial statements the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.
- iii. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.







**TERHATHUM POWER COMPANY LIMITED**  
**Kathmandu, Nepal**

**Significant Accounting Policies and Notes to Accounts**

iv. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**2.13 EMPLOYMENT BENEFITS**

**Short term employment benefits**

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

i. Liabilities recognized in respect of short-term employee and contractual employees; benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

ii. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the obligation as at the Balance sheet date.

**2.14 TAXATION**

**Current Tax**

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

Income tax rates applicable to company:

Income from production and sale of electricity: 0% up to first 10 years, 10% for next 5 years, 20% for further years of operation. Because of the third year of operation, the effective tax rate of the Company is 0%.

**Deferred Tax**

i. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.



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iv. As per the applicable tax laws of Nepal, the hydropower project is allowed 100% tax exemption upto first 10 years of operation. The management is in a view of offsetting temporary differences fully within first 10 years period of operation and hence no deferred tax needs to be recognized.

**2.15 PROVISIONS, CONTINGENCIES AND COMMITMENTS**

iii. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date and discounted at pre-tax rate reflecting current market assessments of the time value of the money and the risk specific to the liability. These are reviewed at each year end and adjusted to reflect the best current estimates.

iv. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed with the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amounts cannot be made. No contingent asset is recognized but disclosed by way of notes to accounts.

**2.16 FINANCIAL INSTRUMENTS**

**Financial Assets**

**Initial Recognition and Measurement**

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Financial assets are classified, at initial recognition, as financial assets measured at fair value or as financial assets measured at amortized cost.

Subsequent Measurement: For purpose of subsequent measurement, financial assets are classified in two broad categories:

- Financial assets at fair value
- Financial assets at amortized cost

Where assets are measured at fair value, gains and losses are either recognized entirely in the statement of profit or loss, or recognized in other comprehensive income. A financial asset that meets the following two conditions is measured at amortized cost.

Business Model Test: The objective of the company's business model is to hold the financial asset to collect the contractual cash flows.



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Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

A financial asset that meets the following two conditions is measured at fair value through Other Comprehensive Income (OCI).

Business Model Test: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

**Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

**Financial Liabilities**

All financial liabilities are initially recognized at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as FVTPL if it is classified as held for trading, or it is a derivative or is designated as such on initial recognition. Financial Liabilities at FVTPL are measured at fair value and net gain or losses, including any interest expense, are recognized in statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit and loss. Any gain or loss on de-recognition is also recognized in statement of profit or loss.

**2.17 LEASES**

The ASB issued NFRS 16 to replace NAS 17 Leases. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, lease payments are made over time, also obtaining financing. Accordingly, NFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by NAS 17 and instead, introduces a single lease accounting model. Lessee will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. NFRS 16

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substantially carries forward lessor accounting requirement in NAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. NFRS 16 is effective for annual periods beginning on or after July 16, 2021.

**2.18 SERVICE CONCESSION ARRANGEMENTS**

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

- (a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices; and
- (b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.
- (c) The infrastructure is constructed or acquired by the operator from a third party for the purpose of the service arrangement OR the infrastructure is existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement.

Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met. These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

**INTANGIBLE ASSET MODEL:**

The intangible asset model is used to the extent that the company, being an operator, receives a right (a license) to charge users of the public service. A right to charge users of a public services is not an unconditional right to receive cash because the amounts are contingent on to the extent that public uses the services.

The Company manages concession arrangements which include power supply from its hydro power plant. The Company maintains and services the infrastructure during the concession period. These concession arrangements set out rights and obligations related to the infrastructure and the services to be provided. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset models is applied.

Income from the concession arrangements earned under the intangible asset model consists of the

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

The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the

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right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

Any asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

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As at 31 Ashad 2081 (15 July 2024)

Note 3: PROPERTY, PLANT AND EQUIPMENT

NPR

Particulars	Furniture, Fixture and Office Equipment	Vehicle	RTU	Total
<i>Depreciation Rate</i>	0	20% SLM		
<i>Gross Carrying Amount</i>				
<b>Gross Carrying Amount as at 31 Ashadh, 2079</b>	<b>3,692,390</b>	<b>3,705,073</b>	<b>-</b>	<b>7,397,463</b>
Additions	-	-	-	-
Withdrawals and Adjustments	(2,936,241)	-	-	(2,936,241)
<b>Gross Carrying Amount as at 32 Ashadh, 2080</b>	<b>756,149</b>	<b>3,705,073</b>	<b>-</b>	<b>4,461,222</b>
Additions	672,168	-	1,475,604	2,147,772
Withdrawals and Adjustments	-	-	-	-
<b>Gross Carrying Amount as at 31 Ashadh, 2081</b>	<b>1,428,317</b>	<b>3,705,073</b>	<b>1,475,604</b>	<b>6,608,994</b>
<i>Accumulated Depreciation &amp; Impairment</i>				
<b>Balance at 01 Shrawan, 2079</b>	<b>2,542,213</b>	<b>2,585,065</b>	<b>-</b>	<b>5,127,278</b>
Depreciation charge for the year	287,544	224002.62	-	511,547
Withdrawals and Adjustments	(2,299,733)	-	-	(2,299,733)
<b>Accumulated Depreciation as 32 Ashadh, 2080</b>	<b>530,024</b>	<b>2,809,068</b>	<b>-</b>	<b>5,638,825</b>
Depreciation charge for the period	139,223	179,201.08	295,121	613,545
Withdrawals and Adjustments	-	-	-	-
<b>Accumulated Depreciation as 31 Ashadh, 2081</b>	<b>669,247</b>	<b>2,988,269</b>	<b>295,121</b>	<b>6,252,370</b>
<b>Net Block</b>				
<b>Net Carrying Amount as on 32 Ashadh, 2080 (16 July, 2023)</b>	<b>226,125</b>	<b>896,005</b>	<b>-</b>	<b>1,122,130</b>
<b>Net Carrying Amount as on 31 Ashadh, 2081 (16 July, 2024)</b>	<b>759,070</b>	<b>716,804</b>	<b>1,180,483</b>	<b>2,656,357</b>

Apportioned to:

<b>Cost of Revenue</b>	-
<b>Indirect Cost</b>	613,545
<b>Total</b>	<b>613,545</b>

Depreciation of furniture & fixture, office equipment and intangible assets are charged to statement of profit or loss and depreciation of PPE, other than furniture & fixture, office equipment and intangible assets are charged to cost of revenue.

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**Note 3.1: INTANGIBLE ASSETS**

**NPR**

Particulars	Computer Software	Service concession arrangement	Total
<b>Gross Carrying Amount</b>			
Gross Carrying Amount as at 01 Shrawan, 2079	61,760	1,320,372,907	1,320,434,667
Additions - Externally Acquired	-	-	-
Transfer from IAUD	-	-	-
Withdrawals and Adjustments	-	-	-
<b>Gross Carrying Amount as on 32 Ashadh, 2080</b>	<b>61,760</b>	<b>1,320,372,907</b>	<b>1,320,434,667</b>
Additions	33,900	-	33,900
Transfer from IAUD	-	-	-
Withdrawals and Adjustments	-	-	-
<b>Closing Gross Carrying Amount as on 31 Ashadh, 2081</b>	<b>95,660</b>	<b>1,320,372,907</b>	<b>1,320,468,567</b>
<b>Accumulated Amortization/ Depreciation</b>			
Accumulated Amortization as at 01 Shrawan, 2079	51,576	103,442,778	103,494,354
Charge for the year	10,184	44,061,055	44,071,239
Withdrawals and Adjustments	-	-	-
<b>Accumulated Amortization as on 32 Ashadh, 2080</b>	<b>61,760</b>	<b>147,503,833</b>	<b>147,565,593</b>
Charge for the year	6,780	44,061,056	44,067,836
Withdrawals and Adjustments	-	-	-
<b>Accumulated Amortization as on 31 Ashadh, 2081</b>	<b>68,540</b>	<b>191,564,889</b>	<b>191,633,429</b>
<b>Net Carrying Amount as on Ashad 31, 2080 (16 July, 2023)</b>	<b>-</b>	<b>1,172,869,074</b>	<b>1,172,869,074</b>
<b>Net Carrying Amount as on Ashad 31, 2081 (15 July, 2024)</b>	<b>27,120</b>	<b>1,128,808,018</b>	<b>1,128,835,138</b>

**Apportioned to:**

Cost of Revenue	44,061,056
Indirect Cost	6,780
<b>Total</b>	<b>44,067,836</b>

Amortization on Service Concession arrangement has been charged by estimating useful up to 06 Falgun 2106 BS (License Period).

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Notes to Financial Statements

As at 31 Ashad 2081 (15 July 2024)

**Note 3.2: INTANGIBLE ASSETS UNDER DEVELOPMENT (IAUD)**

S. No.	Particulars	Current Year	Additions during the period	Previous Year
<b>1</b>	<b><u>PROJECT DEVELOPMENT EXPENDITURE</u></b>			
1.01	Deposit-Survey License-Tangmaya Project	2,000,000	-	2,000,000
1.02	Survey Licence Deposit 2 Mw	3,000,000	3,000,000	
1.04	ECID Pvt. Ltd-DSR Tangmaya	50,000	-	50,000
1.05	Permission License cost	250,000	-	250,000
1.06	IEE Study of Khorunga Tangmaya HP	570,650	-	570,650
1.07	License Expenses-KTP	16,790,000	-	16,790,000
1.08	LOI Fee-KTP	25,000	-	25,000
1.09	PPA Expenses- KTP	323,570	-	323,570
1.10	Refreshment- Tangmaya	45,255	-	45,255
1.11	Business Promotion Expenses-KTP	50,500	-	50,500
1.12	Salary Expenses KTP	3,600,000	-	3,600,000
1.13	Survey Licence Renewal_KTHEP	3,750,000	-	3,750,000
	<b>Total</b>	<b>30,454,975</b>	<b>3,000,000</b>	<b>27,454,975</b>

The company is also involved in development of Khorunga Tangmaya Hydroelectric Project and till date expenditure of Rs. 30,454,975 has been made as mentioned above. Power Purchase Agreement (PPA) has been done with Nepal Electricity Authority during fiscal year 2079/080, hence it has been recognized as Intangible Asset Under Development. As application for generation license was not filed before the expiry of survey license, the survey license has been terminated during current fiscal year and the company has re-applied for the license by paying the required deposit amount which is under review in Department of Electricity Development.

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**TERHATHUM POWER COMPANY LIMITED**

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As at 31 Ashad 2081 (15 July 2024)

**Note 4: CASH AND CASH EQUIVALENTS**

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 Central Bank. The Company closely assesses the risks of these instruments and there are no apparent indication of impairment of these balances.

Particulars	Current Year	Previous Year
Cash		
Balance with Banks		
in Current Account	759,826	9,231,014
<b>Total</b>	<b>759,826</b>	<b>9,231,014</b>

For the purpose of the statement of cash flows, cash and cash equivalents comprises the following:

Particulars	Current Year	Previous Year
Cash	-	-
Balance with Banks		
in Current Account	759,826	9,231,014
in Bank Overdraft	-	-
<b>Total</b>	<b>759,826</b>	<b>9,231,014</b>

**Note 5: TRADE RECEIVABLE**

Particular	Current Year	Previous Year
Nepal Electricity Authority	23,715,966	22,126,838
<b>Total</b>	<b>23,715,966</b>	<b>22,126,838</b>

**Note 6: OTHER FINANCIAL ASSETS**

Particulars	Current Year	Previous Year
Non Current		
Deposit	199,412	199,490
<b>Sub Total</b>	<b>199,412</b>	<b>199,490</b>
Current		
NRB Margin	185,000	185,000
Performance Guarantee Margin	15,000	15,000
BG Cash Margin- MBL	7,400	
Cash Margin PPA Khorunga Tangmaya	120,000	120,000
<b>Sub Total</b>	<b>327,400</b>	<b>320,000</b>
<b>Total</b>	<b>526,812</b>	<b>519,490</b>

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As at 31 Ashad 2081 (15 July 2024)

**Note 7: OTHER CURRENT ASSETS**

Particulars	Current Year	Previous Year
<b>Advances and Deposit to be recovered</b>		
Deposit_Generation License 2 Mw	1,000,000	
Advance to Employees	1,273,416	1,307,586
Advance for EM	160,000	160,000
Advance for Land	21,180,176	21,180,176
Advance Rent	-	63,000
Advance Tax	5,270	1,994
<b>Prepayments</b>		
Prepaid_Insurance-Vehicle	3,728	
Insurance-Project	1,361,360	3,199,182
ICRA Nepal	1,561	
Nabil Investment	150,000	
Prepaid Internet HOF	9,949	9,569
Prepaid Annual RTS Fee	17,260	17,260
Prepaid Communication & Internet BoD	-	2,402
Agency Fee	60,912	61,232
Internet at Site	8,592	15,785
Website Hosting & Management	16,857	16,764
<b>Total</b>	<b>25,249,080</b>	<b>26,034,950</b>

**Note 8: EQUITY SHARE CAPITAL**

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.

Particulars	Current Year	Previous Year
<b>Authorised</b>		
40,00,000 nos. of ordinary shares of NPR. 100 each	400,000,000.00	400,000,000
<b>Issued</b>		
40,00,000 nos. of ordinary shares of NPR. 100 each	400,000,000.00	400,000,000
<b>Subscribed and paid up</b>		
40,00,000 nos. of ordinary shares of NPR. 100 each	400,000,000.00	400,000,000
<b>Total</b>	<b>400,000,000.00</b>	<b>400,000,000.00</b>

Other Equity

**8.1 Reserve & Surplus**

Particulars	Retained Earnings	Total
<b>Balance as at 1 Shrawan, 2079 (17 July 2022)</b>	<b>(98,195,433)</b>	<b>(98,195,433)</b>
Profit for the year	(47,265,964)	(47,265,964)
Other Comprehensive Income (net of tax)	-	-
Transaction cost incurred in respect of issuance of equity share	-	-
<b>Balance as at 31 Ashad, 2080 (16 July, 2023)</b>	<b>(145,461,397)</b>	<b>(145,461,397)</b>
Profit for the year	(31,422,052)	(31,422,052)
Other Comprehensive Income (net of tax)	-	-
Transaction cost incurred in respect of issuance of equity share	-	-
<b>Balance as at 31 Ashad, 2081 (15 July, 2024)</b>	<b>(176,883,449)</b>	<b>(176,883,449)</b>

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# TERHATHUM POWER COMPANY LIMITED

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Notes to Financial Statements

As at 31 Ashad 2081 (15 July 2024)

## Note 9: BORROWINGS

Particulars	Current Year	Previous Year
<b>Long Term Borrowings</b>		
Non Current Portion of Lease liability	1,014,496	
Non Current Portion of Term loan	924,137,711	966,137,711
<b>Sub-total</b>	<b>925,152,207</b>	<b>966,137,711</b>
<b>Short Term Borrowings</b>		
Current Portion of Lease liability	221,409	
Current Portion of Term loan	42,699,999	22,000,000
<b>Sub-total</b>	<b>42,921,409</b>	<b>22,000,000</b>
<b>Total</b>	<b>968,073,616</b>	<b>988,137,711</b>

## Note 10: TRADE PAYABLES

Particulars	Current Year	Previous Year
Sundry Creditors	4,097,511	4,051,685
Payable to Management	3,502,516	3,529,916
Expenses Payable	3,454,744	3,220,960
Staff Payable	45,540	45,540
Government Royalty Payable	750,000	750,000
Meeting Allowance Payable	22,950	19,125
Interest Payable	5,167,756	
Other Payable	60,820	90,000
<b>Total</b>	<b>17,101,838</b>	<b>11,707,226</b>

## Note 11: PROVISION

When the Company has a present obligation (legal or constructive) as a result of a past event, provisions are recognised 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.

Particulars	Current Year	Previous Year
Provision for Income Tax	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## Note 12: OTHER CURRENT LIABILITIES

Particulars	Current Year	Previous Year
TDS Payable	10,152	78,935
Loan from Director	3,895,997	4,895,997
<b>Total</b>	<b>3,906,149</b>	<b>4,974,932</b>

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**TERHATHUM POWER COMPANY LIMITED**  
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**Note 13: Revenue**

Particulars	Current Year	Previous Year
Sale of Electricity	128,929,894	121,646,868
<b>Total</b>	<b>128,929,894</b>	<b>121,646,868</b>

**Note 14: Cost of Revenue**

Particulars	Current Year	Previous Year
Depreciation		
Amortization on Service Concession Arrangement	44,061,056	44,061,055
Communication & Internet_Site	23,397	38,643
Water and Electricity Expenses at Powerhouse	103,486	148,228
Printing & Stationary Site	10,736	3,350
Employee Benefit Cost (Site employees)	2,364,600	2,006,740
General Office Expenses_Site		21,895
Repair & Maintenance (Civil Structure)	91,997	99,112
Repair & Maintenance - (Site Plant & Machinery)	366,074.05	295,704
Repair & Maintenance - (Site Vehicle )	37,110	27,900
Royalty Expenses	2,577,926	2,431,682
<b>Total</b>	<b>49,636,382</b>	<b>49,134,310</b>

**Note 15: Employee Benefit Expenses**

Particulars	Current Year	Previous Year
Basic Salary and Allowances	3,022,350	2,631,240
<b>Apportioned to:</b>		
- Cost of Revenue	2,364,600	2,006,740
- Indirect Cost	657,750	624,500
<b>Total</b>	<b>3,022,350</b>	<b>2,631,240</b>

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**Note 16: Administrative Expenses**

Particulars	Current Year	Previous Year
Advertisement and Promotion Expenses	92,569	138,912
Accounting and Financial Consultancy	113,000	282,500
Allowance to Board Members	266,000	477,500
Annual General Assembly	184,579	372,622
Attestation Charges	1,925	
Audit Fee	226,000	226,000
Communication	179,450	156,672
Event and Ceremony	28,790	23,512
Exim Code Renewal Expenses	1,500	22,000
Fuel & Lubricants at Site	418,771	303,420
Fuel at Office	118,187	121,082
General Office Expenses	6,219	14,885
House Rent Expenses	-	296,664
Insurance Premium	3,757,728	4,496,148
Meeting and Workshop	3,341	56,122
Membership and Affiliation Fees	42,000	30,000
Monitoring and Supervision Expenses	6,586	47,319
Office Expenses	11,036	
Office Tiffin Expenses	126,631	209,002
Parking Expenses	95	11,670
Registration and Renewals	120,000	10,500
Vehicle Renewal & Service Charges	62,450	78,200
Repair and Maintainance	69,564	97,317
Right Share Issue Related Expenses	510,000	
Royalty Forest Area Used	21,150	23,470
Royalty	750,000	750,000
RTS Expenses	100,000	93,973
Safety and Security	9,525	22,945
Social Activities and Support	111,493	
Annual Share Listing fee	50,000	50,000
Site Mess Expenditure	324,705	420,185
Software and Website Expenses	16,857	16,950
Stationary Expenses	37,290	25,140
Survellienace Fee	347,805	
Training Fee		39,000
Travelling Expenses	129,283	168,127
Water and Electricity	21,696	35,915
<b>Total</b>	<b>8,266,225</b>	<b>9,117,752</b>

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**TERHATHUM POWER COMPANY LIMITED**  
Kathmandu, Nepal  
Notes to Financial Statements  
For the year ended 31 Ashadh, 2081 (July 15, 2024)

**Note 17: Other Income**

Particulars	Current Year	Previous Year
Insurance Claim		
Profit on Sale of Vehicle		
Other Income		-
<b>Total</b>	<b>-</b>	<b>-</b>

**Note 18: Finance Cost**

Particulars	Current Year	Previous Year
Interest on Term Loan	98,773,947	107,858,697
Interest on Lease Liability	120,301.87	
Bank Commission & Other Charges	31,046	10,835
Interest on Loan	763,441	
Agency Fee	1,482,527	1,608,500
<b>Total</b>	<b>101,171,264</b>	<b>109,478,032</b>

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**TERHATHUM POWER COMPANY LIMITED**  
**Kathmandu, Nepal**  
**Notes to Financial Statements**  
**For the year ended 31 Ashadh, 2081 (July 15, 2024)**

**Note 19: Related Parties Disclosures**

**a) Relationship**

Relationship	Related Party	Holding
Substantial Shareholder	Mohan Kumar Dangi	5.25%

Relationship	Related Party	Common Directors
Company with common directors	Pelma Hydropower Project Pvt. Ltd.	1) Mohan Kumar Dangi 2) Bhupati Lal Shrestha
	Lalupate Hydropower Company Pvt. Ltd.	1) Mohan Kumar Dangi

**b) Those charged with governance**

Those charged with governance of Terhathum Power Company Limited include members of Board of directors namely:

S.N	Name of Director	Designation
1	Bhupati Lal Shrestha	Chairperson
2	Mohan Kumar Dangi	Managing Director
3	Yadav Bahadur Khapung	Director
4	Lachhuman Tiwari	Director
5	Shreeman Karki	Director
6	Bimal Kumar Dhungana	Director
7	Nabina Dhungana	Independent Director

The following expenses are incurred for those charged with governance of TPCL:

S. N.	Name of Director	Designation	Nature of Expenses	FY 2080/081	FY 2079/080
1	Mohan Kumar Dangi	Managing Director	Regular Employee Benefits	-	1,800,000.00

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**TERHATHUM POWER COMPANY LIMITED**  
**Kathmandu, Nepal**  
**Notes to Financial Statements**  
**For the year ended 31 Ashadh, 2081 (July 15, 2024)**

**c) Transaction with key management personnel**

Key management personnel include:

1) Mr. Prem Kumar Khatri- Admin/ Finance Officer

**Key management personnel compensation:**

S. N.	Name of Director	Designation	Nature of Expenses	FY 2080/081	FY 2079/080
1	Prem Kumar Khatri	Admin/Finance Officer	Regular Employee Benefits	650,000.00	530,000.00

**d) Other Related Party Transaction:**

Name of Related Party	Nature of Transaction	Transaction		Outstanding Balance	
		2080/081	2079/080	2080/081	2079/080
Bhupatilal Shrestha	Advance taken from Director	5,248.00	(21,967.00)	5,248.00	-
Mohan Kumar Dangi	Advance taken from Director	(27,398.31)	(397,460.00)	3,502,516.20	3,529,914.51

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