



Independent Auditor's Report

To the shareholders,
Ridge Line Energy Limited.
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ridge Line Energy Limited (the Company), which comprise the statement of Financial Position as at Ashadh 32, 2083 (16th July 2026), and the statement of Profit or loss and Other Comprehensive Income, statement of Changes in Equity and statement of Cash Flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the accompanying financial statements give a true and fair view of the financial position of the company as at Ashadh 32, 2083, and of financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

Basis for Opinion

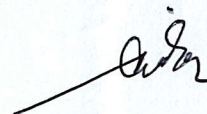
We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ICAN's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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the financial statements of the financial year ended on 32nd Ashadh, 2083 (16th July 2026). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We did not come across any matter that was considered to be a Key Audit Matter pertaining to our role as an independent auditor of standalone financial statements of the company.

Other Information

Management is responsible for the other information. The other information comprises all information in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.






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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with NFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using 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.

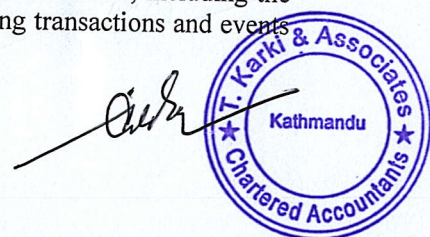
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

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

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





T. Karki & Associates
Chartered Accountants

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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.

Report on Other Legal and Regulatory Requirements

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

- We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- In our opinion, the company has kept proper books of account as required by the law so far, as appears from our examinations of those books.
- In our opinion, the statement of financial position, the statements of comprehensive income and the statement of cash flow read together with notes to account give information required by the Companies Act, 2063.
- Neither we have come across any information about the misappropriation of the fund by the directors or any of the representatives of the company's staff during the course of our audit nor have we received any such information from the management.
- As per examination of examination we have observed following non-compliance with other legal and regulatory requirements:
 - i) In contravention of Section 176 of the Companies Act, 2063, the company provided a corporate guarantee amounting to NRs. 1,655,600,000 (with NRs. 151,500,000 pertaining to the current financial year) against a loan taken by Doodhpokhari Chepe Hydropower Limited from Rastriya Banijya Bank Limited, exceeding the permissible limit of 60% of paid-up capital and free reserves. Of this, NRs. 1,504,100,000 was previously ratified by the general meeting held on 4th Bhadra 2082; however, the incremental amount of NRs. 151,500,000 provided during the current financial year has not been approved/ratified through a special resolution at the general meeting, and to this extent, the transaction remains in violation of Section 176 of the Act.
 - ii) In contravention of Section 93 of Companies Act, 2063, the company has entered significant transactions with companies/parties where directors or their close relative have influence without approval from the general meeting.


Tika Ram Karki, FCA
Principal
COP No: 0866
UDIN: 260908CA01245drL2J
Date: 16th Bhadra, 2083
Place: Kathmandu, Nepal



Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Statement of Financial Position

As on 32nd Ashadh, 2083 (16th July, 2026)

		Amount in NRs.	
Particulars	Notes	FY 2082.83	FY 2081.82
ASSETS			
Non Current Assets			
Property, Plant and Equipment	5.1	2,370,888	2,132,869
Intangible Assets	5.2	-	-
Intangible Assets (Project Assets)	5.2	2,096,348,373	2,147,127,861
Capital Work in Progress (CWIP)	5.3	71,657,353	-
Right of Use Assets	5.4	1,181,884	1,575,844
Investment in Associates	5.5	148,942,559	100,000,000
Financial Assets	5.6	213,823,647	58,305,412
Total Non Current Assets		2,534,324,704	2,309,141,986
Current Assets			
Financial Assets			
Cash and Cash Equivalents	5.7	62,855,190	107,079,409
Trade Receivables	5.8	67,991,739	52,172,537
Other Financial Assets	5.9	157,780	130,000
Other Current Assets	5.10	1,272,656	8,327,900
Total Current Assets		132,277,365	167,709,846
Total Assets		2,666,602,069	2,476,851,832
EQUITY AND LIABILITIES			
Equity			
Shareholder's Fund			
Share Capital	5.11	1,185,000,000	924,300,000
Advance for Share Capital	5.12	-	-
Other Equity	5.13	347,206,085	289,855,726
Total Equity		1,532,206,085	1,214,155,726
Non Current Liabilities			
Financial Liabilities			
Medium and Long Term Loan	5.14	1,086,606,194	1,235,889,571
Lease Liabilities	5.15	961,567	1,358,527
Deferred Tax Liabilities (Net)	5.16	-	-
Total Non Current Liabilities		1,087,567,761	1,237,248,098
Current Liabilities			
Financial Liabilities			
Short Term Loan	5.17	38,583,377	16,391,864
Lease Liabilities	5.18	396,960	319,332
Trade and Other Payables	5.19	2,997,853	4,262,455
Employee Benefit Payable	5.20	3,159,809	1,969,073
Other Current Liabilities	5.21	1,690,224	2,505,284
Total Current Liabilities		46,828,223	25,448,008
Total Equity and Liabilities		2,666,602,069	2,476,851,832

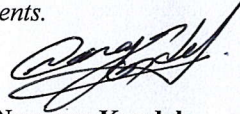
The Corporate Overview, Significant Accounting Policies and Notes form an integral part of the Financial Statements.

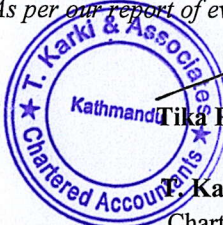

Shiva Neupane
Finance Officer


Basant Giri
Chairperson

Date: 15th Bhadra 2083
Place: Lalitpur

 Ridge Line Energy
Ltd.


Narayan Kandel
Director, Chair of Internal Audit Committee
As per our report of even date attached


Tika Ram Karki, FCA
Principal
Karki & Associates
Chartered Accountants

Ridge Line Energy Limited

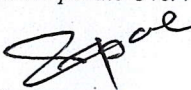
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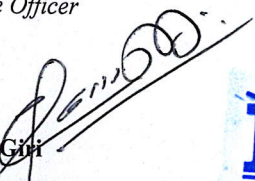
Statement of Profit or Loss and Other Comprehensive Income

For the Period from 1st Shrawan, 2082 to 32nd Ashadh, 2083 (17th July, 2025 to 16th July, 2026)

Particulars	Notes	Amount in NRs.	
		FY 2082.83	FY 2081.82
Revenue from Sale of Electricity	5.22	337,237,714	297,522,361
Cost of Sales	5.23	30,964,399	19,873,162
Gross Profit / (Loss)		306,273,315	277,649,199
Revenue as per IFRIC 12	5.24	-	-
Add: Other Income	5.25	38,753	-
Total Income		306,312,068	277,649,199
Administrative and Other Expenses	5.26	8,875,343	9,986,846
Employee Benefit Expenses	5.27	7,084,666	11,905,147
Depreciation and Amortization Expenses	5.28	70,910,257	70,203,155
Net Profit / (Loss) from Operation		219,441,802	185,554,051
Finance Costs	5.29	69,865,859	109,962,274
Profit / (Loss) before Staff Bonus, CSR and Taxes		149,575,943	75,591,777
Provision for Employee Bonus	5.30	3,069,809	1,590,132
Profit / (Loss) before Tax and CSR Expenses		146,506,134	74,001,645
Provision for CSR Expenses	5.32	1,504,206	779,165
Profit/(Loss) on Investment in Associates	5.5	(1,057,441)	-
Profit / (Loss) before Tax		143,944,487	73,222,480
Tax Expenses			
Current Tax Expenses	5.21	9,688	-
Deferred Tax Expenses / (Income)	5.16	-	-
Net Profit / (Loss) for the year		143,934,799	73,222,480
Other Comprehensive Income			
Profit / (Loss) on Revaluation of Property, Plant & Equipment		-	-
Profit / (Loss) on Revaluation of Intangible Assets		-	-
Other Comprehensive Income / (Loss) for the Year		-	-
Total Comprehensive Income / (Loss)		143,934,799	73,222,480

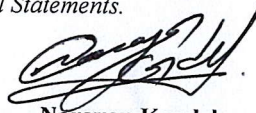
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Shiva Neupane
Finance Officer


Basant Giri
Chairperson



Date: 15th Bhadra 2083
Place: Lalitpur


Narayan Kandel
Director, Chair of Internal Audit Committee
As per our report of even date attached




Tika Ram Karki, FCA
Principal
T. Karki & Associates
Chartered Accountants

Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Statement of Cash Flow

For the Period from 1st Shrawan, 2082 to 32nd Ashadh, 2083 (17th July, 2025 to 16th July, 2026)

Particulars	Amount in NRs.	
	FY 2082.83	FY 2081.82
A. Cash Flow from Operating Activities		
Net Profit After Tax	143,934,799.00	73,222,480
Adjustments for:		
Dividend Payable	(157,780.00)	(101,540)
Provision for Tax on Utilization of Securities Premium	-	(1,402,811)
Profit/(Loss) from Investment in Associates	1,057,441.00	-
Depreciation & Amortization Expenses:		
on PPE and Intangible Assets	70,516,297.00	69,809,195
on Right of Use Assets	393,960.00	393,960
Finance Costs:		
on Loans and Borrowings	69,727,811.00	109,796,839
on Lease Liabilities	138,048.00	165,435
Changes in Trade Receivables	(15,819,202.00)	(7,129,389)
Changes in Margins and Deposits	(27,780.00)	(130,000)
Changes in Other Current Assets	7,055,244.00	(3,469,640)
Changes in Current Liabilities	(888,926.00)	(16,826,796)
Net Cash Flow from Operating Activities (1)	275,929,912.00	224,327,732
B. Cash Flow from Financing Activities		
Changes in Share Capital	260,700,000.00	319,720,100
Changes in Securities Premium	-	95,916,030
Expenses related to Public Issue	(8,748,651.00)	(5,611,244)
Changes in Loans and Borrowings	(127,091,864.00)	(278,010,831)
Finance Costs:		
on Loans and Borrowings	(69,727,811.00)	(109,796,839)
on Lease Liabilities	(138,048.00)	(165,435)
Changes in Lease Liabilities	(319,332.00)	(291,945)
Dividend Paid	(73,786,219.55)	(30,127,455)
Dividend Tax Paid	(3,891,789.45)	(1,591,000)
Net Cash Flow from Financing Activities (2)	(23,003,715.00)	(9,958,619)
C. Cash Flow from Investing Activities		
Changes in Property, Plant and Equipment	(863,792.00)	(805,791)
Changes in Intangible Assets (Project Assets)	(19,111,036.00)	(11,955,232)
Changes in Intangible Assets under Construction	(71,657,353.00)	-
Changes in Investment in Associates	(50,000,000.00)	-
Changes in Financial Assets	(155,518,235.00)	(108,304,412)
Net Cash Flow from Investing Activities (3)	(297,150,416.00)	(121,065,435)
Net Increase/(Decrease) in Cash and Cash Equivalents (1+2+3)	(44,224,219.00)	93,303,679
Cash and Cash Equivalents at beginning of the year	107,079,409.00	13,775,730
Cash and Cash Equivalents at end of the period	62,855,190.00	107,079,409

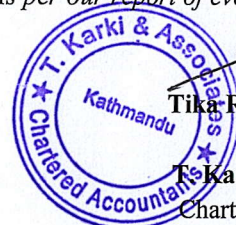
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Principal
T. Karki & Associates
Chartered Accountants

Date: 15th Bhadra 2083
Place: Lalitpur

Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Statement of Changes in Equity

For the Period from 1st Shrawan, 2082 to 32nd Ashadh, 2083 (17th July, 2025 to 16th July, 2026)

Amount in NRs.

Particular	Share Capital	Securities Premium	Share Calls in Advance	Accumulated Profit/ Loss	Reserve from IFRIC 12	Total
Balance at the beginning of FY 2081/82	604,579,900	-	-	34,769,764	124,781,502	764,131,166
Issue of Share Capital	319,720,100	95,916,030	-	-	-	415,636,130
Total Comprehensive Income for the Year	-	-	-	73,222,480	-	73,222,480
Dividend Declared	-	-	-	(31,819,995)	-	(31,819,995)
Expenses Related to Public Issue	-	(5,611,244)	-	-	-	(5,611,244)
Provision for Taxation on Utilization of Securities Premium	-	(1,402,811)	-	-	-	(1,402,811)
Depreciation Adjustment for IFRIC 12	-	-	-	3,914,840	(3,914,840)	-
Balance at Ashadh end, 2082	924,300,000	88,901,975	-	80,087,089	120,866,662	1,214,155,726
Issue of Share Capital	260,700,000	-	-	-	-	260,700,000
Total Comprehensive Income for the Year	-	-	-	143,934,799	-	143,934,799
Dividend Declared	-	-	-	(77,835,789)	-	(77,835,789)
Expenses Related to Public Issue	-	-	-	(8,748,651)	-	(8,748,651)
Provision for Taxation on Utilization of Securities Premium	-	-	-	-	-	-
Depreciation Adjustment for IFRIC 12	-	-	-	3,914,493	(3,914,493)	-
Balance at Ashadh end, 2083	1,185,000,000	88,901,975	-	141,351,941	116,952,169	1,532,206,085

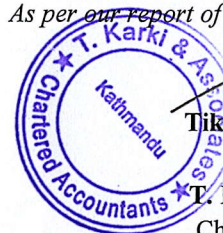
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Tika Ram Karki, FCA
Principal
T. Karki & Associates
Chartered Accountants

Date: 15th Bhadra 2083

Place: Lalitpur

RIDGE LINE ENERGY LIMITED
Kupondole-1, Lalitpur, Nepal

Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

1. Corporate Overview

M/s Ridge Line Energy Limited (the "Company") is a company incorporated under Companies Act, 2063 having registered office at Kupondole-1, Lalitpur, Nepal. The company was registered with the Income Tax Office on 18th Poush, 2074 with PAN 606819978 and was registered with the Office of Company Registrar with Registration no. 180687/074/075 on 13th Poush, 2074. The company was converted from private to public on 14th Magh, 2078 under new registration number 291989/78/079.

This company was established with an objective of developing hydropower in Nepal. The company's main line of business involves development of hydropower projects including detailed feasibility, construction and operation and transmission and distribution of hydro energy.

The company has developed and been operating Super Chepe Hydropower Project in Gorkha District. The energy generation capacity of the plant is 9.05 MW. The development/construction of hydropower project was completed during the financial year 2080-81 and the commercial generation of electricity from the project started on 8th Magh, 2080.

2. Basis of Preparation and Measurement

2.1. Statement of Compliance:

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board, Nepal which are generally in compliance with the International Financial Reporting Standards as issued and applicable, except mentioned hereinafter. NFRS also includes interpretations (IFRIC and SIC) as issued by the International Accounting Standards Board.

The Financial Statements have also been prepared in accordance with the Companies Act, 2063 (revised 2074) of Nepal.

The financial statements include Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity, and Notes forming an integral part of financial statements.

2.2. Basis of Preparation:

The financial statements have been prepared on an accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. When an accounting policy applies to a specific item, it is detailed in the corresponding note. NFRS mandates that the company use judgment in formulating accounting estimates. Descriptions of these estimates are provided in the relevant sections where they are applicable.

2.3. Responsibility of Financial Statements:

The Board of Directors of the Company is responsible for the preparation and presentation of the Company's financial statements and for the estimates and judgments used in them.

2.4. Presentation:

Presentation Currency

The financial statements are prepared in Nepalese Rupees (NRs.) which is the functional currency. All financial information presented in Nepalese Rupees has been rounded to the nearest rupee except otherwise indicated.

Rearrangement / Reclassification and Remeasurement

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

Statement of Financial Position

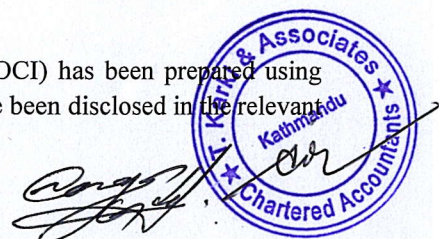
The elements of Statement of Financial Position (SoFP) other than equity (Assets and Liabilities, where applicable) are bifurcated in Current and Non-Current based on their respective maturity as well as the company's normal operating cycle.

Statement of Profit or Loss and Other Comprehensive Income

The elements of Statement of Profit or Loss (SoPL) and Other Comprehensive Income (OCI) has been prepared using classification 'by function' method. The details of revenue, expenses, gain and/or losses have been disclosed in the relevant section.



Ridge Line Energy
Ltd.



RIDGE LINE ENERGY LIMITED
Kupondole-1, Lalitpur, Nepal

Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

Statement of Cash Flow

The Statement of Cash Flows (SoCF) has been prepared using indirect method and the activities have 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 Statement of Changes in Equity (SoCE) has been prepared to disclose changes in each element of equity.

2.5. Financial Period:

The company prepares financial statements in accordance with the Nepalese financial year. The financial year starts from 1st Shrawan and ends on Ashadh end of the next calendar year. The corresponding dates for the English calendar are as follows:

Relevant Financial Statements	Nepalese Calendar/Period	Gregorian Calendar Date / Period
Reporting Date	32 nd Ashadh, 2083	16 th July, 2026
Comparative Reporting Date	32 nd Ashadh, 2082	16 th July, 2025
Reporting Period	1 st Shrawan, 2082 - 32 nd Ashadh, 2083	17 th July 2025 - 16 th July 2026
Comparative Reporting Period	1 st Shrawan, 2081 - 32 nd Ashadh, 2082	16 th July 2024 - 16 th July 2025

2.6. 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.

2.7. IFRIC 12 Consideration:

IFRIC (International Financial Reporting Interpretation Committee) 12 gives guidance on accounting by operators for public-to-private service concession arrangements. This interpretation sets out general principles on recognizing and measuring obligations and related rights in service concession arrangements. The company has considered the applicability of IFRIC 12 Service Concession Arrangement, issued by International Accounting Standard Board (IASB) for preparation and presentation of financial statements.

Ridge Line Energy Limited, after due consideration, has applied IFRIC 12 while preparing these financial statements.








Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

3. Use of Estimates, Assumptions or Judgments

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods, except otherwise stated. Specific accounting estimates have been included in the relevant section of the note, wherever have been applied along with the nature and effect of the changes of accounting estimates, if any. 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: -

3.1. Useful life and residual value of Property, Plant and Equipment:

Management reviews the useful life of property, plant and equipment at least once a year. Such a 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.

3.2. Impairment of Property, Plant and Equipment:

At the end of each reporting period, the Company reviews the carrying amounts 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 in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above-mentioned factors could impact on the carrying value of assets.

3.3. Contingencies:

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

3.4. Fair Value Measurements:

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

Fair value hierarchy

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3, as described below:

Quoted prices in an active market (Level 1):

This level of hierarchy includes financial assets that are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities. This category consists of investment in quoted equity shares and Mutual Fund.

Valuation techniques with observable inputs (Level 2):

This level of hierarchy includes financial assets and liabilities, measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category consists of derivatives taken by the Company like forward contracts.

RIDGE LINE ENERGY LIMITED
Kupondole-1, Lalitpur, Nepal

Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

Valuation techniques with significant unobservable inputs (Level 3):

This level of hierarchy includes financial assets and liabilities measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. This level of hierarchy includes Company's investment in equity shares which are unquoted or for which quoted prices are not available at the reporting dates.

4. Significant Accounting Policies

The Significant accounting policies of the company are explained below:

4.1. Property, Plant & Equipment:

Recognition & Measurement

Freehold land (other than project assets) is carried at historical cost and is not depreciated. All other 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. 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 a separate asset is derecognized when replaced. All other repairs and maintenance are charged for profit and loss during the reporting period in which they are incurred. The Company identifies and determines cost of each component/part of the asset separately, if the component/part has 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. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each financial year and adjusted, if appropriate.

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. Any gain or loss arising from 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 and loss when the asset is derecognized.

Depreciation and Amortization

Depreciation is recognized so as to write off the cost of assets (other than Freehold Land, Properties under Construction and Intangible assets) less their residual values over their useful lives, using the Written Down Value (WDV) method.

Leasehold Improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on a straight-line basis.

Amortization is recognized so as to write off Intangible Assets other than Service Concession Agreement on a Straight-Line basis over their estimated useful lives.

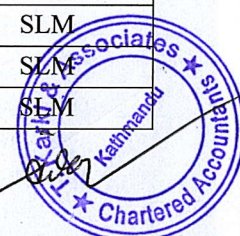
Service concession agreement is amortized over the remaining life of agreement on a Straight-Line basis.

The estimated useful life and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis, except otherwise stated in the notes to accounts.

The estimated useful lives of the significant items of Property & Equipment and Intangibles are as follows:

S.N.	Assets Block	Estimated Useful Life	Depreciation Rate	Depreciation Method
1	Building	20 Years	5%	WDV
2	Computers and Office Equipment	4 Years	25%	WDV
3	Furniture & Fixtures	4 Years	25%	WDV
4	Vehicles	5 Years	20%	WDV
5	Plant & Machinery	6-7 Years	15%	WDV
6	Leasehold Improvement	Lower of Lease Period or 5 Years	20%	SLM
7	Intangible Software	5 Years	20%	SLM
8	Intangible-Project Assets	32.35 Years*	3.09%	SLM

RE Ridge Line Energy
Ltd.



RIDGE LINE ENERGY LIMITED
Kupondole-1, Lalitpur, Nepal

Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

Only those items having a value of more than NRs. 5,000 per item are capitalized.

*As on the beginning of the reporting period, the remaining useful life of the project was 30.87 years.

4.2. Intangible Assets-Project Assets:

The development/construction of hydropower project has been completed during the financial year 2080.81 and commercial operation of company was started on 8th Magh, 2080 on the basis of temporary structure. All the cost associated with development/construction of project till the date of full completion of project has been capitalized. As on the date of full completion of the project of the company, i.e. 30th Chaitra, 2080, the capital work in progress (project cost) has been transferred to the appropriate category of intangible assets (Project Assets) of the Company. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimated cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized.

Assets that are directly related to the project shall be capitalized as project assets and such project asset shall be amortized over the remaining useful life of the project on straight line method.

Service Concession Arrangements

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

- (a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and
- (b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement
- (c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement or is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement? Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met. These arrangements are accounted for on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

4.3. Other Intangible Assets:

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Certain computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

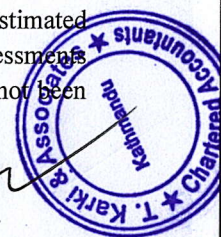
4.4. Impairment of Tangible and Intangible Assets:

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and impairment loss is recognized whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

RE Ridge Line Energy
Ltd.



RIDGE LINE ENERGY LIMITED
Kupondole-1, Lalitpur, Nepal

Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit and Loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Profit and Loss and other comprehensive income.

4.5. Classification of Current and Non-Current of Assets and Liabilities:

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

4.6. Borrowing Cost:

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are incurred in the period in which they occur. Any investment income on the temporary investment of borrowed funds should be deducted from borrowing costs.

4.7. Cash and Cash Equivalents:

Cash and cash equivalents include current, escrow and fixed deposit accounts with an original maturity of three months or less balances maintained with banks or financial institutions and cash in hand. This enables 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 the known amount of cash and are subject to the insignificant risk of a change in value.

These balances have been used as Cash and Cash Equivalents for the presentation of Statement of Cash Flows as well.

4.8. Inventories:

Cost of inventories includes cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories shall be measured at the lower of cost and net realizable value (NRV).

4.9. Other Current Assets:

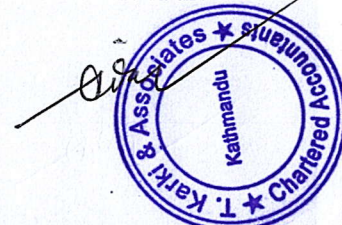
Other current assets include current assets other than financial assets such as prepaid expenses which are unsecured and considered good, unless otherwise stated. The Company has a policy of bifurcating the expenses amounting to more than NRs. 20,000 to prepaid and incurred. Expenses amounting less than this threshold are expensed entirely within the reporting period.

4.10. Revenue Recognition:

4.10.1. Sale of Electricity:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates, charges and other similar allowances. Revenue is recognized when substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.

RE Ridge Line Energy
Ltd.



Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

The main business of the company is generation and sale of electricity. Revenue is recognized based on energy supplied to NEA at the rate given in the Power Purchase Agreement (PPA). Energy supplied to NEA is based on the approved meter reading from Kirtipur Substation of Nepal Electricity Authority (NEA).

4.10.2. Finance Income:

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.10.3. Insurance Income:

The recognition for insurance proceeds related to losses triggered by an external event depends on the nature and timing of the insured event. Insurance income is recognized when it is probable that the economic benefits will flow to the Company, the amount of income can be measured reliably and when there is an unconditional right to receive compensation for business interruption. Compensation against insurance claims is recognized as an income when the claim from insurer is virtually certain and compensation becomes receivable.

4.10.4. Construction Revenue and Expenses as per IFRIC 12:

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

- (a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and
- (b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement
- (c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement or is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement? Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met. These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

Financial Asset Model

The Financial asset model is used when the Company, being an operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Unconditional contractual right is established when the grantor contractually guarantees to pay the operator (a) specific or determinable amount; (b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

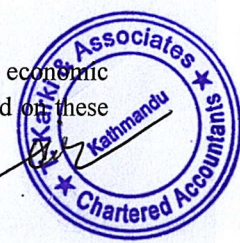
Intangible Asset Model

The intangible asset model is used when the Company, being an operator, receives the right (a license) to charge users of the public service. A right to charge users of public services is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the services. Both type of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a financial asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset. The Company manages concession arrangements which include power supply from its hydro power plants. 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 model 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 right to operate starts to be used. Based on these

RE Ridge Line Energy
Ltd.



RIDGE LINE ENERGY LIMITED
Kupondole-1, Lalitpur, Nepal

Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

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 de-recognized at its 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.

Revenue and cost related to the construction are accounted in accordance with IFRIC 12. The cost of each activity related to acquisition, construction and production of assets are recognized as construction expenses by reference to the stage of completion of that activity. Construction revenue, as the fair value of amount due from the guarantor for the activity undertaken is recognized at the same time. The fair value is calculated based on a 6% discount rate.

The amount to the extent of Net Construction Revenue in accordance with IFRIC 12 is recognized as addition to Intangible Assets under Construction.

4.11. Foreign Currency Transactions:

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 the Nepalese Rupee (NRs.).

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

The effect from fluctuation of exchange rate raised while initially recognizing the transaction as per contract on the base rate mentioned in the contract and settling the transactions at the settlement date has been recognized in Intangible Assets under construction. Foreign exchange gain/loss occurring from other activity has been charged to Statement of Profit or Loss and other comprehensive income.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

4.12. Employment Benefits:

The Company does not have any specific schemes of Post-employment/Long term benefit plans for its employees. However, it has been registered with the Social Security Fund as per Contribution Based Social Security Act, 2074. A liability is recognized for benefits accruing to employees in respect of wages and salaries, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Short Term Employee Benefits

- i. A liability is recognized for benefits accruing to employees in respect of short term employee benefits (salary, wages, bonus and leave encashment benefits), in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.
- ii. Liabilities recognized in respect of short-term and contractual employees; benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4.13. Staff Bonus:

Provision for employee bonus is provided as per the provisions of the Electricity Act, 2049 and Electricity Regulation 2050 (i.e. 2% of net profit). Provision is created as per annual profit and paid in the subsequent period as per the provisions of Bonus Act, 2030. Unspent amounts are transferred to Welfare Funds as per the provisions of Bonus Act, 2030.

4.14. Income Tax:

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

Current Tax

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

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Ltd.

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[Circular stamp: T. Karki & Associates, Kathmandu, Chartered Accountant]

RIDGE LINE ENERGY LIMITED
Kupondole-1, Lalitpur, Nepal

Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

Deferred Tax

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

- 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,
- unused tax losses and/or
- unused tax credits

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

4.15. Earnings per share:

- I. Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).
- II. Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

4.16. Provisions, Contingencies and Commitments:

A provision is recognized as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

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

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

4.17. Investment in Associates:

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

If an investor holds, directly or indirectly (e.g. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case.

Conversely, if the investor holds, directly or indirectly (e.g. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such an influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

- (a) representation on the board of directors or equivalent governing body of the investee;
- (b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
- (c) material transactions between the investor and the investee;

RE Ridge Line Energy
Ltd.



RIDGE LINE ENERGY LIMITED
Kupondole-1, Lalitpur, Nepal

Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

- (d) interchange of managerial personnel; or
- (e) provision of essential technical information

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

4.18. Financial Instruments:

Recognition and Measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at *transaction cost* and where such values are different from the fair value, *at fair value*.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognized in the statement of profit and loss.

Effective Interest Rate Method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income/ expense arising on financial instruments after applying an effective interest rate is recognized in the Statement of Profit and Loss and is included in the "Other finance income" or "Other finance cost" line item. Where the interest component is present in the financial instruments, the implicit interest rate approximates the effective interest rate.

4.19. Financial Assets:

Financial assets at amortized cost

Financial assets are subsequently measured at amortized cost if

- Financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows
- Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value

Financial assets are measured at fair value through *other comprehensive income* if

- Financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets
- Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company in respect of equity investments (other than in subsidiaries, associates and joint ventures) which are not held for trading has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such equity instruments. Such an election is made by the Company on an instrument-by-instrument basis at the time of initial recognition of such equity investments.

Financial assets not measured at amortized cost or at fair value through other comprehensive income are carried at fair value through the *statement of profit or loss*. For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the shorter maturity of these instruments.

Impairment of Financial Assets

Loss allowance for expected credit losses is recognized for financial assets measured at amortized cost and fair value through the statement of profit or loss.

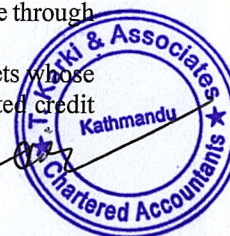
The company recognizes impairment loss on trade receivables using expected credit loss model. For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months' expected credit

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Ltd.

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RIDGE LINE ENERGY LIMITED
Kupondole-1, Lalitpur, Nepal

Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

losses is recognized. Loss allowance equal to the lifetime expected credit losses is recognized if the credit risk on the financial instruments has significantly increased since initial recognition.

De-recognition of financial assets

The Company de-recognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset, and the transfer qualifies for de-recognition under NFRS 9. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the assets and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On de-recognition of a financial asset in its entirety, the differences between the carrying amounts measured at the date of de-recognition and the consideration received is recognized in the statement of profit or loss.

4.20. Financial Liabilities & Equity:

Classification as debt or equity

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

Equity Instruments

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

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in the statement of profit and loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial guarantee contracts

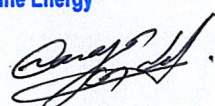
Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

De-recognition of financial liability

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

Offsetting of Financial Instruments

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



RIDGE LINE ENERGY LIMITED
Kupondole-1, Lalitpur, Nepal

Company Overview and Significant Accounting Policies Forming part of Financial Statements for FY 2082.83

4.21. Leases:

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement convey a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

NFRS 16-Lease is effective for annual periods beginning on or after 1 Shrawan, 2078. The new standard removes the distinction between operating or finance lease for lessee accounting, resulting in all leases being treated as finance leases. A lessee is required to recognize a right-of-use (ROU) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The standard permits a lessee to choose either a full retrospective or modified retrospective transition approach.

The company recognizes a right-of-use asset and a lease liability for the remaining period of lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The cost of borrowing of company till the date of signing any lease contract has been considered as its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payment, including in-substance fixed payments, less any lease incentives receivable.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable under a residual value guarantee and
- The exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using an effective interest method. It is re-measured when there is change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of right-of-use asset or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

4.22. Segment Reporting

The company is engaged in only one business activity of "Generation and Sale of Electricity". Thus, separate segment information is not provided as per NFRS 8 "Operating Segments".



 Ridge Line Energy
Ltd.



Ridge Line Energy Limited
Kupondole-1, Lalitpur, Nepal

Notes forming the part of Financial Statements

Amount in NRs.

Note: 5.1

Property, Plant and Equipment					
Particulars	Furniture & Fixture	Computer, Printers & Office Equipments	Vehicle	Other Assets	Leasehold Improvements
Cost					Total
Balance at Ashadh end, 2081	1,612,614	1,447,660	219,900	-	1,253,851
Add: Additions during the year	-	805,791	-	-	-
Less: Disposal during the year	-	-	-	-	-
Balance at Ashadh end, 2082	1,612,614	2,253,451	219,900	-	1,253,851
Add: Additions during the year	-	547,048	-	316,745	-
Less: Disposal during the year	-	-	-	-	-
Balance at Ashadh end, 2083	1,612,614	2,800,498	219,900	316,745	1,253,851
					6,203,608

Depreciation

Rate of Depreciation	25%	25%	25%	15%	5 years
Method of Depreciation	WDV	WDV	WDV	WDV	SLM

Accumulated Depreciation					
Balance at Ashadh end, 2081	666,698	693,128	93,238	-	1,253,851
Depreciation for the year	236,404	238,296	25,332	-	-
Disposal during year	-	-	-	-	-
Balance at Ashadh end, 2082	903,101	931,424	118,570	-	1,253,851
Depreciation for the year	177,378	382,180	20,266	45,950	-
Disposal during year	-	-	-	-	-
Balance at Ashadh end, 2083	1,080,479	1,313,604	138,836	45,950	1,253,851
					3,832,720

Net Book Value

As at Ashadh end, 2081	945,916	754,532	126,662	-	1,827,111
Balance at Ashadh end, 2082	709,513	1,322,027	101,330	-	2,132,869
Balance at Ashadh end, 2083	532,135	1,486,894	81,064	270,795	2,370,888

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Ridge Line Energy Limited
Kupondole-1, Lalitpur, Nepal

Notes forming the part of Financial Statements

Amount in NRs.

Intangible Assets		Note: 5.2	
Particulars	Tally Software	Project Assets (Annexure 1)	Total
Cost			
Balance at Ashadh end, 2081	58,459	2,221,767,091	2,221,825,550
Add: Additions during the year	-	11,955,232	11,955,232
Less: Disposal during the year	-	-	-
Balance at Ashadh end, 2082	58,459	2,233,722,323	2,233,780,782
Add: Additions during the year	-	21,847,031	21,847,031
Less: Derecognition during the year*	-	2,272,870	2,272,870
Less: Disposal during the year*	-	463,125	463,125
Balance at Ashadh end, 2083	58,459	2,252,833,358	2,252,891,817
Accumulated Amortization			
Balance at Ashadh end, 2081	49,871	17,293,888	17,343,759
Amortization for the year	8,588	69,300,574	69,309,162
Balance at Ashadh end, 2082	58,459	86,594,462	86,652,921
Amortization for the year	-	69,890,523	69,890,523
Balance at Ashadh end, 2083	58,459	156,484,985	156,543,444
Net Book Value			
As at Ashadh end, 2081	8,588	2,204,473,203	2,204,481,791
Balance at Ashadh end, 2082	-	2,147,127,861	2,147,127,861
Balance at Ashadh end, 2083	-	2,096,348,373	2,096,348,373

The company has developed and been operating Super Chepe Hydropower Project of 9.05 MW. The development/construction of hydropower project has been fully completed during the financial year 2080.81. All the cost directly attributable with development/construction of project (Qualifying Assets) till the date of completion of construction has been capitalized and charged as intangible assets under construction (project cost) and on the date of completion the total cost has been transferred to Intangible Assets (Project Assets). Such project assets shall be amortized over the remaining useful life of the project on SLM basis. Useful life of the project as per clause in PPA agreement with NEA and generation license is 35 years from the date of commercial operation or expiry of period of generation license i.e. BS 2113/02/06 whichever is earlier.

The company has acquired few equipments and machineries as insurance spares which have been capitalized under project assets and amortized over the project's remaining useful life.

Property, Plant and Equipment, and Intangible Assets have been provided as security for borrowings. (Refer Note: 5.14)

Restriction on PPE has been applied as described in Note: 5.47.



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Ridge Line Energy Limited
Kupondole-1, Lalitpur, Nepal

Notes forming the part of Financial Statements

Derecognition of Assets

During the year, the Company has derecognized the following assets using replacement cost method. Written Down Value (WDV) has been calculated using replacement cost as indication of the historical cost of the replaced asset adjusting the prices using Consumer Price Indices (CPI) applicable between date of capitalization (FY 2080.81) and date of disposal (FY 2082.83). Amortization on the resulting indicative historical cost is charged up to the date of disposal to arrive at the Written Down Value (WDV), which is then derecognized.

Particulars	Replacement Cost	CPI Adjustment	Indicative Historical Cost	Amortization Till Date	Carrying Amount
EM Spare Parts	1,766,067	0.93	1,650,376	134,194	1,516,182
Potential Transformer	881,400	0.93	823,661	66,973	756,689
Total	2,647,467		2,474,037	201,167	2,272,870

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Ridge Line Energy Limited
Kupondole-1, Lalitpur, Nepal

Notes forming the part of Financial Statements

Amount in NRs.

Right of Use Assets	Note: 5.4
Particulars	Total
Present Value	
Balance at Ashadh end, 2081	-
Add: Additions during the year	1,969,804
Less: Disposal during the year	-
Balance at Ashadh end, 2082	1,969,804
Add: Additions during the year	-
Less: Disposal during the year	-
Balance at Ashadh end, 2083	1,969,804

Accumulated Depreciation	
Balance at Ashadh end, 2081	-
Amortization for the year	393,960
Balance at Ashadh end, 2082	393,960
Amortization for the year	393,960
Balance at Ashadh end, 2083	787,920

Net Book Value	
As at Ashadh end, 2081	-
Balance at Ashadh end, 2082	1,575,844
Balance at Ashadh end, 2083	1,181,884

Refer Note: 5.33 for more details.

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Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Notes Forming part of the Financial Statements**Capital Work in Progress (CWIP)****Note: 5.3**

S.N.	Particulars	FY 2082.83	Addition during the Period	FY 2081.82
A	Super Chepe Khola Hydropower Project (9.05 MW)			
1	Capacity Enhancement Expenses ¹	27,473,953	27,473,953	-
	Sub-Total	27,473,953	27,473,953	-
	Add: Intangible Assets recognised as per IFRIC 12	-	-	-
	Total	27,473,953	27,473,953	-
B	Maiwa Khola Hydropower Project Under Development (12.504 MW)			
1	Pre Operating Expenses ²	44,183,400	44,183,400	-
	Sub-Total	44,183,400	44,183,400	-
	Add: Intangible Assets recognised as per IFRIC 12	-	-	-
	Total	44,183,400	44,183,400	-
	Total Capital Work in Progress (CWIP)	71,657,353	71,657,353	-

¹During the year, the Company incurred NRs. 27,473,953 on capacity enhancement to increase energy generation, and has applied to Nepal Electricity Authority (NEA) for revision of the Power Purchase Agreement (PPA) to reflect the increased contract energy. This application remained under process as at the reporting date.

As the revised PPA had not been executed and NEA had not committed to purchasing the additional energy, the right to charge for the enhancement was not yet established and the consideration could not be measured reliably. Accordingly, no construction revenue has been recognised in accordance with IFRIC 12.

The expenditure has instead been carried as capital work in progress, as management considers it probable that the revision will be approved and future economic benefits will flow to the Company. It will not be amortised until the revised PPA is executed and the enhanced capacity is available for use. Construction revenue and the corresponding intangible asset addition will be recognised once the revised PPA is executed.

²The Company is developing the Maiwa Khola Hydropower Project (12.504 MW) in Taplejung District under Contract No. DOED/BOOT/2082/83/RFP-05 awarded by the Department of Electricity. The expenditure is carried as an capital work in progress on the basis that the Company holds the survey licence for the project and management considers it probable that the project will proceed and generate future economic benefits.

Details of Intangible Assets Under Construction

S.N.	Particulars	FY 2082.83	Addition during the Period	FY 2081.82
1	Pre-Operating Expenses			
	Application Fee	306,500	306,500	-
	Bank Charge and Commission	1,704,300	1,704,300	-
	Feasibility Study Expenses	13,017,600	13,017,600	-
	License Cost	29,155,000	29,155,000	-
	Total	44,183,400	44,183,400	-



Ridge Line Energy Ltd.



Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Investment in Associates

Note: 5.5

Particulars	FY 2082.83	FY 2081.82
Kang Hydropower Company Limited	148,942,559	100,000,000
Total	148,942,559	100,000,000

Details of Investment in Associates

Note: 5.5.1

Particulars	Descriptions
Name of Associates	Kang Hydropower Company Limited
Principal Place of Business	Head Office - Lalitpur, Site Office - Taplejung
Nature of Business	Development of a 17.85 MW Run-of-River Project
Nature of relationship	Associates – significant influence
Proportion of ownership interest and voting rights held	22.73%
Method of accounting	Equity method (NAS 28)
Quoted market price	Nil – shares are not publicly traded

Movement in the carrying amount of the investment

Note: 5.5.2

Particulars	FY 2082.83	FY 2081.82
Carrying amount at the beginning of the year	100,000,000	-
Cost of investment acquired during the year	50,000,000	100,000,000
Share of Profit/(loss) for the year	(1,057,441)	-
Carrying amount at the end of the year	148,942,559	100,000,000

In the previous year the Company's holding in Kang Hydropower Limited was measured at fair value through other comprehensive income as a financial asset under NFRS 9 within non-current assets; that fair value has been carried forward as deemed cost, so no gain or loss has arisen on reclassification.

Significant judgement – existence of significant influence

Note: 5.5.3

The Company holds 22.73% of the share capital of Kang Hydropower Limited ("Kang"), comprising 1,100,000 fully paid-up equity shares representing 41.34% of the voting rights, together with NRs.40,000,000 paid as calls-in-advance in respect of shares subscribed but not yet called. Certain other directors of Kang hold office in their personal capacity and not as representatives of the Company.

Although the holding is below the 50% threshold at which control is presumed, management has concluded that the Company has significant influence and has accounted for the investment as an associate under the equity method in accordance with NAS 28. This is a significant judgement, resting principally on the holding exceeding the 20% presumption threshold and the Company's board representation. Had significant influence not existed, the investment would have been measured at fair value under NFRS 9 and profit for the year would have differed accordingly.

Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Financial Assets		Note: 5.6
Particulars	FY 2082.83	FY 2081.82
Investment in Equity Instruments at FVOCI¹		
Doodhpokhari Chepe Hydropower Limited	50,000,000	50,000,000
Capital Surge Private Limited	20,000,000	-
S. N. Energy Limited	25,000,000	-
Financial Assets at Amortised Cost		
Deposit-Worldlink	-	1,000
Nabil Bank Limited- Securities Premium Account ²	88,913,647	11,762
Repair and Maintenance Reserve ³	29,910,000	8,292,650
Total	213,823,647	58,305,412

¹The Company had made investment in various unlisted public companies and private limited companies during the reporting period. The company has plan to hold the investment for long term and not for sale. Investments are measured at fair value through other comprehensive income (FVOCI) as per NFRS-09 "Financial Instrument" since its initial recognition date. The investees are unlisted and no quoted price in an active market is available. Fair value is accordingly measured within Level 3 of the fair value hierarchy set out in NFRS 13. Management has determined that cost approximates fair value at the reporting date, on the basis that the most recent transactions in the shares of the investee companies were executed at cost and there has been no significant change in the performance or circumstances of the investees since the date of acquisition that would indicate a change in fair value.

The Company's holdings in each of these companies are below 20% of the equity of the investee and the Company does not have significant influence over any of them.

²A designated account holding the securities premium arising on the issue of shares. Under Section 29 of the Companies Act, 2063 the premium may be applied only for the purposes specified in that section. The balance is not available for the general purposes of the Company and is excluded from cash and cash equivalents.

³The company has agreed to maintain a repair and maintenance reserve in the account of Rastriya Banijya Bank Limited to cover potential future uncertain events or risks, ensuring financial stability in the face of unforeseen circumstances for future repairs, upgrades, and enhancements of capital assets. Against the balances maintained in this reserve, performance guarantee of NRs.2.99 Crores has been given for the development of Maiwa Khola Hydropower Project 12.504MW.

Refer Note: 5.41 for more details.

Cash and Cash Equivalents		Note: 5.7
Particulars	FY 2082.83	FY 2081.82
Cash in Hand	37,659	47,951
Balances with Banks		
Rastriya Banijya Bank Limited - Escrow Account	41,676,270	40,212,565
Rastriya Banijya Bank Limited - Current Account	21,033,256	66,818,893
Rastriya Banijya Bank Limited - Call Account	108,005	-
Total	62,855,190	107,079,409

Cash and cash equivalents include call, current, escrow and fixed deposit account balances with maturity less than 3 months, maintained with banks or financial institutions and cash in hand. 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 Flow as well.

Trade Receivables		Note: 5.8
Particulars	FY 2082.83	FY 2081.82
NEA Receivables	67,991,739	52,172,537
Total	67,991,739	52,172,537

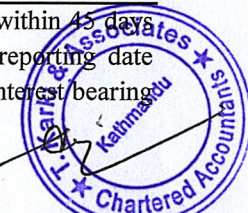
The company issues invoice to Nepal Electricity Authority (NEA) on monthly basis and amount is receivable within 45 days of issue of invoice as per internal memo of NEA. Accordingly, the receivable amount from NEA as on reporting date represents the income from sale of energy for the month of Jestha and Ashadh 2083. Trade receivable is non-interest bearing in nature.

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Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Other Financial Assets

Note: 5.9

Particulars	FY 2082.83	FY 2081.82
Rastriya Banijya Bank Limited - Cash Dividend ¹	157,780	-
Cash Margin	-	130,000
Total	157,780	130,000

¹As required by section 182(11) of the Companies Act, 2063, the dividend approved by the fourth Annual General Meeting held on 4th Bhadra 2082 was credited to a separate account with Rastriya Banijya Bank Limited and payments to shareholders were made from that account. The balance of NRs. 157,780 represents unclaimed dividend, corresponds to dividend payable in Note: 5.19 under Trade and Other Payables, and is not available for the general purposes of the Company.

Other Current Assets

Note: 5.10

Particulars	FY 2082.83	FY 2081.82
Advance to Foreign Parties	-	4,264,021
Other Advances		
Staff Advance	-	42,266
Transmission Line Advance	-	2,715,000
Prepaid Expenses - Annexure 2 ¹	1,210,568	1,306,613
Advance Income Tax-TDS Receivables	4,794	-
Petty Advances	57,294	-
Total	1,272,656	8,327,900

¹Expenses which are incurred for future period other than reporting period are recognized as prepaid expenses. Prepaid of previous year related to current reporting period has been recognized as expenses in Statement of Profit or Loss.

Share Capital

Note: 5.11

Particulars	FY 2082.83	FY 2081.82
Authorized Share Capital		
Ordinary shares 11,850,000 @ NRs. 100 each	1,185,000,000	1,185,000,000
Issued Share Capital		
Ordinary shares 11,850,000 @ NRs. 100 each	1,185,000,000	1,185,000,000
Subscribed and Paid up Capital¹		
Promotor Shares 9,243,000 @ NRs. 100 each	924,300,000	924,300,000
Public Shares 2,607,000 @ NRs. 100 each	260,700,000	-
Total	1,185,000,000	924,300,000

Paid up share capital is an ordinary equity share capital fully paid up having equal voting right.

¹Ordinary shares of NRs. 924,300,000 held by promoters are subject to a lock-in period of three years from the date of allotment of the initial public offering, being 14 Falgun 2082, in accordance with Rule 38 of the Securities Registration and Issuance Regulation, 2073. These shares may not be sold, transferred or pledged during the lock-in period. Also among the share capital issued to public, share capital held by local people affected by the project having share capital amounting NRs. 118,500,000 are subject to a lock-in period of three years from the date of allotment, in accordance with the terms of the prospectus.

Reconciliation of number of Shares Outstanding

Note: 5.11.1

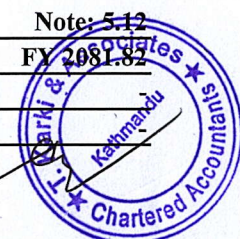
Particulars	FY 2082.83	FY 2081.82
Balance at the beginning of the year	9,243,000	6,045,799
Add: Issue of Paid-up Shares -Promoter Share	-	3,197,201
Add: Issue of Paid-up Shares -Public Issue	2,607,000	-
Total	11,850,000	9,243,000

Advance for Share Capital

Note: 5.12

Particulars	FY 2082.83	FY 2081.82
Advance for Share Capital	-	-
Total	-	-

 Ridge Line Energy
Ltd.



Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Other Equity		Note: 5.13
Particulars	FY 2082.83	FY 2081.82
Retained Earnings		
Balance as at the opening date	200,953,751	159,551,266
Add: Profit/(Loss) during the year	143,934,799	73,222,480
Less: Dividend declared for distribution ¹	(77,835,789)	(31,819,995)
Less: Expenses related to Public Issue ²	(8,748,651)	-
Retained Earnings as on Reporting Date	258,304,110	200,953,751
Other Reserves		
Securities Premium	88,901,975	95,916,030
Less: Expenses related to Public Issue	-	(5,611,244)
Less: Provision for Taxation on Utilization	-	(1,402,811)
Carried Forward Balance	88,901,975	88,901,975
Balance as at the closing date	347,206,085	289,855,726

¹The 4th Annual General Meeting of the Company, held on 4th Bhadra 2082, approved a cash dividend of NPR 77,835,789.47, representing 8.42% of the previous year paid-up capital. The declared dividend was distributed to the shareholders during the reporting period, except for the unclaimed portion disclosed under financial liabilities as Dividend Payable in the Statement of Financial Position.

²The costs attributable to Initial Public Offering (IPO) incurred till Ashad end, 2083 was charged to Retained Earnings. These costs include the Listing Fees paid to CDS and Clearing Ltd. and NEPSE; underwriting fee paid to Muktinath Capital Limited; issue and sales management fee paid to Prabhu Capital Limited; issuer rating fee paid to CARE Ratings Nepal Limited; as well as various charges paid to SEBON, CDS and Clearing Ltd, and other professional fees incurred to comply with share issuance regulations.

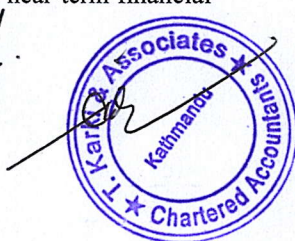
Medium and Long Term Loan		Note: 5.14
Particulars	FY 2082.83	FY 2081.82
Secured Loan-Loan from Bank		
Term Loan-Rastriya Banijya Bank Limited	1,125,189,571	1,252,281,435
Less: Current Maturity of Term Loan	(38,583,377)	(16,391,864)
Total	1,086,606,194	1,235,889,571

The company has availed credit facility from the Rastriya Banijya Bank Ltd. for the project finance of the Super Chepe Hydropower Project (9.05 MW) located at Gorkha District, Nepal. The credit facility had been utilized exclusively for the construction and development of this project, in accordance with the terms outlined in the agreement. The company is actively servicing the loan through periodic repayments, strictly adhering to the repayment schedule and the conditions stipulated in the agreement.

Loan has been secured against registered mortgage over of the entire assets of the project (present and to be created in future) including the land, building, plant and machinery, movable and immovable assets on land owned (including leasehold land) by the company and entire present/future current assets of the project including receivable from NEA and against registered mortgage of personal real-estate properties provided by the promoter/director.

Loans scheduled for repayment within one year from the reporting date are categorized as short-term liabilities as Current Maturity of Term Loan that is essential for presenting a precise and transparent picture of the company's near-term financial commitments.

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Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Lease Liabilities		Note: 5.15
Particulars	FY 2082.83	FY 2081.82
Lease Liability	1,358,527	1,677,859
Less: Current Maturity of Lease Liability	(396,960)	(319,332)
Total	961,567	1,358,527

As per NFRS 16 Leases, the company has recognized NRs. 1,969,804 as Right to Use Asset and corresponding Lease Liability in Statement of Financial Position. The lease liability is subsequently measured at amortised cost using the effective interest method. Lease payments are apportioned between the reduction of the lease liability and interest expense.

Lease Liability scheduled for repayment within one year from the reporting date are categorized as Current Liabilities as current portion of Lease Liability. Refer Note: 5.33 for more details.

Deferred Tax Liabilities (Net) Note: 5.16

Particulars	FY 2082.83	FY 2081.82
Property, Plant and Equipment and Intangible Assets		
Written Down Value (WDV) as per Company Act (A)	1,981,767,092	2,028,394,068
Written Down Value (WDV) as per Income Tax Act (B)	1,982,759,668	2,026,906,036
Taxable / (Deductible) Timing Difference (A-B) - (i)	(992,576)	1,488,032
Lease Liability		
Net Carrying Amount (A)	176,643	102,015
Carrying Amount of Lease Liability	1,358,527	1,677,859
Carrying Amount of Right of Use Asset(ROU)	1,181,884	1,575,844
Tax Base of the Liability(B)	-	-
Taxable / (Deductible) Timing Difference (B-A) - (ii)	(176,643)	(102,015)
Unused Tax Losses - (iii)	(14,452,302)	(14,452,302)
Net Taxable / (Deductible) Timing Difference - (i+ii+iii)	(15,621,521)	(13,066,285)
Rate of Income Tax applicable to Company	0%	0%
Amount of Tax recognized in Statement of Income	-	-
Deferred Tax Assets/(Liability) recognized in statement of Financial Position	-	-
Total	-	-

The company has started commercial generation, distribution, and transmission of electricity from the Super Chepe Hydropower Project from 8th Magh, 2080. Hence, the tax exemption as per the provisions of section 11 (3 Gha) of Income Tax Act, 2058 is applicable from the financial year 2080/81 (i.e. the company is assessed at 0% tax rates for first 10 years of operation and 50% of the applicable tax rate for later 5 years). Accordingly, the tax rate applicable to the company for the financial year is 0% . As a result, no current tax expense or deferred tax liability has been recognized for the period. Deferred tax calculations will consider these tax concessions in future periods as required.

Short Term Loan Note: 5.17

Particulars	FY 2082.83	FY 2081.82
Secured Loan-Loan from Bank		
Loan against IPO-Rastriya Banijaya Bank Limited	-	-
Add: Current Maturity of Term Loan	38,583,377	16,391,864
Total	38,583,377	16,391,864

Refer Note: 5.14 for more details.

Lease Liabilities Note: 5.18

Particulars	FY 2082.83	FY 2081.82
Current Maturity of Lease Liability	396,960	319,332
Total	396,960	319,332

Refer Note: 5.15 for more details.

Ridge Line Energy
Ltd.



Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Trade and Other Payables

Note: 5.19

Particulars	FY 2082.83	FY 2081.82
Trade Payables - Annexure 3	2,411,744	3,576,781
Other Payables		
Meeting Allowance Payable - Annexure 4	127,400	35,600
Dividend Payable	157,780	101,540
Audit Fee Payable	295,500	295,500
Expenses Payable	5,429	34,359
Man Raj Gurung	-	218,675
Total	2,997,853	4,262,455

Trade and other payables are unsecured, non-interest bearing, and are stated at their nominal values. These balances generally arise in the normal course of business and are expected to be settled within the Company's normal operating cycle in the next financial year.

Employee Benefit Payable

Note: 5.20

Particulars	FY 2082.83	FY 2081.82
Salary Payable	-	16,998
Provisions for Staff Bonus ¹	3,069,809	1,590,132
Provision for Leave Encashment ²	90,000	361,943
Total	3,159,809	1,969,073

¹Refer Note: 5.34 for more details.

²Provision for Leave Encashment has been created based on Human Resource Policy that states unutilized leaves are accumulating and vesting in nature. Amount for leave is calculated based on the per day basic salary of the employee as of the reporting date and the same has been accounted for as per Nepal Accounting Standard (NAS) 19 "Employee Benefits".

Other Current Liabilities

Note: 5.21

Particulars	FY 2082.83	FY 2081.82
Withholding Taxes - Annexure 5 ¹	97,405	132,531
Social Security Fund (SSF) Payable	53,925	142,777
Citizen Investment Trust (CIT) Payable	25,000	48,000
Provisions for Income Tax ²	9,688	-
Provisions for CSR Expenses ³	1,504,206	779,165
Provision for Taxation on Utilization of Securities Premium ⁴	-	1,402,811
Total	1,690,224	2,505,284

¹The Company has deducted withholding taxes as per Income Tax Act, 2058. The interest on the outstanding amount of TDS has not been shown in the books of account.

²The company has started commercial generation, distribution, and transmission of electricity from the Super Chepe Hydropower Project from 8th Magh, 2080. Hence, the tax exemption as per the provisions of section 11 (3 Gha) of Income Tax Act, 2058 is applicable from the financial year 2080/81 (i.e. the company is assessed at 0% tax rates for first 10 years of operation and 50% of the applicable tax rate for later 5 years). Accordingly, the tax rate applicable to the company for the financial year is 0% . As a result, no provision for income tax has been recognized for the period on the revenue derived from electricity generation and sale. However, tax rate of 25% is applicable on other income channels.

³Refer Note: 5.32 for details.

⁴Refer Note: 5.13 for details.

Ridge Line Energy
Ltd.

Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Revenue from Sale of Electricity

Note: 5.22

Particulars	FY 2082.83	FY 2081.82
Revenue from Sale of Electricity	337,237,714	297,522,361
Total	337,237,714	297,522,361

The Company issues invoices to Nepal Electricity Authority (NEA) monthly. As per NEA's internal memo, amounts are receivable within 45 days from the invoice date. Revenue is measured at the fair value of consideration received or receivable and recognized in line with NEA's memo. Accordingly, income from the sale of energy for the months of Ashadh 2083 has been recognized based on invoices issued by the company to NEA, using meter readings of supplied energy. This is subject to adjustment, if required, upon issuance of NEA's internal memo.

Cost of Sales

Note: 5.23

Particulars	FY 2082.83	FY 2081.82
Opening Stock	-	-
Add:		
Purchase of Materials and Consumables	405,105	902,144
Operating Expenses - Note: 5.23.1	25,294,976	13,012,672
Site Expenses - Note: 5.23.2	5,264,318	5,958,346
Less: Closing Stock	-	-
Total	30,964,399	19,873,162

Operating Expenses

Note: 5.23.1

Particulars	FY 2082.83	FY 2081.82
Energy Royalty Expenses ¹	6,745,396	5,953,162
Back Feed Energy Expenses	75,168	97,200
Bay and Control Relay Operation Charge Expenses	756,000	975,810
Capacity Royalty Expenses ¹	905,000	905,000
Operation and Maintenance Expenses ²	12,910,562	-
Project Insurance Expenses	3,902,850	5,081,500
Total	25,294,976	13,012,672

¹Refer Note: 5.35 for more details.

²The operation and maintenance of the Company's hydropower plant has been outsourced to Nepal Hydro Works Private Limited during the year, with services rendered on a monthly basis. Consequent to this arrangement, expenses previously incurred directly by the Company in respect of site operations decreased during the year, including Security Guard Expenses, Site Office Expenses, Site Kitchen Expenses, Technical Supervision Fee (Note: 5.23.2), and Salary and Allowances to site staff (Note: 5.27).

Site Expenses

Note: 5.23.2

Particulars	FY 2082.83	FY 2081.82
Custom Duties and Clearing Expenses	-	58,195
Fuel Expenses	382,942	423,821
Repair and Maintenance Expenses	3,156,299	448,005
Security Guard Expenses	196,620	893,265
Site Office Expenses	390,886	531,260
Site Kitchen Expenses	464,235	2,152,513
Technical Supervision Fee	-	1,283,491
Transmission Line Expenses	464,677	-
Water and Electricity Expenses	208,659	167,796
Total	5,264,318	5,958,346

RE Ridge Line Energy Ltd.



Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Revenue as per IFRIC 12

Note: 5.24

Particulars	FY 2082.83	FY 2081.82
Construction Revenue as per IFRIC 12	-	-
Construction Expenses as per IFRIC 12	-	-
Total	-	-

Other Income

Note: 5.25

Particulars	FY 2082.83	FY 2081.82
Interest Income	31,961	-
Insurance Income	6,792	-
Total	38,753	-

Administrative and Other Expenses

Note: 5.26

Particulars	FY 2082.83	FY 2081.82
Audit Fee	339,000	339,000
Advertisement and Publication Expenses	340,271	25,029
Advances Written Off	-	2,712,060
AGM Expenses	580,531	308,166
Allowances for Board Meeting, Field Visit and Others	1,410,958	1,306,671
Bank Charges and Commission	78,280	59,321
Communication, Telephone and Internet Expenses	55,397	107,392
Fine and Penalty	116,758	166,241
Fooding and Lodging Expense	138,933	275,147
Insurance Expenses	70,263	76,242
Kitchen Expenses	210,608	379,359
Legal, Professional and Consultancy Fees	396,134	1,676,335
Meeting Expenses	821,572	-
Office Expenses	223,639	568,810
Parking Expense	-	2,009
Printing and Stationary Expenses	113,542	105,377
Rating Fee	161,197	235,631
Registration, Renewal and Membership Expenses	380,827	234,215
Repair and Maintenance Expenses	33,940	2,500
Social Cost	120,335	743,554
Tours and Travelling Expenses	569,480	637,981
Water and Electricity Expenses	22,683	25,806
Loss on Disposal of Assets	418,125	-
Loss on Derecognition of Assets*	2,272,870	-
Total	8,875,343	9,986,846

*Refer Note: 5.2 for more details.

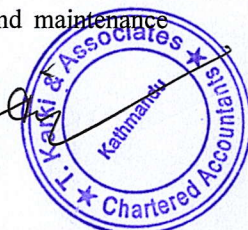
Employee Benefit Expenses

Note: 5.27

Particulars	FY 2082.83	FY 2081.82
Salary and Allowances	6,910,240	11,129,398
Leave Benefits ¹	174,426	775,749
Total	7,084,666	11,905,147

¹Refer Note: 5.20 for more details.

Refer Note: 5.23.1 for reduction in salary and allowances as a result of outsourcing of site operation and maintenance function.

Ridge Line Energy Ltd.

Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Depreciation and Amortization Expenses

Note: 5.28

Particulars	FY 2082.83	FY 2081.82
Depreciation on Property, Plant and Equipment	625,774	500,032
Amortization on Intangible Assets	69,890,523	69,309,162
Depreciation on Right of Use Assets	393,960	393,960
Total	70,910,257	70,203,155

Refer Note: 5.1, 5.2 and 5.4 for more details.

Finance Costs

Note: 5.29

Particulars	FY 2082.83	FY 2081.82
Interest Expenses ¹	69,727,811	109,796,839
Interest Expense on Lease Liability	138,048	165,435
Total	69,865,859	109,962,274

¹The company has entered into credit facility agreement for the project financing of Super Chepe Hydropower Project (9.05 MW) with Rastriya Banijya Bank Ltd. Borrowing costs that are directly attributable to the acquisition, construction and production/development of project being qualifying assets are charged as part of the cost of the project till the date of completion of construction of the project and after the completion of construction of project interest has been charged in the Statement of Profit or Loss as per NAS 23 'Borrowing costs'.

Provision for Employee Bonus

Note: 5.30

Particulars	FY 2082.83	FY 2081.82
Provision for Employee Bonus	3,069,809	1,590,132
Total	3,069,809	1,590,132

Refer Note: 5.34 for details.

Earnings Per Share

Note: 5.31

Particulars	FY 2082.83	FY 2081.82
Net Profit	143,934,799	73,222,480
Number of Shares Outstanding	11,850,000	9,243,000
Number of Weighted Average Share Outstanding	10,250,088	6,737,796
Basic Earning Per Share	14.04	10.87
Diluted Earning Per Share*	14.04	10.87

*Diluted Earnings Per Share equal Basic Earnings Per Share as no potential equity exists in the reporting period.

Weighted Average Number of shares have been calculated as below based on the number of days from allotment of additional ordinary shares.

S.N	Particulars	In AD	Shares Outstanding	No of days	Weighted average Equity Share O/S
1	Opening Shares	7/17/2025	9,243,000	365	9,243,000
2	Additional Issue	2/26/2026	2,607,000	141	1,007,088
Total			11,850,000		10,250,088

RE Ridge Line Energy Ltd.



Notes Forming the Part of Financial Statements

Other Explanatory Notes

Provision For Corporate Social Responsibility (CSR)

Note: 5.32

As per Section 54 of the Industrial Enterprises Act, 2076, medium, large industry, or cottage industries with an annual turnover exceeding NRs.15 crores are required to allocate at least 1% of their annual net profit towards Corporate Social Responsibility (CSR). The Company has allocated 1% of the annual net profit for the fiscal year 2082.83 for CSR, and the allocated amount will be utilized in accordance with the annual plan approved by the Board.

Lease Accounting

Note: 5.33

Under NFRS 16 - Leases, the company has recognized all significant leases as Right-of-Use (ROU) Assets and corresponding Lease Liabilities. ROU assets are presented under non-current assets, and lease liabilities are split into current and non-current portions based on their maturities. Lease expenses are now classified as depreciation on ROU assets and interest on lease liabilities. The adjustment impacts the statement of financial position, statement of cash flow, profit or loss, and equity reconciliation, with detailed disclosures provided on lease terms, maturity analysis, and key judgments applied.

Particulars	Summary
Lease Terms	5 Years
Depreciation Method	Straight Line Method (SLM)
Discount rate	9%
Effective Interest rate	9%
Lease Incremental Rate	10% every two years
	<u>As on the date of recognition:</u>
	Right of Uses Assets (ROU) - 1,969,804
	<u>For FY 2082-83:</u>
	Right of Uses Assets (ROU) -1,181,884
	Short Term Lease Liability -396,960
	Long Term Lease Liability -961,567
	Lease Liability Payment - 457,380
	Depreciation on ROU asset -393,960
	Interest Cost -138,048

Financial Impact (In NRs.)

Provision for Bonus

Note: 5.34

Provision for an employee bonus is provided as per the provisions of the Electricity Act, 2049 and Electricity Regulation 2050 (i.e. 2% of net profit). Net revenue as per IFRIC 12 and amortization of such amount which is purely an accounting revenue and cost, has not been considered for making provision for employee bonus. Provision is created as per annual profit and paid in the subsequent period as per the provisions of Bonus Act, 2030. Unspent amounts, if any are transferred to Welfare Funds as per the provisions of Bonus Act, 2030. There is no outstanding amount of previous year provision for bonus as on the reporting date.

Royalty Expenses

Note: 5.35

The company has paid royalty to Government of Nepal as per provision of Electricity Act and Regulation. The energy royalty is deducted at the rate of 2% from sale of Electricity from source i.e by Nepal Electricity Authority on monthly basis and Fixed capacity royalty @ NRs. 100 Per Kilo Watt per annum is payable to Department of Electricity Development (DOED).

Commercial Operation Date

Note: 5.36

The construction of project was completed during the FY 2080/81 and the commercial operation of company was started from 8th Magh, 2080.

Notes Forming the Part of Financial Statements

Subsequent Events

Note: 5.37

There has not been any significant reportable event after the reporting date which requires it to be either adjusted.

Rating of the company

Note: 5.38

CARE Rating Nepal Ltd has revised the **Issuer Rating** to the company [**CARE-NP BB(Is)**] pronounced as CARE NP Issuer Rating Double B from [**CARE-NP BB-(Is)**], pronounced as CARE NP Issuer Rating Double B Minus - that means Moderate risk of default regarding timely servicing of financial obligations. Issuer Rating from the CARE Rating Nepal has been completed on, 2nd Ashwin, 2082 and valid till 22nd Ashwin, 2083. Also, the CARE Rating Nepal Ltd has revised the **Credit Rating for Bank Facilities** to the company [**CARE-NP BB**] pronounced as CARE NP Double B from [**CARE-NP BB-**] pronounced as CARE NP Double B Minus - that means company has moderate risk of default regarding timely servicing of financial obligations. Credit Rating for Bank Facilities has been completed on 2nd Ashwin, 2082 and valid till 22nd Ashwin 2083.

Public Issue-Initial Public Offering (IPO)

Note: 5.39

The company entered into an agreement with M/s Prabhu Capital Ltd herein referred as Issue Manager & Sales Manager and with M/s Muktinath Capital Limited herein referred as Underwriting Agent for public issue of shares.

The Company had obtained approval for issuance of Initial Public Offering (IPO) from Electricity Regulatory Commission (ERC) and the prospectus had been approved by Securities Board of Nepal (SEBON) on 22nd Mangshir 2082. Likewise, the prospectus was registered with Office of Company Registrar on 28th Mangsir 2082. As mentioned in the prospectus, the company issued 22% of its Authorized Share Capital amounting to NRs. 260,700,000 for 2,607,000 number of shares through public issuance (IPO) allocated as follows:

- i. 10% (NRs. 118,500,000 / 1,185,000 shares) — project-affected local residents
- ii. 10% of remaining 1,422,000 shares — foreign employment workers
- iii. 2% — employee shares
- iv. 5% — mutual funds
- v. Residual 1,180,260 shares — general public

The shares of the Company had been listed in Nepal Stock Exchange on 11th Chaitra 2082.

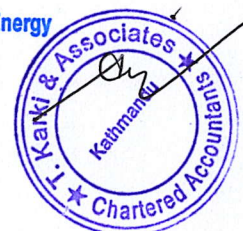
Sharing of Cost

Note: 5.40

The company has entered 33KV Transmission Line cost sharing agreement on 2077-09-13 BS with M/s Doodhpokhari Chepe Hydropower Limited on sharing ratio of 50:50 for transmission line construction and in the ratio of their installed capacity for maintenance of other structures like Bay, Buser, etc.

The company has been sharing the cost while importing electromechanical equipment, some office equipment and electricity to be used in project sites on an actual cost of use basis with M/s Doodhpokhari-Chepe Hydropower Limited. The company has been sharing costs related to Sub-station with Aashutosh Energy Ltd, Himalayan Power Partner Ltd, Liberty Energy Company Ltd, Dordi Khola and Super Dordi.

RE Ridge Line Energy
Ltd.



Ridge Line Energy Limited
Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Contingent Liabilities and Other Commitments

Note: 5.41

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. Company during the course of its business did not have any such possible obligations. Other than these, the company has following commitments:

Capital Commitment:

The Company has following capital commitments as of the reporting date.

Name	Total Capital Commitment	Total Invoiced till date	Pending Invoicing	Nature
Landex Construction Private Limited	30,524,953	24,874,953	5,650,000	Capacity Increment Expenses

Other Commitment:

Nature	Guarantee Amount	Description
Performance Guarantee	29,900,000	Performance Guarantee as development security for the development of Maiwa Khola HPP (12.504MW)
Corporate Guarantee	1,655,600,000	Corporate Guarantee against loan from Rastriya Baniya Bank Limited on behalf of Doodhpokhari Chepe Hydropower Limited

The company has provided performance guarantee for the execution of development of Maiwa Khola HPP (12.504MW), Taplejung District to DOED through Rastriya Baniya Bank Limited as required by Contract No. DOED/ BOOT/ 2082/83/ RFP-05. The amount disclosed represents the cash margin held against the guarantee, which is restricted and not available for the general purposes of the Company until the guarantee is released. The guarantee is valid until 8th October, 2030.

Segment Reporting

Note: 5.42

The company is engaged in only one business activity of "Generation and Sale of Electricity". Thus, separate segment information is not provided as per NFRS 8 "Operating Segments".

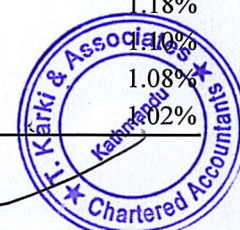
Substantial Shareholder

Note: 5.43

The details of shareholders (includes public and promoter shares) holding 1% or more of share capital and percentage of holding is given below which is known as Substantial Shareholder.

Name	No of Shares FY 2082.83	% of Share Holding
Sopan Multiple Company Limited	1,000,000	8.44%
Rewant Kumar Rawat	390,785	3.30%
Basant Giri	376,104	3.17%
Opendra Hamal	351,379	2.97%
Rajendra Kumar B.C.	252,000	2.13%
Pratima Tiwari	250,000	2.11%
Pravin Giri	225,500	1.90%
Narayan Kandel	205,322	1.73%
Muktinath Capital Limited	200,000	1.69%
Pradip Raj Giri	189,973	1.60%
Shreesh Khadka	175,000	1.48%
Suchitra Sijapati	150,000	1.27%
Ashok Kumar Khadka	140,000	1.18%
Gopal Prasad Niure	130,650	1.10%
Dipendra Hamal	127,512	1.08%
Subhakamana Neupane	121,000	1.02%

RE Ridge Line Energy Ltd.



Notes Forming the Part of Financial Statements

Related Party Transaction

Note: 5.44

Related Party Transactions are identified by the management. The company has identified transactions with related parties during the period from 1st Shrawan, 2082 to 32nd Ashadh, 2083 (17th July, 2025 to 16th July, 2026).

Key Management Personnel (KMP):

The company has incurred the following transactions with the Key Managerial Personal (KMP) who are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly. Such KMP include the Board of Directors of the company (including both Executive and Non Executive) and key employee who has holding directorship in the Subsidiary company.

Key Management Personnel	Designation	Status
Basant Giri	Chairperson	Re-appointed
Pradip Raj Giri	Director	Re-appointed
Narayan Kandel	Director	Re-appointed
Dipendra Hamal	Director	Re-appointed
Ashok Kumar Khadka (Padmodaya Investment Private Limited)	Director	Appointed w.e.f 2082.05.04
Pratima Tiwari	Director (Female)	Appointed w.e.f 2080.06.03
Dr. Binod Pokhrel	Independent Director	Appointed w.e.f 2080.06.03
Rewant Kumar Rawat	Ex - Director	Resigned on 2082.04.11
Roshan Poudel	Company Secretary and Chief Operating Officer	Appointed by BOD w.e.f. 2081.06.03

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RE Ridge Line Energy
Ltd.



Ridge Line Energy Limited

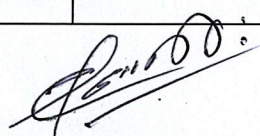
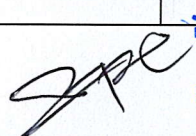
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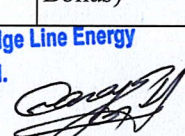
Notes Forming the Part of Financial Statements**Transactions with Key Management Personnel (KMP) & Related Party:**

The companies identify following as related parties and key management personnel under requirements of NAS-24

- Subsidiary/ Associate Company
- Shareholder holding 5% or more shares during the year
- Companies represented by directors
- Director of company and their close family members
- Chief Operating Officer
- Company Secretary

Related Party	Relation	Outstanding for FY 2081.82	During the Year 2082-83	Outstanding for FY 2082.83	Nature of Transaction
		Payable (Receivable)		Payable (Receivable)	
Basant Giri	Chairperson	7,600	211,971	22,900	Meeting Allowances
		-	521,648	-	Remuneration to Director
		-	3,167,192	-	Dividend
		-	5,809	-	Insurance Policy
		-	94,426	-	Insurance Claims Reimbursed
Pradip Raj Giri	Director	-	194,870	17,000	Meeting Allowances
		-	1,599,773	-	Dividend
		-	8,460	-	Reimbursement of Expenses
Narayan Kandel	Director	4,250	165,000	17,000	Meeting Allowances
		-	1,729,027	-	Dividend
		-	214,200	-	Reimbursement of Expenses
Dipendra Hamal	Director	4,250	130,000	17,000	Meeting Allowances
		-	1,073,785	-	Dividend
		-	5,809	-	Insurance Policy
		-	37,014	-	Reimbursement of Expenses
Pratima Tiwari	Director	4,250	115,000	17,000	Meeting Allowances
		-	2,105,263	-	Dividend
		-	5,809	-	Insurance Policy
		-	12,500	-	Reimbursement of Expenses
Ashok Kumar Khadka	Director	-	90,000	17,000	Meeting Allowances
		-	1,178,947	-	Dividend
Rewant Kumar Rawat	Ex-Director, Spouse of Director	6,750	120,000	19,500	Meeting Allowances
		-	19,432	-	Reimbursement of Expenses
		-	3,290,821	-	Dividend
		-	677,000	-	Remuneration to Key Person
Binod Pokhrel	Independent Director	8,500	45,000	-	Meeting Allowances
		-	5,809	-	Insurance Policy
Roshan Poudel	Chief Operating Officer / Company Secretary	-	1,620,848	-	Gross Salary (Basic+Allowance+SSF+ Bonus)



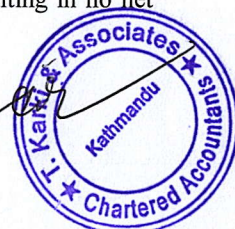

Ridge Line Energy Limited
Kupondole-1, Lalitpur, Nepal

Notes Forming the Part of Financial Statements

Related Party	Relation	Outstanding for FY 2081.82	During the Year 2082-83	Outstanding for FY 2082.83	Nature of Transaction
		Payable (Receivable)		Payable (Receivable)	
Sopan Multiple Company Limited	Substantial Shareholder	-	8,421,053	-	Dividend
Doodhpokhari Chepe Hydropower Limited	Entity over which the company has significant influence	520,556	160,058	-	Expenses Sharing with DPCHP
		-	594,723	434,666	Cost Sharing with DPCHP
		(50,000,000)	-	(50,000,000)	Investment
Kang Hydropower Company Limited	Associate Company	(100,000,000)	(50,000,000)	(150,000,000)	Investment
Capital Surge Private Limited	Entity over which the company has significant influence	-	(20,000,000)	(20,000,000)	Investment
S.N Energy Limited	Entity over which the Director has significant influence	-	(25,000,000)	(25,000,000)	Investment
Hydro Management and Construction Private Limited	Entity over which the Director has significant influence	-	1,126,650	-	Service Purchase
Applied Engineering Private Limited	Entity over which the Director has significant influence	-	300,000	-	Service Purchase
Green Engineering & Environmental Solutions Private Limited	Entity over which the Director has significant influence	-	2,300,000	50,800	Service Purchase - Capital
Nepal Hydro Works Private Limited	Entity over which the Director has significant influence	-	11,425,276	-	Service Purchase

*Mr. Basant Giri served as Executive Chairperson until Mangsir 2082, after which he resigned. He continued receiving monthly salary through Jestha due to administrative delay, but subsequently refunded the excess amount in Jestha, resulting in no net remuneration beyond his actual tenure.

RE Ridge Line Energy Ltd.



Notes Forming the Part of Financial Statements

Risk Management

Note: 5.45

The company's business activities expose to a variety of risks, namely primarily to liquidity risk and fluctuations in interest rates, which may adversely impact the operation of company. The company's Board and management have overall responsibility for the establishment and oversight of the company's risk management. The company's risk management policies are established to identify and analyses the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

Liquidity Risk:

Note: 5.45.1

Liquidity risk is the risk that the company will face in meeting its obligations associated with financial liabilities. The company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. A material and sustained shortfall in cash flow could create potential business continuity risk. Company is fully dependent on Nepal Electricity Authority for its revenue based on the PPA. Any delay in settlement of dues by NEA will make it difficult for company to operate smoothly.

Interest Rate Risk:

Note: 5.45.2

Interest Rate Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations. Since the interest rate is influenced by market forces, the company has little role for minimizing the risk. The company manages the interest rate risks by negotiating with reputed commercial banks.

Capital Management:

Note: 5.45.3

Capital includes issued capital and all other reserves attributable to the equity holders of the company. The company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

Previous Year Figures

Note: 5.46

The following items have been reclassified for the purpose of facilitating better comparison and presentation:

S.N.	Items	Current Classification	Previous Classification	Amount	Remarks
				(FY 2081-82)	
1	Kang Hydropower Company Limited	Investment in Associates	Financial Assets	100,000,000	Reclassified as a result in changes in holding
2	Nabil Bank Limited- Securities Premium Account	Financial Assets	Cash and Cash Equivalents	11,762	Reclassified for better presentation
3	Cash Margin	Other Financial Assets	Deposits and Margins	130,000	Reclassified for better presentation

Restriction on PPE

Note: 5.47

The company has to transfer the entire generation unit to Government of Nepal under BOOT arrangement after expiry of period of generation license i.e. 6th Jestha, 2113 or 35 years from Commercial Operation Date (COD) whichever is earlier. The development/construction of the project was completed during FY 2080.81. Accordingly, the remaining useful life of the project from the reporting date is 29.87 years.

Miscellaneous

Note: 5.48

- All the figures stated on the financial statements are in Nepalese Rupees and rounded up to the nearest rupee.
- Notes form an integral part of financial statements.
- Previous figure has been regrouped and reclassified wherever necessary.

Ridge Line Energy Ltd.

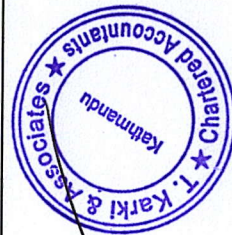


Ridge Line Energy Limited
Kupondole-1, Lalitpur, Nepal

Notes forming the part of Financial Statements

Intangible Assets (Project Assets)

Particulars	Annexure 1						
	Land	Civil Works	Hydromechanical Works	Electromechanical Works	Transmission Line & Interconnection	Others	Insurance Spares - Project Assets
Cost:							
Balance as on 1st Shrawan 2080	-	-	-	-	-	-	-
Add: Addition during the year	43,086,020	683,539,939	303,801,340	328,108,102	186,133,456	677,098,234	-
Less: Disposal / Adjustment	-	-	-	-	-	-	-
Balance as on 31st Ashadh, 2081	43,086,020	683,539,939	303,801,340	328,108,102	186,133,456	677,098,234	2,221,767,091
Add: Addition during the year	-	1,246,294	3,872,349	1,230,925	5,605,664	-	-
Less: Disposal / Adjustment	-	-	-	-	-	-	-
Balance at Ashadh end, 2082	43,086,020	684,786,233	307,673,689	329,339,027	191,739,120	677,098,234	2,233,722,323
Add: Addition during the year	-	-	-	1,766,067	3,596,400	8,086,235	8,398,329
Less: Derecognition of Assets	-	-	-	1,516,182	756,689	-	-
Less: Disposal of Assets	-	-	-	-	-	463,125	-
Balance at Ashadh end, 2083	43,086,020	684,786,233	307,673,689	329,588,912	194,578,831	684,721,344	8,398,329
Amortization Expenses							
Balance as on 1st Shrawan 2080	-	-	-	-	-	-	-
Add: Addition during the year	335,375	5,320,568	2,364,742	2,553,942	1,448,834	5,270,427	-
Balance as on 31st Ashadh, 2081	335,375	5,320,568	2,364,742	2,553,942	1,448,834	5,270,427	17,293,888
Add: Amortization during this period	1,341,125	21,279,747	9,511,458	10,238,365	5,854,062	21,075,819	-
Balance at Ashadh end, 2082	1,676,500	26,600,315	11,876,200	12,792,307	7,302,896	26,346,245	69,300,574
Adjustment: Regrouping	-	-	-	-	-	-	-
Add: Amortization during this period	1,341,125	21,316,580	9,579,954	10,289,833	5,985,357	21,233,588	144,085
Balance at Ashadh end, 2083	3,017,624	47,916,895	21,456,154	23,082,140	13,288,253	47,579,834	156,484,985
Carrying amounts as at Ashadh end, 2082	41,409,520	658,185,918	295,797,489	316,546,720	184,436,224	650,751,989	2,147,127,861
Carrying amounts as at Ashadh end, 2083	40,068,396	636,869,338	286,217,535	306,506,773	181,290,578	637,141,511	2,096,348,374



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Ridge Line Energy Ltd.

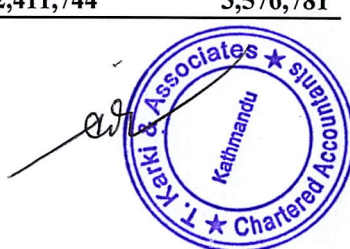
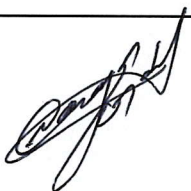
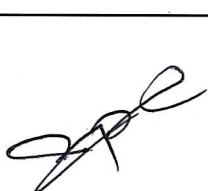
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Ridge Line Energy Limited
Kupondole-1, Lalitpur, Nepal

Annexures for Notes Forming the Part of Financial Statements

Prepaid Expenses		Annexure 2
Particulars	FY 2082.83	FY 2081.82
Prepaid Insurance	628,298	708,629
Prepaid Renewal Charges	-	29,470
Prepaid Capacity Royalty	468,616	468,616
Prepaid RTS Fees	61,644	-
Prepaid Surveillance Charge	52,010	99,898
Total	1,210,568	1,306,613

Trade Payables		Annexure 3
Particulars	FY 2082.83	FY 2081.82
Nepal Shipping and Air Logistics Private Limited	-	962,692
Dordi Khola Jal Bidyut Company Limited	924,114	924,114
Super Dordi Hydropower Project	924,114	924,114
Doodhpokhari Chepe Hydropower Limited	434,666	520,556
GDP Business Advisory Private Limited	78,050	223,000
Green Engineering & Environmental Solutions Private Limited	50,800	-
Namaste World Bizhub Private Limited	-	22,305
Total	2,411,744	3,576,781



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Ridge Line Energy Limited

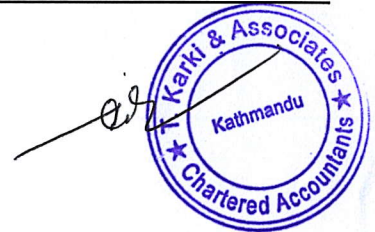
Kupondole-1, Lalitpur, Nepal

Annexures for Notes Forming the Part of Financial Statements**Meeting Allowance Payable****Annexure 4**

Particulars	FY 2082.83	FY 2081.82
BOD Meeting Allowances Payable		
Ashok Kumar Khadka	17,000	-
Basant Giri	20,400	7,600
Binod Pokhrel	-	8,500
Dipendra Hamal	17,000	4,250
Narayan Kandel	17,000	4,250
Pradip Raj Giri	17,000	-
Pratima Tiwari	17,000	4,250
Rewant Kumar Rawat	-	6,750
Other Meeting Allowances Payable		
Basant Giri	2,500	-
Rewant Kumar Rawat	19,500	-
Total	127,400	35,600

Withholding Taxes**Annexure 5**

Particulars	FY 2082.83	FY 2081.82
SST on Salary	1,180	6,671
TDS on Meeting Allowance	30,909	34,065
TDS on Salary	16,945	22,631
TDS on Service	38,076	64,664
SST on Wages	5,795	-
TDS on Audit fee	4,500	4,500
Total	97,405	132,531



Ridge Line Energy Limited

Kupondole-1, Lalitpur, Nepal

Annexure 6

Amount in NRs.

Financial Assets & Liabilities

Particulars	FY 2082.83			FY 2081.82		
	Fair Value		Amortized Cost	Fair Value		Amortized Cost
	FVTPL	FVOCI		FVTPL	FVOCI	
Financial Assets						
Balance with Banks	-	-	62,817,531	-	-	107,031,458
Cash in Hand	-	-	37,659	-	-	47,951
Trade Receivables	-	-	67,991,739	-	-	52,172,537
Investment	-	95,000,000	-	-	50,000,000	-
Other Financial Assets						
Non-Current	-	-	118,823,647	-	-	8,305,412
Current	-	-	157,780	-	-	130,000
Total Financial Assets	-	95,000,000	249,828,356	-	50,000,000	167,687,358
Financial Liabilities						
Trade and Other Payables	-	-	2,997,853	-	-	4,262,455
Loans and Borrowings	-	-	1,125,189,571	-	-	1,252,281,435
Lease Liability	-	-	1,358,527	-	-	1,677,859
Total Financial Liabilities	-	-	1,129,545,951	-	-	1,258,221,749

