G. Paudyal & Associates

Chartered Accountants Tel: 4486784
Baneshwor, Kathmandu
Email: ca.ghanashyam@gmail.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF API POWER COMPANY PRIVATE LIMITED

We have audited the accompanying financial statements of **Api Power Company Pvt. Ltd.**, which comprise the Balance Sheet as at Ashadh 31, 2070, (July 15, 2013) and the related Income Statement, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date.

Management's Responsibility for the financial Statements
Management of the company is responsible for the preparation and fair presentation of these financial Statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of **Api Power Company Pvt. Ltd.** as at Ashadh 31, 2070 (July 15, 2013), and of the results of its financial performance and its cash flows for the year then ended and in accordance with Nepal Accounting Standards and Companies Act 2063.

Report on Other Legal and Regulatory Requirements
On the basis of our examination and explanations given to us, we would like to report that:

i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
ii. Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
iii. The Balance Sheet, Income Statement, Statement of Cash Flows, Statement of Changes ~~in~~ Equity dealt with by this report are in agreement with the books of account maintained by the Company.
iv. During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
v. We have not come across any fraudulence in the accounts.

Place: Kathmandu

Date: 2070 · 5 · 21

For: **G. Paudyal & Associates**
Chartered Accountants

CA Ghanshyam Paudyal
Proprietor

Api Power Company Pvt. Ltd.

Balance Sheet

As on Ashad 31, 2070 (15 July, 2013)

Particulars	Schedule	Current Year	Previous Year
Assets			
Non-Current Assets			
Property, Plant & equipment	1	7,415,852.38	24,727.28
Capital Work In Progress	2	29,895,089.26	4,712,569.11
Deffered Tax Assets		-	-
Total Non-Current Assets		37,310,941.64	4,737,296.39
Current Assets			
Cash & Cash Equivalents	3	2,740,039.62	276,392.93
Advances & Receiveables	4	41,754,599.00	4,000,000.00
Deposits		503,000.00	503,000.00
Total Current Assets		44,997,638.62	4,779,392.93
Total		**82,308,580.26**	**9,516,689.32**
Equity & Liabilities			
Equity			
Share Capital	5	82,748,300.00	10,213,000.00
Reserve & Surplus	6	(3,246,779.00)	(1,088,941.99)
Total Equity		79,501,521.00	9,124,058.01
Medium & Long Term Loans			
Subha Laxmi Finance Ltd. (HP Loan)		2,394,000.00	-
Current Liabilities			
Other Payables	7	413,059.26	392,631.31
Total Current Liabilities		413,059.26	392,631.31
Total		**82,308,580.26**	**9,516,689.32**
Notes to the Accounts	9		

As per our attached report of even date
For: G. Paudyal & Associates
Chartered Accountants

Kathmandu
Date 2070.5.21

C.A. Ghanshyam Paudyal
Proprietor

Guru Prasad Neupane
Chairman

Sanjeev Neupane
Managing Directo.

Srijana Dangal
Finance Manager

Api Power Company Pvt. Ltd.

Income Statement

For the Year Ended 31 Ashad, 2070 (15 July, 2013)

Particulars	Schedule	Current Year	Previous Year
Income			
Revenue from Power Sales		-	-
Other Income		-	519.67
		-	**519.67**
Less:			
Administration Expenses	8	671,477.00	315,312.21
Financial Expenses		9,140.11	
Depreciation		1,477,219.90	8,242.43
Profit/(Loss) Before tax		**(2,157,837.01)**	**(323,034.97)**
Current Tax		-	-
Deferred Tax		-	-
Profit/(Loss) After Tax		**(2,157,837.01)**	**(323,034.97)**
Notes to the Accounts	9		

As per our attached report of even date.

For: G. Paudyal & Associates

Chartered Accountants

CA Ghanshyam Paudyal

Proprietor

Kathmandu

Date 2070.5.21

Guru Prasad Neupane

Chairman

Sanjeev Neupane

Managing Director

Srijana Dangal

Finance Manager

Api Power Company Pvt. Ltd.
Statement of Changes in Equity
For the Year Ended 31 Ashad, 2070 (15 July, 2013)

Particulars	Share Capital	Share Premium	Revaluation Reserve	Accumulated Profit/(Loss)	Total
Balance as on 01.04.2068	9,573,700.00	-	-	(765,907.02)	8,807,792.98
Issue of Share Capital	639,300.00				639,300.00
Profit for the Year	-	-	-	(323,034.97)	(323,034.97)
Balance as on 32.03.2069	**10,213,000.00**	-	-	**(1,088,941.99)**	**9,124,058.01**
Balance as on 01.04.2069	10,213,000.00	-	-	(1,088,941.99)	9,124,058.01
Issue of Share Capital	72,535,300.00				72,535,300.00
Profit for the Year	-	-	-	(2,157,837.01)	(2,157,837.01)
Balance as on 31.01.2070	**82,748,300.00**	-	-	**(3,246,779.00)**	**79,501,521.00**

Kathmandu
Date: 2070.5.21

अपि पावर कम्पनी प्रा.लि. APC 2003 API POWER COMPANY PVT. LTD.

As per our attached report of even date
For: G. Paudyal & Associates
Chartered Accountants

Guru Prasad Neupane
Chairman

Sanjeev Neupane
Managing Director

Srijana Dangal
Finance Manager

CA Ghanshyam Paudyal
Proprietor

G. Paudyal & Associates KATHMANDU Chartered Accountants

Api Power Company Pvt. Ltd.
Cash Flow Statement
For the Year Ended 31 Ashad, 2070 (15 July, 2013)

Particulars	Current Year	Previous Year
A.Cash Flow From Operating Activities		
Net Profit after Tax	(2,157,837.01)	(323,034.97)
Add: Interest Expenses	9,140.11	-
Add: Depreciation	1,477,219.90	8,242.43
Net Cash Flow Before Changes in Working Capital	**(671,477.00)**	**(314,792.54)**
Changes in Working Capital	(37,734,171.05)	382,631.31
Net Cash Flow From Operating Activities	**(38,405,648.05)**	**67,838.77**
B.Cash Flow From Investing Activities		
Sales of Fixed Assets	-	-
Increase in Capital Work In Progress	(25,182,520.15)	-
Purchase of Fixed Assets	(8,868,345.00)	(460,385.00)
Net Cash Flow From Investing Activities	**(34,050,865.15)**	**(460,385.00)**
C. Cash Flow From Financing Activities		
Issue of Share Capital	72,535,300.00	639,300.00
Interest Paid	(9,140.11)	-
Increase/(Decrease) Bank Loans	2,394,000.00	-
Net Cash Flow From Financing Activities	**74,920,159.89**	**639,300.00**
Net Cash Flow	**2,463,646.69**	**246,753.77**
Add: Opening Cash & Bank Balance	**276,392.93**	**29,639.16**
Closing Cash & Bank Balanace	**2,740,039.62**	**276,392.93**

As per our attached report of even date
For: G. Paudyal & Associates
Chartered Accountants

Kathmandu
Date 2070 · 5 · 21

CA Ghanshyam Paudyal
Proprietor

Guru Prasad Neupane
Chairman

Sanjeev Neupane
Managing Director

Srijana Dangal
Finance Manager

Api Power Company Pvt. Ltd.
Schedules Forming Part of the Accounts
For the Year Ended 31 Ashad, 2070 (15 July, 2013)

Property, Plant & Equipment

Schedule - 1

Particular	Depn Rate	Opening Balance	Addition				Total Assets	Depreciation	Closing Balance
			Up to poush	Up to Chaitra	Up to Ashad	Total			
Non Depreciable Assets	0%								
Land						-	-	-	-
		-	-	-	-	-	-	-	-
Pool A	5%								
Building					-	-	-	-	-
		-	-	-	-	-	-	-	-
Pool B	25%								
Office Equipments		-	85,256.00	230,956.00	28,893.00	345,105.00	345,105.00	67,029.92	278,075.08
Computer & Printers		11,021.48	287,900.00	74,392.00	76,780.00	439,072.00	450,093.48	106,324.04	343,769.44
Furniture & Fixtures		13,705.80	165,980.00	244,638.00	124,380.00	534,998.00	548,703.80	116,789.45	431,914.35
		24,727.28	539,136.00	549,986.00	230,053.00	1,319,175.00	1,343,902.28	290,143.40	1,053,758.88
Pool C	20%								
Vehicle					3,200,000.00	3,200,000.00	3,200,000.00	640,000.00	2,560,000.00
		-	-	-	3,200,000.00	3,200,000.00	3,200,000.00	640,000.00	2,560,000.00
Pool D	15%								
Construction Equipment & Tools			1,628,390.00	2,105,980.00	614,800.00	4,349,170.00	4,349,170.00	547,076.50	3,802,093.50
		-	1,628,390.00	2,105,980.00	614,800.00	4,349,170.00	4,349,170.00	547,076.50	3,802,093.50
Grand Total		24,727.28	2,167,526.00	2,655,966.00	4,044,853.00	8,868,345.00	8,893,072.28	1,477,219.90	7,415,852.38

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API POWER COMPANY PVT. LTD.

G.Paudyal & Associates
KATHMANDU
Chartered Accountants

Api Power Company Pvt. Ltd.
Schedules Forming Part of the Accounts
For the Year Ended 31 Ashad, 2070 (15 July, 2013)

Capital Work In Progress — Schedule-2

Particular	Current Year	Previous Year
Opening Balance	4,712,569.11	4,252,184.11
Add:		
Pre-Operating Expenses	-	460,385.00
Conctruction Works	1,423,210.00	-
Equipment on Rent	2,428,600.00	-
Advertisement & Promotion	73,995.15	-
Bank Charges	28,400.00	-
Clothing Expenses (Site)	256,950.00	-
Communication Expenses (Site)	235,395.00	-
Consultancy Expenses	45,882.00	-
Fuel Expenses (Site)	792,785.00	-
Insurance Expenses	13,217.00	-
Interest Expenses	31,509.00	-
Mess Expenses (Site)	325,790.00	-
Office Expenses (Site)	292,400.00	-
Photo Copy & Fax (Site)	279,654.00	-
Rent Expenses (Site)	38,500.00	-
Repair & Maintenance (Site)	658,731.00	-
Staff Salary Expenses	3,858,800.00	-
Staff Welfare (Site)	557,980.00	-
Tiffin Expenses (Site)	60,565.00	-
Site Visit Expenses	826,390.00	
Travelling Expenses	653,384.00	-
Water & Electricity (Site)	39,019.00	-
Social Mobilization Cost	5,488,526.00	-
Wages	6,772,838.00	-
Less:		
Transferred to Assets		
Total	29,895,089.26	4,712,569.11

Cash & Cash Equivalents — Schedule-3

Particular	Current Year	Previous Year
Cash Balances		
Cash In Hand (as certified by management)	109,445.52	12,478.00
Bank Balances		
Rastriya Banijya Bank Ltd.	10,227.00	10,227.00
Nepal Bank Ltd.	2,566,530.00	-
Bank Of Kathmandu Ltd.	52,837.10	52,837.10
Subha Laxmi Finance	1,000.00	-
Civil Bank Ltd.	-	195,300.00
Max Saving & Credit Co-operative Ltd.	-	5,550.83
Total	2,740,039.62	276,392.93

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APC
2003
API POWER COMPANY PVT. LTD.

KATHMANDU
Chartered Accountants

Api Power Company Pvt. Ltd.

Schedules Forming Part of the Accounts

For the Year Ended 31 Ashad, 2070 (15 July, 2013)

Advaces & Receiveables — Schedule-4

Particular	Current Year	Previous Year
Project Advance	41,754,599.00	-
Sundry Debtors	-	4,000,000.00
Total	41,754,599.00	4,000,000.00

Share Capital — Schedule-5

Particular	Current Year	Previous Year
Authorised Capital		
8,500,000 Equity Share @ Rs 100 each	850,000,000.00	850,000,000.00
Issued Capital		
8,500,000 Equity Share @ Rs 100 each	850,000,000.00	850,000,000.00
Paid Up Capital		
827,483 Equity Share @ Rs 100 each	82,748,300.00	10,213,000.00
Total	82,748,300.00	10,213,000.00

Reserve & Surplus — Schedule-6

Particular	Current Year	Previous Year
Accumulated Profit/(Loss) Upto Previous Year	(1,088,941.99)	(765,907.02)
Profit/(Loss) during the Year	(2,157,837.01)	(323,034.97)
Total	(3,246,779.00)	(1,088,941.99)

Other Payables — Schedule-7

Particular	Current Year	Previous Year
Audit Fee Payable	16,725.00	10,000.00
Interest Payable	9,140.11	
TDS Payables	387,194.15	-
Jagdish Bdr. Pal	-	382,631.31
Total	413,059.26	392,631.31

Administration Expenses — Schedule-8

Particular	Current Year	Previous Year
Audit Fees	16,950.00	10,000.00
Audit & Other Taxation	-	28,947.00
Advertisement Expenses	-	64,433.90
Email & Internet	9,910.00	-
Guest Entertainment	21,754.00	19,460.00
House Rent	157,500.00	50,400.00
Legal Fees	26,063.00	9,650.00
Miscellineous Expenses	285,392.00	111,523.98
News Paper & Magazine	4,345.00	1,700.00
Office Expenses (HO)	73,940.00	-
Printing & Stationary	67,365.00	11,916.00
Telephone Expenses	8,258.00	7,281.33
Total	671,477.00	315,312.21

Api Power Company Pvt. Ltd.
Schedules Forming Part of the Accounts
For the Year Ended 31 Ashad, 2070 (15 July, 2013)

Schedule-9

Significant Accounting Policies & Notes to the Accounts

A Significant Accounting Policies

1 Accounting Conventions

The Financial Statements are prepared under the Histrocial Cost Convention on an Accural Concept and are in accordance with Generally Accepted Accounting Principles and others applicable laws prevalent in Nepal. The accounting policies are consistently applied by the company.

2 Use of estimates:

The preparation of Financial Statements in confirmity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of revenue & expenses during the reporting period.

3 Property, Plant & Equipment and Depreciation

i) Property, Plant & Equipment are stated at cost inclusive of all expenses incurred in commissioning/ putting them into use, less accumulated depreciation.

ii) Depreciation on Property, Plant & Equipment has been charged on Written Down Value (WDV) Method as per the rates prescribed in the Income Tax Act 2058.

3 Property, Plant & Equipment and Depreciation

i) Property, Plant & Equipment are stated at cost inclusive of all expenses incurred in commissioning/ putting them into use, less accumulated depreciation.

B Notes to the Accounts

1 Advances & Receiveables

The company has given advances of Rs 41,754,599.00 to various parties/indivisuals as project advances.

2 Previous years' figures have been re-grouped & re-arranged wherever necessary.

3 Schedule 1 to 9 form the integral parts of the Balance Sheet and Income Statement.

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G.Paudyal & Associates Chartered Accountants KATHMANDU