GAA

Gyanendra & Associates
Chartered Accountants

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

We have audited the accompanying financial statements of **Api Power Company Ltd.**, which comprise the Balance Sheet as at Ashadh 31, 2074, (July 15, 2017) 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, except for the effect on the financial statements of the matters mentioned in point (vi) below i.e. basis of qualification, the accompanying financial statements give a true and fair view, in all material respects the financial position of **Api Power Company Ltd.** as at Ashadh 31, 2074, (July 15, 2017), and of the results of its financial performance and its cash flows for the year then ended and in accordance with generally accepted accounting principles and Companies Act 2063.

Report on Other Legal & Regulatory Requirements and Basis of Qualification

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.
vi. Cost recognition and depreciation on 8.5 Naughad Gad Hydropower Project and IPO Issue Expenses has been written off as per company policy as mentioned in Para B.5 of "Notes to the Account" of the financial statements and Dividend Income from Api Hydro Mechanical Ltd. has been recognized in the financial statements though right to receive has arised after the Balance Sheet date. Also, the financial statements is not complied with NFRS.

For: **Gyanendra & Associates**
Chartered Accountants

Gyanendra & Associates ★ Chartered Accountants ★

CA Gyanendra Subedi
Proprietor

Place: Kathmandu
Date: 07 Poush, 2074

Api Power Company Ltd.

Balance Sheet

As at 31 Ashadh, 2074 (July 15, 2017)

Particulars	Schedule	Current Year	Previous Year
Assets			
Non-Current Assets			
Property, Plant & Equipments, Net	1	1,537,221,457.00	1,549,221,278.00
Project in Progress	2	556,362,152.00	-
Investment (At Cost)	3	144,254,348.00	145,423,490.00
Total Non-Current Assets		**2,237,837,957.00**	**1,694,644,768.00**
Current Assets			
Cash & Cash Equivalent	4	6,655,336.00	14,209,890.00
Project Advances	5	133,680,620.00	121,014,403.00
Other Advances, Deposits & Receivables	6	69,457,652.00	49,761,199.00
Total Current Assets		**209,793,608.00**	**184,985,492.00**
Total Assets		**2,447,631,565.00**	**1,879,630,260.00**
Equity & Liabilities			
Equity			
Share Capital	7	1,050,000,000.00	1,000,000,000.00
Reserve & Surplus	8	90,097,488.00	67,188,600.00
Total Equity		**1,140,097,488.00**	**1,067,188,600.00**
Non Current Liabilities			
Secured Loan	9	1,147,907,403.00	751,668,175.00
Total Non-Current Liabilities		**1,147,907,403.00**	**751,668,175.00**
Current Liabilities			
Trade Payables	10	22,245,927.00	194,163.00
Unsecured Loan		117,407,309.00	2,000,000.00
Other Liabilities & Provisions	11	19,973,438.00	58,579,322.00
Total Current Liabilities		**159,626,674.00**	**60,773,485.00**
Total Equity & Liabilities		**2,447,631,565.00**	**1,879,630,260.00**

Notes to the Accounts 15

As per our attached report of even date

Kathmandu

Date: 07 Poush, 2074

For: Gyanendra & Associates
Chartered Accountants

Guru Prasad Neupane
Chairman

Sanjeev Neupane
Managing Director

CA Gyanendra Subedi
Proprietor

Satish Neupane
Director

Mahendra Neupane
Director

Shashwat Chalisey
CFO

Api Power Company Ltd.

Income Statement

For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Particulars	Schedule	Current Year	Previous Year
Income			
Revenue from Power Sales		138,142,021.00	105,894,021.00
Indirect Income	12	37,655,509.00	16,112,177.00
		175,797,530.00	**122,006,198.00**
Less: Direct Expenses			
Royalty (Against Installed Capacity)		850,000.00	850,000.00
Royalty (Against Generation)		2,766,828.00	2,117,881.00
Gross Profit/(Loss)		**172,180,702.00**	**119,038,317.00**
Less:			
Loss on Sale of Assets		46,875.00	-
Project Operation Expenses	13	6,721,741.00	5,650,842.00
Administrative Expenses	14	5,116,564.00	3,502,403.00
Profit Before Depreciation & Interest		**160,295,522.00**	**109,885,072.00**
Financial Expenses		65,494,811.00	17,764,422.00
Depreciation		17,368,011.00	10,308,424.00
Profit Before Bonus & Tax		**77,432,700.00**	**81,812,226.00**
Provision for Staff Bonus		1,920,250.00	982,500.00
Profit/(Loss) Before Tax		**75,512,450.00**	**80,829,726.00**
Current Tax		471,984.00	-
Deferred Tax		-	-
Net Profit/ (Loss) After Tax		**75,040,466.00**	**80,829,726.00**

Notes to the Accounts 15

As per our attached report of even date

Kathmandu

Date: 07 Poush, 2074

For: Gyanendra & Associates
Chartered Accountants

Guru Prasad Neupane
Chairman

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Managing Director

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Director

Shashwat Chalisey
CFO

Api Power Company Ltd.
Cash Flow Statement
For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Particulars	Current Year	Previous Year
Cash Flows From Operating Activities		
Net Profit/(Loss) After Tax	75,040,466.00	80,829,726.00
Add: Depreciation	17,368,011.00	10,308,424.00
Add: Loss on Sale of Assets	46,875.00	-
Add: Financial Expenses	65,494,811.00	17,764,422.00
Net Cash Flow Before Changes in Working Capital	**157,950,163.00**	**108,902,572.00**
Changes in Working Capital	66,490,519.00	23,520,293.00
Net Cash Flows From Operation Activities (A)	**224,440,682.00**	**132,422,865.00**
Cash Flows From Investing Activities		
(Increase)/Decrease in Investment	1,169,142.00	(135,323,490.00)
(Increase)/Decrease in Project in Progress	(556,362,152.00)	1,295,971,870.00
Sales of Fixed Assets	1,500,000.00	-
Purchase of Fixed Assets	(6,915,065.00)	(1,552,062,072.00)
Net Cash Flows From Investing Activities (B)	**(560,608,075.00)**	**(391,413,692.00)**
Cash Flows From Financing Activities		
Increase/ (Decrease) in Share Capital	50,000,000.00	285,000,000.00
Dividend Paid	(52,131,578.00)	-
Increase/ Decrease in Long Term Borrowings	396,239,228.00	(38,670,194.00)
Less: Financial Expenses	(65,494,811.00)	(17,764,422.00)
Net Cash Flows From Financing Activities (C)	**328,612,839.00**	**228,565,384.00**
Net Cash Flow (A+B+C)	**(7,554,554.00)**	**(30,425,443.00)**
Add: Opening Cash & Cash Equivalent	14,209,890.00	44,635,333.00
Closing Cash & Cash Equivalent	**6,655,336.00**	**14,209,890.00**

Kathmandu
Date: 07 Poush, 2074

As per our attached report of even date

For: Gyanendra & Associates
Chartered Accountants

Guru Prasad Neupane
Chairman

Sanjeev Neupane
Managing Director

CA Gyanendra Subedi
Proprietor

Satish Neupane
Director

Mahendra Neupane
Director

Shashwat Chalisey
CFO

Api Power Company Ltd.
Statement Showing Changes in Equity
For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Particulars	Share Capital	Share Premium	Revaluation Reserve	Reserve & Surplus	Total
Balance as on 01.04.2072	715,000,000.00	-	-	(13,641,126.00)	701,358,874.00
Issue of Share Capital	285,000,000.00				285,000,000.00
Profit/(Loss) During the year	-			80,829,726.00	80,829,726.00
Balance as on 31.03.2073	**1,000,000,000.00**	-	-	**67,188,600.00**	**1,067,188,600.00**
Balance as on 01.04.2073	1,000,000,000.00	-	-	67,188,600.00	1,067,188,600.00
Issue of Share Capital	50,000,000.00			-	50,000,000.00
Dividend Paid				(52,131,578.00)	(52,131,578.00)
Profit/(Loss) During the period	-			75,040,466.00	75,040,466.00
Balance as on 31.03.2074	**1,050,000,000.00**	-	-	**90,097,488.00**	**1,140,097,488.00**

Kathmandu
Date: 07 Poush, 2074

As per our attached report of even date
For: Gyanendra & Associates
Chartered Accountants

Guru Prasad Neupane
Chairman

Sanjeev Neupane
Managing Director

CA Gyanendra Subedi
Proprietor

Satish Neupane
Director

Mahendra Neupane
Director

Shashwat Chalisey
CFO

Api Power Company Ltd.
Schedules Forming Part of the Accounts
For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Property, Plant & Equipments

Schedule-1

Particulars	Dep. Rate	Opening Balance (WDV)	Addition during this Year: Upto Poush	Addition during this Year: Upto Chaitra	Addition during this Year: Upto Ashadh	Disposal	Total	Depreciation Base	Depreciation During the year	Closing Balance (WDV)
Block-B	25%									
Office Equipment		117,313.00					117,313.00	117,313.00	29,328.00	87,985.00
Attendance Machine		13,560.00					13,560.00	13,560.00	3,390.00	10,170.00
Office Structure & Settings		1,546,875.00				1,546,875.00	-	-	-	-
Computers & Printers		590,849.00	75,500.00	158,813.00	48,350.00		873,512.00	788,341.00	197,085.00	676,427.00
Furniture & Fixtures		238,419.00					238,419.00	238,419.00	59,605.00	178,814.00
Handheld Transreceivers		268,551.00	90,400.00				358,951.00	358,951.00	89,738.00	269,213.00
		2,775,567.00	**165,900.00**	**158,813.00**	**48,350.00**	**1,546,875.00**	**1,601,755.00**	**1,516,584.00**	**379,146.00**	**1,222,609.00**
Block-C	20%									
Vehicle		-					-	-	-	-
Motorcycle		81,920.00					81,920.00	81,920.00	16,384.00	65,536.00
		81,920.00	-	-	-	-	**81,920.00**	**81,920.00**	**16,384.00**	**65,536.00**
Block-D	15%									
Construction Equipments & Tools		2,334,961.00			737,438.00		3,072,399.00	2,580,773.67	387,116.00	2,685,283.00
Brick Making Machines		49,130.00					49,130.00	49,130.00	7,370.00	41,760.00
Transformers		566,130.00					566,130.00	566,130.00	84,920.00	481,210.00
Welding Rectifier		75,983.00					75,983.00	75,983.00	11,397.00	64,586.00
Water Pump		13,252.00					13,252.00	13,252.00	1,988.00	11,264.00
Solar System		39,738.00					39,738.00	39,738.00	5,961.00	33,777.00
Generator		1,034,832.00					1,034,832.00	1,034,832.00	155,225.00	879,607.00
		4,114,026.00	-	-	**737,438.00**	-	**4,851,464.00**	**4,359,838.67**	**653,977.00**	**4,197,487.00**
Block-E										
Software (Tally ERP 9) *[Remaining Life: 1 Yrs]*	5 Yrs	13,831.00					13,831.00	13,831.00	6,916.00	6,915.00
RTS Software *[Remaining Life: 3 Yrs]*	5 Yrs	108,000.00					108,000.00	108,000.00	27,000.00	81,000.00
Share Issue Expenses *[Remaining Life: 28 Yrs]*	30 Yrs	29,786,955.00					29,786,955.00	29,786,955.00	1,027,136.00	28,759,819.00
8.5 MW Naugadh Gad Project *[Remaining Life: 28 Yrs]*	30 Yrs	1,512,340,979.00			5,804,564.00		1,518,145,543.00	1,518,145,543.00	15,257,452.00	1,502,888,091.00
		1,542,249,765.00	-	-	**5,804,564.00**	-	**1,548,054,329.00**	**1,548,054,329.00**	**16,318,504.00**	**1,531,735,825.00**
Grand Total		**1,549,221,278.00**	**165,900.00**	**158,813.00**	**6,590,352.00**	**1,546,875.00**	**1,554,589,468.00**	**1,554,012,671.67**	**17,368,011.00**	**1,537,221,457.00**

Api Power Company Ltd.
Schedules Forming Part of the Financial Statements
For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Project in Progress — **Schedule-2**

Particulars	Current Year	Previous Year
Upper Naugad Gad Project	551,116,865.00	-
Solar Project	4,750,820.00	-
Upper Chameliya Project	494,467.00	-
Total	**556,362,152.00**	**-**

Investment (At Cost) — **Schedule-3**

Particulars	Current Year	Previous Year
Api Hydro Mechanical Ltd.	70,000,000.00	70,000,000.00
Arun Kabeli Power Ltd.	50,096,400.00	50,096,400.00
Hydroelectricity Investment and Dev. Co. Ltd.	289,600.00	289,600.00
Nepal Investment Bank Ltd (FPO)	281,468.00	1,688,810.00
Peoples' Investment Company Ltd.	1,429,200.00	1,191,000.00
Siddhakali Power Ltd.	22,157,680.00	22,157,680.00
Total	**144,254,348.00**	**145,423,490.00**

Cash & Cash Equivalents — **Schedule-4**

Particulars	Current Year	Previous Year
Cash in Hand (As Certified)	176,323.00	176,323.00
Bank Balances:		
Janata Bank Nepal Ltd. (002)	77,931.00	755,014.00
Janata Bank Nepal Ltd. (003)	304,370.00	5,000.00
Janata Bank Nepal Ltd. (Upper Naugadh)	159,597.00	616,902.00
Bank Of Kathmandu Ltd.	432,486.00	425,573.00
Cheque in Hand	1,496,884.00	1,496,884.00
Global IME Bank Ltd.	24,998.00	6,751.00
Janata Bank Nepal Ltd.	101,711.00	116,691.00
Nepal Bank Ltd. (Escrow Account)	367,744.00	4,972,694.00
Nepal Bank Ltd.	15,498.00	3,791,533.00
Nepal SBI Bank Ltd.	186,742.00	10,986.00
Nepal SBI Bank Ltd. (UN)	468,245.00	-
NIC Asia Bank Ltd.	2,191,359.00	549,471.00
NIC Asia Bank Ltd. (2)	256,764.00	-
NMB Bank Limited	85,000.00	-
Prime Bank Ltd.	309,684.00	246,347.00
Rastriya Banijya Bank Ltd.	-	10,227.00
Reliable Development Bank Ltd.	-	3,167.00
Tourism Development Bank Ltd.	-	1,026,327.00
Total	**6,655,336.00**	**14,209,890.00**

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Gyanendra & Associates Chartered Accountants

Api Power Company Ltd.

Schedules Forming Part of the Financial Statements

For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Project Advances **Schedule-5**

Particulars	Current Year	Previous Year
Advance for Hydro Mechanical Works	8,217,718.00	12,047,057.00
Advance for Land	1,036,247.00	736,247.00
Advance for Project Development	38,284.00	38,284.00
Advance for Project Management	2,581,462.00	704,075.00
Advance for Site Office	55,654.00	1,652,313.00
Advances for Electromechanical Works	98,211,779.00	67,400.00
Makalu Developers Ltd.	6,692,502.00	35,142,037.00
Naugad Cascade Project Advances	2,071,292.00	-
Project Advance (Satish Neupane)	50,000.00	-
R.K Survey Company Pvt. Ltd.	13,760.00	-
Solar Project Advances	2,352,000.00	9,313.00
South Asia Engineering Pvt. Ltd.	7,091,342.00	691,342.00
Siddhikali Power Ltd. (Project Advance)	137,580.00	137,580.00
Upper Chameliya Project Advances	35,000.00	352,502.00
Upper Naugadh Project Advance	5,096,000.00	53,015,553.00
Api Hydro Mechanical Ltd.	-	16,415,674.00
Hydro Consult	-	3,070.00
Narayan Prasad Khanal	-	1,956.00
Total	**133,680,620.00**	**121,014,403.00**

Other Advances, Deposits & Receivables **Schedule-6**

Particulars	Current Year	Previous Year
Advance Tax	930,469.00	791,857.00
Deposit to NEA	159,031.00	159,031.00
Dividend Income Receivables	35,000,000.00	10,000,000.00
Gandaki Gaighat Co. Ltd	29,123.00	29,123.00
Global Trade Link	19,430.00	19,430.00
Inguwa Hydropower Development Company Ltd.	2,000,000.00	2,000,000.00
Santosh Khanal	150,000.00	-
Subisu Cablenet Pvt. Ltd.	180.00	-
ICRA Nepal Limited	390,250.00	-
Prepaid Insurance	310,106.00	309,253.00
Revenue Receivable	12,843,250.00	16,616,111.00
Rajesh Pathak	1,500.00	-
LC Margin	1,160,000.00	1,160,000.00
Security Deposit (Birgunj Customs)	3,261,313.00	3,261,313.00
Security Deposit (Survey License Upper Chameliya)	8,000,000.00	8,000,000.00
Security Deposit (Survey License Upper Naugadh)	4,000,000.00	4,000,000.00
Security Deposit (Transmission Line)	700,000.00	700,000.00
Other Deposits	503,000.00	503,000.00
Interest Receivable	-	2,211,362.00
Vishal Trade Link	-	269.00
World Link Communication Pvt. Ltd.	-	450.00
Total	**69,457,652.00**	**49,761,199.00**

एपी पावर कम्पनी लिमिटेड API POWER COMPANY LIMITED 2003

Gyanendra & Associates Chartered Accountants

Api Power Company Ltd.

Schedules Forming Part of the Financial Statements

For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Share Capital — **Schedule-7**

Particulars	Current Year	Previous Year
Authorised :		
5,00,00,000 Equity Shares of Rs. 100 Each	5,000,000,000.00	5,000,000,000.00
Issued:		
3,00,00,000 Equity Shares of Rs. 100 Each	3,000,000,000.00	3,000,000,000.00
Paid -Up:		
100,00,000 Equity Shares of Rs. 100 Each	-	1,000,000,000.00
105,00,000 Equity Shares of Rs. 100 Each	1,050,000,000.00	-
Total	**1,050,000,000.00**	**1,000,000,000.00**

Reserve and Surplus — **Schedule-8**

Particulars	Current Year	Previous Year
Profit/(Loss) Upto Previous Year	67,188,600.00	(13,641,126.00)
Add: Profit/(Loss) during this Year	75,040,466.00	80,829,726.00
Less: Dividend Paid	(52,131,578.00)	-
Total	**90,097,488.00**	**67,188,600.00**

Long Term Borrowings — **Schedule-9**

Particulars	Current Year	Previous Year
Bridge Gap Loans	99,986,151.00	-
Term Loan (Naugad Project)	720,909,375.00	751,668,175.00
Term Loan (Upper Naugad Project)	327,011,877.00	-
Total	**1,147,907,403.00**	**751,668,175.00**

Trade Payables — **Schedule-10**

Particulars	Current Year	Previous Year
ABMS and Associates	22,300.00	-
Api Hydro Mechanical Limited	9,460,457.00	-
Auto Shop Pvt. Ltd	12,500.00	12,500.00
Binisha Interior	60,001.00	60,001.00
Kanchanjunga Housing Ltd	1,092,402.00	-
Media Gate Pvt.Ltd	4,551.00	-
Nirvik Travels and Tour Private Limited	129,380.00	-
Professional Computer System P. Ltd.	12,042.00	-
Retention Money (Api HM UN)	2,920,222.00	-
Retention Money (Makalu UN)	8,405,700.00	-
Sushil Kumar Agrawal	108,282.00	108,282.00
Trade Tower Busniess Center	18,090.00	-
Subishu Cable Net Pvt. Ltd.	-	13,380.00
Total	**22,245,927.00**	**194,163.00**

API POWER COMPANY LIMITED 2003

Gyanendra & Associates Chartered Accountants

Api Power Company Ltd.

Schedules Forming Part of the Financial Statements

For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Other Liabilities & Provisions **Schedule-11**

Particulars	Current Year	Previous Year
Audit Fee Payable	351,225.00	351,225.00
BOD Allowance Payable	91,800.00	128,350.00
Casual Staff Salary Payable	8,316.00	64,448.00
CIT Payable	119,500.00	102,500.00
Dividend Tax Payable	2,131,579.00	-
EPF Payable	241,934.00	111,100.00
Income Tax Payable	471,984.00	-
IPO Refund Payable	2,380,877.00	3,869,374.00
Meeting Allowance Payable	4,250.00	-
Overtime Allowance Payable	133,164.00	20,729.00
Provision for Employee Bonus	1,974,250.00	982,500.00
Royalty Payable	2,747,452.00	2,967,881.00
Salary & Allowances Payable	1,370,606.00	579,759.00
TDS Payable	7,010,237.00	6,025,939.00
Transportation & Newspaper Allowance Payable	153,000.00	161,500.00
Vehicle Rent Payable	742,500.00	148,500.00
Water and Electricity Charges Payable	40,764.00	43,629.00
Clean Energy Consultant Pvt. Ltd.	-	2,014,236.00
NIBL Capital Markets Ltd.	-	14,575,778.00
Office Rent Payable	-	445,500.00
Retention Money (Makalu Developers Ltd.)	-	22,157,034.00
Retention Money (Stucto Udeko JV)	-	3,829,340.00
Total	**19,973,438.00**	**58,579,322.00**

Indirect Income **Schedule-12**

Particulars	Current Year	Previous Year
Application Fees	275,000.00	15,000.00
Dividend Income	279,540.00	47,521.00
Dividend Income (Api Hydro Mechanical Ltd.)	35,000,000.00	10,000,000.00
Income from Sale of Investment	696,237.00	-
Income From Share Department	25,650.00	61,930.00
Interest Income	18,829.00	5,987,726.00
Rent Income	1,360,253.00	-
Total	**37,655,509.00**	**16,112,177.00**

एपी पावर कम्पनी लिमिटेड API POWER COMPANY LIMITED 2003

Gyanendra & Associates Chartered Accountants

Api Power Company Ltd.

Schedules Forming Part of the Financial Statements

For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Project Operation Expenses

Schedule-13

Particulars	Current Year	Previous Year
Corporate Social Responsibility (CSR)	10,000.00	100,000.00
Site Office Allowances	97,440.00	150,200.00
Site Office Expenses	22,045.00	103,302.00
Substation Repair Works	40,500.00	-
Rent Expenses (Site)	28,800.00	10,336.00
Local Conveyance	38,500.00	-
LOP Insurance Premium	56,358.00	49,885.00
Fire Insurance Premium	2,637,761.00	2,335,779.00
Repair & Maintenance (Pool D)	587,930.00	13,245.00
Staff Salary & Allowances	2,206,311.00	2,150,500.00
Overtime Allowances	271,946.00	396,762.00
Irrigation Project Maintenance	19,600.00	36,300.00
Wages	44,550.00	39,200.00
Vehicle Rent	660,000.00	265,333.00
Total	**6,721,741.00**	**5,650,842.00**

Administrative Expenses

Schedule-14

Particulars	Current Year	Previous Year
Advertisment & Promotion Expenses	56,971.00	71,948.00
Audit Fee	339,000.00	339,000.00
Board Meeting Allowance	135,000.00	133,200.00
Communication Expenses	9,181.00	49,625.00
Email & Internet Expenses	11,653.00	25,755.00
Fuel Expenses	2,838.00	64,046.00
Genaral Meeting Expenses	72,856.00	341,286.00
Government Tax & Fees	1,250.00	230,550.00
Meeting Allowance	17,500.00	3,600.00
Meeting Expenses	8,002.00	2,366.00
Membership Expenses	6,250.00	-
Miscellaneous Expenses	9,188.00	21,701.00
Newspapers & Periodicals	960.00	2,548.00
Office Expenses (HO)	23,925.00	34,857.00
Printing & Stationery Expenses	6,533.00	39,420.00
Rent Expenses (HO)	838,864.00	396,000.00
Repair & Maintenance (Pool C)	32,542.00	31,769.00
Repair & Maintenance Expenses (Pool B)	15,922.00	6,164.00
Share Management Expenses	1,343,043.00	280,333.00
SMS Service Charges	4,464.00	2,124.00
Staff Salary & Allowances	1,935,054.00	757,710.00
Telephone Expenses	2,000.00	5,464.00
Transportation & Newspaper Allowance	180,000.00	176,000.00
Travelling Expenses	32,154.00	187,227.00
Water & Electricity	21,576.00	50,867.00
Website Charges	9,838.00	1,265.00
Guest Entertainment Expenses	-	114,542.00
Legal Fees	-	4,520.00
Medical Expenses	-	3,624.00
Postage & Courier	-	1,492.00
Promotional Expenses	-	121,000.00
Training Expenses	-	2,400.00
Total	**5,116,564.00**	**3,502,403.00**

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Api Power Company Ltd.
Schedules forming Parts of Accounts
For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Schedule-15

Significant Accounting Policies & Notes to the Accounts

A General Information

A.1 Api Power Company Limited is a Limited Liability Company domiciled in Nepal, with its registered office at Kathmandu, Nepal. The company has been established with the objective of generation of hydropower.

A.2 The company has obtained license from Department of Electricity Development for construction and generation of electricity from Naugargh Gad Small Hydropower Project of 8.5 Megawatt capacity in Darchula district. The license period is upto 2104/03/30 B.S.

B Summary of Significant Accounting Policies

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

B.1 Statement of Compliance

The Financial Sattements have been prepared in accordance with Nepal Accounting Standards (NAS) except otherwise stated; Generally Accepted Accounting Principles (GAAP) and the Company's Act 2063.

B.2 Basis of Preparation

The Financial Statement has been prepared under historical cost convention. The preparation of the financial statements in confirmity with Nepal Accounting Standards (NAS) and Generally Accepted Accounting Principles (GAAP) requires the use of certain critical accounting estimates as well as management judgement and discretion in the process of applying the comapny's accounting policy.

B.3 Basis of Revenue Recognition

The Principal Revenue generating activity of the company comprises of Sale of Electricity to the Nepal Electricity Authority. Other income has been recognized on accural basis.

B.4 Basis of Expenses Recognition

The company has adopted the system of recognition of expenses on accrual basis.

B.4.1 Administrative expenses incurred during the fiscal year have been apportioned in proportionate ratios of 75% & 25% among Upper Naugadh (Project in Progress) and Income Statement. Administrative Expenses incurred during the financial year have been apportioned as under;

Particulars	Transferred to Upper Naugadh Project In Progress	Transferred to Income Statement	Total
Administrative Expenses	10,303,551.00	5,116,564.00	**15,420,115.00**

B.5 Property, Plant & Equipments and Depreciation

B.5.1 Property, Plant & Equipments are stated at historical cost less depreciation. Historical cost includes expenditure that is directly and indirectly attributable to the acquisition of the assets.

B.5.2 Depreciation on Property, Plant & Equipment (Block B, C, D & E) has been charged on Written Down Value (WDV) Method as per the rates and manners as prescribed in the Income Tax Act 2058.

B.5.3 Again, All direct and indirect expenses relating to 8.5 MW Naugadh Gad HEP have been capitalized as project construction cost. The company has adopted the following depreciation policy regarding the project.

Years of Operation	Rate of Depreciation (% p.a)	Total (%)
1-5	1	4.5
6-10	2	10
11-15	3	15
16-20	4	20
21-25	5	25
26-29	5	20
30	Remaining	5.5
	Total	**100%**

B.5.4 Expenses Relating to Public issue of Share Capital and related expenses have been classified under Property, Plant and Equipment and shall be written off over the PPA License period i.e; 30 Years.

Api Power Company Ltd.
Schedules forming Parts of Accounts
For The Year Ended 31 Ashadh, 2074 (July 15, 2017)

Schedule-15

Significant Accounting Policies & Notes to the Accounts

C Notes to the Accounts

C.1 Project in Progress

All Direct and Indirect expenses related to the construction of hydropower project is accounted as Project in Progress. The total cost of the project shall be transferred to Property, Plant & Equipments after completion of the project.

C.2 Investment

The Details of the investment has been shown in the schedule of the financial statement.

C.3 Other Income

The Company has booked dividend income of Rs. 35,000,000 from Api Hydro Mechanical Ltd as right to receive is arised as on reporting date.

C.4 Corporate Tax

Since, the company is enjoying tax exemption period, so income tax has not been provisioned for Income from Power Sales. Applicable tax has been provisioned for other taxable income.

C.5 Deferred Tax

The company has not recognized deferred tax assets/(liability) as the company is on tax exemption period.

C.6 Schedules

Schedule 1-15 form the integral part of the financial statement.

C.7 Staff Bonus Provision

Bonus for Staffs has been provisioned for 1.5 month of Basic Salary.

C.8 Related Party Disclosure

The following are the related parties with whom the company has investment, transactions and receivables & payables too.

	Remarks
1. Makalu Developers Ltd	Civil Contractor
2. Api Hydro Mechanical Ltd.	Hydro Mechanical Contractor
3. Peoples' Investment Company Lt	Investment
4. Arun Kabeli Power Ltd.	Investment
5. Siddhakali Power Ltd.	Investment

C.9 Dividend Declaration: The company has proposed 8% stock dividend excluding dividend tax.

C.10 Re-Grouping

The company has rearranged and regrouped the previous year figures to make them comparable with the current period's