G. Paudyal & Associates
Chartered Accountants
ICAN Regd. No.:307
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Teku, Kathmandu
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INDEPENDENT AUDITOR'S REPORTTO THE SHAREHOLDERS OF API POWER COMPANY LIMITED

We were engaged to audit the accompanying financial statements of **Api Power Company Ltd.**, which comprise the Balance Sheet as at Ashadh 32, 2075, (July 16, 2018) 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 Financial Reporting 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 conducting the audit in accordance with Nepal Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of Disclaimer of Opinion
The financial statements of the company are not complied with Nepal Financial Reporting Standards. As a result, we were unable to determine whether any adjustments were necessary in respect of the financial statements.

Disclaimer of Opinion
Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on Other Legal & Regulatory Requirements and Relevant Matters
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, except as required by Nepal Financial Reporting Standards.
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. We draw attention to Para C.1 of "Notes to the Accounts" regarding the revision on contract cost of Civil and Hydro Mechanical Works. Our opinion is not qualified in respect of these matters.
vii. 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 Accounts" 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.

Place: Kathmandu
Date: 2075/8/23

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

CA Ghanshyam Paudyal
Partner

Api Power Company Ltd.
Balance Sheet
As at 32 Ashadh, 2075 (July 16, 2018)

Particulars	Schedule	Current Year	Previous Year
Assets			
Non-Current Assets			
Property, Plant & Equipments, Net	1	1,522,972,934.00	1,537,221,457.00
Project in Progress	2	1,462,912,033.00	556,362,152.00
Investment (At Cost)	3	144,134,168.00	144,254,348.00
Total Non-Current Assets		**3,130,019,135.00**	**2,237,837,957.00**
Current Assets			
Cash & Cash Equivalent	4	4,411,690.00	6,655,336.00
Project Advances	5	30,182,630.00	133,595,620.00
Other Advances, Deposits & Receivables	6	83,206,854.00	69,542,652.00
Total Current Assets		**117,801,174.00**	**209,793,608.00**
Total Assets		**3,247,820,309.00**	**2,447,631,565.00**
Equity & Liabilities			
Equity			
Share Capital	7	1,134,000,000.00	1,050,000,000.00
Reserve & Surplus	8	61,243,256.00	90,097,488.00
Total Equity		**1,195,243,256.00**	**1,140,097,488.00**
Non Current Liabilities			
Long Term Borrowings	9	1,572,078,565.00	1,147,907,403.00
Total Non-Current Liabilities		**1,572,078,565.00**	**1,147,907,403.00**
Current Liabilities			
Trade Payables	10	334,943,483.00	22,245,927.00
Unsecured Loan		78,230,904.00	117,407,309.00
Nepal Bank Ltd. (Working Capital Loan)		35,000,000.00	-
Other Liabilities & Provisions	11	32,324,101.00	19,973,438.00
Total Current Liabilities		**480,498,488.00**	**159,626,674.00**
Total Equity & Liabilities		**3,247,820,309.00**	**2,447,631,565.00**

Notes to the Accounts 15

As per our attached report of even date

Kathmandu

Date: 2075/8/23

For: G. Paudyal & Associates
Chartered Accountants

CA Ghanshyam Paudyal
Partner

Guru Prasad Neupane
Chairman

Sanjeev Neupane
Managing Director

Satish Neupane
Director

Mahendra Neupane
Director

Shashwat Chalisey
CEO

Api Power Company Ltd.
Income Statement
For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

Particulars	Schedule	Current Year	Previous Year
Income			
Revenue from Power Sales		127,829,031.00	138,142,021.00
Indirect Income	12	37,420,650.00	37,655,509.00
		165,249,681.00	**175,797,530.00**
Less: Direct Expenses			
Royalty (Against Installed Capacity)		850,000.00	850,000.00
Royalty (Against Generation)		2,558,726.00	2,766,828.00
Gross Profit/(Loss)		**161,840,955.00**	**172,180,702.00**
Less:			
Loss on Sale of Assets		-	46,875.00
Project Operation Expenses	13	7,583,685.00	6,721,741.00
Administrative Expenses	14	6,478,759.00	5,116,564.00
Profit Before Depreciation & Interest		**147,778,511.00**	**160,295,522.00**
Financial Expenses		70,369,622.00	65,494,811.00
Depreciation		18,020,498.00	17,368,011.00
Profit Before Bonus & Tax		**59,388,391.00**	**77,432,700.00**
Provision for Staff Bonus		1,644,000.00	1,920,250.00
Profit/(Loss) Before Tax		**57,744,391.00**	**75,512,450.00**
Current Tax			
Deferred Tax		19,677.00	471,984.00
Net Profit/ (Loss) After Tax		**57,724,714.00**	**75,040,466.00**

Notes to the Accounts 15

As per our attached report of even date

Kathmandu
Date: 2075/8/23

For: G.Paudyal & Associates
Chartered Accountants

Guru Prasad Neupane
Chairman

Sanjeev Neupane
Managing Director

CA Ghanshyam Paudyal
Partner

Satish Neupane
Director

Mahendra Neupane
Director

Shashwat Chalisey
CFO

Api Power Company Ltd.

Cash Flow Statement

For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

Particulars	Current Year	Previous Year
Cash Flows From Operating Activities		
Net Profit/(Loss) After Tax	57,724,714.00	75,040,466.00
Add: Depreciation	18,020,498.00	17,368,011.00
Add: Loss on Sale of Assets	-	46,875.00
Add: Financial Expenses	70,369,622.00	65,494,811.00
Net Cash Flow Before Changes in Working Capital	**146,114,834.00**	**157,950,163.00**
Changes in Working Capital	410,050,274.00	66,490,519.00
Net Cash Flows From Operation Activities (A)	**556,165,108.00**	**224,440,682.00**
Cash Flows From Investing Activities		
(Increase)/Decrease in Investment	120,180.00	1,169,142.00
(Increase)/Decrease in Project in Progress	(906,549,881.00)	(556,362,152.00)
Sales of Fixed Assets	-	1,500,000.00
Purchase of Fixed Assets	(3,771,975.00)	(6,915,065.00)
Net Cash Flows From Investing Activities (B)	**(910,201,676.00)**	**(560,608,075.00)**
Cash Flows From Financing Activities		
Increase/ (Decrease) in Share Capital	84,000,000.00	50,000,000.00
Dividend Paid	(86,578,946.00)	(52,131,578.00)
Increase/ Decrease in Long Term Borrowings	424,171,162.00	396,239,228.00
Less: Interest Paid	(69,799,294.00)	(65,494,811.00)
Net Cash Flows From Financing Activities (C)	**351,792,922.00**	**328,612,839.00**
Net Cash Flow (A+B+C)	**(2,243,646.00)**	**(7,554,554.00)**
Add: Opening Cash & Cash Equivalent	6,655,336.00	14,209,890.00
Closing Cash & Cash Equivalent	**4,411,690.00**	**6,655,336.00**

Kathmandu
Date: 2075/8/23

As per our attached report of even date

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2003
API POWER COMPANY LIMITED

For: G.Paudyal & Associates
Chartered Accountants

G. Paudyal Associates
KATHMANDU
Chartered Accountants

Guru Prasad Neupane
Chairman

Sanjeev Neupane
Managing Director

CA Ghanshyam Paudyal
Partner

Satish Neupane
Director

Mahendra Neupane
Director

Shashwat Chalisey
CFO

Api Power Company Ltd.

Statement Showing Changes in Equity

For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

Particulars	Share Capital	Share Premium	Revaluation Reserve	Reserve & Surplus	Total
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 year	-			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**
Balance as on 01.04.2074	1,050,000,000.00	-	-	90,097,488.00	1,140,097,488.00
Issue of Share Capital	84,000,000.00			-	84,000,000.00
Dividend Paid				(86,578,946.00)	(86,578,946.00)
Profit/(Loss) During the period	-			57,724,714.00	57,724,714.00
Balance as on 32.03.2075	**1,134,000,000.00**	**-**	**-**	**61,243,256.00**	**1,195,243,256.00**

Kathmandu
Date: 2075/8/23

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

Guru Prasad Neupane
Chairman

Sanjeev Neupane
Managing Director

CA Ghanshyam Paudyal
Partner

Satish Neupane
Director

Mahendra Neupane
Director

Shashwat Chalisey
CFO

Api Power Company Ltd.

Schedules Forming Part of the Accounts

For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

Property, Plant & Equipments Schedu

Particulars	Dep. Rate	Opening Balance (WDV)	Addition during this Year			Disposal	Total	Depreciation Base	Depreciation During the year	Closing Balance (WDV)
			Upto Poush	Upto Chaitra	Upto Ashadh					
Block-B	25%									
Office Equipment		87,985.00					87,985.00	87,985.00	21,996.00	65,989.00
Attendance Machine		10,170.00					10,170.00	10,170.00	2,543.00	7,627.00
Computers & Printers		676,427.00		23,500.00			699,927.00	692,093.67	173,023.00	526,904.00
Furniture & Fixtures		178,814.00					178,814.00	178,814.00	44,704.00	134,110.00
Handheld Transreceivers		269,213.00					269,213.00	269,213.00	67,303.00	201,910.00
		1,222,609.00	**-**	**23,500.00**	**-**	**-**	**1,246,109.00**	**1,238,275.67**	**309,569.00**	**936,540.00**
Block-C	20%									
Vehicle		-					-	-	-	-
Mahindra Scorpio Car			3,748,475.00				3,748,475.00	3,748,475.00	749,695.00	2,998,780.00
Motorcycle		65,536.00					65,536.00	65,536.00	13,107.00	52,429.00
		65,536.00	**3,748,475.00**	**-**	**-**	**-**	**3,814,011.00**	**3,814,011.00**	**762,802.00**	**3,051,209.00**
Block-D	15%									
Construction Equipments & Tools		2,685,283.00					2,685,283.00	2,685,283.00	402,792.00	2,282,491.00
Brick Making Machines		41,760.00					41,760.00	41,760.00	6,264.00	35,496.00
Transformers		481,210.00					481,210.00	481,210.00	72,182.00	409,028.00
Welding Rectifier		64,586.00					64,586.00	64,586.00	9,688.00	54,898.00
Water Pump		11,264.00					11,264.00	11,264.00	1,690.00	9,574.00
Solar System		33,777.00					33,777.00	33,777.00	5,067.00	28,710.00
Generator		879,607.00					879,607.00	879,607.00	131,941.00	747,666.00
		4,197,487.00	**-**	**-**	**-**	**-**	**4,197,487.00**	**4,197,487.00**	**629,624.00**	**3,567,863.00**
Block-E										
Software (Tally ERP 9) *[Remaining Life: 0 Yrs]*	5 Yrs	6,915.00					6,915.00	6,915.00	6,915.00	-
RTS Software *[Remaining Life: 2 Yrs]*	5 Yrs	81,000.00					81,000.00	81,000.00	27,000.00	54,000.00
Share Issue Expenses *[Remaining Life: 27 Yrs]*	30 Yrs	28,759,819.00					28,759,819.00	28,759,819.00	1,027,136.00	27,732,683.00
8.5 MW Naugadh Gad Project *[Remaining Life: 27 Yrs]*	30 Yrs	1,502,888,091.00					1,502,888,091.00	1,502,888,091.00	15,257,452.00	1,487,630,639.00
		1,531,735,825.00	**-**	**-**	**-**	**-**	**1,531,735,825.00**	**1,531,735,825.00**	**16,318,503.00**	**1,515,417,322.00**
Grand Total		**1,537,221,457.00**	**3,748,475.00**	**23,500.00**	**-**	**-**	**1,540,993,432.00**	**1,540,985,598.67**	**18,020,498.00**	**1,522,972,934.00**

Api Power Company Ltd.

Schedules Forming Part of the Financial Statements
For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

Project in Progress — **Schedule-2**

Particulars	Current Year	Previous Year
Upper Naugad Gad Project (8 MW)	1,451,977,815.00	551,116,865.00
Solar Project	9,557,303.00	4,750,820.00
Upper Chameliya Project	1,376,915.00	494,467.00
Total	**1,462,912,033.00**	**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	281,468.00
Peoples' Investment Company Ltd.	1,429,200.00	1,429,200.00
Siddhakali Power Ltd.	22,037,500.00	22,157,680.00
Total	**144,134,168.00**	**144,254,348.00**

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

Particulars	Current Year	Previous Year
Cash in Hand (As Certified)	186,390.00	176,323.00
Bank Balances:		
Janata Bank Nepal Ltd. (002)	7,883.00	77,931.00
Janata Bank Nepal Ltd. (003)	31,082.00	304,370.00
Janata Bank Nepal Ltd. (Upper Naugadh)	5,645.00	159,597.00
Global IME Bank Ltd.	1,000.00	24,998.00
Janata Bank Nepal Ltd.	74,750.00	101,711.00
Nepal Bank Ltd. (Escrow Account)	2,137.00	367,744.00
Nepal Bank Ltd.	100,986.00	15,498.00
Nepal SBI Bank Ltd. (UN)	2,407,490.00	468,245.00
NIC Asia Bank Ltd.	172,454.00	2,191,359.00
NIC Asia Bank Ltd. (2)	281,764.00	256,764.00
NMB Bank Limited	2,300.00	85,000.00
Prime Bank Ltd.	55,000.00	309,684.00
Manjushree Finance Limited	1,082,809.00	-
Bank Of Kathmandu Ltd.	-	432,486.00
Cheque in Hand	-	1,496,884.00
Nepal SBI Bank Ltd.	-	186,742.00
Total	**4,411,690.00**	**6,655,336.00**

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API POWER COMPANY LIMITED

G. Paudyal & Associates
KATHMANDU
Chartered Accountants

Api Power Company Ltd.
Schedules Forming Part of the Financial Statements
For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

Project Advances **Schedule-5**

Particulars	Current Year	Previous Year
Advance for Hydro Mechanical Works	8,217,718.00	8,217,718.00
Advance for Land	1,036,247.00	1,036,247.00
Advance for Site Office	1,127,729.00	55,654.00
Advances for Electromechanical Works	67,400.00	98,211,779.00
Makalu Developers Ltd.	1,170,000.00	6,692,502.00
R.K Survey Company Pvt. Ltd.	13,760.00	13,760.00
Solar Project Advances	1,461,000.00	2,352,000.00
South Asia Engineering Pvt. Ltd. (UC)	2,956,342.00	7,091,342.00
Upper Naugadh Project Advance	13,874,674.00	5,096,000.00
Advance for Siddhakali Power Ltd.	257,760.00	137,580.00
Advance for Project Development	-	38,284.00
Advance for Project Management	-	2,581,462.00
Naugad Cascade Project Advances	-	2,071,292.00
Total	**30,182,630.00**	**133,595,620.00**

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API POWER COMPANY LIMITED

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Chartered Accountants
KATHMANDU

Api Power Company Ltd.

Schedules Forming Part of the Financial Statements

For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

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

Particulars	Current Year	Previous Year
Advance Income Tax	696,820.00	930,469.00
Deposit to NEA	159,031.00	159,031.00
Dividend Income Receivables	35,000,000.00	35,000,000.00
Gandaki Gaighat Co. Ltd	29,123.00	29,123.00
Inguwa Hydropower Development Company Ltd.	2,000,000.00	2,000,000.00
Global Trade Link	19,430.00	19,430.00
Prepaid Insurance	526,122.00	310,106.00
Revenue Receivable	12,915,896.00	12,843,250.00
Rajesh Pathak	16,500.00	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)	12,000,000.00	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
Santosh Khanal	185,000.00	150,000.00
OtherAdvance	408,000.00	85,000.00
Hyonjan Electrical Engineering	300,000.00	-
Janajyoti Madhyamik Vidhyala	158,877.00	-
Leaf Hospitality Private Limited	60,888.00	-
Malabar Fabricators and Contractors P. Ltd	364,000.00	-
Nepal Adarsha Ma Vi	242,854.00	-
Arun Kabeli Ltd (Short Term Loan)	2,000,000.00	-
Schimmer Energy Private Limited	6,200,000.00	-
Uttam Bahadur Pal	300,000.00	-
Subisu Cablenet Pvt. Ltd.	-	180.00
ICRA Nepal Limited	-	390,250.00
Total	**83,206,854.00**	**69,542,652.00**

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G. Paudyal & Associates KATHMANDU Chartered Accountants

Api Power Company Ltd.

Schedules Forming Part of the Financial Statements

For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

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:		
105,00,000 Equity Shares of Rs. 100 Each		1,050,000,000.00
113,40,000 Equity Shares of Rs. 100 Each	1,134,000,000.00	
Total	**1,134,000,000.00**	**1,050,000,000.00**

Reserve and Surplus — **Schedule-8**

Particulars	Current Year	Previous Year
Profit/(Loss) Upto Previous Year	90,097,488.00	67,188,600.00
Add: Profit/(Loss) during this Year	57,724,714.00	75,040,466.00
Less: Dividend Paid	(86,578,946.00)	(52,131,578.00)
Total	**61,243,256.00**	**90,097,488.00**

Long Term Borrowings — **Schedule-9**

Particulars	Current Year	Previous Year
Bridge Gap Loans	76,598,447.00	99,986,151.00
Term Loan (Naugad Project)	660,180,796.00	720,909,375.00
Term Loan (Upper Naugad Project)	835,299,322.00	327,011,877.00
Total	**1,572,078,565.00**	**1,147,907,403.00**

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Schedules Forming Part of the Financial Statements

For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

Trade Payables **Schedule-10**

Particulars	Current Year	Previous Year
ABMS and Associates	-	22,300.00
Api Hydro Mechanical Limited	74,230,050.00	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	2,962,057.00	1,092,402.00
Media Gate Pvt.Ltd	268,248.00	4,551.00
Nirvik Travels and Tour Private Limited	313,300.00	129,380.00
Professional Computer System P. Ltd.	36,126.00	12,042.00
Retention Money (Api HM UN)	10,223,796.00	2,920,222.00
Retention Money (Makalu UN)	24,769,090.00	8,405,700.00
Sushil Kumar Agrawal	108,282.00	108,282.00
Iceland Site Service	5,018.00	-
Janaki Technology Pvt Ltd	5,129.00	-
Machinery and Electric Private Limited	2,826,200.00	-
Madhu Prasad Panthi	34,290.00	-
Makalu Developers Ltd (Creditors)	207,773,672.00	-
Nepdroid Innovations Private Ltd	17,283.00	-
Prime Cable Industries Private Limited	147,269.00	-
Road Improvement Works Payable (UN)	284,036.00	-
TAC Hydro Engineers Private Limited	78,050.00	-
Shyam Electric House	2,543.00	-
Retention Money (Neon Energy)	9,903,276.00	-
South Asia Engneering (UN Payable)	870,067.00	-
Subishu Cable Net Pvt. Ltd.	13,200.00	-
Trade Tower Busniess Center Pvt.Ltd	-	18,090.00
Total	**334,943,483.00**	**22,245,927.00**

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Chartered Accountants

Api Power Company Ltd.
Schedules Forming Part of the Financial Statements
For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

Other Liabilities & Provisions | **Schedule-11**

Particulars	Current Year	Previous Year
Audit Fee Payable	334,500.00	351,225.00
Gyanendra & Associates	351,225.00	-
BOD Allowance Payable	215,050.00	91,800.00
Casual Staff Salary Payable	8,316.00	8,316.00
CIT Payable	239,500.00	119,500.00
Dividend Tax Payable	2,578,947.00	2,131,579.00
EPF Payable	656,624.00	241,934.00
Income Tax Payable	19,677.00	471,984.00
IPO Refund Payable	2,037,892.00	2,380,877.00
Meeting Allowance Payable	38,250.00	4,250.00
Overtime Allowance Payable	284,858.00	133,164.00
Provision for Employee Bonus	1,926,250.00	1,974,250.00
Royalty Payable	6,156,178.00	2,747,452.00
Salary & Allowances Payable	3,026,648.00	1,370,606.00
TDS Payable	11,068,634.00	7,010,237.00
Transportation & Newspaper Allowance Payable	306,000.00	153,000.00
Global Touch IT Support Pvt Ltd	15,053.00	-
DDA Fee Payable	89,200.00	-
Site & Food Allowance Payable	1,064,471.00	-
Interest Payable (Bank Of Kathmandu Ltd.)	570,328.00	-
Water and Electricity Charges Payable	-	40,764.00
Vehicle Expenses Payable	1,336,500.00	742,500.00
Total	**32,324,101.00**	**19,973,438.00**

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API POWER COMPANY LIMITED
APC
2003

G. Pandey & Associates
KATHMANDU
Chartered Accountants

Api Power Company Ltd.
Schedules Forming Part of the Financial Statements
For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

Indirect Income **Schedule-12**

Particulars	Current Year	Previous Year
Application Fees	25,000.00	275,000.00
Dividend Income	13,980.00	279,540.00
Dividend Income (Api Hydro Mechanical Ltd.)	35,000,000.00	35,000,000.00
Income From Share Department	19,350.00	25,650.00
Interest Income	94,346.00	18,829.00
Rent Income	2,267,974.00	1,360,253.00
Income from Sale of Investment	-	696,237.00
Total	**37,420,650.00**	**37,655,509.00**

Project Expenses **Schedule-13**

Particulars	Current Year	Previous Year
Corporate Social Responsibility (CSR)	673,215.00	10,000.00
Site Office Allowances	655,127.00	97,440.00
Site Office Expenses	100,500.00	22,045.00
Repair Works	897,101.00	40,500.00
LOP Insurance Premium	82,039.00	56,358.00
Fire Insurance Premium	2,136,561.00	2,637,761.00
Repair & Maintenance (Pool D)	90,925.00	587,930.00
Staff Salary & Allowances	1,895,501.00	2,206,311.00
Overtime Allowances	321,424.00	271,946.00
Project Development Expenses	71,292.00	-
Vehicle Rent	660,000.00	660,000.00
Rent Expenses (Site)	-	28,800.00
Local Conveyance	-	38,500.00
Irrigation Project Maintenance	-	19,600.00
Wages	-	44,550.00
Total	**7,583,685.00**	**6,721,741.00**

अपि पावर कम्पनी लिमिटेड APC 2003 API POWER COMPANY LIMITED

G. Paudyal & Associates Chartered Accountants KATHMANDU

Api Power Company Ltd.
Schedules Forming Part of the Financial Statements
For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

Administrative Expenses **Schedule-14**

Particulars	Current Year	Previous Year
Advertisment & Promotion Expenses	82,239.00	56,971.00
Audit Fee	339,000.00	339,000.00
Board Meeting Allowance	125,750.00	135,000.00
Email & Internet Expenses	23,306.00	11,653.00
Fuel Expenses	17,896.00	2,838.00
Genaral Meeting Expenses	71,243.00	72,856.00
Meeting Allowance	10,000.00	17,500.00
Meeting Expenses	9,009.00	8,002.00
Membership Expenses	7,000.00	6,250.00
Miscellaneous Expenses	5,255.00	9,188.00
Newspapers & Periodicals	713.00	960.00
Office Expenses (HO)	26,004.00	23,925.00
Printing & Stationery Expenses	46,869.00	6,533.00
Rent Expenses (HO)	2,650,559.00	838,864.00
Repair & Maintenance (Pool C)	102,768.00	32,542.00
Repair & Maintenance Expenses (Pool B)	29,311.00	15,922.00
Share Management Expenses	305,930.00	1,343,043.00
Staff Salary & Allowances	2,123,388.00	1,935,054.00
Telephone Expenses	34,250.00	2,000.00
Transportation & Newspaper Allowance	180,000.00	180,000.00
Water & Electricity	79,826.00	21,576.00
Website Charges	4,379.00	9,838.00
SMS Service Charges	1,300.00	4,464.00
Share Issue Expenses	160,625.00	-
CUG Sim Charges	33,575.00	-
Guest Entertainment Expenses	3,546.00	-
Postage & Courier	518.00	-
Promotional Expenses	4,500.00	-
Communication Expenses	-	9,181.00
Government Tax & Fees	-	1,250.00
Travelling Expenses	-	32,154.00
Total	**6,478,759.00**	**5,116,564.00**

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G. Rautiyal & Associates Chartered Accountants KATHMANDU

Api Power Company Ltd.

Schedules forming Parts of Accounts

For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

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 Naugadh Gad Small Hydropower Project of 8.5 Megawatt capacity in Darchula district. The license period is upto 2104/03/30 B.S. The company is also constructing Upper Naugadh Hydropower Project & Solar Projects too.

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	Charged to Income Statement	Total
Administrative Expenses	11,961,156.00	6,478,759.00	**18,439,915.00**

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 Equipmentupto to the Previous Fiscal Year and remaining amount has been booked as expenses during the year.

API POWER COMPANY LIMITED 2003

G. Paudel & Associates Chartered Accountants KATHMANDU

Api Power Company Ltd.

Schedules forming Parts of Accounts

For The Year Ended 32 Ashadh, 2075 (July 16, 2018)

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 & Solar projects are accounted as Project in Progress. The total cost of the project shall be transferred to Property, Plant & Equipments after completion of the project.

The cost of contract related to Civil Works & Hydro Mechanical Works has been revised as follows;

Particulars	Initial Cost	Revised Cost	Increased
Makalu Developers Ltd	564,774,000.00	715,764,000.00	150,990,000.00
Api Hydro Mechanical Ltd	349000000	398,300,000.00	49,300,000.00

However the total cost of Upper Naughadh Project has been revised as 1649,055,000.00

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 périod, 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.

Particulars	Remarks	Transaction During The Year	Closing Balance	Remarks
1. Makalu Developers Ltd.	Civil Contractor	369,812,616.05	232,542,762.00	Incl. Retention
2. Api Hydro Mechanical Ltd.	Hydro Mechanical Contractor	165,060,759.03	84,453,846.00	Incl. Retention
2. Api Hydro Mechanical Ltd.	Investment	-	70,000,000.00	
3. Peoples' Investment Company Lt	Investment	-	1,429,200.00	
4. Arun Kabeli Power Ltd.	Investment	-	50,096,400.00	
5. Siddhakali Power Ltd.	Investment	-	22,037,500.00	

Api Power Company Ltd. holds 70% Share of Api Hydro Mechanical Ltd.

C.9 Dividend Declaration:

The company has proposed 5% stock dividend and 0.263% cash dividend for dividend tax purpose.

C.10 Re-Grouping

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

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