G. Paudyal & Associates
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF API POWER COMPANY LIMITED

Disclaimer of Opinion

We have engaged to audit the accompanying financial statements of **Api Power Company Limited** ('the company') comprises Balance Sheet as at **Ashadh 31, 2077 (corresponding to July 15, 2020)**, Income Statement, Statement of Cash Flows, Statement of Changes in Equity for the period then ended and Notes to the Financial Statements.

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

Basis for Disclaimer of Opinion

The financial statements of the company are not complied with Nepal Financial Reporting Standards (NFRS). As a result, we were unable to determine whether any adjustments were necessary in respect of the financial statements. The effect of not restating, presenting and disclosing financial information based on provisions of NFRS is uncertain and could be material and pervasive.

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

Management of the company, is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Nepal Accounting Standards and other accounting principles generally accepted, including the accounting policies as adopted and for such internal control as management determines, is necessary to enable preparation of the financial statements that are free from material misstatements, 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.

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatements, 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 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 on the basis of these Financial Statements.

Report on Other Legal & 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, 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. However, Cost recognition and Depreciation on 8.5 Naughad Gad Hydropower Project and 8 MW Upper 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 which understates profit in earlier years and overstates profits in later years. Again, the company has not tested for the impairment of Investments and Receivables and have been valued at cost. Also, the company has not complied with the Contribution Based Social Security Act 2074.
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.

For: G. Paudyal & Associates
Chartered Accountants

CA Ghanshyam Paudyal
Partner

G. Paudyal & Associates Chartered Accountants KATHMANDU

Place: Kathmandu, Nepal
Date: 2077.7.14

UDIN Number:201030CA00387rIQKL

Api Power Company Ltd.

Balance Sheet

As at 31 Ashad, 2077 (15 July, 2020)

Particulars	Schedule	Current Year	Previous Year
Assets			
Non-Current Assets			
Property, Plant & Equipments, Net	1	3,229,882,181	1,508,964,785
Project in Progress	2	42,180,071	1,665,643,838
Investment (At Cost)	3	134,037,868	144,134,168
Total Non-Current Assets		**3,406,100,120**	**3,318,742,791**
Current Assets			
Cash & Cash Equivalents	4	2,798,666	1,495,614
Project Advances	5	76,545,778	60,269,268
Other Advances, Deposits & Receivables	6	71,305,027	31,888,277
Total Current Assets		**150,649,471**	**93,653,159**
Total Assets		**3,556,749,591**	**3,412,395,950**
Equity & Liabilities			
Equity			
Share Capital	7	1,190,700,000	1,190,700,000
Reserve & Surplus	8	182,890,532	74,231,057
Total Equity		**1,373,590,532**	**1,264,931,057**
Non Current Liabilities			
Long Term Borrowings	9	1,733,106,615	1,736,091,383
Total Non-Current Liabilities		**1,733,106,615**	**1,736,091,383**
Current Liabilities			
Short Term Loans	10	243,032,432	189,199,442
Trade Payables	11	145,140,758	176,094,738
Other Liabilities & Provisions	12	61,879,254	46,079,331
Total Current Liabilities		**450,052,444**	**411,373,510**
Total Equity & Liabilities		**3,556,749,591**	**3,412,395,950**

Notes to the Accounts 18

As per our attached report of even date

Kathmandu

Date: 2077.7.14

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
CFO

Api Power Company Ltd.

Income Statement

For The Year Ended 31 Ashad, 2077 (15 July, 2020)

Particulars	Schedule	Current Year	Previous Year
Income			
Revenue from Power Sales	13	324,437,259	178,740,059
Indirect Income	14	6,820,399	8,357,452
		331,257,658	**187,097,511**
Less: Direct Expenses			
Royalty (Against Installed Capacity)		1,419,863	850,000
Royalty (Against Generation)		6,488,804	3,577,192
Gross Profit/(Loss)		**323,348,991**	**182,670,319**
Less:			
Project Operation Expenses	15	20,082,239	9,779,844
Administrative Expenses	16	15,028,942	10,210,341
Profit Before Depreciation & Interest		**288,237,810**	**162,680,134**
Financial Expenses	17	150,648,258	72,390,410
Depreciation		26,257,310	17,805,270
Profit Before Bonus & Tax		**111,332,242**	**72,484,454**
Provision for Staff Bonus		2,366,239	1,449,689
Profit/(Loss) Before Tax		**108,966,003**	**71,034,765**
Current Tax		306,529	112,753
Deferred Tax		-	-
Net Profit/ (Loss) After Tax		**108,659,474**	**70,922,012**

Notes to the Accounts 18

As per our attached report of even date

Kathmandu

Date: 2077.7.14

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 31 Ashad, 2077 (15 July, 2020)

Particulars	Current Year	Previous Year
Cash Flows From Operating Activities		
Net Profit/(Loss) After Tax	108,659,474	70,922,012
Add: Depreciation	26,257,310	17,805,270
Add: Financial Expenses	150,648,258	72,390,410
Net Cash Flow Before Changes in Working Capital	**285,565,042**	**161,117,692**
Changes in Working Capital	(17,014,327)	(47,893,040)
Net Cash Flows From Operation Activities (A)	**268,550,715**	**113,224,652**
Cash Flows From Investing Activities		
(Increase)/Decrease in Investment	10,096,300	-
(Increase)/Decrease in Project in Progress	1,623,463,767	(202,731,805)
Purchase of Fixed Assets	(1,747,174,706)	(3,797,120)
Net Cash Flows From Investing Activities (B)	**(113,614,639)**	**(206,528,925)**
Cash Flows From Financing Activities		
Increase/ (Decrease) in Share Capital	-	56,700,000
Dividend Paid	-	(57,934,211)
Increase/ Decrease in Long Term Borrowings	(2,984,768)	164,012,818
Less: Interest Paid	(150,648,258)	(72,390,410)
Net Cash Flows From Financing Activities (C)	**(153,633,026)**	**90,388,197**
Net Cash Flow (A+B+C)	**1,303,050**	**(2,916,076)**
Add: Opening Cash & Cash Equivalent	1,495,614	4,411,690
Closing Cash & Cash Equivalent	**2,798,665**	**1,495,614**

Kathmandu
Date: 2077.7.14

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.
Statement Showing Changes in Equity
For The Year Ended 31 Ashad, 2077 (15 July, 2020)

Particulars	Share Capital	Share Premium	Revaluation Reserve	Reserve & Surplus	Total
Balance as on 01.04.2075	1,134,000,000	-	-	61,243,256	1,195,243,256
Issue of Share Capital	56,700,000			-	56,700,000
Dividend Paid				(57,934,211)	(57,934,211)
Profit/(Loss) During the year	-			70,922,012	70,922,012
Balance as on 32.03.2076	**1,190,700,000**	-	-	**74,231,057**	**1,264,931,057**
Balance as on 01.04.2076	1,190,700,000	-	-	74,231,057	1,264,931,057
Issue of Share Capital	-			-	-
Dividend Paid				-	-
Profit/(Loss) During the period	-			108,659,474	108,659,474
Balance as on 31.03.2077	**1,190,700,000**	-	-	**182,890,532**	**1,373,590,532**

Kathmandu
Date: 2077.7.14

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

API POWER COMPANY LIMITED
अपि पावर कम्पनी लिमिटेड
APC
2003

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.
Schedules Forming Part of the Accounts
For The Year Ended 31 Ashad, 2077 (15 July, 2020)

Property, Plant & Equipments — **Schedule-1**

Particulars	Dep. Rate	Opening Balance (WDV)	Addition during this Year			Disposal	Total	Depreciation During the year	Closing Balance (WDV)
			Upto Poush	Upto Chaitra	Upto Ashadh				
Block-B	25%								
Office Equipment		49,492					49,492	12,373	37,119
Attendance Machine (Site Office)		5,720					5,720	1,430	4,290
Attendance Machine (Head Office)		25,340					25,340	6,335	19,005
Computers & Printers		404,179	47,764				451,943	112,986	338,957
Furniture & Fixtures		100,582					100,582	25,146	75,436
Handheld Transreceivers		151,432					151,432	37,858	113,574
Mobile Phone		71,700					71,700	17,925	53,775
		808,445	**47,764**	-	-	-	**856,209**	**214,053**	**642,156**
Block-C	20%								
Vehicle		2,399,024					2,399,024	479,805	1,919,219
Motorcycle		41,943					41,943	8,389	33,554
		2,440,967	-	-	-	-	**2,440,967**	**488,194**	**1,952,773**
Block-D	15%								
Construction Equipments & Tools		1,940,117					1,940,117	291,018	1,649,099
Brick Making Machines		30,172					30,172	4,526	25,646
Transformers		347,674					347,674	52,151	295,523
Welding Rectifier		46,663					46,663	6,999	39,664
Water Pump		356,395					356,395	53,459	302,936
Solar System		24,403					24,403	3,660	20,743
Generator		635,516					635,516	95,327	540,189
		3,380,940	-	-	-	-	**3,380,940**	**507,140**	**2,873,800**
Block-E									
RTS Software *[Remaining Life: 0 Yrs]*	5 Yrs	27,000					27,000	27,000	-
Share Issue Expenses *[Remaining Amortizing Period: 25 Yrs]*	30 Yrs	26,705,547					26,705,547	1,027,136	25,678,411
8.5 MW Naugadh Gad Project *[Remaining Life: 25 Yrs]*	30 Yrs	1,475,601,886	140,000				1,475,741,886	15,258,852	1,460,483,034
8 MW Upper Naugadh Gad Project *[Remaining Life: 29.25 Yrs]*	30 Yrs	-	1,746,986,942				1,746,986,942	8,734,935	1,738,252,007
		1,502,334,433	**1,747,126,942**	-	-	-	**3,249,461,375**	**25,047,923**	**3,224,413,452**
Grand Total		**1,508,964,785**	**1,747,174,706**	-	-	-	**3,256,139,491**	**26,257,310**	**3,229,882,181**

Api Power Company Limited 2003

G. Pandyal & Associates, Kathmandu, Chartered Accountants

Api Power Company Ltd.

Schedules Forming Part of the Financial Statements

For The Year Ended 31 Ashad, 2077 (15 July, 2020)

Project in Progress **Schedule-2**

Particulars	Current Year	Previous Year
Upper Naugad Gad Project (8 MW)	-	1,643,483,865
Solar Projects	23,521,023	14,399,683
Upper Chameliya Project	18,659,048	7,760,290
Total	**42,180,071**	**1,665,643,838**

Investment (At Cost) **Schedule-3**

Particulars	Current Year	Previous Year
Api Hydro Mechanical Limited	70,000,000	70,000,000
Hydroelectricity Investment and Development Co. Ltd.	289,600	289,600
Arun Kabeli Power Limited (Promoter)	40,000,100	50,096,400
Nepal Investment Bank Limited (FPO)	281,468	281,468
Peoples Investment Company Limited	1,429,200	1,429,200
Siddhakali Power Limited	22,037,500	22,037,500
Total	**134,037,868**	**144,134,168**

Cash & Cash Equivalents **Schedule-4**

Particulars	Current Year	Previous Year
Cash in Hand (As Certified)	263,170	203,170
Bank Balances:		
Bank of Kathmandu Limited	27,089	4,833
Citizens Bank International Limited	8,000	
Global IME Bank Limited	230,471	8,887
Global IME Bank Limited (01)	16,497	92,473
Global IME Bank Limited (02)	8,879	8,879
Global IME Bank Limited (03)	16,357	26,363
Global IME Bank Limited (04-UN)	13,833	37,840
Himalayan Bank Limited	10,900	
Kailash Bikas Bank Limited	1,000	1,000
Manjushree Finance Limited	94,366	89,530
Nepal Bank Limited	1,165,589	435,600
Nepal Bank Limited (Escrow)	765,537	267,123
Nepal SBI Bank Ltd	58,190	
Nepal SBI Bank (UN)	15	5
NIC Asia Bank Limited	24,743	13,153
NIC Asia Bank Limited (02)	6,764	281,764
NMB Bank Limited	2,300	2,300
Prabhu Bank Limited	10,000	
Prime Commercial Bank Limited	28,446	22,695
Sunrise Bank Limited	46,519	
Total	**2,798,666**	**1,495,614**

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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 31 Ashad, 2077 (15 July, 2020)

Project Advances — **Schedule-5**

Particulars	Current Year	Previous Year
Naugad Gad HPP (8.5 MW)	11,921,640	11,921,640
Upper Naugad Gad HPP (8.0 MW)	45,172,566	28,393,607
Solar Projects (18 MW)	1,701,000	3,621,000
Upper Chameliya HPP (40 MW)	17,750,572	16,333,022
Total	**76,545,778**	**60,269,268**

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

Particulars	Current Year	Previous Year
Salary Advances	1,733,229	-
Advance for Tree Cutting Works	150,000	100,000
Cash Deposit for Interest (Kailash Bank)	-	17,808
Cash Margin (Exim Code BG)	300,000	300,000
Cash Margin (Hindustan Engineering)	-	-
Gajendra Pal (Naugad Repair)	100,000	-
ICRA Nepal Limited A/c	-	-
Inguwa Hydro Power	2,000,000	2,000,000
Interest Income Receivable	582,811	139,879
Revenue Receivable (Naugad)	21,635,549	10,822,956
Revenue Receivable (Upper Naugad)	16,366,836	-
Security Deposit (Bagmati Commercial Pvt Ltd)	51,000	17,000
Security Deposit (Runner)	-	-
Short Term Loan (Arun Kabeli)	5,903,000	2,173,000
Siddhakali Power Limited (Advance)	257,760	257,760
Advance Income Tax (Net)	783,932	879,867
The Leaf Hospitality Private Limited	-	63,933
Advance for Custom Clearance	468	468
Prepaid Fire Insurance (Naugad)	260,332	237,604
Prepaid Fire Insurance (UN)	893,412	-
Prepaid LOP Insurance (Naugad)	62,680	18,600
Prepaid LOP Insurance (UN)	131,759	-
Prepid Insurance (Mahindra Scorpio)	-	13,602
Advances with Creditors and Suppliers	20,090,575	14,845,800
Other Advance	1,684	-
Total	**71,305,027**	**31,888,277**

Share Capital — **Schedule-7**

Particulars	Current Year	Previous Year
Authorised :		
5,00,00,000 Equity Shares of Rs. 100 Each	5,000,000,000	5,000,000,000
Issued:		
3,00,00,000 Equity Shares of Rs. 100 Each	3,000,000,000	3,000,000,000
Paid -Up:		
119,07,000 Equity Shares of Rs. 100 Each	1,190,700,000	1,190,700,000
Total	**1,190,700,000**	**1,190,700,000**

अपि पावर कम्पनी लिमिटेड APC 2003 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 31 Ashad, 2077 (15 July, 2020)

Reserve and Surplus — **Schedule-8**

Particulars	Current Year	Previous Year
Profit/(Loss) Upto Previous Year	74,231,057	61,243,256
Add: Profit/(Loss) during this Year	108,659,474	70,922,012
Less: Dividend Paid	-	(57,934,211)
Total	**182,890,532**	**74,231,057**

Long Term Borrowings — **Schedule-9**

Particulars	Current Year	Previous Year
Term Loan (Naugad Project)	520,031,615	582,493,768
Term Loan (Upper Naugad Project)	1,168,075,000	1,098,897,615
Bridge Gap Loan	45,000,000	54,700,000
Total	**1,733,106,615**	**1,736,091,383**

Short Term Loans — **Schedule-10**

Particulars	Current Year	Previous Year
Unsecured		
Short Term Loan (Api Chameliya Power Limited)	2,944,330	3,598,718
Short Term Loan (Nirvik Travels and Tours)	30,000	30,000
Short Term Loan (Rairang Hydropower)	147,692	147,692
Short Term Loan (Ridi Hydropower)	45,651	550,651
Short Term Loan (Siddhakali Power Limited)	44,374,997	78,327,322
Short Term Loan (Trade Tower Business Centre)	1,000,000	800,000
Short Term Loan (Directors)	80,088,646	70,746,187
Secured Loans		
Nepal SBI Bank Ltd. (Working Capital Loan)	34,401,117	34,998,872
Nepal SBI Bank Ltd. (UN - Cash Credit)	55,000,000	-
Sunrise Bank Ltd. (Margin Loan)	25,000,000	-
Total	**243,032,432**	**189,199,442**

Trade Payables — **Schedule-11**

Particulars	Current Year	Previous Year
Retention Money (Api Hydro Mechanical Limited)	10,223,796	10,223,796
Retention Money (Makalu Developers Limited)	24,769,090	24,769,090
Retention Money (Neon Energy)	3,957,664	11,078,344
Road Improvement Works Payable (UN)	284,036	284,036
Makalu Developers Limited	96,780,874	124,464,510
Sundry Creditors	9,125,299	5,274,962
Total	**145,140,758**	**176,094,738**

अपि पावर कम्पनी लिमिटेड APC 2003 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 31 Ashad, 2077 (15 July, 2020)

Other Liabilities & Provisions **Schedule-12**

Particulars	Current Year	Previous Year
Capacity Royalty Payable (Naugad)	1,700,000	850,000
Capacity Royalty Payable (UN)	569,863	-
Provision for Employee Bonus	4,327,678	3,375,939
Revenue Royalty Payable (Naugad)	7,909,875	6,168,237
Revenue Royalty Payable (UN)	2,316,951	-
Vehicle Rent Payable (Scorpio)	1,336,500	1,336,500
Audit Committee Meeting Allowance Payable	63,750	29,750
Audit Fee Payable	1,004,725	870,225
BOD Allowance Payable	786,675	552,500
Casual Staff Salary Payable	-	8,316
CIT Payable	2,143,666	1,328,000
Dividend Tax Payable	3,813,158	3,813,158
EPF Payable	5,240,741	2,394,732
IPO Refund Payable	1,882,388	1,892,394
Overtime Allowance Payable	620,382	202,416
Salary & Allowance Payable	3,925,601	1,721,498
Site and Food Allowance Payable	2,032,066	663,841
Transportation & Newspaper Allowance Payable	1,402,500	790,500
Travel Allowance Payable	22,175	36,125
Lumbini General Insurance Co Ltd (Advance Insurance Claim)	180	3,500,180
TDS Payable	16,870,064	14,211,895
Provision for Late Tax Payment	3,910,316	2,333,124
Total	**61,879,254**	**46,079,331**

Revenue From Power Sales **Schedule-13**

Particulars	Current Year	Previous Year
Income From Power Sale (Naugad)	208,592,603	178,740,059
Income From Power Sales (Upper Naugad)	115,844,657	-
Total	**324,437,259**	**178,740,059**

Indirect Income **Schedule-14**

Particulars	Current Year	Previous Year
Application Fees	50,000	75,000
Dividend Income (NIBL)	6,335	14,080
Income From Sale of Share	1,220,487	-
Insurance Claim	4,750,000	5,305,000
Interest Income	526,786	184,156
Rent Income	116,790	2,779,216
Tender Fees	150,000	
Total	**6,820,399**	**8,357,452**

अपि पावर कम्पनी लिमिटेड APC 2003 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 31 Ashad, 2077 (15 July, 2020)

Project Operation Expenses **Schedule-15**

Particulars	Current Year	Previous Year
Insurance Premium		
Fire Insurance	4,143,093	2,059,231
LOP Insurance	777,010	152,606
Repair and Maintenance (Naugad)		
3 Pole Power Contactor	50,285	
Airvent Turbines		149,160
Argon Gas	6,215	24,690
Custom Clearance (Naugad)	143,312	120,376
Gabions	1,083,141	
Import Duty (Misc Imports Naugad)	137,828	14,955
Import Duty (Touch Panel)		78,039
Nitrogen Gas	61,585	
Misc Repairs (Naugad)	1,036,751	265,652
Repair and Maintenance (EM Equipment)		5,922
Repair & Maintenance(Lifting Belts)		26,494
Repair & Maintenence (Main Meter)	129,950	2,350
River Protection Works (Naugad)	1,161,264	
Road Maintenance (Naugad)		609,890
Repair and Maintenance (Bikes - UN)	1,400	
Repair and Maintenance (Generator - UN)	7,312	
Repair and Maintenance (UN)	61,564	
Technical Consultancy (Naugad Gad Repair)	141,815	
Transportation Charges	81,000	
Transportation Expenses (Runner Repair)	123,500	
Surge Tank Protection Works		743,755
Touch Panel		312,293
VG 68 Turbine Oil	2,616,990	979,993
Walkie Talkie Repair Charges	99,839	17,000
Site Office Expenses		
Local Conveyance		45,000
Communication Expenses (Naugad)	2,500	
Fuel Expenses (Site - Naugad)	24,863	
Labour Wages - Naugad	23,500	
Postage and Courier (Site Office)	1,000	
Printing and Stationery (Naugad & Upper Naughad)	3,080	
Repair and Maintenance (Scorpio)	500	
Site Food Expense	78,555	170,600
Site Office Expenses (Naugad)	47,745	16,640
Site Fooding Expenses (UN)	62,600	
Social Works		
CSR Works- Naughad	299,155	1,100,000
CSR Works- Upper Naughad	6,100	
Employee Remuneration		
EPF Contribution -Site	397,300	166,800
Overtime Allowance -Site	641,552	262,601
Site and Food Allowance -Site	1,978,936	647,799
Staff Salary & Allowance Expenses -Site	4,651,000	1,808,000
Total	**20,082,239**	**9,779,844**

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Api Power Company Ltd.

Schedules Forming Part of the Financial Statements

For The Year Ended 31 Ashad, 2077 (15 July, 2020)

Administrative Expenses — **Schedule-16**

Particulars	Current Year	Previous Year
BOD Allowances		
Board Meeting Allowance	157,167	185,500
Transportation & Newspaper Allowance	307,500	180,000
Employee Remuneration		
Casual Staff Salary		27,778
EPF Contribution (HO)	228,074	136,150
Interest on CIT	75,622	
Interest on EPF	244,210	
Staff Amenities	102,698	62,697
Staff Salary & Allowances Expenses	2,815,818	1,658,875
Head Office Expenses		-
Fuel (Generator)	2,135	
Head Office Expenses	3,046	-
News Paper & Magazine	2,182	714
Office Expenses (HO)	5,082	4,503
Parking Charges		6,000
Picnic Expenses	53,624	
Printing & Stationery	55,839	12,509
Rent Expenses (5th Floor)		
Rent Expenses (HO)	934,922	2,781,530
Telephone Expenses	3,203	4,250
Water & Electricity	252,123	150,251
Repair and Maintenance		
Repair and Maintenance (Generator)	2,437	
Repair and Maintenance (Photocopy Machine)	29,554	
Repair & Maintainance (Motorbike)	11,809	4,463
Repair & Maintenence (Vehicle)	60,515	70,171
Repairs and Maintenance (Office)	982	10,905
Shares Management		
Advertisement (Share Management)	4,577	
Annual Fees (CDS and Clearing Limited)	200,000	
Annual Fees (NEPSE)	110,000	100,000
Bonus Share Listing Fees (2074/75)	165,000	
Bonus Share Listing Fees (CDS 2074/75)	286,398	
Bonus Share Registration Charges	133,400	
Credit Rating Fees (200% Right Issue)		427,140
Credit Rating Fees (1:0.5 Issue)	339,900	
Share Distribution Charges		78,856
Right Approval Application (Elec Reg Commission)	1,180,000	
RTS Commission	432,350	387,629

API POWER COMPANY LIMITED 2003 APC

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Api Power Company Ltd.
Schedules Forming Part of the Financial Statements
For The Year Ended 31 Ashad, 2077 (15 July, 2020)

Other Expenses		
Advertisement & Promotion	147,876	321,024
AGM Expenses	81,195	650,825
Audit Committee Meeting Allowance	17,083	10,000
Audit Fees	339,000	339,000
COD Celebration Event (UN)	608,945	
Communication Expenses	44,929	19,350
Co-Ordination Committe Meeting Allowance		14,000
Exim Code Renewal Charges		3,625
Conveyance	16,016	
Early Payment Charges (Naugad)	2,410,014	163,360
Early Payment Charges (Upper Naugad)	1,444,387	
Fuel Expenses	6,193	6,776
Government Tax & Fees	6,406	125
Guest Entertainment	1,044	6,137
Hydro Expo Expenses		5,000
Labor Wages (Office)		1,250
IPPAN Event Fees	1,922	
IPPAN Membership Fees	12,813	
Local Conveyance	2,563	
Medical Expenses	5,334	
Miscellenous Expenses	72,604	13,069
Postage and Courier	278	68
Repair and Maintenance (Pool B)		29,453
Promotional Expenses	15,375	-
Share DMAT Charges	171	
Travelling Expenses	17,435	
Website Maintenance Charges		4,238
Interest on Late Payment of Taxes	1,577,192	2,333,124
Total	**15,028,942**	**10,210,341**

Financial Expenses **Schedule-17**

Particulars	Current Year	Previous Year
Agency Fee	2,265,782	651,702
Bank Charge	39,848	31,720
Loan Processing Fee	1,259,448	
Term Loan Interest	143,396,403	67,817,832
Working Capital Loan Interest	3,686,777	3,889,155
Total	**150,648,258**	**72,390,410**

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API POWER COMPANY LIMITED

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KATHMANDU
Chartered Accountants

Api Power Company Ltd.
Schedules forming Parts of Accounts
For The Year Ended 31 Ashad, 2077 (15 July, 2020)

Schedule-18

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 & Upper Naughad Gad Small Hydropower Project of 8 MW in Darchula district. The license period for Naugadh Gad Small Hydropower Project is up to 2104/03/30 B.S & The license period for Upper Naugadh Gad Small Hydropower Project is up to 2106/07/13.The company is also constructing 40 MW Upper Chameliya Hydropower Project & 72 MW Solar Hydropower 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 Statements have been prepared in accordance with Nepal Accounting Standards (NAS) except otherwise stated.

B.2 Basis of Preparation

The Financial Statement has been prepared under historical cost convention. The preparation of the financial statements in conformity with Nepal Accounting Standards (NAS) and Generally Accepted Accounting Principles (GAAP) except otherwise stated, requires the use of certain critical accounting estimates as well as management judgement and discretion in the process of applying the company'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 accrual 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 25%,50% & 25% among 8 MW Upper Naugadh Project, Upper Chameliya 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 Upper Chameliya Project In Progress	Charged to Income Statement	Total
Administrative Expenses	989,865	6,787,643	15,028,942	**22,806,449**

B.5 Property, Plant & Equipment and Depreciation

B.5.1 Property, Plant & Equipment 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 Even though 8 MW Upper Naughad Gad Hydropower Project started operating commercially from Kartik 2076, all the direct expenses including interest relating to 8 MW Upper Naughad Gad Hydropower Project up to Poush 2076 have been capitalized and depreciation for the project has been provisioned only after Poush 2076 because project was not run in significant capacity up to that period.

B.5.4 The company has adopted the following depreciation policy regarding the hydropower projects;

	For 8.5 MW Naugadh Gad HEP		8 MW Upper Naughad Gad HEP	
Years of Operation	Rate of Depreciation (% p.a)	Total (%)	Rate of Depreciation (% p.a)	Total (%)
1-5	1	4.5	1	4.5
6-10	2	10	2	10
11-15	3	15	3	15
16-20	4	20	4	20
21-25	5	25	5	25
26-29	5	20	5	20
30	Remaining	5.5	Remaining	5.5
	Total	**100%**	**Total**	**100%**

B.5.5 Expenses Relating to Public issue of Share Capital and related expenses have been classified under Block E of Property, Plant and Equipment has been depreciated over a period of 30 years under Straight Line Method (SLM).

API POWER COMPANY LIMITED 2003 APC

G.Paudyal & Associates Chartered Accountants KATHMANDU

Api Power Company Ltd.
Schedules forming Parts of Accounts
For The Year Ended 31 Ashad, 2077 (15 July, 2020)

Schedule-18

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 & Equipment after completion of the project.

C.2 Investment

The details of the investment has been shown in the schedule of the financial statement and has been valued at cost.

C.3 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.4 Deferred Tax

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

C.5 Staff Bonus Provision

Bonus for Staffs has been provisioned for 2% of net profits from power sales and 10% of net profits from other income. Again staff bonus is payable since last year.

C.6 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		(120,681,998)	Incl. Retention
2. Api Hydro Mechanical Ltd.	Hydro Mechanical Contractor		28,181,336	Incl. Retention
2. Api Hydro Mechanical Ltd.	Investment		70,000,000	
3. Peoples' Investment Co. Ltd.	Investment		1,429,200	
4. Arun Kabeli Power Ltd.	Investment		40,000,100	
5. Siddhakali Power Ltd.	Investment		22,037,500	
6. Siddhakali Power Ltd.	Short Term Loan		(44,374,997)	

Api Power Company Ltd. holds 70% Share of Api Hydro Mechanical Ltd. Again, Unsecured Loans includes Loan From Directors.

C.7 Re-Grouping

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

C.8 Schedules

Schedule 1-18 form the integral part of the financial statement.

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