I.P Mainali & Associates
Chartered Accountants
ICAN Reg. No. 869
Cop No: 978
Membership No. 1440

PAN No. 612770083
Chabahil, Pipalbot -7
Kathmandu
Tel: 01-4913480
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF API POWER COMPANY LIMITED

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of **Api Power Company Limited** ('the company') comprises Balance Sheet as at **Ashadh 31, 2078 (corresponding to July 15, 2021)**, 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 Nepal Financial Reporting Standards (NFRS) and for such internal control as management determines is necessary to enable preparation of 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 responsibilities is conduct an audit of the company's financial statements in accordance with Nepal Standard on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we are not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinion on these financial statements.

We are independent of the company in accordance with ethical requirement that is relevant to our financial statements, we have fulfilled our ethical responsibility in accordance with these requirements.

Report on Other Legal & Regulatory Requirements and Significant Information

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 are in agreement with the books of account maintained by the Company. However, Cost recognition and Depreciation on 8.5 Naugad Gad Hydropower Project and 8 MW Upper Naugad 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 overstates profit in earlier years and understates 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.

    Further, the current depreciation method (Refer Notes to the Accounts: B.5.4) results less depreciation in earlier years and more depreciation in later years which in return results overstatement of profit in earlier years and understatement of profit in later years in comparison to results of depreciation if had been charged on systematic basis over its useful life i.e SLM Methods. As a result, profit has been overstated for the FY 2077-78 by Rs. 62,332,299.

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 except director advance given during the year, and

v. We have not come across any fraudulence in the accounts.

For: I. P Mainali & Associates
Chartered Accountants

Place: Kathmandu, Nepal
Date: 2078/04/32

CA Indra P. Mainali
Proprietor

UDIN Number:210817CA0144005zgJ

I.P Mainali & Associates Kathmandu Chartered Accountants

Api Power Company Ltd.
Balance Sheet
As at 31 Ashad, 2078 (15 July, 2021)

Particulars	Schedule	Current Year	Previous Year
Assets			
Non-Current Assets			
Property, Plant & Equipments, Net	1	3,200,780,188	3,229,882,181
Project in Progress	2	1,090,894,312	42,180,071
Investment (At Cost)	3	107,372,149	134,037,868
Total Non-Current Assets		**4,399,046,649**	**3,406,100,120**
Current Assets			
Cash & Cash Equivalents	4	206,008,333	2,798,666
Project Advances	5	686,883,388	76,545,778
Other Advances, Deposits & Receivables	6	645,744,526	71,305,027
Total Current Assets		**1,538,636,247**	**150,649,471**
Total Assets		**5,937,682,896**	**3,556,749,591**
Equity & Liabilities			
Equity			
Share Capital	7	2,475,196,250	1,190,700,000
Reserve & Surplus	8	127,853,462	182,890,532
Share Premium (Right Auction)		152,089,823	-
Total Equity		**2,755,139,535**	**1,373,590,532**
Non Current Liabilities			
Long Term Borrowings	9	3,010,369,763	1,733,106,615
Total Non-Current Liabilities		**3,010,369,763**	**1,733,106,615**
Current Liabilities			
Short Term Loans	10	93,764,750	243,032,432
Trade Payables	11	40,341,110	145,140,758
Other Liabilities & Provisions	12	38,067,738	61,879,254
Total Current Liabilities		**172,173,598**	**450,052,444**
Total Equity & Liabilities		**5,937,682,896**	**3,556,749,591**

Notes to the Accounts 18

As per our attached report of even date

Kathmandu

Date: 2078/04/32

For: I.P Mainali & Associates
Chartered Accountants

Satish Neupane
Chairman

Sanjeev Neupane
Managing Director

CA Indra Pd. Mainali
Proprietor

Indra Mani Trital
Director

Dwarika Prasad Neupane
Director

Shashwat Chalisey
CFO

Shreejana Khadka
Director

Api Power Company Ltd.
Income Statement
For The Year Ended 31 Ashad, 2078 (15 July, 2021)

Particulars	Schedule	Current Year	Previous Year
Income			
Revenue from Power Sales	13	367,288,448	324,437,259
Indirect Income	14	63,324,450	6,820,399
		430,612,898	**331,257,658**
Less: Direct Expenses			
Royalty (Against Installed Capacity)		1,650,000	1,419,863
Royalty (Against Generation)		7,345,769	6,488,804
Gross Profit/(Loss)		**421,617,129**	**323,348,991**
Less:			
Project Operation Expenses	15	35,827,946	20,082,239
Administrative Expenses	16	14,440,634	15,028,942
Profit Before Depreciation & Interest		**371,348,549**	**288,237,810**
Financial Expenses	17	171,026,049	150,648,258
Depreciation		51,610,491	26,257,310
Profit Before Bonus & Tax		**148,712,009**	**111,332,242**
Provision for Staff Bonus		7,313,806	2,366,239
Net Profit / (Loss) After Bonus		**141,398,203**	**108,966,003**
Corporate Social Responsibility Expenses		1,413,982	-
Net Profit/ (Loss) Before Tax		**139,984,221**	**108,966,003**
Current Tax		13,909,553	306,529
Deferred Tax		-	-
Net Profit/ (Loss) After Tax		**126,074,668**	**108,659,474**

Notes to the Accounts 18

As per our attached report of even date

Kathmandu

Date: 2078/04/32

For: I.P Mainali & Associates
Chartered Accountants

Satish Neupane
Chairman

Sanjeev Neupane
Managing Director

CA Indra Pd. Mainali
Proprietor

Indra Mani Trital
Director

Dwarika Prasad Neupane
Director

Shashwat Chalisey
CFO

Shreejana Khadka
Director

Api Power Company Ltd.
Cash Flow Statement
For The Year Ended 31 Ashad, 2078 (15 July, 2021)

Particulars	Current Year	Previous Year
Cash Flows From Operating Activities		
Net Profit/(Loss) After Tax	126,074,668	108,659,474
Add: Depreciation	51,610,491	26,257,310
Add: Financial Expenses	171,026,049	150,648,258
Net Cash Flow Before Changes in Working Capital	**348,711,208**	**285,565,042**
Changes in Working Capital	(1,462,655,955)	(17,014,327)
Net Cash Flows From Operation Activities (A)	**(1,113,944,747)**	**268,550,715**
Cash Flows From Investing Activities		
(Increase)/Decrease in Investment	26,665,719	10,096,300
(Increase)/Decrease in Project in Progress	(1,048,714,240)	1,623,463,767
Purchase of Fixed Assets	(22,508,498)	(1,747,174,706)
Net Cash Flows From Investing Activities (B)	**(1,044,557,019)**	**(113,614,639)**
Cash Flows From Financing Activities		
Increase/ (Decrease) in Share Capital	1,284,496,250	-
Share Premium(Auction Share)	152,089,823	
Dividend Paid	(181,111,737)	-
Increase/ Decrease in Long Term Borrowings	1,277,263,148	(2,984,768)
Less: Interest Paid	(171,026,049)	(150,648,258)
Net Cash Flows From Financing Activities (C)	**2,361,711,436**	**(153,633,026)**
Net Cash Flow (A+B+C)	**203,209,670**	**1,303,050**
Add: Opening Cash & Cash Equivalent	2,798,666	1,495,616
Closing Cash & Cash Equivalent	**206,008,336**	**2,798,666**

Kathmandu
Date: 2078/04/32

As per our attached report of even date

For: I.P Mainali & Associates
Chartered Accountants

CA Indra Pd. Mainali
Proprietor

Satish Neupane
Chairman

Sanjeev Neupane
Managing Director

Indra Mani Trital
Director

Dwarika Prasad Neupane
Director

Shashwat Chalisey
CFO

Shreejana Khadka
Director

Api Power Company Ltd.
Statement Showing Changes in Equity
For The Year Ended 31 Ashad, 2078 (15 July, 2021)

Particulars	Share Capital	Share Premium	Revaluation Reserve	Reserve & Surplus	Total
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 year	-			108,659,474	108,659,474
Balance as on 31.03.2077	**1,190,700,000**	**-**	**-**	**182,890,532**	**1,373,590,532**
Balance as on 01.04.2077	1,190,700,000	-	-	182,890,532	1,373,590,532
Issue of Share Capital	1,284,496,250			-	1,284,496,250
Share Premium (Right Auction)		152,089,823			152,089,823
Dividend Paid				(181,111,737)	(181,111,737)
Profit/(Loss) During the period	-			126,074,668	126,074,668
Balance as on 31.03.2078	**2,475,196,250**	**152,089,823**	**-**	**127,853,462**	**2,755,139,535**

Kathmandu
Date: 2078/04/32

As per our attached report of even date
For: I.P Mainali & Associates
Chartered Accountants

Satish Neupane
Chairman

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Managing Director

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Proprietor

Indra Mani Trital
Director

Dwarika Prasad Neupane
Director

Shashwat Chalisey
CFO

Shreejana Khadka
Director

Api Power Company Ltd.
Schedules Forming Part of the Accounts
For The Year Ended 31 Ashad, 2078 (15 July, 2021)

Property, Plant & Equipments Schedule-1

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		37,119					37,119	37,119	9,280	27,839
Attendance Machine (Site Office)		4,290					4,290	4,290	1,073	3,217
Attendance Machine (Head Office)		19,005					19,005	19,005	4,751	14,254
Computers & Printers		338,957	485,498				824,455	824,455	206,114	618,341
CCTV				90,061			90,061	60,041	15,010	75,051
Furniture & Fixtures		75,436					75,436	75,436	18,859	56,577
Handheld Transreceivers		113,574					113,574	113,574	28,394	85,180
Mobile Phone		53,775					53,775	53,775	13,444	40,331
		642,156	**485,498**	**90,061**	-	-	**1,217,715**	**1,187,695**	**296,925**	**920,790**
Block-C	20%									
Vehicle		1,919,219	5,611,813	8,550,000			16,081,032	13,231,032	2,646,206	13,434,826
Motorcycle		33,554	379,000				412,554	412,554	82,511	330,043
		1,952,773	**5,990,813**	**8,550,000**	-	-	**16,493,586**	**13,643,586**	**2,728,717**	**13,764,869**
Block-D	15%									
Construction Equipments & Tools		1,649,099					1,649,099	1,649,099	247,365	1,401,734
Brick Making Machines		25,646					25,646	25,646	3,847	21,799
Transformers		295,523	1,560,500				1,856,023	1,856,023	278,403	1,577,620
Welding Rectifier		39,664					39,664	39,664	5,950	33,714
Water Pump		302,936					302,936	302,936	45,440	257,496
Solar System		20,743					20,743	20,743	3,111	17,632
Agriculture Brush Cutter					18,274		18,274	6,091	914	17,360
Fridge (UC Site)				28,476			28,476	18,984	2,848	25,628
Insulation Tester			115,000				115,000	115,000	17,250	97,750
Kirloskar Pump (UC)				2,486,736			2,486,736	1,657,824	248,674	2,238,062
Lawn Mower					52,545		52,545	17,515	2,627	49,918
VHF Antenna Base			22,600				22,600	22,600	3,390	19,210
Generator		540,189					540,189	540,189	81,028	459,161
		2,873,800	**1,698,100**	**2,515,212**	**70,819**	-	**7,157,931**	**6,272,314**	**940,847**	**6,217,084**
Block-E										
Tally ERP	5 Yrs	-	46,895				46,895	46,895	9,379	37,516
[Remaining Life: 5 Yrs]										
Share Issue Expenses	30 Yrs	25,678,411					25,678,411	25,678,411	1,027,136	24,651,275
[Remaining Amortizing Period: 25 Yrs]										
8.5 MW Naugadh Gad Project	30 Yrs	1,460,483,034					1,460,483,034	1,460,483,034	29,209,661	1,431,273,373
[Remaining Life: 25 Yrs]										
8 MW Upper Naugadh Gad Project	30 Yrs	1,738,252,007	3,061,100				1,741,313,107	1,741,313,107	17,397,826	1,723,915,281
[Remaining Life: 29.25 Yrs]										
		3,224,413,452	**3,107,995**	-	-	-	**3,227,521,447**	**3,227,521,447**	**47,644,002**	**3,179,877,445**
Grand Total		**3,229,882,181**	**11,282,406**	**11,155,273**	**70,819**	-	**3,252,390,679**	**3,248,625,042**	**51,610,491**	**3,200,780,188**

Api Power Company Ltd.
Schedules Forming Part of the Financial Statements
For The Year Ended 31 Ashad, 2078 (15 July, 2021)

Project in Progress Schedule-2

Particulars	Current Year	Previous Year
Upper Naugad Gad Project (8 MW)	-	-
Solar Projects	363,519,608	23,521,023
Upper Chameliya Project	727,374,704	18,659,048
Total	**1,090,894,312**	**42,180,071**

Investment (At Cost) Schedule-3

Particulars	Current Year	Previous Year
Api Hydro Mechanical Pvt.Ltd	70,000,000	70,000,000
Arun Kabeli Power Limited (Secondary)	-	40,000,100
HIDCL	289,600	289,600
Investment (Arun Kabeli)	199,800	-
Investment (Rairang Hydropower)	8,581	-
Inguwa Hydro Power	12,126,000	-
Machhapuchchhre Bank (Secondary)	-	-
Nepal Power Exchange Limited	1,000,000	-
NIBL FPO	281,468	281,468
Share Investment in PICL	1,429,200	1,429,200
Shikhar Insurance (Secondary)	-	-
Siddhakali Power Limited	22,037,500	22,037,500
Total	**107,372,149**	**134,037,868**

Cash & Cash Equivalents Schedule-4

Particulars	Current Year	Previous Year
Cash in Hand (As Certified)	264,512	263,170
Bank Balances:		
Bank of Kathmandu Limited	231,545	27,089
Bank of Kathmandu Limited (Chandranigahpur)	180,078,919	-
Century Commercial Bank Limited	437	-
Citizens Bank International Limited	8,000	8,000
Employees Provident Fund	-	-
Global IME Bank Limited	70,108	230,471
Global IME Bank Limited (01)	1,313,971	16,497
Global IME Bank Limited (02)	8,879	8,879
Global IME Bank Limited (03)	16,357	16,357
Global IME Bank Limited (04-UN)	5,633	13,833
Himalayan Bank Limited	13,916,893	10,900
Himalayan Bank Limited (Escrow)	49,413	-
Kailash Bikas Bank Limited	-	1,000
Manjushree Finance Limited	-	94,366
Nepal Bangladesh Bank Limited	62,304	-
Nepal Bank Limited	24,721	1,165,589
Nepal Bank Limited (Escrow)	5,850,041	765,537
Nepal SBI Bank Ltd	145,802	58,190
Nepal SBI Bank (Parwanipur)	-	-
Nepal SBI Bank (UN)	-	15
Nepal SBI (UN - Cash Credit)	-	-
Nepal SBI (UN - Revenue Escrow)	-	-
NIC Asia Bank Limited	3,306,157	24,743
NIC Asia Bank Limited (02)	12,764	6,764
NMB Bank Limited	2,300	2,300
Pokhara Finance Limited	-	-
Prabhu Bank Limited	69,424	10,000
Prime Commercial Bank Limited	128,382	28,446
Prime Commerical Bank Limited (Upper Naugad)	34,133	-
Rastriya Banijya Bank Limited	37,091	-
Sunrise Bank Limited	268,349	46,519
United Finance Limited	102,198	-
Total	**206,008,333**	**2,798,666**

एपी पावर कम्पनी लिमिटेड API POWER COMPANY LIMITED 2003

I.P. Mainali & Associates Kathmandu Chartered Accountants

Api Power Company Ltd.

Schedules Forming Part of the Financial Statements

For The Year Ended 31 Ashad, 2078 (15 July, 2021)

Project Advances **Schedule-5**

Particulars	Current Year	Previous Year
Naugad Gad HPP (8.5 MW)	10,751,640	11,921,640
Upper Naugad Gad HPP (8.0 MW)	35,419,966	45,172,566
Solar Projects (18 MW)	21,004,220	1,701,000
Upper Chameliya HPP (40 MW)	619,707,562	17,750,572
Total	**686,883,388**	**76,545,778**

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

Particulars	Current Year	Previous Year
Salary Advances	1,423,888	1,733,229
Advance for Tree Cutting Works	150,000	150,000
Cash Margin (Exim Code BG)	300,000	300,000
Cash Margin (Hindustan Engineering)	87,800	-
Gajendra Pal (Naugad Repair)	-	100,000
Director Advance	8,686,187	-
Inguwa Hydro Power	-	2,000,000
Interest Income Receivable	866,114	582,811
Revenue Receivable (Naugad)	23,029,994	21,635,549
Revenue Receivable (Upper Naugad)	22,007,275	16,366,836
Security Deposit (Bagmati Commercial Pvt Ltd)	51,000	51,000
Short Term Loan (Arun Kabeli)	1,356,000	5,903,000
Siddhakali Power Limited (Advance)	11,738,182	257,760
Advance Income Tax (Net)	-	783,932
Advance for Custom Clearance	-	468
Prepaid Fire Insurance (Chandranigahpur)	567,270	-
Prepaid Fire Insurance (Naugad)	261,046	260,332
Prepaid Fire Insurance (UN)	895,860	893,412
Prepaid LOP Insurance (Chandranigahpur)	99,345	-
Prepaid LOP Insurance (Naugad)	60,957	62,680
Prepaid LOP Insurance (UN)	136,001	131,759
Prepaid Rent (Chandranigahpur)	347,413	-
Prepaid Rent (Simara)	564,200	-
Prepaid Royalty (Capacity UN)	230,137	-
Prepaid Royalty (Revenue UN)	391,498	-
Advance With Sundry Creditors	572,485,421	20,090,575
Office Advance	8,470	-
Other Advance	468	1,684
Total	**645,744,526**	**71,305,027**

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:		
4,00,00,000 Equity Shares of Rs. 100 Each	4,000,000,000	3,000,000,000
Paid -Up:		
24,751,962.50 Equity Shares of Rs. 100 Each	2,475,196,250	1,190,700,000
Total	**2,475,196,250**	**1,190,700,000**

Reserve and Surplus **Schedule-8**

Particulars	Current Year	Previous Year
Profit/(Loss) Upto Previous Year	182,890,532	74,231,057
Add: Profit/(Loss) during this Year	126,074,668	108,659,474
Less: Dividend Paid	(181,111,737)	-
Total	**127,853,462**	**182,890,532**

अपि पावर कम्पनी लिमिटेड API POWER COMPANY LIMITED 2003

I.P. Mainali & Associates Chartered Accountants Kathmandu

Api Power Company Ltd.
Schedules Forming Part of the Financial Statements
For The Year Ended 31 Ashad, 2078 (15 July, 2021)

Long Term Borrowings — **Schedule-9**

Particulars	Current Year	Previous Year
Term Loan (Chandranighapur)	219,833,475	-
Term Loan (Dhalkebar)	17,159,000	-
Term Loan (Naugad Project)	496,055,190	520,031,615
Term Loan (Simara Project)	6,877,000	-
Term Loan (Upper Chameliya)	912,068,935	-
Term Loan (Upper Naugad Project)	1,152,450,000	1,168,075,000
Hire Purchase Loan	9,126,163	-
Bridge Gap Loan	196,800,000	45,000,000
Total	**3,010,369,763**	**1,733,106,615**

Short Term Loans — **Schedule-10**

Particulars	Current Year	Previous Year
Unsecured		
Short Term Loan (Api Chameliya Power Limited)	2,944,330	2,944,330
Short Term Loan (Nirvik Travels and Tours)	-	30,000
Short Term Loan (Rairang Hydropower)	147,692	147,692
Short Term Loan (Ridi Hydropower)	42,651	45,651
Short Term Loan (Siddhakali Power Limited)	-	44,374,997
Short Term Loan (Trade Tower Business Centre)	1,000,000	1,000,000
Short Term Loan (Directors)	-	80,088,646
Secured Loans		
Nepal SBI Bank Ltd. (Working Capital Loan)	35,000,000	34,401,117
Nepal SBI Bank Ltd. (UN - Cash Credit)	54,630,077	55,000,000
Sunrise Bank Ltd. (Margin Loan)	-	25,000,000
Total	**93,764,750**	**243,032,432**

Trade Payables — **Schedule-11**

Particulars	Current Year	Previous Year
Retention Money (Api HM UN)	-	10,223,796
Retention Money (Makalu UN)	-	24,769,090
Retention Money (Neon Energy)	3,632,664	3,957,664
Api Hydro Mechanical Ltd (Retention Money - UC)	2,932,182	-
Argatosh Nirman Sewa (Retention Money - UC)	1,485,498	-
CAB - Gwallek JV (Retention Money - UC)	7,005,255	-
J R Logistics	1,401,435	-
Latinath Construction Co (Retention Money - UC)	1,087,604	-
Latinath Construction Company Pvt Ltd	12,440,390	-
South Asia Engineering Private Limited	8,162,500	-
Road Improvement Works Payable (UN)	284,036	284,036
Makalu Developers Limited	125,590	96,780,874
Sundry Creditors	1,783,956	9,125,299
Total	**40,341,110**	**145,140,758**

अपि पावर कम्पनी लिमिटेड
API POWER COMPANY LIMITED
2003

I.P. Mainali & Associates
Kathmandu
Chartered Accountants

Api Power Company Ltd.
Schedules Forming Part of the Financial Statements
For The Year Ended 31 Ashad, 2078 (15 July, 2021)

Other Liabilities & Provisions **Schedule-12**

Particulars	Current Year	Previous Year
Advisor Fee Payable	140,000	-
Capacity Royalty Payable (Naugad)	850,000	1,700,000
Capacity Royalty Payable (UN)	-	569,863
Provision for Employee Bonus	7,812,645	4,327,678
Revenue Royalty Payable (Naugad)	-	7,909,875
Revenue Royalty Payable (UN)	483,252	2,316,951
Right Share Collection	5,027,619	-
Vehicle Rent Payable (Scorpio)	1,336,500	1,336,500
Audit Committee Meeting Allowance Payable	17,000	63,750
Audit Fee Payable	407,560	1,004,725
BOD Allowance Payable	134,725	786,675
Casual Staff Salary Payable	19,980	-
CIT Payable	328,460	2,143,666
Dividend Tax Payable	-	3,813,158
EPF Payable	726,640	5,240,741
Gajendra Pal	201	-
IPO Refund Payable	1,882,388	1,882,388
Overtime Allowance Payable	104,922	620,382
Salary & Allowance Payable	1,306,330	3,925,601
Site and Food Allowance Payable	666,308	2,032,066
Transportation & Newspaper Allowance Payable	1,232,500	1,402,500
Travel Allowance Payable	20,423	22,175
Lumbini General Insurance Co Ltd (Advance Insurance Claim)	180	180
TDS Payable (Net)	8,806,337	16,870,064
Provision for Income Tax(Net of Advance Tax)	6,713,209	-
Provision for Late Tax Payment	-	3,910,316
Allowances Payable (Keshav Raj Regmi)	50,559	-
Total	**38,067,738**	**61,879,254**

Revenue From Power Sales **Schedule-13**

Particulars	Current Year	Previous Year
Income From Power Sale (Naugad)	200,898,694	208,592,603
Income From Power Sales (Upper Naugad)	166,389,754	115,844,657
Total	**367,288,448**	**324,437,259**

Indirect Income **Schedule-14**

Particulars	Current Year	Previous Year
Application Fees	-	50,000
Dividend Income (NIBL)	1,473	6,335
Income From Sale of Share	62,987,184	1,220,487
Insurance Claim	-	4,750,000
Interest Income	335,793	526,786
Rent Income	-	116,790
Tender Fees	-	150,000
Total	**63,324,450**	**6,820,399**

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Schedules Forming Part of the Financial Statements
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Project Operation Expenses — **Schedule-15**

Particulars	Current Year	Previous Year
Insurance		
Fire Insurance	5,056,073	4,143,093
LOP Insurance	946,558	777,010
Repair & Maintenance		
3 Pole Power Contactor	-	50,285
Argon Gas	-	6,215
Custom Clearance (Naugad)	9,200	143,312
Gabions	120,000	1,083,141
Import Duty (Misc Imports Naugad)	81,841	137,828
Nitrogen Gas	-	61,585
Misc Repairs (Naugad)	-	1,036,751
Repair and Maintenance (EM Equipment)	123,170	-
Repair & Maintenence (Main Meter)	-	129,950
River Protection Works (Naugad)	-	1,161,264
Road Maintenance (Naugad)	6,019,106	-
Repair and Maintenance (Bikes - UN)	-	1,400
Repair and Maintenance (Generator - UN)	-	7,312
Repair and Maintenance (UN)	1,317,941	61,564
Technical Consultancy (Naugad Gad Repair)	-	141,815
Transportation Charges	38,000	81,000
Transportation Expenses (Runner Repair)	2,433,125	123,500
VG 68 Turbine Oil	232,070	2,616,990
Walkie Talkie Repair Charges	-	99,839
Site Office Expenses		
Communication Expenses (Naugad)	5,250	2,500
Custom Clearance Charges (Naugad)	44,277	-
Festival Expenses (Naugad)	10,000	-
Fuel Expenses (Site - Naugad)	315,879	24,863
Labour Wages - Naugad	35,100	23,500
Medical Expenses	3,620	-
Meter Reading Expenses	180,000	-
Miscellaneous Expenses (Naugad)	118,700	-
Postage and Courier (Site Office)	-	1,000
Printing and Stationery (Naugad & Upper Naughad)	4,630	3,080
Repair and Maintenance (Scorpio)	-	500
Site Food Expense	317,188	78,555
Site Office Expenses (Naugad)	121,657	47,745
Transmission Line Maintenance (132 KV)	45,000	-
Travelling Expenses (Naugad)	10,000	62,600
Upper Naugad-Operational Expenses		
Consumables (UN)	164,998	-
Electricty Expenses (UN)	1,409,682	-
Internet Expenses (UN - Site Officie)	308,942	-
Local Compensation (UN)	10,000	-
Rebars (UN Repair)	597,190	-
Vehicle Hire Charges (UN)	7,000	-
Custom Clearance Charges (UN)	9,247	-
Festival Expenses (Upper Naugad)	10,000	-
Fuel Expenses (UN)	212,187	-
Import Duty (Misc Imports UN)	148,909	-
Local Transportation (UN)	13,500	-
Lodging and Fooding (UN - Travelling)	78,126	-
Maintenance Expenses (UN)	129,597	-
Meter Reading Expenses (UN)	180,000	-
NEA Substation Bay Charges (UN)	1,080,000	-
Postage and Courier (UN)	180	-
Site Guest Food Expenses(UN)	59,100	-
Site Miscellaneous Expenses (UN)	324,300	-
Site Office Expenses (UN)	17,558	-

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Transportation Expenses (UN)		97,068	-
VG 68 Turbine Oil (UN)		232,070	-
Wages (Upper Naugad Repair)		90,584	-
Project Operating Cost (UN)			
Environment / Social Mitigation		491,810	-
Project Supervision / Management & Engineering		1,164,693	-
Donation		205,000	-
Social Works			
CSR Works- Naughad		-	299,155
CSR Works- Upper Naughad		-	6,100
Employee Remuneration			
EPF Contribution -Site		446,800	397,300
Overtime Allowance -Site		742,300	641,552
Site and Food Allowance -Site		3,236,636	1,978,936
Staff Salary & Allowance Expenses -Site		6,772,084	4,651,000
Total		**35,827,946**	**20,082,239**

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Api Power Company Ltd.
Schedules Forming Part of the Financial Statements
For The Year Ended 31 Ashad, 2078 (15 July, 2021)

Administrative Expenses — Schedule-16

Particulars	Current Year	Previous Year
BOD Allowances		
Board Meeting Allowance	119,455	157,167
Transportation & Newspaper Allowance	174,545	307,500
Corporate Social Responsibility	181,936	-
Employee Remuneration		
Casual Staff Salary	109,797	-
EPF Contribution (HO)	132,409	228,074
Gratuity Contribution	-	-
Interest on CIT	-	75,622
Interest on EPF	-	244,210
Staff Amenities	96,655	102,698
Staff Salary & Allowances Expenses	1,634,182	2,815,818
Head Office Expenses		
Fuel (Generator)	-	2,135
Head Office Expenses	19,658	3,046
Insurance-Vehicle	16,082	-
News Paper & Magazine	1,909	2,182
News Paper & Magazine	768	-
Office Expenses (HO)	43,251	5,082
Parking Charges	57,200	-
Picnic Expenses	-	53,624
Printing & Stationery	87,569	55,839
Rent Expenses (5th Floor)	-	-
Rent Expenses (HO)	626,039	934,922
Telephone Expenses	-	3,203
Water & Electricity	157,680	252,123
Repair and Maintenance		
Repair and Maintenance (Laptop,Computer and Printers)	3,082	-
Repair and Maintenance (Ford Ranger)	7,910	-
Repair and Maintenance (Generator)	5,992	2,437
Repair and Maintenance (Generator)	10,786	-
Repair and Maintenance (Generator)	27,490	-
Repair and Maintenance (Photocopy Machine)	7,367	29,554
Repair & Maintainance (Motorbike)	40,343	11,809
Repair & Maintenance (Vehicle)	17,468	60,515
Repairs and Maintenance (Office)	-	982
Shares Management		
Advertisement (Share Management)	269,520	4,577
Annual Fees (CDS and Clearing Limited)	100,000	200,000
Annual Fees (NEPSE)	-	110,000
Bonus Share Listing Fees (2074/75)	-	165,000
Bonus Share Listing Fees (CDS 2074/75)	-	286,398
Bonus Share Listing Fees	-	-
Bonus Share Listing Fees	316,099	133,400
Bonus Share Registration Charges	364,113	-
CASBA Software Fees (CDS)	20,000	-
CDS Application Configuration Support	5,000	-
Credit Rating Fees (200% Right Issue)	1,800	-
Credit Rating Fees (1:0.5 Issue)	-	339,900
Internet Expenses	80,484	-
Issue Rating Fees	226,000	-
Meeting Allowance (Right Share Allotment)	50,000	-
Prospectus Processing Fees (SEBON)	25,000	-
Right Share Allotment Charges	2,123,349	-
RTS Software Support Charges	48,816	-
Share Dematerialization Charges(Listing Fees)	942,573	-
Right Approval Application (Elec Reg Commission)	-	1,180,000
RTS Commission	-	432,350
Other Expenses		
Advertisement & Promotion	108,108	147,876

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Advisor Fee		157,219	
AGM Expenses		59,799	81,195
Audit Committee Meeting Allowance		11,591	17,083
Audit Fees		395,500	339,000
Borrowing Limit Rating Fees		137,141	-
CNI Membership Fees		16,364	-
COD Celebration Event (UN)		-	608,945
Communication Expenses		3,613	44,929
Co-Ordination Committe Meeting Allowance		4,636	-
Exim Code Renewal Charges		-	-
Conveyance		-	16,016
Early Payment Charges (Naugad)		1,698,275	2,410,014
Early Payment Charges (Upper Naugad)		2,081,591	1,444,387
Fines and Penalty		2,000	-
Fuel Expenses		3,934	6,193
Government Tax & Fees		43,779	6,406
Guest Entertainment		22,763	1,044
Wages Un		36,700	-
IPPAN Event Fees		-	1,922
IPPAN Membership Fees		8,182	12,813
Kitchen Expenses (HO)		3,035	-
Legal Expenses		12,327	-
Local Conveyance		-	2,563
Medical Expenses		36,892	5,334
Miscellenous Expenses		86,407	72,604
Penalty on Late Filing of TDS Return		33,227	-
Postage and Courier		3,426	278
Repair and Maintenance (Pool B)		-	-
Promotional Expenses		-	15,375
Share DMAT Charges		-	171
Travelling Expenses		-	17,435
Interest on Late Payment of Taxes		1,321,797	1,577,192
Total		**14,440,634**	**15,028,942**

Financial Expenses **Schedule-17**

Particulars	Current Year	Previous Year
Agency Fee	1,164,150	2,265,782
Bank Charge	162,758	39,848
Loan Processing Fee	501,890	1,259,448
Prepayment Fee	2,553,706	-
Term Loan Interest	155,977,905	143,396,403
Vehicle Loan Interest	398,419	-
Interest on Other Loans	2,401,126	-
Working Capital Loan Interest	7,866,095	3,686,777
Total	**171,026,049**	**150,648,258**

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Api Power Company Ltd.

Schedules forming Parts of Accounts

For The Year Ended 31 Ashad, 2078 (15 July, 2021)

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 & 18 MW Solar Hydropower Projects too. The hydropower projects are under BOOT model, which needs to be transferred to Government of Nepal after expiry of license.

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 not specifically attributable to individual project incurred during the fiscal year have been apportioned in proportionate ratios of 66%, 7% and 27% to Upper Chameliya Project in Progress, Chandranigahpur Project in Progess and Income Administrative Expenses incurred during the financial year have been apportioned as under;

Particulars	Transferred to Chandranigahpur Solar Project In Progress	Transferred to Upper Chameliya Project In Progress	Charged to Income Statement	Total
Administrative Expenses	1,042,131	10,421,310	14,440,634	**25,904,075**

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%**

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Schedule-18

Significant Accounting Policies & Notes to the Accounts

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).

B.5.6 Because of Land ceiling limits of the Lands Act, company has acquired the land for the upper chameliya project in the name of directors which is booked as the land advance amounting Rs.28,323,520.It shall be transferred after obtaining due approval from concerned authority.

B.5.7 Property, Plant & Equipment of projects under construction and in operation have been pledged in favor of consortium of banks / financial institutions.

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.

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	-	9,874,410	Incl. Retention
2. Api Hydro Mechanical Ltd.	Hydro Mechanical Contractor	70,063,575	95,747,483	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	-	199,800	
5. Siddhakali Power Ltd.	Investment	-	22,037,500	
6. Siddhakali Power Ltd.	Short Term Loan	-	11,738,182	

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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