G. Paudyal & Associates
Chartered Accountants

Email: ca.ghanashyam@gmail.com
Baneshwor, Kathmandu
Tel: 00977-1-4486784
ICAN Regd. No.:307
PAN: 602785567

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

We have audited the accompanying financial statements of **Api Power Company Ltd.**, which comprise the Balance Sheet as at Ashadh 31, 2073, (July 15, 2016) and the related Income Statement, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date.

Management's Responsibility for the financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, except for the effect on the financial statements of the matters mentioned in point (vi) below i.e. basis of qualification, the accompanying financial statements give a true and fair view, in all material respects the financial position of **Api Power Company Ltd.** as at Ashadh 31, 2073, (July 15, 2016), and of the results of its financial performance and its cash flows for the year then ended and in accordance with Nepal Accounting Standards and Companies Act 2063.

Report on Other Legal & Regulatory Requirements and Basis of Qualification

On the basis of our examination and explanations given to us, we would like to report that:

i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
ii. Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
iii. The Balance Sheet, Income Statement, Statement of Cash Flows, Statement of Changes in Equity dealt with by this report are in agreement with the books of account maintained by the Company.
iv. During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
v. We have not come across any fraudulence in the accounts.
vi. Cost recognition and depreciation on 8.5 Naughad Gad Hydropower Project and IPO Issue Expenses has been written off as per company policy as mentioned in Para B.5 of "Notes to the Account" of the financial statements. Also, the company has not estimated and accounted Deferred Tax Assets/Liabilities as per Nepal Accounting Standards 9 "Income Tax" which do not comply with Nepal Accounting Standards.

Place: Kathmandu
Date: 2073-4-25

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

CA Ghanshyam Paudyal
Partner

G. Paudyal & Associates Chartered Accountants KATHMANDU

Api Power Company Ltd.
Balance Sheet
As at 31 Ashadh, 2073 (July 15,2016)

Particulars	Schedule	Current Year	Previous Year
Assets			
Non-Current Assets			
Property, Plant & Equipments, Net	1	1,549,221,278.35	7,467,629.91
Project in Progress	2	-	1,295,971,869.83
Investment (At Cost)	3	145,423,490.00	10,100,000.00
Total Non-Current Assets		**1,694,644,768.35**	**1,313,539,499.74**
Current Assets			
Cash & Cash Equivalent	4	14,209,890.76	44,635,333.18
Project Advances	5	103,907,386.98	135,320,537.12
Other Advances, Deposits & Receivables	6	66,868,214.62	57,027,917.04
Total Current Assets		**184,985,492.36**	**236,983,787.34**
Total Assets		**1,879,630,260.71**	**1,550,523,287.08**
Equity & Liabilities			
Equity			
Share Capital	7	1,000,000,000.00	715,000,000.00
Reserve & Surplus	8	67,188,600.58	(13,641,125.56)
Total Equity		**1,067,188,600.58**	**701,358,874.44**
Non Current Liabilities			
Long Term Borrowings	9	751,668,175.00	790,338,368.57
Total Non-Current Liabilities		**751,668,175.00**	**790,338,368.57**
Current Liabilities & Provisions			
Trade Payables	10	194,162.71	668,282.71
Other Liabilities & Provisions	11	60,579,322.42	58,157,761.36
Total Current Liabilities		**60,773,485.13**	**58,826,044.07**
Total Equity & Liabilities		**1,879,630,260.71**	**1,550,523,287.08**

Notes to the Accounts 14

As per our attached report of even date

Kathmandu

Date: 2073.4.25

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.
Income Statement
For The Year Ended 31 Ashadh, 2073 (July 15, 2016)

Particulars	Schedule	Current Year	Previous Year
Income			
Revenue from Power Sales		105,894,021.00	-
Indirect Income	12	16,112,176.60	1,081,312.52
		122,006,197.60	**1,081,312.52**
Less: Direct Expenses			
Royalty (Against Installed Capacity)		850,000.00	-
Royalty (Against Generation)		2,117,881.00	-
Gross Profit/(Loss)		**119,038,316.60**	**1,081,312.52**
Less: Administrative Expenses	13	9,153,244.72	5,893,497.37
Profit Before Depreciation & Interest		**109,885,071.88**	**(4,812,184.85)**
Financial Expenses		17,764,422.10	33,000.00
Depreciation		10,308,423.64	1,821,940.90
Profit Before Bonus & Tax		**81,812,226.14**	**(6,667,125.75)**
Provision for Staff Bonus		982,500.00	-
Profit/(Loss) Before Tax		**80,829,726.14**	**(6,667,125.75)**
Current Tax		-	-
Deferred Tax		-	-
Net Profit/ (Loss) After Tax		**80,829,726.14**	**(6,667,125.75)**

Notes to the Accounts 14

As per our attached report of even date

Kathmandu

Date: 2073.4.25

For: G Paudyal & Associates
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Director

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CFO

Indra Mani Trital
Director

Bharat Bahadur Khatri
Director

Api Power Company Ltd.
Cash Flow Statement
For The Year Ended 31 Ashadh, 2073 (July 15, 2016)

Particulars	Current Year	Previous Year
Cash Flows From Operating Activities		
Net Profit/(Loss) After Tax	80,829,726.14	(6,667,125.75)
Add: Depreciation	10,308,423.64	1,821,940.90
Add: Financial Expenses	17,764,422.10	33,000.00
Net Cash Flow Before Changes in Working Capital	**108,902,571.88**	**(4,812,184.85)**
Changes in Working Capital	23,520,293.62	48,097,061.34
Net Cash Flows From Operation Activities (A)	**132,422,865.50**	**43,284,876.49**
Cash Flows From Investing Activities		
(Increase)/Decrease in Investment	(135,323,490.00)	80,000,000.00
(Increase)/Decrease in Project in Progress	1,295,971,869.83	(958,899,390.22)
Sales of Fixed Assets	-	2,048,000.00
Purchase of Fixed Assets	(1,552,062,072.08)	(55,000.00)
Net Cash Flows From Investing Activities (B)	**(391,413,692.25)**	**(876,906,390.22)**
Cash Flows From Financing Activities		
Increase/ (Decrease) in Share Capital	285,000,000.00	212,849,600.00
Proceeds from Share Application Money	-	(15,272,050.00)
Increase/ Decrease in Long Term Borrowings	(38,670,193.57)	616,903,133.95
Less: Financial Expenses	(17,764,422.10)	(33,000.00)
Net Cash Flows From Financing Activities (C)	**228,565,384.33**	**814,447,683.95**
Net Cash Flow (A+B+C)	**(30,425,442.42)**	**(19,173,829.78)**
Add: Opening Cash & Cash Equivalent	**44,635,333.18**	63,809,162.96
Closing Cash & Cash Equivalent	**14,209,890.76**	**44,635,333.18**

Kathmandu
Date: 2073-4-25

As per our attached report of even date

For: G Paudyal & Associates
Chartered Accountants

CA Ghanshyam Paudyal
Partner

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Managing Director

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Director

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Director

Shashwat Chalisey
CFO

Indra Mani Trital
Director

Bharat Bahadur Khatri
Director

Api Power Company Ltd.
Statement Showing Changes in Equity
For The Year Ended 31 Ashadh, 2073 (July 15, 2016)

Particulars	Share Capital	Share Premium	Revaluation Reserve	Reserve & Surplus	Total
Balance as on 01.04.2071	517,422,450.00	-	-	(6,973,999.80)	510,448,450.20
Issue of Share Capital	197,577,550.00				197,577,550.00
Profit/(Loss) During the year	-			(6,667,125.75)	(6,667,125.75)
Balance as on 31.03.2072	**715,000,000.00**	-	-	**(13,641,125.55)**	**701,358,874.45**
Balance as on 01.04.2072	715,000,000.00	-	-	(13,641,125.55)	701,358,874.45
Issue of Share Capital	285,000,000.00				285,000,000.00
Profit/(Loss) During the period	-			80,829,726.14	80,829,726.14
Balance as on 31.03.2073	**1,000,000,000.00**	-	-	**67,188,600.59**	**1,067,188,600.59**

Kathmandu
Date: 2073-4-25

As per our attached report of even date

For: G Paudyal & Associates
Chartered Accountants

CA Ghanshyam Paudyal
Partner

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Director

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Director

Api Power Company Ltd.
Schedules Forming Part of the Accounts
For The Year Ended 31 Ashadh, 2073 (July 15, 2016)

erty, Plant & Equipments

Schedule-1

Particulars	Dep. Rate	Opening Balance (WDV)	Addition during this Year: Upto Poush	Upto Chaitra	Upto Ashadh	Disposal	Total	Depreciation Base	Depreciation During the year	Closing Balance (WDV)
-B	25%									
Equipment		156,417.23	-	-	-	-	156,417.23	156,417.23	39,104.31	117,312.92
dance Machine		-	18,080.00	-	-	-	18,080.00	18,080.00	4,520.00	13,560.00
Structure & Settings		2,062,500.00	-	-	-	-	2,062,500.00	2,062,500.00	515,625.00	1,546,875.00
uters & Printers		325,105.00	222,640.00	216,048.00	-	-	763,793.00	691,777.00	172,944.25	590,848.75
ure & Fixtures		242,951.82	74,940.00	-	-	-	317,891.82	317,891.82	79,472.96	238,418.87
held Transreceivers		358,068.75	-	-	-	-	358,068.75	358,068.75	89,517.19	268,551.56
Sub-Total		**3,145,042.80**	**315,660.00**	**216,048.00**	-	-	**3,676,750.80**	**3,604,734.80**	**901,183.70**	**2,775,567.10**
-C	20%									
le		-	-	-	-	-	-	-	-	-
cycle		102,400.00	-	-	-	-	102,400.00	102,400.00	20,480.00	81,920.00
Sub-Total		**102,400.00**	-	-	-	-	**102,400.00**	**102,400.00**	**20,480.00**	**81,920.00**
-D	15%									
ruction Equipments & Tools		2,747,012.56	-	-	-	-	2,747,012.56	2,747,012.56	412,051.88	2,334,960.68
Making Machines		57,800.00	-	-	-	-	57,800.00	57,800.00	8,670.00	49,130.00
formers		666,036.25	-	-	-	-	666,036.25	666,036.25	99,905.44	566,130.81
ng Rectifier		89,391.50	-	-	-	-	89,391.50	89,391.50	13,408.73	75,982.78
Pump		-	15,590.00	-	-	-	15,590.00	15,590.00	2,338.50	13,251.50
System		46,750.00	-	-	-	-	46,750.00	46,750.00	7,012.50	39,737.50
ator		592,450.00	625,000.00	-	-	-	1,217,450.00	1,217,450.00	182,617.50	1,034,832.50
Sub-Total		**4,199,440.31**	**640,590.00**	-	-	-	**4,840,030.31**	**4,840,030.31**	**726,004.55**	**4,114,025.76**
-E										
are (Tally ERP 9) ining Life: 2 Yrs]	5 Yrs	20,746.80	-	-	-	-	20,746.80	20,746.80	6,915.60	13,831.20
oftware aining Life: 4 Yrs]	5 Yrs	-	135,000.00	-	-	-	135,000.00	135,000.00	27,000.00	108,000.00
Sub-Total		**20,746.80**	**135,000.00**	-	-	-	**155,746.80**	**155,746.80**	**33,915.60**	**121,831.20**
MW Naugadh Gad Project (Transferred from CWIP)					1,519,940,682.51	-	1,519,940,682.51	1,519,940,682.51	7,599,703.41	1,512,340,979.10
Sub-Total		-	-	-	**1,519,940,682.51**	-	**1,519,940,682.51**	**1,519,940,682.51**	**7,599,703.41**	**1,512,340,979.10**
Intangible Assets										
Share Issue Expenses	30 Years	-	-	-	30,814,091.57	-	30,814,091.57	30,814,091.57	1,027,136.39	29,786,955.18
		-	-	-	30,814,091.57	-	30,814,091.57	30,814,091.57	1,027,136.39	29,786,955.18
Grand Total		**7,467,629.91**	**1,091,250.00**	**216,048.00**	**1,550,754,774.08**	-	**1,559,529,701.99**	**1,559,457,685.99**	**10,308,423.64**	**1,549,221,278.35**

Api Power Company Ltd.

Shedules forming part of the Accounts

For The Year Ended 31 Ashadh, 2073 (July 15, 2016)

Project in Progress **Schedule-2**

Particulars	Current Year	Previous Year
Opening Balance	**1,295,971,869.83**	**337,072,479.61**
Add: Addition During The Year		
Main Civil Works	23,550,299.18	379,220,242.22
Hydro-Mechanical Works	-	86,554,483.80
Electro-Mechanical Works	20,923,789.00	295,970,968.62
Fabrication & Erection	92,466,946.85	63,893,866.08
Contingency, Custom Duty, VAT and Others	15,206,336.84	-
Environment Mitigation & Compensation Expenses	7,380,651.23	21,171,815.00
Land & Land Development	442,730.77	7,793,152.00
Project Engineering & Supervision	2,548,060.00	5,167,432.00
Project Management Cost	2,987,991.00	26,109,331.78
Project Acquisition	2,040,744.56	16,197,203.45
Project Insurance Expenses	-	56,344.97
Financial Expenses	56,421,263.25	56,764,550.30
Less: Transferred to Fixed Assets	1,519,940,682.51	
Total	-	**1,295,971,869.83**

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

Particulars	Current Year	Previous Year
Peoples' Investment Company Ltd.	1,191,000.00	100,000.00
Arun Kabeli Power Ltd.	50,096,400.00	10,000,000.00
Api Hydro Mechanical Ltd.	70,000,000.00	-
HIDCL	289,600.00	-
Nepal Investment Bank Ltd (FPO)	1,688,810.00	-
Siddhakali Power Ltd.	22,157,680.00	-
Total	**145,423,490.00**	**10,100,000.00**

Cash & Cash Equivalents **Schedule-4**

Particulars	Current Year	Previous Year
Cash in Hand (As Certified)	176,323.35	166,323.35
Bank Balances:		
Janata Bank Nepal Ltd (002)	755,014.45	-
Janata Bank Nepal Ltd (003)	5,000.00	-
Janata Bank Nepal Ltd (004) Upper Naugadh	616,902.00	
Tourism Development Bank Ltd.	1,026,327.33	-
Nepal Bank Ltd (Escrow A/c)	4,972,693.86	-
Bank of Kathmandu Ltd.	425,573.23	396,628.47
Global IME Bank Ltd.	6,750.86	5,000.00
Janata Bank Nepal Ltd.	116,690.88	731,764.26
Nepal Bank Ltd.	3,791,533.37	25,319,229.80
Nepal SBI Bank Ltd	10,986.18	10,000.00
NIC Asia Bank Ltd.	549,470.58	782,616.51
Prime Commercial Bank Ltd	246,347.21	537,178.63
Rastriya Banijya Bank Ltd	10,227.00	10,227.00
Reliable Development Bank Ltd. (Subha Laxmi Finance Ltd.)	3,166.58	3,166.58
Cheque in Hand	1,496,883.88	16,673,198.58
Total	14,209,890.76	44,635,333.18

G.Paudyal & Associates KATHMANDU

Api Power Company Ltd.

Shedules forming part of the Accounts

For The Year Ended 31 Ashadh, 2073 (July 15, 2016)

Project Advances **Schedule-5**

Particulars	Current Year	Previous Year
Advance for Project Development (Site Office)	38,284.25	-
Advance for Project Management (Site Advance)	704,075.18	562,614.45
Advance for Land	736,247.00	720,000.00
Advance for Site Office	1,652,313.00	219,499.89
Advances for Electromechanical Works	67,400.00	3,019,524.00
Advance for Hydro Mechanical Works	12,047,057.20	74,132,739.50
Makalu Developers Ltd. (Civil Works)	35,142,036.97	56,641,124.53
Travel Advance	-	21,965.00
Narayan Prasad Khanal	1,955.94	-
Hydro Consult	3,069.75	3,069.75
Solar Project Advances	9,313.00	-
Trishuli Galchhi Project Advances	137,580.00	-
Upper Chameliya Project Advances	352,502.00	-
Upper Naugadh Project Advance	53,015,552.69	-
Total	**103,907,386.98**	**135,320,537.12**

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

Particulars	Current Year	Previous Year
LC Margin	1,160,000.00	7,583,016.37
Security Deposit (Birgunj Customs)	3,261,313.00	3,261,313.00
Security Deposit (Survey License Upper Naugadh)	4,000,000.00	4,000,000.00
Security Deposit (Survey License Upper Chameliya)	8,000,000.00	8,000,000.00
Security Deposit (Transmission Line)	700,000.00	700,000.00
Deposit to NEA	159,031.00	159,031.00
Revenue Receivable	16,616,111.00	-
Other Deposits	503,000.00	503,000.00
Interest Receivable	2,211,361.79	-
NIBL Capital Markets Ltd.	-	500,000.00
Prepaid Insurance	309,252.74	-
Advance Tax	791,857.09	-
Advance to Trade Tower Business Centre Pvt. Ltd.	-	973,281.30
Api Hydro Mechanical Ltd.	16,415,673.90	9,266,267.37
Global Trade Link	19,430.00	-
Vishal Trade Link	269.10	-
World Link Communication Pvt. Ltd.	450.00	-
South Asia Engineering Pvt. Ltd.	691,342.00	52,885.00
Gandaki Gaighat Co. Ltd	29,123.00	29,123.00
Advance for Share Application Money (Api Hydro Mechanical Ltd.)	-	20,000,000.00
Inguwa Hydropower Development Company Ltd.	2,000,000.00	2,000,000.00
Dividend Income Receivable	10,000,000.00	
Total	**66,868,214.62**	**57,027,917.04**

एपि पावर कम्पनी लिमिटेड APC 2003 API POWER COMPANY LIMITED

G.Paudyal & Associates KATHMANDU Chartered Accountants

Api Power Company Ltd.
Shedules forming part of the Accounts
For The Year Ended 31 Ashadh, 2073 (July 15, 2016)

Share Capital — **Schedule-7**

Particulars	Current Year	Previous Year
Authorised :		
120,00,000 Equity Shares of Rs. 100 Each	-	1,200,000,000.00
5,00,00,000 Equity Shares of Rs. 100 Each	5,000,000,000.00	-
Issued:		
100,00,000 Equity Shares of Rs. 100 Each	-	1,000,000,000.00
3,00,00,000 Equity Shares of Rs. 100 Each	3,000,000,000.00	-
Paid -Up:		
71,50,000 Equity Shares of Rs. 100 Each	-	715,000,000.00
100,00,000 Equity Shares of Rs. 100 Each	1,000,000,000.00	-
Total	**1,000,000,000.00**	**715,000,000.00**

Reserve and Surplus — **Schedule-8**

Particulars	Current Year	Previous Year
Profit/(Loss) Upto Previous Year	(13,641,125.56)	(6,973,999.81)
Add: Profit/(Loss) during this Year	80,829,726.14	(6,667,125.75)
Total	**67,188,600.58**	**(13,641,125.56)**

Long Term Borrowings — **Schedule-9**

Particulars	Current Year	Previous Year
Bridge Gap Loans	-	99,999,478.72
Term Loan	751,668,175.00	690,338,889.85
Total	**751,668,175.00**	**790,338,368.57**

Trade Payables — **Schedule-10**

Particulars	Current Year	Previous Year
Synergy and Energy Investment Pvt. Ltd.	-	500,000.00
Binisha Interior	60,000.86	60,000.86
Sushil Kumar Agrawal	108,281.85	108,281.85
Auto Shop Pvt. Ltd	12,500.00	-
Subishu Cable Net Pvt. Ltd.	13,380.00	-
Total	**194,162.71**	**668,282.71**

Api Power Company Ltd.

Shedules forming part of the Accounts

For The Year Ended 31 Ashadh, 2073 (July 15, 2016)

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

Particulars	Current Year	Previous Year
Arun Kabeli Power Limited (Interest Payable)	-	2,250,602.00
Vehicle Rent Payabe (Hilux)	-	240,000.00
Vehicle Rent Payable (Scorpio)	148,500.00	396,000.00
Water and Electricity Charges Payable	43,629.60	93,960.36
Capacity Royalty Payable	850,000.00	-
Revenue Royalty Payable	2,117,881.00	-
Casual Staff Salary Payable	64,448.00	-
IPO Refund Payable	3,869,374.45	-
NIBL Capital Markets Ltd.	14,575,777.90	-
Audit Fee Payable	351,225.00	128,225.00
CIT Payable	102,500.00	388,000.00
Office Rent Payable	445,500.00	172,125.00
EPF Payable	111,100.00	119,600.00
BOD Allowance Payable	128,350.00	-
Overtime Allowance Payable	20,729.00	-
Transportation & Newspaper Allowance Payable	161,500.00	-
Cheque Payable	-	1,633,340.00
Narayan Prasad Khanal	-	198,044.06
Sanima Hydro Consult	-	219,209.00
Clean Energy Consultant Pvt. Ltd.	2,014,236.00	-
Siddhakali Power Ltd.	2,000,000.00	-
Inspection & Engineering Pvt.Ltd	-	684,070.80
Retention Money (Makalu Developers Ltd.)	22,157,033.62	21,762,498.27
Retention Money (Stucto Udeko JV)	3,829,339.66	1,064,634.44
Salary & Allowances Payable	579,759.53	895,864.00
TDS Payable	6,025,938.66	7,911,588.43
Loan from Arun Kabeli Power Ltd.	-	20,000,000.00
Provision for Employee Bonus	982,500.00	-
Total	**60,579,322.42**	**58,157,761.36**

Indirect Income — **Schedule-12**

Particulars	Current Year	Previous Year
Dividend Income	47,520.90	49,443.84
Profit on Vehicle Sale	-	358,000.00
Exchange Difference (LC Payments)	-	456,955.68
Construction Power	-	184,000.00
Interest Income	5,987,725.70	-
Other Income	-	32,913.00
Application Fees	15,000.00	-
Income From Share Department	61,930.00	-
Dividend Income (Api Hydro Mechanical Ltd.)	10,000,000.00	
Total	**16,112,176.60**	**1,081,312.52**

APC 2003 API POWER COMPANY LIMITED

G.Paudyal & Associates Chartered Accountants KATHMANDU

Api Power Company Ltd.

Shedules forming part of the Accounts

For The Year Ended 31 Ashadh, 2073 (July 15, 2016)

Administrative Expenses **Schedule-13**

Particulars	Current Year	Previous Year
Advertisment & Promotion Expenses	71,948.46	427,065.04
Communication Allowances	49,624.98	-
Postage & Courier	620.00	-
Training Expenses	2,400.00	-
Transportation & Newspaper Allowance	176,000.00	-
Corporate Social Responsibility (Durga Mandir)	100,000.00	-
Irrigation Project Maintenance	36,300.00	-
Audit Fee	339,000.00	113,000.00
AGM Expenses	90,486.34	379,460.00
Board Meeting Allowance	133,200.00	152,000.00
Staff Salary & Allowances	2,105,280.00	341,041.00
Casual Staff Salary	643,400.00	-
Overtime Allowances	396,762.00	-
PF Contribution	159,530.00	-
Site Office Allowances	150,200.00	-
Wages (TL Staff)	39,200.00	-
Repair & Maintenance (Pool C)	31,768.90	-
Share Management Expenses	280,332.62	-
Government Tax & Fees	230,550.00	-
Guest Entertainment Expenses	114,542.01	-
Legal Fees	4,520.00	-
Medical Expenses	3,623.80	-
Meeting Expenses	2,365.80	-
Promotional Expenses	121,000.00	-
Special General Meeting Expenses	250,800.00	-
Travelling Expenses	187,227.13	-
Vehicle Rent	265,333.40	-
Fire Insurance Premium	2,335,779.44	-
LOP Insurance Premium	49,884.60	-
Rental Charges	9,936.00	-
Site Food Expense	22,071.80	-
Site Office Expenses	81,229.60	-
Site Rent	400.00	-
Meeting Allowance	3,600.00	130,488.00
Email & Internet Expenses	25,754.58	110,015.00
Fuel Expenses	64,046.00	250,247.00
Generator Maintenance Charges (Pool D)	13,244.95	28,000.00
Fines and Penalty	-	76,843.92
IPO Related Expenses	-	1,275,000.00
Miscellaneous Expenses	21,701.08	56,823.33
Newspapers & Periodicals	2,548.00	3,790.00
Office Expenses (HO)	5,567.23	62,128.75
Postage & Courier	872.20	1,100.00
Printing & Stationery Expenses	39,420.00	329,710.00
Rent Expenses (HO)	396,000.00	1,586,250.00
Repair & Maintenance Expenses (Pool B)	6,164.00	57,269.60
Rates & Taxes	-	104,722.95
Telephone Expenses	5,464.00	14,000.00
Tiffin Expenses (HO)	29,289.40	88,791.00
SMS Service Charges	2,124.40	10,776.00
Water & Electricity	[illegible]	[illegible]

Api Power Company Ltd.

Schedules forming Parts of Accounts

For The Year Ended 31 Ashadh, 2073 (July 15, 2016)

Schedule-14

Significant Accounting Policies & Notes to the Accounts

A General Information

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

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

B Summary of Significant Accounting Policies

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

B.1 Statement of Compliance

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

B.2 Basis of Preparation

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

B.3 Basis of Revenue Recognition

The Principal Revenue generating activity of the company comprises of Sale of Electricity to the Nepal Electricity Authority. The company has commenced its commercial operation effective from Bhadra 2, 2072 B.S.

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 80 % & 20 % among Upper Naugadh Project Advance and Income Statement.

Administrative Expenses incurred during the financial year have been apportioned as under;

Particulars	Transferred to Upper Naugadh Project Advance	Transferred to Naugadh Project Cost	Transferred to Income Statement	Total
Administrative Expenses	21,766,090.97	2,987,991.00	9,153,244.72	33,907,326.69

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 including interest cost 5,642,263.25 of nine months of current year. 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%

However, during the year depreciation of six months only has been charged to income statement.

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

C **Notes to the Accounts**

C.1 **Status of Company**

The company has been converted to a Public Limited Company from a Private Limited Company as per the approval of the Office of the Company Registrar.

C.2 **Project in Progress**

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

C.3 **Investment**

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

C.4 **Other Income**

The Company has booked dividend income of Rs. 1,00,00,000 from Api Hydro Mechanical Ltd as right to receive is arised as on reporting date and Rs. 47,520.90 from Peoples' Investment Company Ltd.

C.5 **Corporate Tax**

Since, the company is enjoying tax exemption period, so income tax has not been provisioned.

C.6 **Deferred Tax**

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

C.7 **Schedules**

Schedule 1-14 form the integral part of the financial statement.

C.8 **Staff Bonus Provision**

Bonus for Staffs has been provisioned for 1 Month of Basic Salary.

C.9 **Related Party Disclosure**

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

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

C.10 **Dividend Declaration:** The company has proposed 5% stock dividend excluding dividend tax.

C.11 **Re-Grouping**

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

अपि पावर कम्पनी लिमिटेड APC 2003 API POWER COMPANY LIMITED

G.Paudel & Associates KATHMANDU Chartered Accountants