

I.P Mainali & Associates

Chartered Accountants

ICAN Reg. No. 869

Cop No: 978

Membership No. 1440

PAN No. 612770083

Kathmandu-8, Jayabageshwari

Tel: 01-4913480

Email: ca.indramainali@gmail.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF AARATI POWER COMPANY LIMITED

We have audited the accompanying financial statements of Aarati Power Company Ltd which comprise the Balance Sheet as at 32 Ashad, 2079, (16, July, 2022) and the related Income Statement, Statements of change 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 to provide a basis for our opinion, is sufficient and appropriate.

Opinion

In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of Aarati Power Company Ltd, as at 32 Ashad, 2079, (16 July, 2022), and of the results of its financial performance and its cash flows for the year then ended and in accordance with Nepal Accounting Standards & relevant practice.

Report on Other Legal and Regulatory Requirements

On the basis of our examination on 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. The 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 Flow dealt with by this report are in agreement with the books of account maintained by the company.

For: LP Mainali & Associates

Chartered Accountant

Place: Kathmandu

Date: 2080/07/24

UDIN Number:230303CA014407Z4Hw

CA Indra Prasad Mainali



Aarati Power Company Limited
Balance Sheet
As on Ashad 32, 2079 (16 July, 2022)

Particulars	Schedule	Current Year	Previous Year
Assets			
I. Non Current Assets			
Gross Property, Plant and Equipment	1	2,833,425.27	785,659.69
Project WIP	2	129,955,748.41	54,242,271.25
Total Non Current Assets		132,789,173.67	55,027,930.94
II. Current Assets			
Cash and Bank Balances	3	8,316,997.09	2,077,108.45
Loans, Advance & Deposit	5	77,367,576.75	29,070,351.00
Total Current Assets		85,684,573.84	31,147,459.45
Total Assets-(I+II)		218,473,747.51	86,175,390.39
Capital and Liabilities			
I. Capital			
Paid Up Capital	6	199,965,000.00	66,215,000.00
Share Application Money		15,014,634.00	17,538,500.00
Reserve and Surplus	7	(1,729,558.79)	676,436.50
Total Capital		213,250,075.21	84,429,936.50
II. Long Term Loan			
Bank Loan	4	-	-
Total Long Term Liabilities		-	-
III. Current Liabilities			
Trade & Other Payables	8	5,223,672.31	1,745,453.89
Total Current Liabilities		5,223,672.31	1,745,453.89
Total Capital and Liabilities: (I+II)		218,473,747.51	86,175,390.39

Significant accounting policies & Notes to the Accounts ||

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


Date: 2080/02/24
Place: Kathmandu


Chairman




Director




C.A. Indra Prasad Mainali
Proprietor

Aarati Power Company Limited
Cash Flow Statement
For the Year Ended on Ashad 32, 2079 (16 July, 2022)

Particulars	Current Year	Previous Year
Cash Flow From Operating Activities:		
Net Profit/(Loss)	(2,405,995.29)	40,187.66
Add:		
Depreciation	202,254.42	153,154.00
Cash Flow From Operating activities before changes in W/C	(2,203,760.87)	193,341.66
Cash Flow From Operating Activities:		
Decrease/(Increase) in Current Assets	(48,297,225.75)	(17,795,349.63)
Increase/(Decrease) in Current Liabilities & Provisions	3,478,218.42	802,267.61
Net Cash Flow From Operating Activities	(47,022,768.20)	(16,799,740.36)
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(2,250,000.00)	(557,818.78)
Increase in Capital WIP	(75,713,477.16)	(12,696,660.39)
Net Cash Flow From Investing Activities	(77,963,477.16)	(13,254,479.17)
Cash Flow from Financing Activities		
Increase in Share Capital	133,750,000.00	16,230,000.00
Share Application Money Received/(Paid)	(2,523,866.00)	15,138,500.00
Increase in borrowing		
Net Cash Flow From Financing Activities	131,226,134.00	31,368,500.00
Total Cash Flow From All Activities	6,239,888.64	1,314,280.47
Opening Cash & Bank Balances	2,077,108.45	762,827.98
Closing Cash & Bank Balances	8,316,997.09	2,077,108.45

Significant accounting policies & Notes to the Accounts

Date: **2080102124**

Place: Kathmandu

11. As per our attached report of even date

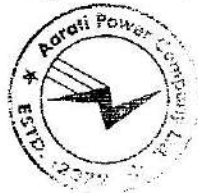
For I.P. Mahapatra & Associates

Chartered Accountants


Chairman


Director


Director



Aarati Power Company Limited
Income Statement

For the Year Ended on Ashad 32, 2079 (16 July, 2022)

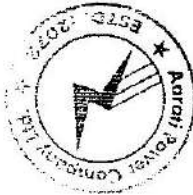
Particulars	Schedule	Current Year	Previous Year
Direct Income			
Revenue from Sales of Electricity		-	-
Gross Profit/(Loss)			
Add: Indirect Income			
Bank Interest Income	9	548,215.40	468,221.66
Less : Indirect expenses			
General and Administrative expenses	10	2,751,976.27	224,996.00
Earning Before Depreciation, Interest & Tax (EBDIT)		(2,203,760.87)	243,225.66
Less : Depreciation expenses	1	202,234.42	153,154.00
Earning Before Interest & Tax (EBIT)		(2,405,995.29)	90,071.66
Less : Bank Interest & Financial charges		-	27,120.00
Earning Before Tax (EBT)		(2,405,995.29)	62,951.66
Less : Provision for Income Tax		-	22,764.00
Profit/(Loss) transferred to Balance Sheet		(2,405,995.29)	40,187.66

Significant accounting policies & Notes to the Accounts

Date: 2080/10/24

Place: Kathmandu


Chairman




Director

11
as per our accounts reports of this date

For I.P Mainali & Associates

Chartered Accountants



C.A. Indira Prasad Mainali

Proprietor

Aarati Power Company Limited

Statement of Changes in Equity

For the Year Ended on Ashad 32, 2079 (16 July, 2022)

Particulars	Share Capital	Share Premium	Revaluation Reserves	Retained Earnings	Other Reserves	Total
Opening Balance	66,215,000.00	-	-	676,436.50	-	66,891,436.50
Share Application Money Received	17,538,500.00	-	-	-	-	17,538,500.00
Opening Balance as on 2078-04-01	83,753,500.00	-	-	676,436.50	-	84,429,936.50
Profit/(Loss) for the Year	-	-	-	(2,405,995.29)	-	(2,405,995.29)
Transferred to General Reserves	-	-	-	-	-	-
Shares Issued	133,750,000.00	-	-	-	-	133,750,000.00
Share Application Money Returned for the Year	(2,523,866.00)	-	-	-	-	(2,523,866.00)
Closing Balance as on 2079-03-32	214,979,634.00	-	-	(1,729,558.79)	-	213,250,075.21

Significant accounting policies & Notes to the Accounts

Date : ~~2080-03-31~~
 Place : Kathmandu

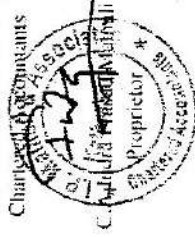
[Signature]
 Chairman

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 Director

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

Chartered Accountants



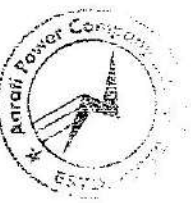
Aarati Power Company Ltd
 Schedule Forming Part of the Financial Statement
 For The Year Ended 31 Ashadh, 2079 (16 July, 2022)

Particulars	Opening Balance	Addition			Total	Total Depreciation Base	Depreciation	Closing WDV
		Upto Poush	Magh to Chaitra	Barishak to Ashad				
Depreciable Assets								
Block A								
Land					2,250,000.00	2,250,000.00		2,250,000.00
Total (A)					2,250,000.00	2,250,000.00		2,250,000.00
Block B								
Furniture & Fixtures	598,248.44					598,248.44	149,502.11	448,686.33
Computer and Printer	91,354.75					91,354.75	32,838.69	68,516.06
Office Equipment	26,222.50					26,222.50	6,555.63	19,666.88
Total (B)	715,825.69					715,825.69	178,956.42	536,869.27
Block E								
Tally	69,834.00					69,834.00	23,278.00	46,556.00
Total (C)	69,834.00					69,834.00	23,278.00	46,556.00
Grand Total	785,659.69				2,250,000.00	3,035,659.69	202,234.42	2,833,425.27

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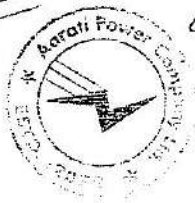
Aarati Power Company Limited
Schedule to and forming part of Balance Sheet
As on Ashad 32, 2079 (16 July, 2022)

Project WIP

Schedule 2

Particulars	Current Year	Addition During The Year	Previous Year
Advertisement Expenses	275,015.00	-	275,015.00
Bank Charges	671,945.00	8,340.00	663,605.00
Detail Design and Tender Document Preparation	1,695,000.00	-	1,695,000.00
Discharge Measurement Expenses	48,250.00	20,000.00	28,250.00
Feasibility Study Expenses	3,565,714.50	-	3,565,714.50
PPA Expenses	810,000.00	-	810,000.00
Generation License Expenses	1,000,000.00	-	1,000,000.00
Grid Impact Study Expenses	302,000.00	-	302,000.00
Guest Entertainment Expenses	850,990.20	29,734.00	821,256.20
DOED License Fee	8,000,000.00	-	8,000,000.00
IEE Report Preparation Expenses	500,000.00	-	500,000.00
Legal Expenses	120,391.18	1,741.18	118,650.00
Lodging & Fooding	6,364,810.67	3,049,324.00	3,315,486.67
Community Meeting Expenses	4,205,000.00	3,365,000.00	840,000.00
Compensation Expenses	13,962,500.00	13,962,500.00	-
Office Rent	2,153,673.32	780,000.00	1,373,673.32
Printing & Stationery Expenses	867,046.00	395,730.00	471,316.00
Miscellaneous Expenses	183,412.37	100.00	183,312.37
Registration and Renewal Expenses	1,267,685.00	258,050.00	1,009,635.00
Repair and Maintenance	200,948.00	82,888.00	118,060.00
Road Construction Access Road	23,390,000.00	20,000,000.00	3,390,000.00
Project Staff Salary	23,487,980.66	7,677,500.00	15,810,480.66
Social Mobilization Expenses	7,132,700.00	5,070,000.00	2,062,700.00
Telephone and Communication Expenses	202,461.00	19,800.00	182,661.00
Telephone Installation	5,200.00	-	5,200.00
Local Transportation Expenses	7,543,595.00	3,428,095.00	4,115,500.00
Water and Electricity Expenses	83,895.00	21,195.00	62,700.00
Fuel Expenses (Project Site)	972,187.05	972,187.05	-
Wages	7,443,348.46	3,921,292.93	3,522,055.53
Consult Fee/Report Project	900,000.00	900,000.00	-
Loan (Credit Facility Agreement) Processing Fee	6,750,000.00	6,750,000.00	-
Permanent Camp	5,000,000.00	5,000,000.00	-
Total	129,955,748.41	75,713,477.16	54,242,271.25

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Aarati Power Company Limited
Schedule to and forming part of Balance Sheet
As on Ashad 32, 2079 (16 July, 2022)

Cash and Bank Balances

Schedule 3

Particulars	Current Year	Previous Year
Cash in Hand (As Certified By Management)	283,790.00	61,748.00
Kumari Bank Ltd.	7,973,728.09	347,733.09
Meechhapuchre Bank Ltd.	59,479.00	15,734.00
NCC Bank Ltd.	-	1,651,893.36
Total	8,316,997.09	2,077,108.45

Bank Loan

Schedule 4

Particulars	Current Year	Previous Year
Kumari Bank--Loan 0130019864500004	-	-
Total	-	-

Loans, Advance & Deposit

Schedule 5

Particulars	Current Year	Previous Year
Project Advance	59,850,806.82	19,280,546.40
Performance Guarantee	8,700,000.00	8,700,000.00
Jyoti Kalle-Advance	-	26,557.23
Dinesh Bista	58,500.00	-
Units Energy Consultancy-Advance	1,500,000.00	1,000,000.00
Nepal Environment & Development Consultant P. Ltd.	278,375.00	-
Regular Zone	346,000.00	-
Other Advance	11,946.90	-
Advance For Land Purchase	3,577,500.00	-
Staff Advance	238,452.00	-
Prakash Dulal	2,658,530.68	-
TDS Receivable	147,465.35	63,247.37
Total:(01 to 05)	77,367,576.75	29,070,351.00

Share Capital

Schedule 6

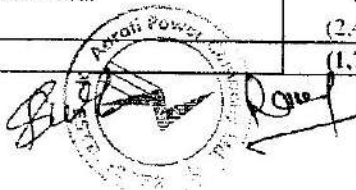
Particulars	Current Year	Previous Year
Authorized Share Capital		
Authorized Share Capital 8,000,000 Equity shares @ 100 each	800,000,000.00	800,000,000.00
Issued Share Capital		
Issued Share Capital 8,000,000 Equity shares @ 100 each	800,000,000.00	800,000,000.00
Paidup Capital		
Subscribed and Paid up Share Capital 19,99,650 Equity shares @ 100 each	199,965,000.00	66,215,000.00
Total	199,965,000.00	66,215,000.00

Reserve and Surplus

Schedule 7

Particulars	Current Year	Previous Year
Accumulated Profit/(Loss) upto Previous Year	676,436.50	636,248.84
Profit/(Loss) for the Year	(2,405,995.29)	492,187.66
Total	(1,729,558.79)	676,436.50

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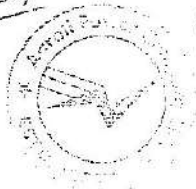
Aarati Power Company Limited
Schedule to and forming part of Balance Sheet
As on Ashad 32, 2079 (16 July, 2022)

Trade & Other Payables		Schedule 8	
Particulars	Current Year	Previous Year	
Audit Fee Payable	148,008.86	129,754.44	
Jyoti Kafle Payable	8,092.77	20,000.00	
Prakash Dulal Payable-Office Use	234,005.00	379,503.93	
Bharat Bhd. Khatri--Advance	-	-	
Insight Management Pvt. Ltd.	27,875.00	27,875.00	
Nepal Environment & Development Consultant P. Ltd.	-	221,625.00	
House Rent Payable	518,500.00	-	
Income Tax Payable	22,764.00	22,764.00	
Staff Payable	2,777,730.00	-	
Salary Payable	809,327.00	653,210.00	
CIT Payable	300,000.00	-	
Expenses Payable	34,117.04	-	
Rental Tax Payable	104,890.66	59,554.66	
TDS Payables			
TDS on Audit Fee	995.58	-	
TDS on Wages	39,213.32	-	
TDS on Salary (SST)	67,150.00	-	
TDS on Salary (Remuneration Tax)	118,795.00	-	
TDS on Consultancy Service	11,946.90	-	
TDS on Legal Fee	261.18	-	
TDS Payable	-	231,166.86	
Total	5,223,672.31	1,745,453.89	

Other Income		Schedule 9	
Particulars	Current Year	Previous Year	
Interest Income	548,215.40	468,221.66	
Total	548,215.40	468,221.66	

General and Administrative Expenses		Schedule 10	
Particulars	Current Year	Previous Year	
Audit Fee	75,000.00	75,000.00	
Fine, Penalty & Taxes	17,338.53	28,104.00	
Local Taxes & Charges	78,900.00	-	
Donation Expenses	2,500,000.00	-	
Fuel Expenses	51,167.74	82,102.00	
Office Expenses	29,570.00	39,790.00	
Total	2,751,976.27	224,996.00	

Shyam



Shiv

Ranjit



Aarati Power Company Limited
Schedule Forming Part of Financial Statement
As on Ashad 32, 2079 (15 July, 2022)

Schedule-11

Significant Accounting Policies & Notes to the Accounts

A Significant Accounting Policies

1 Accounting Conventions

The Financial Statements are prepared under the Historical Cost Convention on an Accrual Concept and are in accordance with Generally Accepted Accounting Principles and others applicable laws prevalent in Nepal. The accounting policies are consistently applied by the company. This Project is constructed on Build, Own, Operate, Transfer (BOOT) model, after the license period, the project has to be transferred to Nepal Government in running condition.

2 Use of estimates

The preparation of Financial Statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of revenue & expenses during the reporting period.

3 Property, Plant & Equipment and Depreciation

- i) Property, Plant and Equipment are stated at cost and are inclusive of all expenses to the date putting the assets to use. Cost of installation and other attributable expenses till the date of capitalization are included in the respective assets proportionately.
- ii) Depreciation on Property, Plant & Equipment has been charged on Written Down Value (WDV) Method as per the rates prescribed in the Income Tax Act 2058.
- iii) All the direct & indirect expenses related to the hydropower project have been capitalized to the project as Project WIP.

4 Expenses Recognition

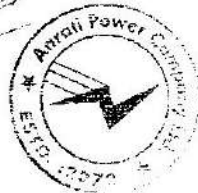
The company has adopted the system of recognition of expenses on accrual basis.

B Notes to the Accounts

1 Comparative Information & Re-Grouping

- i) Previous years' figures have been re-grouped & re-arranged wherever necessary.
- ii) Schedule 1 to 11 form the integral parts of the Balance Sheet and Income Statement.

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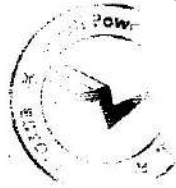
**Auditor's Notes on Certification of Income Tax Return of
Aarati Power Company Limited
For the F/Y 2078/79**

We have examined the books of accounts maintained by Aarati Power Company Ltd. as per Section 81 of Income Tax Act 2058. We certify that the transactions of the company is true and fair on the basis of books of accounts and other related documents provided to us. Our notes regarding the certification is as follows:

Details of Expenses deductible as per Income Tax Act 2058

Account Head	Total Expenses	Expenses Deductible	Expenses not Deductible	Expenses Deductible under separate Section	Annex	Remarks
Audit Fee	75,000.00	75,000.00				
Fine, Penalty & Taxes	17,338.53	-	17,338.53			U/S 21
Local Taxes & Charges	78,900.00	78,900.00				
Donation Expenses	2,500,000.00	-	2,500,000.00			U/S 12
Fuel Expenses	51,167.72	51,167.72				
Office Expenses	29,570.00	29,570.00				
Grand Total	2,751,976.25	234,637.72	2,517,338.53			

G. K. M.



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Aarati Power Company Limited
For the F/Y 2078/79

Calculation of Taxable Income

Particulars	Amount
Net Profit before Tax	(2,405,995.27)
Add: Expenses not deductible	
Administrative Expense	2,517,338.53
Repair & Maintenance	2,517,338.53
Net Profit/(Loss)	111,343.26
Add:	
Loss: Up to Previous Year	
Carry Forward Loss For next Year	111,343.26

Calculation of Income Tax

Particulars	Amount
Rate of Income Tax	25%
Tax Amount	27,835.82

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