



**P. MURALI & CO.,**

CHARTERED ACCOUNTANTS  
6-3-655/2/3, SOMAJIGUDA,  
HYDERABAD - 500 082. INDIA

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**AUDITORS' REPORT**

To  
The Members,  
KAMENG DAM HYDRO POWER PRIVATE LIMITED

We have audited the attached Balance Sheet of KAMENG DAM HYDRO POWER PRIVATE LIMITED as at 31st March, 2011 and Cash Flow Statement for the year ended on that date annexed thereto (collectively referred to as financial statements).. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

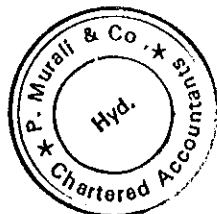
We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditor's Report) order 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of the sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

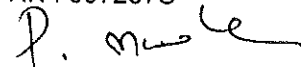
Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books ;
- (iii) The Balance Sheet dealt with by this report is in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956.
- (v) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 ;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India in the case of ;
  - (a) the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011 and
  - (b) the Cash Flow Statement, of the cash flows for the year ended on that date.

PLACE: HYDERABAD  
DATE : 30/04/2011



For P.MURALI & CO.,  
CHARTERED ACCOUNTANTS  
FRN : 007257S

  
P. MURALI MOHANA RAO  
PARTNER  
M.No.023412



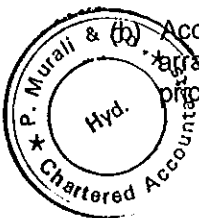
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### ANNEXURE TO THE AUDITORS' REPORT

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.  
(b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.  
(c) The Company has not disposed off substantial part of the Fixed Assets.
- II. (a) The Company has no inventory and hence this clause is not applicable.
- III. (a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.  
(b) As the Company has not granted any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.  
(c) As no loans are granted by company, the clause of receipt of interest & principal amount from parties, is not applicable to the company.  
(d) No loans have been granted to Companies, Firms & other parties listed in the register U/s.301 of the Companies Act, 1956, hence overdue amount of more than rupees one lac does not arise and the clause is not applicable.  
(e) The Company has taken unsecured loans from two companies covered under the register maintained under Section 301 of the Act. The maximum amount outstanding during the year and the year-end balance of such loans was Rs.568,804,454.  
(f) In our opinion, the rate of interest & other terms and conditions on which loans have been taken from Companies, Firms & other parties listed in the Register maintained u/s. 301 of the Companies Act, 1956, are not prima facie, prejudicial to the interest of the Company.  
(g) On the basis of our checking and according to the information and explanations given to us during the course of our audit, the Company is regular in repaying the principal amount and interest to parties from whom loans are taken.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets. There is no continuing failure by the company to correct any major weaknesses in internal control.
- V. (a) In our opinion and according to the information and explanation given to us, the contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the company in respect of the financial year, are entered in register U/s 301 of the Companies Act, 1956 does not arise.



(b) According to the information and explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regards to the prevailing market prices at the relevant time does not arise.

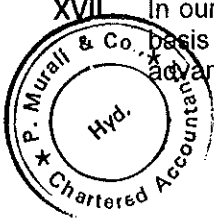


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- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A,58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.
- VII. Since the paid-up capital and Reserves of the Company at the commencement of the financial year was not exceeding Rs.50 lacs or not having an average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the current financial year, hence the clause of having an Internal Audit system commensurate with its size and nature of its business is not applicable.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (l) of section 209 of the Companies Act, 1956.
- IX. a) The Company is regular in depositing statutory dues including Provident Fund, Income Tax, Cess and any other statutory dues with the appropriate authorities. No undisputed amount payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.
- b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- X. There are no accumulated and cash losses in the company, since the company has not commenced commercial operation.
- XI. In our opinion, the Company has not defaulted in repayment of dues to a financial institutions or banks.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.
- XIV. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.
- XVI. According to the information and explanations given to us, the Company has not obtained any Term Loans, hence this clause is not applicable.
- XVII. In our opinion, the Company has used funds amounting to Rs. 561,904,123 raised on short term basis for long term investment. These short term funds are loans against deposits and loans and advances from related parties, which are payable on demand.





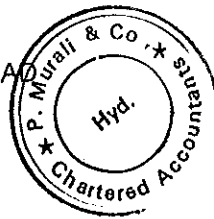
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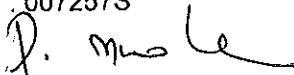
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- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
- XX. According to information and explanations given to us, the company has not raised money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

PLACE: HYDERABAD  
DATE : 30/04/2011



For P.MURALI & CO.,  
CHARTERED ACCOUNTANTS  
FRN : 007257S

  
P. MURALI MOHANA RAO  
PARTNER  
M.No.023412

**Kameng Dam Hydro Power Private Limited**  
**Balance Sheet as at March 31,2011**  
(All amount in Indian Rupees, except share data and where otherwise stated)

	Schedule	March 31,2011	March 31, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	100,000	100,000
<b>Loan funds</b>			
Secured loans	2	5,003,596	-
Unsecured loans	3	586,481,761	499,662,946
		<u>591,485,357</u>	<u>499,662,946</u>
		<u>591,585,357</u>	<u>499,762,946</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	4	536,262	316,182
Less : depreciation		51,923	33,920
Net block		<u>484,339</u>	<u>282,262</u>
Capital work-in progress (including capital advances)	5	562,292,942	469,574,970
		<u>562,777,281</u>	<u>469,857,232</u>
<b>Investments</b>	6	-	4,145,862
<b>Current assets, loans and advances</b>			
Cash and bank balances	7	1,342,552	199,197
Other current assets	8	1,995	1,092
Loans and advances	9	32,338,291	30,822,509
		<u>33,682,838</u>	<u>31,022,798</u>
<b>Less : Current liabilities and provisions</b>	10		
Current liabilities		4,813,494	5,225,832
Provisions		61,268	37,114
		<u>4,874,762</u>	<u>5,262,946</u>
<b>Net current assets</b>		<u>28,808,076</u>	<u>25,759,852</u>
<b>Significant accounting policies and notes to accounts</b>	11	<u>591,585,357</u>	<u>499,762,946</u>

The Schedules referred to above form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our report of even date.

for P Murali & Co.,  
Firm Registration No. 007257S  
Chartered Accountants

*P. Murali Mohana Rao*  
P Murali Mohana Rao  
Partner  
Membership No. 23412



Place : Hyderabad  
Date : 30 April 2011

for and on behalf of the board

*S. Kishore*  
S Kishore  
Director

*K. A. Sastry*  
K A Sastry  
Director

**Kameng Dam Hydro Power Private Limited**  
**Cash Flow Statement for the year ended March 31, 2011**  
(All amount in Indian rupees, except share data and where otherwise stated)

	March 31, 2011	March 31, 2010
<b>A. Cash flow from operating activities</b>		
Operating profit before working capital changes	-	-
<u>Adjustments for:</u>		
(Increase)/decrease in loans and advances	(1,515,472)	(179,725)
Increase/(decrease) in current liabilities	(1,202,938)	698,397
Cash generated from/(used in) operations	(2,718,410)	518,672
Income tax paid	(10,662)	(28,943)
Net cash from/(used in) operating Activities	(2,729,072)	489,729
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets (including capital work in progress and expenditure during construction pending allocation)	(23,637,440)	(15,828,669)
Purchase of investments	-	(140,000,000)
Sale of investments	4,145,862	135,854,138
Interest received	2,685	3,257,209
Dividend income	2,814	3,145,862
Net cash from (used in) investing activities	(19,486,079)	(13,571,460)
<b>C. Cash flow from financing activities</b>		
Interest and finance charges	(66,422,104)	(66,846,806)
Proceeds from borrowings	89,780,610	79,808,821
Net Cash from / (used in) financing activities	23,358,506	12,962,015
Net increase/(decrease) in cash and cash equivalents	1,143,355	(119,716)
Cash and cash equivalent - opening Balance	199,197	318,913
Cash and cash equivalent - closing Balance	1,342,552	199,197
<b>Note : Components of cash and cash equivalents comprise</b>		
Cash in hand	9,668	36,821
Balances with scheduled banks		
-in current accounts	1,322,884	152,376
-in deposit accounts	10,000	10,000
	1,342,552	199,197

This is the Cash Flow Statement referred to in our report of even date

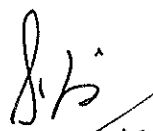
for P Murali & Co.,  
Firm Registration No. 007257S  
Chartered Accountants

P Murali Mohana Rao  
Partner  
Membership No. 23412

Place : Hyderabad  
Date : 30 April 2011



for and on behalf of the board

  
S. Kishore  
Director

  
K. A. Sastry  
Director

**Kameng Dam Hydro Power Private Limited**  
(All amount in Indian rupees, except share data and where otherwise stated)

**Schedules to the Balance Sheet**

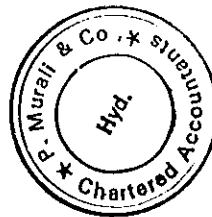
	March 31,2011	March 31, 2010
<b>1 Share Capital</b>		
<b>Authorised :</b>		
10,000 ( March 31, 2010 -10,000 ) Equity shares of Rs. 10/- each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
<b>Issued, subscribed and paid-up :</b>		
10,000 (March 31, 2010-10,000) Equity shares of Rs. 10 each, fully paid-up	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
The above 10,000 (March 31,2010-10,000) equity shares of Rs.10 each, fully paid up are held by the holding company, KSK Energy Ventures Limited.		
<b>2 Secured loans</b>		
Short term loans and advances *		
From banks	5,003,596	-
	<u>5,003,596</u>	<u>-</u>
* Secured by pledge of deposits.		
<b>3 Unsecured loans</b>		
Short-term loans and advances:		
From others	586,481,761	499,662,946
	<u>586,481,761</u>	<u>499,662,946</u>
<b>5 Capital work in progress</b>		
<b>A. Assets under construction</b>	293,305,376	291,981,826
<b>B. Expenditure pending allocation</b>		
Engineering services	21,962,792	5,951,252
Personnel costs	3,070,459	706,452
Rates and taxes	24,214,922	24,198,998
Consultancy and other professional charges	27,923,200	27,762,875
Travelling and conveyance	2,179,134	1,008,785
Remuneration to auditors	447,099	336,799
Rent	3,288,263	721,152
Repairs and maintenance	705,351	313,663
Miscellaneous expenses	2,226,272	1,432,649
Depreciation	51,923	33,920
Income tax	64,932	64,597
Interest others	183,586,891	115,122,986
Finance charges	16,833	13,985
Less:		
Other income	(3,303,967)	(3,300,069)
<b>C. Advances against capital contracts</b>	2,553,462	3,225,100
	<u>562,292,942</u>	<u>469,574,970</u>



**Kameng Dam Hydro Power Private Limited**  
(All amounts in Indian rupees, except share data and where otherwise stated)

**Schedules to the Balance Sheet**  
**4 Fixed assets**

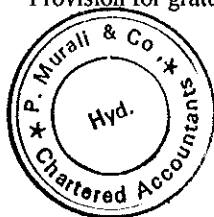
Particulars	Gross Block			Depreciation			Net Block	
	As at April 01, 2010	Additions during the year	As at March 31, 2011	As at April 01, 2010	For the year	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Plant and Machinery	23,000	-	23,000	66	1,093	1,159	21,841	22,934
Furniture and Fittings	206,172	22,500	228,672	18,746	13,442	32,188	196,484	187,426
Office Equipment	87,010	197,580	284,590	15,108	3,468	18,576	266,014	71,902
<b>Total</b>	<b>316,182</b>	<b>220,080</b>	<b>536,262</b>	<b>33,920</b>	<b>18,003</b>	<b>51,923</b>	<b>484,339</b>	<b>282,262</b>
<b>As at March 31, 2010</b>	<b>10,950</b>	<b>305,232</b>	<b>316,182</b>	<b>10,950</b>	<b>22,970</b>	<b>33,920</b>	<b>282,262</b>	<b>-</b>



**Kameng Dam Hydro Power Private Limited**  
(All amount in Indian rupees, except share data and where otherwise stated)

Schedules to the Balance Sheet

	March 31,2011	March 31, 2010
<b>6 Investments</b>		
<b>Current investments</b>		
<i>(quoted, fully paid up)</i>		
IDFC Mutual Fund	-	4,145,862
Nil ( March 31,2010-414,523.981 units of Rs 10.0015 each) .	-	-
	-	4,145,862
<b>7 Cash and bank balances</b>		
Cash and cheques on hand	9,668	36,821
<b>Balances with scheduled banks :</b>		
in current accounts	1,322,884	152,376
in deposit accounts	10,000	10,000
	1,342,552	199,197
<b>8 Other current assets</b>		
Interest accrued on deposits	1,995	1,092
	1,995	1,092
<b>9 Loans and advances</b>		
<i>(Unsecured, considered good)</i>		
Advances recoverable in cash or in kind or for value to be received	222	220,250
Deposits	32,335,500	30,600,000
Advance tax and tax deducted at source (net of provision for tax )	2,569	2,259
	32,338,291	30,822,509
<b>10 Current liabilities and provisions</b>		
<b>Current liabilities</b>		
Sundry creditors		
- Dues to micro, small and medium enterprises	-	-
- Dues to others	2,374,674	3,147,775
Other liabilities	2,438,820	2,078,057
	4,813,494	5,225,832
<b>Provisions</b>		
Provision for taxation (net of advance tax)	335	10,662
Provision for gratuity	60,933	26,452
	61,268	37,114



# Kameng Dam Hydro Power Private Limited

## Schedules to the Balance Sheet (continued)

(All amounts in Indian Rupees, except where otherwise stated)

### Schedule 11

#### Statement on significant accounting policies and notes to accounts

##### A. Significant accounting policies

###### 1. Accounting convention:

The financial statements of Kameng Dam Hydro Power Private Limited (or "the Company") have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the basis of a going concern, with revenues recognized and expenses accounted on their accrual including provisions/adjustments for committed obligations and amounts determined as payable or receivable during the accounting period. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956.

###### 2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and reported amounts of income and expenditure for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

###### 3. Fixed assets

Fixed Assets are stated at cost of acquisition *less* depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals directly or indirectly attributable to bringing the asset to its working condition for its intended use.

Borrowing costs directly attributable to the acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized

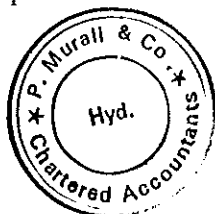
Assets under Installation or under construction as at the Balance Sheet date are shown as Capital work in progress.

All fixed assets are assessed for any indication of impairment at the end of each financial year. On Such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

###### 4. Depreciation

Depreciation has been provided on Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except for assets costing up to Rs. 5,000/-, which are fully depreciated in the year of acquisition. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Leasehold land is being amortized over the lease period.

Capital expenditure on assets not owned by the Company under the head Fixed Assets is amortized over a period of life of the asset from the year in which the asset becomes available for use.



**Kameng Dam Hydro Power Private Limited**  
**Schedules to the Balance Sheet (continued)**

(All amounts in Indian Rupees, except where otherwise stated)

**Schedule 11**

**Statement on significant accounting policies and notes to accounts**

**5. Capital work in progress:**

Capital work in progress is carried at cost and incidental and attributable expenses including interest and depreciation on fixed assets in use during construction are carried as part of "Expenditure During Construction Period, Pending Allocation" to be allocated on major assets on commissioning of the project.

In respect of supply-cum-erection contracts, the value of supplies received at site and accepted is treated as Capital Work-in-progress.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

**6. Cash flow statement :**

Cash flows are reported using the indirect method, where by the net profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated and presented separately.

**7. Employee benefits:**

Contributions payable to the recognised provident fund, which is a defined contribution scheme, is charged to the profit and loss account.

Gratuity, which is a defined benefit, is administered by trustees of employees gratuity fund and is funded through a scheme administered by the Life Insurance Corporation of India ('LIC'). Annual contributions to the fund are made on the basis of an actuarial valuation at the balance sheet date, carried out by an independent actuary.

Actuarial gains and losses arising during the year are recognised in the profit and loss account.

**8. Foreign currency transaction:**

Foreign Currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.

At the Balance Sheet, foreign currency monetary items are translated using the closing/contracted rate. Non monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction. The differences in translation of monetary assets and liabilities and realized gains and losses on foreign currency transactions are recognized in the statement of profit and loss account.

Other exchange differences are recognized as income or expense in the period in which they arise.



**Kameng Dam Hydro Power Private Limited**  
**Schedules to the Balance Sheet (continued)**

(All amounts in Indian Rupees, except where otherwise stated)

**Schedule 11**

**Statement on significant accounting policies and notes to accounts**

**9. Taxes on income:**

Income tax expense comprises current tax and deferred tax.

*Current tax*

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

*Deferred tax*

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

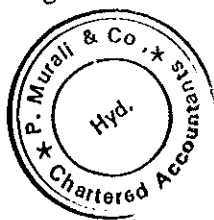
Deferred tax assets are reviewed at each Balance Sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

The break-up of the deferred tax assets and liabilities as at the Balance Sheet date has been arrived at after setting-off deferred tax assets and liabilities where the Company has no legally enforceable right and an intention to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

**10. Provisions and contingencies:**

The Company recognizes a provision when there is a present obligation as a result of past obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.



**Kameng Dam Hydro Power Private Limited**  
**Schedules to the Balance Sheet (continued)**

(All amounts in Indian Rupees, except where otherwise stated)

**Schedule 11**

**Statement on significant accounting policies and notes to accounts**

**B. Notes forming part of accounts**

**1. Capital commitments and contingent liabilities:**

(i) Contingent liabilities – Nil ( March 31, 2010 –Rs.Nil)

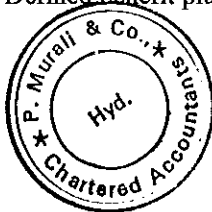
(ii) Estimated amount of contracts remaining to be executed on capital account and not provided for in the Company – Rs.63,710,918 ( March 31, 2010 –Rs.32,445,969)

2. The Company was incorporated on 9 April 2007 for setting up a 600 MW Hydel based Power Plant in Tehsil Nafra, West Kameng District in the State of Arunachal Pradesh. Since the Company is in construction stage, no profit and loss account was prepared for the year. All the expenditure incurred during the construction period is grouped and disclosed under “Expenditure during construction period, pending allocation” (Refer schedule 4 to the Balance Sheet).

**3. Employee benefit plans**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Defined benefit plans - Gratuity



**Kameng Dam Hydro Power Private Limited**  
**Schedules to the Balance Sheet (continued)**

(All amounts in Indian Rupees, except where otherwise stated)

**Schedule 11**

**Statement on significant accounting policies and notes to accounts**

Particulars	March 11	March 10
<b>Present value of obligation at the beginning of the year</b>	26,452	-
Interest cost	2,116	-
Current service cost	17,193	7,492
Past Service Cost (non vested benefits)	50,364	-
Past Service Cost (vested benefits)	-	-
Benefits paid	-	-
Actuarial loss/(gain) on obligation	(10,010)	18,960
<b>Present value of obligation at the end of the year</b>	<b>86,115</b>	<b>26,452</b>
<b>Fair Value of Plan assets at the beginning of the year</b>	-	-
Expected return on plan assets	-	-
Contributions	-	-
Benefits Paid	-	-
Actuarial gain/(loss) on plan assets	-	-
<b>Fair Value of Plan assets at the end of the year</b>	-	-
<b>Amounts recognized in the balance sheet</b>		
Present value of obligation as at the end of the year	86,115	26,452
Fair value of plan assets at the end of the year	-	-
Funded status	(86,115)	26,452
Unrecognised Actuarial Gain/(Loss)	-	-
Unrecognised Past Service Cost-non vested benefits	25,182	-
<b>Net Asset/(Liability) recognized in the balance sheet</b>	<b>(60,933)</b>	<b>(26,452)</b>
<b>Amounts recognized in the statement of profit and loss</b>		
Current service cost	17,193	7,492
Interest cost	2,116	-
Past Service Cost (non vested benefits)	25,182	-
Past Service Cost (vested benefits)	-	-
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognized for the period	(10,010)	18,960
Expenses recognized in the statement of profit and loss	34,481	26,452
<b>Principal actuarial assumptions as at balance sheet date</b>		
Discount rate	8.00%	8.00%
Salary escalation	15.00%	15.00%
Expected return on plan assets	9.00%	9.00%
Attrition rate	15.00%	15.00%

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.



**Kameng Dam Hydro Power Private Limited**  
**Schedules to the Balance Sheet (continued)**

(All amounts in Indian Rupees, except where otherwise stated)

**Schedule 11**

**Statement on significant accounting policies and notes to accounts**

**4. Deferred tax**

There is no deferred tax asset/liability required to be recognised as per AS-22 "Accounting for taxes on Income" as at Balance sheet date

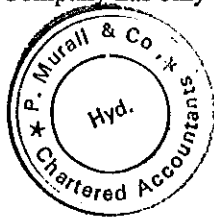
**5. Disclosures as required by Accounting Standard 19 (AS-19) are as follows:**

**Operating Leases:**

The Company has entered into certain operating lease agreements. An amount of Rs.2,567,111 (March 31,2010-Rs 232,500) paid under such agreements has been disclosed as "Rent" under expenditure during construction period, pending allocation. These agreements are cancelable in nature.

**6. Segment Reporting**

Pursuant to the explanation in AS 17 on "Segment Reporting", prescribed by the Company's (Accounting Standards) Rules, 2006, no segment disclosure has been made in these financial statements, as the Company has only one geographical and business segment.



**Kameng Dam Hydro Power Private Limited**  
**Schedules to the Balance Sheet (continued)**

(All amounts in Indian Rupees, except where otherwise stated)

**Schedule 11**

**Statement on significant accounting policies and notes to accounts**

**7. Related party transactions:**

**(a) Particulars of transactions with related parties:**

Enterprises where control exists.	<b>Holding company</b> KSK Energy Ventures Limited (KSKEVL)
Parties where significant influence exist and where transactions has taken place during the peirod	<b>Fellow subsidiary</b> KSK Electricity Financing India Private Limited (KSKEFIPL)

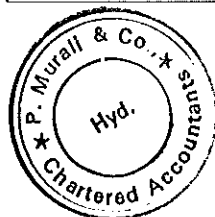
The information relating to disclosure of related parties has been determined to the extent such parties have been identified based on the information available with the Company.

Nature of transaction	KSKEVL	KSKEFIPL
<b>Unsecured loan</b>		
Year ended March 31,2011	84,777,014	-
Year ended March 31,2010	74,600,000	-
<b>Interest on unsecured loan</b>		
Year ended March 31,2011	61,546,573	6,913,735
Year ended March 31,2010	59,933,072	6,913,734
<b>Outstanding balance</b>		
<b>Unsecured loan</b>		
As at March 31,2011	511,190,000	57,614,454
As at March 31,2010	426,412,986	57,614,454
<b>Interest accrued on unsecured loan</b>		
As at March 31,2011	14,574,650	3,102,657
As at March 31,2010	14,101,226	1,534,280

8. As at March 31, 2011 there are no amounts including interest payable to Micro, Small and Medium enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006, based on the information available with the Company.

**9. Auditors' remuneration**

Particulars	March 31, 2011	March 31, 2010
Audit fees (including service tax)	110,300	110,300



**Kameng Dam Hydro Power Private Limited**  
**Schedules to the Balance Sheet (continued)**

(All amounts in Indian Rupees, except where otherwise stated)

**Schedule 11**

**Statement on significant accounting policies and notes to accounts**

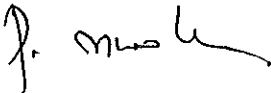
**10. Expenditure in foreign currency on accrual basis**

Particulars	March 31, 2011	March 31, 2010
Professional and Consultancy charges	-	751,178

11. Additional information pursuant to para 3, 4, 4-A, 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent either "Nil" or "Not Applicable" has not been furnished.
12. Previous years' figures have been regrouped and re-arranged to conform to the current year's classification.

for and on behalf of

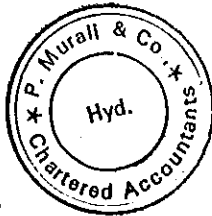
P. Murali & Co.,  
Chartered Accountants



P. Murali Mohana Rao  
Partner

Membership No.23412

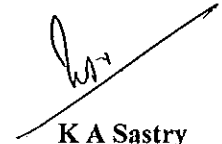
Firm Registration No.007257S



for and on behalf of the board



S Kishore  
Director



K A Sastry  
Director

Place : Hyderabad

Date : 30 April 2011

**Kameng Dam Hydro Power Private Limited****BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(As per Schedule VI, Part IV of the Companies Act, 1956)

**I. Registration Details**

Registration No.	53499	State Code No	01
Balance Sheet Date	31-Mar-11		

**II. Capital Raised during the year (Amount in Rs. Thousands)**

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private placement	NIL

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities	591,585	Total Assets	591,585
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**Sources of Funds**

Paid-up Capital	100	Reserves & Surplus	-
Secured Loans	5,004	Unsecured loans	586,482
Share application money	-		

**Application of Funds**

Net Fixed Assets	562,777	Investments	-
Net Current Assets	28,808	Miscellaneous expenditure	-
Accumulated Losses	-		

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover	} Not Applicable	Total Expenditure	} Not Applicable
Profit before tax			
Earnings per share			
		Profit after tax	
		Dividend rate (%)	

**V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)**

Item Code. No. (ITC Code)	Not Applicable
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Product Description	Generation of Power
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for and on behalf of the board

Place: Hyderabad  
Date : 30 April 2011  
S Kishore  
Director  
K A Sastry  
Director