

**Financial**

***CONFIDENTIAL***

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**TILA KARNALI HYDRO ELECTRIC COMPANY PVT.LTD**  
**FOR THE PERIOD: 17 SEPTEMBER 2010 TO 31 MARCH 2011**

*Prepared by: T R Upadhy & Company*

## **Audit Opinion**

The Board of Directors  
Tila Karnali Hydro Electric Company Private Limited  
Kathmandu, Nepal

Dear Sirs,

We have audited the accompanying special purpose financial statements of Tila Karnali Hydro Electric Company Private Limited expressed in Nepalese Rupees. The audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Company, and is not a statutory audit as per the requirements of Nepalese Companies Act. These financial statements have been prepared for the limited purpose of consolidation by the significant shareholder.

The financial statements is the responsibility of the Company's Management. Our responsibility is to express an opinion for fit for consolidation of the financial statements.


We conducted our audit in accordance with the applicable 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 of material misstatement.

An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the accompanying financial statements. An audit also includes assessing the accounting principles used and significant estimates and judgments made by management, as well as evaluating the overall presentation of financial information in the accompanying financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements of Tila Karnali Hydro Electric Company Private Limited for the year ended 31 March 2011 has been prepared, in all material respects, in accordance with the applicable accounting policies.

This audit report is a special purpose audit report for the purpose of consolidation with the significant shareholder and is not suitable for any other purpose

Yours faithfully,

  
Shashi Satyal  
Partner



T. R. Upadhya & Co.  
Chartered Accountants

5 May 2011  
Kathmandu

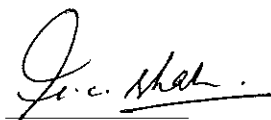
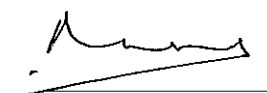
**TILA KARNALI ELECTRIC COMPANY PRIVATE LIMITED**

**CASH FLOW STATEMENT**

For the period 17 September 2010 to 31 March 2011

	<u>Current period</u> <u>Rs</u>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>	-
<b>Operating Profit before changes in working capital</b>	-
Increase in loans and advances	(17,259,314)
Increase in current liabilities	54,633,974
<b>Net cash flows from operating activities</b>	<u>37,374,660</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	
<b>B. Purchase of fixed assets/ investments</b>	(4,758,527)
Pre incorporation expenses	(42,497,002)
<b>Net cash flows from investing activities</b>	<u>(47,255,529)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>C. Issue of shares</b>	10,000,000
Increase in long-term loan	-
Increase in short term loan	-
<b>Net cash flows from financing activities</b>	<u>10,000,000</u>
<b>Net increase/ (decrease) in cash (A+B+C)</b>	119,131
Cash and Cash Equivalents at the beginning of the year	-
<b>Cash and Cash Equivalents at the end of the year</b>	<u>119,131</u>

As per our report of even date

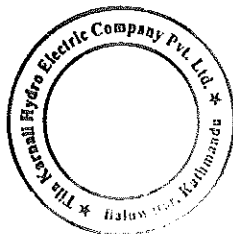
 

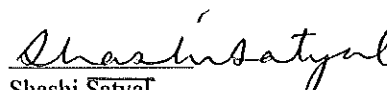
Director

Director

For Tila Karnali Hydro Electric Company Private Limited

Date: May 5, 2011  
Kathmandu, Nepal



  
Shashi Satyal  
Partner

For TR Upadhya & Co.  
Chartered Accountants



**TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED**

**Balance Sheet**

As at 31 March 2011

	Schedule	As at 31-Mar-11 Rs
<b><u>Capital and Liabilities</u></b>		
<b><u>Capital and Reserves</u></b>		
Share Capital	1	10,000,000
<b>Total</b>		<b>10,000,000</b>
<b><u>Assets</u></b>		
Fixed assets	2	4,758,527
Less: Accumulated depreciation	2	-
<b>Total fixed assets</b>		<b>4,758,527</b>
<b><u>Current Assets, Loan and advances</u></b>		
Cash & bank balances	3	119,131
Loans and advances	4	17,259,314
Pre operating expenses	5	42,497,002
<b>Total current assets</b>		<b>59,875,447</b>
<b>Less: Current liabilities and provisions</b>		
Current Liabilities	6	54,633,974
<b>Total current liabilities and provision</b>		<b>54,633,974</b>
<b>Net current assets</b>		<b>5,241,473</b>
<b>Total</b>		<b>10,000,000</b>

**Contingent Liabilities**

**Significant Accounting Policies and Notes to Accounts**

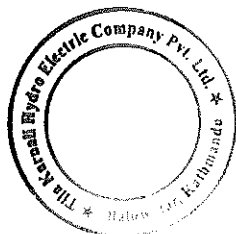
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Director

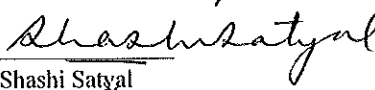
Director

For Tila Karnali Hydro Electric Company Private Limited

Date: May 5, 2011  
Kathmandu, Nepal



As per our report of even date

  
\_\_\_\_\_  
Shashi Satyal  
Partner

For T R Upadhy & Co.  
Chartered Accountants



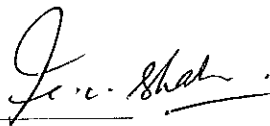

**TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED**

**Statement of Changes in Equity**

for the period 17 September 2010 to 31 March 2011

Particulars						Amount in Rs
	Share Capital	Share Premium	Revaluation Reserve	Translation Reserve	Accumulated Profit (Loss)	Total
Balance at 17 September 2010	-	-	-	-	-	-
Changes in accounting policy	-	-	-	-	-	-
<b>Restated balance at 17 September 2010</b>	-	-	-	-	-	-
Surplus/(deficit) on revaluation of properties	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-
Net gains and losses not recognised in the income statement	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-
Issue of share capital	100,00,000	-	-	-	-	100,00,000
<b>Balance at 31 March 2011</b>	<b>100,00,000</b>	-	-	-	-	<b>100,00,000</b>

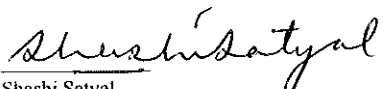
As per our report of even date

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Director

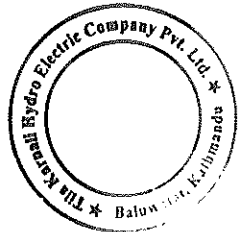
Director

For Tila Karnali Hydro Electric Company Private Limited

  
Shashi Satyal  
Partner

For TR Upadhy & Co.  
Chartered Accountants

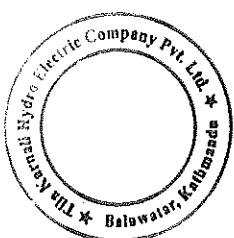
Date: May 5, 2011  
Kathmandu, Nepal



**TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED**

Schedules to the Financial Statements for the year ended 31 March 2011

	As at 31-Mar-11 Rs
<b>Schedule 1 : Share Capital</b>	
<b>A. Authorised</b>	
19,000,000 ordinary shares of Rs. 100 each	1,900,000,000
	<u>1,900,000,000</u>
<b>B. Issued and Subscribed Capital</b>	
1,000,000 ordinary shares of Rs. 100 each	100,000,000
<b>Total</b>	<u>100,000,000</u>
<b>C. Paid up Capital</b>	
1,000,000 ordinary shares of Rs. 100 each partly paid Rs. 10 per share	10,000,000
	<u>10,000,000</u>
<b>Schedule 3: Cash and Bank Balance</b>	
Cash in hand	-
Balances with Bank (Nepal SBI Bank Limited)	119,131
	<u>119,131</u>
<b>Schedule 4: Loans and Advance</b>	
Advances	15,080,684
Deposits	-
Prepaid Expenses- Advance Rent	178,630
Duties and taxes- Licence fee	2,000,000
	<u>17,259,314</u>
<b>Schedule 6: Current Liabilities</b>	
Sundry Creditors	54,622,724
TDS Payable	11,250
Provident Fund Payable	-
Vat Payable	-
Interest Payable	-
	<u>54,633,974</u>



*J. C. Shah*



**TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED**  
**Schedules to the Financial Statements for the year ended 31 March 2011**

**Schedule 2: Fixed Assets**

S.No.		Cost			Total as at 31-Mar-11	Accumulated Depreciation/Amortisation			Total as at 31-Mar-11	Net Book Value As at 31-Mar-11
		As at 17-Sep-10	Addition during the year	sales/ adjustments		As at 17-Sep-10	Charged for the year	Deduction		
1	Civil improvement		-		-		-		-	-
2	Plant and machinery		-		-		-		-	-
3	Vehicles		3,895,500		3,895,500		-		-	3,895,500
4	Furniture and Fixtures		401,027		401,027		-		-	401,027
5	Office Equipment		300,000		300,000		-		-	300,000
6	Computers		162,000		162,000		-		-	162,000
	<b>Total</b>	-	<b>4,758,527</b>	-	<b>4,758,527</b>	-	-	-	-	<b>4,758,527</b>
	<b>Previous Year</b>	-	-	-	-	-	-	-	-	-



*J. S. Shrestha*



**TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED**

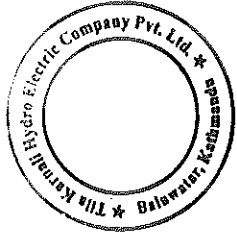
**Schedule 5: Pre-operating expenses**

**For the period 17 September 2010 to 31 March 2011**

<b>Particulars</b>	<b>Prior to Incorporation (Rs)</b>	<b>After Incorporation (Rs)</b>	<b>Total (Rs)</b>
Site expenses	1,187,333.00	1,895,000.00	3,082,333.00
Salary	2,813,070.00	22,770.00	2,835,840.00
Professional and Consultancy expenses	24,320,518.00	87,000.00	24,407,518.00
Bank charges	3,203.00	9,200.00	12,403.00
Office expenses	662,500.00	15,000.00	677,500.00
Rent	1,152,400.00	10,000.00	1,162,400.00
Others	9,976,542.00	342,466.00	10,319,008.00
<b>Grant total</b>	<b>40,115,566.00</b>	<b>2,381,436.00</b>	<b>42,497,002.00</b>



*J. C. Shah* - *M.*



# **TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED**

## **Schedule 7: Significant Accounting Policies and Notes to the Accounts For the period 17 September 2010 to 31 March 2011**

### **1. Organization**

Tila Karnali Hydro Electric Company Private Ltd (TKHEPL) is a Private Limited Company incorporated under the Companies Act 2006 of Nepal. The registered office located at, Kathmandu Ward No. 3 and its principal place of business is Kalikot District, Manma Village Development Committee Ward No. 1.

The Company has been incorporated in 17 September 2010. The Company is still in the construction phase and has not started its operation.

#### ***The Project***

Tila Stage - I and Tila Stage - II with the installed capacity of 400 MW and 420 MW, respectively are the part of the Tila Karnali Hydroelectric Project located in the Tila river, a tributary of Karnali river, in Kalikot district of Nepal. Development rights of the Project have been awarded by the Department of Electricity Development (DOED), Ministry of Energy, Government of Nepal (GON) to SC Power Company Private Limited and KSK Energy Ventures Limited on Build-Own-Operate-Transfer (BOOT) basis.

### **2. Significant Accounting Policies**

#### **2.1 Basis of Presentation**

The financial statements comprising of the balance sheet, statement cash flows and changes in equity together with the accounting policies and notes to account of the company for the financial period 31<sup>st</sup> March 2011 comply with the Generally Accepted Accounting Principles ("GAAP") and Nepal Accounting Standards except otherwise stated. The financial statements are presented in Nepalese Rupee on a historical cost convention basis.

#### **2.2 Use of estimates**

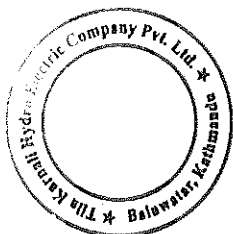
The preparation of the financial statements in conformity with the GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of balance sheet. Actual amount could differ from those estimates. Any differences from those estimates are recorded in the period in which they are identified.

#### **2.3 Going Concern**

The financial statements are prepared on the assumption that the company is a going concern.

#### **2.4 Revenue Recognition**

Since the company is in preconstruction stage, no revenue has been generated yet.



*J. C. Mah.*



## 2.5 Fixed Assets and Depreciation

Fixed assets are shown on historical cost basis. No depreciation has been charged since the project is still under construction period.

## 2.6 Advance

All outstanding advances are subject to the confirmation to be obtained.

## 3. Notes to Accounts

### 3.1 Books of Accounts

Proper books of accounts has not been maintained, and all the transactions carried during the period have been extracted from the bank accounts and transactions listed in the excel spreadsheet maintained for the project.

### 3.2 Income Tax

No provision for income tax has been made as the company is still in the construction stage and no revenue is generated.

### 3.3 Segment Reporting

The Company operates primarily in the business segment, i.e. Production and Distribution of electricity.

### 3.4 Related Party Disclosure

The following are the related party transactions during the year

Related party	Amount (Rs)
Payable to SC Power Company Pvt Ltd	6,622,723
Payable to KSK Energy Ventures Ltd	48,000,000
<b>Total</b>	<b>54,622,723</b>

### 3.5 Lease

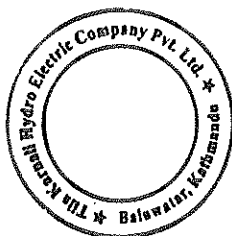
The Company does not have any assets taken on lease during the period.

### 3.6 Contingent Liabilities

There are no Contingent Liabilities

### 3.7 Financial Period

Since the company was incorporated from 17 September 2010, the financial statements are for the period from 17 September 2010 to 31 March 2011.



*J. C. Shah*

