

TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED

Balance Sheet as at 31 March 2015

(All amounts in Nepali Rupees)

Particulars	Note	31 March 2015	31 March 2014
I EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	1	208,570,000	198,410,000
		208,570,000	198,410,000
2 Share application money pending allotment	2	3,794,728	3,484,728
3 Non-current liabilities			
(a) Other long term liabilities	3	1,215,750	1,215,750
		1,215,750	1,215,750
4 Current liabilities			
(a) Other current liabilities	4	33,686,860	32,799,402
		33,686,860	32,799,402
		247,267,338	235,909,880
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	5	2,323,635	3,168,724
(ii) Capital work in progress		218,957,568	203,009,083
(b) Long-term loans and advances	6	22,754,692	22,154,692
		244,035,895	228,332,499
2 Current assets			
(a) Cash and bank balances	7	257,628	102,061
(b) Short-term loans and advances	6	2,973,817	7,475,322
		3,231,445	7,577,384
		247,267,338	235,909,880

See Accompanying notes to accounts

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As per our report of even date

For M.R.Aryal & Associates

Chartered Accountants

for and on behalf of the Board

Chartered Accountant

Meghraj Aryal

Place: Kathmandu

Date:

Director

M.Balakrishnan

Director

Harish Chandra Shah

TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED

Statement of Changes in Equity

(All amounts in Nepali Rupees)

Particulars	Share Capital	Preference Share Capital	Accumulated Profit/Loss	Total
Balance at 1 April 2014	132,410,000	66,000,000	-	198,410,000
Net profit / Loss for the period	-	-	-	-
Issue of share capital		10,160,000		10,160,000
Balance at 31 March 2015	132,410,000	76,160,000	-	208,570,000

As per our report of even date
For M.R.Aryal & Associates.
Chartered Accountants

for and on behalf of the Board

Chartered Accountant
Meghraj Aryal
Place: Kathmandu
Date:

Director
M.Balakrishnan

Director
Harish Chandra Shah

TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED**Cash Flow Statement For the period 1 April 2014 to 31 March 2015**

(All amounts in Nepali Rupees)

Particulars	31 March 2015	31 March 2014
A. Cash flow from operating activities		
Operating Profit before changes in working capital		
(Increase)/decrease in current assets	4,501,502	(709,676)
Increase/(decrease) in current liabilities	887,458	2,730,656
Net cash flows from operating activities	5,388,960	2,020,980
B. Cash flow from investing activities		
Purchase of fixed assets	(81,900.00)	-
Capital work in progress (Including capital advances)	(15,621,493)	(16,089,689)
Net cash flows from investing activities	(15,703,393)	(16,089,689)
C. Cash Flow from financing activities		
Issue of shares	10,160,000	13,000,000
Share application money received pending allotment	310,000	1,060,000
Net cash flows from financing activities	10,470,000	14,060,000
Net increase/ (decrease) in cash (A+B+C)	155,567	(8,709)
Cash and Cash Equivalents at the beginning of the period	102,061	110,770
Cash and Cash Equivalents at the end of the period	257,628	102,061
Note to the cash flow statement :		
Components of cash and cash equivalents as at 31 March 2015		
Cash in hand	10,241	10,182
Balances with banks	247,387	91,880
	257,628	102,061

As per our report of even date
For M.R.Aryal & Associates.
Chartered Accountants

for and on behalf of the Board

Chartered Accountant
Meghraj Aryal
Place: Kathmandu
Date:

Director
M.Balakrishnan

Director
Harish Chandra Shah

TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED**Notes to the Financial Statements as at 31 March 2015**

(All amounts in Nepali Rupees)

1. Share capital

Particulars	31 March 2015	31 March 2014
A. Authorized capital		
2,000,000 (31 March 2014: 2,000,000) equity shares of Rs. 100/- each	200,000,000	200,000,000
17,000,000 (31 March 2014: 17,000,000) preference shares of Rs. 100/- each	1,700,000,000	1,700,000,000
Total	1,900,000,000	1,900,000,000
B. Issued and subscribed capital		
2,000,000 (31 March 2014: 2,000,000) equity shares of Rs 100/- each	200,000,000	200,000,000
8,000,000 (31 March 2014: 8,000,000) preference shares of Rs 100/- each	800,000,000	800,000,000
Total	1,000,000,000	1,000,000,000
C. Paid up capital		
1,324,100 (31 March 2014: 1,324,100 equity share of Rs 100 each) equity shares of Rs. 100/- each	132,410,000	132,410,000
761,600 (31 March 2014: 660,000 12% Preference share of Rs.100/-each) 12% Preference share of Rs.100/-each	76,160,000	66,000,000
Total	208,570,000	198,410,000

2. Share application money pending allotment

	31 March 2015	31 March 2014
KSK Energy Ventures Ltd	3,041,728	3,281,728
S. C. Power Company Pvt Ltd	753,000	203,000
Total	3,794,728	3,484,728

3. Other long term liabilities

	31 March 2015	31 March 2014
Retention amount of contractors	1,215,750	1,215,750
Total	1,215,750	1,215,750

4. Other current liabilities

	31 March 2015	31 March 2014
Duties & Tax	3,759,520	3,725,038
Creditors	949,434	1,812,501
Contractors Account	19,882,345	19,882,345
Other payable	6,534,468	5,345,468
Salary and PLVP	2,561,093	2,034,050
Total	33,686,860	32,799,402

6. Loans and advances

	31 March 2015	31 March 2014
Non Current		
<i>Unsecured considered good</i>		
Capital advances	22,754,692	22,154,692
Total (A)	22,754,692	22,154,692
Current		
<i>Unsecured considered good</i>		
Security deposit	-	200,000
Employee advance for office expenses	1,709,818	51,962
Other advance	1,263,999	7,067,360
Other Receivables	-	156,000
Total (B)	2,973,817	7,475,322
Total (A+B)	25,728,509	29,630,014

7. Cash and bank balances

	31 March 2015	31 March 2014
<i>Cash and cash equivalent</i>		
Cash in hand	10,241	10,182
Balances with bank (Nepal SBI Bank Ltd.)	247,387	91,880
Total	257,628	102,061

TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED

Notes to the Financial Statements as at 31 March 2015

(All amount in Nepali Rupees)

Note 5: Fixed Assets

S. No .	Description	Cost				Accumulated Depreciation/Amortization				Net Book Value
		As at 01-Apr-14	Addition during the period	Sales/ adjustments	Total as at 31-Mar-15	As at 01-Apr-14	Charged for the period	Deduction	Total as at 31-Mar-15	As at 31-Mar-15
1	Vehicles	3,903,000	-	-	3,903,000	1,776,072	557,739	-	2,333,811	1,569,189
2	Furniture and Fixtures	716,935	-	-	716,935	266,998	102,450	-	369,448	347,487
3	Office Equipment	913,490	81,900	-	995,390	496,943	186,737	-	683,680	311,710
4	Computers	400,320	-	-	400,320	225,007	80,064	-	305,071	95,249
	Total	5,933,745	81,900		6,015,645	2,765,021	926,990	-	3,692,010	2,323,635
	Previous Year	6,432,195	-	498,450	5,933,745	1,984,722	976,616	196,317	2,765,021	3,168,724

TILA KARNALI HYDRO ELECTRIC COMPANY PRIVATE LIMITED

Notes 8: Significant Accounting Policies and other Notes to the Financial Statements For the period 1 April 2014 to 31 March 2015

1. Organization

Tila Karnali Hydro Electric Company Private Ltd (TKHECL or the Company) is a private limited company incorporated under the Companies Act 2006 of Nepal. The registered office located at, Kathmandu Ward No. 2 and its principal place of business is Kalikot district, Manma VDC Ward No. 1.

The Company was incorporated on 17 September 2010 and is still in the development phase and operations have not commenced.

The Project

Tila Stage - I and Tila Stage - II with the installed capacity of 440 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, and Government of Nepal (GON) to SC Power Co Pvt Ltd (SCP) and KSK Energy Ventures Ltd (KSK) 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 of changes in equity and cash flows together with the accounting policies and notes to account of the Company 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 and presentational requirement of the Companies Act 2006.

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 development stage, no revenue has been generated yet.

2.5 Fixed Assets and Depreciation

Fixed assets are shown on historical cost basis less accumulated depreciation. Cost of acquisition is inclusive of freight, levies and all incidentals attributable to bringing the asset to its working condition. Depreciation is charged to Capital Work in Progress on Straight Line Method at the rate as approved by the management based on useful life of the assets.

2.6 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statements, cash and cash equivalents consist of cash in hand, and at bank.

2.7 Lease

Assets held under finance leases are initially recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial statement as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.8 Provisions and Contingent Liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are disclosed when there is a possible obligation or a present obligation as a result of past event where it is not probable that an outflow of economic benefits will be required to settle the obligation, and the amount cannot be reasonably estimated. When there is a possible or present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

2.9 Financial Period and Comparative Information

The financials are prepared for the period from 1 April 2014 to 31 March 2015 with comparative from 1 April 2013 to 31 March 2014. All figures are rounded off to the nearest Nepalese Rupee.

3. Notes to Accounts

3.1. Income Tax

The Company does not have any taxable income as it is under development stage hence no provision for taxation has been made. Accordingly, deferred taxes have not been recognized.

3.2. Segment Reporting

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

3.3. Related Party Disclosure

A. List of related parties and nature of relationship

S.No.	Name of the related party	Nature of relationship
1	KSK Energy Ventures Limited (KSKEVL)	Holding Company
2	S. C. Power Company Private Limited (SCPCPL)	Enterprise which exercise significant influence
3	Bheri Hydro Power Company Private Limited (BHPCPL)	Fellow Subsidiary

B. Particulars of related party transactions during the period

S.No.	Nature of transactions	Name of the Company	Amount in NRs'	
			For the year 31.3.2015	For the year 31.3.2014
1	Expense made by SCPCPL on behalf of TKHEC	SCPCPL	550,000	375,660
2	Expense made by TKHEC on behalf of BHPCPL (Reimbursable)	TKHEC	69,038	62,000
3	Expense made by BHPCPL on behalf of TKHEC	BHPCPL	-	449,833
4	Share application money received	KSKEVL	9920,000	144,00,000
5	Share application money received	SCPCPL	550,000	960,000
6	Share application money refunded	SCPCPL		

C. Related party transactions – Amount outstanding as at 31.3.2015

S.No	Nature of transactions	Name of the Company	Amount in NRs'	
			As at 31.3.2015	As at 31.3.2014
1	Share application money	SCPCPL	753,000	203,000
2	Share application money	KSKEVL	3,041,728	3281,728
3	Other Current Liabilities	SCPCPL	32,600	32,600
4	Other Current Liabilities	BHPCPL	3148,872	3217,910

3.4 Lease

The Company has not entered into any finance lease and does not have any obligation in respect of finance lease.

The Company has cancellable lease primarily for the property (Building) which is renewable thereafter as per the term of the respective agreements. Rental expenses under cancellable operating lease accrue from the date effective in respective agreements. The Company does not have future minimum lease payments in respect of non-cancellable operating lease.

3.5 Contingent Liabilities

There are no Contingent Liabilities.

3.6 Committed Cost of capital contract

Estimated amount of contracts remaining to be executed on capital account and not provided for: 31 March 2015: 107,100,652 (31 March 2014: 113,612,737)