

Himal Hydro Power Company Private Limited
Balance Sheet as at 31st March'11

Amount in NPR

Particulars	Sch. No.	31st March'11		31st March'10	
I. Sources of Funds:					
1. Shareholders' Funds					
(a) Capital	1		45,200,000		45,200,000
2. Share Application Money Pending Allotment			247,869,200		132,090,000
Total			293,069,200		177,290,000
II. Application of Funds:					
1. Fixed Assets	3				
(a) Gross Block		8,247,685		7,868,384	
(b) Less : Depreciation		1,426,633		839,755	
(c) Net Block			6,821,052		7,028,629
(d) CWIP (including capital advances)	4		290,548,720		233,952,508
2. Current Assets, Loans and Advances					
(a) Cash and Bank Balances	5	12,616,592		299,073	
(b) Sundry Debtors		-		-	
(c) Interest accrued but not due	6	102,496		227,163	
(d) Loans and Advances	6	2,393,396		1,815,486	
		15,112,484		2,341,723	
Less : Current Liabilities and Provisions					
(a) Liabilities	7	16,294,156		61,513,313	
(b) Provisions	7	469,112		278,788	
		16,763,269		61,792,101	
Net Current Assets			(1,650,785)		(59,450,378)
3. Profit and Loss Account	2		(2,649,786)		(4,240,758)
Total			293,069,200		177,290,000
Statement on Significant Accounting policies and Notes to the Accounts	10				

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 CSC & Co
Chartered Accountants

For and on behalf of the Board

L. D. Mahat
Partner

G. Subba Rao
Director

Harvinder Manocha
Director

Date : 9th May 2011
Place: Lalitpur, Nepal

Date : 9th May 2011
Place: India

Himal Hydro Power Company Private Limited
Profit and Loss Account for the period ended 31st March'11

Amount in NPR

Particulars	Schedule	31st March'11	31st March'10
I. Income			
Sales			
Other Income	8	-	6,856,637
		-	6,856,637
II. Expenditure			
Administration expenses	9	1,276,842	978,088
Interest and Finance Charges			
Depreciation			
Loss on Sale/Disposal/Impairment of Asset		-	
		1,276,842	978,088
III. Profit/(Loss) Before Taxation		(1,276,842)	5,878,548
Provision for Taxation			
- Current		(314,131)	(1,637,790)
- Deferred			
IV. Profit/(Loss) After Taxation		(1,590,972)	4,240,758
Surplus/(Defecit) brought forward		4,240,758	-
V. Available for Appropriation		2,649,786	4,240,758
VI. Available surplus carried to Balance Sheet		2,649,786	4,240,758
Earning per Share -Basic & Diluted		(3.52)	9.38
Statement on Significant Accounting policies and Notes to the Accounts	10		

The Schedules referred to above form an integral part of the Profit and Loss Account
This is the Profit and Loss Account referred to in our report of even date.

For CSC & Co
Chartered Accountants

For and on behalf of the Board

L. D. Mahat
Partner

G. Subba Rao
Director

Harvinder Manocha
Director

Date : 9th May 2011
Place: Lalitpur, Nepal

Date : 9th May 2011
Place: India

Himal Hydro Power Company Private Limited
Cash flow statement for the Period ended 31st March'11

Amount in NPR

Particulars	For the Period ended 31st March'11	For the Year ended 31st March'10
A. CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	(1,590,972)	4,240,758
Operating Profit Before Working Capital Changes	-	-
Cash generated from Operations	(1,590,972)	4,240,758
Interest Expenses		
Net Cash Flow from/ (used in) Operating Activities	(1,590,972)	4,240,758
B. CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets		-
Sale/Disposal of Fixed Asset		-
Inflow/(outflow) from changes in trade and other receivables (S Drs & Loans & Advs)	(453,242)	88,375,906
Changes in Trade Payables	(45,028,832)	50,334,005
Fixed Assets, CWIP (including Capital Advances)	(56,388,635)	(169,750,242)
Net Cash from/ (used in) Investing Activities	(101,870,709)	(31,040,331)
C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds(Repayment) of Loan	-	-
Proceeds(Repayment) of ICD/NCD	-	-
Proceeds from Share Application Money received	115,779,200	(7,520,000)
Proceeds from issue of Share capital	-	19,200,000
Net Cash from Financing Activities	115,779,200	11,680,000
Net increase in Cash and Cash Equivalents	12,317,519	(15,119,573)
Cash and Cash Equivalents at the beginning of the year	299,073	15,418,646
Cash and Cash Equivalents at the end of the year	12,616,592	299,073

Notes:

Statements issued by the Institute of Chartered Accountants of Nepal.

2. Previous year's figures have been regrouped and reclassified to conform to those of the current year

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

For CSC & Co
Chartered Accountants

For and on behalf of the Board

L. D. Mahat
Partner

G. Subba Rao
Director

Harvinder Manocha
Director

Date : 9th May 2011
Place: Lalitpur, Nepal

Date : 9th May 2011
Place: India

Himtal Hydro Power Company Private Limited

Amount in NPR

<u>Schedule 1: Share capital</u>	31st March '11	31st March 10
<u>a. Authorised Capital</u>		
45,00,000 Equity Shares of NRs. 100 each	-	450,000,000
20,00,000 Equity Shares of NRs. 100 each	200,000,000	-
25,00,000 Preference Shares of NRs. 100 each	250,000,000	-
	450,000,000	450,000,000
<u>b. Issued</u>		
45,00,000 Equity Shares of NRs. 100 each	-	450,000,000
20,00,000 Equity Shares of NRs. 100 each	200,000,000	-
25,00,000 Preference Shares of NRs. 100 each	250,000,000	-
<u>Subscribed</u>	450,000,000	450,000,000
<u>c. Fully paid up</u>		
420,000 Equity Shares of NRs. 100 each	42,000,000	42,000,000
- 400,000 shares are held by GMR Energy Ltd and		
- 20,000 shares are held by Mr Madhusudan Man Pradhanang		
<u>d. Partly Paid up</u>		
80,000 Equity Shares of NRs. 100 each, NRs. 40 paid up	3,200,000	3,200,000
- 80,000 shares are held by Mr Brindaban Man Pradhanang		
Total	45,200,000	45,200,000

Amount in NPR

<u>Schedule 2: Profit and Loss Account (Dr Balance)</u>	31st March '11	31st March 10
<u>Profit and Loss Account</u>		
At the Commencement of the year	(4,240,758)	-
Add: Profit (Loss) Transferred from Profit & Loss Account	1,590,972	(4,240,758)
Total	(2,649,786)	(4,240,758)

0.00

-

Himtal Hydro Power Company Private Limited

Schedule 3
Fixed Assets

(Amount in NPR)

Description	Gross Block			Depreciation				Net Block		
	As at 31st March 2010	Additions	Deletions/Adjustment	As At 31st March 2011	As at 31st March 2010	Additions	On Deletions/Adjustment	As At 31st March 2011	As At 31st March 2011	As at 31st March 2010
Land	906,390	-	-	906,390	-	-	-	-	906,390	906,390
Plant & Machinery	1,412,727	-	-	1,412,727	239,888	159,779	-	399,667	1,013,059	1,172,839
Office Equipment	2,714,882	316,300	-	3,031,182	145,194.15	137,662.02	-	282,856	2,748,326	2,569,688
Computer Equipment	1,099,960	-	-	1,099,960	291,068.77	178,303.53	-	469,372	630,588	808,891
Furniture & Fixtures	1,727,925	63,000	-	1,790,925	162,582	110,515.42	-	273,098	1,517,828	1,565,342
Vehicles	6,500	-	-	6,500	1,022	618	-	1,639	4,861	5,478
Total	7,868,384	379,300	-	8,247,685	839,755	586,878	-	1,426,633	6,821,052	7,028,629

Amount in NPR

<u>Schedule 4: Capital Work in Progress</u>	31st March'11	31st March 10
A) Capital Advances	992,681	-
CWIP	34,981,065	31,715,774
<i>Interest Others</i>	(1,116,382)	(488,887)
Salaries, allowances and benefits to employees	28,948,612	18,090,368
<i>Contribution to provident fund and others</i>	717,700	465,615
Staff welfare expenses	2,995,694	1,892,095
Rent	3,189,877	2,200,761
Rates and Taxes	10,005,000	6,153,000
Bank/ other finance charges	196,488	87,158
Repairs & Maintenance - Others	2,067,600	1,765,080
Consultancy & Professional Charges	177,860,498	152,265,497
Electricity charges	700,149	495,950
Meetings & Seminars	224,165	39,833
Travelling and conveyance	14,225,595	9,652,414
Communication Expenses	2,568,880	2,011,843
Insurance	267,015	169,074
Depreciation	1,426,633	839,755
Donations	(0)	(0)
Guest House Maintainance	227,946	49,028
Printing & Stationery	812,669	565,516
Membership & Subscription	52,700	26,700
Miscellaneous Expenses	9,555,193	5,859,508
Air Time Sharing Charges	465,780	465,780
Advertisement Expenses	249,724	55,724
Exchange Rate Gain	(1,019,250)	(377,767)
Miscellaneous Income	(47,312)	(47,312)
Subtotal (B)	289,556,038	233,952,508
Grand Total (A) + (B)	290,548,720	233,952,508

Amount in NPR

<u>Schedule 5: Cash and Bank Balances</u>	31st March'11	31st March 10
Cash on Hand	85,211	28,834
Balances with scheduled banks		
- Current accounts	12,531,381	270,240
- Fixed Deposit (Margin Money)	-	-
Total	12,616,592	299,073

Amount in NPR

Schedule 6: Loans & Advances	31st March'11	31st March 10
(Unsecured and considered good, unless otherwise stated)		
Loans to Employees	99,073	-
Interest Accrued on Fixed Deposit	102,496	227,163
Advances recoverable in cash or in kind or for value to be received		
- Considered good	2,294,322	1,780,929
Advance Tax	-	34,557
Total	2,495,892	2,042,649

Amount in NPR

Schedule 7: Current Liabilities and Provisions	31st March'11	31st March 10
a. Current Liabilities		
Sundry creditors:		
I. Dues to Micro and small scale industrial undertakings	-	-
II. Dues to other than Micro and small scale industrial undertakings	-	-
Book Debt-Over Draft	-	-
Other liabilities	16,294,156	61,513,313
Total	16,294,156	61,513,313
b. Provisions		
PROVSNS O/S EXPS	469,112	278,788
Total	469,112	278,788

Amount in NPR

Schedule 8: Other Income	31st March'11	31st March 10
Rent income	-	76,082
Interest income on loan	-	6,780,555
Total	-	6,856,637

Amount in NPR

Schedule 9: Administration Expenses	31st March'11	31st March 10
Donation	847,133	369,309
Audit Fees	50,850	218,875
Rates & Taxes	148,000	-
Business promotion	135,520	389,904
Consultancy	2,400	-
Advertisement	63,000	-
Miscellaneous Expenses	29,938	-
Total	1,276,842	978,088

HIMTAL HYDROPOWER COMPANY PRIVATE LIMITED
Chakupat, Lalitpur, Nepal

SCHEDULE- 10

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

For the period ended 1st April 2010 to 31st March 2011

1. General Information

Himtal Hydropower Co. Private Limited, incorporated in Nepal on April 13, 2001 under Companies Act 2063, is promoted by GMR Energy Limited (incorporated in India) from Jan 2, 2008, the holding company, to develop and operate 600MW Hydro based power project in Marshyandi River, Lamjung and Manang District. The registered address of the company is P O Box: 148, Chakupat-10, Lalitpur, Nepal. The company is in the process of setting up of the project.

2. Significant Accounting Policies

2.1 Basis of Preparation

The balance sheet, income statement, cash flows statement, together with significant accounting policies and notes to accounts (Financial Statements) of the Company as at 31st March 2011 and for the period then ending, comply with generally accepted accounting principles and Nepal Accounting Standards.

Financial statements are prepared on a historical cost basis and presentation requirements of the Companies Act 2063.

2.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") and Nepal Accounting Standard requires management to make estimates and assumptions that affect 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 Comparative Information

Accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. Previous year's figures have been regrouped and/or rearranged wherever necessary to facilitate comparison.

2.5 Revenue Recognition

- I. Revenue from sale of energy is recognized on accrual basis in accordance with the provisions of the Power Purchase Agreement (PPA) after Commercial Operation Date.
- II. Interest is recognized using the time proportion method based on rates implicit in the transaction. Dividend income is accounted for in the year in which the right to receive the same is established.

2.6 Fixed Assets and Capital Work-in-progress

- I. Fixed Assets are stated at cost of acquisition less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition.
- II. All Project related expenditure viz, civil works, hydro-mechanical works, pre-operative expenditure incidental / attributable to construction of project, borrowing cost incurred prior to the date of commercial operation of project and trial run expenditure are shown under Capital Work-in-progress. These expenses are net of recoveries and income (net of tax) from surplus funds arising out of project specific borrowings.

2.7 Depreciation

Depreciation is provided on straight line method at the rates specified as follows:-

Asset Type	Depreciation Rate
Freehold Land	0%
Office Equipment	4.75%
Lab Equipment	4.75%
Furniture & Fittings	6.33%
Vehicles - 2 Wheelers	9.50%
Plant and Machinery	11.31%
Computer Equipment	16.21%

2.8 Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are capitalized as part of the cost of that asset till the date of capitalization of qualifying asset. Other borrowing costs are recognized as expenses in the period in which they are incurred.

2.9 Cash & Cash Equivalents

Cash and cash equivalents include cash in hand and deposits with banks.

2.10 Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rates prevailing on the date of the transactions.

2.11 Retirement Benefits

The Company has scheme of retirement benefits namely provident fund and employee gratuity.

Contribution to provident fund has been recorded as expense on accrual basis.

For employee gratuity the company makes provision as per its policy on the assumption that all employees retire on the balance sheet date.

2.12 Taxes on Income

Provision for taxation has been made on the basis of the Income Tax Act 2058 and amendments thereto.

2.13 Share Capital

Share issued by the company are recorded as the proceeds received, net of direct issue costs.

2.14 Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. Reversal of impairment loss is recognized immediately as income in the income statement.

2.15 Round off

Decimal figures are rounded off to nearest rupees.

3. Notes to Accounts

3.1 Related Party Disclosure

List of Related Parties for Himtal Hydro Power Company Private Limited		
(i)	Enterprises that control the Company	GMR Energy Limited (GEL) (Holding Company)
		GMR Renewable Energy Limited
		GMR Infrastructure Limited
		GMR Holdings Private Limited (GHPL)
(ii)	Fellow Companies	Subsidiary
		GMR Power Corporation Limited (GPCL)
		GMR Vemagiri Power Generation Limited (GVPGL)
		EMCO Energy Limited
		GMR Coastal Energy Private Limited
		GMR Bajoli Holi Hydropower Private Limited (GBHHPL)
		Himtal Hydropower Company Private Limited (HCPL)
		GMR Energy (Mauritius) Limited (GEML)
		GMR Upper Karnali Hydropower Company Private Limited (GUKCPL)
		GMR Lion Energy Limited (GLEL)

		GMR Chhattisgarh Energy Limited (GCEL)
		GMR Kakinada Energy Private Limited
		Badrinath Hydro Power Generation Private Limited (BHPGPL)
		GMR Energy (Cyprus) Limited (GECL)
		GMR Energy (Netherlands) B. V. (GENBV)
		GMR Londa Hydropower Private Limited (LHPL)
		GMR (Badrinath) Hydro Power Generation Pvt. Ltd.(GBHPL)
		PT Barasentosa Lestari (PT BSL), Indonesia
		PT Dwikarya Sejati Utama (PT DSU), Indonesia
		PT Dutasarana Internusa (PT DSI),Indonesia
		PT Unsoco, Indonesia
		GMR Maharashtra Energy Limited
		GMR Rajahmundry Energy Limited
		SJK Powergen Limited
		GMR Consulting Services Private Limited
		GMR Bundelkhand Energy Pvt Limited
		GMR Uttarpradesh Energy PvtLimited
		Homeland energy Group Limited
		GMR Gujarat Solar Power Private Limited
		Karnali Transmission company Private Limited
		Marsyangdi Transmission Company Private Limited
		Lion Energy Tuas Pte Ltd, Singapore
		Maru Transmission Service Company Limited
		Aravali Transmission Service Company Limited
		GMR Indo Nepal Energy Links Limited
		GMR Indo-Nepal Power Corridors Limited
		GMR Kamalanga Energy Limited
(iii)	Enterprises where significant influence exists	NIL
(iv)	Enterprises where key management personnel and their relative exercise significant influence	NIL
(v)	Key Management Personnel	NIL

a) Summary of transactions with the above related parties is as follows:

(Amount in NPR)

Particulars	For the year ended 31 st March 2011	For the year ended 31 st March 2010
i) Management Services a) Fellow Subsidiary Companies-GCSPL(including VAT)	12,544,911/-	79,339,453/-

b) Outstanding balance with above related party:

Amount in NPR

Particulars	As on 31 st March 2011	As on 31 st March 2010
i) Share Application money pending allotment a) Enterprises that control the company-GEL	247,869,200/-	132,090,000/-
ii) Amount Payable a) Fellow Subsidiary Companies-GCSPL	14,067,732/-	42,505,556/-

* Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.

3.2 Committed Cost of Contract

Details of committed cost of running contracts are as follows:-

Running Contracts		Cur	Total Value as per Contract	O/s Value of the Contract (NPR)	Remarks
Contractor Name	Purpose				
SchEMES	EIA and EMP Studies	NPR	3,627,503	1,088,251	
SchEMES	Revised EIA and EMP Studies	NPR	116,955	65,205	
Coyne et Billier	Preparation of DPR	Euro	481,523	-	Final Invoice received, Amount Payable NPR 3,919,516 (Net of TDS)
Aadhar Engineering and Consultancy	Construction Material Survey	NPR	2,558,960	-	Final Invoice received, Amount Payable NPR 266,579 (Net of TDS)
GMR Consulting Service Pvt. Ltd	Technical Service Agreement	USD	565,000	28,436,450	Invoice received for USD 150,000
Total				29,589,906	

Note 1: The Contract with Coyne et Billier is Euro 426,127 excluding VAT, exchange rate as on 31st March 2011 is Rs 101.11 per Euro.

Note 2: The Contract with GMR Consulting Services Pvt. Ltd is USD 500,000 excluding VAT , exchange rate as on 31st March 2011 is Rs 71.90 per USD.

3.3 Previous year figures have been regrouped wherever required.

For CSC & Co
Chartered Accountants

For and on behalf of Board

L. D. Mahat
Partner

G. Subba Rao
Director

Harvinder Manocha
Director

Place: Kathmandu, Nepal
Date: 9th May 2011

Place: India
Date: 9th May 2011