

Auditor's Report

The Shareholders of Marsyangdi Transmission Company Private Limited

Financial statements and management's responsibility

We have audited the accompanying financial statements of Marsyangdi Transmission Company Private Limited which comprise the balance sheet as of March 31, 2011 statement of changes in Equity and Cash Flow Statement for the year then ended. 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.

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 and the auditing standards generally accepted in Nepal. 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

Report on the requirements of Company Act 2063

We have obtained all information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the financial statements including balance sheet, cash flow statements and the statement of changes in equity have been prepared in accordance with the provisions of the Company Act, 2063 and they are in agreement with the books of accounts of the company and the accounts and records of the company are properly maintained in accordance with the prevailing laws.

During the course of our examination of the books of accounts, we did not come across cases where the Board of Directors or any director or any office bearer of the company has acted contrary to the provisions of law or caused loss or damages to the company or committed any misappropriation.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of March 31, 2011, and its cash flows for the year then ended in accordance with Nepal Accounting Standards and Company Act 2063.

Date: May 10, 2011
Place: Kathmandu, Nepal

L. D. Mahat
Partner
CSC & Co.
Chartered Accountants

Marsyangdi Transmission Co. Private Limited
Balance Sheet as at 31st March'11

Amount in NPR

Particulars	Sch. No.	31st March'11	
I. Sources of Funds:			
1. Shareholders' Funds			
(a) Capital	1		3,302,400
2. Share Application Money Pending Allotment			4,077,407
Total			7,379,807
II. Application of Funds:			
1. Fixed Assets	3		
(a) Gross Block		62,880	
(b) Less : Depreciation		810	
(c) Net Block			62,070
(d) CWIP (including capital advances)	4		7,187,990
2. Current Assets, Loans and Advances			
(a) Cash and Bank Balances	5	2,047,741	
(b) Loans and Advances	6	14,152	
		2,061,893	
Less : Current Liabilities and Provisions			
(a) Liabilities	7	2,206,661	
(b) Provisions	7	95,735	
		2,302,396	
Net Current Assets			(240,504)
3. Profit and Loss Account	2		370,250
Total			7,379,807
Statement on Significant Accounting policies and Notes to the Accounts	9		

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 Harvinder Manocha
Shareholders' Representative

Date : 10th May 2011
Place: Lalitpur, Nepal

Date : 10th May 2011
Place: India

Marsyangdi Transmission Co. Private Limited
Profit and Loss Account for the period ended 31st March'11

Amount in NPR

Particulars	Schedule	31st March'11
I. Income		
Sales		
Other Income		-
		-
II. Expenditure		
Administration expenses	8	370,250
Interest and Finance Charges		370,250
		(370,250)
III. Profit/(Loss) Before Taxation		(370,250)
Provision for Taxation		
IV. Profit/(Loss) After Taxation		(370,250)
Surplus/(Defecit) brought forward		-
V. Available for Appropriation		(370,250)
VI. Available surplus carried to Balance Sheet		(370,250)
Earning per Share -Basic & Diluted		(11.21)
Statement on Significant Accounting policies and Notes to the Accounts	9	

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 Harvinder Manocha
Shareholders' Representative

Date : 10th May 2011
Place: Lalitpur, Nepal

Date : 10th May 2011
Place: India

Marsyangdi Transmission Co. Private Limited
Cash flow statement for the Period ended 31st March'11

Amount in NPR

Particulars	For the Period ended 31st March'11
A. CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	
Net Profit Before Tax and Extraordinary Items	(370,250)
Operating Profit Before Working Capital Changes	-
Cash generated from Operations	(370,250)
Interest Expenses	
Net Cash Flow from/ (used in) Operating Activities	(370,250)
B. CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES	
Inflow/(outflow) from changes in trade and other receivables (S Drs & Loans & Advs)	(14,152)
Changes in Trade Payables	2,302,396
Fixed Assets, CWIP (including Capital Advances)	(7,250,061)
Net Cash from/ (used in) Investing Activities	(4,961,816)
C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	
Proceeds from Share Application Money received	4,077,407
Proceeds from issue of share capital	3,302,400
Net Cash from Financing Activities	7,379,807
Net increase in Cash and Cash Equivalents	2,047,741
Cash and Cash Equivalents at the beginning of the year	-
Cash and Cash Equivalents at the end of the year	2,047,741

Notes:

1. The Above Cash Flow statements has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow 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 **Harvinder Manocha**
Shareholders' Representative

Date : 10th May 2011
Place: Lalitpur, Nepal

Date : 10th May 2011
Place: India

Marsyangdi Transmission Co. Private Limited

Amount in NPR

<u>Schedule 1: Share capital</u>	31st March'11
<u>a. Authorised Capital</u> (1,03,00,000 Shres of NPR. 100/- each)	1,030,000,000
	1,030,000,000
<u>b. Issued, subscribed and paid up</u> (33,024 Shares of NPR. 100/- each issued to the Holding Company GMR Energy (Mauritius) Limited)	3,302,400
Total	3,302,400

Amount in NPR

<u>Schedule 2: Profit and Loss Account (Dr Balance)</u>	31st March'11
<u>Profit and Loss Account</u>	
At the Commencement of the year	-
Add: Profit (Loss) Transferred from Profit & Loss Account	370,250
Total	370,250

Marsyangdi Transmission Co. Private Limited

Schedule 3
Fixed Assets

(Amount in NPR)

Description	Gross Block			Depreciation			Net Block			
	As at 31st March 2010	Additions	Deletions/ Adjustments	As at 31st March 2011	As at 31st March 2010	Additions	On Deletions/ Adjustments	As at 31st March 2011	As at 31st March 2011	As at 31st March 2010
Land	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	62,880	-	62,880	-	810	-	810	62,070	-
Furniture & Fixtures	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-
Total	-	62,880	-	62,880	-	810	-	810	62,070	-

Amount in NPR	
Schedule 4: Capital Work in Progress	31st March'11
A) Capital Advances	-
Salaries, allowances and benefits to employees	466,213
<i>Contribution to provident fund and others</i>	12,520
Staff welfare expenses	8,290
Rent	242,102
Rates and Taxes	2,000,000
Bank/ other finance charges	8,771
Repairs & Maintenance - Others	5,000
Consultancy & Professional Charges	4,263,823
Travelling and conveyance	85,480
Communication Expenses	13,115
Depreciation	810
Printing & Stationery	74,163
Miscellaneous Expenses	15,500
Exchange Rate Gain	(7,796)
Subtotal (B)	7,187,990
Grand Total (A) + (B)	7,187,990

Amount in NPR	
Schedule 5: Cash and Bank Balances	31st March'11
Cash on Hand	1,286
Balances with scheduled banks	
- Current accounts	2,046,455
- Fixed Deposit (Margin Money)	-
Total	2,047,741

Amount in NPR

Schedule 6: Loans & Advances	31st March'11
(Unsecured and considered good, unless otherwise stated)	
Advances recoverable in cash or in kind or for value to be received	
- Considered good	14,152
Advance Tax	-
Total	14,152

Amount in NPR

Schedule 7: Current Liabilities and Provisions	31st March'11
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	
Other liabilities	2,206,661
Total	2,206,661
b. Provisions	
PROVSNS O/S EXPS	95,735
Total	95,735

Schedule 8: Administration Expenses	31st March'11
Audit Fees	28,250
Rates & Taxes	342,000
Total	370,250

Marsyangdi Transmission Company Private Limited.
Chakupat, Lalitpur, Nepal

SCHEDULE- 9

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

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

1. General Information

Marsyangdi Transmission Company Private Limited, incorporated in Nepal on April 27, 2010 under Companies Act 2063, is promoted by GMR Energy (Mauritius) Limited (incorporated in Mauritius), the holding company, to develop the transmission line for power evacuation of 600MW Upper Marsyangdi Hydro Electric Project – 2 in Marsyangdi River. 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. 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 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 taking place.

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

Related Part List for Marysangdi Transmission Company Private Limited		
(i)	Enterprises that control the Company	GMR Energy (Mauritius) Limited (GEML)
		GMR Energy Limited (GEL)
		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 (HHCL)
		GMR Chhattisgarh Energy Limited (GCEL)
		GMR Kakinada Energy Private Limited

		Badrinath Hydro Power Generation Private Limited (BHPGPL)
		GMR Lion Energy Limited
		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
		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
i) Share Application Money Received	
a) Enterprises that control the company – GEML	4,077,407/-
i) Share Capital Issued	
a) Enterprises that control the company – GEML	3,302,400/-

b) Outstanding balance with above related party:

Amount in NPR

Particulars	As on 31 st March 2011
i) Share Application money pending allotment	
a) Enterprises that control the company-GEML	4,077,407/-

* 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				
Feedback Ventures Nepal Pvt. Ltd	DPR Preparation	NPR	723,200	542,400	
Nepal Environmental & Scientific Service Pvt. Ltd	EIA studies	NPR	10,656,804	9,697,692	
Pioneer Surveyors	Survey works	USD	96,426	4,293,810	
Total				14,533,901	

Note: The Contract with Pioneer is USD 85332.80 , exchange rate as on 31st March 2011 is Rs 71.90

3.3 As this is the first year of operation for the company, previous year figures have not been given.

For CSC & Co
Chartered Accountants

For and on behalf of Board

L. D. Mahat
Partner

G. Subba Rao Harvinder Manocha
Shareholders' Representative

Place: Kathmandu, Nepal
Date: 10th May 2011

Place: India
Date: 10th May 2011