

**INDEPENDENT AUDITOR'S REPORT**

**To the members of Karnali Transmission Company Private Limited**

**Report on the Standalone Financial Statements**

**Opinion**

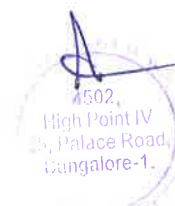
We have audited the accompanying Ind AS financial statements of **Karnali Transmission Company Private Limited**(the “Company”), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2019, the Statement of Profit and Loss , Statement of Changes in Equity and the Statement of cash flows and for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information. (Hereinafter referred to as “Ind AS financial statements”).

**Qualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the mater(s) prescribed in the basis for qualified opinion paragraph*, the said IND AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at March 31<sup>st</sup> 2019, its losses including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

**Basis for Opinion**

The Underlying Ind AS financial statements of the company for the financial year ended 31<sup>st</sup> March 2019 prepared in accordance with the applicable corporate laws of Nepal, have not been audited by us. We have relied upon such audited financial statements and statutory auditors' report for the year ended 31 March 2019 provided to us by the management, for the purpose of expressing our audit opinion and have not performed detailed verification of the underlying transactions which have been covered by the statutory auditors in the course of their audit. Our scope of audit is limited to conversion of audited Nepali Rupees (NPR) designated financial statements into INR based financial statements considering the applicable exchange rate and considering the applicable Ind AS (Indian Accounting Standards).



**GIRISH  
MURTHY & KUMAR  
Chartered Accountants**

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**Information Other than the Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the board report, but does not include the standalone Ind AS financial statements and our auditor's report thereon. The board report is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether such other information is materially inconsistent with the standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Responsibility of Management for Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income / loss, changes in equity and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safe guarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



**GIRISH  
MURTHY & KUMAR**  
Chartered Accountants

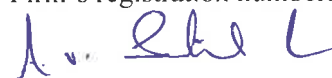
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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**GIRISH MURTHY & KUMAR**  
Chartered Accountants  
Firm's registration number: 000934S



**A.V. SATISH KUMAR**  
Partner  
Membership number: 26526  
Place: Bangalore  
Date: 22<sup>nd</sup> April 2019



**Karnali Transmission Company Private Limited**  
Balance Sheet as at 31st March 2019

		(Amount in Rs.)	
Particulars	Notes	31-March-19	31-March-18
<b>Assets</b>			
<b>Non-current assets</b>			
Property, Plant & Equipment	1	24,261	26,462
Capital work-in-progress	2	25,419,772	24,535,021
		<b>25,444,033</b>	<b>24,561,483</b>
<b>Current assets</b>			
Financial Assets			
Loans	4	2,001,875	2,062,500
Cash and cash equivalents	5	106,164	458,230
Other current Assets		32,133	581,379
		<b>2,140,173</b>	<b>3,102,110</b>
<b>Total Assets</b>		<b>27,584,206</b>	<b>27,663,594</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity Share Capital	6	2,064,000	2,064,000
Other Equity	7	25,030,496	25,108,702
		<b>27,094,496</b>	<b>27,172,702</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions	8	-	-
Deferred tax liabilities (Net)		-	-
<b>Current liabilities</b>			
Financial Liabilities			
Trade Payable	8	487,152	490,057
Other financial liabilities	9	426	-
Other current liabilities	10	2,131	835
Provisions			
		<b>489,710</b>	<b>490,892</b>
<b>Total Equity and liabilities</b>		<b>27,584,206</b>	<b>27,663,594</b>

Summary of significant accounting policies 2  
The accompanying notes are integral part of the financial statements.

As per our report of even date

**For Girish Murthy & Kumar**

Chartered Accountants

Firm Registration Number: 000934S

*A.V. Satish Kumar*

**A.V. Satish Kumar**

Partner

Membership no.: 26526

Firm Reg Number: 000934S

Place: Bangalore

Date: 22-04-2019



**For and on behalf of the Board of directors**



*Harvinder Manocha*  
**Harvinder Manocha**  
Member of committee  
of Representatives

*G. Subba Rao*  
**G. Subba Rao**  
Member of committee  
of Representatives

Place: New Delhi

Date: 22-04-2019

**Karnali Transmission Company Private Limited**  
**Statement of profit and loss for the period ended 31st March 2019**

(Amount in Rs.)

Particulars	Notes	31-March-19	31-March-18
Other Income			-
<b>Total Income</b>		-	-
<b>Expenses</b>			
Other expenses	11	78,205	83,832
<b>Total Expenses</b>		<b>78,205</b>	<b>83,832</b>
<b>Profit/(loss) before exceptional items and tax</b>		<b>(78,205)</b>	<b>(83,832)</b>
Exceptional item			
<b>Profit / (Loss) before tax</b>		<b>(78,205)</b>	<b>(83,832)</b>
<b>Tax expenses</b>			
Current tax			-
Deferred tax			-
<b>Profit/(loss) for the period from continuing operations</b>		<b>(78,205)</b>	<b>(83,832)</b>
Profit/(loss) from discontinued operations			-
<b>Profit/(loss) for the period</b>		<b>(78,205)</b>	<b>(83,832)</b>
Other comprehensive income			-
Remeasurement of define employee benefit plans			
<b>Total comprehensive income for the period</b>		<b>(78,205)</b>	<b>(83,832)</b>
<b>Earnings per equity share.</b>			
Basic		<b>(2.37)</b>	<b>(2.54)</b>
Diluted		<b>(2.37)</b>	<b>(2.54)</b>

Summary of significant accounting policies 2

The accompanying notes are integral part of the financial statements.

As per our report of even date

**For Girish Murthy & Kumar**

Chartered Accountants

Firm Registration Number: 000934S

*A.V. Satish Kumar*

**A.V.Satish Kumar**

Partner

Membership no.: 26526

Firm Registration Number: 000934S

Place: Bangalore

Date: 22-04-2019



**For and on behalf of the Board of directors**

*Harvinder Manocha* *G. Subba Rao*

**Harvinder Manocha** **G. Subba Rao**  
 Member of committee of Representatives Member of committee of Representatives

Place: New Delhi

Date: 22-04-2019



**Karnali Transmission Company Private Limited**  
**Cash Flow Statement as at 31st March, 2019**

Particulars	(Amount in Rs.)	
	31-March-19	31-March-18
<b>Cash flow from operating activities</b>		
Profit before tax from continuing operations	(78,205)	(83,832)
Profit before tax from discontinuing operations	-	-
Profit before tax	(78,205)	(83,832)
Non-cash adjustment to reconcile profit before tax to net cash flows		
Operating profit before working capital changes	(78,205)	(83,832)
Decrease / (Increase) other non current assets	-	-
Decrease / (Increase) other current assets	549,246	-
Decrease / (Increase) financial assets	60,625	484,375
Proceeds from other financial liabilities	426	(210,877)
Decrease / (Increase) in other trade Payables	(2,905)	-
Decrease / (Increase) in other Current liabilities	1,296	835
<b>Net cash flow from/ (used in) operating activities (A)</b>	<b>530,483</b>	<b>190,501</b>
<b>Cash flows from investing activities</b>		
Purchase/ Sale of FA, including CWIP and capital advances	(882,549)	(367,540)
<b>Net cash flow from/ (used in) investing activities (B)</b>	<b>(882,549)</b>	<b>(367,540)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	-	(39,869)
Increase / (Decrease) in long term provisions	-	(39,869)
<b>Net cash flow from/ (used in) in financing activities (C)</b>	<b>-</b>	<b>(39,869)</b>
<b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>	<b>(352,066)</b>	<b>(216,908)</b>
Cash and cash equivalents at the beginning of the period	458,230	675,138
<b>Cash and cash equivalents at the end of the period</b>	<b>106,164</b>	<b>458,230</b>
<b>Components of cash and cash equivalents</b>		
With banks- on current account	102,123	454,189
Cash in Hand	4,042	4,042
<b>Total cash and cash equivalents (note 7)</b>	<b>106,164</b>	<b>458,230</b>

**Notes:**

1. The above cash flow statement has been compiled from and is based on the balance sheet as at March 31, 2019 and the related profit and loss account for the period ended on that date.

2. Effective April 1, 2017, the company adopted the amendment to Ind AS 7, which requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The reconciliation is given as below:

Reconciliation to liabilities whose cash flow movements are disclosed as part of financing activities.

Particulars	1-Apr-18	Cash flows	Non-Cash changes	31-Mar-19
			Fair value changes	
Short term Borrowings-Related party	-	-	-	-
Short term Borrowings-Bank	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

For **Girish Murthy & Kumar**  
Chartered Accountants  
Firm Registration Number: 0009345.

**A.V. Satish Kumar**  
Partner  
Membership no.: 26526

Place: Bangalore  
Date: 22-04-2019



For and on behalf of the Board of directors

**Harvinder Manocha**  
Member of committee  
of Representatives

Place: New Delhi  
Date: 22-04-2019

**G. Subba Rao**  
Member of committee  
of Representatives



**Karnali Transmission Company Private Limited**  
**Statement of Change in Equity for the period ended 31st March 2019**

(Amount in Rs.)

		Attributable to the equity holders of the parent			Total equity
			Reserves and surplus		
	Equity share capital	Share application money	Retained earnings	Total	
Profit for the period	-	-	(83,832)	(83,832)	(83,832)
<b>At 31 March 2017</b>	<b>2,064,000</b>	<b>25,832,865</b>	<b>(640,331)</b>	<b>25,192,533</b>	<b>27,256,533</b>
Profit for the period	-	-	(83,832)	(83,832)	(83,832)
<b>At 31 March 2018</b>	<b>2,064,000</b>	<b>25,832,865</b>	<b>(724,163)</b>	<b>25,108,702</b>	<b>27,172,702</b>
Profit for the period	-	-	(78,205)	(78,205)	(78,205)
<b>At 31 March 2019</b>	<b>2,064,000</b>	<b>25,832,865</b>	<b>(802,369)</b>	<b>25,030,496</b>	<b>27,094,496</b>

For Girish Murthy & Kumar  
Chartered Accountants

*A.V. Satish Kumar*

A.V. Satish Kumar  
Partner  
Membership no.: 26526  
Firm Reg Number: 000934S  
Place: Bangalore  
Date: 22-04-2019



For and on behalf of the Board of directors

*Harvinder Manocha* *G. Subba Rao*

Harvinder Manocha G. Subba Rao  
Member of committee Member of committee  
of Representatives of Representatives

Place: New Delhi  
Date: 22-04-2019



**Karnali Transmission Company Private Limited**  
**Statement of standalone assets and liabilities**

Amount in Rs

Particulars		31-March-19 (Unaudited)	31-March-18 (Audited)
<b>1</b>	<b>ASSETS</b>		
a)	<b>Non-current assets</b>		
	Property, plant and equipment	24,261	26,462
	Capital work in progress	25,419,772	24,535,021
	Deferred tax assets (net)		
	Other non-current assets		
		<b>25,444,033</b>	<b>24,561,483</b>
b)	<b>Current assets</b>		
	Financial assets		
	Loans and advances	2,001,875	2,062,500
	Cash and cash equivalents	106,164	458,230
	Other current assets	32,133	581,379
	Current tax assets (net)		
		<b>2,140,173</b>	<b>3,102,110</b>
	<b>TOTAL ASSETS (a+b)</b>	<b>27,584,206</b>	<b>27,663,594</b>
<b>2</b>	<b>EQUITY AND LIABILITIES</b>		
a)	<b>Equity</b>		
	Equity share capital	2,064,000	2,064,000
	Other equity	25,030,496	25,108,702
	<b>Total equity</b>	<b>27,094,496</b>	<b>27,172,702</b>
b)	<b>Non-current liabilities</b>		
	Financial liabilities		
	Provisions		
c)	<b>Current liabilities</b>		
	Financial liabilities		
	Trade payables	487,152	490,057
	Other financial liabilities	426	
	Other current liabilities	2,131	835
	Provisions		
	Current tax liabilities (net)		
		<b>489,710</b>	<b>490,892</b>
	<b>TOTAL EQUITY AND LIABILITIES (a+b+c)</b>	<b>27,584,206</b>	<b>27,663,594</b>

For Girish Murthy & Kumar  
Chartered Accountants

*A.V. Satish Kumar*

A.V. Satish Kumar  
Partner  
Membership no.: 26526  
Firm Reg. Number: 000934S  
Place: Bangalore  
Date: 22.04.2019

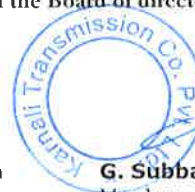


For and on behalf of the Board of directors

*Harvinder Manocha*

Harvinder Manocha  
Member of committee  
of Representatives

Place: New Delhi  
Date: 22.04.2019



*G. Subba Rao*  
G. Subba Rao  
Member of committee  
of Representatives



**Karnali Transmission Company Private Limited**  
**Statement of Sandalone Financial Results for the Quarter and Year Ended 31st March 2019**

Particulars	Quarter ended			Year Ended	
	31-March-19 Tm Audited	31-December-18 Tm Audited	31-March-19 Tm Audited	31-March-19 Audited	31-March-18 Audited
<b>A Continuing Operations</b>					
<b>I Revenue</b>					
a) Revenue from operations					
b) Sub-/Income from operations					
c) Other operating income					
<b>Total revenue</b>					
<b>2 Expenses</b>					
a) Finance costs					
b) Depreciation and amortisation expenses					
c) Other expenses					
<b>Total expenses</b>					
<b>3 Profit/(loss) from continuing operations before exceptional items and tax expense (1-2)</b>					
<b>4 Exceptional items</b>					
<b>5 Profit/(loss) from continuing operations before tax expenses (3 ± 4)</b>					
<b>6 Tax expenses of continuing operations</b>					
a) Current tax					
b) Deferred tax					
<b>7 Profit/(loss) after tax from continuing operations (5 ± 6)</b>					
<b>B Discontinued Operations</b>					
<b>8 Profit/(loss) from discontinued operations before tax expenses</b>					
<b>9 Tax expenses of discontinued operations</b>					
a) Current tax					
b) Deferred tax					
<b>10 Profit/(loss) after tax from discontinued operations (8 ± 9)</b>					
<b>11 Profit/(loss) after tax for respective periods (7 + 10)</b>					
<b>12 Other Comprehensive Income</b>					
a) Items that will not be reclassified to profit or loss					
b) Income tax relating to items that will not be reclassified to profit or loss					
c) Items that will be reclassified to profit or loss					
d) Income tax relating to items that will be reclassified to profit or loss					
<b>13 Total other comprehensive income, net of tax for the respective periods</b>					
<b>Total comprehensive income for the respective periods (11 ± 13) [comprising Profit/(loss) and (Other comprehensive income (net of tax) for the respective periods)]</b>					
<b>Earnings per equity share</b>					
a) Basic / Diluted before Exceptional items					
b) Basic / Diluted EPS from continued operations					

Note 1:  
 Item 13: Revenue from Contracts with Customers, in addition for reporting periods beginning on or after April 1, 2018, replaces existing revenue recognition requirements. Under the modified retrospective approach there were no significant adjustments required in the period ending at April 1, 2018. Also the application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial results.

As per our report of even date  
 For Charitab Murthy & Kumar  
 Chartered Accountants

For and on behalf of the Board of directors

W. Subash Kumar  
 Partner  
 Membership no. 2552,  
 Firm Reg. Number: 18002145  
 Firm Reg. Number: 18002145  
 Date: 22/04/2019

Harinder Manocha  
 Member of committee  
 of Representatives  
 Date: 22/04/2019

G. Subba Rao  
 Member of Committee  
 of Representatives



Receivable / Trade receivable / Deposits paid / Interest receivable										
SI No	Short Code	IC Code	Company name	Transaction Description	GL Code	Main Head	Sub Head	ISAP Amount	Ind AS adjustment Amount	Total (ISAP + IND AS Adjustments)
1	GLUPE	1	E3420	GLUPE (Karnali Hydroelectric Limited) Short term advance paid	104.900001	Others Current Assets	Other Receivable	2000000		2,000,000.00

Payable / Trade payable / Retention payable / Deposits received / Interest payable										
SI No	Short Code	IC Code	Company name	Transaction Description	GL Code	Main Head	Sub Head	ISAP Amount	Ind AS adjustment Amount	Total (ISAP + IND AS Adjustments)

C. Loan given to group companies / Share application money / Other advances											
SI No	Short Code	IC Code	Company name	Transaction Description	GL Code	Main Head	Sub Head	ISAP Amount	Investment in Equity portfolio of related party (loan / advance)	National Interest Reserve accrued till date	Total (net of Ind AS Adjustments)

Loan taken from group companies / Share application money / refundable / Other loans / Preference share / Debentures													
SI No	Short Code	IC Code	Company name	Transaction Description	GL Code	Main Head	Sub Head	ISAP Amount	Component of Ind AS adjustment/ Ref share (excluding DTL)	Notional interest expense accrued till date	Total (ISAP + IND AS Adjustments)	DTL / DTL	Deferred Tax Ind AS Adjustments (DTL on interest accrued till date)
1	GLUPE	1	E3420	GLUPE (Karnali Hydroelectric Limited)	Share Application Money	2010104009	Other equity	Share application money	20,000,000		20,000,000.00		

Deferred Tax											In
Sl No	Short Code	IC Code	Company name	Transaction Description	GL Code	Main Head	Sub Head	IGAAP Amount	DTL on Equity Component	DTL covered via Non-Interest	Total (IGAAP + IND AS Adjustments)

F. Share Capital / Other Equity (ISAP/ Equity Components of loan / Debenture / Preference share)													
SI No	Short Code	IC Code	Company name	Transaction Description	GL Code	Main Head	Sub Head	ISAP Amount	Equity component of related party loan / debenture / preference share (excluding DTL)	DTL / DTA (DTL on equity component)	Unreversed Tax on Ind AS Adjustments	Total (ISAP + DTD AS Adjustments)	
1	GLUPE	1	E3420	GLUPE Energy/Municipal Limited	Equity / Share Capital	2010101004	Equity	Share Capital	20000000			20000000.00	
Investment in group company including equity components of loan/ debenture / preference share / financial guarantee													
SI No	Short Code	IC Code	Company name	Transaction Description	GL Code	Main Head	Sub Head	ISAP Amount	Investment in Equity portion of preference share/ debenture / loan	National Interest Reserve accrued till date	Total (net of Ind AS Adjustments)		
2													
3													

Provision										
SI No	Short Code	IC Code	Company name	Transaction Description	GL Code	Main head	Sub head	ISAP Amount	Ind AS adjustment Amount	Total ( ISAP + IND AS Adjustments)
			</							

For and on behalf of the Board of Directors

For Girish Murthy & Kumar  
Firm registration number 0009345  
Chartered Accountants  
A.V. Senthil Kumar  
Partner  
205230

Member of the Board of Directors  
Karnali Transmission Co. Pvt. Ltd.

G. Subash Bhatt  
Member of the Board of Directors  
Karnali Transmission Co. Pvt. Ltd.



A. Income

SI No	Short Code	IC Code	Company name	Transaction Description	GL Code	Main Head	Sub Head	IGAAP Amount	Provisional Income	Reimbursement Expense	Ind AS adjustment Amount	Total (IGAAP + IND AS Adjustments)	DTL/DTA	Deferred Tax Expense/ (Income)
1														

B. Expense (including Dividend paid)

SI No	Short Code	IC Code	Company name	Transaction Description	GL Code	Main Head	Sub Head	IGAAP Amount	Provisional Expense	Reimbursement Expense	Ind AS adjustment Amount	Total (IGAAP + IND AS Adjustments)	DTL/DTA	Deferred Tax Expense/ (Income)
1														

C. Expenses / Income capitalised to CWIP / FA / Other Intangible assets

SI No	Short Code	IC Code	Company name	Capitalised under (to be selected from dropdown list)	GL Code	Main Head	Sub Head	IGAAP Amount	Ind AS adjustment Amount	Total (IGAAP + IND AS Adjustments)
1										

For Girish Murthy & Kumar  
Firm registration number 0009345  
Chartered Accountants

*A.V. Satish Kumar*  
A.V. Satish Kumar  
Partner  
26526



Place: Bangalore  
Date: 22-04-2019

For and on behalf of the Board of Directors

*Harvinder Manodi*  
Harvinder Manodi  
Member of committee  
of Representatives

*G. Subba Rao*  
G. Subba Rao  
Member of committee  
of Representatives



**1 Property, Plant & Equipment**

**Particulars**

**Cost or Valuation**

As at 31st March 2017

Additions

Disposals

Exchange Differences

As at 31st March 2018

Additions

Disposals

Exchange Differences

As at 31st March 2019

**Depreciation and Impairment**

As at 31st March 2017

Depreciation for the year

Impairment

Disposals

Exchange Differences

As at 31st March 2018

Depreciation for the year

Impairment

Disposals

Exchange Differences

As at 31st March 2019

**Net Book Value**

As at 31st March 2017

As at 31st March 2018

As at 31st March 2019

(Amount in Rs.)

Plant & Machinery	Total
33,066	33,066
-	-
-	-
-	-
33,066	33,066
-	-
-	-
-	-
33,066	33,066
4,403	4,403
2,201	2,201
-	-
-	-
-	-
6,604	6,604
2,201	2,201
-	-
-	-
8,805	8,805
-	-
28,663	28,663
26,462	26,462
24,261	24,261

**2 Capital Work in Progress**

Salaries, allowances and benefits to employees

Contribution to provident fund and others

Staff welfare expenses

Rent

Rates and Taxes

Bank/ other finance charges

Depreciation

Consultancy & Professional Charges

Travelling and conveyance

Communication Expenses

Printing & Stationery

Insurance

Misc. exp

Exchange loss/(Gain)

31-March-19	31-March-18
1,310,017	1,310,017
97,941	97,941
38,938	38,938
1,590,862	1,403,371
4,500,000	4,500,000
16,618	16,599
17,430	15,228
17,206,715	16,513,350
434,085	433,367
45,282	45,282
69,466	69,466
8,517	7,561
29,466	29,466
54,436	54,436
25,419,772	24,535,021

**3 Other non current assets**

Non-current bank balances

Advances recoverable in cash or kind

Non Current	
31-March-19	31-March-18
-	-
-	-



4 Financial Assets  
Loans  
Advances recoverable in cash or kind  
Loan Receivables – considered good - secured  
Loan Receivables – considered good - unsecured  
Loan Receivables which have significant increase in credit risk  
Loan Receivables – credit impaired

(Amount in Rs.)			
Non Current		Current	
31-March-19	31-March-18	31-March-19	31-March-18
		1,875	-
		2,000,000	2,062,500
		2,001,875	2,062,500

0 Financial Assets  
Loans  
Deposit Others

(Amount in Rs.)			
Non Current		Current	
31-March-19	31-March-18	31-March-19	31-March-18
		32,133	581,379
		32,133	581,379

5 Cash and cash equivalents  
Cash on hand  
Balances with bank in current accounts

(Amount in Rs.)	
Current	
31-March-19	31-March-18
4,042	4,042
102,123	454,189
106,164	458,230

6 Share capital

Authorized Share Capital  
Equity shares, face value of Rs.62.50 each  
As at 1st April 2016  
Increase/(decrease)during the year  
As at 31st March 2017  
Increase/(decrease)during the year  
As at 31st March 2018  
Increase/(decrease)during the year  
As at 31st March 2019

Equity Shares	
No's	INR
10,500,000	656,250,000
-	-
10,500,000	656,250,000
-	-
10,500,000	656,250,000
-	-
10,500,000	656,250,000

Issued Equity Capital  
Equity shares of Rs.62.50 each issued, subscribed & fully paid  
As at 1st April 2016  
Increase/(decrease)during the year  
As at 31st March 2017  
Increase/(decrease)during the year  
As at 31st March 2018  
Increase/(decrease)during the year  
As at 31st March 2019

No's	INR
33,024	2,064,000
-	-
33,024	2,064,000
-	-
33,024	2,064,000
-	-
33,024	2,064,000

A. Reconciliation of Shares Outstanding at the beginning and end of the reporting year

Equity Shares	31-March-19		31-March-18	
	No.	Amounts in INR	No.	Amounts in INR
At the beginning of the year	33,024	2,064,000	33,024	2,064,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	33,024	2,064,000	33,024	2,064,000

B. Terms/Rights Attached to equity Shares

The company has only one class of shares having a par value of Rs.62.5 per share. Each holder of equity is entitled to one vote per share. In the event of liquidation of the company the holder of equity shares would be entitled to receive remaining assets of the company after distribution of all preferential amounts.

C. Shares held by holding /ultimate holding company /holding company and/or their subsidiaries/associates.

Out of equity issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/associates are as below

Name of Shareholder	31-March-19		31-March-18	
	No. of Shares held	Amount	No. of Shares held	Amount
Holding Company - GMR Energy (Mauritius) Limited	33,024	2,064,000	33,024	2,064,000
33024 (March 31, 2018: 33,024) equity shares of Rs. 62.5 each fully paid up				

D) Details of shareholders holding more than 5% shares in the company

Name of Shareholder	31-March-19		31-March-18	
	No	% holding in Class	No	% holding in Class
Equity shares of Rs. 62.5 each fully paid				
GMR Energy (Mauritius) Limited	33024	100%	33024	100%

As per records of the Company including its register of share holders/members and other declarations received from share holders regarding beneficial interest, the above share holding represents both legal and beneficial ownership of shares as at the balance sheet date

E. No Shares have been issued by the Company for consideration other than cash, during the period of five years immediately preceding the reporting date:

F. Shares reserved for issue under options

There are no shares reserved for issue under options and contract/commitments for the sale of shares/disinvestment.



7 Other Equity

Particulars	Amounts in Rs.	
	31-March-19	31-March-18
Surplus in the statement of profit and loss	(724,163)	(640,331)
Balance as per last financial statements		
Add: Net profit for the year	(78,205)	(83,832)
Net surplus in the statement of profit and loss	(802,369)	(724,163)
Share application money pending allotment	25,832,865	25,832,865
Total reserves and surplus	25,030,496	25,108,702

8 Other financial liabilities

Provision for gratuity  
Non trade payables

Non Current		Current	
31-March-19	31-March-18	31-March-19	31-March-18
-	-	-	-
-	-	426	-
-	-	426	-

9 Financial Liabilities

Trade Payable  
Provision for o/s expenses  
Retention Money  
Total other financial liabilities

Non Current		Current	
31-March-19	31-March-18	31-March-19	31-March-18
-	-	14,125	17,030
-	-	473,027	473,027
-	-	487,152	490,057

10 Other current liabilities

TDS Payable

Non Current		Current	
31-March-19	31-March-18	31-March-19	31-March-18
-	-	2,131	835
-	-	2,131	835





## Karnali Transmission Company Private Limited

Notes to statement of profit and loss for the period ended 31st March 2019

(Amount in Rs.)		
11	Other expenses	
	31-March-19	31-March-18
	78,205	83,832
	<b>78,205</b>	<b>83,832</b>

*Payment to Auditors (Included in other expenses above)	31-March-19	31-March-18
As auditor:		
Audit fee	28,250	28,250
Limited Review Fee	49,955	55,582
	<b>78,205</b>	<b>83,832</b>



## **Karnali Transmission Company Private Limited**

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

### **1. Corporate Information:**

Karnali Transmission Company Private Limited, incorporated in Nepal on April 27, 2010 under Companies Act, is promoted by GMR Energy (Mauritius) Limited (incorporated in Mauritius), the holding company, to develop the transmission line for power evacuation of 900MW Upper Karnali Hydro Electric Project in Karnali River. The registered address of the company is P O Box: 148, Chakupat-10, Lalitpur, Nepal. The Company has executed Project Development Agreement with the Government of Nepal on 19th September 2014 which authorizes the Company for development and implementation of the Project. The Company has signed the Joint Development Agreement with IFC Infra ventures (World Bank Group) on 22nd December 2014.

The financial statements were approved for issue in accordance with a resolution of the directors on 22<sup>nd</sup> April 2019.

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

#### **a. Basis of Preparation:**

The financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of Companies Act, 2013 (the 'Act') (to the extent notified). The Ind AS are prescribed under section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The financial statements are presented in Indian Rupees (INR).

#### **b. Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- a) Expected to be realised or intended to be sold or consumed in normal operating cycle
- b) Held primarily for the purpose of trading
- c) Expected to be realised within twelve months after the reporting period, or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:



## **Karnali Transmission Company Private Limited**

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

- a) It is expected to be settled in normal operating cycle
  - b) It is held primarily for the purpose of trading
  - c) It is due to be settled within twelve months after the reporting period, or
  - d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- All other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

### **c. Property, plant and equipment**

Property plant and equipment are stated at acquisition cost less accumulated depreciation and cumulative impairment. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

#### **Recognition:**

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

When significant parts of plant and equipment are required to be replaced at intervals, Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposable proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

Further, When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied.

Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognized.

Machinery spares which are specific to a particular item of fixed asset and whose use is expected to be irregular are capitalized as fixed assets.



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## **Karnali Transmission Company Private Limited**

### **Notes to financial statements for the year ended 31<sup>st</sup> March 2019**

Spare parts are capitalized when they meet the definition of PPE, i.e., when the company intends to use these during more than a period of 12 months.

Assets under installation or under construction as at the balance sheet date are shown as Capital Work in Progress and the related advances are shown as Loans and advances.

All Project related expenditure viz, civil works, machinery under erection, construction and erection materials, pre-operative expenditure incidental / attributable to construction of project, borrowing cost incurred prior to the date of commercial operation and trial run expenditure are shown under Capital Work-in-Progress. These expenses are net of recoveries and income from surplus funds arising out of project specific borrowings after taxes.

#### **Depreciation**

The depreciation on the property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on useful lives estimated by the management, which coincides with the lives prescribed under Schedule II of Companies Act, 2013. Assets individually costing less than Rs. 5,000, which are fully depreciated in the year of acquisition.

Depreciation on additions is being provided on a pro-rata basis from the date of such additions. Similarly, depreciation on assets sold/disposed off during the year is being provided up to the dates on which such assets are sold/disposed off. Modification or extension to an existing asset, which is of capital nature and which becomes an integral part thereof is depreciated prospectively over the remaining useful life of that asset.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

Leasehold land is amortised over the tenure of the lease except in case of power plants where it is amortised from the date of commercial operation. Leasehold improvements are the amortised over the primary period of the lease or estimated useful life whichever is shorter.

#### **Foreign currency translation      Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency- "Nepali Rupee"). The standalone financial statements are presented in Indian rupee (INR), which is Company's reporting currency.

#### **Transaction and balances**

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.



## Karnali Transmission Company Private Limited

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

Exchange differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of the following:

- a) Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g., consolidated financial statements when the foreign operation is a subsidiary), such exchange differences are recognised initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.
- b) Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end. Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset. They are deferred in equity of related to qualifying cash flow hedges and qualifying net investment in foreign operation. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Translation difference on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation difference on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised on other comprehensive income.

### Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in



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Notes to financial statements for the year ended 31<sup>st</sup> March 2019

## Impairment of non-financial assets

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been





## **Karnali Transmission Company Private Limited**

### **Notes to financial statements for the year ended 31<sup>st</sup> March 2019**

determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill (if available) is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives (if available) are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

### **Provisions, Contingent liabilities, Contingent assets, and Commitments**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost."

#### **Contingent liability is disclosed in the case of:**

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation
- A present obligation arising from past events, when no reliable estimate is possible
- A possible obligation arising from past events, unless the probability of outflow of resources is remote

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each balance sheet date.

### **Retirement and other Employee Benefits**

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained



## **Karnali Transmission Company Private Limited**

### **Notes to financial statements for the year ended 31<sup>st</sup> March 2019**

earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- i) The date of the plan amendment or curtailment, and
- ii) The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- i) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- ii) Net interest expense or income.

#### **Short term employee benefits**

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short—term employee benefit. The company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The company treats accumulated leave expected to be carried forward beyond twelve months, as long—term employee benefit for measurement purposes. Such long—term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year—end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non—current liability.

#### **Defined benefit plans**

Gratuity is a defined benefit scheme which is funded through policy taken from Life insurance corporation of India and Liability (net of fair value of investment in LIC) is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days' salary (based on last drawn basic salary) for each completed year of service. The cost of providing benefits under the scheme is determined on the basis of actuarial valuation under projected unit credit (PUC) method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained



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## **Karnali Transmission Company Private Limited**

### **Notes to financial statements for the year ended 31<sup>st</sup> March 2019**

earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- a. The date of the plan amendment or curtailment, and
- b. The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- a. Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- b. Net interest expense or income

#### **Long term employee benefits**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date.

#### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **Financial assets**

##### **Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- a. Debt instruments at amortised cost
- b. Debt instruments at fair value through other comprehensive income (FVTOCI)
- c. Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- d. Equity instruments measured at fair value through other comprehensive income (FVTOCI)



## Karnali Transmission Company Private Limited

### Notes to financial statements for the year ended 31<sup>st</sup> March 2019

Debt instruments at amortised cost: A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI: A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL: FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The group has not designated any debt instrument as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments: All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.





## **Karnali Transmission Company Private Limited**

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

If the company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the balance sheet) when:

- a. The rights to receive cash flows from the asset have expired, or
- b. The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of the company's continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

### **Impairment of financial assets**

Loss allowance for expected credit losses is recognised for financial assets measured at amortised cost and fair value through profit or loss.

For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit losses is recognised. Loss allowance equal to the lifetime expected credit losses is recognised if the credit risk on the financial instruments has significantly increased since initial recognition.

### **Financial liabilities**

### **Initial recognition and measurement**



## **Karnali Transmission Company Private Limited**

### **Notes to financial statements for the year ended 31<sup>st</sup> March 2019**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

#### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

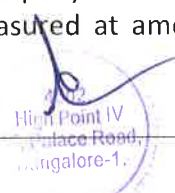
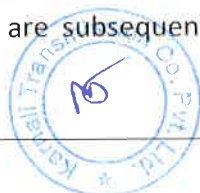
#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings: This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised





## **Karnali Transmission Company Private Limited**

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

### **Reclassification of financial assets**

The company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The company's senior management determines change in the business model as a result of external or internal changes which are significant to the company's operations. Such changes are evident to external parties. A change in the business model occurs when the company either begins or ceases to perform an activity that is significant to its operations. If the company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

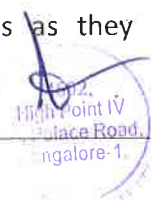
### **Derivative financial instruments**

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

### **Cash and Cash Equivalent**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.



## **Karnali Transmission Company Private Limited**

### **Notes to financial statements for the year ended 31<sup>st</sup> March 2019**

#### **Foreign currencies**

The financial statements are presented in INR, which is the company's Presentation currency. Exchange rate is fixed 1INR = 1.6NPR for all accounting periods.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of the following:

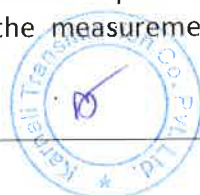
- ▶ Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g., consolidated financial statements when the foreign operation is a subsidiary), such exchange differences are recognised initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.
- ▶ Exchange differences arising on monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.
- ▶ Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

#### **Fair value measurement**

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value



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## Karnali Transmission Company Private Limited

### Notes to financial statements for the year ended 31<sup>st</sup> March 2019

measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

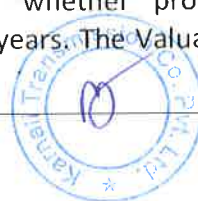
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Valuation Committee determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for distribution in discontinued operations. The Valuation Committee comprises of the head of the investment properties segment, heads of the Company's internal mergers and acquisitions team, the head of the risk management department, financial controllers and chief finance officer.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the Valuation Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Valuation Committee decides,



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## **Karnali Transmission Company Private Limited**

### **Notes to financial statements for the year ended 31<sup>st</sup> March 2019**

after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Valuation Committee, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Valuation Committee and the Company's external valuers present the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- a) Disclosures for valuation methods, significant estimates and assumptions
- b) Contingent consideration
- c) Quantitative disclosures of fair value measurement hierarchy
- d) Investment in unquoted equity shares (discontinued operations)

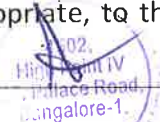
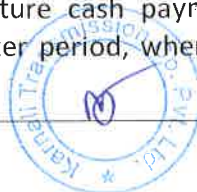
#### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

#### **Interest income:**

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross





## **Karnali Transmission Company Private Limited**

### **Notes to financial statements for the year ended 31<sup>st</sup> March 2019**

carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

Dividends: Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### **Taxes on income**

##### **Current income tax**

**Tax expense comprises current and deferred tax.**

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Nepal Income Tax Act.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- a) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future



## Karnali Transmission Company Private Limited

### Notes to financial statements for the year ended 31<sup>st</sup> March 2019

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- a) When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in profit or loss.

Sales/ value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/ value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable





## **Karnali Transmission Company Private Limited**

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

► When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Minimum Alternate Tax (MAT) is not applicable in Nepal.

### **Earning per share**

Basic Earnings Per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating Diluted Earnings Per Share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### **Significant accounting judgments, estimates and assumptions:**

The preparation of the company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

### **Taxes**

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

### **Contingencies**

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Company, including legal, contractor, land access and other claims. By their



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## Karnali Transmission Company Private Limited

### Notes to financial statements for the year ended 31<sup>st</sup> March 2019

nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

**14. Contingent Liability**-as at 31<sup>st</sup> March 2019 is NIL, March 2018: NIL

**15. Capital commitments/ Other commitments:**

Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances is INR 5,130,090 (March 2018: INR 5,130,090).

**16. Employee Benefits:**

**Gratuity and Leave Encashment:**

Defined Benefit Plan - As per Actuarial Valuation as at 31 March 2019- NA

Liability towards Leave Encashment based - NA

**17. Earnings Per Share**

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of Equity shares outstanding during the year.

Particulars	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2018
Nominal value of Equity Shares(INR Per share)	INR 62.5	INR 62.5
Total No. of Equity Shares outstanding at the beginning of the Period/Year	33,024	33,024
Total No. of Equity Shares outstanding at the end of the Period/Year	33,024	33,024
Weighted average No. of Equity shares for Basic earnings per Share	33,024	33,024
Profit as per Profit and loss Account	(78,205)	(83,832)
Less: Dividend on Preference shares (including tax thereon)	-	-
Profit/ (Loss) for Earning per share	(78,205)	(83,832)
Earnings per Share (EPS)	(2.37)	(2.54)

**18. Related Party Disclosures**

**Names of related parties and related party relationship**

<b>Enterprises that control the Company</b>	GMR Energy Limited (GEL) (Holding Company) GMR Energy (Mauritius) Limited GMR Infrastructure Limited (GIL) GMR Enterprises Limited
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## Karnali Transmission Company Private Limited

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

<b>Ultimate Holding Company</b>	GMR Enterprises Limited
	GMR Infrastructure Limited GMR Sports Private Limited GMR League Games Private Limited GMR Infratech Private Limited Cadence Enterprises Private Limited PHL Infrastructure Finance Company Private Limited Vijay Nivas Real Estates Private Limited Fabcity Properties Private Limited Kondampeta Properties Private Limited Hyderabad Jabilli Properties Private Limited Leora Real Estates Private Limited Pashupati Artex Agencies Private Limited Ravivarma Realty Private Limited GMR Solar Energy Private Limited Rajam Enterprises Private Limited Grandhi Enterprises Private Limited Ideaspace Solutions Private Limited National SEZ Infra Services Private Limited Kakinada Refinery and Petrochemicals Private Limited Corporate Infrastructure Services Private Limited GMR Bannerghatta Properties Private Limited Kirthi Timbers Private Limited
<b>Fellow Subsidiary Companies</b>	AMG Healthcare Destination Private Limited GMR Holding (Malta) Limited GMR Infrastructure (Malta) Limited GMR Holdings (Overseas) Limited GMR Holdings (Mauritius) Limited Crossridge Investments Limited Interzone Capital Limited GMR Holdings Overseas (Singapore) Pte Limited GMR Business & Consultancy LLP GMR Energy Limited (GEL) GMR Power Corporation Limited (GPCL) GMR Vemagiri Power Generation Limited (GVPGL) GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL) GMR Mining & Energy Private Limited (GMEL) GMR Kamalanga Energy Limited (GKEL) Himtal Hydro Power Company Private Limited (HHPPL) GMR Energy (Mauritius) Limited (GEML) GMR Lion Energy Limited (GLEL) GMR Upper Karnali Hydropower Limited (GUKPL) GMR Energy Trading Limited (GETL) GMR Consulting Services Private Limited (GCSPL) GMR Coastal Energy Private Limited (GCEPL)

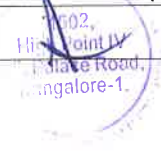


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## Karnali Transmission Company Private Limited

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

GMR Bajoli Holi Hydropower Private Limited (GBHHPL)  
GMR Londa Hydropower Private Limited (GLHPPL)  
GMR Kakinada Energy Private Limited (GKEPL)  
GMR Energy (Cyprus) Limited (GECL)  
GMR Energy (Netherlands) B.V. (GENBV)  
PT Dwikarya Sejati Utama (PTDSU)  
PT Duta Sarana Internusa (PTDSI)  
PT Barasentosa Lestari (PTBSL)  
SJK Powergen Limited (SJK)  
PT Unsoco (PT)  
GMR Warora Energy Limited ( Formerly EMCO Energy Limited)  
Indo Tausch Trading DMCC (ITTD)  
GMR Maharashtra Energy Limited (GMAEL)  
GMR Bundelkhand Energy Private Limited (GBEPL)  
GMR Rajam Solar Power Private Limited (formerly known as GMR Uttar Pradesh Energy Private Limited (GUPEPL)  
GMR Hosur Energy Limited (GHOEL)  
GMR Gujarat Solar Power Private Limited (GGSPPL)  
Karnali Transmission Company Private Limited (KTCPL)  
Marsyangdi Transmission Company Private Limited (MTCPL)  
GMR Indo-Nepal Energy Links Limited (GINELL)  
GMR Indo-Nepal Power Corridors Limited (GINPCL)  
GMR Generation Assets Limited (formerly known as GMR Renewable Energy Limited (GREEL))  
GMR Energy Projects (Mauritius) Limited (GEPML)  
GMR Infrastructure (Singapore) Pte Limited (GISPL)  
GMR Coal Resources Pte Limited (GCRPL)  
GMR Power Infra Limited (GPIL)  
GMR Highways Limited (GMRHL)  
GMR Tambaram Tindivanam Expressways Limited (GTTEPL)  
GMR Tuni Anapalli Expressways Limited (GTAEPL)  
GMR Ambala Chandigarh Expressways Private Limited (GACEPL)  
GMR Pochanpalli Expressways Limited (GPEPL)  
GMR Hyderabad Vijayawada Expressways Private Limited (GHVEPL)  
GMR Chennai Outer Ring Road Private Limited (GCORRPL)  
GMR Kishangarh Udaipur Ahmedabad Expressways Limited (GKUAEL)  
GMR Highways Projects Private Limited (GHPPL)  
GMR Hyderabad International Airport Limited (GHIAL)



## Karnali Transmission Company Private Limited

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

Gateways for India Airports Private Limited (GFIAL)  
Hyderabad Airport Security Services Limited (HASSL)  
GMR Hyderabad Airport Resource Management Limited (GHARML)  
GMR Hyderabad Aerotropolis Limited (HAPL)  
GMR Hyderabad Aviation SEZ Limited (GHASL)  
GMR Aerospace Engineering Limited (GAEL) (formerly known as MAS GMR Aerospace Engineering Company Limited)  
GMR Aero Technic Limited (GATL) (formerly known as MAS GMR Aero Technic Limited (MGATL))  
Hyderabad Duty Free Retail Limited (HDFRL)  
GMR Airport Developers Limited (GADL)  
GADL International Limited (GADLIL)  
GADL (Mauritius) Limited (GADLML)  
GMR Hotels and Resorts Limited (GHRL)  
GMR Hyderabad Airport Power Distribution Limited (GHAPDL)  
Delhi International Airport Private Limited (DIAL)  
Delhi Aerotropolis Private Limited (DAPL)  
Delhi Duty Free Services Private Limited (DDFS)  
Delhi Airport Parking Services Private Limited (DAPSL)  
GMR Airports Limited (GAL)  
GMR Airport Global Limited (GAGL)  
GMR Airports (Mauritius) Limited (GALM)  
GMR Aviation Private Limited (GAPL)  
Raxa Security Services Limited (Raxa)  
GMR Krishnagiri SEZ Limited (GKSEZ)  
Advika Properties Private Limited (APPL)  
Aklima Properties Private Limited (AKPPL)  
Amartya Properties Private Limited (AMPPL)  
Baruni Properties Private Limited (BPPL)  
Bougainvillea Properties Private Limited (BOPPL)  
Camelia Properties Private Limited (CPPL)  
Deepesh Properties Private Limited (DPPL)  
Eila Properties Private Limited (EPPL)  
Gerbera Properties Private Limited (GPL)  
Lakshmi Priya Properties Private Limited (LPPPL)  
Honeysuckle Properties Private Limited (HPPL)  
Idika Properties Private Limited (IPPL)  
Krishnapriya Properties Private Limited (KPPL)  
Larkspur Properties Private Limited (LAPPL)  
Nadira Properties Private Limited (NPPL)  
Padmapriya Properties Private Limited (PAPPL)  
Prakalpa Properties Private Limited (PPPL)  
Purnachandra Properties Private Limited (PUPPL)



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## Karnali Transmission Company Private Limited

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

	<p>Shreyadita Properties Private Limited (SPPL)  Pranesh Properties Private Limited (PRPPL)  Sreepa Properties Private Limited (SRPPL)  Radhapriya Properties Private Limited (RPPL)  Asteria Real Estates Private Limited (AREPL)  GMR Hosur Industrial City Private Limited (GHICL)  Namitha Real Estates Private Limited (NREPL)  Honey Flower Estates Private Limited (HFEPL)  GMR Hosur EMC Limited (GHEMCL)  GMR SEZ and Port Holdings Limited (GSPHL)  East Godavari Power Distribution Company Private Limited (EGPDCPL)  Suzone Properties Private Limited (SUPPL)  GMR Utilities Private Limited (GUPL)  Lilliam Properties Private Limited (LPPL)  GMR Corporate Affairs Private Limited (GCAPL)  Dhruvi Securities Private Limited (DSPL)  Kakinada SEZ Limited (KSL)  GMR Business Process and Services Private Limited (GBPSPL)  GMR Infrastructure (Mauritius) Limited (GIML)  GMR Infrastructure (Cyprus) Limited (GICL)  GMR Infrastructure Overseas Limited (GIOL)  GMR Infrastructure (UK) Limited (GIUL)  GMR Infrastructure (Global) Limited (GIGL)  GMR Energy (Global) Limited (GEGL)  Kakinada Gateway Port Limited (KGPL)  GMR Goa International Airport Limited (GGIAL)  GMR SEZ Infra Services Limited (GSISL)  GMR Infrastructure (Overseas) Limited (GIOL)  GMR Infra Developers Limited (GIDL)</p>
<b>Enterprises where significant influence exists</b>	Nil
<b>Enterprises where key management personnel and their relative exercise significant influence</b>	None
<b>Key Management Personnel</b>	<p>Mr. G. Subba Rao -Member of Committee of Representative  Mr. Ashis Basu-Member of Committee of Representative  Mr. Harvinder Manocha-Member of Committee of Representative</p>

### Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year and the closing balance as on 31<sup>st</sup> March 2018.



Point IV  
Place Road,  
Bangalore-1.

**Karnali Transmission Company Private Limited**  
Notes to financial statements for the year ended 31<sup>st</sup> March 2019

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

Particulars	For year ended 31 <sup>st</sup> March 2019	For year ended 31 <sup>st</sup> March 2018
Loan repaid by Himtal	-	6,25,000
Loan given by GUK	-	20,00,000
Loan repaid by MTCPL	62,500	1,859,375

**b) Closing balances with the above related parties is :**

Particulars	Amount in Rupees	
	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2018
Equity Share capital – GEML	2,064,000	2,064,000
Share Application money received – GEML	25,832,865	25,832,865
i) Loan & Advances- MTCPL	-	62,500
ii)		
iii) Loan & Advances- Himtal	NIL	NIL
iv) Loan & Advances- GUK	20,00,000	20,00,000

No compensation has been provided to key management personnel.

**19. Disclosures on Financial instruments**

This section gives an overview of the significance of financial instruments for the Group and provides additional information on balance sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in accounting policies, to the financial statements.

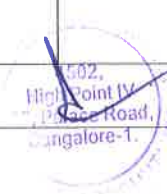
**(a) Financial assets and liabilities**

The following tables presents the carrying value and fair value of each category of financial assets and liabilities as at March 31, 2019 and March 31, 2018.

**As at March 31, 2019**

Particulars	Fair value through consolidated statement of profit or loss	Derivative instruments not in hedging relationship	Amortised cost	Total Carrying value	Total Fair value
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(Rs.)



# Karnali Transmission Company Private Limited

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

<b>Financial assets</b>					
(i) Loans	-	-	20,01,875	20,01,875	20,01,875
(ii) Cash and cash equivalents	-	-	1,06,164	1,06,164	1,06,164
<b>Total</b>	-	-	<b>21,08,040</b>	<b>21,08,040</b>	<b>21,08,040</b>
<b>Financial liabilities</b>					
(i) Other financial liabilities	-	-	487,578	487,578	487,578
<b>Total</b>	-	-	<b>487,578</b>	<b>487,578</b>	<b>487,578</b>

As at March 31, 2018

Particulars	Fair value through consolidated statement of profit or loss	Derivative instruments not in hedging relationship	Amortised cost	Total Carrying value	(Rs.) Total Fair value
<b>Financial assets</b>					
(i) Loans	-	-	2,643,880	2,643,880	2,643,880
(ii) Cash and cash equivalents	-	-	458,231	458,231	458,231
<b>Total</b>	-	-	<b>3,102,110</b>	<b>3,102,110</b>	<b>3,102,110</b>
<b>Financial liabilities</b>					
(i) Other financial liabilities	-	-	490,057	490,057	490,057
<b>Total</b>	-	-	<b>490,057</b>	<b>490,057</b>	<b>490,057</b>

Financial risk management objectives and policies



## Karnali Transmission Company Private Limited

### Notes to financial statements for the year ended 31<sup>st</sup> March 2019

In the course of its business, the Company is exposed primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as interest rate risks and credit risks. The risk management policy is approved by the Board of Directors. The risk management framework aims to:

- (i) create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the Company's business plan.
- (ii) achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

#### Market risk

Market risk is the risk of any loss in future earnings, in realisable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

##### (a) Market risk- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term and short-term debt obligations with floating interest rates.

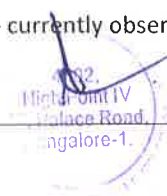
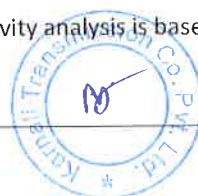
The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Particulars	(Rs.)	
	Increase/decrease in basis points	Effect on profit before tax
<b>March 31, 2019</b>		
INR	+50	-
INR	-50	-
<b>March 31, 2018</b>		
INR	+50	-
INR	-50	-

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.



**Karnali Transmission Company Private Limited**  
Notes to financial statements for the year ended 31<sup>st</sup> March 2019

**Credit Risk:**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Financial instruments and cash deposits- Credit risk from balances with banks and financial institutions is managed by the company's treasury department in accordance with the company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the company's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

**20. Liquidity risk**

Maturity profile of the Group's financial liabilities based on contractual undiscounted payments as on 31<sup>st</sup> March 2019

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	INR	INR	INR	INR	INR	INR
Year ended						
31 <sup>st</sup> Mar 2019						
Other financial liabilities		487,578				487,578
Borrowings						
Total		487,578	-	-	-	487,578

Maturity profile of the Group's financial liabilities based on contractual undiscounted payments as on 31<sup>st</sup> March 2018

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	INR	INR	INR	INR	INR	INR
Year ended						
31 <sup>st</sup> March 2017						
Other financial liabilities		490,057				490,057
Borrowings						
Total		490,057	-	-	-	4,90,057

**Capital management**

The Company's capital management is intended to create value for shareholders by facilitating the meeting of long-term and short-term goals of the Company.



4902,  
High Point IV  
Palace Road,  
Bhagalpore-1.



## Karnali Transmission Company Private Limited

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

The Company determines the amount of capital required on the basis of annual business plan coupled with long-term and short-term strategic investment and expansion plans. The funding needs are met through equity, cash generated from operations and sale of certain assets, long-term and short-term bank borrowings and issue of non-convertible / convertible debt securities and strategic partnership with investors.

For the purpose of the Company's capital management, capital includes issued equity capital, convertible preference share, share premium and all other equity reserves attributable to the equity holders of the Company.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. The Company's policy is to keep the gearing ratio at an optimum level to ensure that the debt related covenant are complied with.

(Rs.)		
Particulars	March 31, 2019	March 31, 2018
Borrowings other than convertible preference shares (refer notes 19 and 24)	14,125	17,030
<b>Total debt (i)</b>	<b>14,125</b>	<b>17,030</b>
<b>Capital components</b>		
Equity share capital	20,64,000	20,64,000
Other equity	25,030,496	25,108,702
Non-controlling interests	-	-
Convertible preference shares (refer note 19)	-	-
<b>Total Capital (ii)</b>	<b>27,094,496</b>	<b>27,172,702</b>
<b>Capital and borrowings ( iii = i + ii )</b>	<b>27,108,621</b>	<b>27,189,732</b>
<b>Gearing ratio (%) ( i / iii )</b>	<b>0.05%</b>	<b>0.06%</b>

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no material breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2019 and March 31, 2018.

21. The Company has entered into certain cancelable operating lease agreements mainly for office premises. The lease rentals considered under Capital Work In Progress for the period as per the agreement are as follows:



## Karnali Transmission Company Private Limited

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

Particulars	For year ended 31 <sup>st</sup> March 2019	For year ended 31 <sup>st</sup> March 2018
Lease Rentals under cancelable leases	1,87,490	1,32,177

22. Expenditure in Foreign Currency – Nil

23. Deferred Tax Assets and Deferred Tax Liability have not been recognized in financials as there is no timing difference.

24. **Pending Litigations:** The Company does not have any pending litigations which would impact its financial position.

25. **Foreseeable losses:** The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses

26. There are no micro and small enterprises to which the company owes dues which are outstanding for more than 45 days as at 31<sup>st</sup> March 2019 and 31<sup>st</sup> March 2018. This information as required to be disclosed under the Micro Small and Medium Enterprises Development Act 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

### 27. Effective Tax Reconciliation (ETR)

Income tax expenses in the statement of profit and loss consist of the following:

(Rs.)

	March 31,2019	March 31, 2018
<b>Tax expenses</b>		
(a) Current tax	-	-
(b) Adjustments of tax relating to earlier periods	-	-
(c) MAT credit entitlement	-	-
(d) Deferred tax expense / (credit)	-	-
<b>Total taxes</b>	-	-

Reconciliation of taxes to the amount computed by applying the statutory income tax rate to the income before taxes is summarized below:

	March 31,2019	March 31, 2018
Profit before tax	-78,205	-83,832

502  
High Point IV  
Palace Road,  
Bhagalore-1



## Karnali Transmission Company Private Limited

Notes to financial statements for the year ended 31<sup>st</sup> March 2019

Applicable tax rates in India (% Rate)	25.75%	25.75%
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### Computed tax charge

Tax effect of income that are not taxable in determining taxable profit:

a) Exempt income not included in calculation of tax	-	-
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Tax effect of expenses that are not deductible in determining taxable profit:

(a) Items not deductible	-	-
(b) Adjustments on which deferred tax is not created	-	-
(c) Adjustments to current tax in respect of prior periods	-	-
(d) MAT adjustments	-	-
(e) Utilisation of previously unrecognised tax losses	-	-
(f) Interest on delayed payment of Income Tax	-	-
(g) Tax effects on re-measurement gains (losses) on defined benefit plans	-	-
(h) Others	-	-

**Tax expense as reported**

28. The Previous year's figures have been re-grouped and reclassified, wherever necessary, to confirm to those of current year.

**For Girish Murthy & Kumar**  
Chartered Accountants



**A.V. Satish Kumar**

Partner

Membership no.: 26526

Firm Reg. Number: 000934S

Place: Bengaluru

Date: 22nd April 2019



**For and on behalf of the Board of directors**



**Harvinder Manocha**  
Member of  
committee  
of Representatives

Place: New Delhi  
Date: 22nd April  
2019



**G. Subba Rao**  
Member of  
committee  
of Representatives