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Tesfaye Gedlu & Co.

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Chartered Certified Accountants (UK) Authorized Auditors (ETH)

**INDEPENDENT AUDITORS' REPORT to:**

The Shareholders' of Abay Energy Pvt. Ltd. Co.

We have audited the financial statements set out on pages 3 to 5 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

***Respective Responsibilities of Management and Auditors***

The management of Abay Energy Pvt. Ltd. Co. is responsible for the preparation of the financial statements. Based on our audit, it is our responsibility to form an independent opinion on the said statements and to report our opinion to you.

***Basis of opinion***

We conducted our audit in accordance with the International Standards on Auditing and accordingly included such tests of the financial records and other auditing procedures as we considered necessary under the circumstances. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessment of the significant estimates and judgments made by management in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary under the circumstances in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud and other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.




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*Unqualified Opinion*

In our opinion, the financial statements, when read together with the notes set out on pages 7 to 10 thereon, present fairly, in all other material respects, the financial position of Abay Energy PLC as at 27<sup>th</sup> July 2015, the profit and loss and its cash flows for the period then ended, in conformity with the Generally Accepted Accounting Principles.

*Addis Ababa  
February 23, 2016*



  
***Tesfaye Gedlu & Co.,***  
*Chartered Certified Accountants  
and Authorized Auditors  
Auditors of Abay Energy PLC*

ABAY ENERGY PVT. LTD CO.( ABAY)  
BALANCE SHEETS-27th JULY 2015

Currency : Birr

	Notes		31-Mar-15
<b><u>FIXED ASSETS</u></b>	2.1,3	3,064,579.23	3,046,930.46
<b><u>DEFERRED EXPENDITURE</u></b>	4	1,334,844.58	1,385,393.67
<b><u>CURRENT ASSETS</u></b>			
Stock		4,491,635.51	4,534,025.23
Goods in transit		3,086,613.80	-
Debtors	5	3,271,153.71	2,444,315.98
Cash	6	932,719.71	3,132,227.53
		<u>11,782,122.73</u>	<u>10,110,568.74</u>
<b><u>CURRENT LIABILITIES</u></b>			
Creditors	7	919,299.46	2,662,393.05
Shareholders	9	203,704.63	4,533,108.52
		<u>1,123,004.09</u>	<u>7,195,501.57</u>
		<u>10,659,118.64</u>	<u>2,915,067.17</u>
		<u>15,058,542.45</u>	<u>7,347,391.30</u>
<b><u>REPRESENTED BY:</u></b>			
Capital	8	11,766,000.00	5,198,000.00
Legal Reserve		236,342.35	-
Profit & Loss Account		<u>3,056,200.10</u>	<u>2,149,391.30</u>
		<u>15,058,542.45</u>	<u>7,347,391.30</u>



**ABAY ENERGY PVT. LTD. CO.**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD APRIL 1, 2015 TO JULY 27, 2015**

*Currency : Birr*

	<u>Notes</u>		<u>31-Mar-15</u>
<b><u>Income</u></b>			
Sales	10	5,749,111.90	13,621,745.50
<b><u>Cost of Sales</u></b>	11	<u>4,175,136.18</u>	<u>10,263,634.35</u>
<b><u>Gross Profit</u></b>		1,573,975.72	3,358,111.15
<b><u>Add:</u></b>			
Gain on foreign exchange		106,234.84	-
Interest Income		<u>8,206.68</u>	<u>23,504.18</u>
		1,688,417.24	3,381,615.33
<b><u>Expenses:</u></b>			
Administration & General	12	490,907.92	1,224,224.04
Audit Fees		<u>5,000.00</u>	<u>8,000.00</u>
		<u>495,907.92</u>	<u>1,232,224.04</u>
<b><u>Net Profit</u></b>		<b>1,192,509.32</b>	<b>2,149,391.29</b>
<b><u>Transfer to Legal Reserve</u></b>		<b><u>59,625.47</u></b>	<b>-</b>
<b><u>Transfer to Profit and Loss Account</u></b>		<b><u>1,132,883.85</u></b>	<b><u>2,149,391.29</u></b>





ABAY ENERGY PVT. LTD CO.( ABAY)  
 STATEMENT OF CASH FLOWS  
 FOR THE PERIOD APRIL 1, 2015 TO JULY 27, 2015

		<u>31-Mar-15</u>
<b><u>Cash Flow from Operating Activities:</u></b>		
Net Income before Income Tax	1,192,509.32	2,149,391.29
Add: Amortization	50,549.09	132,845.97
Depreciation	212,063.64	762,783.16
	<hr/>	<hr/>
<i>Net Cash Flow from Operating Activities before reinvestment in working capital</i>	1,455,122.05	3,045,020.42
Increase in Stock (3,044,224.08)		473,564.36
Increase in Debtors (826,837.73)		(1,970,975.85)
Decrease in Creditors (1,743,093.59)		(2,140,781.28)
	<hr/>	<hr/>
	(5,614,155.40)	(3,638,192.77)
	<hr/>	<hr/>
<b><u>Net Cash Flow from Operating Activities</u></b>	<b>(4,159,033.35)</b>	<b>(593,172.35)</b>
<b><u>Cash Flow from Investing Activities:</u></b>		
Acquisition of Fixed Assets & Deferred Expenditure	(229,712.41)	(185,787.14)
	<hr/>	<hr/>
<b><u>Net Cash Flow from Investing Activities</u></b>	<b>(229,712.41)</b>	<b>(185,787.14)</b>
<b><u>Cash Flow from financing Activities:</u></b>		
Additional Investment	6,568,000.00	-
Shareholders account	(4,329,403.89)	3,528,742.20
	<hr/>	<hr/>
<b><u>Net Cash Flow from Financing Activities</u></b>	<b>2,238,596.11</b>	<b>3,528,742.20</b>
	<hr/>	<hr/>
<b><u>Net Cash Movement of the period</u></b>	<b>(2,150,149.65)</b>	<b>2,749,782.71</b>
	<hr/>	<hr/>
<b><u>Cash &amp; Bank Balances, Beginning</u></b>	<b>3,132,227.53</b>	<b>382,444.82</b>
	<hr/>	<hr/>
<b><u>Cash &amp; Bank Balances, Ending</u></b>	<b>932,719.71</b>	<b>3,132,227.53</b>
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ABAY ENERGY PVT. LTD. CO.(ABAY)  
NOTES TO THE ACCOUNTS  
AS AT & FOR THE PERIOD APRIL 1, 2015 TO JULY 27, 2015

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Currency : Birr

1 **Introduction**

Abay Energy Pvt. Ltd. Co.(ABAY) was established on 03/02/12 by two Indian nationals with the objective of manufacturing Transformers, Cables , Conductors, Energy Meters, Towers and Poles. The Company started operation as of May 16, 2014. It is now owned by Blue Nile Projects.

2 **Accounting Policies**

The accounting policies adopted by ABAY are:

- 2.1 Fixed Assets are stated at cost less accumulated depreciation and depreciation is determined in the pooling method as stipulated in Income Tax Proclamation No. 286/2002 at the following rates per annum:

	%
Machinery, Equipment & Tools	20
Furniture & Equipment	20
Computer & Accessories	25



ABAY ENERGY PVT. LTD. CO.(ABAY)  
 NOTES TO THE ACCOUNTS Cont'd

3 **Fixed Assets**

3.1 They are:

COST	Balance April 1, 2015	Additions/ Disposals	Balance July 27, 2015
Machinery, Equipment & Tools	3,681,274.42	222,468.94	3,903,743.36
Furnniture & Equipment	111,630.50	7,243.47	118,873.97
Computers & Accessories	<u>16,808.70</u>	-	<u>16,808.70</u>
	<b><u>3,809,713.62</u></b>	<b><u>229,712.41</u></b>	<b><u>4,039,426.03</u></b>
<b>DEPRECIATION</b>			
Machinery, Equipment & Tools	736,254.88	204,802.20	941,057.08
Furnniture & Equipment	22,326.10	6,242.55	28,568.65
Computers & Accessories	<u>4,202.18</u>	<u>1,018.88</u>	<u>5,221.06</u>
	<b><u>762,783.16</u></b>	<b><u>212,063.64</u></b>	<b><u>974,846.80</u></b>
<b>NET BOOK VALUE</b>	<b><u>3,046,930.46</u></b>		<b><u>3,064,579.23</u></b>

4 **Deferred Expenditures**

4.1 These are net expenditure incurred during the establishment of the company before it become become operational and which are being amortized over ten year period.

			<b>31-Mar-15</b>
Deferred Expenditure		1,518,239.64	1,518,239.64
	132,845.97		-
Amortization Expense	<u>50,549.09</u>		<u>132,845.97</u>
		183,395.06	<u>132,845.97</u>
		<b><u>1,334,844.58</u></b>	<b><u>1,385,393.67</u></b>





ABAY ENERGY PVT. LTD. CO.(ABAY)  
NOTES TO THE ACCOUNTS Cont'd

		31-Mar-15
<b>5</b>	<b><u>Debtors</u></b>	
	They are:	
	Trade	1,878,876.63
	Staff	96,637.50
	Loan & Advances	21,352.50
	Sundry	1,057,850.42
	WHT Receivable	35,572.09
	Deposits & Prepayments	180,864.57
		<u>3,271,153.71</u>
		<u>2,444,315.98</u>
<b>6</b>	<b><u>Cash</u></b>	
	This is in and at:	
	Hand	18,317.22
	Bank	914,402.49
		<u>932,719.71</u>
		<u>8,532.23</u>
		<u>3,123,695.30</u>
		<u>3,132,227.53</u>
<b>7</b>	<b><u>Creditors</u></b>	
	They are:	
	Staff	-
	Accrued Charges	9,000.00
	Duties	135,039.96
	Sundry	775,259.50
		<u>919,299.46</u>
		<u>24,348.99</u>
		<u>77,858.33</u>
		<u>2,560,184.73</u>
		<u>2,662,395.85</u>

**8** **Capital**

8.1 The authorized capital of the Company is Birr 11,766,000.00, which consists of 11,766 shares with a par value of Birr. 1,000.00 each. It is fully paid and owned by:

	<u>No. of Shares</u>	<u>Par Value</u>	<u>Total Amount</u>
Blue Nile Projects	11,756	1,000.00	11,756,000.00
Vibhor Sncheti	10	1,000.00	10,000.00
	<u>11,766</u>		<u>11,766,000.00</u>

**9** **Shareholders Account**

The amount is received from the shareholders on account of additional capital contribution.





ABAY ENERGY PVT. LTD. CO.(ABAY)  
 NOTES TO THE ACCOUNTS Cont'd

		<u>31-Mar-15</u>
10	<b>Sales</b>	
	Transformer	3,500,000.00
	Maintenance	2,233,460.00
	Scrap	<u>15,651.90</u>
		<b><u>5,749,111.90</u></b>
11	<b><u>Cost of Sales</u></b>	
	<u>Finished Goods, Beginning</u>	
	<u>Cost of Goods Manufactured:</u>	
	<u>Work in Process, Beginning</u>	-
	<u>Direct Materials</u>	
	Raw Materials	3,643,384.82
	<u>Direct Labour</u>	
	Salaries & benefits	261,698.85
	<u>Factory Overhead</u>	
	Factory Water & Electric Bills	1,003.55
	Depreciation-Machinery	204,802.20
	Factory overhead	<u>64,246.76</u>
		270,052.51
	<u>Work in Process, Ending</u>	-
		<u>4,175,136.18</u>
	<u>Cost of Goods Manufactured</u>	13,471,020.15
	<u>Finished Goods, Ending</u>	-
		<u>3,207,385.80</u>
	<u>Cost of Sales</u>	<b><u>4,175,136.18</u></b>
		<b><u>10,263,634.35</u></b>



ABAY ENERGY PVT. LTD. CO.(ABAY)  
 NOTES TO THE ACCOUNTS Cont'd

12 Administration and General Expenses

		<u>31-Mar-15</u>
Guest House Expense	25,004.75	68,710.85
Licence and Membership fees	3,218.00	19,904.00
Miscellaneous Expenses	73,710.57	18,099.32
Salary & Benefits	108,928.00	302,945.01
Transport & Communication	168,972.63	227,893.82
Utilities & Other Outside Expense	16,962.18	158,397.25
Repair & maintenance	-	2,940.09
Stationery	-	1,999.76
Amortisation Expenses	50,549.09	132,845.97
Bank Charges	1,110.00	1,222.00
Fuel & lubricants	16,742.43	45,807.69
Depreciation on Computer	1,018.88	4,202.18
Depreciation on Furniture and Equipment	6,242.55	22,326.10
Liquidation Damages	18,448.83	216,930.00
	<u>490,907.92</u>	<u>1,224,224.04</u>

13 Comparative figures

The comparative figures shown are for the period May 17,2014 to March 31, 2015.

