

**The Board of Directors,
Karnataka Neeravari Nigam Ltd.,
Regd. Office: 4th Floor, Coffee Board Building,
No.1, Dr. B.R. Ambedkar Veedhi,
Bengaluru - 560 001**

**Independent Auditor's Certificate on the proposed accounting treatment specified in
the Draft Scheme of Arrangement**

1. This report is issued in accordance with the terms of our engagement letter dated 19th February, 2019.
2. We, **Manian and Rao, Chartered Accountants**, (Firm Regn. No. 001983S), the Statutory Auditors of Karnataka Neeravari Nigam Limited ("the Company" or "the Demerged Company"), have examined the proposed accounting treatment in Paragraph 11.1.1 to Paragraph 11.1.3 of Part II in the draft scheme of arrangement (hereinafter referred as the "Scheme") between the Company and Visvesvaraya Jala Nigam Limited (hereinafter refer to as "Resulting Company") and their respective Shareholders and Creditors in terms of provisions of Section 230 to 232 read with Section 66 of the Companies Act, 2013 with reference to its compliance with the applicable Accounting Standards notified under Section 133 of the Companies Act, 2013, read with the rules made there under and other generally accepted accounting principles.

Management's Responsibility

3. The responsibility for the preparation of the Draft Scheme and its compliance with the relevant laws and regulations, including the applicable Accounting Standards read with the rules made there under and other generally accepted accounting principles in India as aforesaid, is that the Board of Directors of the Company involved. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Scheme and applying an appropriate basis of preparation and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

4. Our responsibility is only to examine and report whether the proposed accounting treatment referred to in Paragraph 11.1.1 to Paragraph 11.1.3 of Part II of the Scheme referred to above comply with the applicable Accounting Standards and Other Generally Accepted Accounting Principles. Nothing contained in this Certificate, nor anything said or done in the course of, or in connection with the services that are subject to this Certificate, will extend any duty of care that we may have in our capacity as the statutory auditors of any financial statements of the Company.



5. We carried out our examination of the Scheme in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India (ICAI) and Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this Certificate. This Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements. Further our examination did not extend to any other parts and aspects of a legal or proprietary nature in the aforesaid Scheme.

Opinion

7. Based on our examination and according to the information and explanations given to us, we are of the opinion that the proposed accounting treatment for demerger of undertaking in the books of the Demerged Company contained in Paragraph 11.1.1 to Paragraph 11.1.3 of Part II of the draft Scheme, is in compliance with applicable Accounting Standards notified under Section 133 of the Companies Act, 2013 read with the rules made there under and generally accepted accounting principles, as applicable.
8. For ease of references, Paragraph 11.1.1 to Paragraph 11.1.3 of Part II of the Scheme, duly authenticated on behalf of the Company, is reproduced in Annexure A of this Certificate and is initialed by us only for the purposes of identification.

Restriction on Use

9. This Certificate is issued at the request of the Company pursuant to the requirement under the Scheme for onward submission to Ministry of Corporate Affairs, Govt. of India. This Certificate should not be used for any other purpose without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

Place: Bengaluru

Date: 19th February, 2019



**For Manian & Rao
Chartered Accountants
Firm Regn.No.009838**


**Srikanth R
Partner**

M No. 203138

UDIN:19203138AAAAAC3896

Annexure – A

Certified true copy of the Paragraph 11.1 of Part II of the Scheme of Arrangement between Karnataka Neeravari Nigam Ltd (“the Company” or “the Demerged Company”) and Visvesvaraya Jala Nigam Ltd (“the Resulting Company”) and their respective Shareholders and Creditors in terms of provisions of Section 230 to Section 232 read with Section 66 of the Companies Act, 2013)

11.1 Accounting Treatment in the books of the Demerged Company

On effectiveness of the Scheme and with effect from the Appointed date, the Demerged Company shall account for demerger of the Demerged Undertaking in its books of account in accordance with the Indian Accounting Standard (IND AS) prescribed under section 133 of the Companies Act, 2013, as notified under the Companies (Indian Accounting Standard) Rules, 2015 and generally accepted accounting principles, as may be amended from time to time, as under:

- 11.1.1 All the assets and liabilities of the Demerged Company being transferred shall be reduced at their book value as on the Appointed date;
- 11.1.2 The excess of the book value of assets transferred over the book value of liabilities transferred shall be adjusted against the surplus / deficit accumulated in Retained Earnings;
- 11.1.3 A sum of Rs. 3698,90,37,000/- upon reduction from existing Equity Share Capital of Rs. Rs.26877,77,76,000/- divided into 26,87,77,776 Equity shares of Rs.1000/- each fully paid-up to Rs. 23178,87,39,000/- comprising of 23,17,88,739 equity shares of Rs.1000/- each be transferred to “Capital Restructuring Account”. Part of the balance of the accumulated losses amounting to Rs.3698,90,37,000/- be transferred to “Capital Restructuring Account”.

For Karnataka Neeravari Nigam Ltd

GENERAL MANAGER - FINANCE

Place: Bengaluru

Date: 19th February, 2019

