

AUDITORS' REPORT

To,
The Members of EMCO Energy Limited

We have audited the attached Balance Sheet of **EMCO Energy Limited** ('the Company') as at 31st March, 2011, the Profit and Loss Account and Cash flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act') and on the basis of such checks of the books and records of the Company as we considered appropriate, and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.
3. Further to our comments in the Annexure referred to in paragraph (2) above, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) in our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

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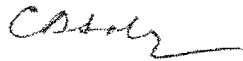
Head Office: 714-715, Tulsiani Chambers, 212, Nariman Point, Mumbai-400 021,
Tel.: (022) 3021 8500 Fax: (022) 3021 8595

Bangalore Branch: N-604, North Rear Wing, 6th Flr., Manipal Center, Dickenson Road,
Bangalore - 560 042. Tel : +91 80 3058 5421 to 25 Fax : +91 80 4124 5244
Branches: Ahmedabad • Delhi • Jamnagar • Kolkata

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- e) on the basis of written representations received from the directors, as at 31st March 2011, and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereto, give a true and fair view in conformity with the accounting principles generally accepted in India :-
- i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2011 .
- ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For CHATURVEDI & SHAH
Chartered Accountants
Firm Registration Number : 101720W



C D Lala
Partner
Membership Number: 35671



Place: Mumbai
Date: 4th May, 2011

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred in Paragraph 2 of our report to the members of **EMCO Energy Limited** ('the Company') for the year ended 31st March, 2011. We report that :

- 1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
- b) The fixed assets of the Company have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no serious discrepancies were noticed on such verification.
- c) The Company during the year has not disposed substantial portion of fixed assets.
- 2) The Company has not commenced its operations and therefore requirements of Clause 4(ii) of the Order are not applicable to the company.
- 3) a) As per the information and explanation given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently requirements of Clauses 4(iii)(a) to 4(iii)(d) of the Order are not made applicable to the company.
- b) As per the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from Companies, Firm or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Consequently requirement of Clauses 4(iii)(e) to 4(iii)(g) of the Order are not applicable to the company.

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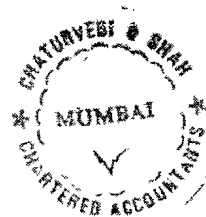
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of the business for the purchase of fixed assets. The Company has not commenced its operations and has not purchased any inventory and sold goods and rendered services during the year. Further, on the basis of our examination of books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuous failure to correct major weakness in the aforesaid internal control systems.
- 5) a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of the contract or arrangements referred to in section 301 of the Act have been entered in register required to be maintained under that section.
- b) In respect of the transactions made in pursuance of such contracts or arrangements and exceeding value of Rupees Five Lakh in respect of any party during the year, because of the unique and specialised nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanation given to us, Company has not accepted any deposits from public as per the provision of section 58A and 58AA of the Act and the rules framed there under. Accordingly, provision of Clause 4(vi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company. There are no orders from Company Law Board or Reserve Bank of India or any Court or any other Tribunal.
- 7) Internal audit is conducted by the in-house team of qualified Chartered Accountants. In our opinion, the Company has an adequate Internal Audit System which is commensurate with its size and nature of its business.
- 8) The Central Government has not prescribed maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956 for the Company.
- 9) a) According to the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed statutory dues were outstanding, at the year end, for a period of more than six months.

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- b) According to the records of the Company, there are no dues of income tax, wealth tax, sales tax, customs duty and excise duty/cess other material statutory dues which have not been deposited on account of any dispute.
- 10) The Company's accumulated losses are not more than fifty percent of its networth and the Company has incurred cash loss during the financial year and in the immediately preceding financial year.
- 11) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date. The Company has neither issued any debentures during the year nor are any debentures outstanding as at the balance sheet date.
- 12) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, the company is not a chit fund or a Nidhi/ mutual benefit fund/ society. Therefore, Clause 4(xiii) of the Order is not applicable to the Company.
- 14) In our opinion the company is not dealing or trading in shares, debentures and other investments.
- 15) As per information and explanations given to us, the Company has not given any guarantees to Banks or Financial Institutions for loan taken by others.
- 16) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- 17) According to the information and explanations given to us, and on overall examination of the balance sheet of the Company, we are of the opinion that, no funds raised on a short-term basis have been used for long term purpose.


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- 18) The Company, during the year has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19) In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered under our report. Accordingly, provisions of Clause 4(xix) of the Order are not applicable to the Company.
- 20) The company has not raised any money by public issue during the year.
- 21) During the course of examination of Books of Account and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have not come across any fraud on or by the Company, noticed or reported during the year, nor have been informed of such case by the Management

For CHATURVEDI & SHAH
Chartered Accountants
Firm Registration Number : 101720W


C D Lala
Partner
Membership Number: 35671



Place: Mumbai
Date: 4th May, 2011

EMCO Energy Limited

(Amount in Rupees)

BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars	Schedule	As at 31st March, 2011	As at 31st March, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	3,134,000,000	1,552,900,000
Share Application Money pending allotment		50,000,000	-
Loan Funds			
Secured Loans	2	2,782,922,382	-
TOTAL		<u>5,966,922,382</u>	<u>1,552,900,000</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	119,593,013	88,899,396
Less: Accumulated Depreciation		<u>1,500,687</u>	<u>14,613</u>
Net Block		118,092,326	88,884,783
Add: Capital Work-in-Progress	4	<u>7,931,076,826</u>	<u>1,382,219,178</u>
		8,049,169,152	1,471,103,961
Investments			
	5	10,062,978	2,500
Current Assets, Loans and Advances			
Current Assets	6	22,800,111	14,789,917
Loans and Advances	7	<u>256,628,598</u>	<u>81,913,037</u>
		279,428,709	96,702,954
Less: Current Liabilities and Provisions			
Current Liabilities	8	2,359,229,524	40,110,411
Provisions	9	<u>55,044,052</u>	<u>5,353,900</u>
		2,414,273,576	45,464,311
Net Current Assets		(2,134,844,867)	51,238,673
Profit and Loss Account		42,535,119	30,554,866
TOTAL		<u>5,966,922,382</u>	<u>1,552,900,000</u>
Significant Accounting Policies	11		
Notes to Accounts	12		

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For CHATURVEDI & SHAH

Firm Registration No :101720W

Chartered Accountants



C D Lala

Partner

Membership No.: 35671

Place: Mumbai

Date: 04.05.2011



For and on behalf of the Board



B.V.N. Rao

Director

Pavan Kumar G

Company Secretary


Raaj Kumar

Director

Place: Bengaluru

Date: 04.05.2011



EMCO Energy Limited

(Amount in Rupees)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

Particulars	Schedule	2010-11	2009-10
INCOME			
Income from Operations		-	-
Total		-	-
EXPENDITURE			
Administrative expenses	10	11,980,253	30,554,866
Total		11,980,253	30,554,866
Profit / (Loss) Before Tax		(11,980,253)	(30,554,866)
Net Profit / (Loss) for the year		(11,980,253)	(30,554,866)
Add: Balance Brought Forward from the Previous Year		(30,554,866)	
Balance Carried to Balance Sheet		(42,535,119)	(30,554,866)

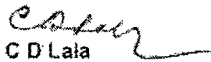
Basic and Diluted Earnings Per Share of Rs.10 each (in Rupees) (0.06) (53.24)
[Refer Note No. 11 of Schedule 12]

Significant Accounting Policies 11
Notes to Accounts 12

The Schedules referred to above form an integral part of the Profit and Loss Account.


This is the Profit and Loss Account referred to in our report of even date.

For CHATURVEDI & SHAH
Firm Registration No :101720W
Chartered Accountants


C D Lala
Partner
Membership No.: 35671

For and on behalf of the Board


B.V.N. Rao
Director

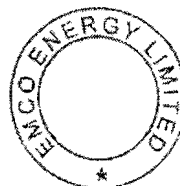

Raaj Kumar
Director


Pavan Kumar G
Company Secretary

Place: Mumbai
Date: 04.05.2011



Place: Bengaluru
Date: 04.05.2011



EMCO Energy Limited

(Amount in Rupees)

CASH FLOW STATEMENT FOR THE YEAR 2010-11

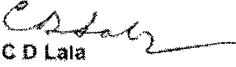
Particulars	2010-11	2009-10
A Cash Flows from Operating Activities		
Net Profit / (Loss) Before Tax	(11,980,253)	(30,554,866)
Adjustments For change in :		
Trade And Other Receivables	(174,765,531)	(55,387,702)
Trade Payables	2,357,178,322	44,949,339
Cash Generated from / (used in) Operations	2,170,432,538	(40,993,229)
Direct Taxes Paid	55,950	(115,594)
Net Cash Flow from/ (used in) Operating Activities	2,170,488,488	(41,108,823)
B Cash Flows from Investing Activities		
Purchase of Fixed Assets	(30,693,617)	(915,816)
Increase in Capital Work in Progress	(6,417,189,625)	(994,807,504)
(Purchase) / Sale of long term investment (net)	(10,060,478)	1,000,000
Income from Investments	374,856	-
Dividend Received	7,270,921	-
Net Cash flow from / (used in) Investing Activities	(6,450,297,943)	(994,723,320)
C Cash Flows from Financing Activities		
Proceeds from Issue of Equity shares	1,581,100,000	1,552,400,000
Proceeds from Equity Share Application Money	50,000,000	-
Proceeds From / (Repayment of) Long Term Borrowings	2,782,922,382	-
Proceeds From / (Repayment of) Other Borrowings	-	(434,555,883)
Interest Paid	(126,202,733)	(67,477,950)
Net Cash flow from / (used in) Financing Activities	4,287,819,649	1,050,366,167
D Net Increase/(Decrease) in Cash and Cash Equivalents [A+B+C]	8,010,194	14,534,024
Cash and Cash Equivalents at Beginning of the Year	14,789,372	255,348
Cash and Cash Equivalents at End of the Year	22,799,566	14,789,372

Notes :

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements as referred to in Section 211(3C) of the Companies Act, 1956.
- Cash and Cash Equivalents as at March 31, 2011 include restricted cash and bank balances amounting to Rs.Nil (Previous Year : Rs.Nil)
- The previous year figures have been reworked, regrouped, rearranged and reclassified wherever necessary

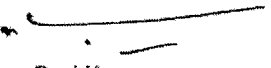
This is the Cashflow Statement referred to in our report of even date.


For CHATURVEDI & SHAH
Firm Registration No :101720W
Chartered Accountants


C D Lala
Partner
Membership No.. 35671

For and on behalf of the Board


B.V.N. Rao
Director

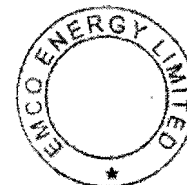

Raaj Kumar
Director


Pavan Kumar G
Company Secretary

Place Mumbai
Date: 04.05.2011



Place Bengaluru
Date: 04.05.2011



EMCO Energy Limited

(Amount in Rupees)

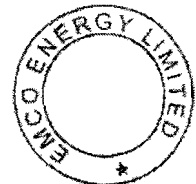
SCHEDULES FORMING PART OF THE BALANCE SHEET

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
40,00,00,000 Shares of Rs.10/- each (Previous Year : 20,00,00,000 Shares of Rs.10/- each)	<u>4,000,000,000</u>	<u>2,000,000,000</u>
ISSUED, SUBSCRIBED AND PAID UP		
31,34,00,000 Equity Shares of Rs.10/-each fully paid up (Previous Year: 15,52,90,000 Equity Shares of Rs.10/- each) [100% shares are held by GMR Energy Ltd. the Holding Company and its nominees]	3,134,000,000	1,552,900,000
TOTAL	<u><u>3,134,000,000</u></u>	<u><u>1,552,900,000</u></u>

SCHEDULE - 2

SECURED LOANS

Rupee Term Loans		
- from Banks	1,863,600,000	-
- from Financial Institution (Refer Note No.2 of Schedule - 12 of Notes to Accounts)	111,400,000	-
Bills outstanding under Buyers Credit [Represents credit availed against Letter of Undertaking which is convertible in to Rupee Term loan as per Facility Agreement with Bank]	807,922,382	-
TOTAL	<u><u>2,782,922,382</u></u>	<u><u>-</u></u>



EMCO Energy Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - 3

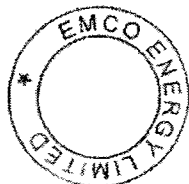
(Amount in Rupees)

FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 1st April, 2010	Additions	Deletions / Adjustments	As at 31st March, 2011	As at 1st April, 2010	For the year	Deletions / Adjustments	As at 31st March, 2011	As at 31st March, 2011	As at 31st March, 2010
Leasehold Land	82,732,760	-	-	82,732,760	-	-	-	-	82,732,760	82,732,760
Freehold Land	5,250,820	-	-	5,250,820	-	-	-	-	5,250,820	5,250,820
Computers	40,904	3,565,261	-	3,606,165	4,560	314,544	-	319,104	3,287,061	36,344
Office Equipments	822,262	16,771,638	-	17,593,900	9,606	354,899	-	364,505	17,229,395	812,656
Furniture and Fixtures	52,650	4,567,399	-	4,620,049	447	66,157	-	66,604	4,553,445	52,203
Vehicles	-	587,676	-	587,676	-	13,307	-	13,307	574,369	-
Intangible Assets										
Software	-	5,201,643	-	5,201,643	-	737,167	-	737,167	4,464,476	-
TOTAL	88,899,396	30,693,617	-	119,593,013	14,613	1,486,074	-	1,500,687	118,092,326	88,884,783
Previous Year	87,983,580	915,816	-	88,899,396	-	14,613	-	14,613	88,884,783	

Notes

- i. The Company has transferred entire Depreciation to Capital Work In Progress during construction period.
- ii. Leasehold land taken from Government Authorities will be amortised over the tenure of the lease from the date of commercial operation of Power Plant



EMCO Energy Limited

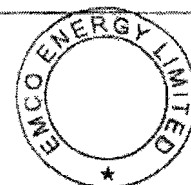
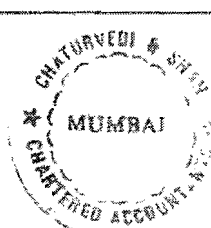
(Amount in Rupees)

SCHEDULES FORMING PART OF THE BALANCE SHEET

Particulars	As at 1st April, 2010	Incurred during the year/ Adjusted	Capitalised / Adjusted	As at 31st March, 2011
	(a)	(b)	(c)	(a+b-c)
SCHEDULE - 4				
Capital Work in Progress				
A) Assets under Construction	220,867,830	3,959,424,058	-	4,180,291,888
B) Expenditure during Construction Period				
Salaries, Allowances & other Employee benefits	74,126,421	250,372,336	-	324,498,757
Contribution to provident fund and other funds	3,509,144	17,050,415	-	20,559,559
Staff Welfare Expenses	2,443,325	2,641,421	-	5,084,746
Rent	39,752,768	51,491,774	-	91,244,542
Rates & Taxes	3,427,283	13,304,012	-	16,731,295
Fringe Benefit Tax	827,317	-	-	827,317
Repairs & Maintenance	354,830	8,537,200	-	8,892,030
Guest House Maintenance	1,053,117	4,979,188	-	6,032,305
Electricity Charges	4,042,331	16,341,436	-	20,383,767
Insurance - project	6,622	27,307,105	-	27,313,727
Consultancy & Professional Charges - Project	100,712,985	366,666,914	-	467,379,899
Travelling and Conveyance	22,824,479	44,912,549	-	67,737,028
Air Time sharing Cost-Variable	4,481,834	76,026,905	-	80,508,739
Communication Expenses	2,630,830	3,448,917	-	6,079,747
Advertisement	518,321	1,300,040	-	1,818,361
Printing & Stationery	635,477	867,235	-	1,502,712
Bidding Expenses	1,654,500	14,000	-	1,668,500
Office Maintenance	22,312,590	8,184,435	-	30,497,025
Recruitment/Placement Costs	5,664,259	8,052,550	-	13,716,809
Miscellaneous Expenses	897,750	8,086,470	-	8,984,220
Depreciation	14,613	1,486,074	-	1,500,687
Interest on Intercompany Deposits	67,477,950	-	-	67,477,950
Bank/ Other Finance Charges	50,806,923	37,766,294	-	88,573,217
Underwriting commission	201,518,100	-	-	201,518,100
Interest on Loan *	-	137,827,726	-	137,827,726
(i)	611,693,769	1,086,664,996	-	1,698,358,765
Less: Incidental Income				
Other Income	1,592,556	1,138,854	-	2,731,410
Dividend Received-Mutual Funds-Daily Div scheme	-	7,270,921	-	7,270,921
Profit on sale of Unquoted-Mutual Funds **	-	259,020	-	259,020
Gain on Exchange Fluctuation	74,552	20,403,435	-	20,477,987
(ii)	1,667,108	29,072,230	-	30,739,338
(i - ii)	610,026,661	1,057,592,766	-	1,667,619,427
C) Advance against Capital Contracts	551,324,687	1,531,840,824	-	2,083,165,511
TOTAL (A+B+C)	1,382,219,178	6,548,857,648	-	7,931,076,826

* - net of interest income of Rs 599,405/- (Previous Year : Nil)

** - net of Income tax of Rs 1,15,836/- (Previous year : Rs.Nil/-)



EMCO Energy Limited

(Amount in Rupees)

SCHEDULES FORMING PART OF THE BALANCE SHEET

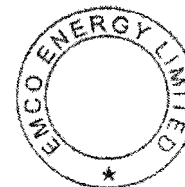
Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE - 5		
INVESTMENTS		
Long Term - Unquoted (at Cost)		
Government Securities *	2,500	2,500
Short Term - Unquoted		
In Mutual Fund (Non Trade)		
IDFC cash fund- Super Institutional plan Growth [845049.039 units (Previous Year : Nil) NAV at Rs.11.9270 Face Value Rs.10/- each]	10,060,478	-
TOTAL	<u>10,062,978</u>	<u>2,500</u>
Aggregate Market Value of Unquoted Investments	10,078,900	-
* - Held in the name of ex-employee		

SCHEDULE - 6

CURRENT ASSETS

CASH AND BANK BALANCES

Cash on Hand	158,693	32,920
Balance with Scheduled Banks		
Current Account	<u>22,640,873</u>	<u>14,756,452</u>
	22,799,566	14,789,372
OTHER CURRENT ASSETS		
Interest Accrued on Deposits	545	545
TOTAL	<u>22,800,111</u>	<u>14,789,917</u>



EMCO Energy Limited

(Amount in Rupees)

SCHEDULES FORMING PART OF THE BALANCE SHEET

Particulars As at 31st March, 2011 As at 31st March, 2010

SCHEDULE - 7

LOANS AND ADVANCES

(Unsecured and Considered Good)

Advances recoverable in cash or in kind or for value to be received	181,255,447	25,738,184
Advance Income tax and Tax Deducted at Source (net of provision)		50,000
Deposits with		
- Government Departments	14,302,213	7,781,083
- Others	<u>61,070,938</u>	<u>48,343,800</u>
	75,373,151	56,124,883
TOTAL	<u>256,628,598</u>	<u>81,913,067</u>

SCHEDULE - 8

CURRENT LIABILITIES

Sundry Creditors		
Micro and Small Enterprises *		
Others	<u>448,015,897</u>	<u>11,916,992</u>
	448,015,897	11,916,992
Acceptance**	1,584,681,918	-
Retention Money (Supplier)	268,706,803	1,427,375
Interest Accrued but not due	11,624,993	-
Other Liabilities	46,199,913	26,766,044
TOTAL	<u>2,359,229,524</u>	<u>40,110,411</u>

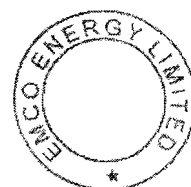
* - Refer Note -15 of Schedule - 12 of Notes to Accounts

** - Represents Letter of Credit discounted on acceptances by the Company.

SCHEDULE - 9

PROVISIONS

Provisions		
- for Fringe Benefit Tax (net)	5,950	
- for Leave Encashment	8,101,365	2,198,463
- for Gratuity	6,113,084	1,902,175
- for Other Employee Benefits	40,823,653	1,253,262
TOTAL	<u>55,044,052</u>	<u>5,353,900</u>

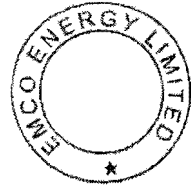


EMCO Energy Limited

(Amount in Rupees)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

Particulars	2010-11	2009-10
SCHEDULE - 10		
Administrative Expenses		
Rates and Taxes	10,898,000	16,593,140
Advertisement	-	38,800
Bidding and Support Services	-	5,247,886
Consultancy and Other Professional charges	-	8,000,000
Donations	68,751	-
Board Meeting	93,143	-
Audit Fees	330,900	456,182
Miscellaneous Expenses	589,459	218,858
TOTAL	11,980,253	30,554,866



EMCO Energy Limited

SCHEDULE – 11

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation of Financial Statements

The financial statements are prepared on an accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles ('GAAP') in India, provisions of the Companies Act, 1956 (the Act) and comply in material aspects with the Accounting Standards notified under Section 211 (3C) of the Act, read with Companies (Accounting Standards) Rules, 2006.

B. Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets, liabilities, and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

C. Revenue Recognition

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

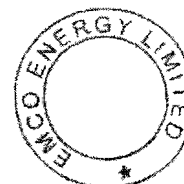
D. Fixed Assets and Capital Work-in-progress

- i) The gross block of Fixed Assets is stated at cost of acquisition or construction, including any cost attributable to bringing the assets to their working condition for their intended use.
- ii) 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.

E. Depreciation / Amortisation

Depreciation is provided on a pro-rata basis on Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956. Assets individually costing less than Rs.5,000/- are depreciated fully in the year of acquisition. Leasehold land is amortised over the tenure of lease from the date of commercial operation of the plant.

Contd ..



EMCO Energy Limited

SCHEDULE – 11

SIGNIFICANT ACCOUNTING POLICIES

F. Borrowing cost

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

G. Investments

- i) Long term Investments are stated at cost. Provision for diminution in value of long term investments is made only if such a decline is other than temporary in the opinion of the management.
- ii) Current Investments are stated at cost or market value whichever is lower.

H. Leases

Leases where the lessor effectively retains substantially all the risk and benefits of ownership of leased items, are classified as operating lease. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight line basis over the lease term.

Finance lease, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

I. Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rate prevailing at the dates of the transaction. Monetary items are translated at year-end foreign exchange rates. Resultant exchange difference, arising on payment or conversion of liabilities / assets, is recognised as income or expense, in the year in which they arise except in respect of project cost which is recognised as Capital Work in Progress.

J. Derivative Instruments

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the Profit and Loss Account except in respect of project cost which is recognised as Capital Work in Progress. Net gains are ignored.

Contd .



EMCO Energy Limited

SCHEDULE – 11

SIGNIFICANT ACCOUNTING POLICIES

K. Employee Benefits

i) **Defined Contribution Plan**

The Company's defined contribution plans are Employees' Provident Fund (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952) Pension fund and Superannuation Fund. Hence, the company has no further obligation beyond making the contributions.

The Company's contributions to Provident Fund and Pension fund are made at pre-determined rates and are charged to the Profit and Loss Account.

The Company's contributions to Superannuation Plan covered under a scheme of Life insurance Corporation of India, covering all its employees and contributions in respect of such scheme are charged to the Profit and Loss Account.

ii) **Defined Benefit Plan**

Gratuity for Employees is covered under a scheme of Life insurance Corporation of India and contributions in respect of such scheme are recognized in profit and loss account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation in accordance with the requirements of Accounting Standard 15 ('revised 2005') on 'Employee Benefits' notified under section 211 (3C) of the Act as at the end of the year.

iii) **Other Long Term Employee Benefits**

Liability towards Long term compensated absences for Leave Encashment are provided as per Valuation obtained from an Actuary which is determined using Projected Unit Credit Method. Actuarial gains or losses are recognized immediately.

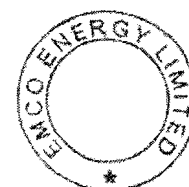
L. Taxes on Income

Current tax is determined on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized on timing differences; being the difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred Tax Assets and liabilities are computed on the timing differences applying the enacted or substantively enacted rates. Deferred Tax Assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such Deferred Tax Assets can be realized.

M. Earnings per share

The basic earnings per share are computed by dividing the net profit after tax for the period by the weighted average number of equity shares outstanding during the year. Diluted earnings per share, if any are computed using the weighted average number of equity shares and dilutive potential equity share outstanding during the period except when the results would be anti-dilutive.

Contd



EMCO Energy Limited

SCHEDULE - 11

SIGNIFICANT ACCOUNTING POLICIES

N. Impairment

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

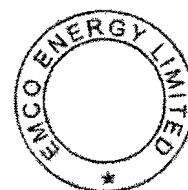
O. Cash and Cash Equivalents

Cash for the purposes of cash flow statement comprise cash in hand and at bank (including deposits) and cash equivalents comprise of short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

P. Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions, other than employee benefits, are not discounted to their present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent Assets are neither recognised nor disclosed in the financial statements.



EMCO Energy Limited

SCHEDULE – 12

NOTES TO ACCOUNTS

1 Nature of Business

EMCO Energy Limited is promoted as a Special Purpose Vehicle (SPV) by GMR Energy Limited, the Holding Company, to develop and operate 300MW * 2 coal based power project in Warora taluka, Chandrapur district Maharashtra state in two phases. The Company is in the process of setting up of the project.

2 Secured Loans

The Rupee Facility loans are availed from a consortium of lenders for the purpose of developing and operating the 600 MW coal based Power Project.

The loan is secured by way of a first charge and registered mortgage of all the immovable properties, all the movables including plant and machinery, machinery spares, tools and accessories, stock of raw materials, semi finished goods and consumable goods and by book debts, operating cash flows, receivables, revenues whatsoever in nature, present and future. Further secured by pledge of shares representing 51% of the total paid up equity share capital.

All the security described above shall rank pari passu amongst the lenders of the project.

3 Contingent Liabilities & Capital Commitments

(Amount in Rupees)

Sl.	Particulars	As at 31st March, 2011	As at 31st March, 2010
i.	Contingent Liabilities: Bank Guarantee Outstanding as at the year end	961,859,917	681,703,102
ii.	Capital Commitments: Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances)	16,822,751,707	9,177,913,476

4 Details of Managerial remuneration:

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
i.	Salaries and Allowances	2,885,532	-
ii.	Company's Contribution to Provident fund and other funds	96,000	-
	Total	2,981,532	-

Note. The above figures does not include provision for Gratuity and leave encashment as separate actuarial valuations are not available for manager.

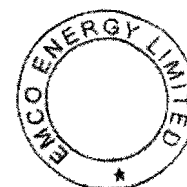
5 Details of Auditors Remuneration:

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
i.	Statutory Audit Fees	220,600	220,600
ii.	Certification / Consultation Fees *	159,935	-
	Total	380,535	220,600

* - Includes fees of Rs.49,635/- (Previous Year: Nil) transferred to Capital Work-in-Progress.

Contd ..



EMCO Energy Limited

SCHEDULE – 12

NOTES TO ACCOUNTS

6 Sitting Fees

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
i.	Board Meetings	30,000	-
ii.	Audit Committee Meetings	10,000	-
	Total	40,000	-

7 Employee Benefits:

The disclosures as required as per the revised AS 15 are as under:

The Company, during the previous year has adopted Accounting Standard 15 Employee Benefits (revised 2005) issued by the Institute of Chartered Accountants of India [the 'revised AS 15'].

The Company has determined the liability for gratuity and short term and long term compensated absences in accordance with revised AS 15.

a) Defined Contribution Plans :

The Company's Contribution to Provident and Pension Fund and Superannuation Fund charged to Capital Work-in-Progress are as follows :

(Amount in Rupees)

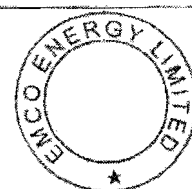
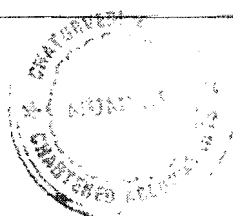
Sl.	Particulars	2010-11	2009-10
i.	Provident and Pension Fund	5,162,599	1,075,954
ii.	Superannuation Fund	3,274,913	531,002
	Total	8,437,512	1,606,956

b) Defined Benefit Plan - Gratuity as per Actuarial Valuation as at 31st March 2011 [Funded]

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
(i)	<i>Change in Defined Benefit Obligation</i>		
	Opening defined benefit obligation	1,902,175	-
	Current service cost	6,405,317	1,902,175
	Interest cost	3,098	-
	Actuarial loss / (gain) *	(1,907,078)	-
	Benefits paid	-	-
	Closing defined benefit obligation	6,403,512	1,902,175
(ii)	<i>Change in Fair Value of Assets</i>		
	Opening fair value of plan assets	-	-
	Expected return on plan assets	11,117	-
	Actuarial gain / (loss)	1,389	-
	Contributions by employer	277,922	-
	Benefits paid	-	-
	Closing fair value of plan assets	290,428	-
(iii)	<i>Amount recognised in the Balance Sheet</i>		
	Present value of obligations as at year end	6,403,512	1,902,175
	Fair value of plan assets as at year end	290,428	-
	Amount not recognised as an asset	-	-
	Net (asset) / liability recognised	6,113,084	1,902,175

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EMCO Energy Limited

SCHEDULE - 12

NOTES TO ACCOUNTS

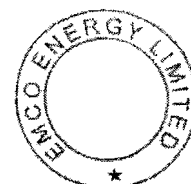
		(Amount in Rupees)		
Sl.	Particulars	2010-11	2009-10	
(iv)	<i>Expenses recognised during the year</i>			
	Current service cost	6,405,317	1,902,175	
	Interest on defined benefit obligation	3,098	-	
	Expected return on plan assets	(11,117)	-	
	Net actuarial loss / (gain) recognised in the current year	(45,015)	-	
	Total expense	6,352,283	1,902,175	
(v)	Actual return on Plan Assets	12,506	-	
(vi)	The major category of plan assets as a percentage of the fair value of total plan assets are as follows:			
	Investment with Insurer managed funds	100%	100%	
(vii)	<i>Principal actuarial assumptions used</i>			
	Discount rate (p.a.)	8.00%	8.00%	
	Expected rate of return on plan assets (p.a.)	8.00%	8.00%	
	Rate of increase in compensation levels	6.00%	6.00%	
	Attrition Rate	5.00%	5.00%	
	Mortality Table	LIC (1994-96)	LIC (1994-96)	
	Retirement Age	60 Years	60 Years	
(viii)	Expected employer's contribution for the next year	200,000	10,000	
(ix)	Data for defined Gratuity benefit obligation and fair value of planned assets are as under			
		2010-11	2009-10	2008-09
	Present value of defined benefit obligations at the end of the year	6,403,512	1,902,175	-
	Fair value of plan assets at the end of the year	290,428	-	-
	Net (assets) / liability at the end of year	6,113,084	1,902,175	-
	Experience adjustments on plan liabilities	(1,907,078)	-	-
	Experience adjustments on plan assets	1,389	-	-

* Actuarial Loss/(Gain) for the year also contains Actuarial Gain relating to earlier year.

Notes:

- The estimates of future salary increases, considered in actuarial valuation, take into consideration for inflation, seniority, promotion and other relevant factors.
 - The expected return on plan assets is determined considering several applicable factors such as the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Group's policy for plan asset management. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching Government bonds.
- c) Leave Encashment :
- Liability towards leave encashment based on actuarial valuation is Rs.81,01,065/- as on 31st March, 2011 (Previous Year : Rs.21,98,463/-).

Contd ..



EMCO Energy Limited

SCHEDULE – 12

NOTES TO ACCOUNTS

8 The information required by Paras 3 and 4 of part II of Schedule VI to Companies Act, 1956 is as under :

a. Value of imports calculated on CIF Basis:

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
a.	Capital Goods Offshore Supply	209,623,865	-
	Total	209,623,865	-

b. Expenditure incurred in Foreign Currency (Accrued) *

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
a.	Consultancy charges	156,721,584	-
b.	Usance Interest	2,154,621	-
c.	Traveling Expenses	18,998	2,316,706
d.	Others	894,215	-
	Total	159,789,418	2,316,706

* - Capitalized in the books as part of project development expenditure

9 Operating Lease

The Company has entered into certain cancelable operating lease agreements mainly for office premises and long term leasehold land taken from Government Authorities for project purpose. Under these agreements refundable interest-free deposits have been given. In respect of above arrangements, lease rentals payable are debited to Capital Work-in progress.

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
a.	Lease rentals under cancelable lease towards Leasehold Land *	3,897,528	13,469,955
	Premises rental	48,120,959	10,770,176
b.	Lease rentals under non-cancelable lease	-	-

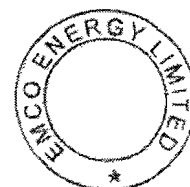
* - payment for Financial Year 2009-10 includes Rs.53,60,198/- paid for the period from Aug'06 to Mar'09

10 List of Related Parties with whom transactions have taken place during the year:

a. Parties where control exists :

- | | |
|---|---|
| i. Holding Company | GMR Energy Limited [GEL] [Holding Co. w.e.f. 24th July 2009] |
| ii. Enterprises having control over the Company | GMR Holdings Private Limited [GHPL]
GMR Infrastructure limited [GIL]
GMR Renewable Energy Limited [GREL]
EMCO Limited [EL] (Holding Co till 24th July, 2009) |
| iii. Subsidiary | Eastwest Power Generation Co. Ltd. (till 22nd July, 2009)
Warora Power Co. Ltd. (till 22nd July, 2009) |

Contd ..



EMCO Energy Limited

SCHEDULE – 12

NOTES TO ACCOUNTS

- iv. Fellow Subsidiary
- GMR Consulting Services Private Limited [GCSPL]
 - Raxa Securities Services Limited [RSSL]
 - GMR Aviation Private Limited [GAPL]
 - GMR Bannerghatta Properties Private Limited [GBPPL]
 - GMR Corporate Affairs Private Limited [GCAPL]

b. Key Management Personnel: Mr. Karunnakaran T (From 1st Aug 2010)

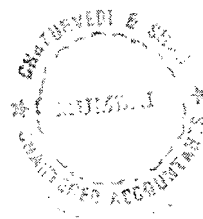
c. Enterprises over which Key management Personnel and their relative exercise significant influence : Nil

Details of the transactions are as follows:

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
a.	Unsecured Loan from EMCO Limited [EL] (Holding Co till 24th July, 2009)		
	Opening Balance	-	434,555,883
	Add: Loan taken during the year	-	-
	Less: Loan repaid during the year	-	434,555,883
	Closing Balance	-	-
b.	Inter-corporate Deposit from GMR Energy Limited [GEL]		
	Accepted during the year	-	1,271,341,100
	Repaid during the year	-	1,271,341,100
	Closing Balance	-	-
c.	Interest Paid on ICD GMR Energy Limited [GEL]	-	67,477,950
d.	Equity Share Capital Allotted during the year GMR Energy Limited [GEL]	1,581,100,000	1,552,400,000
e.	Share Application Money Pending Allotment GMR Energy Limited [GEL]	50,000,000	-
f.	Security Charges paid to Raxa Securities Services Limited [RSSL]	8,029,048	-
g.	Project Management Consultancy charges to GMR Consulting Services Private Limited [GCSPL] GMR Infrastructure limited [GIL]	33,090,000 38,488,264	- -
h.	Construction cost paid to GMR Infrastructure limited [GIL]	315,443,441	-
i.	Sale of Investment in subsidiaries Eastwest Power Generation Co. Ltd. (till 22nd July, 2009) Warora Power Co. Ltd. (till 22nd July, 2009)	- -	500,000 500,000
j.	Remuneration to Director Mr. Karunnakaran T (From 1st Aug 2010)	2,981,532	-

Contd ..



EMCO Energy Limited

SCHEDULE - 12

NOTES TO ACCOUNTS

Details of the transactions are as follows:

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
k.	Travelling charges to GMR Aviation Private Limited [GAPL]	74,565,430	-
l.	Rent paid to: GMR Bannerghatta Properites Private Limited [GBPPL] GMR Corporate Affairs Private Limited [GCAPL]	29,423,386 20,589,414	- -
m.	Security deposit with GMR Bannerghatta Properites Private Limited [GBPPL] GMR Corporate Affairs Private Limited [GCAPL]	39,784,800 19,495,530	- -
n.	Balance Advance outstanding : GMR Infrastructure limited [GIL] Raxa Securities Services Limited [RSSL]	251,537,493 1,447,630	- -
o.	Balance due to: GMR Consulting Services Private Limited [GCSPPL] GMR Corporate Affairs Private Limited [GCAPL] Raxa Securities Services Limited [RSSL] GMR Infrastructure Limited [GIL]- Retention Money GMR Infrastructure Limited [GIL] - Sundry creditor	24,755,454 511,771 1,761,202 56,261,436 87,687,786	- 3,129,975 992,700 - -

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

11 Calculation of Earning per share:

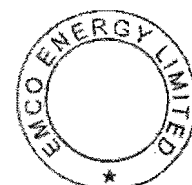
(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
a.	Nominal Value of Equity Shares	10	10
b.	Total Number of Equity Shares outstanding at the beginning of the year	155,290,000	50,000
c.	Add: Shares Allotted during the year	158,110,000	155,240,000
d.	Total Number of Equity Shares outstanding at the end of the year	313,400,000	155,290,000
e.	Weighted average No. of Equity shares	208,893,288	573,945
f.	Loss as per Profit and Loss Account (Amount in Rupees)	(11,980,253)	(30,554,866)
g.	Basic and Diluted Earning per share of Rs.10 each (in Rupees)	(0.06)	(53.24)

Note :

The potential weighted average number of equity shares 27,397 (Previous Year : Nil) with regard to share application money have not been considered in view of the same being anti-dilutive.

Contd ..



EMCO Energy Limited

SCHEDULE - 12

NOTES TO ACCOUNTS

12 Derivative and Unhedged foreign currency exposure as at Balance sheet date:

There are no derivative instrument outstanding at the end of March 31,2011. The details of foreign currency exposure which have not been hedged by any derivative instrument or otherwise as at March 31,2011 are as follows

Sl No	Particulars	Currency	(Amount in Foreign Currency)		(Amount in Rupees)	
			2010-11	2009-10	2010-11	2009-10
a.	Rental Deposit recoverable	RMB	14,500	-	96,398	-
b.	Buyers Credit	USD	17,898,148	-	807,922,382	-
c.	Sundry Creditor - Payable	USD	755,556	-	34,005,066	-
		EURO	265	-	18,949	-
d.	Retention Money Payable	USD	3,676,131	-	169,388,076	-

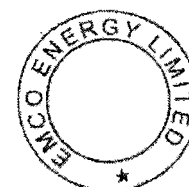
13 Balances shown under Loans and Advances, Creditors and Advances to suppliers are subject to confirmation.

14 Mutual Funds Purchased and Sold during the Period :

(Amount in Rupees)

Sl.	Script Name	Face Value Rs.	No. of Units	Cost Rs.
a.	Axis Liquid Fund- Institutional Daily Dividend Reinvestment	1000	118,931	118,938,759
b.	Axis Liquid Fund- Institutional Growth	1000	68,677	74,438,758
c.	Birla Cash Plus- Institutional Premium Plan- Daily	10	92,972,521	931,538,170
d.	Birla Cash Plus- Institutional Premium Growth	10	10,114,365	158,232,182
e.	Birla Sunlife Cash Plus Intl Prm Dly Div	10	11,999,819	120,232,182
f.	Birla Sunlife Savings Fund- Inst- DD	10	17,792,542	178,046,405
g.	ICICI Prudential Institutional Liquid Plan- Super	100	6,741,867	674,338,824
h.	ICICI Prudential Institutional Liquid Plan- Super Growth	100	387,834	56,000,000
i.	IDFC Cash Fund- Super Inst Plan C - Growth	10	4,269,741	50,806,962
j.	IDFC Cash Fund- Super Inst Plan C - Daily Dividend	10	27,379,899	273,867,440

Contd ..



EMCO Energy Limited

SCHEDULE - 12

NOTES TO ACCOUNTS

15 There are no micro and small enterprises to which the company owes dues which are outstanding for more than 45 days as at 31st March, 2011. 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.

16 Segment Reporting

The company is engaged primarily in the business of setting and running of Power plant. As the basic nature of the activities is governed by the same set of risk and returns these have been grouped as a single business segment. Accordingly separate primary and secondary segment reporting disclosures as envisaged in Accounting Standard (AS-17) on Segmental Reporting issued by the ICAI are not applicable to the present activities of the Company.

17 The previous year figures have been reworked, regrouped, rearranged and reclassified wherever necessary.

As per our Report of even date

For CHATURVEDI & SHAH

Firm Registration No. 101720W

Chartered Accountants


C D Lala

Partner

Membership No. 35671

Place: Mumbai

Date: 04.05.2011

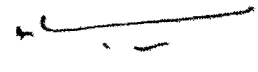


For and on behalf of the Board



B.V.N. Rao

Director



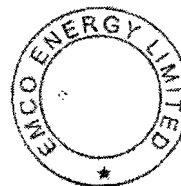
Raaj Kumar

Director



Pavan Kumar G

Company Secretary



Place: Bengaluru

Date: 04.05.2011

