

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GMR ENERGY (MAURITIUS) LIMITED**

Report on the Financial Statements

We have audited the financial statements of GMR ENERGY (MAURITIUS) LIMITED (the "Company") on pages 7 to 27 which comprise the statement of financial position as at 31 March 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Companies Act 2001 for Companies holding a Category 1 Global Business Licence and in compliance with the requirements of the Mauritian Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 7 to 27 give a true and fair view of the financial position of the Company as at 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Companies Act 2001 for Companies holding a Category 1 Global Business Licence and comply with the Companies Act 2001.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GMR ENERGY (MAURITIUS) LIMITED (CONTINUED)**

Report on the Financial Statements (Continued)

Other matter

This report, including the opinion, has been prepared for and only for the Company's member in accordance with Section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

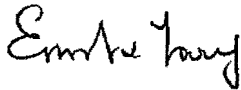
Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.



ERNST & YOUNG
Ebène, Mauritius



LI KUNE LAN POOKIM, A.C.A., F.C.C.A

Date: **09 MAY 2011**

GMR ENERGY (MAURITIUS) LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2011

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	Notes	2011 USD	2010 USD
INCOME			
Interest income		208,796	1,075,641
Exchange difference		255	-
		<u>209,051</u>	<u>1,075,641</u>
EXPENSES			
Directors' fees		3,600	2,165
Secretarial fees		1,360	1,625
Administration fees		14,820	16,250
Licence fees		1,750	1,750
Accountancy fees		5,800	7,450
Audit fees		4,600	17,998
Tax fees		2,900	3,400
Sundry expenses		200	670
Bank charges		6,044	4,218
Legal and other professional fees		215,955	820,999
Interest expense		20,047	-
Registration fees		-	8,725
Other professional fees		-	1,150
		<u>277,076</u>	<u>886,400</u>
OPERATING (LOSS) / PROFIT		(68,025)	189,241
Investment in subsidiary written off	15(v)	(1)	-
Expenses written off	15(v)	-	(7,407)
(LOSS) / PROFIT FOR THE YEAR BEFORE INCOME TAX		(68,026)	181,834
Income tax expense	5	(3,404)	(30,307)
(LOSS) / PROFIT FOR THE YEAR		(71,430)	151,527
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME, NET OF TAX		(71,430)	151,527

The notes on pages 11 to 27 form an integral part of these financial statements.

GMR ENERGY (MAURITIUS) LIMITED
 STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED 31 MARCH 2011

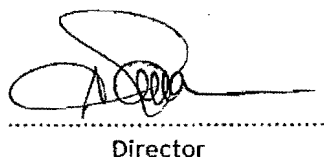
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	Notes	2011 USD	2010 USD
ASSETS			
Non-current assets			
Investment in subsidiaries	6	13,868,203	13,777,804
Deposit on shares	7	34,996,000	17,525,000
Total non-current assets		48,864,203	31,302,804
Current assets			
Loan to related parties	9 (i) - (iii)	2,500,000	7,710,000
Other receivables and prepayments	10	4,301	141,011
Cash and cash equivalents		13,700	960,177
Total current assets		2,518,001	8,811,188
Total assets		51,382,204	40,113,992
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	11	42,299,103	14,730,103
Application monies	12	8,360,400	18,573,000
Retained earnings		(1,843,015)	(1,771,585)
Total equity		48,816,488	31,531,518
Current liabilities			
Loan from parent	13	2,500,000	7,710,000
Other payables and accruals	14	65,716	848,659
Income tax liability	5 (ii)	-	23,815
Total current liabilities		2,565,716	8,582,474
Total equity and liabilities		51,382,204	40,113,992

9 MAY 2011

Approved by the board of directors on and signed on its behalf by:


 Director


 Director

The notes on pages 11 to 27 form an integral part of these financial statements.

GMR ENERGY (MAURITIUS) LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 MARCH 2011

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	Stated capital USD	Application monies USD	Retained earnings USD	Total USD
At 01 April 2009	8,400,103	-	(1,923,112)	6,476,991
Profit for the year	-	-	151,527	151,527
Other comprehensive income	-	-	-	-
Transaction with owners				
Received during the year	-	18,573,000	-	18,573,000
Issued during the year	6,330,000	-	-	6,330,000
At 31 March 2010	14,730,103	18,573,000	(1,771,585)	31,531,518
Loss for the year	-	-	(71,430)	(71,430)
Other comprehensive income	-	-	-	-
Transaction with owners				
Received during the year	-	17,356,400	-	17,356,400
Issued during the year	27,569,000	(27,569,000)	-	-
At 31 March 2011	<u>42,299,103</u>	<u>8,360,400</u>	<u>(1,843,015)</u>	<u>48,816,488</u>

The notes on pages 11 to 27 form an integral part of these financial statements.

GMR ENERGY (MAURITIUS) LIMITED
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 MARCH 2011

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	2011 USD	2010 USD
Cash flow from operating activities (Loss) / profit for the year before tax	(68,026)	181,834
<i>Adjustment for:</i>		
Investment in subsidiary written off	1	-
Operating (loss) / profit before working capital changes	(68,025)	181,834
<i>Changes in working capital:</i>		
Decrease in other receivables and prepayments	138,666	51,732
(Decrease)/increase in other payables and accruals	(782,943)	834,329
Cash flow from operating activities	(712,302)	1,067,895
Tax paid	(29,175)	(15,148)
Net cash flow (used in)/from operating activities	(741,477)	1,052,747
Cash flows from investing activities		
Payment for purchase of investment in subsidiaries	(90,400)	(2,008,176)
Deposit on shares	(17,471,000)	(17,524,800)
Loan to related parties	(5,678,000)	(18,710,000)
Amount received from third parties	-	33,000,000
Amount received from related party	10,888,000	10,000,000
Net cash flow (used in)/from investing activities	(12,351,400)	4,757,024
Cash flows from financing activities		
Proceeds from issue of shares	-	6,330,000
Application monies received	17,356,400	18,573,000
Loan from parent	5,700,000	7,770,000
Amount paid to parent	(10,910,000)	(37,560,000)
Net cash flow (used in)/from financing activities	12,146,400	(4,887,000)
Net (decrease) / increase in cash and cash equivalents	(946,477)	922,771
Cash and cash equivalents at beginning of year	960,177	37,406
Cash and cash equivalents at end of year	13,700	960,177

The notes on pages 11 to 27 form an integral part of these financial statements.

1. LEGAL STATUS AND BUSINESS ACTIVITY

GMR Energy (Mauritius) Limited is a private company limited by shares, incorporated in Mauritius on 27 February 2008, holds a Category 1 Global Business Licence under the Financial Services Act 2007 and is regulated by the Financial Services Commission. The Company's registered office is C/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene, Republic of Mauritius.

The principal activity of the Company is that of investment holding.

2. BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention and are denominated in United States Dollar ('USD').

2.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5 IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

The adoption of the standards or interpretations is described below:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for Company cash-settled share-based payment transactions. The Company adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Company.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) (Continued)

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position nor performance of the Company.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

Issued in May 2008

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position nor financial performance of the Company.

Issued in April 2009

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- *IFRS 8 Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Improvements to IFRSs (Continued)

Issued in April 2009 (Continued)

- IAS 7 *Statement of Cash Flows*: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.
- IAS 36 *Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Company as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

Issued in April 2009

- IFRS 2 *Share-based Payment*
- IAS 1 *Presentation of Financial Statements*
- IAS 17 *Leases*
- IAS 34 *Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in United States dollar ("USD") which is the Company's functional currency. The USD is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company.

(ii) *Transactions and balances*

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange ruling at the dates 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 are recognised in profit or loss. Such balances are translated at year-end exchange rates.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current and deferred income tax (Continued)

Deferred income tax is recognised in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets on accumulated tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Investments in subsidiaries

Subsidiaries are those entities (including special purpose entities) in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Company controls another entity.

Investment in subsidiaries is shown at cost. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is transferred to the statement of comprehensive income. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Consolidated financial statements

The financial statements contain information about GMR Energy (Mauritius) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company owns 100% in GMR Lion Energy Limited, GMR Energy (Cyprus) Limited, PT Dwikarya Sejati Utama, PT Unsoco, Karnali Transmission Company Private Limited and Marsyangdi Transmission Company Private Limited. The Company has taken advantage of the exemption provided by the Mauritian Companies Act 2001 allowing a wholly owned or virtually wholly owned parent company holding a Category 1 Global Business Licence not to present consolidated financial statements. The ultimate parent, GMR Infrastructure Limited, a company incorporated in India, prepares consolidated financial statements in accordance with Indian Generally Accepted Accounting Principles and not IFRS. The registered office of the ultimate parent is Skip House, 25/1 Museum Road, Bangalore 560 025, India.

Financial instruments

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments carried on the statement of financial position include loans and receivables, accounts receivable, cash and cash equivalents, loan from parent and accounts payable. The particular recognition methods adopted are disclosed below:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

The carrying amount of assets is assessed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, the Company estimates the recoverable amount of the asset being the higher of the asset's net selling price and its value in use, in order to determine the extent of the impairment loss (if any). An impairment loss is recognised for any excess of the asset's carrying amount over its recoverable amount and is taken directly to profit or loss.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Stated capital

Ordinary shares and Class A Preference shares are classified as equity.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised using the effective interest method.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Improvements to IFRSs (issued in May 2010)

The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Company:

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IFRIC 13 *Customer Loyalty Programmes*

The Company, however, expects no impact from the adoption of the amendments on its financial position or performance.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and judgements that affect the reported amounts of assets and liabilities within the next year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. As described in Note 2, the directors have considered those factors therein and have determined that the functional currency of the company is the USD.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. This note presents information about the Company's exposure to each of the said risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate measures and controls and to monitor risks and adherence to limits. Risks management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

The Company's exposure to the various types of risks associated to its activity and financial instruments is detailed below.

(a) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Currency risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company invests in securities denominated in Cyprus pound ("CYP"), Singapore dollar ("SGD"), Indonesian rupiah ("IDR") and Nepalese rupee ("NPR"). All investments in subsidiaries are accounted at cost and consequently, the Company is not exposed to any foreign exchange risk.

The carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows:

	Financial assets 2011	Financial liabilities 2011	Financial assets 2010	Financial liabilities 2010
	USD	USD	USD	USD
United States Dollar (USD)	2,515,686	2,565,716	8,810,829	8,558,659
	<u>2,515,686</u>	<u>2,565,716</u>	<u>8,810,829</u>	<u>8,558,659</u>

Investments in subsidiaries (inclusive of deposit on shares), prepayments and tax paid in excess amounting USD 48,864,203 (31 March 2010 - USD 31,302,804), USD 359 (31 March 2010 - USD 359) and USD 1,956 (31 March 2010 - USD Nil) respectively have not been included in financial assets. Current income tax liability amounting to USD Nil (31 March 2010 - USD 23,815) have not been included in financial liabilities.

(ii) 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 receives / advances funds fixed at time of disbursement and as such the Company is not exposed to any interest rate risk.

(iii) Price risk

Equity price risk is the risk of unfavourable changes in fair values of equities as the result of changes in the value of individual shares. The Company has no exposure to price risk at year end.

(b) Credit risk

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions through companies within the group. The maximum exposure to credit risk is represented by the carrying amounts of loans receivables from related parties, interest receivable and cash and cash equivalents in the statement of financial position.

(c) Liquidity risk

This refers to availability of funds for the Company to meet its financial obligations as they fall due. The Company pays out its obligations from finance received from its parent.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) *Liquidity risk (Continued)*

The maturity profile of the financial instrument is summarised as follows:

	Less than 1 year 2011 <u>USD</u>	Less than 1 year 2010 <u>USD</u>
<u>Financial liabilities</u>		
Loan from parent	2,500,000	7,710,000
Accruals	65,716	27,660
Amount payable to fellow subsidiary	-	820,999
	<u>2,565,716</u>	<u>8,558,659</u>

Fair values

The carrying amounts of loans to related parties, accounts receivable, cash and cash equivalents, loan from parent and accounts payable approximate their fair values.

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to pay its debt when they fall due in order to continue as a going concern. Capital comprises equity and subscription monies. In order to maintain or adjust the capital structure, the Company may issue new shares or have recourse to its parent and related parties for funding. The capital management process is determined and managed at the ultimate holding company level.

5. INCOME TAX EXPENSE

Cyprus

The Company invests in Cyprus and the directors expect to obtain benefits under the double taxation treaty between Mauritius and Cyprus. To obtain benefits under the double taxation treaty the Company must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. The Company has obtained tax residence certification from the Mauritian authorities and believes such certification is determinative of its resident status for treaty purposes.

A company which is tax resident in Mauritius under the treaties, but has no branch or permanent establishment in Cyprus will not be subject to Cypriot withholding tax on dividends, interest and royalties earned in Cyprus.

The Company is subject to income tax in Mauritius on its chargeable income at 15% (2010 - 15%). It is, however, entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% (2010 - 80%) of the Mauritius tax on its foreign source income.

No Mauritian tax on capital gains is payable in respect of the Company's disposal of investments and any dividends paid by the Company to its shareholder is not subject to any withholding or other tax in Mauritius.

5. INCOME TAX EXPENSE (CONTINUED)

(i) Tax reconciliation

A reconciliation between the applicable income tax rate of 15 % and the actual income tax rate is presented below:

	<u>2011</u> USD	<u>2010</u> USD
(Loss) / profit for the year	<u>(68,026)</u>	<u>181,834</u>
Tax at the rate of 15%	(10,204)	27,275
Exempt income	(40)	-
Non-allowable expenses	27,266	124,260
Foreign tax credit	<u>(13,618)</u>	<u>(121,228)</u>
Actual tax charge	<u>3,404</u>	<u>30,307</u>

(ii) Liability

	<u>2011</u> USD	<u>2010</u> USD
At 01 April	23,815	8,656
Charge for the year	3,404	30,307
Amount paid during the year	<u>(29,175)</u>	<u>(15,148)</u>
(Tax paid in excess) / tax liability	<u>(1,956)</u>	<u>23,815</u>

6. INVESTMENT IN SUBSIDIARIES

	<u>2011</u> USD	<u>2010</u> USD
<i>Unquoted investments at cost:</i>		
At 01 April	13,777,804	11,769,628
Acquired during the year	90,400	2,008,176
Investment written off (Note 15 (v))	<u>(1)</u>	<u>-</u>
At 31 March	<u>13,868,203</u>	<u>13,777,804</u>

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company's held investments in the following companies:

Name of company	% Holdings	Country of incorporation	Class of shares held	Type of investment	2011 USD	2010 USD
GMR Lion Energy Limited	100%	Mauritius	Equity	Unquoted	2,942,117	2,942,117
GMR Energy (Cyprus) Limited	100%	Cyprus	Equity	Unquoted	10,495,950	10,495,950
PT Dwikarya Sejati Utama	0.1%	Indonesia	Equity	Unquoted	6,736	6,736
PT Dwikarya Sejati Utama	100%	Indonesia	Convertible bonds	Unquoted	331,825	331,825
Lion Energy (Tuas) Pte. Ltd	100%	Singapore	Equity	Unquoted	-	1
PT Unsoco	1%	Indonesia	Equity	Unquoted	1,175	1,175
Karnali Transmission Company Private Limited	100%	Nepal	Equity	Unquoted	45,200	-
Marsyangdi Transmission Company Private Limited	100%	Nepal	Equity	Unquoted	45,200	-
					<u>13,868,203</u>	<u>13,777,804</u>

The Company owns 100% in PT Dwikarya Sejati Utama and PT Unsoco respectively through its step-down subsidiary, GMR Energy (Netherlands) B.V.

The directors have reviewed the financial performance and position of subsidiaries and have concluded that the investments have not suffered any impairment at the financial reporting date.

7. DEPOSIT ON SHARES

	2011 USD	2010 USD
Advance against equity to be allotted by:		
GMR Lion Energy Limited	3,330,000	17,000
GMR Energy (Cyprus) Limited	31,561,500	17,508,000
Karnali Transmission Company Private Limited	47,900	-
Marsyangdi Transmission Company Private Limited	56,600	-
	<u>34,996,000</u>	<u>17,525,000</u>

8. LOAN TO THIRD PARTY

	2011 USD	2010 USD
<i>Axis Bank Ltd</i>		
At 01 April	-	32,000,000
Amount received	-	(32,000,000)
At 31 March	-	-

The loan to third party was unsecured, interest-bearing at LIBOR plus 425 bps and repaid during the year ended 31 March 2010.

9. LOAN TO RELATED PARTIES

	2011 USD	2010 USD
<i>(i) Crossridge Investments Ltd</i>		
At 01 April	-	-
Amount advanced	-	1,000,000
Amount received	-	(1,000,000)
At 31 March (Note 15 (x))	-	-

The loan to related party was unsecured, interest-bearing at 3% per annum and repaid during the year ended 31 March 2010.

	2011 USD	2010 USD
<i>(ii) Homeland Energy Group Ltd.</i>		
At 01 April	7,710,000	-
Amount advanced	3,178,000	7,710,000
Amount received	(10,888,000)	-
At 31 March (Note 15 (viii))	-	7,710,000

The loan to related party was secured, interest-bearing at 3 months LIBOR plus 600 bps and repaid during the year.

	2011 USD	2010 USD
<i>(iii) GMR Energy (Cyprus) Limited</i>		
At 01 April	-	-
Amount advanced	2,500,000	-
At 31 March (Note 15 (ix))	2,500,000	-

The loan to subsidiary is secured, interest-bearing at 0.5% per annum and repayable within three months from the date of disbursement.

10. OTHER RECEIVABLES AND PREPAYMENTS

	<u>2011</u>	<u>2010</u>
	USD	USD
Prepayments	359	359
Interest receivable	1,986	140,652
Tax paid in excess (Note 5 (ii))	<u>1,956</u>	<u>-</u>
	<u>4,301</u>	<u>141,011</u>

11. STATED CAPITAL

	<u>2011</u>	<u>2010</u>
	USD	USD
<i>(i) Issued and fully paid up</i>		
100 ordinary shares of no par value	<u>103</u>	<u>103</u>

(ii) Class A Preference shares of USD 1 each

	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	Number	Number	USD	USD
<i>Issued and fully paid</i>				
At 01 April	14,730,000	8,400,000	14,730,000	8,400,000
Issued during the year (Note 15 (iii))	<u>27,569,000</u>	<u>6,330,000</u>	<u>27,569,000</u>	<u>6,330,000</u>
At 31 March	<u>42,299,000</u>	<u>14,730,000</u>	<u>42,299,000</u>	<u>14,730,000</u>
Total	<u>42,299,000</u>	<u>14,730,000</u>	<u>42,299,103</u>	<u>14,730,103</u>

Dividends

The holder of a Preference Share shall be entitled to non-cumulative dividends at a rate of 1% of the nominal value and provided further, that the shares are fully paid.

Voting rights

Each Preference Share shall entitle its holder to receive notice of and to attend any annual and special meetings of the Company. The holder of a Preference Share shall not be entitled to any voting rights except as provided under Section 114 of the Mauritius Companies Act 2001.

Winding up

On winding up, each holder of a Preference Share shall have priority to repayment of capital.

Distribution of surplus assets

The holder of a Preference Share shall not be entitled to any surplus assets which might exist after the paid up capital of the Company on ordinary shares has been repaid.

12. APPLICATION MONIES

	<u>2011</u>	<u>2010</u>
	USD	USD
At 01 April	18,573,000	-
Received during the year (Note 15 (iv))	17,356,400	18,573,000
Shares allotted	<u>(27,569,000)</u>	<u>-</u>
At 31 March	<u>8,360,400</u>	<u>18,573,000</u>

Application monies represent monies received pending allotment of shares.

13. LOAN FROM PARENT

	<u>2011</u>	<u>2010</u>
	USD	USD
At 01 April	7,710,000	37,500,000
Amount received	2,500,000	7,770,000
Amount refunded	<u>(7,710,000)</u>	<u>(37,560,000)</u>
At 31 March (Note 15 (ii))	<u>2,500,000</u>	<u>7,710,000</u>

The loan from parent, GMR Energy Limited, is unsecured, interest-bearing at 6 months LIBOR plus 450 bps and repayable by 30 June 2011.

14. OTHER PAYABLES AND ACCRUALS

	<u>2011</u>	<u>2010</u>
	USD	USD
Accruals	45,669	27,660
Loan interest payable	20,047	-
Amount due to fellow subsidiary (Note 15 (vi))	<u>-</u>	<u>820,999</u>
	<u>65,716</u>	<u>848,659</u>

15. RELATED PARTY DISCLOSURES

During the year ended 31 March 2011, the Company carried out transactions with related parties as follows:

	<u>2011</u>	<u>2010</u>
	USD	USD
(i) Key Management Personnel		
Directors' fees	<u>3,600</u>	<u>2,165</u>

15. RELATED PARTY DISCLOSURES (CONTINUED)

	2011 USD	2010 USD
<i>GMR Energy Limited - Parent</i>		
(ii) Loan received (Note 13)	2,500,000	7,770,000
Loan refunded (Note 13)	(7,710,000)	(37,560,000)
At 31 March	2,500,000	7,710,000
(iii) Payment for stated capital (Note 11)	27,569,000	6,330,000
(iv) Application monies received (Note 12)	17,356,400	18,573,000
<i>Lion Energy (Tuas) Pte. Ltd. - subsidiary</i>		
(v) Amount written off:		
Expenses paid on behalf of subsidiary	-	(7,408)
Amount payable to subsidiary on acquisition of shares in subsidiary	-	1
Investment in subsidiary written off (Note 6)	(1)	-
At 31 March	(1)	(7,407)

During the year, the Company's subsidiary, Lion Energy (Tuas) Pte. Ltd., an entity incorporated in Singapore was struck off and the investment was written off.

	2011 USD	2010 USD
<i>GMR Energy (Netherlands) B.V - fellow subsidiary</i>		
(vi) Legal and professional fees (Note 14)	-	820,999

During the year ended 31 March 2010, following legal and advisory agreement between by the Company and GMR Energy (Netherlands) B.V, a fellow subsidiary, legal and professional fees incurred by the latter in respect of assisting the Company to acquire investments had been recharged to the Company.

During the year, the Company refunded the full amount.

	2011 USD	2010 USD
<i>GMR International FZE - related party</i>		
(vii) Loan to related party		
At 01 April	-	-
Amount advanced	-	10,000,000
Amount received	-	(10,000,000)
At 31 March	-	-

The loan to related party was unsecured, interest-bearing at 3% per annum and repaid during the year ended 31 March 2010.

15. RELATED PARTY DISCLOSURES (CONTINUED)

	2011 USD	2010 USD
<i>Homeland Energy Group Ltd - related party</i>		
(viii) Loan to related party		
At 01 April	7,710,000	-
Amount advanced	3,178,000	7,710,000
Amount received	(10,888,000)	
At 31 March (Note 9 (ii))	-	7,710,000

The loan to related party was secured, interest-bearing at 3 months LIBOR plus 600 bps and repaid during the year.

	2011 USD	2010 USD
<i>GMR Energy (Cyprus) Limited - subsidiary</i>		
(ix) Loan to related party		
At 01 April	-	-
Amount advanced	2,500,000	
At 31 March (Note 9 (iii))	2,500,000	-

The loan to subsidiary is secured, interest-bearing at 0.5% per annum and repayable within three months from the date of disbursement.

	2011 USD	2010 USD
<i>Crossridge Investments Ltd - related party</i>		
(x) Loan to related party		
At 01 April	-	-
Amount advanced	-	1,000,000
Amount received	-	(1,000,000)
At 31 March (Note 9 (i))	-	-

The loan to related party was secured, interest-bearing at 3% per annum and repaid during the year ended 31 March 2010.

16. SUBSEQUENT EVENTS

Subsequent to the reporting date, the Company made an additional investment of USD 500,000 in GMR Energy (Cyprus) Limited.

17. PARENT AND ULTIMATE PARENT

The directors consider GMR Energy Limited, a company incorporated in India and GMR Infrastructure Limited, a public company listed on the Indian stock exchange, as the Company's parent, and ultimate parent and controlling party respectively.