

I.S.PRASAD & SETTY ASSOCIATES
CHARTERED ACCOUNTANTS

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NO.47, J.C.ROAD,
SEETHARAMA BUILDING
BANGALORE – 560 002

AUDITOR'S REPORT

To

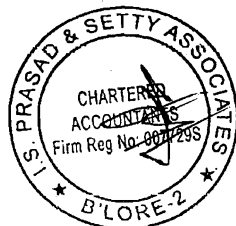
The Members
GMR HIGHWAYS LIMITED

We have audited the attached Balance Sheet of **M/s GMR HIGHWAYS LIMITED.**, No 25/1, Skip House, Museum Road, Bangalore - 560025 as at March 31, 2011 and the related Profit & 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.

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.

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of 'The Companies Act, 1956' of India (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.
2. Further to our comments in the Annexure referred to 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;

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- c) The Balance Sheet , Profit & 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 and 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
- e) On the basis of written representations received from the directors as on March 31, 2011, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31,2011 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 financial statements together with notes thereon and attached thereto give in prescribed manner the information required by the Act and 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 affairs of the Company as at March 31, 2011;
- (ii) In the case of profit and Loss Account, of the Loss for the year ended on that date; and
- (iii) In the case of cash flow Statement, of the total cash flows for the year ended on that date.

Place: Bangalore
Date: 18.05.2011

For I.S.PRASAD & SETTY ASSOCIATES
CHARTERED ACCOUNTANTS



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(I.S.PRASAD)

Partner

M.No.021968

FIRM REGN NO. 007729S

ANNEXURE TO AUDITOR'S REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE:

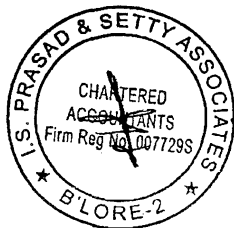
- (i) The Company has maintained proper records showing full particulars, including quantitative details and location of fixed assets. We are informed that the management has physically verified the fixed assets of the company at reasonable intervals and no discrepancies have been noticed on such verification.
- (ii) Since the Company is neither a Manufacturing Company nor Trading Company, the question of maintaining Inventory Records does not arise, hence we do not offer comments on this clause.
- (iii) According to the information & explanations given to us, the Company has not granted any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act & the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) 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 its business, for the sale of goods and services, purchase of equipment and other fixed assets and there is no major weakness in the internal control system.
- (v) a. According to the information & explanations given to us, the Company has duly entered the particulars of contracts or arrangements referred to in section 301 of the act in the register required to be maintained under the section.
b. In our opinion and according to the information and explanations given to us, the transactions for services, made in pursuance of contracts or arrangements entered in the register(s) maintained U/s 301 of Companies Act 1956 as aggregating during the financial year exceeding Rs. 5,00,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such services at the relevant time.
- (vi) The Company has not accepted any deposit from the public as per the provisions of section 58A and section 58AA of the Companies Act 1956 and rules framed there under.

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- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of business.
- (viii) According to the information & explanations given to us, the provisions of section 209(1) (d) of the Companies Act, 1956 relating to maintenance of the cost records do not apply to the company.
- (ix) As per the information and explanations given to us, the Provisions of Employees State Insurance Act do not apply to the Company. The Company is regular in remitting the Provident Fund Contributions / Income tax and Cess to the appropriate authorities and there were no undisputed amounts payable in respect of income tax and Cess which were outstanding as on March 31, 2011 for a period of more than six months from the date on which they became payable.
- (x) We report that the company has no accumulated losses exceeding 50% of net worth as at the year ending 31.03.2011. ***However the company has reported cash losses during the financial year and immediate preceding year.***
- (xi) As per the information and explanations given to us and on our examination of records, the Company has not defaulted in repayment of dues to financial institutions or banks.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in shares, securities and debentures. However, the Company has maintained proper records in respect of investments made and also made entries from time to time, in respect of the investment held by the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us and on our examination of records of the Company, there are no fresh term loans raised during the financial year.



Cont.../3/.

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- (xvii) In our opinion and according to the information and explanations given to us, the short term funds raised during the financial year has not made in long term investments.
- (xviii) The Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act.
- (xix) The Company has not issued any Debentures during the Financial Year.
- (xx) In our opinion, the Company has not raised any funds by way of Public Issue.
- (xxi) According to the information and explanations given to us and on our examination of records of the Company, there is no fraud on or by the company has been noticed or reported during the year.

Palce: Bangalore
Date: 18.05.2011

For I.S.PRASAD & SETTY ASSOCIATES
CHARTERED ACCOUNTANTS



A handwritten signature in black ink, appearing to read "I.S. Prasad".

(I.S.PRASAD)

Partner.

M.No.021968

FIRM REGN NO. 007729S

GMR HIGHWAYS LIMITED
Balance sheet as at - March 31, 2011

(Amount in Rupees)

Particulars	Schedule	March 31, 2011		March 31, 2010	
I. Sources of Funds					
1. Shareholders' Funds					
Capital	1	4,110,000,000		3,614,900,000	
Reserves & Surplus		-	4,110,000,000	-	3,614,900,000
2. Advance Towards Share Application Money					
			2,355,400,000		-
4. Loan Funds					
a) Secured Loans	2	-		2,400,000,000	
b) Unsecured Loans	3	3,232,700,000	3,232,700,000	2,000,000,000	4,400,000,000
5. Deferred tax Liability					
	4		245,885		-
Total			9,698,345,885		8,014,900,000
II. Application of Funds					
1. Fixed Assets					
(a) Gross Block	5	162,697,335		161,917,460	
(b) Less : Depreciation		502,428		260,812	
(c) Net Block		162,194,907		161,656,647	
(d) Capital Work in Progress		-		-	
			162,194,907		161,656,647
2. Investments					
	6		7,028,790,264		5,382,697,261
3. Current Assets, Loans and Advances					
(a) Interest Accrued on Investments	7	110,213		17,794	
(b) Sundry Debtors	8	10,754,427		4,960,484	
(c) Cash and Bank Balances	9	211,768,411		16,787,898	
(d) Loans and Advances	10	2,260,481,986		2,465,054,064	
		2,483,115,037		2,486,820,240	
Less : Current Liabilities and Provisions					
(a) Liabilities	11	108,878,363		46,742,320	
(b) Provisions		7,527,361		750,062	
		116,405,724		47,492,382	
Net Current Assets / (Liabilities)			2,366,709,313		2,439,327,858
4. Deferred Tax Asset (Net)					
	5		-		4,652,231
5. Profit & Loss Account					
			140,651,402		26,566,004
Total			9,698,345,885		8,014,900,000
Statement on Significant Accounting Policies and Notes to the Accounts	18				

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 I.S.Prasad & Setty Associates
Firm Regn No: 007729S
Chartered Accountants

For and on Behalf of the Board

Sd/-

I.S. Prasad
Partner
Membership No: 021968

Sd/-

Srinivas Bommidala
Chairman

Sd/-

O Bangaru Raju
Managing Director

Sd/-
Mangal Kulkarni
Company Secretary

Place : Bangalore
Date : 18.05.2011

GMR HIGHWAYS LIMITED

Profit and Loss Account for the period ended March 31, 2011

(Amount in Rupees)

Particulars	Schedule	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
Income			
Operating Income	12	112,716,616	79,233,896
Other Income	13	48,242,725	12,347,139
Total		160,959,341	91,581,034
Expenditure			
Repairs & Maintenance Expenses	14	47,716,610	34,701,637
Manpower Cost	15	19,162,365	20,725,441
Administrative Expenses	16	33,054,411	36,604,564
Interest & Finance Charges	17	168,682,157	30,471,386
Depreciation	5	247,587	188,542
Total		268,863,131	122,691,570
Profit / (Loss) after Depreciation, before Tax		(107,903,790)	(31,110,536)
Tax Expense			
Current Tax		1,283,493	-
Deferred Tax		4,898,116	(4,749,926)
Profit / (Loss) after Tax		(114,085,398)	(26,360,610)
Profit brought forward from Previous Year		(26,566,004)	(205,394)
Profit / (Loss) carried to Balance Sheet		(140,651,402)	(26,566,004)
Earnings / (Loss) Per Share (Refer Note 9 of Notes to Accounts)		(5.70)	(1.48)
Statement on Significant Accounting Policies and Notes to Accounts	18		

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 I.S.Prasad & Setty Associates
Firm Regn No: 007729S
Chartered Accountants

Sd/-

I.S. Prasad
Partner
Membership No: 021968

Place : Bangalore
Date : 18.05.2011

For and on Behalf of the Board

Sd/-

Srinivas Bommidala
Chairman

Sd/-

O Bangaru Raju
Managing Director

Sd/-

Mangal Kulkarni
Company Secretary

GMR HIGHWAYS LIMITED
Cash Flow Statement for the period ended March 31, 2011

(Amount in Rupees)

Particulars	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
A Cash Flow From / (Used In) Operating Activities		
Net Profit Before Tax and Extraordinary Items	(107,903,790)	(31,110,536)
Less: Income received from Investment & Others	(46,459,731)	(12,266,575)
Add: Depreciation	247,587	188,542
Add: Interest and Finance Charges	168,682,157	30,471,386
Operating Profit Before Working Capital Changes	14,566,223	(12,717,182)
Adjustments for:		
Changes in Trade and Other Receivables	198,685,716	(2,440,103,220)
Changes in Trade Payables	68,913,342	34,319,751
Cash generated from Operations	282,165,281	(2,418,500,650)
Income Taxes paid	(1,283,493)	-
Net Cash from/ (used in) Operating Activities-Construction Period	280,881,788	(2,418,500,650)
B Cash Flow From / (Used In) Investing Activities		
(Purchase) / Sale of Fixed Assets (Net)	(785,845)	(394,771)
(Purchase) / Sale of Investments (Net)	(1,646,093,003)	(5,382,697,261)
Interest Received from Investment & Others	46,459,731	12,266,575
Net Cash from / (used in) Investing Activities	(1,600,419,116)	(5,370,825,457)
C Cash Flow From / (Used In) Financing Activities		
Proceeds from Share Capital including Share application Money	2,850,500,000	3,436,400,000
Interest and Finance Charges	(168,682,157)	(30,471,386)
Repayment / (Proceeds) from Secured Loans	(2,400,000,000)	2,400,000,000
Repayment / (Proceeds) from Unsecured Loans	1,232,700,000	2,000,000,000
Net Cash from / (used in) Financing Activities	1,514,517,841	7,805,928,614
Net Increase / (Decrease) in Cash and Cash Equivalents	194,980,514	16,602,506
Cash and Cash Equivalents at the beginning of the year	16,787,898	185,389
Cash and Cash Equivalents at the end of the year	211,768,412	16,787,898

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 issued by the Institute of Chartered Accountants of India.
- Comparative figures of the previous year, where necessary, have been regrouped to conform to those of the current year.

As per our report of even date attached

For I.S.Prasad & Setty Associates
Firm Regn No: 007729S
Chartered Accountants

Sd/-

I.S. Prasad
Partner
Membership No: 021968

For and on behalf of the Board

Sd/-

Srinivas Bommidala
Chairman

Sd/-

O Bangaru Raju
Managing Director

Sd/-

Mangal Kulkarni
Company Secretary

Place : Bangalore
Date : 18.05.2011

GMR HIGHWAYS LIMITED

Schedules forming part of the Balance Sheet as at - March, 31 - 2011

(Amount in Rupees)

Schedule 1	March 31, 2011	March 31, 2010
Share Capital		
Authorised		
20,000,000 Equity Shares of Rs.10/- each	200,000,000	200,000,000
39,100,000 Preference Shares of Rs. 100/ each	3,910,000,000	3,910,000,000
Share Capital - Issued, Subscribed and Paid Up	200,000,000	178,500,000
2,00,00,000 (2010: 17,850,000) Equity Shares of Rs.10/- each		
Share Capital - Issued, Subscribed and Paid Up		
3,91,00,000 (2010: 3,43,64,000) 8% Redeemable Non Cumulative Non Convertible Preference Shares of Rs. 100/ each paid in cash	3,910,000,000	3,436,400,000
Of the above		
3,91,00,000 Preference Shares are held by GMR Infrastructure Limited, the Holding Company		
(The Preference Shareholders have an option to redeem at any time after 6 months from the date of allotment, but before 30th March, 2020, from the date of allotment, by giving one month prior notice)		
Total	4,110,000,000	3,614,900,000

(Amount in Rupees)

Schedule 2	March 31, 2011	March 31, 2010
Secured Loans		
Rupee Term Loans		
From Banks		
From Financial Institutions	-	2,400,000,000
(Secured by an exclusive pledge or mutual fund units or equivalent amount of the Financial Assistance in favour of IDFC and a Demand Promissory Note and the loan was repaid during the quarter ended June 2010)		
Total	-	2,400,000,000

(Amount in Rupees)

Schedule 3	March 31, 2011	March 31, 2010
Unsecured Loans		
From Others - GMR Infrastructure Limited - the Holding Company	3,000,000,000	2,000,000,000
From subsidiary - GMR Pochanpalli Exp Ltd	232,700,000	-
Total	3,232,700,000	2,000,000,000

(Amount in Rupees)

Schedule 4	March 31, 2011	March 31, 2010
Deferred Tax		
Deferred Tax Asset	-	4,652,231
Deferred Tax Liability	245,885	-
Total	245,885	4,652,231

GMR HIGHWAYS LIMITED

Schedules forming part of the Balance Sheet as at - March 31, 2011

Schedule - 5

(Amount in Rupees)

Description	Gross Block			Depreciation					Net Block	
	As at April 1, 2010	Additions	Deletions	As at March 31, 2011	As at April 1, 2010	For the Period	On Deletions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Land	160,574,120	-	-	160,574,120	-	-	-	-	160,574,120	160,574,120
Computer Equipment	594,505	595,871	8,736	1,181,640	140,920	211,509	-	352,429	829,211	453,585
Office Equipment	37,540	192,740	-	230,280	3,315	6,508	5,971	3,853	226,427	34,225
Furniture and Fixtures	36,000	-	-	36,000	1,270	2,279	-	3,549	32,451	34,730
Computer - Software	675,295	-	-	675,295	115,307	27,291	-	142,598	532,697	559,988
Total	161,917,460	788,611	8,736	162,697,335	260,812	247,587	5,971	502,428	162,194,907	161,656,647
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-
Grand Total	161,917,460	788,611	8,736	162,697,335	260,812	247,587	5,971	502,428	162,194,907	161,656,647
Previous Year	161,522,689	84,467,696	-	161,917,460	72,270	188,542	-	260,812	161,656,647	161,450,419

GMR HIGHWAYS LIMITED
Schedules forming part of the Balance Sheet as at - March, 31 - 2011

(Amount in Rupees)		
Schedule 6	March 31, 2011	March 31, 2010
Investments		
Long Term - At Cost		
In Shares of Subsidiary Companies		
GMR Ambala Chandigarh Expressways Private Limited [45,632,720 Equity Shares of Rs. 10 Each]	456,327,200	456,327,200
GMR Jadcherla Expressways Private Limited * [63,625,501 Equity Shares of Rs. 10 Each]	636,255,010	636,255,010
GMR Pochanpalli Expressways Limited [74,520,000 Equity Shares of Rs. 10 Each]	745,200,000	745,200,000
GMR Ulundurpet Expressways Private Limited * [107,325,000 Equity Shares of Rs. 10 Each]	1,073,250,000	1,073,250,000
GMR Ambala Chandigarh Expressways Private Limited [80,000 Preference Shares of Rs. 100 each]	8,000,000	8,000,000
GMR Jadcherla Expressways Private Limited [1,07,500 Preference Shares of Rs. 100 each]	10,750,000	10,750,000
GMR Ulundurpet Expressways Private Limited [40,000 Preference Shares of Rs. 100 each]	4,000,000	4,000,000
In Shares of Other Companies - Other Than Trade		
GMR Tuni Anakapalli Expressways Private Limited [470,000 Equity Shares of Rs. 10 Each]	4,700,000	4,700,000
GMR Tambaram Tindivanam Expressways Private Limited [470,000 Equity Shares of Rs. 10 Each]	4,700,000	4,700,000
GMR Hyderabad Vijayawada Expressways Private Limited * [2,00,00,000 Preference Shares of Rs. 100 each]	2,000,000,000	20,000,000
GMR Hyderabad Vijayawada Expressways Private Limited ** [24,50,000 Equity Shares of Rs. 10 each]	24,500,000	-
GMR Chennai Outer Ring Road Private Limited * [1,47,00,000 Equity Shares of Rs. 10 each]	147,000,000	49,000
GMR Chennai Outer Ring Road Private Limited [74,07,500 Preference Shares of Rs. 100 each]	740,750,000	-
GMR OSE Hungund Hospet Highways Pvt Ltd * [10,16,35,308 Equity Shares of Rs. 10 each]	1,016,353,080	-
Current		
Other Than Trade - Unquoted		
Birla Sun Life - Cash Plus Institutional Premium Growth Fund (March 2011 - 14,02,731 units at Rs. 15.69 each)	157,004,974	2,419,466,051
ICICI Prudential Institutional - Liquid Plan Growth (March 2011 - 932819 units at Rs. 144.72 each)		
Total	7,028,790,264	5,382,697,261

* Refer Note (2) of Schedule 18 (II) of Notes to Accounts for details of investments pledged as security in respect of the loans availed by the investee companies

(Amount in Rupees)		
Schedule 7	March 31, 2011	March 31, 2010
Interest Accrued on Investments		
Interest accrued on Deposits with Bank	110,213	17,794
Total	110,213	17,794

GMR HIGHWAYS LIMITED

Schedules forming part of the Balance Sheet as at - March, 31 - 2011

(Amount in Rupees)

Schedule 8	March 31, 2011	March 31, 2010
Sundry Debtors		
Debts Outstanding for a period exceeding six months		
Considered Good	-	-
Considered Doubtful		
Other Debts	10,754,427	4,960,484
Total	10,754,427	4,960,484

(Amount in Rupees)

Schedule 9	March 31, 2011	March 31, 2010
Cash and Bank Balances		
Cash on hand	25,487	10,167
Balances with scheduled banks		
- On Current accounts	2,242,924	1,677,731
- On Deposit Accounts	209,500,000	15,100,000
Total	211,768,411	16,787,898

(Amount in Rupees)

Schedule 10	March 31, 2011	March 31, 2010
Loans and Advances		
(Unsecured, Considered Good)		
Loans to Employees	-	41,594
Advance Towards Share application money	-	2,448,800,000
Loans & Adv - Good	1,025,558,411	9,886,570
Loan to Group company (GHV)	851,400,447	-
Loan to Group company (GAC)	370,000,000	-
Advance tax	13,071,129	5,435,437
Advance with Excise Deptt	304,172	536,173
VAT	101,827	134,029
Deposits with others	46,000	220,261
Total	2,260,481,986	2,465,054,064

(Amount in Rupees)

Schedule 11	March 31, 2011	March 31, 2010
Current Liabilities and Provisions		
A) Liabilities		
Sundry Creditors		
Dues to small scale industrial undertakings	-	-
Dues to other than small scale industrial undertakings	4,772,390	12,520,733
Retention	3,658,934	1,905,077
Other Liabilities	1,642,468	648,018
Deposit Received from Group Companies	6,000,000	6,000,000
Deferred Tax Liabilities (Net)	-	-
Interest accrued but not due	92,804,571	25,668,492
	108,878,363	46,742,320
B) Provisions		
Provision for Employee Benefits	692,551	646,092
Provision for Outstanding Exps	6,834,810	103,970
Total	7,527,361	750,062

GMR HIGHWAYS LIMITED

Annexed to and forming part of the Profit and Loss Account

(Amount in Rupees)

Schedule - 12	For the Year Ended March 2011	For the Year Ended March 2010
Operating Income		
Repairs & Maintenance	47,716,610	34,701,636
Highway Maintenance Fee	30,000,000	27,032,258
Managment Services Fee	35,000,005	17,500,002
Total	112,716,616	79,233,896

(Amount in Rupees)

Schedule - 13	For the Year Ended March 2011	For the Year Ended March 2010
Other Income		
Interest received/accrued from Investments	10,555,280	11,718,648
Interest Received on IT Refund	-	2,530
Profit on sale of Investments	35,904,452	547,926
Provision no longer required return back	1,775,212	
Miscellaneous Income	7,782	78,034
Total	48,242,725	12,347,139

(Amount in Rupees)

Schedule - 14	For the Year Ended March 2011	For the Year Ended March 2010
Repairs & Maintenance(R & M) Expenses		
R & M Monthly Maintenance Expenses	47,716,610	34,701,637
Total	47,716,610	34,701,637

(Amount in Rupees)

Schedule - 15	For the Year Ended March 2011	For the Year Ended March 2010
Manpower Cost		
Staff Costs		
Salaries, Wages and Bonus	15,932,673	20,795,175
Contribution to Provident & Other Funds	2,639,783	(481,607)
Workmen and Staff Welfare Expenses	589,909	411,872
Total	19,162,365	20,725,441

GMR HIGHWAYS LIMITED

Annexed to and forming part of the Profit and Loss Account

(Amount in Rupees)

Schedule - 16	For the Year Ended March 2011	For the year Ended March 2010
Administrative Expenses		
Rent	330,750	412,500
Repairs - Others	433,284	-
Rates & taxes	4,848,366	17,561,993
Insurance	6,896	-
Professional	3,286,823	3,708,772
Directors Sitting Fee	75,000	75,000
Utilities	21,977	-
Statutory Audit fee	89,420	75,000
Tax Audit fee	44,120	25,000
Other Certification fee	37,650	50,000
Advertisement	304	-
Inland Travel	2,633,377	1,315,112
Foreign Travel	8,395,879	74,673
Airtime Sharing	8,058,100	-
Travel - Taxi Hire / Local Conv	183,343	111,408
Communication - Telephone	240,949	219,130
Communication - postage & courier	33,341	38,905
Business Promotion	243,429	-
Security	167,132	-
Printing & Stationery	210,902	-
Books & Periodicals	50,891	-
Membership	341,301	-
Bidding Expenses	3,145,446	-
Fixed Assets w/off	2,765	-
Loss on Foriegne Exchange	1,890	-
Misc Exp	171,075	12,937,072
Total	33,054,411	36,604,564

(Amount in Rupees)

Schedule - 17	For the Year Ended March 2011	For the Year Ended March 2010
Interest and Finance Charges		
Interest Cost	167,171,803	28,520,547
Other Finance Related Costs	1,510,354	1,950,839
Total	168,682,157	30,471,386

GMR HIGHWAYS LIMITED

Schedules forming part of Accounts as at March 31, 2011

Schedule 18

Statement on Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

1. Basis of Accounting

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the amounts of income and expenses reported in the financial statement during the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of fixed assets, provision for doubtful debts/ advances, future obligations in respect of retirement benefit plans, etc. Although these estimates are based upon management's best knowledge of current events, actions, actual results could differ from those estimates. Difference if any, between the actual results and estimates is recognized in the period in which the results are known.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

3. Revenue Recognition

Revenue from Repair and Maintenance Contract is recognized on accrual basis. The Company has entered into Repair and Maintenance Contract for maintenance of Highways.

4. Depreciation

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

Individual assets costing Rs. 5,000 or less are fully depreciated in the year of acquisition.

5. Investments

Current investments are valued at cost or market value whichever is lower. Long Term Investments are carries at cost unless there is a permanent diminution in the value of the investment. Cost of acquisition is

inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

6. Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. The original cost of fixed assets acquired through foreign currency borrowings at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of balance sheet

Long term foreign currency monetary assets and liabilities are translated at the exchange rates prevailing on the balance sheet date and the resultant exchange differences are accumulated in the foreign currency monetary item translation reserve and amortised over the balance period of such long term asset/liability but not beyond March 31, 2011.

Monetary assets and monetary liabilities other than long term are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognised in the financial statements.

7. Retirement Benefits

a) Defined Contribution Plans

Contributions paid/payable to defined contribution plans comprising of provident fund and pension fund are charged on accrual basis.

The Company also has a defined contribution superannuation plan (under a scheme of Life Insurance Corporation of India) covering all its employees and contributions in respect of such scheme are charged on accrual basis in the Profit and Loss Account. The Company makes monthly contributions and has no further obligations under the plan beyond its contributions.

b) 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 recognised in the 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 revised Accounting Standard 15 (revised 2005) on 'Employee Benefits' notified under section 211 (3C) of the Act ('revised AS 15') as at the end of the year.

c) Other Long term employee benefits

Other Long term employee benefits comprise of leave encashment which is provided for based on the actuarial valuation carried out in accordance with revised AS 15 as at the end of the year.

d) Short term employee benefits

Short term employee benefits, including accumulated compensated absences as at the Balance Sheet date, are recognised as an expense as per Company's schemes based on the expected obligation on an undiscounted basis

8. Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences being the difference between the taxable incomes and accounting income that originate in one year and are capable of reversal in one or more subsequent

year(s). Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates

9. Earnings Per Share

The earnings/losses considered in ascertaining the company's Earning Per Share (EPS) comprises of the Net Profit/Loss after Tax. The Number of Shares used for computing the Basic EPS is the Weighted Average Number of Equity Shares outstanding during the year.

ii. Notes on Accounts

- The Company has made the investments in Group Companies in the form of Equity Share Capital (Face Value Rs. 10) as mentioned below:

Company	No. of Shares	Amount Invested (Rs.)	% of Holdings
GMR Ambala Chandigarh Expressways Private Limited	45,632,720	456,327,200	49.00%
GMR Jadcherla Expressways Private Limited	63,625,501	636,255,010	54.00%
GMR Pochanpalli Expressways Private Limited	74,520,000	745,200,000	54.00%
GMR Ulundurpet Expressways Private Limited	107,325,000	1,073,250,000	54.00%
GMR Tuni Anakapalli Expressways Private Limited	470,000	4,700,000	47.00%
GMR Tambaram Tindivanam Expressways Private Limited	470,000	4,700,000	47.00%
GMR Hyderabad Vijayawada Expressways Private Limited	24,50,000	2,45,00,000	49.00%
GMR Chennai Outer Ring Road Private Limited	1,47,00,000	14,70,00,000	49.00%
GMR OSE Hungund Hospet Highways Pvt Ltd	10,16,35,308	101,63,53,080	44.19%

The Company has made the investments in Group Companies in the form of Preference Share Capital (Face value Rs. 100) as mentioned below:

Company	No. of Shares	Amount Invested (Rs.)
GMR Ambala Chandigarh Expressways Private Limited	80,000	80,00,000
GMR Jadcherla Expressways Private Limited	1,07,500	1,07,50,000
GMR Ulundurpet Expressways Private Limited	40,000	40,00,000
GMR Hyderabad Vijayawada Expressways Private Limited	2,00,00,000	200,00,00,000
GMR Chennai Outer Ring Road Private Limited	74,07,500	74,07,50,000

- During the financial year 2010-11, the following investments are pledged as below:

Name of the Company	Total Shares Held	Number of Shares Pledged	In favour of
GMR Jadcherla Expressways Pvt Limited (Equity shares of Rs.10 each fully paid up)	63,625,501	35,347,501	Axis Bank Ltd
GMR Ulundurpet Expressways Pvt Limited (Equity shares of Rs.10 each fully paid up)	107,325,000	59,625,000	Axis Bank Ltd
GMR Hyderabad Vijayawada Expressways	24,50,000	13,00,000	Axis Bank Ltd

Private Limited (Equity shares of Rs.10 each fully paid up)			
GMR Chennai Outer Ring Road Private Limited (Equity shares of Rs.10 each fully paid up)	1,47,00,000	46,02,000	Axis Bank Ltd
GMR OSE Hungund Hospet Highways Pvt Ltd (Equity shares of Rs.10 each fully paid up)	10,16,35,308	99,55,200	Axis Bank Ltd
GMR Hyderabad Vijayawada Expressways Private Limited (Preference shares of Rs.100 each fully paid up)	2,00,00,000	77,33,000	Axis Bank Ltd

The above shares have been pledged as per the condition provided in the Rupee Term Loan Agreement.

III. Related Party Transactions

a) Names of related parties and description of relationship

(i)	Enterprises that control the Company	GMR Infrastructure Company (GIL) (Holding Company) GMR Holdings Private Limited (GHPL) (the Parent Company)
(ii)	Subsidiary Companies of the reporting enterprise	GMR Ulundurpet Expressways Pvt Ltd (GUEPL) GMR Jadcherla Expressways Pvt Ltd (GJE) GMR Pochanpalli Expressways Ltd (GPEL)
(iii)	Fellow Subsidiaries (one level subsidiary)	GMR Aviation Private Limited (GAPL) GMR Energy Ltd (GEL) GMR Tuni Anakapalli Expressways Private Limited GMR Tambaram-Tindivanam Expressways Pvt Ltd (GJE) GMR Airports Holding Private Limited (erstwhile, GVL Investments Private Limited) (GAHPL) GMR Hyderabad Vijayawada Expressways Private Limited (GHEVPL) GMR Chennai Outer Ring Road Private Limited GMR OSE Hungund Hospet Highways Pvt Ltd GMR Corporate Affairs Private Limited (GCAPL) GMR Ambala Chandigarh Expressways Private Limited (GACE)
(iv)	Enterprise where Key Management Personnel and their relatives exercise significant influence	Raxa Securities Services Limited (RSSL) GMR Varalakshmi Foundation (GVF)
(v)	Key Management Personnel	Mr. Srinivas Bommidala, - Chairman Mr. O.Bangaru Raju, Managing Director

Note: In respect of the above parties, there is no doubtful debt as on 31.3.2011 and no amount has been written off or written back during the year in respect of debts due from them/to them.

b) Summary of transaction with the above related parties is as follows:

(Amount in Rupees)

Nature of Transaction	Enterprises that control the company	Fellow Subsidiaries	Subsidiary Companies of the reporting enterprise	Enterprises where Key Management Personnel and their relatives exercise significant influence	Key Management Personnel & relatives	Balance Payable / (Receivable)
Charges for Repair & Maintenance Work	-	8,161,264	-	-	-	(14,88,692)
- GACEPL	(-)	(8,168,652)	(-)	(-)	(-)	(1,749,595)
- GJEPL	(-)	-	1,22,53,428	-	-	(19,55,736)
- GPEPL	(-)	(-)	(99,89,182)	(-)	(-)	(1,063,589)
- GUEPL	(-)	(-)	1,75,38,091	-	-	(20,21,487)
- GPEPL	(-)	(-)	(1,12,00,180)	(-)	(-)	(1,094,630)
- GUEPL	(-)	(-)	96,79,060	-	-	(15,38,473)
- GUEPL	(-)	(-)	(53,34,245)	(-)	(-)	(1,052,670)
Charges for Highway & Toll Maintenance	-	2,400,000	-	-	-	-
- GACEPL	(-)	(2,400,000)	(-)	(-)	(-)	(-)
- GJEPL	(-)	-	7,200,000	-	-	-
- GPEPL	(-)	(-)	(7,200,000)	(-)	(-)	(-)
- GUEPL	(-)	(-)	-	(-)	(-)	(-)
- GPEPL	(-)	(-)	1,08,00,000	-	-	-
- GUEPL	(-)	(-)	(1,08,36,000)	(-)	(-)	(-)
- GUEPL	(-)	(-)	96,00,000	(-)	(-)	(-)
- GUEPL	(-)	(-)	(6,632,258)	(-)	(-)	(-)
Management Fees	-	2,00,00,004	-	-	-	-
- GTTEPL	(-)	(1,00,00,000)	(-)	(-)	(-)	(-)
- GTAEPL	(-)	1,50,00,000	(-)	(-)	(-)	(-)
- GTAEPL	(-)	(75,00,000)	(-)	(-)	(-)	(-)
Advance Received towards Share Application Money	299,91,00,000	-	-	-	-	235,54,00,000
- GIL	(-)	(-)	(-)	(-)	(-)	(-)

Nature of Transaction	Enterprises that control the company	Fellow Subsidiaries	Subsidiary Companies of the reporting enterprise	Enterprises where Key Management Personnel and their relatives exercise significant influence	Key Management Personnel & relatives	Balance Payable / (Receivable)
Refund of Share Application Money - GIL	14,86,00,000 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Allotment of shares – Equity share capital	2,15,00,000 (15,85,00,000)	- (-)	- (-)	- (-)	- (-)	20,00,00,000 (17,85,00,000)
Preference share capital	47,36,00,000 (343,64,00,000)	- (-)	- (-)	- (-)	- (-)	391,00,00,000 (343,64,00,000)
Investment in Equity share capital –						
- GHVEPL	- (-)	2,45,00,000 (-)	- (-)	- (-)	- (-)	2,45,00,000 (-)
- GCORR	- (-)	14,69,51,000 (49,000)	- (-)	- (-)	- (-)	14,70,00,000 (49,000)
- GOSEHH	- (-)	101,63,53,080 (-)	- (-)	- (-)	- (-)	101,63,53,080 (-)
-						
Investment in Preference share capital –						
- GHVEPL	- (-)	198,00,00,000 (2,00,00,000)	- (-)	- (-)	- (-)	200,00,00,000 (2,00,00,000)
- GCORR	- (-)	74,07,50,000 (-)	- (-)	- (-)	- (-)	74,07,50,000 (-)
Security Deposits						
- GJEPL	- (-)	- (-)	- (-)	- (-)	- (-)	2,000,000 (20,00,000)
- GPEPL	- (-)	- (-)	- (-)	- (-)	- (-)	2,000,000 (20,00,000)
-						
-						
-						
-						

Nature of Transaction	Enterprises that control the company	Fellow Subsidiaries	Subsidiary Companies of the reporting enterprise	Enterprises where Key Management Personnel and their relatives exercise significant influence	Key Management Personnel & relatives	Balance Payable / (Receivable)
- GUEPL	(-)	(-)	(-)			
Unsecured Loan Received – GIL	100,00,00,000 (-)	- (-)	- (-)	- (-)	- (-)	300,00,00,000 (-)
Unsecured Loan/Sub Debt Given –	-	37,00,00,000	-	-	-	37,00,00,000
- GACEPL	(-)	(-)	(-)	(-)	(-)	(-)
- GHVEPL	(-)	85,14,00,447	(-)	(-)	(-)	85,14,00,447 (-)
Interest on Unsecured Loan						
- GIL	12,74,21,918 (25,643,835)	- (-)	- (-)	- (-)	- (-)	8,58,37,666 (23,079,452)
- GPEPL	73,68,049 (-)	- (-)	- (-)	- (-)	- (-)	69,66,905 (-)

Notes:

- (i) 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.
- (ii) Previous period figures are mentioned in brackets.
- (iii) The Sub Debt received in last year is shown in brackets.

IV. Earnings Per Share (EPS)

Particulars	March 31, 2011	March 31, 2010
Nominal Value of Equity Shares (Rs. per Share)	10	10
Weighted Average number of Equity Shares outstanding during the year	2,00,00,000	17,850,000
Profit after Taxes	(11,40,85,398)	(26,360,610)
EPS – Basic and Diluted (Rs.)	(5.70)	(1.48)

Note: Since the Company does not have any dilutive securities, the basic and diluted earnings per share are the same.

- V. The Company is a holding company with investments within group companies and has certain service activity. Since the income from services rendered is below the threshold limit prescribed in the Accounting Standard 17 “Segment Reporting” as referred to in Section 211(3C) of the Companies Act, no separate segment reporting/ disclosure are considered necessary.

VI. Employee benefits

a) Defined contribution plan

Contribution to Provident and other funds are as under:

Particulars	(Amount in Rupees)	
	2011	2010
Contribution to provident fund	13,08,663	22,79,424
Contribution to superannuation fund	3,65,253	633761
	16,73,916	29,13,185

b) Defined benefit plan

Company is covered under funded defined benefit gratuity plan. As per the scheme, an employee who has completed five years or more of service gets gratuity equivalent to 15 days salary (last drawn salary) for each completed year of service.

The following tables summaries the components of net benefit expense recognised in the Profit and Loss account and the funded status and amounts recognised in the Balance Sheet for gratuity benefit.

Profit and Loss Account

Net employee benefit expense (Amount in Rupees)

	2011	2010
Current service cost	1,78,240	5,13,371
Interest cost on benefit obligation	57,162	1,12,799
Expected return on plan assets	(1,76,447)	(1,89,512)
Net actuarial(gain) / loss recognised	(51,440)	(15,59,077)
Past service cost	-	-
Net benefit expense	7,514	(11,22,419)
Actual return on plan assets	1,98,503	1,89,512

Balance sheet

	2011	2010
Defined benefit obligation	6,32,192	4,70,286
Fair value of plan assets	24,07,404	22,05,592
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	17,75,212	17,35,306

Changes in the present value of the defined benefit obligation:

(Amount in Rupees)

	2011	2010
Opening defined benefit obligation	4,70,286	-
New Acquisitions	-	15,69,341
Interest cost	57,162	1,12,799
Current service cost	1,78,240	5,13,371
Past service cost	-	-
Benefits paid	-	6,789
Adjustment on transfer	-	-
Actuarial (gains) / losses on obligation	(73,496)	(17,32,014)
Closing defined benefit obligation	6,32,192	4,70,286

Changes in the fair value of plan assets are as follows:

	2011	2010
Opening fair value of plan assets	22,05,592	-
New Acquisition	-	20,16,080
Expected return	1,76,447	1,89,512
Contributions by employer	-	-
Benefits paid	-	6,789
Actuarial gains / (losses)	25,365	11,190
Adjustment on transfer	-	(17,979)
Closing fair value of plan assets	24,07,404	22,05,592

The Company expects to contribute Rs. 25,000/- (2010: Rs. 25,000) towards gratuity fund in 2010-2011.

The major category of plan assets as a percentage of the fair value of total plan assets are as follows:

	2011	2010
	%	%
Investments with insurer managed funds	100	100

The principal assumptions used in determining gratuity obligation:

	2011	2010
	%	%
Discount rate	8	8
Expected rate of return on assets	8	8
Expected rate of salary increase	6	7
Employee turnover	5	5

Notes :

1. 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.

Amounts for the current and prior periods are as follows:

	(Amount in Rupees)	
	2011	2010
Defined benefit obligation	6,32,192	4,70,286
Plan assets	24,07,404	22,05,592
Surplus / (deficit)	17,75,212	17,35,306
Experience adjustments on plan liabilities	(73,496)	(17,32,014)
Experience adjustments on plan assets	25,365	11,190

- Leave encashment liability provided based on actuarial valuation amounts to Rs. 4,84,770/- as at March 31, 2011.

VII. Managerial Remuneration

		(Amount in Rupees)	
	Particulars	March 31, 2011	March 31, 2010
A	Salaries	1,02,73,885	8,589,196
B	Perquisites & Other allowances	12,99,900	1,194,600
C	Contributions to PF & Other Funds	7,43,808	468,000
	Total	1,23,17,593	10,251,796

VIII. Details of Investments:

SI No	Particulars	Purchased		Sold	
		No of Units	Amount (in Rupees)	No of Units	Amount (in Rupees)
1	ICICI Prudential Institutional Short Term Plan Cumulative	- (1,24,14,778)	- (24,00,00,000)	1,24,14,778 (-)	24,21,05,546 (-)
2	ICICI Prudential Ultra Short Term Plan Super Premium Growth	46,51,93,695 (20,92,69,177)	4,83,67,58,466 (2,16,02,64,788)	67,44,62,872 (-)	7,02,87,04,163 (-)
3	Birla Sunlife Savings Fund Institutional Growth	7,56,203 (7,33,629)	1,32,35,904 (1,28,01,084)	7,56,203 (7,33,629)	1,32,94,857 (1,28,11,282)
4	Birla Sunlife Cash Manager Institutional Growth	- (10,94,970)	- (2,00,14,901)	- (10,94,970)	- (2,00,72,267)
5	Birla Sunlife Cash Plus Institutional Premium Growth	1,19,13,534 (3,55,19,203)	15,83,95,026 (52,14,00,000)	1,18,15,672 (3,42,14,335)	17,79,68,185 (50,24,14,312)
6	ICICI Prudential Institutional Liquid Plan Super Institutional Growth (Face Value Rs. 100)	3,76,82,481 (1,76,52,523)	5,03,60,51,162 (240,00,00,000)	3,67,49,661 (1,76,52,523)	5,03,77,38,309 (240,02,64,788)

IX. Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year as per the provisions of Income Tax Act 1961.

Deferred tax Asset reversed which was created in previous financial year.

Deferred Tax Liability has been created as per the method prescribed in the Accounting Standard – 22 issued by ICAI. Details are as below :

	Amount in Rs.
Particulars	
WDV of Fixed Assets as on 31.03.2011 (excluding land), as per books	1,620,787
WDV of Fixed Assets as on 31.03.2011(excluding Land), as per Income Tax Rules 1962	880,617
Difference in WDV	740,170
Deferred Tax Liability on above Difference	2,45,885

- X.** The Company does not have more than one segment to be reported and hence, the Accounting Standard 17 for Segment Reporting as prescribed by Institute of Chartered Accountants of India is not applicable to the Company.
- XI.** The Company is not engaged in any manufacturing activity. Additional information pursuant to paras 3,4,4-C,and 4- D of part II of Schedule VI to the Companies Act, 1956 to the extent either 'Nil' or 'Not Applicable' has not been furnished.
- XII.** Previous period figures have been regrouped / reclassified wherever necessary to confirm to current year presentation.

As per our report of even date attached

For I. S. Prasad & Setty Associates
Firm Regn No: 007729S
Chartered Accountants

For and on behalf of the Board

Sd/-

I S Prasad
Partner
Membership No: 021968

Sd/-

Srinivas Bommidala
Chairman

Sd/-

O Bangaru Raju
Managing Director

Place: Bangalore

Sd/-

Date : 18.05.2011

Mangal Kulkarni
Company Secretary

GMR HIGHWAYS LIMITED

Balance Sheet Abstract And Company's General Business Profile

1 Registration Details			
Registration No.	U45203KA2006PLC038379	State Code	08
Balance Sheet Date	31-Mar-11		
2 Capital Raised during the period (Amount in Rs. Thousands)			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	4,951
3 Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)			
Total Liabilities	9,698,346	Total assets	9,698,346
Sources of Funds			
Paid - Up Capital	4,110,000	Share Appl. Money/Calls in advance	2,355,400
Reserves & Surplus	NIL	Unsecured Loans	3,232,700
Secured Loan	-	Deferred Tax Liability	246
Application of Funds			
Net Fixed Assets (Incl.Expenditure during Construction Period)	162,195	Investments	7,028,790
Net Current Assets	2,366,709	Misc. Expenditure	NIL
Accumulated Losses	140,651		
4 Performance of company (Amount in Rs. Thousands)			
Total Income	160,959	Total Expenditure	268,863
+ (-) Profit / (Loss) before Tax	(107,904)	+ (-) Profit / (Loss) after Tax	(114,085)
Earnings (Loss) per Share (Rs.)	(5.70)	Dividend rate (%)	N.A
5 Generic Names of Three Principal Products / Services of Company (as per monetary terms)			
Item Code No. :		N.A	
Product Description		N.A	

For and on behalf of the Board of Directors

Sd/-
Srinivas Bommidala
Chairman

Sd/-
O Bangaru Raju
Managing Director

Sd/-
Mangal Kulkarni
Company Secretary

Place: Bangalore
Date : 18.05.2011