

Luthra & Luthra

Chartered Accountants

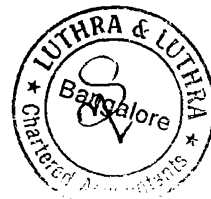
AUDITOR'S REPORT

**Auditor's Report to the Members of
M/S GMR HYDERABAD VIJAYAWADA EXPRESSWAYS PRIVATE LIMITED,**

We have audited the attached Balance sheet of **M/s GMR HYDERABAD VIJAYAWADA EXPRESSWAYS PRIVATE LIMITED, ('the Company')** having its registered office at **SKIP HOUSE, 25/1 MUSEUM ROAD, BANGALORE - 560 025** as at **31st March 2011** and the Profit and Loss Account for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 from the material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Amendment Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of 'The Companies Act, 1956' (the 'Act'), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.



A-16/9, Vasant Vihar, New Delhi - 110057

Tel: 26148048, 26151853, 26147365 Fax: 26145222

Branch: F 2, Srihari Apartments, 19/1 (Old No. 37), 5th Cross, 9th Main, Sadashiv Nagar, Bangalore - 560 080
Tel & Fax: 080 - 4113 8249

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 purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, Profit and Loss Account and Cash flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow Statement dealt with by this report comply with the accounting standards (as applicable) referred to in sub-section (3C) of section 211 of the Act, 1956;
- (e) On the basis of written representations received from the directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanation given to us, the said financial statements read together with notes thereon gives the information required by the Act and in the manner so required give a true and fair view and is in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (b) in the case of the Profit and Loss Account, of the Loss of the Company for the period ended on that date ; and



(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Date: May 16, 2011
Place: Bengaluru

For Luthra & Luthra
Firm Regn. No. 002081N
Chartered Accountants

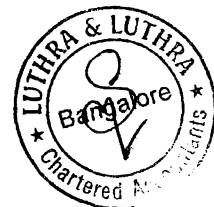
ICAI M. No. 220480
Partner

ANNEXURE TO AUDITOR'S REPORT

Statement of matters as specified in paragraphs 4 and 5 of Companies (AUDITORS' REPORT)
Order 2003

Para 4

Clause		Particulars
(i)	(a)	The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
	(b)	According to the information and explanation given to us, the management of the Company at reasonable intervals has physically verified the Fixed Assets. The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanation given to us, the management of the Company had conducted physical verification of portion of fixed assets during the year & expects to complete the physical verification of the balance asset in next the financial year.
	(c)	As the company has not made any sale or has not otherwise disposed off a substantial part of its fixed assets, reporting under this clause does not arise.
(ii)	(a), (b), & (c)	As the Company is neither Manufacturing Company, nor Trading Company, the question of inventory holding would not arise, hence reporting under this clause of the order does not arise.
(iii)	(a), (b), (c) & (d)	In our opinion and according to the information and explanations given to us none of the parties that the Company has transacted with are covered under Section 301 of the Companies Act, 1956 hence reporting under these clauses of the Order does not arise.



	(e), (f) & (g)	In our opinion and according to the information and explanations given to us none of the parties that the Company has transacted with are covered under Section 301 of the Companies Act, 1956 hence reporting under these clauses of the Order does not arise.
(iv)		In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business, with regard to purchase of fixed assets and sale of services. Further, on the basis of our examination of our books and records of the Company, and according to the information and explanations given to us, we neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control system.
(v)	(a) & (b)	In our opinion and according to the information and explanations given to us none of the parties that the Company has transacted with are covered under Section 301 of the Companies Act, 1956 hence reporting under these clauses of the Order does not arise.
(vi)		According to the information and explanations given to us, the Company has not accepted any deposits from the Public as defined in section 58A and Section 58AA of the Act, and the rules framed there under.
(vii)		In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

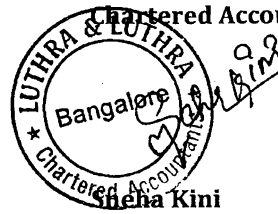


(xiv)		The Company is not dealing or trading in shares, securities, debentures and other investments, However, the Company has maintained proper records in respect of investments made and also made entries from time to time, in respect of the investment held by the Company.
(xv)		As per the information and explanation given to us and in our opinion, the Company has not given any guarantee for loans taken by others from bank or financial institutions, and hence reporting under this clause does not arise
(xvi)		According to the information and explanation given to us and records produced before us and in our opinion, the company had taken term loan from banks and financial institutions and applied the same for the purpose for which the loans were obtained.
(xvii)		According to the information and explanation given to us and records produced before us and in our opinion, short term loans in the nature of bridge loans to the extent of Rs. 3,23,05,49,500/- was obtained from Consortium banks which were utilized for project construction. On disbursement of the actual term loans the same have been repaid along with interest in full except Rs. 1,00,00,00,000/- from Vijaya Bank which was repaid in full on April 07, 2011 along with interest on disbursement of term loan from the same bank.
(xviii)		The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act hence the reporting under this clause does not arise.
(xix)		The Company has not issued any debentures and hence reporting under this clause does not arise.
(xx)		The Company has not raised any money by public issues and hence reporting under this clause does not arise



(xxi)	During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
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For Luthra & Luthra
Firm Regn No. 002081N
Chartered Accountants



Sheela Kini
ICAI. M. No. 220480
Partner

Date: May 16, 2011
Place: Bengaluru

GMR Hyderabad Vijayawada Expressways Private Limited
Balance Sheet As At March 31, 2011

(Amount in Rupees)

Particulars	Sch.	As at March 31, 2011		As at March 31, 2010	
I. Sources of Funds					
1. Shareholders' Funds					
Capital	1		2,05,00,00,000		2,01,00,000
2. Share Application Money, pending allotment			-		72,33,00,000
3. Secured Loans	2		5,14,85,00,000		
4. Unsecured Loans	3		1,89,42,74,447		-
Total			9,09,27,74,447		74,34,00,000
II. Application of Funds					
1. Fixed Assets					
(a) Gross Block	4	38,67,106		13,08,943.00	
(b) Less : Depreciation		3,50,072		61,880.31	
(c) Net Block		35,17,034		12,47,062.69	
(d) Capital Work in Progress	5	5,08,08,92,298		17,75,08,377.78	
			5,08,44,09,332		17,87,55,440
2. Investments	6		11,20,53,438		4,20,07,152
3. Current Assets, Loans and Advances					
(a) Cash and Bank Balances	7	3,31,18,46,699		17,02,819.03	
(b) Loans & Advances	8	1,67,57,47,142		58,01,89,502.01	
			4,98,75,93,841		58,18,92,321.04
Less : Current Liabilities and Provisions	9				
(a) Liabilities		1,11,39,56,877		6,82,14,357.08	
(b) Provisions		21,19,839		6,90,901.00	
(c) Advance against Share Appl. Money		-		-	
			1,11,60,76,716		6,89,05,258.08
Net Current Assets			3,87,15,17,125		51,29,87,063
4. Miscellaneous Expenditure: (to the extent not written off or adjusted)	10				
(a) Preliminary expenses					96,50,345
(b) Profit and Loss Account (Debit Balance)			2,47,94,552		-
Total			9,09,27,74,447		74,34,00,000
Statement on Significant Accounting Policies and Notes to Accounts	17				

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 and on behalf of
Luthra and Luthra
Firm Regn No. 002081N
Chartered Accountants

For and on behalf of Board of Directors

sd/-
Sneha Kini
Partner
Membership No: 220480

sd/-
Srinivas Bommidala
Chairman

sd/-
O Bangaru Raju
Director

Place: Bangalore
Date:

GMR HYDERABAD VIJAYAWADA EXPRESSWAYS PRIVATE LIMITED
Profit and Loss Account for the period ended March 31, 2011

(Amount in Rupees)

Particulars	Sch No.	For the Year ended Mar 31, 2011	For Year ended March 31, 2010
I. Income			
Toll Income	11	-	-
Other Income	12	26,82,690	-
Total Income		26,82,690	-
II. Expenditure			
Operating & Maintenance Expenses	13	-	-
Manpower Cost	14	-	-
Interest & Finance Charges	15	-	-
Administrative Expenses	16	88,65,545	-
Depreciation		-	-
Total Expenditure		88,65,545	-
III. Profit Before Taxation		(61,82,855)	-
- Current Tax		11,07,534	-
- Previous Year Tax		-	-
IV. Profit After Taxation		(72,90,389)	-
V. Prior Period Expenses (net of incomes)		1,75,04,162	
VI. Net Profit for the year		(2,47,94,552)	
Surplus/ Deficit brought forward from Previous Year		-	-
V. Available Surplus Carried to Balance Sheet		(2,47,94,552)	-
Earnings per Share			
Basic Earnings Per Share - (in Rs.)		-1.47	-
Statement on Significant Accounting Policies & Notes to Accounts	17		

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 and on behalf of
Luthra and Luthra
Firm Regn No. 002081N
Chartered Accountants

For and on behalf of Board of Directors

sd/-
Sneha Kini
 Partner
 Membership No: 220480

sd/-
Srinivas Bommidala
 Chairman

sd/-
O Bangaru Raju
 Director

Place: Bangalore
 Date:

GMR Hyderabad Vijayawada Expressways Private Limited
Cash Flow Statement for the period ended March 31, 2011

(Amount in Rupees)

	Particulars	2010-11	2009-10
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit Before Tax and Extraordinary Items	(61,82,855)	-
	Adjustment for:		
	Depreciation/ Amortisation	-	-
	Interest Income	-	-
	Profit on sale of Investments	26,44,974	-
	Interest and Finance charges	-	-
	Operating Profit Before Working Capital Changes	(88,27,829)	-
	Adjustment for:		
	Changes in Receivables, Loans & Advances	(1,09,55,57,640)	(58,01,89,502)
	Changes in Trade Payables	1,04,71,71,458	6,89,05,258
	Cash Generated from Operations	(5,72,14,012)	(51,12,84,244)
	Fringe Benefit Taxes / Income Taxes (paid)/ refund	(11,07,534)	-
	Prior Period Expenses (net)	(1,75,04,162)	-
	Net Cash Flow from/ (used in) Operating Activities	(7,58,25,708)	(51,12,84,244)
B	CASH FLOW FROM INVESTING ACTIVITIES		
	(Purchase)/Sale of Fixed Assets (Net)	(4,89,60,03,547)	(18,84,05,785)
	Repayment of Negative Grant Obligation	-	-
	Purchase/ (Sale) of current Investments	(7,00,46,286)	(4,20,07,152)
	Profit on sale of Investments	26,44,974	-
	Interest received	-	-
	Net Cash from/ (used in) Investing Activities	(4,96,34,04,858)	(23,04,12,937)
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from Share Capital including Share Application	1,30,66,00,000	74,34,00,000
	Proceeds/ (Repayments) from/ of Secured Loans (net)	5,14,85,00,000	-
	Proceeds/ (Repayments) from/ of Unsecured Loans (net)	1,89,42,74,447	-
	Interest and Finance charges Paid	-	-
	Net Cash Flow from Financing Activities	8,34,93,74,447	74,34,00,000
	Net Increase/ (Decrease) in Cash and Cash Equivalents	3,31,01,43,880	17,02,819
	Cash and Cash Equivalents at the beginning of the year	17,02,819	-
	Cash and Cash Equivalents at the end of the year	3,31,18,46,699	17,02,819

GMR Hyderabad Vijayawada Expressways Private Limited
Schedules forming part of the Balance Sheet as at March 31, 2011

(Amount in Rupees)

Schedule 1	As at March 31, 2011	As at March 31, 2010
Share Capital:-		
Equity Share Capital:-		
Authorised Share Capital 50,00,000 Equity Shares of Rs. 10 each	5,00,00,000	5,00,00,000
	5,00,00,000	5,00,00,000
Issued, Subscribed and Paid Up 50,00,000 Equity Shares of Rs. 10 each are fully paid up (2009-10: 10,000 shares) Of the above: 20,49,999 Equity Shares are held by GMR Infrastructure Limited (2009-10: 7,400 shares) 1 Equity Shares are held by GMR Infrastructure jointly with OB Raju (2009-10: Nil) 500,000 Equity Shares are held by Punjilloyd Limited (2009-10: 2,600 shares) 24,50,000 Equity shares are held by GMR Highways Limited (2009-10: Nil)	5,00,00,000	1,00,00,000
Total	5,00,00,000	1,00,00,000
Preference Share Capital:-		
Authorised Share Capital 2,98,00,000 6% Non- Cumulative Redeemable Convertible Preference shares of Rs.100 each.	2,98,00,00,000	2,00,00,00,000
	2,98,00,00,000	2,00,00,00,000
Issued, Subscribed and Paid Up 2,00,00,000 6% Non- Cumulative Redeemable Convertible Preference 2,00,00,000 6% Non-Cumulative Redeemable Convertible Preference Shares of Rs.100 each paid up in cash are held by GMR Highways Limited . (2009-10: 2,00,000 shares) Shareholders have an option to redeem at par at any time after 6 month from date of allotment but before October 1, 2024 from the date of allotment, by giving one month prior notice	2,00,00,00,000	2,00,00,00,000
Total	2,00,00,00,000	2,00,00,00,000

Schedule 2	As at March 31, 2011	As at March 31, 2010
Secured Loans		
Rupee Term Loans		
From Banks	4,64,70,00,000	-
From Financial Institution	50,15,00,000	-
(Above Loans are Secured by way of pari passu first charge over company's movable properties, both present and future, including plant and machinery. Further secured by the rights, title, interest, benefit, claims and demand of the company in respect of the Substitution agreements and Collection of Tolls unless permitted by NHAI under Concession Agreement. Further secured by way of pledge of 13,00,000 equity shares and 77,33,000 6% Non -Cumulative Redeemable Convertible Preference shares held by GMR Highways Limited)		
Total	5,14,85,00,000	0

Schedule 3	As at March 31, 2011	As at March 31, 2010
Unsecured Loans		
From Banks	1,00,00,00,000	-
From Others	89,42,74,447	-
- GMR Infrastructure Limited Rs. 4,28,74,000		
- GMR Highways Limited Rs. 85,14,00,447		
Total	1,89,42,74,447	0

GMR Hyderabad Vijayawada Expressways Pvt Ltd.,
Schedules forming part of the Balance Sheet as at March 31, 2011

Schedule 4 - Fixed Assets

(Amount in Rupees)

Description	Gross Block			Depreciation				Net Block		
	As at April 1, 2010	Additions	Deletions	As at 31-Mar-11	As at April 1, 2010	For the period	On Deletions	As at 31-Mar-11	As at 31-Mar-11	As at March 31, 2010
Capitalized Software	-	4,56,094	-	4,56,094		44359.72	-	44,360	4,11,734	-
Computer Equipments	2,07,836	6,57,288	-	8,65,124	4,749	80,713	-	85,462	7,79,662	2,03,087
Office Equipment	8,16,043	9,50,092	-	17,66,135	54,460	65,304	-	1,19,764	16,46,371	7,61,583
Electrical Fittings	2,85,064	-	-	2,85,064	2,671	13,541	-	16,212	2,68,852	2,82,393
Furniture & Fittings	-	4,94,689	-	4,94,689	-	84,274	-	84,274	4,10,414	-
Total	13,08,943	25,58,163	-	38,67,106	61,880	2,88,191	-	3,50,072	35,17,034	12,47,063
Capital Work in Progress	17,75,08,378	4,92,08,88,083	(1,75,04,162)	5,08,08,92,298	-	-	-	-	5,08,08,92,298	-
Grand Total	17,88,17,321	4,92,34,46,245	(1,75,04,162)	5,08,47,59,404	61,880	2,88,191	-	3,50,072	5,08,44,09,332	12,47,063

GMR Hyderabad Vijayawada Expressways Private Limited
Schedules forming part of the Balance Sheet as at March 31, 2011

(Amount in Rupees)

Schedule 5	Upto and as at March 31, 2011	Upto and as at March 31, 2010
a. EPC Cost	4,56,70,84,471.00	
b. Computing Equipment	-	
c. Toll Equipment	-	
e. Expenditure During Construction Period Pending Allocation		
Salaries, allowances and benefits to employees	6,13,39,396.75	1,21,40,453.98
Contribution to provident and other funds	39,25,972.32	8,51,332.42
Staff welfare expenses	19,82,497.02	5,22,441.74
Recruitment Exp.	38,80,399.09	23,87,912.39
Rent	1,67,04,628.17	33,78,825.16
Rates and taxes	-	40,557.00
Repairs and maintenance	-	
- Others	52,86,768.78	12,83,924.75
Insurance	1,74,56,406.00	4,87,209.00
Consultancy and professional charges	3,12,55,287.00	1,09,31,064.00
Remuneration to Auditors	-	
- Statutory Audit fees	-	1,10,300.00
Travelling and conveyance	3,65,66,439.86	2,73,81,957.50
Communication expenses	26,99,503.57	3,12,663.03
Income Tax	-	22,000.00
Interest on Fixed Period Loans	6,46,94,946.61	
Bank/Other Finance Charges	19,27,17,781.45	4,05,29,899.20
Depreciation	3,50,071.74	61,880.31
Advertisement & Business Promotion Expenses	31,66,004.00	1,14,248.00
Miscellaneous expenses	32,05,346.12	9,51,777.94
Sponsorship Fees	-	60,00,000.00
Other Contracting / Work Expenses	14,42,399.16	49,574.00
Pre-bidding exp.	6,82,69,396.92	5,86,19,051.92
Preliminary & Company Incorp. Exp	-	1,13,99,121.00
Total (A)	5,08,20,27,715.56	17,75,76,193.34
Less: Other Income		
Interest Received (Gross)	3,13,751.09	-
Income from Investments - Other than trade (Gross)	8,21,666.52	67,814.43
Miscellaneous Income	-	1.13
Total (B)	11,35,417.61	67,815.56
Total Capital Work in Progress	5,08,08,92,297.95	17,75,08,377.78

GMR Hyderabad Vijayawada Expressways Private Limited
Schedules forming part of the Balance Sheet as at March 31, 2011

(Amount in Rupees)

Schedule 6	As at March 31, 2011	As at March 31, 2010
Investments		
Current		
Other Than Trade - Unquoted		
Birla Sunlife Cash Plus - Institutional Premium	11,20,53,438	4,20,07,152
(NAV: Rs. 11,23,03,872/-)		
Total	11,20,53,438	4,20,07,152

(Amount in Rupees)

Schedule 7	As at March 31, 2011	As at March 31, 2010
Cash and Bank Balances		
Cash on hand	2,83,637	2,66,864
Balances with scheduled banks		
- On Current accounts	1,67,87,63,062	14,35,955
- On Deposit accounts	1,63,28,00,000	-
Total	3,31,18,46,699	17,02,819

(Amount in Rupees)

Schedule 8	As at March 31, 2011	As at March 31, 2010
Loans and Advances		
(Unsecured, Considered Good unless otherwise stated)		
Loans to Employees	3,19,657	2,13,748
Prepaid Insurance	28,52,225	78,50,157
Prepays Other	10,45,958	
Advances to Suppliers-Other Than Capital Advances	9,44,156	61,48,236
Advances to Suppliers- Mobilisation Advance	1,53,26,06,042	55,81,50,000
Advances to Suppliers- R A Advance	1,36,44,509	-
Advances to Employees # Travel	49,503	25,851
Deposits-Property Lease	1,46,37,080	77,71,080
Deposits- Others	42,357	30,430
Deposits-With Government Authorities & Others	25,000	
Advance Tax Paid - Income Tax	4,61,913	-
Works Contract Tax Receivable	13,12,723	
Receivables-Others	10,78,06,019	
	1,67,57,47,142	58,01,89,502

(Amount in Rupees)

Schedule 9	As at March 31, 2011	As at March 31, 2010
Current Liabilities and Provisions		
A) Liabilities		
Sundry Creditors		
Dues to Micro and Small Enterprises	-	-
Dues to other than Micro & Small Enterprises	1,07,99,59,250.81	5,95,84,258
Other Liabilities	3,39,97,626	86,30,099
	1,11,39,56,877	6,82,14,357
B) Provisions		
Provision for Employee Benefits	21,19,839	6,90,901
Provision for Taxation (Net)	-	-
	21,19,839	6,90,901

(Amount in Rupees)

Schedule 10	As at March 31, 2011	As at March 31, 2010
Miscellaneous Expenditure		
(to the extent not written off or adjusted)		
a) Preliminary expenses		
Balance at the beginning of the year	96,50,345	-
Additions during the year	-	96,50,345
	96,50,345	96,50,345
Less: Transferred to CWIP (Reference Note No....)	(96,50,345)	-
Balance at the end of the Year	-	96,50,345
b) Profit & Loss Account		
Balance at the beginning of the year	-	-
Loss (Profit) during the year	2,47,94,552	-
Balance at the end of the Year	2,47,94,552	-

GMR HYDERABAD VIJAYAWADA EXPRESSWAYS PRIVATE LIMITED
Schedules annexed to and forming part of Profit and Loss Account

(Amount in Rupees)

Particulars	For Period ended March 31, 2011	For Year ended March 31, 2010
Schedule 11		
Toll Income		
Toll Income	-	-
Total	-	-
Schedule 12		
Other Income		
Interest and Dividend received from Investments		-
Income from Sale of Investments (Income from Own Funds)	26,44,974	-
Miscellaneous Income	37,716	-
Total	26,82,690	-
Schedule 13		
Operation & Maintenance Expenses		
O & M Monthly Maintenance Expenditure	-	-
O & M Insurance	-	-
Total	-	-
Schedule 14		
Manpower Cost		
Managerial Remuneration	-	-
Staff costs	-	-
Total	-	-
Schedule 15		
Interest and Finance Charges		
Interest on Secured Loans	-	-
Interest on Unsecured Loans	-	-
Finance charges	-	-
Total	-	-
Schedule 16		
Administrative Expenses		
Consultancy Charges	-	-
Movement Cost	-	-
Communication Charges	-	-
Rent	-	-
Sponsorship Fees	15,50,000	-
Director Sitting Fees	1,25,000	-
Auditor's Remuneration towards:		
Statutory Audit Fees	2,75,750	-
Tax Audit Fees	-	-
Other Certifications Fees	80,519	-
Out of Pocket Expenses	-	-
Company Incorporation Expenses (Inclusive of Fess for Authorized Capital)	-	-
Other Administrative Expenses	-	-
Repairs and Maintenance	-	-
Rates and Taxes	68,34,276	-
Total	88,65,545	-

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

1. Background

GMR Hyderabad Vijayawada Expressways Private Limited ('the Company'), was incorporated on July 22, 2009. The Company has entered into a Design, Construction, Development, Finance, Operation and Maintenance contract i.e. Service Concession Agreement under BOT (Built own and transfer) with National Highways Authority of India ('NHAI') in respect of National Highway -9 from existing km 40 to existing km 221.500 in the State of Andhra Pradesh.

As of March 31, 2011, GMR Infrastructure Limited along with GMR Highways Limited holds 90% of the equity share capital in the Company and the balance 10% is held by Punj Lloyd Limited.

2. Statement of Significant Accounting Policies

i. Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis.

ii. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

iii. Revenue

Dividend income on investments is accounted for when the right to receive the payment is established by balance sheet date

Interest on investments and bank deposits are booked on a time proportion basis taking into account the amounts invested and the rate of interest.

iv. Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

v. Intangible Assets

Intangible assets (Computer Software) purchased by the Company, which have an estimated useful life exceeding one year, are capitalized. However, computer software where the estimated useful life is one year or less, is charged off to capital Work in Progress since the project is in execution stage only.

vi. Depreciation/Amortization

Depreciation is provided using the Straight Line Method at the rates and in the manner specified under the schedule XIV of the Companies Act, 1956. Fixed assets individually having an original cost of Rs. 5,000 or less are fully depreciated in the year of purchase.

Intangible assets (Computer Software) having enduring benefit, as determined by the management are amortised over its useful life as mentioned above.

vii. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

viii. Leases

(a) Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense and has been shown under capital work in progress since the company's projects is still under execution.

(b) Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

ix. Foreign currency translation

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange differences

Exchange differences, in respect of accounting periods commencing on or after 7th December, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset.

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

x. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments.

Current investments are valued at cost or market value whichever is lower. 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.

xi. Retirement and other employee benefits

i. Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

ii. Gratuity liability are defined benefit obligations and are provided for on the basis of an actuarial valuation on projected made at the end of each financial year.

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

iii. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method

iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

xii. Income Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

xiii. Segment Information

The Company is primarily engaged in a single segment i.e. BOT. The risk and returns of the Company are predominantly determined by its principal activity and the Company's activity fall within a single business and geographical segment. Accordingly, no further disclosures are required as per the Accounting Standard 17 on segment reporting.

xiv. Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss (after tax) for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year.

xv. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

xvi. Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and include the Short Term Deposits with Banks.

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

3. Notes on Accounts:

1. Capital Commitments – Estimated amount of Contracts remaining to be executed on capital account and not provided for is Rs. 13,83,29,15,529/- (FY 2009-10: 18,40,00,00,000) (EPC Contract).

2. Contingent Liabilities :

Bank Guarantee Out-standing as on 31st March, 2011 - Rs. 87 Crores

3. The following items of income and expenditure pertaining to financial year 2009-10 were considered as a part of expenditure during construction period. Since these income and expenditure are not directly relatable to the construction cost of the carriageways, the same were required to be charged off to profit and loss account in that year. Consequently the same have been shown as prior period income and expenditure in the profit and loss account for the current year.

Particulars	Amount
Interest and dividend Income	-
Income from Sale of Investments	67,814
Miscellaneous Income	1
TOTAL	67,815
Directors sitting fees	-
Statutory Audit Fees	1,10,300
Company Incorporation Expenses	1,13,99,121
Sponsorship	60,00,000
Rates & Taxes	40,557
TOTAL	1,75,71,978
Effect of prior period items on Loss of current year (net Loss)	1,75,04,162

4. During the current year the following items of income and expenditure have been charged off to profit and loss account as the same are not directly related to the completion of the project i.e., carriageways

Particulars	Amount
Interest and dividend Income	
Income from Sale of Investments	26,44,974
Miscellaneous Expenses	37,716
TOTAL	26,82,690
Directors sitting fees	1,25,000
Statutory Audit Fees	2,75,750
Rates & Taxes	68,34,276
Sponsorship	15,50,000
TOTAL	88,65,545

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

5. Since the project is in development stage, deferred taxes as per Accounting Standard 22 on 'Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India has not been recognized.
6. Investment purchased and sold during the Period ended March 31, 2011

Sl. No.	Particulars	Purchased		Sold	
		No. of Units	Amount (In Rupees)	No. of Units	Amount (In Rupees)
Mutual Funds :-					
1	Birla Sun Life – Cash Plus Institutional - Growth	4,50,01,764 (24,24,812)	68,04,53,714 (3,54,92,848)	4,50,01,764 (24,24,812)	68,20,18,432 (3,55,43,079)
2	Birla Sun Life – Saving Fund Institutional - Growth	1,38,64,112 (5,16,836)	24,31,91,215 (90,05,355)	1,38,64,112 (5,16,836)	24,50,93,137 (90,22,938)

7. Related Party Transactions

- a) Names of related parties and description of relationship:

(i)	Enterprises that control the Company	GMR Infrastructure Limited (GIL) GMR Highways Limited (GHWL) GMR Holdings Pvt. Limited (GHPL)
(ii)	Fellow Subsidiaries	GMR Aviation Private Limited (GAPL) GMR Corporate Affairs Private Limited (GCAPL) GMR Krishnagiri SEZ Private Limited (GKSL)
(iii)	Enterprise where Key Management Personnel and their relatives exercise significant influence	GMR Bannerghatta Properties Private Limited (GBPPL)
(iv)	Enterprises where significant influence exists	GMR Varalakshmi Foundation (GVF)
(v)	Key Management Personnel	Mr. Srinivas Bommidala (Chairman & Director) Mr. O.Bangaru Raju (Director)

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

(Amount in Rupees)

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

Nature of Transaction	Enterprises that control the company	Fellow Subsidiaries	Enterprises where significant influence exists	Enterprises where Key Management Personnel and their relatives exercise significant influence	Key Management Personnel & relatives	Balance Payable / Receivable
Share Application Money received						
- GIL	- (6,33,00,000)	- (-)	- (-)	- (-)	- (-)	- (6,33,00,000)Cr
- GHWL	2,02,45,00,00 0 (66,00,00,000)	- (-)	- (-)	- (-)	- (-)	- (66,00,00,000)
Mr. Srinivas Bommidala	- (-)	- (-)	- (-)	- (-)	- (50,000)	- (-)
Mr. O Bangaru Raju	- (-)	- (-)	- (-)	- (-)	- (50,000)	- (-)
Advance towards Share Application Money						
- GIL	4,28,74,000 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
- GHWL	75,95,00,447 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Interest Free Sub Debt						
- GIL	4,28,74,000 (-)	- (-)	- (-)	- (-)	- (-)	4,28,74,000 Cr (-)
- GHWL	85,14,00,447 (-)	- (-)	- (-)	- (-)	- (-)	85,14,00,447 Cr (-)

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

Payment for Survey & Soil Testing - GIL	(-) (45,00,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (45,00,000)
Project Management Support Services - GIL	- (3,00,00,497)	- (-)	- (-)	- (-)	- (-)	- (-)	- (2,70,00,448)
Airtime Sharing Charges - GAPL	- (-)	- (2,21,53,181)	- (-)	- (-)	- (-)	- (-)	- (-)
Consultancy Charges - GCAPL	- (-)	- (2,86,18,555)	- (-)	- (-)	- (-)	- (-)	- (2,57,56,699)
Rent -GBPPL	- (-)	- (-)	- (-)	50,57,489 (12,63,270)	- (-)	- (-)	- (11,22,927)
Rent Deposit -GBPPL	- (-)	- (-)	- (-)	- (77,11,180)Dr	- (-)	- (-)	77,11,180 Dr (77,11,180)Dr
Rent -GCAPL	- (-)	68,91,650 (10,94,753)	- (-)	- (-)	- (-)	- (-)	90,518 Cr (10,08,219)Cr
Rent Deposit -GCAPL	- (-)	65,46,000 Dr (-)	- (-)	- (-)	- (-)	- (-)	65,46,000 Dr (-)
Bidding related Expenses -GHWL	- (96,50,395)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Logo Fee - GHPL	1000 Dr (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

- 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.

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

8. Employee benefits

a) Defined Contribution Schemes	2011
Contribution to superannuation fund	6,29,149
Contribution to provident fund	11,75,357
	<u>18,04,506</u>

b) Defined Benefit Schemes

Gratuity benefit plan:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is unfunded.

The following tables summaries the components of net benefit expense recognized in the profit and loss account and the unfunded status and amounts recognized in the balance sheet.

Reconciliation of Projected Benefit Obligation	2011
Projected benefit obligation at beginning of year	49,257
Current service cost	8,32,405
Interest cost	3,941
Actuarial (gain)/loss due to change in assumptions (see note below)	-18,364
Benefits Paid	-
Projected benefit obligation at end of year	8,67,239

Amount to be recognized in the balance sheet	2011
Projected Benefit Obligation at end of year	8,67,239
Funded Status asset / (liability)	-
Liability recognised in Balance sheet	8,67,239

Statement of profit and loss account	2011
Current Service Cost	8,32,405
Interest Cost	3,941
Expected return on plan asset	-
Net actuarial (gain)/loss to be recognized in year	(18,364)
Past Service Cost	-
Effect of Curtailments	-
Expense recognized in the Statement of Profit and Loss	8,17,982

Assumptions	2011
Discount rate	8.00 %
Basic salary increase allowing for inflation	6.00 %
Attrition rate	5.00 %
Retirement age	60 years

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

9. Liability towards leave encashment based on actuarial valuation as on March 31, 2011 was Rs.5,90,423/-
10. The Company has entered into certain operating lease agreements and an amount of Rs.1,24,24,303/- incurred during the Twelve months period of year of 2010-11 (Rs. 33,47,022/- for 2009-10) under such agreements has been disclosed as rent under schedule 3 "Capital Work-In-Progress". These Agreements are cancellable in nature.
11. There were no parties out-standing as on 31st March, 2001 which were due beyond due date, under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

12. Earnings Per Share (EPS)

(Amount in Rupees)

Particulars	For the year ending March 31, 2011	For the year ending March 31, 2010
Nominal Value of Equity Shares (Rs. per Share)	10	10
Weighted Average number of Equity Shares outstanding during the year	49,49,068	6,904
Profit/ (Loss) after Taxes	(72,90,389)	-
EPS – Basic & Diluted (Loss Per Share)	(1.47)	-

13. Managerial Remuneration

(Amount in Rupees)

	Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
a.	Salaries	19,17,266.03	-
b.	Perquisites and Other allowances	4,01,771.13	-
c.	Contributions to Provident and Other Funds	1,50,258.00	-
	Total	24,69,295.16	-

GMR Hyderabad Vijayawada Expressways Private Limited
Notes to Accounts

14. Additional information pursuant to paras 3, 4, 4 – A, 4 – B, 4 – C and 4 – D of part II of Schedule VI to the Companies Act, 1956 to the extent “Nil” or “Not Applicable” has not been furnished.
15. The Company is entitled to claim tax holiday for any 10 consecutive years out of 20 years, from the year of commencement of commercial operations, under Section 80IA of the Income Tax Act, 1961 with regard to income from operation. Considering that the Company has not yet started the operations as of March 31, 2011, the management based on the projected future taxable income and tax planning strategies, expects to avail such tax holiday from the assessment year 2025-26.

As of March 31, 2011, as the Company is yet to commence the commercial operations and in the absence of virtual certainty, no deferred tax asset/liability has been accounted for in the books in respect of certain timing differences.

16. Previous year/ period figures have been regrouped / reclassified wherever necessary to conform to those of the current year.

For Luthra & Luthra
Firm Regn No.002081N
Chartered Accountants

For and on behalf of Board of Directors

Sd/-

Sneha Kini
Partner
ICAI M. No.220480

Sd/-

Srinivas Bommidala
Chairman

Sd/-

O.Bangaru Raju
Director

Place: Bangalore

Date: 16th May, 2011

GMR HYDERABAD VIJAYAWADA EXPRESSWAYS PRIVATE LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956)

I. Registration Details:

Registration No. U45201KA2009PTC050109 State Code : 08
Balance sheet date March 31, 2011

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue:	NIL	Rights Issue	NIL
Bonus Issue:	NIL	Private placement	2029900

III. Position of Mobilisation and Development of Funds (Amount in Rs. thousands)

Total Liabilities	90,92,774	Total Assets	90,67,980
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Sources of Funds

Paid up capital	20,50,000	Reserves & surplus	-
Secured loans	51,48,500	Unsecured loans	18,94,274

Application of funds:

Net Fixed Assets	50,84,409	Investments	1,12,053
Net Current Assets	38,71,517	Misc. Expenditure	-
Accumulated Losses	24,795		

IV. Performance of Company (Amount in Rs. Thousands)

Turnover including other Income	2,682.69
Total Expenditure	8,865.55
Profit before tax	(6,182.86)
Profit after tax	(7,290.39)
Earnings per share (Rs.)	(1.47)
Dividend rate (%)	-

V. General names of three Principal Products / Services of Company (As per monetary terms)

Item Code
(ITC Code)
Item Code
(ITC Code)
Product Description

For and on behalf of the Board

sd/-	sd/-
Srinivas. Bommidala	O.B. Raju
Chairman	Director