

Auditors' Report

To
The Members of GMR OSE Hungund Hospet Highways Private Limited

1. We have audited the attached balance sheet of GMR OSE Hungund Hospet Highways Private Limited ('the Company') as at March 31, 2011 and also the profit and loss account and the cash flow statement 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 financial statements based on our audit.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. 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;
 - ii. 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;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. 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;
 - v. On the basis of the written representations received from the directors, as at March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is 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.

- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and, give a true and fair view 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 March 31, 2011;
 - b) in the case of the profit and loss account, of the loss for the period ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the period ended on that date.

For S.R. Batliboi & Co.
Firm Registration No: 301003E
Chartered Accountants

Sd/-

per Navin Agrawal
Partner
Membership No.: 56102

Place : Bengaluru
Date: May 27, 2011

Annexure referred to in paragraph 3 of our report of even date
Re: GMR OSE Hungund Hospet Highways Private Limited (the "Company")

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the period.
- (ii) In our opinion and according to the information and explanations given to us, the provisions of the clause 4(ii) (a),(b) and (c) of the Companies (Auditors Report) Order, 2003 (as amended) relating to inventory, are not applicable to the Company as the Company did not hold any inventory during the period and hence not commented upon.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (e) According to information and explanations given to us, 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 Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (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 the nature of its business, for the purchase of fixed assets. As the Company is in project stage, the activities of the Company do not involve purchase of inventory and the sale of goods or services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 the Companies Act, 1956 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder.

- (vii) The provisions relating to internal audit are not applicable to the Company.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. The provisions relating to employees' state insurance and investor education and protection fund are not applicable to the Company.
Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the period end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to 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) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the period.
- (xx) The Company has not raised any money through public issue during the period.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the period.

For S.R. Batliboi & Co.
Firm Registration No: 301003E
Chartered Accountants

Sd/-
per Navin Agrawal
Partner
Membership No.: 56102

Place : Bengaluru
Date: May 27, 2011

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED
Balance Sheet as at March 31, 2011

(Amount in Rupees)

	Schedules	March 31, 2011	
I. Sources of Funds			
1. Shareholders' Funds			
Share Capital	1		2,30,00,00,000
2. Secured Loans	2		1,82,00,00,000
Total			4,12,00,00,000
II. Application of Funds			
1. Fixed Assets			
(a) Gross block	3	11,66,598	
(b) Less: Accumulated depreciation/ amortisation		1,22,386	
(c) Net block		10,44,212	
(d) Capital work in progress including capital advances	4	3,92,52,51,686	3,92,62,95,898
2. Investments	5		62,59,27,214
3. Current Assets, Loans and Advances			
(a) Cash and bank balances	6	15,73,58,866	
(b) Loans and advances	7	20,46,44,839	
		36,20,03,705	
Less : Current Liabilities and Provisions	8		
(a) Current liabilities		80,60,80,299	
(b) Provisions		8,94,306	
		80,69,74,605	
Net Current Assets			(44,49,70,900)
4. Profit and Loss Account			1,27,47,788
Total			4,12,00,00,000
Statement on Significant Accounting Policies and Notes to the Accounts	11		

The schedules referred to above and statement on significant accounting policies notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S. R. Batliboi & Co.
 Firm Registration No: 301003E
 Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
 Per Navin Agrawal
 Membership No: 56102

Sd/-
 D R Santhana Krishnan
 Director

Sd/-
 Ashok Aggarwal
 Director

Place: Bengaluru
 Date: May 27, 2011

Place: Bengaluru
 Date: May 27, 2011

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED
Profit and Loss Account for the period February 5, 2010 to March 31, 2011

(Amount in Rupees)

	Schedules	For the period ended March 31, 2011
I. Income		
Other income	9	5,44,395
Total		5,44,395
II. Expenditure		
Administrative expenses	10	1,31,55,001
Total		1,31,55,001
III. Profit/ (Loss) Before Taxation		(1,26,10,606)
Provision for taxation - Current tax		1,37,182
IV. Profit/ (Loss) After Taxation		(1,27,47,788)
V. Balance carried to Balance Sheet		(1,27,47,788)
Earnings per share - Basic and Diluted [Refer Note 11 of Schedule 11(III)]		(0.32)
Statement on Significant Accounting Policies and Notes to the Accounts	11	

The schedules referred to above and statement on significant accounting policies and notes to accounts form an integral part of the Profit and Loss account.

As per our report of even date

For S. R. Batliboi & Co.
 Firm Registration No: 301003E
 Chartered Accountants

For and on behalf of the Board of directors

Sd/-
 Per Navin Agrawal
 Membership No: 56102

Sd/-
 D R Santhana Krishnan
 Director

Sd/-
 Ashok Aggarwal
 Director

Place: Bengaluru
 Date: May 27, 2011

Place: Bengaluru
 Date: May 27, 2011

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED
Schedules forming part of the Balance Sheet as at March 31, 2011

(Amount in Rupees)

Schedule 1	March 31, 2011
Share Capital	
Authorised 230,000,000 equity Shares of Rs. 10 each	2,30,00,00,000
Issued, Subscribed and Paid Up 230,000,000 equity shares of Rs. 10 each fully paid up Of the above: 101,635,308 equity shares are held by GMR Highways Limited 15,664,692 equity shares are held by GMR Infrastructure Limited 59,800,000 equity shares are held by Oriental Structural Engineers Private Limited 52,900,000 equity shares are held by Oriental Tollways Private Limited	2,30,00,00,000
Total	2,30,00,00,000

(Amount in Rupees)

Schedule 2	March 31, 2011
Secured Loans	
Term Loans from Banks (Secured by way of hypothication of all movable assets of the Company both present and future. Further secured by first charge/ assignment on all tangible assets of the Company but not limited to Goodwill, right and undertakings, both present and future. Further, secured by uncalled capital of the Company both present and future. Further secured by the Company's bank accounts including debt service escrow accounts. Further secured by first charge/ assignment/ security interest on the Companys rights, title and interest in the project documents including the substituion agreement. Further secured by way of pledge of 51% of the equity shares of the Company held by its shareholders.)	1,82,00,00,000
Total	1,82,00,00,000

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED
Schedules forming part of the Balance Sheet as at March 31, 2011

(Amount in Rupees)

Schedule 4	March 31, 2011
Capital Work in Progress	
a. Engineering Procurement and Construction Costs	1,57,56,73,776
b. Mobilisation Advance given to EPC Contractors	2,13,75,00,000
c. Other expenses	
Salaries, allowances and benefits to employees	98,71,989
Contribution to provident and other funds	8,66,126
Staff welfare expenses	4,89,019
Success fee	15,66,26,000
Recruitment expenses	6,88,689
Consultancy and professional charges	20,00,436
Travel expenses	33,53,109
Rent	2,84,209
Insurance	1,07,91,342
Communication expenses	4,70,525
Repairs and maintenance - others	3,99,556
Printing and stationery	1,58,080
Other miscellaneous administration expenses	2,21,938
Utility shifting expenses	19,71,514
Bank/ other finance charges	1,79,11,487
Interest on secured loans	58,34,663
Depreciation	1,39,228
Total	21,20,77,910
Total Capital work in progress (a+b+c)	3,92,52,51,686

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED
Schedules forming part of the Balance Sheet as at March 31, 2011

(Amount in Rupees)

Schedule 5	March 31, 2011
Investments -Current	
Other than Trade - Unquoted	
UTI Liquid Cash Plan Institutional- Growth Option (389,104 units of Rs. 1,000 each, (Market value: Rs. 626,480,237))	62,59,27,214
The following investments were purchased and sold during the period: 185,312 units of UTI Liquid Cash Plan Institutional- Growth Option, purchased at Rs. 288,372,645 and sold at Rs. 288,782,560.	
Total	62,59,27,214

(Amount in Rupees)

Schedule 6	March 31, 2011
Cash and Bank Balances	
Cash on hand	1,30,496
Balances with scheduled banks	
- On current accounts	18,94,332
- On deposit accounts	15,53,34,038
Total	15,73,58,866

(Amount in Rupees)

Schedule 7	March 31, 2011
Loans and Advances	
(Unsecured, considered good)	
Prepaid expenses	14,35,53,917
Advances recoverable in cash or in kind or for value to be received	6,05,65,689
Balances with customs, excise, etc.	1,49,912
Deposit with others	3,50,000
Advance tax (net of provision for taxation)	25,321
Total	20,46,44,839

(Amount in Rupees)

Schedule 8	March 31, 2011
Current Liabilities	
Sundry Creditors	
Dues to micro and small enterprises	-
Dues to other than micro and small enterprises	77,86,95,780
	77,86,95,780
Interest accrued on term loans	18,83,527
Other liabilities	2,55,00,992
	80,60,80,299
Provisions	
Provision for employee benefits	8,94,306
Total	8,94,306

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED

Schedules forming part of the profit and Loss Account for the period February 5, 2010 to March 31, 2011

(Amount in Rupees)

Schedule 9	March 31, 2011
Other Income	
Profit on sale of current investments - other than trade	4,09,915
Miscellaneous income	1,34,480
Total	5,44,395

(Amount in Rupees)

Schedule 10	March 31, 2011
Administrative Expenses	
Rates and taxes	1,28,77,831
Remuneration to auditors	
- Audit fees	2,75,750
- Out of pocket expenses	1,420
Total	1,31,55,001

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED
Cash Flow Statement for the period February 5, 2010 to March 31, 2011

(Amount in Rupees)

	For the period ended March 31, 2011
A. CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	
Net profit/ (loss) before tax	(1,26,10,606)
Less: Profit on sale of investments	(4,09,915)
Operating profit/ (loss) before working capital changes	(1,30,20,521)
Adjustments for :	
Changes in loans and advances	(20,46,19,518)
Changes in trade payables	3,05,73,304
Cash generated from/ (used in) operations	(18,70,66,735)
Income taxes (paid)/ refunded	(1,62,503)
Net cash flow/ (used in) from operating activities	(18,72,29,238)
B. CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES	
Purchase of fixed assets	(3,12,61,48,448)
Purchase of current investments	(91,42,99,859)
Sale of current investments	28,87,82,560
Net cash from/ (used in) investing activities	(3,75,16,65,747)
C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	
Issue of share capital	2,30,00,00,000
Proceeds from secured long term debt	1,82,00,00,000
Financial expenses paid	(2,37,46,150)
Net cash from/ (used in) financing activities	4,09,62,53,850
Net increase/ (Decrease) in cash and cash equivalents	15,73,58,865
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	15,73,58,865
Components of cash and cash equivalents	
Cash on hand	1,30,496
Balances with scheduled banks	
- On current accounts	18,94,332
- On deposit accounts	15,53,34,038
Total	15,73,58,866

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard -3 on Cash Flow Statements as referred to in section 211(3C) of the Companies Act, 1956.
- The above Cash flow statement has been compiled from and is based on the Balance Sheet as at March 31, 2011 and the related Profit and Loss account for the period ended on that date.

As per our report of even date

For S. R. Batliboi & Co.
 Firm Registration No: 301003E
 Chartered Accountants

For and on behalf of the Board of directors

Sd/-
 Per Navin Agrawal
 Membership No: 56102

Place: Bengaluru
 Date: May 27, 2011

Sd/-
 D R Santhana Krishnan
 Director

Place: Bengaluru
 Date: May 27, 2011

Sd/-
 Ashok Aggarwal
 Director

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED
Schedules annexed to and forming part of Profit and Loss Account

Particulars	For The Period Ended 31-3-2011
Schedule 6	
Toll Income	
Toll Income	-
Total	-
Schedule 7	
Other Income	
Interest and Dividend received from Investments	-
Income from Sale of Investments	-
Profit on sale of Unquoted-Mutual Funds-Short Term	4,09,915
Miscellaneous Income	1,34,479
Total	5,44,395
Schedule 8	
Operation & Maintenance Expenses	
O & M Monthly Maintenance Expenditure	-
O & M Insurance	-
Total	-
Schedule 9	
Manpower Cost	
Managerial Remuneration	-
Staff costs	-
Total	-
Schedule 10	
Interest and Finance Charges	
Interest on Secured Loans	-
Interest on Unsecured Loans	-
Finance charges	-
Total	-
Schedule 11	
Administrative Expenses	
Consultancy Charges	-
Movement Cost	-
Communication Charges	-
Rent	-
Company Incorporation Expenses (Inclusive of Fess for Authorized Capital)	42,33,000
Director Sitting Fees	-
Auditor's Remuneration towards:	
Statutory Audit Fees	2,75,750
Tax Audit Fees	-
Other Certifications Fees	-
Out of Pocket Expenses	1,420
Other Administrative Expenses	-
Repairs and Maintenance	-
Rates and Taxes(inclusive Registration charges for increase in Authorized Share capital)	86,44,831
Total	1,31,55,001

GMR OSE Hungund Hospet Highways Private Limited

Balance Sheet Abstract And Company's General Business Profile

1	Registration Details			
	Registration No.	U45201KA2010PTC052377	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	22,99,900
3	Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)			
	Total Liabilities	41,20,000	Total assets	41,20,000
	Sources of Funds			
	Paid - Up Capital	23,00,000	Share Appl. Money/Calls in advance	-
	Reserves & Surplus	-	Unsecured Loans	-
	Secured Loan	18,20,000		
	Application of Funds			
	Net Fixed Assets (Incl.Expenditure during Construction Period)	39,26,296	Investments	6,25,927
	Net Current Assets	(4,44,971)	Misc. Expenditure:	
	Accumulated Losses	12,748		
4	Performance of company (Amount in Rs. Thousands)			
	Total Income	-	Total Expenditure	12,611
	+ (-) Profit / (Loss) before Tax	(12,611)	+ (-) Profit / (Loss) after Tax	(12,748)
	Earnings (Loss) per Share (Rs.)	(0.32)	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

Place: Bangalore
Date: May 27, 2011

Sd/-
D.R.Santhana Krishnan
Director

Sd/-
Ashok Aggarwal
Director

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED
Schedule 11
Statement on Significant Accounting Policies and Notes to the Accounts

I. Background

GMR OSE Hungund Hospet Highways Private Limited ('the Company'), was incorporated on February 5, 2010. The Company has entered into a Design, Build, Finance, Operate and Transfer ('DBFOT') contract with National Highways of India ('NHAI') in respect of National Highway -13 from existing km 202 to existing km 299 in the State of Karnataka.

As at March 31, 2011, GMR Infrastructure Limited along with GMR Highways Limited holds 51% of the equity share capital in the Company and the balance 49% is held by Oriental Structural Engineers Private Limited along with Oriental Tollways Private Limited.

II. 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. 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.

iv. 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.

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED
Schedule 11
Statement on Significant Accounting Policies and Notes to the Accounts

v. Depreciation/ Amortization

Depreciation on tangible assets 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.

Computer Software having enduring benefit, as determined by the management are amortized over its useful life which ranges from six to seven years.

vi. 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.

vii. Leases

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.

viii. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

ix. Revenue

Profit/ loss on sale of mutual funds are recognized when the title to mutual funds ceases to exist.

Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED
Schedule 11
Statement on Significant Accounting Policies and Notes to the Accounts

x. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

xi. Foreign currency translation

(a) 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.

(b) 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.

(c) 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.

xii. Retirement and other employee benefits

a) Retirement benefits in the form of provident fund, pension fund and superannuation fund are defined contribution schemes 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.

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED

Schedule 11

Statement on Significant Accounting Policies and Notes to the Accounts

b. 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.

c. 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

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

xiii. 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

xiv. Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss 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.

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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.

III. Notes to Accounts

1. Contingent Liabilities

Guarantees given by the Company Rs. 473,000,000.

2. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 10,536,826,225.

3. Employee Benefits

Defined 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 recognised in the profit and loss account and the unfunded status and amounts recognised in the balance sheet.

Profit and Loss account

Amount in Rupees

Particulars	For the period ended March 31, 2011
Current Service Cost	340,126
Interest cost on benefit obligations	-
Expected return on plan asset	-
Actuarial loss/(gain) on obligations	-
Net benefit expense	340,126

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Balance Sheet

Amount in Rupees

Particulars	For the period ended March 31, 2011
Defined benefit obligation	340,126
Fair value of plan assets	-
Plan asset / (liability)	(340,126)

Changes in the present value of the defined benefit obligation

Amount in Rupees

Particulars	For the period ended March 31, 2011
Opening defined benefit obligation	-
Interest cost	-
Current service cost	340,126
Benefits paid	-
Actuarial loss/(gain) on obligations	-
Closing defined benefit obligation	340,126

The principal assumptions used in determining gratuity obligation

Particulars	For the period ended March 31, 2011
Discount rate	8.00 %
Basic salary increase allowing for inflation	6.00 %
Attrition rate	5.00 %
Retirement age	60 years
Mortality Rate	Refer Note

Notes:

- i) The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- ii) As per LIC (94-96) Ultimate Mortality Table.

4. The Company has only one reportable business segment, which is designing, construction, development, improvement, operation and maintenance including strengthening and widening of carriageway. The Company considers business segment as the basis for primary segmental reporting. Accordingly, the amounts appearing in the financial statements relate to designing, construction, development, improvement, operation and maintenance including strengthening and widening of carriageway. The Company operates only in India and all its customers are located India. There are no fixed assets located outside India.

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5. Related Party Disclosures:

a) List of Related parties

Enterprises that control the Company	GMR Infrastructure Limited, the Holding Company GMR Holdings Private Limited, the Ultimate Holding Company
Shareholders having substantial interest	GMR Highways Limited (a subsidiary of GMR Infrastructure Limited) Oriental Structural Engineers Private Limited Oriental Tollways Private Limited

b) Transactions with Related parties

Amount in Rupees

	For the period ended March 31, 2011
Share Application money received and shares allotted	
Oriental Structural Engineers Private Limited	598,000,000
Oriental Tollways Private Limited	529,000,000
GMR Infrastructure Limited	156,646,920
GMR Highways Limited	1,016,353,080
Share Application money received	
GMR Holdings Private Limited	141,000,000
Share Application money refunded	
GMR Holdings Private Limited	141,000,000
Bidding related Expenses - RFP/RFQ	
GMR Infrastructure Limited	156,626,000
Engineering Procurement Construction expenses paid	
Oriental Structural Engineers Private Limited	1,181,927,674
Mobilisation advances paid	
Oriental Structural Engineers Private Limited	1,012,014,481

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c) Balances outstanding with Related parties

Amount in Rupees

	For the period ended March 31, 2011
Sundry Creditors	
Oriental Structural Engineers Private Limited	556,361,498
Mobilisation Advances	
Oriental Structural Engineers Private Limited	1,012,014,481

6. Office premises are obtained on operating lease. The lease rent paid during the period is Rs. 284,209. The lease term is for a period of eleven months and renewable as mutually agreed between the parties. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases. The same has been classified under Capital work in progress.

7. The Company is entitled to claim tax holiday for any ten consecutive years out of fifteen 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 2022-23.

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.

8. As per the provisions of Section 383A of the Companies Act 1956, the Company is required to appoint a whole time Company Secretary. However, the Company is in the process of appointing the Company Secretary.

9. Information with regard to certain other matters specified in paragraphs 3, 4A, 4C and 4D of Part II of Schedule VI of the Companies Act 1956 are not applicable to the Company for the period.

10. Based on the information available with the Company, there are no suppliers registered as micro or medium enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2011.

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11. Earnings per share

Particulars	For the period ended March 31, 2011
Nominal value of equity shares (Rs. per share)	10
Weighted average number of equity shares outstanding during the period	39,810,330
Net Profit/(Loss) after tax	(12,747,788)
EPS – Basic and Diluted (Rs. per share)	(0.32)

12. Managerial Remuneration

(Amount in Rupees)

	Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
a.	Salaries	3,57,875/-	-
b.	Perquisites and Other allowances	75,961/-	-
c.	Contributions to Provident and Other Funds	29,807/-	-
	Total	4,63,643/-	-

13. Since this the first year of incorporation of the Company, the accounts has been prepared for the period February 5, 2010 to March 31, 2011.

As per our report of even date

For S. R. Batliboi & Co
Chartered Accountants
Firm Registration No: 301003E.

For and on behalf of the Board of directors

Sd/-
Per Navin Agrawal
Membership No: 56102

Sd/-
D R Santhana Krishnan
Director

Sd/-
Ashok Aggarwal
Director

Place: Bengaluru

Place: Bengaluru

Date: May 27, 2011

Date: May 27, 2011