

Luthra & Luthra

Chartered Accountants

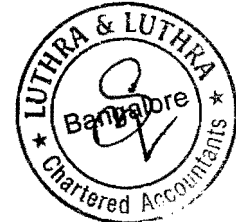
AUDITOR'S REPORT

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

We have audited the attached Balance sheet of M/s GMR ULUNDURPET 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

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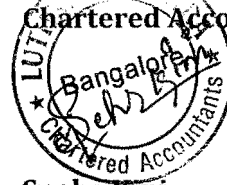
Further to our comments in the Annexure referred to above, we report that:

- (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.

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



**Sneha Kini
ICAI. M. No. 220480
Partner**

**Date: May 18, 2011
Place: Bengaluru**

ANNEXURE TO AUDITOR'S REPORT

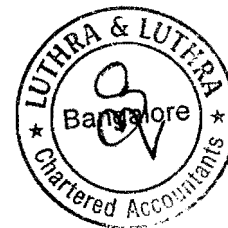
Statement of matters as specified in paragraphs 4 and 5 of Companies (AUDITORS' REPORT) Order 2003

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 fixed assets during the year and the material discrepancies have been properly adjusted in the books of account.
	(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.



(viii)		According to the information and explanations given to us, the Central Government has not prescribed maintenance of Cost Records specified under clause (d) of sub-section (1) of Section 209 of the Companies Act to the Company.
(ix)	(a)	According to the information and explanations given to us & the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, Income-tax and other material statutory dues as applicable with the appropriate authorities.
	(b)	According to the information and explanations given to us & the records of the Company examined by us, there are no dues to income tax which have been deposited on account of any dispute. According to the information and explanations given to us & the records of the Company examined by us, sales tax, custom duty, wealth tax, service tax, excise duty/cess are not applicable to the Company for the current reporting period.
(x)		According to the information and explanations given to us & the records of the Company examined by us, the accumulated losses at the end of the financial year are less than fifty percent of its net worth, hence reporting under this clause does not arise. The Company earned cash losses amounting to Rs. NIL during the year ended March 31, 2011 and Rs. 12,75,79,246/- during the year ended March 31, 2010
(xi)		According to the information and explanations given to us & the records of the Company examined by us, the Company has not defaulted in the repayment of dues to any financial institutions or banks. The Company has neither issued any debenture during the year nor has any debenture outstanding as at the Balance Sheet date.
(xii)		The Company has not granted loans and advances on the basis of the security by way of pledge of shares, debentures and other securities and hence reporting under this clause does not arise.
(xiii)	(a), (b), (c) & (d)	The Company is not in the nature of nidhi/ mutual benefit fund/societies and hence reporting under this clause does not arise

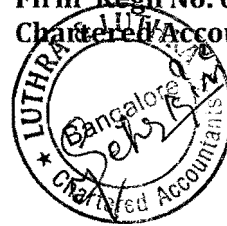


(xiv)	The Company is not dealing or trading in shares, securities, debentures and other investments, However, the Company has maintained proper records in respect of investments made and also made entries from time to time, in respect of the investment held by the Company.
(xv)	As per the information 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 information made available with us and records produced before us, and in opinion on the basis of overall examination of the Balance Sheet of the Company, there are no funds raised on a short term basis & therefore reporting under this clause does not arise.
(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



Sneha Kini
ICAI M. No. 220480
Partner

Date: May 18, 2011
Place: Bengaluru

Particulars	Schedule No	As at March 31, 2011		As at March 31, 2010	
I. Sources of Funds					
1. Shareholders' Funds					
a) Share Capital	1	3,441,700,000		3,441,700,000	
b) Reserves & Surplus		-	3,441,700,000		3,441,700,000
2. Loan Funds					
a) Secured Loans	2	4,927,637,500		5,712,400,000	
b) Unsecured Loans	3	620,000,000	5,547,637,500	620,000,000	6,332,400,000
3. Liability for deferred payment for Grant / Rights			1,265,100,000		1,315,200,000
Total			10,254,437,500		11,089,300,000
II. Application of Funds					
1. Fixed Assets	4				
(a) Gross Block		10,138,202,388		10,139,087,181	
(b) Less : Depreciation		490,059,533		191,805,710	
(c) Net Block			9,648,142,855		9,947,281,472
2. Investments	5		54,801,628		787,109,624
3. Current Assets, Loans and Advances					
(a) Sundry Debtors	6	57,494,621		5,160,534	
(b) Cash and Bank Balances	7	9,592,735		48,028,928	
(c) Other Current Assets	8	-		88,546	
(d) Loans and Advances	9	16,767,548		13,735,333	
		83,854,904		67,013,341	
Less : Current Liabilities and Provisions	10				
(a) Liabilities		61,839,077		27,417,624	
(b) Provisions		2,409,562		1,136,966	
		64,248,639		28,554,590	
Net Current Assets			19,606,265		38,458,751
5. Profit and Loss Account (Debit Balance)	11		531,886,752		316,450,153
Total			10,254,437,500		11,089,300,000
Statement on Significant Accounting Policies and Notes to 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 and on behalf of
Luthra & Luthra
Firm Regn No: 002081N
Chartered Accountants

For and on behalf of the Board of Directors

- Sd-
Sneha Kini
Partner
Membership No: 220480

- Sd-
O Bangaru Raju
Director

- Sd-
I V Srinivas Rao
Director

- Sd-
A V Ramayya
Company Secretary

Place: Bengaluru
Date: 18.05.2011

GMR ULUNDURPET EXPRESSWAYS PRIVATE LIMITED
Profit and Loss Account for the Year Ended March 31, 2011

(Amount in ₹)

Particulars	Schedule No	For the Year ended March 31, 2011	For the Year ended March 31, 2010
I. Income			
Operation Income	12	690,149,182	374,731,430
Other Income	13	28,020,584	2,359,665
Total		718,169,766	377,091,095
II. Expenditure			
Operating & Maintenance Expenses	14	55,911,242	38,473,799
Manpower Cost	15	25,365,828	18,140,452
Administration & Other Expenses	16	22,859,440	62,675,239
Interest & Finance Charges	17	529,988,125	385,380,851
Depreciation		298,717,884	188,870,907
Prior Period Expenses		620,036	-
Total		933,462,554	693,541,248
III. Profit Before Taxation		(215,292,788)	(316,450,153)
Current Tax		-	-
Income Tax Earlier years		143,811	-
IV. Profit After Taxation		(215,436,599)	(316,450,153)
Surplus/ Deficit brought forward from Previous Year		(316,450,153)	-
V. Available Surplus Carried to Balance Sheet		(531,886,752)	(316,450,153)
Earnings per Share			
Basic & Diluted Earnings Per Share - (in Rs.)		(1.08)	(1.59)
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 Statement of Profit and Loss Account referred to in our report of even date.

For and on behalf of
Luthra & Luthra
Firm Regn No: 002081N
Chartered Accountants

For and on behalf of the Board of Directors

- Sd-
Sneha Kini
Partner
Membership No: 220480

- Sd-
O Bangaru Raju
Director

- Sd-
I V Srinivas Rao
Director

- Sd-
A V Ramayya
Company Secretary

Place: Bengaluru
Date: 18.05.2011

GMR ULUNDURPET EXPRESSWAYS PRIVATE LIMITED
Cash Flow Statement for the Year ended March 31, 2011

(Amount in ₹)

	Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit Before Tax and Extraordinary Items	(215,292,788)	(316,450,153)
	Adjustment for:		
	Depreciation/Amortisation	298,717,884	188,870,908
	Interest Income	(2,939,143)	(98,384)
	Income from Investments	(8,826,198)	(2,015,732)
	Interest and Finance Charges	529,988,125	385,380,851
	Operating Profit Before Working Capital Changes	601,647,880	255,687,490
	Adjustment for:		
	Changes in Trade and Other Receivables	(55,277,756)	11,571,590
	Changes in Trade Payables	35,694,049	10,782,889
	Cash Generated from Operations	582,064,173	278,041,969
	Income Taxes (paid)/ refund	(143,811)	(625,706)
	Net Cash Flow from Operating Activities	581,920,362	277,416,263
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets (Net)	420,736	(839,250,116)
	Repayment of Negative Grant Obligation	(50,100,000)	(12,500,000)
	(Purchase) / Sale of Investments (Net)	732,307,995	(740,530,358)
	Income from Investments	8,826,198	2,015,732
	Interest received	2,939,143	9,838
	Net Cash Flow from Investing Activities	694,394,072	(1,590,254,904)
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from issue of Preference shares (including Share application money)	-	1,454,200,000
	Repayments of Secured Loans	(784,762,500)	(250,000,000)
	Proceeds from Unsecured Loans	-	620,000,000
	Repayments of Unsecured Loans	-	(80,000,000)
	Interest and Finance charges Paid	(529,988,125)	(384,922,221)
	Net Cash Flow from Financing Activities	(1,314,750,625)	1,359,277,779
	Net Increase/ (Decrease) in Cash and Cash Equivalents	(38,436,191)	46,439,137
	Cash and Cash Equivalents at the beginning of the year	48,028,926	1,589,789
	Cash and Cash Equivalents at the end of the year	9,592,735	48,028,926

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.
- Previous year's figures have been regrouped/ reclassified to confirm to current year presentation

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

For and on behalf of
Luthra & Luthra
Firm Regn No: 002081N
Chartered Accountants

For and on behalf of the Board of Directors

- Sd -
Sneha Kini
 Partner
 Membership No: 220480

- Sd -
O Bangaru Raju
 Director

- Sd -
I V Srinivas Rao
 Director

- Sd -
A V Ramayya
 Company Secretary

(Amount in ₹)

Schedule 1	As at March 31, 2011	As at March 31, 2010
Capital		
Authorised		
198,800,000 (2010: 198,800,000) Equity Shares of Rs. 10 each	1,988,000,000	1,988,000,000
15,120,000 (2010: 15,120,000) 8% Redeemable Non-Cumulative Preference Shares of Rs. 100 each	1,512,000,000	1,512,000,000
	3,500,000,000	3,500,000,000
Issued, Subscribed and Paid Up (Equity Share Capital)		
198,750,000 (2010: 198,750,000) Equity Shares of Rs. 10 each fully paid up in cash	1,987,500,000	1,987,500,000
Out of the above:		
(i) 107,325,000 (2010: 107,325,000) Equity Shares are held by GMR Highways Limited , the Holding Company,		
(ii) 82,282,500 (2010: 82,282,500) Equity Shares are held by GMR Infrastructure Limited, the holding Company of GMR Highways Limited and GMR Energy Limited.		
(iii) 9,142,500 (2010: 9,142,500) Equity Shares are held by GMR Energy Limited		
Issued, Subscribed and Paid Up (Preference Share Capital)		
14,542,000 (2010: 14,542,000) 8% Redeemable Non-Cumulative Preference Shares of Rs. 100 each fully paid up in cash		
Out of the above:		
Out of the above:		
(i) 2,701,400 (2010: 2,701,400) Preference Shares are held by GMR Tambaram Tindivanam Expressways Private Limited		
(ii) 1,798,600 (2010: 1,798,600) Preference Shares are held by GMR Tuni Anakapalli Expressways Private Limited		
(iii) 40,000 (2010: 40,000) Preference Shares are held by GMR Highways Limited, the Holding Company		
(iv) 10,002,000 (2010: 10,002,000) Preference Shares are held by GMR Infrastructure Limited (The Preference Shareholders have an option to redeem at any time before 16th October, 2022 from the date of allotment, by giving one month prior notice.)		
	1,454,200,000	1,454,200,000
Total	3,441,700,000	3,441,700,000

(Amount in ₹)

Schedule 2	As at March 31, 2011	As at March 31, 2010
Secured Loans		
Rupee Term Loans		
From Banks	4,161,587,500	4,942,500,000
From Financial Institution	766,050,000	769,900,000
(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, of the company in respect of the project agreements executed / to be executed, insurance policies both present and future, and all rights, title, interest, benefit, claims, demands of the company in respect of monies lying to the credit of trust and retention account and other accounts. Further secured by way of pledge of 59,625,000 equity shares of the Company held by GMR Highways Limited)		
Total	4,927,637,500	5,712,400,000

(Amount in ₹)

Schedule 3	As at March 31, 2011	As at March 31, 2010
Unsecured Loans		
From Group Companies		
- GMR Pochanpalli Expressways Limited	620,000,000	620,000,000
Total	620,000,000	620,000,000

GMR ULUNDURPET EXPRESSWAYS PRIVATE LIMITED
Schedules forming part of the Balance Sheet as at March 31, 2011

Schedule 4 - Fixed Assets

(Amount in ₹)

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 Year	On Deletions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Carriageways	10,120,132,442	-	-	10,120,132,442	187,491,827	296,922,133	-	484,413,960	9,635,718,482	9,932,640,615
Plant and Machinery	6,375,771	-	-	6,375,771	279,458	336,641	-	616,099	5,759,672	6,096,313
Electrical Fittings	74,706	-	-	74,706	11,351	3,549	-	14,899	59,807	63,355
Computers	1,445,924	233,981	27,312	1,652,593	704,571	253,453	22,730	935,294	717,298	741,352
Office Equipments	934,806	-	-	934,806	178,286	41,009	-	219,295	715,511	756,520
Vehicles	3,058,494	43,500	1,134,963	1,967,031	549,725	239,609	441,330	348,005	1,619,026	2,508,769
Furniture and Fixtures	1,926,041	-	-	1,926,041	768,007	88,459	-	856,465	1,069,576	1,158,035
Capitalised Software	5,138,998	-	-	5,138,998	1,822,484	833,032	-	2,655,516	2,483,482	3,316,513
Total	10,139,087,181	277,481	1,162,275	10,138,202,388	191,805,710	298,717,884	464,060	490,059,533	9,648,142,854	9,947,281,472
Previous Year	10,173,860	10,128,913,321	-	10,139,087,181	2,543,962	189,261,747	-	191,805,710	9,947,281,472	7,629,898

GMR ULUNDURPET EXPESWAYS PRIVATE LIMITED
Schedules forming part of the Balance Sheet as at March 31, 2011

(Amount in ₹)

Schedule 5	As at March 31, 2011	As at March 31, 2010
Investments		
Current		
Other Than Trade - Unquoted		
ICICI Prudential - Super Institutional - Growth [378,655.334 Units (2010 - Nil Units) of Rs. 144.7269 per unit (2010- Nil)]	54,801,628	787,109,624
Total	54,801,628	787,109,624

* Net Asset Value as at March 31, 2011 - Rs. 54,914,224.75 (March 31, 2010 : Nil)

(Amount in ₹)

Schedule 6	As at March 31, 2011	As at March 31, 2010
Sundry Debtors		
Debtors	57,494,621	5,160,534
Total	57,494,621	5,160,534

(Amount in ₹)

Schedule 7	As at March 31, 2011	As at March 31, 2010
Cash and Bank Balances		
Cash on hand	4,648,622	5,186,780
Balances with scheduled banks		
- On Current accounts	4,944,113	6,842,148
- On Deposit accounts	-	36,000,000
Total	9,592,735	48,028,928

(Amount in ₹)

Schedule 8	As at March 31, 2011	As at March 31, 2010
Other Current Assets		
Interest Accrued on Deposits with Bank	-	88,546
Total	-	88,546

(Amount in ₹)

Schedule 9	As at March 31, 2011	As at March 31, 2010
Loans and Advances		
(Unsecured, Considered Good unless otherwise stated)		
Loans to Employees	-	-
Advances recoverable in cash or in kind or for value to be received	5,599,329	1,003,947
Deposits with others	7,411,570	7,311,570
Deposits with Government Authorities	870,250	870,250
WCT Receivable	2,610,358	2,610,358
Advance Tax (Net of Provision)	276,041	1,939,208
Total	16,767,548	13,735,333

GMR ULUNDURPET EXPESWAYS PRIVATE LIMITED
Schedules forming part of the Balance Sheet as at March 31, 2011

(Amount in ₹)

Schedule 10	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	10,631,182	10,420,932
Retention Money	15,902,962	15,820,206
Deposit Received	150,000	-
Other Liabilities	321,975	717,856
Interest accrued & not due	34,832,958	458,630
	61,839,077	27,417,624
B) Provisions		
Provision for Gratuity & Leave Encashment	982,494	786,966
Provision for expenses	239,419	350,000
Provision for Employee Benefits	1,187,649	-
	2,409,562	1,136,966
Total	64,248,639	28,554,590

(Amount in ₹)

Schedule 11	As at March 31, 2011	As at March 31, 2010
Profit and Loss Account (Debit Balance)		
Opening Balance	316,450,153	-
Loss for the year	215,436,599	316,450,153
Closing Balance	531,886,752	316,450,153
Total	531,886,752	316,450,153

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

(Amount in ₹)

Schedule 12	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Toll Income		
Toll Income	690,149,182	374,731,430
Total	690,149,182	374,731,430

(Amount in ₹)

Schedule 13	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Other Income		
Interest received from Investments (Tax Deducted at Source - Rs. Nil/-)	2,939,143	98,384
Profit on Sale of Investments (d) Capital Work in Progress	8,826,198	2,015,732
Miscellaneous Income	16,115,120	245,549
Provision written back	140,123	-
Total	28,020,584	2,359,665

(Amount in ₹)

Schedule 14	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Operation & Maintenance Expenses		
Maintenance Expenditure	13,095,849	6,235,647
Toll Management Services	25,515,570	19,985,710
Electricity Charges	7,969,225	6,440,343
Insurance	5,795,724	3,956,453
Repair Expenditure	1,116,128	-
R & M - Plant & Machinery	733,142	712,381
Other Misc. Expenses	30,573	480,101
Hire / Lease Rental Charges	-	268,240
Staff Welfare	-	-
O&M - License & Fees	-	-
O&M-Movement	-	277,788
O&M Communication	-	-
O&M Consultancy	1,655,031	51,440
Other Repairs	-	65,698
Total	55,911,242	38,473,799

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

(Amount in ₹)

Schedule 15	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Manpower Cost		
Salaries, allowances and benefits to employees	22,638,419	16,587,177
Contribution to provident fund and others	1,391,140	597,863
Staff welfare expenses	1,336,269	955,411
Total	25,365,828	18,140,452

(Amount in ₹)

Schedule 16	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Administrative Expenses		
Rent	3,929,204	4,066,756
Repairs and Maintenance	1,871,376	3,458,502
Other Maintenance	-	12,066
Rates and Taxes	3,063,015	14,548,633
Insurance	124,846	106,170
Consultancy Charges	5,274,575	2,539,279
Director Sitting Fees	85,000	220,000
Remuneration to auditors		
Statutory Audit Fees	275,750	1,117,841
Tax Audit Fees	55,150	55,150
Other Certifications Fees	4,412	171,499
Out of Pocket Expenses	2,416	24,671
Utilities	542,645	1,296,382
Advertisement	423,191	11,781,212
Inland Travel	1,661,226	1,091,256
Foreign Travel	-	26,755
Airtime Sharing Expenses	-	4,164,000
Vehicle Maintenance (Including Taxi Hire & Conveyance)	2,214,915	1,454,594
Telephone & Mobile charges	716,703	796,256
Courier & Postage charges	22,827	15,891
Business Promotion	69,147	269,680
Security Charges	298,322	166,390
Printing & Stationaries	839,731	449,558
Donations	1,001,500	250,000
Books & Periodicals	6,247	19,190
Membership & Subscriptions	1,000	-
Loss on sale of fixed assets	284,979	-
Fixed Assets written off	4,582	-
Miscellaneous Expenses	86,682	14,573,507
Total	22,859,440	62,675,239

(Amount in ₹)

Schedule 17	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Interest and Finance Charges		
Interest on Secured Loans	481,702,943	380,586,768
Interest on Unsecured Loans	37,200,000	2,926,028
Finance charges	11,085,182	1,868,055
Total	529,988,125	385,380,851

GMR ULUNDURPET EXPRESSWAYS PRIVATE LIMITED

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

Schedule 18

Statement on Significant Accounting Policies and Notes to 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 recognized 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 Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Indian Companies Act, 1956

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. Revenue Recognition

Toll Revenue is recognized based on the Toll collected from the users of the Highway.

Other Revenue is recognized based on accrual basis in the year in which it accrues to the Company.

3. 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 present location and working condition.

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the management makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. The impairment loss recognized in prior years is reversed where the carrying value of the asset upon reassessment in the subsequent years.

The Company has entered into a Service Concession Agreement under BOT (Built own and transfer) arrangement with National Highways Authority of India (NHAI), dated April 19, 2006 to construct and operate a carriage way for Tindivanam-Ulundurpet Section on National Highway No. 45 in the state of Tamil Nadu till period ending 16th October 2026. The carriageway has been accounted for as tangible asset and classified under fixed assets .

4. Depreciation

a) General

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

Individual assets costing Rs. 5000/- and less are fully depreciated in the year of acquisition.

b) Depreciation of Carriageways`

The Management is of the opinion that the useful life of depreciable asset should be estimated after considering

1. Legal limits on the use of assets: In accordance with the terms of the 'Concession Agreement' entered into with National Highways Authority of India (NHAI), dated April 19, 2006, the company has a right to use the roads for the period ended 16th October 2026. The useful life is hence 17.5 years i.e, from the Commercial Operation Date (23rd July 2009) to 16th October 2026.
2. Expected physical wear & tear: Depreciation of Carriageways is calculated at the cost on a units-of-usage basis i.e., depreciation is provided based on the percentage of actual traffic volume for a particular period over the total projected traffic volume throughout the BOT operations period.

Further, the expected pattern of economic benefits from Carriageways will be reviewed at the end of each financial year and any significant change in the expected pattern of economic benefits would have an impact on the depreciation to be provided for each financial year which shall be provided accordingly.

5. 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 recognized 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

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 recognized in the financial statements.

7. Retirement Benefits

i. 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.

ii. Defined Benefit Plan

Gratuity for employees is covered under a scheme of Life Insurance Corporation of India and contributions in respect of such scheme are recognized in 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.

iii. 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.

iv. Short Term Employee Benefits

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

8. Borrowing Costs

Borrowing Costs that are attributable to construction of carriageway being a qualifying asset are capitalized as a part of the cost of that asset in the year of completion of construction. Other borrowing costs are recognized as expenditure in the year in which they are incurred.

9. 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 recognized 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.

10. Earnings Per Share

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise of the net profit after tax. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

Notes to Accounts

1. Capital Commitments

Estimated amount of Contracts remaining to be executed on capital account and not provided for Rs. Nil (2010: NIL).

2. The Company has been incorporated for the purpose of Design, Construction, Development, Improvement, Operation and Maintenance including strengthening and widening of Tindivanam-Ulundurpet section on National Highway 45 in the state of Tamil Nadu on Build, Operate and Transfer (BOT) basis.

3. In accordance with the terms of the 'Concession Agreement' entered into with National Highways Authority of India (NHAI), dated April 19, 2006, the company has an obligation to pay an amount of Rs.2,505,100,000/- by way of Negative Grant over the concession period. The total value of Negative Grant including paid and payable has been recognized in the financials by way of capitalization in the cost of carriageway and a corresponding obligation has been created to the extent of the balance amount payable as at March 31, 2011 and is disclosed under a distinct head in the Balance Sheet as Long Term Liability towards Deferred Payment.

4. An amount of Rs 620,036/- being Operation & Maintenance charges for the month of March 2010 was omitted to be provided for. Consequently, the previous year loss was under stated by the above mentioned amount. The same was identified during the current year & accounted for. The same is disclosed for as Prior Period Expenses in the statement of Profit & Loss. Hence, the current year profit is depleted by the said amount.

5. **Taxes on Income:**

a. **Deferred Tax Asset:**

i. Deferred tax as per Accounting Standard 22 on 'Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India has not been recognized on unabsorbed loss since the Company is an infrastructure Company eligible for claiming deduction in future years under section 80IA of Income Tax Act, 1961 &

b. **Deferred Tax Liability:**

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 as the timing differences on depreciation since the timing difference which originates during the year would reverse within the tax holiday period.

6. **Related Party Transactions**

Names of related parties and description of relationship

(i)	Enterprises that control the Company	GMR Infrastructure Limited (GIL) GMR Holdings Private Limited (GHPL) GMR Highways Limited (GHWL)
(ii)	Fellow Subsidiaries	GMR Aviation Private Limited (GAPL) GMR Energy Ltd (GEL) GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL) GMR Hyderabad Vijayawada Expressways Private Limited (GHVEPL) GMR Tuni Anakapalli Expressways Private Limited (GTAEPL) GMR Jadcherla Expressways Private Limited (GJEPL) GMR Pochanpalli Expressways Limited (GPEL) (erstwhile ,GMR Pochanpalli Expressways Private Limited) GMR Ambala Chandigarh Expressways Private Limited (GACEPL) GMR Airports Holding Private Limited (erstwhile, GVL Investments Private Limited) (GAHPL) GMR Corporate Affairs Private Limited (GCAPL)
(iii)	Enterprise where Key Management Personnel and their relatives exercise significant influence	Raxa Securities Services Limited (RSSL) GMR Bannerghatta Properties Private Limited (GBPPL) GMR Projects Private Limited, (GPPL) GMR Varalakshmi Foundation (GVF) GMR Chennai Outer Ring Road Private Limited
(iv)	Key Management Personnel	Mr. Srinivas Bommidala, Chairman (upto May 17, 2010) Mr. O Bangaru Raju, Director Mr S.K. Imamul – Manager (upto April 25,2010) Mr S Raghuraman (wef April 25, 2010)

7. Summary of transaction with the above related parties during the period ended March 31, 2011 .
is as follows:

(Amount in ₹)

Nature of Transaction	Enterprises that control the company	Fellow Subsidiaries	Enterprises where Key Management Personnel and their relatives exercise significant influence	Key Management Personnel & relatives	Balance Payable / (Receivable)
Capital Expenditure towards Engineering, Procurement and Construction contract (including mobilization advances)-GPPL			- (266,136,392) Dr		16,663,955 Cr (16,663,955)Cr
Preference Share Application Money received & allotted:					
- GIL	- (1,080,200,000) Cr				- (-)
- GTAEPL		- (179,860,000) Cr			- (-)
- GTTEPL		- (270,140,000) Cr			- (-)
- GHWL		- (4,000,000)Cr			- (-)
Refund of Preference Share Application Money	- (80,000,000)Dr				
Unsecured Loan Received		- (620,000,000) Cr			62,00,00,000 Cr (620,000,000) Cr
Unsecured Loan Repaid		- (80,000,000)Dr			- (-)
Fees for utilization of aircraft - GAPL		- (4,164,000)Dr			
Charges for Security and Toll management services			16,195,615Dr (13,488,854)Dr		1,580,064 Cr (1,149,260) Cr

Nature of Transaction	Enterprises that control the company	Fellow Subsidiaries	Enterprises where Key Management Personnel and their relatives exercise significant influence	Key Management Personnel & relatives	Balance Payable / (Receivable)
- RSSL					
Tollway and Highway Maintenance Charges - GHWL	9,600,000 Dr (-)				- (-)
Charges for Monthly Maintenance of Highways	9,679,060 Dr (11,966,503)Dr				1,538,473 Cr (1,052,670) Cr
Deposit towards Maintenance of Carriageways - GHWL	- (2,000,250)Dr				2,000,000/- Cr (2,000,250) Cr
Rent Deposits - GMRPPL			- (16,510,680)Dr		5,161,320 Cr (5,161,320) Cr
Logo Licence Fees – GHPL	1,172 Dr (1,000) Dr				1091 Cr (1,000) Cr
Interest on Unsecured Loan - GAHPL - GPEL		- (4,583,562) Dr 37,200,000 Dr (509,589) Dr			- (-) 34,832,959 Cr (509,589) Cr
Rent Paid – GMRPPL			3,385,004 Dr (5,246,251) Dr		- (-)

Previous year figures are given in brackets.

8. The Company has entered into certain operating lease agreements and an amount of Rs. 3,865,004/- (2010: Rs. 4,312,900/-) paid during the year under such agreements.
9. An amount of Rs. 2,21,036/- and Rs. 3,99,000/- being operators' maintenance charges for the month of March 2010 has been accounted during the current financial year and has been shown under prior period expenses.

10. Employee benefits

a) Defined contribution plan

Contribution to Provident and other funds under Generation and operating expenses (Schedule 16) and Administration and other expenses (Schedule 17) are as under:

Particulars	Amount in ₹	
	2011	2010
Contribution to provident fund	1,709,365	1,900,767
Contribution to superannuation fund	439,784	484,329
	2,149,149	2,385,096

b) Defined benefit plan

Certain entities in the Group are covered by a 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 ₹)

	2011	2010
Current service cost	231,657	157,403
Interest cost on benefit obligation	40,290	38,956
Expected return on plan assets	(74,582)	(68,919)
Net actuarial(gain) / loss recognised	(35,975)	(170,368)
Past service cost	-	-
Net benefit expense	161,390	(42,928)
Actual return on plan assets	83,905	80,109

Balance sheet (Amount in ₹)

	2011	2010
Defined benefit obligation	730,718	504,069
Fair value of plan assets	1,017,580	932,277
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	286,862	428,208

Changes in the present value of the defined benefit obligation (Amount in ₹)

	2011	2010
Opening defined benefit obligation	504,069	496,721
New Acquisitions	-	-
Interest cost	40,290	38,956
Current service cost	231,657	157,403
Past service cost	-	-
Benefits paid	-	(18,643)
Adjustment on transfer	-	-
Actuarial (gains) / losses on obligation	(45,298)	(170,368)
Closing defined benefit obligation	730,718	504,069

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

(Amount in ₹)

	2011	2010
Opening fair value of plan assets	932,277	870,811
New Acquisition	-	-
Expected return	74,582	68,919
Contributions by employer	-	-
Benefits paid	-	18,643
Actuarial gains / (losses)	10,721	11,190
Adjustment on transfer	-	-
Closing fair value of plan assets	1,017,580	932,277

The Company expects to contribute Rs 25,000/- (2010: Rs 25,000/-) towards Gratuity Fund during next year

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.
2. 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.

Note: Liability towards leave encashment as per actuarial valuation is Rs. 518,837 (March 31, 2010: Rs. 453,499).

11. There are no micro and small enterprises, to whom the company owes dues, which are outstanding for more than 45 days as at March 31, 2011. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

12. Investment purchased and sold during the year:

(Amount in ₹)

Sl. No	Particulars	Purchased		Sold	
		No of Units	Amount (in Rupees)	No of Units	Amount (in Rupees)
Mutual Funds:-					
1	ICICI Prudential Flexible Income Plan Premium Growth Option	9,264,991 (4,445,711)	1,591,349,751 (758,804,208)	9,264,991 (4,445,711)	1,596,355,149 (759,866,838)
2	ICICI Prudential Institutional Liquid Plan Super Institutional Growth	17,852,193 (28,579,327)	3,253,239,624 (2,254,454,763)	23,260,649 (22,792,216)	3,202,258,794 (1,468,305,376)
3	UTI MONEY MARKET FUND-GROWTH PLAN	- (1,894,136)	- (46,579,266)	- (1,894,136)	- (46,655,410)
4	UTI Liquid Cash Plan Institutional - Growth Option	- (57,493)	- (84,255,410)	- (57,493)	- (84,494,371)
	Total	27,117,184 (34,976,667)	4,844,589,375 (3,144,093,647)	32,525,640 (29,189,556)	4,798,613,943 (2,359,321,995)

13. Segment Reporting

The Company is engaged in the business of Construction, Operation & Maintenance of Highways. This being the only segment, the reporting under the provisions of AS 17 (Segment Reporting) does not arise.

14. Earnings Per Share

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Nominal Value of Equity Shares (Rs. per Share)	10	10
Weighted Average number of Equity Shares outstanding during the year	198,750,000	198,750,000
Profit/ (Loss) after Taxes	(215,228,599)	(316,450,153)
EPS – Basic Earnings Per Share	(1.08)	(1.59)

15. Managerial Remuneration*(Amount in ₹)*

	Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
a.	Salaries	473,480	-
b.	Perquisites and Other allowances	114,726	-
c.	Contributions to Provident and Other Funds	40,000	-
	Total	628,206	-

16. Additional information pursuant to paras 3, 4, 4 – A, 4 – B and 4 – C of part II of Schedule VI to the Companies Act, 1956 to the extent “Nil” or “Not Applicable” has not been furnished.

17. Contingent Liabilities : NIL

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

**For and on behalf of
Luthra and Luthra
Chartered Accountants**

For and on behalf of board of Directors

-Sd-

Sneha Kini
Partner
Membership No: 220480

-Sd-

O Bangaru Raju
Director

-Sd-

I V Srinivasa Rao
Director

-Sd-

A V Ramayya
Company Secretary

Place: Bangalore
Date: 18-05-2011

GMR ULUNDURPET EXPRESSWAYS PRIVATE LIMITED
Balance Sheet Abstract And Company's General Business Profile

1 Registration Details			
Registration No.	U45203KA2006PTC038784	State Code	08
Balance Sheet Date	31-Mar-11		
2 Capital Raised during the year (Amount in Rs. Thousands)			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
3 Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)			
Total Liabilities	10,318,686	Total Assets	10,318,686
Sources of Funds			
Paid - Up Capital	3,441,700	Share Appl. Money/Calls in advance	-
Reserves & Surplus	-	Unsecured Loans	620,000
Secured Loan	4,927,638	Long Term Liability towards Deferred Payme	1,265,100
Application of Funds			
Net Fixed Assets	9,648,143	Investments	54,802
Net Current Assets	19,606	Misc. Expenditure	NIL
Accumulated Losses	531,887		
4 Performance of company (Amount in Rs. Thousands)			
Total Income	718,170	Total Expenditure	933,463
+ (-) Profit / (Loss) before Tax	(215,293)	+ (-) Profit / (Loss) after Tax	(215,437)
Earnings (Loss) per Share (Rs.)	(1.08)	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-
O Bangaru Raju
 Director

- Sd-
I V Srinivas Rao
 Director

- Sd-
A V Ramayya
 Company Secretary

Place: Bengaluru
 Date: 18.05.2011