

Auditors' Report to the Members of Kakinada SEZ Private Limited

1. We have audited the attached Balance Sheet of M/s **Kakinada SEZ Private Limited**, as at 31st March 2011, Profit and Loss Account and Cash Flow Statement for the year ended and 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 have conducted our audit in accordance with the generally accepted Auditing Standards 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 the 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 issued by the 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 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 is 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 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 read with the notes thereon 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:
- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011; and
- (ii) In the case of profit and loss account, of the loss for the year ended on that date.
- (iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

**For BRAHMAYYA & CO.,
Chartered Accountants
Firm Reg No.000511S**

Sd/-

Place: Chennai
Date: 25th May 2011

**N. SRI KRISHNA
Partner
Membership No: 26575**

Annexure referred to in paragraph 3 of our report of even date

1. As the Company is implementing its project. The provisions of Clauses of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 listed below are not applicable to the Company for the year:
 - a) Clause (ii) regarding inventories
 - b) Clause (vi) regarding acceptance of deposits;
 - c) Clause (viii) regarding maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956;
 - d) Clause (x) regarding accumulated losses and cash losses;
 - e) Clause (xii) regarding loans granted against pledge of shares and securities etc.;
 - f) Clause (xiii) regarding special statute applicable to Chit Funds and Nidhis / Mutual Benefit Fund and Societies;
 - g) Clause (xiv) regarding dealing or trading in shares, securities etc.;
 - h) Clause (xv) regarding guarantee for loans taken by others from bank or financial institutions;
 - i) Clause (xix) regarding creation of securities in respect of debentures; and
 - j) Clause (xx) regarding money raised by public issue and its end use

2. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification. During the year, there was no substantial disposal of fixed assets affecting the status of the company as a going concern.

3.
 - (a) In our opinion and according to the information and explanations given to us, the Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - (b) In our opinion and according to the information and explanations given to us, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets. During the course of our audit, no major weakness has been noticed in the internal controls.
5. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956 and therefore reporting under clause v(a) and v(b) of Paragraph 4 of the Order does not arise.
6. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
7. According to the records of the Company, the company is regular in depositing with appropriate authorities undisputed statutory dues including income tax, sales tax etc., There were no amounts due to be transferred to Investor Education and Protection Fund. There are no undisputed amounts payable in respect of statutory dues, which are outstanding as at 31st March, 2011 for a period of more than six months from the date they become payable, except that the company is yet to register itself with the Employee State Insurance authorities and the amount payable towards their obligation has not been quantified.

8. Based on our audit procedures and on the information and explanations given by the Management, there are no dues outstanding in respect of income tax, excise duty, customs duty, wealth tax, service tax and cess on account of any dispute except as follows

Nature of the dues	Disputed Amount in Rs lacs	Amount paid under protest/adjusted	Period	Forum where dispute is pending
Income Tax	136.09	136.09	AY 2007-08	High Court of Hyderabad.
Income Tax	251.41	251.41	AY 2008-09	CIT Appeals Hyderabad

9. Based on our audit procedure and on the information and explanations given by the Management, term loans were applied for the purpose for which the loans were obtained.
10. The company has been regular in meeting the obligation towards repayment of loans to banks and institutions and there are no outstanding as at the year end.
11. According to the records examined by us and the information and explanations given to us on an overall basis, funds raised on short term basis, prima facie, have not been used during the year for long term investment.
12. The company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

13. 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 not come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by the Management

**For BRAHMAYYA & CO.,
Chartered Accountants
Firm Reg No.000511S**

Sd/-

Place: Chennai
Date: 25th May 2011

**N. SRI KRISHNA
Partner
Membership No: 26575**

KAKINADA SEZ PRIVATE LIMITED
BALANCE SHEET AS AT 31ST MARCH 2011

(Amount in Rs.)

DESCRIPTION	SCHEDULE No.	AS AT 31.03.2011	AS AT 31.03.2010
I. SOURCE OF FUNDS			
1. SHARE HOLDERS FUNDS			
A. Share Capital	1	939,943,161	441,822,151
2. LOAN FUNDS			
Secured Loans	2	4,650,000,000	4,450,000,000
Unsecured Loans		1,378,675,703	290,128,602
TOTAL		6,968,618,864	5,181,950,753
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	3		
A. Gross Block		2,964,415	2,719,445
B. Less: Accumulated Depreciation		1,236,406	1,014,918
C. Net Block		1,728,009	1,704,527
D. Capital Work-in-progress		7,554,420,512	5,181,771,018
2. CURRENT ASSETS, LOANS AND ADVANCES			
A. Cash and Bank Balances	4	10,022,851	4,584,788
B. Other current Assets	5	44,695,079	3,985,681
C. Loans and Advances	6	35,219,917	21,041,225
TOTAL (A)		89,937,847	29,611,694
3. CURRENT LIABILITIES AND PROVISIONS			
A. Liabilities	7	551,010,321	18,231,140
B. Provisions	8	137,882,831	13,590,396
TOTAL (B)		688,893,152	31,821,536
NET CURRENT ASSETS (A-B)		(598,955,305)	(2,209,842)
4. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)			
Preliminary Expenses	9	76,340	76,340
5. Debit Balance in Profit & Loss Account	10	11,349,308	608,710
TOTAL		6,968,618,864	5,181,950,753
Significant accounting policies and notes to accounts	11		

As per our report of even date attached

For and on behalf of the Board

For M/s. BRAHMAYYA & Co.,

Chartered Accountants

Firm Reg. No. 000511S

sd/-

K.V. Rao

Director

sd/-

P. Jayadev

Director

sd/-

(N.SRI KRISHNA)

Partner

Membership No. 26575

Place: Chennai

Date: 25th May 2011

sd/-

K.B. Shyam Kumar

Company Secretary

Place: Hyderabad

Date: 25th May 2011

KAKINADA SEZ PRIVATE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1ST APRIL 2010 TO 31ST MARCH 2011

(Amount in Rupees)

	Schedule No.	31.03.2011	31.03.2010
I Income			
Total		-	-
II Expenditure			
Administration and Other Expenses	10	10,740,598	608,710
Total		10,740,598	608,710
III Profit/(Loss) before taxation		(10,740,598)	(608,710)
Provision for Taxation		-	-
IV Profit/(Loss) after taxation		(10,740,598)	(608,710)
V Profit/(Loss) of earlier period		(608,710)	-
VI Balance Carried to Balance Sheet		(11,349,308)	(608,710)

As per our report of even date attached

For M/s. BRAHMAYYA & Co.,

Chartered Accountants

Firm Reg. No. 000511S

sd/-

(N.SRI KRISHNA)

Partner

Membership No. 26675

Place: Chennai

Date: 25th May 2011

For and on behalf of the Board of Director:

sd/-

K.V. Rao

Director

sd/-

P. Jayade

Director

sd/-

K.B.Shyam Kuma

Company Secretary

Place: Hyderabad

Date: 25th May 2011

KAKINADA SEZ PRIVATE LIMITED
SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE - 3
FIXED ASSETS

(Amount in Rs.)

Description	Gross Block				Depreciation				Net Block	
	As on 01.04.2010	Additions	Deletions	As on 31.03.2011	Up to 01.04.2010	Current year	Adjustments	Up to 31.03.2011	As on 31.03.2011	As on 31.03.2010
Electrical Equipment	264,229	-	-	264,229	43,341	12,551	-	55,892	208,337	220,888
Computers	619,424	-	-	619,424	359,997	99,209	-	459,206	160,218	259,427
Furniture & Fixtures	594,947	17,760	-	612,707	308,970	26,264	-	335,234	277,473	285,977
Vehicles	481,884	49,515	-	531,399	145,546	48,137	-	193,683	337,716	336,338
Office Equipment	758,961	177,695	-	936,656	157,064	35,327	-	192,391	744,265	601,897
Total	2,719,445	244,970	-	2,964,415	1,014,918	221,488	-	1,236,406	1,728,009	1,704,527
Previous year	2,540,968	178,477	-	2,719,445	794,718	220,200	-	1,014,918	1,704,527	1,746,249

KAKINADA SEZ PRIVATE LIMITED
SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2011

(Amount in Rs.)		
DESCRIPTION	AS AT 31.03.2011	AS AT 31.03.2010
SCHEDULE - 1		
AUTHORISED SHARE CAPITAL		
200000000 EQUITY SHARES OF Rs.10/- EACH	2,000,000,000	1,000,000,000
ISSUED , SUBSCRIBED AND CALLED UP CAPITAL		
82708275 (previous year 40527055) Equity Shares of Rs. 10/- Each Called Up	827,082,750	405,270,550
112860411 (previous year 36551601) Equity Shares of Rs. 10/- Each, Rs1/- Called Up	112,860,411	36,551,601
Total	939,943,161	441,822,151
PAID UP CAPITAL		
82708275 (previous year 40527055) Equity Shares of Rs. 10/- Each Fully Paid Up	827,082,750	405,270,550
112860411 (previous year 36551601) Equity Shares of Rs. 10/- Each, Rs1/- paid Up (Refer Note No 2(j) of Schedule 11)	112,860,411	36,551,601
Total	939,943,161	441,822,151
SCHEDULE - 2		
SECURED LOANS		
Term Loans from banks (Secured by equitable mortgage of company's land by way of depositing title deeds, both present and future)	4,650,000,000	4,450,000,000
Total	4,650,000,000	4,450,000,000
<p>1. Term Loan of Rs. 215 Crores from IFCI Ltd secured by first charge on entire immovable & movable properties of the Company both present and future, repayable by 27.07.2012 or upon Financial Closure of the project, which ever is earlier, also guaranteed by Corporate Guarantee from third party.</p> <p>2. Term Loan of Rs. 250 Crores from L&T Infrastructure Finance Co. Ltd secured by First Charge on entire immovable & movable properties of the company, both present and future, repayable by 28.03.2013 or upon Financial Closure of the project, which ever is earlier, supported by Letter of Comfort from third party.</p>		

KAKINADA SEZ PRIVATE LIMITED
SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE - 4		
CASH & BANK BALANCES		
With Scheduled Banks		
in Current accounts	9,388,643	2,428,768
in Deposit Accounts	-	-
With Other Banks	-	-
Cash on hand	634,208	2,156,020
Total	10,022,851	4,584,788
SCHEDULE - 5		
OTHER CURRENT ASSETS		
Unsecured and considering good		
Deposit with Government, Public Bodies and others	44,650,977	3,941,579
Provision for Receivables	44,102	44,102
Total	44,695,079	3,985,681
SCHEDULE - 6		
LOANS & ADVANCES		
Advance for Expenses	148,000	560,152
Balance in Project Development Fund (ILFS)	721,933	721,933
Advance for purchase of Land	16,656,335	45,850
TDS Receivable	1,605,539	14,249,604
Advance to others	16,088,110	5,463,686
Total	35,219,917	21,041,225
SCHEDULE - 7		
CURRENT LIABILITES		
Lease Deposits	536,805,800	-
Sundry deposits	633,433	-
Audit Fees Payable	248,175	248,175
TDS Payable	4,246,731	358,242
Sundry Creditors	9,076,182	17,624,723
Total	551,010,321	18,231,140
SCHEDULE - 8		
PROVISIONS		
Provision for Fringe Benefit Tax	2,068	2,068
Provision for expenses	137,880,763	13,588,328
Total	137,882,831	13,590,396
SCHEDULE - 9		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary Expenses	76,340	76,340
Total	76,340	76,340

KAKINADA SEZ PRIVATE LIMITED

SCHEDULE FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1ST APRIL 2010 TO 31ST MARCH 2011

SCHEDULE - 10

	31.03.2011	31.03.2010
Administration and Other Expenses		
Audit Fees	250,000	275,750
Business Promotion Expenses	4,096,735	233,425
Books & Periodicals	9,098	9,398
Advertisement Expenses	4,000	10,000
Membership Fee	2,000	-
Seminars & Conference	81,969	46,988
ROC Filing Fees	5,512,220	6,120
Advances Written off	750,000	-
Pooja Expenses	3,400	4,969
Travelling Expenses	18,676	-
Rates & Taxes	12,500	22,060
Total	10,740,598	608,710

KAKINADA SEZ PRIVATE LIMITED

SCHEDULE FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1ST APRIL 2010 TO 31ST MARCH 2011

SCHEDULE - 10

	31.03.2011	31.03.2010
Administration and Other Expenses		
Audit Fees	250,000	275,750
Business Promotion Expenses	4,096,735	233,425
Books & Periodicals	9,098	9,398
Advertisement Expenses	4,000	10,000
Membership Fee	2,000	-
Seminars & Conference	81,969	46,988
ROC Filing Fees	5,512,220	6,120
Advances Written off	750,000	-
Pooja Expenses	3,400	4,969
Travelling Expenses	18,676	-
Rates & Taxes	12,500	22,060
Total	10,740,598	608,710

KAKINADA SEZ PRIVATE LIMITED

SCHEDULE-11

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:

1. SIGNIFICANT ACCOUNTING POLICIES

a.) BASIS OF ACCOUNTING

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis. The financial statements are prepared under the historical cost convention and comply with applicable Accounting Standards issued by the Institute of Chartered Accountant of India and the relevant provisions of the Companies Act, 1956.

b) FIXED ASSETS

Fixed Assets are stated at cost of acquisition, including any attributable cost for bringing asset to its working condition for its intended use, less accumulated depreciation.

c) IMPAIRMENT OF ASSETS

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the recoverable amount. The impairment loss to be expenses is determined as the excess of carrying amount over the higher of the assets net selling price or present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal.

d) DEPRECIATION

With effect from 1st April 2010 the Company has changed the depreciation accounting policy from Written down Value method to Straight Line method with retrospective effect at the rates specified in Schedule XIV of the Companies Act 1956.

e) FOREIGN CURRENCY TRANSACTIONS

Foreign Currency Transactions are accounted at the exchange rates prevailing on the date of the transaction.

f) RETIREMENT BENEFITS

As the Company is still in the implementation stage, the guidelines relating to retirement benefits are under formulation, hence no policy is given in this regard.

g) **BORROWING COSTS**

Borrowing Cost attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such asset up to the date when such assets are put to use.

h) **TAXATION**

The company is in the implementation stage of SEZ at Kakinada. The company is eligible for Tax Holiday period of 10 years. However, Deferred Tax on timing differences between taxable income and accounting income shall be provided subject to consideration of prudence, as and when the Company commences operation.

i) **PROVISIONS**

Provisions are recognized where there is a present obligations as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which the reliable estimate can be made. These are reviewed at each balance Sheet date and adjusted to reflect the current best estimates.

j) **CLAIMS**

The claims against the company not acknowledged as Debts shall be disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

k) **PRELIMINARY EXPENSES**

Preliminary Expenses will be written of over a period of five years from the year of commencement of commercial operations.

l) **PRE-OPERATIVE EXPENSES**

Pre-operative Expenses during construction period of execution of project, shall be carried forward and will be capitalized upon commencement of commercial operations, of the project.

2. NOTES TO ACCOUNTS

- a) Estimated amount of Contracts remaining to be executed on capital account and not provided for are valued at (Net of Advances) Rs. 1.61 Crores (Previous Year Rs 2.59 Crores)
- b) Contingent Liabilities not provided for: Nil
- c) Portion of land acquired through Government of Andhra Pradesh/APIIC are pending. Extent of land acquired through this process is 2094.74 Acres.
- d) Sundry Creditors includes Rs NIL (Previous Year Rs. NIL) pertaining to Small Scale Industrial Undertakings (SSI) to the extent such parties have been identified from the available information/documents. There are no SSI units to whom the company owes a sum exceeding Rs 1.00 Lakhs and outstanding for more than 30 days (but not over due) as at 31st March 2011.

e) Micro and Medium Scale Business Entities:

There are no Micro, Small and Medium Enterprises, to whom the company owes dues, which are outstanding for more than 45 days as at 31st march 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.

- f) The Company is in the process of acquiring land for implementing a Multi Product Special Economic Zone within the meaning of Special Economic Zone Act 2005. The Company has obtained an initial Notification from the Ministry of Commerce, Government of India vide Notification No. 635(E) dated 23rd April 2007 for an extent of 1035.6688 hectares. The company upon completion of acquisition of the desired land will apply for an appropriate Notification, pending the same the entire land that is acquired till date by the company is treated as land acquired for the purpose of implementation of Special Economic Zone awaiting notification.
- g) Land acquisition for SEZ Project comprises direct purchases, Land acquired from APIIC, and Land awarded by Government of Andhra Pradesh (GOAP) Notification through notification. The Land acquired through awards by GOAP includes, payment towards structures, standing crops, solatium and interest from the date of notification till the date of award. All the above costs are treated as part of land acquisition cost.
- h) In respect of ongoing land acquisition process, there are claims of different types pending before various judicial forums such as, disputes between claimants, or writ petitions filed against property acquisitions, of land etc. As these cases are subject to judicial verdicts which are pending, the final impact if any on financial statements of company towards the ongoing project execution is not determinable as on the date of Balance Sheet.
- i) Due to change in method of depreciation from WDV method to straight line method an amount of Rs563289 has been written back which was charged as depreciation in earlier periods and the same is added back to depreciation and grouped under Capital Works in Progress.
- j) During the year the company entered into a Share Subscription and Shareholders Agreement with GMR SEZ and Port Holdings Pvt Ltd vide agreement dated 24th Dec 2010 pursuant to which GMR SEZ and Port Holdings Pvt Ltd shall subscribe to 42181220 number of equity shares of Rs.10/- each issued at a premium of Rs.40.92 and also to subscribe to 57558810 number of equity shares of Rs.10/- each issued at a premium of Rs.40.92 and accordingly a sum of Rs 10/ and Rs 1/ respectively is called up and subscribed. However the company as per the Share Subscription Agreement and as per its Articles of Association credited the entire subscription amount towards share capital and the share premium shall be paid by the subscribers at such time and at such instalments as the Board may decide depending on the requirements of the Project. Accordingly 42181220 number of equity shares subscribed were treated as fully paid towards equity portion and no bifurcation is made towards Security Premium. This treatment adopted by the company does not have any impact on the overall shareholders funds, and further, the company has obtained legal opinion in this regard which confirms the treatment adopted and relied upon by the auditors.

k) During the year the Company has entered agreement with GMR Energy Limited and GMR Kakinada Energy Private Limited for lease of land aggregating to 3,649.29 acres and 268.63 acres respectively. In terms of the said lease initially entered into between the company and the lessees the lease has to commence as per the respective covenants. Whereas the company and the lessee have entered into an addendum to the referred original lease deed and in terms of the said addendum the following aspects of registered original lease deed were modified.

1. The lessees agreed to pay in addition to the lease amount towards land all the expenses towards developmental costs as levied by the company upon completion of the developmental activities.
2. The lease commencement date has been mutually reset at 01st April 2013 as the lease commencement date and consequently no lease income has accrued and accordingly recognized in the financial statements.
3. The lease deeds originally entered into between the company and the lessees have been registered as documents Nos.6655/2010 dated 30th July 2010 and 9960/2010 dated 19th Nov 2010 respectively whereas the modifications sought to be made to the lease deeds by means of an addendums are executed and notarized.
4. As per the original lease deed read with the addendum the lease commencement have been reset and consequently the disclosures required under AS 19 has also not been made in the financial statements as they are not applicable for the current financial statements.

Considering the milestone associated commencement of lease and the conditions precedent for commencement of lease as mutually agreed between the parties the deposits received pursuant to the lease deed executed have been treated as Current Liabilities of the company notwithstanding the fact that the lease period (upon commencement) is significantly long. Once the lease commences the said deposits shall be transferred to the appropriate classification other than Current Liabilities.

l) Further to the acquisition of land for development of Special Economic Zones the company has initiated various rehabilitation and resettlement initiatives to relocate the inhabitants residing in the land acquired. The amount of expenditure incurred by the company towards rehabilitation and resettlement initiatives amounting to Rs.4222.21 lacs is treated as part of land acquisition cost and is grouped along with capital work-in-progress. However, no provision is made towards the potential cost that are likely to be incurred by the company towards rehabilitation and resettlement as required under AS 29 for want of reasonable measurement of the amount involved, as the negotiations with the beneficiaries towards obtaining possession of land necessitating the rehabilitation is still going on and once the potential obligation is crystallized the same will be provided for.

m) Related Party Transactions

Disclosures in respect of related parties as defined in Accounting Standard 18, with whom transactions have taken place during the year, are given below:

List of related parties:

Name of the Company	Nature of Relationship
GMR SEZ and Port Holding Pvt. Ltd.	Holding Company
Kakinada Infrastructure Holdings Pvt. Ltd.	Significant Influence
GMR Energy Limited	Fellow Subsidiary
GMR Kakinada Energy Pvt. Ltd.	Fellow Subsidiary

Particulars	Holding Company		Fellow Subsidiary		Significant Influence	
	2011	2010	2011	2010	2011	2010
Transactions during the year						
Issued Capital	47,93,71,010	-	-	-	-	3,60,00,000
Lease Deposit	-	-	53,68,05,800	-	-	-
Balance at the end of the year						
Issued Capital	47,93,71,010	-	-	-	37,83,00,000	37,83,00,000
Lease Deposit	-	-	53,68,05,800	-	-	-

n) Particulars of Remuneration to Auditors:

Particulars	March 31, 2011	March 31, 2010
Audit Fees	Rs. 2,75,750	Rs. 2,75,750

o) Segment Reporting:

There are no separate reportable segments as per Accounting Standards 17, as the entire operations of the company relate to one segment namely implementation of SEZ at Kakinada.

p) Earnings per Share:

The company has not commenced any commercial operations. During the year no profit is attributable to the equity share holders.

q) Additional Information Pursuant to the provisions of Paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 to the extent applicable to the company is given below:

Expenditure in Foreign Currency:

Particulars	March 31, 2011	March 31, 2010
Travelling Expenses	NIL	Rs.1,68,216
Professional Charges	Rs.1,37,35,613	NIL

r) Expenditure During Construction Period:

During this period the company incurred a sum of Rs. 237,26,49,494 (Previous Year Rs. 64,26,79,097) towards expenditure incurred in respect of ongoing SEZ project under execution by the company. This expenditure is directly connected with land acquisitions which is the primary asset of the project. Other expenditure incurred which is not directly connected with the ongoing land acquisitions is treated as period cost and charged off to the profit and loss account.

- s) There were no employees in receipt of remuneration of Rs 60.00 Lacs or more per annum or Rs. 5.00 Lacs or more per month, if employed for part of the year.
- t) Figures of the Previous Year have been re-grouped or re-arranged wherever considered necessary to conform to the current year presentation or classification.
- u) Paise has been rounded off to nearest rupee.

Signature from Schedule 1 to 11

As per our Attached Report of Even Date

For **BRAHMAYYA & Co.,**
Chartered Accountants

For and On behalf of the Board

Sd/-
(N. SRI KRISHNA)
Partner
Membership No. 26575
Firm Reg No.000511S

Sd/-
K.V. Rao
Director

Sd/-
P. Jayadev
Director

Sd/-
K.B. Shyam Kumar
Company Secretary

Place: Chennai
Date: 25th May 2011

Place: Hyderabad
Date: 25th May 2011

KAKINADA SEZ PRIVATE LIMITED
CASH FLOW STATEMENT FOR THE PERIOD 1ST APRIL 2010 TO 31ST MARCH 2011

(Amount in Rupees)

	31.03.2011	31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	(10,740,598)	(608,710)
Adjustments for :		
Depreciation	-	-
Interest Income	-	-
Finance charges	-	-
Operating Profit Before Working Capital Changes	(10,740,598)	(608,710)
Adjustments for :		
Changes in Trade and Other Receivables	(54,888,090)	(10,926,479)
Changes in Inventories	-	-
Changes in Trade and other Payables	657,071,616	(72,766,845)
Cash generated from Operations	591,442,928	(84,302,034)
Income Taxes paid	-	-
Taxes paid	-	-
Net Cash Flow from Operating Activities	591,442,928	(84,302,034)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(244,970)	(178,477)
Additions to Capital Work in Progress	(1,821,984,355)	(129,792,829)
Preliminary Expenses	-	-
Net Cash used in Investing Activities	(1,822,229,325)	(129,971,306)
C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds /(Repayment) from/of Share Capital/Share Application Money	498,121,010	-
Proceeds/(Repayments) from/of Secured Loans	200,000,000	649,272,496
Proceeds/(Repayments) from/of Unsecured Loans	1,088,547,101	35,300,000
Interest Paid	(550,443,651)	(512,603,001)
Net Cash used in Financing Activities	1,236,224,460	171,969,495
Net increase / (decrease) in Cash and Cash Equivalents	5,438,064	(42,303,845)
Cash and Cash Equivalents at the beginning of the year	4,584,788	46,888,633
Cash and Cash Equivalents at the end of the year	10,022,851	4,584,788
Cash & Bank Balances at the end of the year comprise of		
Cash Balances	634,208	2,156,020
Bank Balances	9,388,643	2,428,768
	10,022,851	4,584,788

Notes:

1.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.

As per our report of even date attached

For M/s. BRAHMAYYA & Co.,

Chartered Accountants

Firm Reg. No. 000511S

Sd/-

(N.SRI KRISHNA)

Partner

Membership No: 26575

Place: Chennai

Date: 25th May 2011

For and on behalf of the Board of Director

Sd/-

K.V. Rao

Sd/

P. Jayadev

sd/

K.B.Shyam Kumar

Company Secretary

Place: Hyderabad

Date: 25th May 2011

Kakinada SEZ Private Limited

Regd. Office: Meenakshi House, No. 8-2-418, III Floor, Road No.7, Banjara Hills, Hyderabad - 500 034

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1	Registration Details			
	Registration No.	41961	State Code	01
	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	498,121
3	Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)			
	Total Liabilities	6,968,619	Total assets	6,968,619
	Application of Funds			
	Paid -Up Capital	939,943	Share Application Money	0
	Reserves & Surplus	0	Current Liabilities	688,893
	Unsecured Loans	1,378,676	Secured Loans	4,650,000
	Net Fixed Assets	7,556,149	Investments	0
	Current Assets	89,938	Misc. Expenditure	76
	Accumulated Losses	11,349	Expenditure for Allocation	0
4	Performance of Company (Amount in Rs. Thousands)			
	Gross Income	0	Total Expenditure	10,741
	+/-Profit / Loss Before Tax	(10,741)	+/-Profit / Loss After Tax	(10,741)
	Earning Per Share in Rs.	-0.06	Dividend Rate %	NIL
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

Place : Hyderabad
Date: May 25, 2011

Sd/-
K V Rao
Director

Sd/-
P Jayadev
Director

Sd/-
K B Shyam Kumar
Company Secretary