

AUDITORS' REPORT

TO THE MEMBERS OF SJK POWERGEN LIMITED

We have audited the attached Balance Sheet of **SJK POWERGEN LIMITED** ('the Company') as at 31st March 2011 and the Profit and Loss account and Cash Flow Statement, annexed thereto for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' 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.

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

1. 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.
2. 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 the books.
3. The said Balance Sheet, the Profit & Loss Account & the cash flow statement are in agreement with books of account.
4. In our opinion, the Balance Sheet, the Profit & Loss Account & the cash flow statement complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and
5. On the basis of written representations received from the directors as at 31st March 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as at 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.

**GIRISH
MURTHY & KUMAR**
Chartered Accountants

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:

- a. In the case of Balance Sheet of the state of affairs of the company as at 31st March 2011; and
- b. In the case of the Profit & Loss Account, of the loss incurred during the year ended on that date
- c. In case of the Cash Flow Statement, of the cash flows for the year ended on that date

PLACE : BANGALORE

DATE : 6th May, 2011

FOR GIRISH MURTHY & KUMAR
Chartered Accountant

(A.V SATISH KUMAR)
Partner.
M.No.:26526
F R N :000934S

ANNEXURE TO THE AUDITORS' REPORT

As required by the Companies (Auditors report) order, 2003 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that: -

- i) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- ii) The fixed assets are physically verified by the Management and there were no material discrepancies between the book records and the physical inventory. No substantial parts of the Fixed Assets have been disposed during the year.
- iii) The company has not commenced its operations and therefore had no stocks of finished goods, stores, spare parts and raw materials during/ at the end of the year.
- iv) The company has taken loans from companies listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and year-end balance of such loans aggregates to Rs 22.16 crores and Rs 22.16 Crores ,respectively.
- v) In our opinion, the rate of interest and other terms and conditions of such loan are not prejudicial to the interest of the company.
- vi) The company has not granted loans, unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the companies act 1956.
- vii) In our opinion, the rate of interest and other terms and conditions of such loan are not prejudicial to the interest of the company
- viii) In respect of aforesaid loans, the party has been regular in repaying the principle amount as stipulated and also regular in payment of interest where applicable.
- ix) In respect of aforesaid loans, there is no overdue amount more than Rs one lakh
- x) The company is yet to commence its operations and has not purchased raw materials or components during the year. In our opinion, for the purchase of assets there is an adequate internal control procedure commensurate with the size of the company and the nature of its business. Further we have not noticed any evidence of persisting failures to correct major weakness in internal control.

**GIRISH
MURTHY & KUMAR**
Chartered Accountants

- xi) In our opinion and according to the information and explanations given to us the company has entered into contract falling under Section 297 and particulars of transaction have been entered in the Register in pursuance of section 301 of the act. Further in respect of such contracts exceeding Rs five lakh in respect of every party, transactions were made at prevailing market prices at the relevant time.
- xii) The company has not accepted deposits from the public during the year to which the provisions of section 58A and 58AA of the companies Act, 1956 and the rules framed there under are applicable.
- xiii) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xiv) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the companies act, 1956.
- xv) According to the information and explanations given to us and the records of the company examined by us, in our opinion the Company is generally regular in payment of undisputed statutory dues including income tax, Provident fund, and other material statutory dues as applicable with appropriate authorities. We are informed by the company that the provisions of Employee state insurance scheme, investor education and protection fund, sales tax, excise, customs are not applicable .
- xvi) According to the information and explanations given to us and the records of the company examined by us there are no undisputed/disputed amounts payable in respect of income tax, Provident fund, as at 31st march 2011, which are outstanding for a period of more the than six months from the date they become payable.
- xvii) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xviii) The Company is having accumulated losses of Rs 6,23,753/-as at March 31,2011 and the company has incurred a cash loss of Rs 4,29,353/- during this year and incurred a cash loss of Rs 1,94,400/- in the preceding financial year.
- xix) According to the records of the company examined by us and information and explanations given to us, the company has not defaulted in repayment of any dues to any financial institutions or bank as the balance sheet date.

**GIRISH
MURTHY & KUMAR**
Chartered Accountants

- xx) In our opinion and according to the information and explanations given to us. And on overall basis, the term loans have been applied for the purposes for which they were obtained.
- xxi) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xxii) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained.
- xxiii) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxiv) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, the Company has not used funds raised on short- term basis for long-term investment.
- xxv) No Preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.
- xxvi) The company has not issued any debentures and therefore no securities have been created.
- xxvii) During the course of 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 during the year.
- xxviii) The company is not covered under special statutory provisions applicable to the chit fund, Nidhi or mutual benefit societies.
- xxix) According to the information and explanations given to us and based on such examination, we are of the opinion that other provisions of the Companies (Auditors' report Order) 2003 are not applicable for the year covered under this report.

PLACE : BANGALORE

FOR GIRISH MURTHY & KUMAR
Chartered Accountant

DATE : 6th May,2011

(A.V SATISH KUMAR)
Partner.
M.No.:26526
F R N :000934S

SJK Powergen Limited
Balance Sheet as at 31.03.2011

(Amount in Rupees)

	Sch. Ref	31st March 2011		31st March 10	
I. Sources of Funds:					
1. Shareholders' Funds					
a) Share Capital	1		4,999,840		4,999,840
b) Reserves & Surpluses	2		41,692,000		41,692,000
c) Share application Money pending allocation			-		33,350,000
2. Loan Funds	3				
Secured Loans			6,000,000,000		-
Unsecured Loans			221,650,000		-
Total			6,268,341,840		80,041,840
II. Application of Funds:					
1. Fixed Assets	4				
a) Gross Block		112,290,393		25,118,437	
b) Less : Depreciation		198,412		57,188	
c) Net Block			112,091,981		25,061,249
d) Capital Work in Progress (including capital advances)	5		420,047,509		44,500,175
2. Investments	6		115,479,577		
3. Current Assets, Loans and Advances					
a) Cash and Bank Balances	7	2,548,427,491		11,861,561	
b) Other current Assets	8	52,075,537		69,541	
c) Loans and Advances	9	3,041,581,714		263,639	
		5,642,084,742		12,194,740	
Less : Current Liabilities and Provisions					
a) Liabilities		17,531,767		1,555,992	
b) Provisions	10	4,453,956		352,732	
		21,985,723		1,908,724	
Net Current Assets			5,620,099,019		10,286,016
4. P & L Account Debit balance			623,753		194,400
Total			6,268,341,840		80,041,840

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 Girish Murthy & Kumar
Chartered Accountants
Firm registration no: 0009345

For and on behalf of the Board

A V Satish Kumar
Partner
Membership No. 26526

Raaj Kumar BVN Rao
Director Director

Place: Bangalore
Date: 06.05.2011

Place: Bangalore
Date: 06.05.2011

SJK Powergen Limited

Profit and Loss Account for the period ended 31st march 2011

(Amount in Rupees)

	Particulars	Schedule	For the period ending 31st March 2011	For the period ending 31st March 2010
I.	Income			
	Sales		-	-
	Other Income		-	-
			-	-
	Expenditure			
	Generation Expenses		-	-
	Administration expenses	11	429,353	194,400
	Interest and Finance Charges		-	-
	Depreciation		-	-
			429,353	194,400
III.	Profit/(Loss) Before Taxation		(429,353)	(194,400)
	Provision for Taxation			
	- Current			
	- Deferred			
	Fringe Benefit Tax			
	Wealth tax		-	-
IV.	Profit/(Loss) After Taxation as per audited statement of accounts		(429,353)	(194,400)
	Surplus/(Deficit) brought forward from Previous year		(194,400)	-
			-	-
V.	Available for Appropriation		(623,753)	(194,400)
			-	-
VI.	Available surplus carried to Balance Sheet		(623,753)	(194,400)
	Earning per share(Per Equity share of Rs. 10 Each)			
	Earning per Share -Basic		(0.86)	(0.58)

The Schedules referred to above form an integral part of the Profit and Loss Account
This is the Profit and Loss Account referred to in our report of even date.

For Girish Murthy & Kumar
Chartered Accountants
Firm registration no: 000934S

For and on behalf of the Board

A V Satish Kumar
Partner
Membership No. 26526

Raaj Kumar
Director

BVN Rao
Director

Place:
Date: 06.05.2011

Place: Bangalore
Date: 06.05.2011

SJK Powergen Limited			
Cash flow statement for the Period ended 31st March 2011			
		(Amount in Rupees)	
Particulars		For the period ending 31st March 2011	For the period ending 31st March 2010
A.	CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
	Profit Before Tax as per Profit & Loss Account	(429,353)	(194,400)
	Add: Preliminary expenses written off	-	35,000
	Operating Profit Before Working Capital Changes	(429,353)	(159,400)
	Cash generated from Operations	(429,353)	(159,400)
	Fringe Benefit Tax	-	52,315
	Net Cash Flow from/ (used in) Operating Activities	(429,353)	(211,715)
B.	CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES		
	Purchase of Fixed Assets	-	(10,776,201)
	Increase in CWIP	-	(30,228,594)
	Term Deposit Receipt	-	-
	Investment in Mutual Funds	(115,479,577)	-
	Changes in Receivables and Loans and advances	(3,093,324,072)	7,560,555
	Changes in Payables	20,076,999	1,561,842
	Net Cash from/ (used in) Investing Activities	(3,188,726,650)	(31,882,399)
C.	CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
	Loan From IDFC Ltd	6,000,000,000	-
	Proceeds from issue of ICD	221,650,000	-
	Proceeds from issue of share capital/(Repayment)	(33,350,000)	43,215,853
	Net Cash from Financing Activities	6,188,300,000	43,215,853
	Net increase in Cash and Cash Equivalents	2,999,143,997	11,223,195
	Cash and Cash Equivalents at the beginning of the period	11,861,561	638,366
	Cash and Cash Equivalents at the end of the period	3,011,005,558	11,861,561
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.			
2. Previous year's figures have been regrouped and reclassified to conform to those of the current year			

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

For Girish Murthy & Kumar
Chartered Accountants
Firm registration no: 0009345

For and on behalf of the Board

A V Satish Kumar
Partner
Membership No. 26526

Raaj Kumar
Director

BVN Rao
Director

Place: Bangalore
Date: 06.05.2011

Place: Bangalore
Date: 06.05.2011

SJK Powergen Limited

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

(Amount in Rupees)

Schedule 1: Share capital	As at 31st March 11	As at 31st March 10
a. Authorised Capital (50,0000 Shares of Rs.10/- each)	5,000,000	5,000,000
	5,000,000	5,000,000
b. Issued, subscribed and paid up (4,99,984 Shares of Rs.10/- each) (out of the above 3,49,984 shares of Rs. 10each are held by GMR Energy Limited holding company and its nominees)	4,999,840	4,999,840
c. Share application money	-	33,350,000
Total	4,999,840	38,349,840

(Amount in Rupees)

Schedule 2: Reserves & Surpluses	As at 31st March 11	As at 31st March 10
Securities Premium	41,692,000	41,692,000
Total	41,692,000	41,692,000

(Amount in Rupees)

Schedule 3: Loans	As at 31st March 11	As at 31st March 10
Secured Loan		
Loan from IDFC Ltd	6,000,000,000	-
1. Pledge of shares held by the GEL in demat/physical form in the equity share capital of the company representing 51 % of the total paid up equity share capital of the company.		
2. Pledge of shares to be held by the company in dematerialized form in the equity share capital of Homeland Energy Group, Canada representing 55.84% of the total paid up equity share capital of Homeland Energy Group, Canada, to be aquired within 180 days from the date of first disbursement, after obtaining RBI Approval.		
3. Irrevocable and unconditional Corporate Guarantee of the GEL		
<u>Unsecured Loan:</u>		
a. ICD	-	-
b. Loan from group Companies (being ICD recieved from GEL i.e. holding company)	221,650,000	-
Total	6,221,650,000	

SJK Powergen Limited

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

Schedule 4 : Fixed Assets

(Amount in Rupees)

Description	Gross Block				Depreciation					Net Block	
	As on 1st April 2010	Additions	Deletions for the year	As at 31st March 2011	As on 1st April 2010	During the year	Deletions for the year	Deletion during the year	As at 31st March 2011	As at 31st March 2011	As on 31st March 2010
Freehold Land	24,826,151	78,075,155	-	102,901,306	-	-	-	-	-	102,901,306	24,826,151
Lease hold Land	-	4,753,915	-	4,753,915	-	-	-	-	-	4,753,915	-
Computers	175,006	565,781	-	740,787	46,542	76,295	-	-	122,837	617,950	128,464
Office Equipment	-	2,209,807	-	2,209,807	-	13,739	-	-	13,739	2,196,068	-
Furniture & Fixtures	117,280	1,240,163	-	1,357,443	10,646	38,250	-	-	48,895	1,308,548	106,634
Electronic Equipments	-	327,135	-	327,135	-	12,941	-	-	12,941	314,194	-
Total	25,118,437	87,171,956	-	112,290,393	57,188	141,224	-	-	198,412	112,091,981	25,061,249

SJK Powergen Limited

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

(Amount in Rupees)

Schedule 5: Capital Work in progress	As at 31st March 11	As at 31st March 10
CWIP	3,585,615	14,812,241
Salaries, allowances and benefits to employees	20,434,454	6,418,443
Contribution to provident fund and others	1,275,290	143,356
Staff welfare expenses	125,221	10,765
Rent	4,969,331	844,355
Rates and Taxes	2,377,752	1,181,836
Bank/ other finance charges	33,243,796	23,372
Repairs & Maintenance - Others	553,263	33,761
Consultancy & Professional Charges	51,520,855	11,922,648
Electricity charges	481,837	56,517
Meetings & Seminars	288,972	15,916
Travelling and conveyance	6,569,162	3,929,499
Communication Expenses	738,256	99,016
Income tax	33,083,357	-
Insurance	8,542	3,993
Depreciation	198,412	57,188
Donations	12,756	525
Guest House Maintenance	677,043	84,106
Printing & Stationery	758,479	175,101
Membership & Subscription	75,176	71,204
Miscellaneous Expenses	5,098,566	2,788,904
Interest on Fixed Period Loans	243,369,863	-
Business Promotion Expenses	5,132	-
Advertisement Expenses	294,556	288,649
Capital Advances	104,448,360	1,708,320
Less:		
Dividend Income	(2,260,329)	-
Profit on Sale of Investment	(6,137,673)	-
Miscellaneous Income	(385,372)	(100,000)
Interest Others	(85,363,164)	(69,541)
Total	420,047,509	44,500,175

(Amount in Rupees)

Schedule 6: Investments	As at 31st March 11	As at 31st March 10
Investments in Mutual Funds - unquoted	115,479,577	-
Other than Trade- Unquoted		
IDFC Cash Fund – Super Inst Plan C - Growth (96,99,927.527 units of Rs. 11.9052 per unit) Market value:115,691,035.61)		
Total	115,479,577	-

(Amount in Rupees)

Schedule 7: Cash and Bank Balances	As at 31st March 11	As at 31st March 10
Cash on Hand	38,134	19,000
Balances with scheduled banks		
- On Current accounts	20,573,092	6,911,569
- On Margin accounts	4,930,992	4,930,992
- On Deposit accounts	2,522,885,273	-
Total	2,548,427,491	11,861,561

SJK Powergen Limited

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

(Amount in Rupees)

Schedule 8: Other Current Assets	As at 31st March 11	As at 31st March 10
Interest Accrued but not due	52,075,537	69,541
Total	52,075,537	69,541

(Amount in Rupees)

Schedule 9: Loans & Advances	As at 31st March 11	As at 31st March 10
(Unsecured and considered good, unless otherwise stated)		
Loans to Employees	27,081	-
Advances recoverable in cash or in kind or for value to be received		
- Considered good	3,041,554,633	263,638
Total	3,041,581,714	263,638

(Amount in Rupees)

Schedule 10: Current Liabilities and Provisions	As at 31st March 11	As at 31st March 10
a. Current Liabilities		
Sundry creditors:		
I. Dues to Micro and small scale industrial undertakings	-	-
II. Dues to other than Micro and small scale industrial undertakings	16,609,357	807,682
Book Debt-Bank Dr balance		
Retention Money	164,652	191,152
Other liabilities	757,757	557,158
Total	17,531,767	1,555,992
b. Provisions		
Provisions-Gratuity	551,751	551,751
Provision for leave encashment	928,252	928,252
Provision for Audit fees		
Provision for Salaries		
Provisions-Spr annn	21,173	21,173
Provisions - Bonus	2,710,972	2,710,972
Provision for Rent		
Provisions-LTA	241,808	241,808
Total	4,453,956	352,732

SJK Powergen Limited

Schedule forming part of Profit & loss account for 31st March 2011

(Amount in Rupees)

Schedule 11: Administrative Expenses	For the year ended 31st March 2011	For the year ended 31st March 2010
Income Tax		-
Interest on FBT	-	8,751
Audit Fee	61,768	45,075
Preliminary expenses written off	-	35,000
Donation	5,100	
Rates & Taxes	2,370	2,812
Advertisement	53,900	102,262
Business promotion	306,215	500
Total	429,353	194,400

SJK Powergen Limited

Schedule – 11

Statement on Significant Accounting Policies and Notes to the Accounts

I SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards as specified in the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

2. 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 period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3. REVENUE RECOGNITION

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

4. FIXED ASSETS

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Assets under installation or under construction and the related advances as at the balance sheet date are shown as Capital Work in Progress.

5. INTANGIBLE ASSETS

Capitalized Software is stated at the consideration paid for acquisition less accumulated amortization.

All Project related expenditure viz, civil works, machinery under erection, construction and erection materials, pre-operative expenditure incidental / attributable to construction of project, borrowing cost incurred prior to the date of commercial operation and trial run expenditure are shown under Capital Work-in-Progress. These expenses are net of recoveries and income (net of tax) from surplus funds arising out of project specific borrowings.

6. DEPREICATION/AMORTIZATION

Depreciation is provided on a pro-rata basis on Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956. Assets individually costing less than Rs.5,000/- are depreciated fully in the year of acquisition. Leasehold land is amortized over the tenure of lease from the date of commercial operation of the plant.

SJK Powergen Limited

Schedule – 11

7. BORROWING COST

Borrowing cost that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets till the period such assets are ready to put to use. A qualifying asset is one that takes substantial period of time to get ready for its intended use or sale. Other borrowing costs not attributable to the acquisition of any capital asset or investments are recognized as expenses in the period in which they are incurred.

8. 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 shown under Capital Work in Progress until the commencement of the Commercial Operation. Thereafter It will be recognized as an expenses in the Profit & Loss Account on straight line basis over the period of lease term.

9. 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. Cost of acquisition is inclusive of expenditure incidental to acquisition.

10. FOREIGN CURRENCY TRANSACTIONS

All foreign currency transactions are accounted at the exchange rate prevailing at the dates of the transaction. Current Assets and Current Liabilities are translated at the exchange rate prevailing at the balance sheet date and the resultant gain/loss is recognized in the financial statements. The original cost of fixed assets acquired through foreign cuurrency loan at the end of the 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 the balance sheet.

11. EMPLOYEES BENEFITS

a) Defined Contribution Plan

Contributions paid/payable to defined contribution plans comprising of provident fund, pension fund, superannuation fund etc. in accordance with the applicable laws and regulations are recognized as expenses during the period in which the employees perform the services that the payments cover.

The Group makes monthly contributions and has no further obligations under such plans beyond its contributions.

b) Defined Benefit Plan

The liability as at the Balance Sheet date is provided for based on the actuarial valuation, under Projected Unit Credit Method at the Balance Sheet date, carried out by an independent actuary. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss account as an income or expense.

c) Other Long Term Employee Benefits

SJK Powergen Limited

Schedule – 11

Employee benefits including compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date based on actuarial valuation method of Projected Unit Credit carried out at each Balance Sheet date. Actuarial Gains and Losses are recognized immediately in the Profit and Loss account as an income or expense.

d) Short term employee benefits

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

12. TAXES ON INCOME

Current tax is determined 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 taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the enacted or substantively enacted rates.

13. EARNINGS PER SHARE

Basic EPS are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

14. CASH & CASH EQUIVALENTS

Cash for the purposes of cash flow statement comprise cash in hand and at bank (including deposits) and cash equivalents comprise of short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

15. 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 their 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.

16. CONTINGENCIES

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed by way of notes on the accounts

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II. Notes to the Accounts

1. Nature of Business

SJK Powergen Limited is a Special Purpose Vehicle (SPV) acquired by GMR Energy Limited, the holding company, to develop and operate 1320 MW coal based thermal power project in Lalpur Village, Shahdol District, Madhya Pradesh state. The Company is in the process of setting up of the project.

2. Capital Commitments:

Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances is Rs.2,05,16,311 (2009-10: Rs. 2,74,40,982)

3. Employee benefits

The disclosures as required as per the revised AS 15 are as under:

The Company has with effect from 1st April 2008 adopted Accounting Standard 15 Employee Benefits {revised 2005} issued by the Institute of Chartered Accountants of India [the 'revised AS 15'].

The company has determined the liability for gratuity and long term compensated absences in accordance with revised AS 15.

Disclosures as envisaged in revised AS 15 in respect of Gratuity and leave encashment are given below:

Gratuity and Leave Encashment:

a) Defined Benefit Plan - As per Actuarial Valuation as at 31st March 2011 {Funded}

(Amount in rupees)

Particulars	2011	2010
A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation		
Obligation at the beginning of the year	58,076	-
Current service cost	6,73,029	58,076
Past Service Cost	-	-
Interest cost	4646	-
New Acquisitions	-	-
Benefits settled	-	-
Adjustment on transfer from subsidiary	-	-
Actuarial loss/(gain) on obligations	(41,426)	-
Obligation at the end of the period	694,325	58,076
B) Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of Plan Assets at the beginning of the year	-	-
Expected return on plan assets	5,457	-
Actuarial gains / (losses)	683	-
Benefits settled	-	-
Fund transfer	-	-

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Contributions (less risk premium)	136,434	-
Adjustment on transfer from subsidiary	-	-
Fair value of Plan assets as on March 31	142,574	-
C) Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the balance sheet:		
Present value of obligation at the end of the year	694,325	58,076
Fair value of plan assets at the end of the year	142,574	-
Liability/(Asset) recognised in Balance Sheet	551,751	58,076
D) Expenses recognised in the Profit and Loss Account/ Capital work in progress		
Current service cost	673,029	58,076
Past service cost	-	-
Interest cost	4,646	-
Expected return on plan assets	(5,457)	-
Actuarial (gains)/losses	(42,109)	-
Past Service Cost	-	-
Total Expenses recognised in the Profit and Loss Account included in Schedule in 15 and 16.	630,109	58,076
Assumptions		
Discount Rate	8.00%	8.00%
Expected rate of salary increase	6.00%	6.00%
Estimated rate of return on plan assets	8.00%	8.00%
Attrition rate	5.00%	5.00%
Maximum retirement Age	60	60

b) Liability towards Leave Encashment based on Actuarial valuation amounts to Rs. 9,28,252 (2009-10: 1,28,696) .

c) Liability towards Leave Travel Allowance (LTA) based on Actuarial valuation amounts to Rs. 2,41,808 (2009-10: 1,55,399.54).

5. Details of Auditors Remuneration:

(Amount in rupees)

Particulars	2010-11	2009-10
i) Statutory Audit Fees	44,120	22,060
ii) Tax Audit Fees	-	-
iii) Certification / Consultation Fees	17,648	5,515

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6. The information required by Paras 3 and 4 of part II of Schedule VI to Companies Act 1956 is as under :

B. Expenditure incurred in Foreign Currency			
Sl.No.	Particulars	2010-11	2009-10
a.	Travelling Expenses	-	
b.	Offshore Account	-	-
c.	Interest on Secured Loans	-	

7. Related Party transactions

- a) Names of related Parties and Description of relationship :

SJK Powergen Limited - Related parties		
(i)	Enterprises that control the Company	GMR Energy Limited (GEL) (Holding Company) GMR Renewable Energy Limited GMR Infrastructure Limited GMR Holdings Private Limited (GHPL)
(ii)	Fellow Subsidiary Companies	GMR Mining & Energy Private Limited GMR Power Corporation Limited (GPCL) GMR Vemagiri Power Generation Limited (GVPGL) EMCO Energy Limited GMR Coastal Energy Private Limited GMR Bajoli Holi Hydropower Private Limited (GBHHPL) Himtal Hydropower Company Private Limited (HHCPPL) GMR Energy (Mauritius) Limited (GEML) GMR Upper Karnali Hydropower Company Private Limited (GUKCPL) GMR Lion Energy Limited (GLEL) GMR Chhattisgarh Energy Limited (GCEL) GMR Kakinada Energy Private Limited Badrinath Hydro Power Generation Private Limited (BHPGPL) GMR Energy (Cyprus) Limited (GECL) GMR Energy (Netherlands) B. V. (GENBV) GMR Londa Hydropower Private Limited (LHPL) GMR (Badrinath) Hydro Power Generation Pvt. Ltd.(GBHPL) PT Barasentosa Lestari (PT BSL), Indonesia PT Dwikarya Sejati Utama (PT DSU), Indonesia PT Dutasarana Internusa (PT DSI),Indonesia PT Unsoco, Indonesia GMR Maharashtra Energy Limited GMR Rajahmundry Energy Limited GMR Consulting Services Private Limited GMR Bundelkhand Energy Pvt Limited

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		<p>GMR Uttarpradesh Energy Pvt Limited Homeland energy Group Limited GMR Gujarat Solar Power Private Limited Karnali Transmission company Private Limited Marsyangdi Transmission Company Private Limited Lion Energy Tuas Pte Ltd, Singapore</p> <p>Maru Transmission Service Company Limited Aravali Transmission Service Company Limited GMR Indo Nepal Energy Links Limited GMR Indo-Nepal Power Corridors Limited GMR Kamalanga Energy Limited</p>
(iii)	Enterprises where significant influence exists	
(iv)	Enterprises where key management personnel and their relative exercise significant influence	
(v)	Key Management Personnel	

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

(Amount in Rupees)

Particulars	2010-11	2009-10
i) Shares application money received		
a) Enterprises that Control the Company – GEL	0	3,33,50,000
ii) Equity Share capital		
a) Enterprises that Control the Company – GEL	0	34,99,840
iii) ICD received		
a) Enterprises that Control the Company – GEL	22,16,50,000	0
iv) Advance given		
a) Enterprises that Control the Company – GEL	300,00,00,000	0
iv) Deposit given		
a) GMR Bannerghatta Properties Private Limited	1,54,48,800	0
vi) Consultancy charges		
a) GMR Consulting Services Private Limited	1,65,45,000	0
vii) Consultancy charges		
a) RAXA Security Services Private Limited	22,06,000	0
viii) Rent		
a) GMR Bannerghatta Properties Private Limited	34,89,657	0
ix) ICD interest		
a) Enterprises that Control the Company – GEL	85,22,367	0

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Closing balance as on 31.03.2011

Issues , Subscribed & paid up Capital- GEL	34,99,840
Unsecured Loan- GEL	22,16,50,000
Loans & Advances- GEL	300,00,00,000
S/ Creditors- GMR Consulting Services private Limited	1,56,97,068
Loans & Advances- GMR Bannerghatta Properties Private Limited	1,54,48,800

Note: Transactions and outstanding balances in the nature of reimbursement of Expenses incurred by one company on behalf of the other have not been considered above.

8. The Company has entered into certain cancelable operating lease agreements mainly for office premises and long term leasehold land taken from Government Authorities for project purpose. Under these agreements refundable interest-free deposits have been given. In respect of above arrangements, lease rentals payable are debited to Capital Work-in progress.

Amount in Rupees

SI.No.	Particulars	2010-11	2009-10
a.	Lease Rentals under cancelable lease	49,69,331	8,44,355
b.	Lease Rentals under non cancelable lease	-	-

9. Earnings per Share (EPS)

(Amount in Rupees)

Particulars	2010-11	2009-10
Nominal value of Equity Shares(Rs. Per share)	10	10
Total No. of Equity Shares outstanding at the beginning of the Period/Year	4,99,984	10,2184
Total No. of Equity Shares outstanding at the end of the Period/Year	4,99,984	4,99,984
Weighted average No. of Equity shares for Basic earnings per Share	4,99,984	3,35,931
Loss as per Profit and loss Account	(6,23,753)	(1,94,400)
Less: Dividend on Preference shares (including tax thereon)	-	-
Profit/ (Loss) for Earning per share	(6,23,753)	(1,94,400)
Earnings per Share (EPS) Basic	(0.86)	(0.58)
Earnings per Share (EPS) Diluted	(0.86)	(0.58)

9. Balances shown under Loans and Advances Creditors and Advances to suppliers are subject to confirmation and reconciliations.
10. There are no micro and small enterprises to which 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.

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11. Segment Reporting

The Company is engaged primarily in the business of setting and running of Power plant. As the basic nature of the activities is governed by the same set of risk and returns these have been grouped as a single business segment. Accordingly separate primary and secondary segment reporting disclosures as envisaged in Accounting Standard (AS-17) on Segmental Reporting issued by the ICAI are not applicable to the present activities of the Company.

12. Investments Purchased and Sold during the year

Short-term Mutual Funds - Unquoted

Purchased and Sold during 1st April, 2010 to 31st March 2011

Description	Purchases during the year		Sold during the year	
	No of Units	Rupee in Lakhs	No of Units	Rupees in Lakhs
IDFC Cash Fund – Super Inst Plan C - Growth	7,89,76,719.82	9230.80	7,89,76,719.82	9292.18

13. Previous year figures have been regrouped, re-arranged and reclassified wherever necessary.

For Girish Murthy & Kumar
Chartered Accountants
Firm Registration No: 000934S

For and on behalf of Board

A V Satish Kumar
Partner

BVN Rao
Director

Raaj Kumar
Director

Membership No. 26526

Place: Bangalore
Date: 06.05.2011

Place: Bangalore
Date: 06.05.2011