Creating tomorrow today

GMR Infrastructure Limited

10th Annual Report 2005 - 2006

We not only develop Airports, Roads and Power plants, we also own and operate them.

AIRPORTS POWER ROADS

GMR Group

Mission

To build entrepreneurial organizations that make a difference to society through creation of value.

Creating tomorrow today

GMR Infrastructure Limited

Regd. & Corporate Office

Skip House, 25/1, Museum Road, Bangalore - 560 025.

www.gmrgroup.co.in

GMR Group

VALUES & BELIEFS

HUMILITY
We value intellectual modesty and dislike false pride and arrogance

ENTREPRENEURSHIP
We seek opportunities - they are everywhere

TEAMWORK AND RELATIONSHIPS
Going beyond the individual - encouraging boundaryless behaviour

DELIVER THE PROMISE
We value a deep sense of responsibility and self discipline
to meet and surpass on commitments made

LEARNING
Nurturing active curiosity - to question, share, and improve

SOCIAL RESPONSIBILITY
Anticipating and meeting relevant and emerging needs of society

RESPECT FOR INDIVIDUAL
We will treat others with dignity, sensitivity and honour

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Financial Statements of Subsidiary Companies Sectorwise

Power Sector

- GMR Energy Limited
- GMR Power Corporation Private Limited
- Vemagiri Power Generation Limited
- GMR Mining & Energy Private Limited

Road Sector

- GMR Tuni-Anakapalli Expressways Private Limited
- GMR Tambaram - Tindivanam Expressways Private Limited
- GMR Ambala-Chandigarh Expressways Private Limited
- GMR Jadcherla Expressways Private Limited
- GMR Pochanpalli Expressways Private Limited

Airport Sector

- GMR Hyderabad International Airport Limited

Risk Management

Board of Directors

Mr. G. M. Rao	- Chairman & Managing Director
Mr. Srinivas Bommidala	- Group Director
Mr. G. B. S. Raju	- Group Director & Group Chief Financial Officer
Mr. G. Kiran Kumar	- Group Director
Mr. B.V. Nageswara Rao	- Group Director
Mr. K. Balasubramanian	- Director
Mr. K.V.K. Seshavataram	- Director*
Mr. Arun K. Thiagarajan	- Director**
Mr. K. R. Ramamoorthy	- Director**
Dr. Prakash G. Apte	- Director**
Mr. R.S.S.L.N. Bhaskarudu	- Director**
Mr. Udaya Holla	- Director**
Mr. Uday M. Chitale	- Director**
Mr. Luis Miranda	- Director***
Mr. T.R.Prasad	- Director***
Mr. P.B. Vanchi	- Director****

* resigned w.e.f. 02.09.2005 ** appointed w.e.f. 02.09.2005
*** appointed w.e.f. 14.04.2006 **** appointed w.e.f. 13.05.2006

Company Secretary & Compliance Officer

Mr. A. S. Cherukupalli

Audit Committee Members

Mr. K.R.Ramamoorthy	- Chairman
Mr. Arun K. Thiagarajan	- Member
Mr. Udaya Holla	- Member
Mr. Uday M. Chitale	- Member

Bankers

United Bank of India
Indian Overseas Bank
UTI Bank Limited
ING Vysya Bank Limited

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082.

Registered Office

25/1, Skip House, Museum Road, Bangalore - 560 025

Tel No : 080 22270100
Fax : 080 22998118
e-mail : gil@gmrgroup.co.in
website : www.gmrgroup.co.in

Registrar and Share Transfer Agent

KARVY Computershares Private Limited
46, Avenue 4, Street No. 1, Banjara HIlls, Hydrabad - 500 034

Chairman's Statement

Dear Shareholders,

I am glad to share with you the highlights of contributions, achievements and financial performances of your Company and GMR Group, during the year 2005-2006, in the context of present national and global scenario.

International Economy and importance of Infrastructure Development

Worldwide, infrastructure growth has been consistently higher than the economic growth. Efficient infrastructure system is a pre-requisite for sustained economic development. Infrastructure facilities like Transport, Power and Airports are considered as benchmarks for measuring a Nation's development. In the current global scenario, transport growth is on fast track due to specialization, sourcing of supplies and materials on a wider scale, increased distribution of retail and wholesale commodities. The increased production results in increased demand for transport services, which necessitate better Highways and road facilities. Improved Road facilities increase transport activity. The competition among suppliers of transport services as well as pressures from users resulted in the prices of transport services falling. Civil aviation has played significant role, in putting any country on the world map and to get immediate global recognition. Past history, substantiate that a nation with world class air services, such as UK , Singapore, Malaysia and Hong Kong, play a key role in promoting and establishing global trading connections there by supporting economic growth. Power is one of the prime driver of economic activity. The level of availability and accessibility of affordable and quality power are also one of the main determinants of the quality of life. The access to information and global connectivity at high speed has narrowed the gap between the nations beyond geographical boundaries. For a country, to become global player and for international tie ups, and to sustain the growth in this competitive world, basic infrastructure facilities need to be in good shape.

Indian Economic Scenario - Infrastructure position

In a large country like India the infrastructural availability plays significant role in promoting national integration. The road transport system in India has not been able to keep pace with economic development. Roads form the most common mode of transportation and account for about 85% of passenger traffic and 70% of freight, making it the main form of transport for commuting across the country.

Power sector growth has not kept pace with the growth in demand with the result the country has always faced energy shortages. As of March 31, 2006, India's power system had an installed generation capacity of approximately 124,311 MW. Thermal power plants powered by coal, gas, naphtha and oil accounted for 66.4% of total power capacity in India as of March 31, 2006, hydroelectric stations for 26% and others (including nuclear stations and renewable sources of energy) formed 7.6% of the installed generation capacity . The Central Power Sector Utilities (CPSUs) accounted for approximately 32% of total power generation capacity as of March 31, 2006; the various state entities accounted for 57% and private sector companies accounted for approximately 11%.

India is the fourth largest economy in the world but for an economy of this size, use of air travel is extremely low. This is also reflected in the fact that Mumbai and Delhi airports are ranked only 80th and 109th (Ministry of Civil Aviation) respectively in the world instead of being considered among the world's largest. Standard expectations for air travel growth are usually of the order of twice the level of GDP growth but India has achieved nowhere near this level of growth. The leading observers do believe that given the right regulatory conditions and product pricing, there is significant pent-up demand for air travel.

Government Thrust on Infrastructure Development

In a liberalized set up, an efficient energy and transport network becomes all the more important, in order to increase productivity and enhance the competitive efficiency of the economy in the world market. While considering the inadequacies and imbalances in the transport / power sectors, Union Government under tenth five year plan has given emphasis to provide a framework for the long-term development of the transport sector with stress on technological up-gradation and removal of distortions. Focus is also on the inter-modal mix by evolving a rational tariff and investment policy. Major policy initiatives have been made in road sector. The National Highway Development Project comprising Golden Quadrilateral and North South - East West corridors which are the flagship projects in the road sector, are largely on track and are also expected to be a source of major fiscal stimulus to the economy.

The report, of working group for tenth plan, on power has envisaged a substantial capacity addition. The government proposes to enhance public funding as well as encourage Public sector undertakings to take up projects in joint ventures with private investors and state governments. There is also focus on initiating suitable policy measures to accelerate the pace of hydro power development. Initial response of domestic and foreign investors in power sector had been encouraging. However the major impediment to private sector participation is the poor financial condition of the monopoly purchasers viz, State Electricity Boards (SEBs). With power sector reforms already set in motion, these problems are expected to be sorted out in due course.

To give a major fillip to hydro power generation, the government has finalised a new set of guidelines for development of projects over 100 mega watt by the private sector through competitive tariff-based bidding. Against India's hydro power potential of 84,000 mw, just about 20% has been exploited so far. According to the new policy, states with huge hydro potential would be asked to shortlist credible developers based on certain preset technical qualifying criteria. The final developer would be selected on the basis of tariff-based financial bids. The power ministry plans to offer a series of run-of-the-river projects for development by the private sector. The idea is to tap the surplus power of states with substantial hydro potential and wheel it to power-deficit states. The host state would, however, retain 12% of the power generated at free of cost. A special requirement of hydel projects is the availability of long-term funding at reasonable interest rates. This ensures that the cost of power during the initial years is reasonable. Financial institutions, which fund almost 70% of the project cost, would find these projects more attractive.

The main thrust of the development of civil aviation sector in the Tenth Plan is to provide world - class infrastructure facilities and efficient safe and reliable air services to meet the requirements of domestic and foreign trade and tourism. Connectivity to remote and inaccessible areas also should be a priority. This could be achieved through private sector participation on a much larger scale. The Government is in the process of inviting bids from private parties for modernizing other international airports viz., Chennai and Kolkata and other regional airports.

Industry Scenario for Infrastructure Projects

Overall industrial scenario for infrastructure projects looks promising. In fiscal budget 2006-2007, the emphasis is more on development and modernization of Transport, Power and Airport with private sector participation on much larger scale. It is evident that the Government has taken several policy measures to ensure that the infrastructure development shall be put on fast track. Your company, with focus on promoting and developing infrastructure projects, looks at dynamic growth opportunities that lead to overall growth and maximization of shareholders value. Global opening up and invitation for participation in international projects, has been encouraging and the GMR Group is looking forward to create an international brand name.

Role of your Company

Government of India (GOI) has laid importance to the development of infrastructure, particularly Roads, Power and Airports in the country. Your company being lead financial member for several prominent infrastructure projects envisions very attractive projects in the sectors of Power, Airport and Roadways in the coming years. On this occasion, I would like to explain to our esteemed stakeholders the vital role your company plays in providing the highest standard of quality infrastructure facilities to the nation.

Your Company belongs to the GMR Group, the emerging major player in infrastructure projects which have been opened up for private sector. Your company is the promoter investor for the projects taken up by the Group.

a) Participation in Road Projects

After the Golden quadrilateral, North-South and East-West (NSEW) corridors are being given importance by the Government. The Union Cabinet has approved development of approximately 4000 kilometers long National Highways across the country through private - public participation. The cost involved is estimated at Rs. 22,000 crores and the development would be under 'Build, Operate and Transfer' (BOT) basis. Your company is participating in the capacity of Lead member/member of consortium of GMR Group, in the bids being called for by the National Highways Authority of India (NHAI) to construct and develop new Roads.

It gives me immense pleasure to share with you that the Group being the first awardee of two road projects namely a) Tuni - Anakapalli Road Project and b) Tambaram Tindivanam Road Project, in Southern India and achieved the completion of the assigned projects in time. Your company led a crucial role in these infrastructure projects as sponsor, guarantor, promoter and strategic investors and more significantly as lead financial member. With effect from financial year 2005-06, Tuni - Anakapalli Road Project and Tambaram - Tindivanam Road Project have started receiving regular annuities from NHAI, in terms of Concession Agreement entered with NHAI. The first and second installments of Annuity were received during the period under review.

I am also delighted to share with you that, your Company is the promoter for Ambala - Chandigarh Road Project, Farukhnagar - Jadcherla Road Project and Pochanpalli Road Project. These projects have been awarded to the GMR Group during the financial year 2005-06 .Tindivanam - Ulundurpet Road Project is another Project that has been awarded to the GMR Group post March, 2006. Preliminary works have already been commenced in relation to implementation for these projects.

b) Participation in Airport Projects

Your Company is the strategic partner holding a majority stake in the Hyderabad International Airport Project. Looking at the project progress, we are confident that the project will be completed within the schedule by first quarter of 2008. I am proud to inform you that our group won prestigious project of Modernization of Delhi International Airport and your company is the lead member and promoter in that project. Airports Authority of India (AAI) has granted an exclusive right to operate, maintain, develop, design, construct, upgrade, modernize, finance and manage the Delhi Airport.

c) Participation in Power Projects

Your company is the holding company of GMR Energy Limited (GEL), which set up 220 MW Naptha based barge mounted power plant in Mangalore. GEL is also the holding company of GMR Power Corporation Private Limited (GPCPL), with 200 MW Low Sulphur Heavy Stock based power generation plant in Chennai and Vemagiri Power Generation Limited (VPGL), which is implementing the 370 MW Gas based power generation project near Rajahmundry in Andhra Pradesh.

Your company is also implementing of the prestigious Hydro Power Project at Badrinath in Himalayan region. I am proud to state that, our group won this project overcoming the tough competition from very big Indian Power Companies. GMR (Badrinath) Hydro Power Generation Private Limited, which is going to set up the 140 MW Alaknanda Hydro Power Project is located near Badrinath in the Chamoli district of Uttaranchal State. Located on the Alaknanda river (a tributary of Ganga), the project is a Run of River (RoR) type development, harnessing a Head of about 460 meters with a proposed installation of 140 MW (2 X 70 MW). The Project has a Design Energy of 702.72 MUs (PLF of 57.3%). The Project will supply 12% free power to the state of Uttaranchal.

Corporate Governance

Your Company, is committed to highest level of business ethics and corporate governance. Though an unlisted Company, your company strives to adopt codes and rules for good governance applicable to listed Companies.

Safety - Group Mission Statement

GMR Group is dedicated to highest level of safety and environment protection. Aim is to build an entrepreneurial organization that makes a difference to the society through creation of value. Your subsidiary companies and group companies have ensured the highest level of safety at their respective plant project locations, with zero accident and zero fault track record. They have maintained clean and green environment. Accident Frequency and severity rates are at zero level at all plant locations.

Initial Public Offer (IPO) of the Company

In order to meet the requirement of funds to accomplish the infrastructure projects taken by the company through its subsidiaries, your company proposes to issue of 38136980 Equity Shares of Rs. 10 each at a price as may be determined by the Board with the consent of Book Runner and Lead Managers which is being made through a 100% book building process. The Issue will constitute 11.52% of the fully diluted post Issue paid-up capital of the Company.

Corporate Social Responsibility (CSR)

GMR Group believes corporate entities have a special and continuing responsibility towards the society. The grim reality in India is that millions of people lack basic amenities and live in abject poverty - a situation that cannot be redressed by the Government alone.

GMR Group is fully conscious of its corporate social responsibility and is working towards making a difference to society. With this objective, GMR Group has been focusing in areas of Education, Health, Hygiene, Community service empowerment and enterprenuer development. It has been providing intensive vocational training to the youth and women, particularly those drawn from rural areas, through specialized training. This has opened up employment opportunities for these less advantageous sections of the society. The Group also actively promotes and ensures environment protection and compliances through best industry practices. Group also provides a helping hand to the needy and deserved through contributions, aids, donations etc. through its special purpose vehicles and subsidiary Companies. GMR Varalakshmi Foundation, the CSR arm of GMR group renders yeoman service to the society in this direction.

Annexed to and forming part of Accounts for the year ended March 31, 2006
Schedule P (Contd.)
II. Notes on Accounts

	Financial Year Ended Mar' 06 (Amount in Rupees)	Financial Year Ended Mar' 05 (Amount in Rupees)
A. Contingencies:		
Performance Guarantee from Indian Overseas Bank favoring National Highway Authority of India (NHAI).	NIL	85,000,000
B. Capital Commitments		
Capital Commitments comprises of Contractual Commitments for Capital Expenditure with M/s Etech Engineers & M/s Grandhe Constructions	105,700,812	
Capital Commitments comprises of Contractual Commitments for Capital Expenditure under EPC Agreement with M/s UEDI.		73,934,798
C. Arrears of Dividends		
Arrears of dividend (Taxfree) on various classes of Cumulative Preference Shares from the date of COD (11th Oct' 2004) to 31.03.2006 is Rs.147,399,879 (Up to Prev. Year: Rs.47,211,879) and not provided for in the books of accounts. Details are as follows:		
6,762,040, (Previous Year: 6,762,040) 9.5% (Tax free) Cumulative Redeemable Preference Shares (Series I) of Rs. 100 each, fully paid up	94,511,088	30,271,708
600,000, (Previous Year: 600,000) 9% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series II) of Rs. 100 each, fully paid up	7,944,658	2,544,658
500,000, (Previous Year: 500,000) 9% (Tax free) /13% (Taxable) Cumulative Redeemable Preference Shares (Series III) of Rs. 100 each, fully paid up	6,620,548	2,120,548
1,000,000 (Previous Year: 1,000,000) 9.5% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series IV) of Rs. 100 each, fully paid up	13,976,712	4,476,712
1,741,960 (Previous Year: 1,741,960), 9.5% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series V) of Rs. 100 each, fully paid up	24,346,874	7,798,254
	147,399,879	**47,211,879**
2 Managerial Remuneration		
a. Remuneration	4,946,216	10,461,075
b. Allowances	1,992,220	5,861,739
c. Less: Capitalised during the year	–	8,634,928
	6,938,436	**7,687,886**
3 Payment to Auditors		
a As Auditors		
For Statutory Audit	60,610	54,000
For Tax Audit	55,610	–
b Other Services	16,836	8,100
c. Out of Pocket Expenses	–	–
	133,056	**62,100**
4 Expenditure in Foreign Currency		
a. Travel Expenditure	176,600	–
b. Professional Charges	–	–
c. Others	–	–
	176,600	**–**
5 Interest		
On Fixed loans	319,002,488	254,220,326
Less: Capitalised during the year	–	124,297,290
	319,002,488	**129,923,036**

Annexed to and forming part of Accounts for the year ended March 31, 2006

6 Related Party Disclosures

A. List of related parties along with the nature of relationship

i) Shareholders having substantial interest

UE Development India (P) Ltd.
GMR Power Corporation Ltd.
GMR Infrastructure Limited

ii) Common Control

GMR Tuni Anakapalli Expressways Private Limited

iii) Key Management Personnel

Mr G M Rao, Chairman
B. V. Nageswara Rao, Vice Chairman
Mr O. Bangaru Raju, Managing Director

iv) Common Key Management Personnel (Chairman of the Companies is Common)

GMR Energy Ltd
GMR Hyderabad International Airport Ltd
GMR Tuni Anakapalli Expressways (P) Ltd.
GMR Ambala Chandigarh Expressways (P) Ltd.
GMR Jadcharla Expressways (P) Ltd.
GMR Pochanpalli Expressways (P) Ltd.
GVL Investments (P) Ltd.

Note: In respect of the above parties, there is no doubtful debts as on 31.03.2006 and no amount has been written off or written back during the year in respect of debts due from them/to them.

B. Summary of transactions with the related parties

Managerial Remuneration	Financial Year Ended	
	Mar' 06	Mar' 05
a) Remuneration	4,946,216	10,461,075
b) Allowances	1,992,220	5,861,739
c) Less: Capitalised during the year	–	8,634,928
	6,938,436	**7,687,886**

	Transactions for the year 2005-06				Transactions for the year 2004-05			
	Shareholders having substantial interest	Common Control	Key Mgt Personnel	Total	Share Holders having substantial interest	Common Control	Key Mgt Personnel	Total
Contract Payments	23,936,112	NIL	NIL	23,936,112	1,149,710,535	NIL	NIL	1,149,710,535
Advances	25,952,365	(801,532)	(184,810)	24,966,023	12,478,275	816,050	440,126	13,734,451
Creditors	(17,033,987)	(7,921,477)	(22,523)	(24,977,987)	117,385,259	9,655,107	46,829	127,087,195
Provisions	58,284,731	NIL	NIL	58,284,731	31,891,652	NIL	NIL	31,891,652
Share Application Money	–	1,530,000,000 (1,530,000,000)	–	–	–	–	–	–

Annexed to and forming part of Accounts for the year ended March 31, 2006

7 Details of Purchase and Sale of Investments During the year 2005 - 06.

Scheme	Cost of Acquisition		Sale	
	Units	Amount in Rs.	Units	Amount in Rs.
JM High Liquidity Fund Super Institutional Plan Daily Dividend	127,048,556	1,272,581,861	127,048,556	1,272,581,861
ING Vysya Liquid Fund Super Institutional Daily Dividend Option	105,953,847	1,059,703,352	105,953,847	1,059,703,352
Chola Liquid Institutional Dividend Reinvestment Plan	128,202,322	1,284,225,847	128,202,322	1,284,225,847
Alliance Cash Manager Weekly Dividend	1,151,388	11,517,099	1,151,388	11,517,099
Alliance Cash Manager Daily Dividend	41,500,417	415,008,316	41,500,417	415,008,316
Total	**403,856,529**	**4,043,036,475**	**403,856,529**	**4,043,036,475**

Details of Purchase and Sale of Investments During the year 2004 - 05.

Scheme	Cost of Acquisition		Sale	
	Units	Amount in Rs.	Units	Amount in Rs.
JM High Liquidity Fund Daily Dividend Scheme	15,128,885	151,424,000	15,128,885	151,424,000
Birla Mutual Fund (Daily Dividend Reinvestment Scheme)	16,092,753	173,570,000	16,092,753	173,570,000
Chola Liquid Fund Institutional Plus	8,989,378	90,000,000	8,989,378	90,000,000
Total	**40,211,016**	**414,994,000**	**40,211,016**	**414,994,000**

Dividend received and profit on sale of investment are recognised in the books of accounts.

8 Current Year provision for Tax/MAT has been computed in accordance with the provisions of the Income Tax Act 1961 and provided in the books of account. The Company is eligible to avail of tax holiday under Sec.80 IA of the Inome Tax Act, 1961, so the management has decided to opt for tax holiday in subsequent years.

9 Provision for Fringe Benefit Tax (FBT) has been computed in accordance with the provisions of the Income Tax Act 1961 and provided for in the books of account.

10 The Company has changed the accounting policy on treatment of depreciation on asset costing less than Rs. 5000/-. These assets would be fully depreciated in the year it is incurred. The Management believes that the change in the Accounting Policy would result in a more appropriate presentation of the result of the company. Accordingly a sum of Rs. 62,605/- towards additional depreciation has been charged to Profit & Loss Account as on 31st March' 2006.

If the Company continued to follow the old accounting policy on treatment of the depreciation, the profit for the year & the accumulated reserve as at 31st March 2006 would have been higher by Rs. 62,605/-.

11 Earning per share (EPS) is calculated in accordance with Accounting Standard 20 issued by Institute of Chartered Accountants of India by dividing the Profit attributable to the Equity shareholders by the weighted average number of Equity Shares outstanding during the year:

	Amount in Rs.	
	31-Mar-06	31-Mar-05
Profit after Tax for the year / Period	48,383,362	78,591,159
Less Dividend payable to Preference Shareholders for the current year	100,188,000	47,211,879
Profit after Preference Dividend	**(51,804,638)**	**31,379,279**
Weighted average number of Equity Shares outstanding during the year	1,000,000	1,000,000
Earnings per Share (Loss) {Basic and Diluted}	**(51.80)**	**31.38**

Annexed to and forming part of Accounts for the year ended March 31, 2006

12 Deferred Tax arising on timing differences between book profits and tax profits is not accounted as the same will be reversed during Tax holiday period as mentioned in AS 22 issued by Institute of Chartered Accountants of India.

13 Annuity is a fixed periodic payment (half yearly rests) receivable from NHAI as per Schedule J of the Concession Agreement. The first & second installment of annuity due on 9th May 2005 & 9th Nov' 2005 respectively were received. The revenue till 31st Mar' 2006, has been recognised and accounted on prorata basis.

14 The Company has recognised a sum of Rs. 67,434,667/- as bonus in Financial Year 2004-05. Bonus received from NHAI in April' 2006 is Rs. 65,109,333/-. Accordingly, the Company has reduced its Income by Rs. 2,325,333/- from Current year's Annuity Income in the Financial Year 2005-06.

15 The Company does not have more than one segment to be reported and hence, the Accounting Standard 17 for Segment Reporting as prescribed by Institute of Chartered Accountants of India is not applicable to the Company.

16 The Company is not engaged in any manufacturing activity. Additional information pursuant to paras 3,4,4-C,and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent either 'Nil' or 'Not Applicable' has not been furnished.

17 Previous period figures have been regrouped / reclassified wherever necessary to confirm to current year presentation. Comparison can not be made between current year figures and previous period figures as that corresponds to different periods.

As per our report of even date attached

for **I.S.Prasad & Setty Associates**
Chartered Accountants

For and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-
I.S Prasad	**B. V. Nageswara Rao**	**O.Bangaru Raju**	**M. Mohan Rao**
Partner	Vice Chairman	Managing Director	AVP & Company Secretary

Place : Bangalore
Date : May 6, 2006

Cash Flow Statement as at 31st March 2006

(Amount in Rupees)

	Particulars		As at 31st March 2006	As at 31st March 2005
A	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before Tax and Extraordinary Items		54,077,628	85,278,022
	Adjustment for			
	Depreciation		240,267,186	113,129,203
	Interest and other finance related costs		437,528,973	137,713,829
	Interest received/accrued from Investments		(65,868,266)	(571,539)
	Dividend received from Investments		(8,077,230)	(138,298)
	Profit on Sale of Mutual Fund - Short Term		(162,476)	–
	Forein Exchange Loss		874	–
	Profit on sale of Fixed Assets		–	(73)
	Loss on sale of Fixed Assets		4,050	6,525
	Operating Profit before Working Capital Changes		**657,770,738**	**335,417,668**
	(Increase)/Decrease in Loans and Advances		(26,660,155)	(12,579,451)
	(Increase)/Decrease in Debtors		504,230	(383,780,090)
	Increase/(Decrease) in Current Liabilities and Provisions		22,094,036	(110,359,336)
	(Increase)/Decrease in Miscellaneous Expenditure to the extent not written off or adjusted		–	183,130
	Cash Generated from Operations		**653,708,849**	**(171,118,080)**
	Income Taxes paid		(35,085,825)	(18,381,369)
	Net Cash from Operating Activities	A	**618,623,024**	**(189,499,449)**
B	**CASH FLOW FROM INVESTING ACTIVITIES**			
	(Increase)/Decrease in Fixed Capital Expenditure		(1,328,004)	(901,944,131)
	Interest received/accrued from Investments		65,868,266	571,539
	Dividend received from Investments		8,077,230	138,298
	Profit on Sale of Mutual Fund - Short Term		162,476	–
	Sale Proceeds from disposal of assets		600	7,049
	Net Cash from Investing Activities	B	**72,780,569**	**(901,227,245)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Increase/(Decrease) in Share Capital including Share Appln Money		–	342,496,000
	Increase/(Decrease) in Secured Loans		2,105,572,319	760,023,984
	Interest Paid		(437,528,973)	(137,713,829)
	Net Cash from Financing Activities	C	**1,668,043,346**	**964,806,155**
D	**Net Increase/(Decrease) in Cash and Cash Equivalents**	A+B+C	**2,359,446,939**	**(125,920,539)**
	Cash And Cash Equivalents - Beginning Of Year		**91,319,001**	**217,239,539**
	Cash And Cash Equivalents - end of year		**2,450,765,940**	**91,319,001**
	Cash & Cash Equivalents			
	Cash in Hand & Balance with Banks		2,450,765,066	91,319,002
	Effect of Exchange rate change		874	–
			2,450,765,940	**91,319,002**

Note: 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. Pervious period figures have been regrouped and reclassified to confirm to those of the current year. Comparison can not be made between current year figures and previous period figures as that corresponds to different periods.

As per our report of even date attached

for **I.S.Prasad & Setty Associates**
Chartered Accountants

For and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-
I.S Prasad	**B. V. Nageswara Rao**	**O.Bangaru Raju**	**M. Mohan Rao**
Partner	Vice Chairman	Managing Director	AVP & Company Secretary

Place : Bangalore
Date : May 6, 2006

Balance Sheet Abstract And Company's General Business Profile

1 Registration Details

Registration Number	37199	State Code	01
Balance Sheet Date	31-3-2006		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	–

3 Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)

Total Liabilities	5,983,396	Total assets	5,983,396
Sources of Funds			
Paid - Up Capital	1,070,400	Reserves & Surplus	126,975
Secured Loan	4,786,022	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	3,269,853	Investments	NIL
Net Current Assets	2,713,543	Misc. Expenditure	NIL
Accumulated Losses	NIL		

4 Performance of company (Amount in Rs. Thousands)

Total Income	975,847	Total Expenditure	681,502
+ (-) Profit / (Loss) before Tax	54,078	+ (-) Profit / (Loss) after Tax	48,383
Earnings (Loss) per Share (Rs.)	(51.80)	Dividend rate (%)	NIL

5 Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code) :	N.A	Product Description	N.A

For and on behalf of the Board

Sd/-	Sd/-	Sd/-
B. V. Nageswara Rao	**O.Bangaru Raju**	**M. Mohan Rao**
Vice Chairman	Managing Director	AVP & Company Secretary

Place : Bangalore
Date : May 6, 2006

GMR Ambala Chandigarh Expressways Private Limited

Project Highlights of GMR Ambala Chandigarh Expressways Private Limited

Section	:	Ambala - Chandigarh on NH - 21 & NH - 22 in the States of Haryana & Punjab
Length of the Project	:	35 Kilometers
Type	:	Build, Operate and Transfer (BOT)
Basis	:	Toll
Concession Agreement Date	:	16th November 2005
Concession Period	:	20 Years
Estimated Project Cost	:	Rs. 3,911.36 millions
Financial Closure Date	:	11th May 2006

Board of Directors

Mr. G.M. Rao	Chairman
Mr. Srinivas Bommidala	Director
Mr. G.B.S. Raju	Director
Mr. B.V. Nageswara Rao	Director
Mr. O. Bangaru Raju	Director
Mr. Rajan Krishnan	Director
Mr. K.R. Ramamoorthy	Director
Mr. N.C. Sarabeswaran	Director

Company Secretary

Mr. Shrikant Sharma

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

ING Vysya Bank
Bank of Baroda

Registered Office

25/1, Skip House, Museum Road, Bangalore - 560 025.
Telephone : 080 22270100
Fax : 080 22273633

Site Office

Ranjan Plaza,
Chandigarh Road, Zirakpur, Patiala, Punjab.

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the First Annual Report and the Audited Accounts for the period ended 31st March, 2006 together with the Auditors' Report thereon

Incorporation

Your Company was incorporated on 14th July, 2005 as a Special Purpose Vehicle to implement Highway Project of 35.1 km stretch on Ambala & Chandigarh Section on NH-21 and NH-22 in the States of Punjab & Haryana.

The project was awarded through a competitive bidding process of National Highways Authority of India under National Highways Development Project called NHDP Phase III on BOT basis.

Review of Operations

During the period under review, considerable progress was made on many fronts in the directions of implementing the project as stated below.

Project

Your Company has entered into Concession Agreement with National Highways Authority of India on 16th November, 2005, for implementing the project envisaging improvement, operation and maintenance of rehabilitation and strengthening of existing 2-lane road and widening to 4-lane Dual Carriageway from i) Km 5+735 - Km 39+960 of NH-22 and ii) Km 0+000 - Km 0+871 of NH-21 (Ambala - Chandigarh Section) on Build Operate and Transfer (BOT) Toll basis.

Project Finance

The project cost will be financed by equity and debt components. The Company has received overwhelming response from Lending Institutions and Banks sanctioning the debt requirement. The management is in the process of finalizing the terms of utilization of sanctioned amounts to part finance its project cost.

Your Company is approaching its promoters / sponsors for financial assistance by way of equity / subordinated debt / guarantees to meet the equity requirement of project cost.

The financial closure is expected to be completed by May 2006.

Project Progress

Preliminary project works such as soil survey, investigation, designing etc have been completed. Soil Investigation Agency, Designing consultants, Structure Contractors have been appointed. State Support Agreements have been entered with the Government of Punjab and the Government of Haryana.

Your company is in the process of acquiring necessary permits, consents from the State Authorities from both Punjab and Haryana and other statutory authorities for forest clearance, utilities shifting, evacuation of people from encroached areas etc.

For the project implementation, your Company has appointed the Engineering, Procurement and Construction (EPC) Contractor in terms of Concession Agreement.

Management's endeavor is to execute the works for the implementation of the project as per NHAI schedule.

Finance

During the period upto 31st March 2006 the Company has received Rs.4.79 Crores towards Equity Share Capital (including Rs. 4.78 crores as Share Application money) and incurred an amount of Rs. 4.27 crores on account of various expenses during Construction and Rs. 0.54 crores towards purchase of Fixed Assets and Capital work-in-progress.

Directors' Report

Holding Company

Consequent to acquisition of 51 % of equity shares of the Company by GMR Energy Limited, during the period, your Company has become subsidiary of GMR Energy Limited and also a subsidiary of GMR Infrastructure Limited by virtue of GMR Energy Limited being a subsidiary of GMR Infrastructure Limited.

Directors

The first Directors of the Company are Mr. G Mallikarjuna Rao and Mr. G.B.S Raju and Mr. Srinivas Bommidala.

Mr. O. B. Raju, Mr. B.V. Nageswara Rao and Mr. Rajan Krishnan, Mr. K. R. Ramamoorthy and Mr. N.C. Sarabeswaran were appointed as Additional Directors during the period.

The period of office as Additional Directors for all these Directors expire at the ensuing Annual General Meeting and all these Directors being eligible, are offering themselves for re-appointment.

The Company has received notices from the members, proposing the appointment of Mr. O.B. Raju, Mr. B.V. Nageswara Rao, Mr. Rajan Krishnan, Mr. K.R. Ramamoorthy and Mr. N.C. Sarabeswaran, as Directors at the ensuing Annual General Meeting.

Keeping in view their vast expertise and knowledge, it will be in the interest of the Company that the above persons are appointed as Directors of the Company. The Board of Directors recommend the appointment of these Directors.

Mr. G. M. Rao and Mr. G.B.S. Raju, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors recommend the appointment of these Directors.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

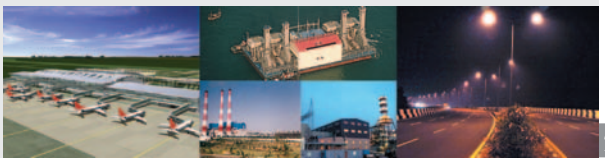
1. that in the preparation of the annual accounts for the period ended March 31, 2006, the applicable accounting standards have been followed and proper explanations were provided for material departures if any.
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the period.
3. that the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. that the Directors had prepared the accounts for the period ended 31st March, 2006 on a going concern basis.

Audit Committee

The Board of the Company has constituted an Audit Committee comprising of Mr. K. R. Ramamoorthy, Chairman of the Committee and Mr. N. C. Sarabeswaran and Mr. B.V. Nageswara Rao as Members.

Auditors

M/s Price Waterhouse, Chartered Accountants, Hyderabad, Statutory Auditors of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them, to the effect that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.



Directors' Report

Auditors' Report

The Notes to Accounts forming part of Annual Accounts are self-explanatory and need no further elaboration. There are no issues raised in Auditors' Report which require any clarification/explanation.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings, and outgo

The particulars as required under sub-section (1)(e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are set out in the annexure "A" as part of this report.

Particulars of Employees

There are no Employees whose Particulars as required to be disclosed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Fixed Deposits

During the year under review, the Company has not accepted any deposits from public.

Acknowledgements

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Punjab & Government of Haryana, National Highways Authority of India and other Central and State Government Agencies and Bank of Baroda, UTI Bank Limited and ING Vysya Bank Limited for their support.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

Place : Bangalore
Date : April 25, 2006

G. M. Rao
Chairman

Annexure "A" To The Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Directors' Report for the period ended 31st March , 2006.

1. **Conservation of energy and technology absorption:**

   Since the company is not engaged in any manufacturing activity the particulars are not applicable.

2. **Foreign Exchange earnings or outgo in Foreign Exchange during the period:**

   The particulars relating to Foreign Exchange Earnings or out go in foreign exchange incurred during the period are:

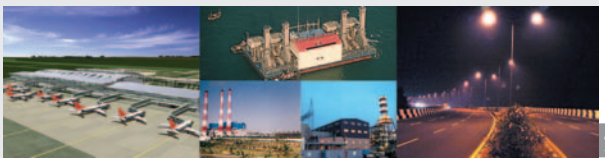
   i) There was no foreign exchange earning during the year.

   ii) Foreign Exchange Outgo - Consultancy Charges - Rs. 4.46 lacs

For and on behalf of the Board

Place : Bangalore
Date : April 25, 2006

G. M. Rao
Chairman



Auditors' Report

To

The Members

GMR Ambala Chandigarh Expressways Private Limited

1. We have audited the attached Balance Sheet of **GMR Ambala Chandigarh Expressways Private Limited** ("the Company"), as at March 31, 2006, and the related Cash Flow Statement for the period ended on that date annexed thereto, which we have signed under reference to this report. No Profit and Loss Account has been prepared for the reason stated in Note II(4) of Schedule 7. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended 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' of India (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 give 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 in paragraph 3 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 purposes of our audit;
   (b) 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;
   (c) The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet 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 Act;
   (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act 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 March 31, 2006;
      (ii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

P. Rama Krishna
Partner
Membership Number 22795

For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Ambala Chandigarh Expressways Private Limited on the financial statements for the period ended March 31, 2006]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the period and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

2. The company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

3. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets. The activities of the company did not involve purchase of inventory and sale of goods and services during the period. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the period to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. As the company is not listed on any stock exchange or the paid-up capital and reserves as at the commencement of the financial year did not exceed Rupees Fifty Lakhs or the average annual turnover for a period of three consecutive financial years immediately preceding the financial year did not exceed Rupees Five Crores, the requirement of the internal audit system as per the clause (vii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004 is not applicable to the company for the current period.

7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.

8. (a) 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 depositing the undisputed statutory dues including provident fund, income-tax, wealth tax and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, investor education and protection fund, employees' state insurance, sales-tax, service tax, customs duty, excise duty and cess are not applicable to the company in the current period.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax and wealth tax which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the company examined by us, sales tax, service tax, customs duty, excise duty and cess are not applicable to the company for the current period.

Annexure To Auditors' Report

9. As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, regarding the erosion of 50% or more of net worth and the cash losses in the current and immediately preceding financial years, is not applicable to the company for the current period.
10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
13. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the period.
14. The company has not obtained any term loans.
15. 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, there are no funds raised on a short-term basis which have been used for long-term investment.
16. The company has not raised any money by public issues during the period.
17. 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 period, nor have we been informed of such case by the management.
18. The other clauses, (i)(c); (ii); (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g); (v)(b); (xi); (xviii) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current period, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P. Rama Krishna
Partner
Membership Number 22795

For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Balance Sheet As At March 31, 2006

(Amount in Rupees)

	Schedule Ref	31st March 2006	
I. Sources of Funds			
1. Shareholders' Funds			
Share Capital	1		100,000
2. Share Application Money pending allotment			47,750,000
Total			**47,850,000**
II. Application of Funds			
1. Fixed Assets	2		
(a) Gross Block		5,342,339	
(b) Less : Depreciation		307,875	
(c) Net Block		5,034,464	
(d) Capital Work in Progress		84,388	
			5,118,852
2. Expenditure during construction period, pending allocation	3		42,747,874
3. Current Assets, Loans and Advances			
(a) Cash and Bank Balances	4	2,205,632	
(b) Loans and Advances	5	1,384,510	
		3,590,142	
Less : Current Liabilities and Provisions	6		
(a) Liabilities		3,387,272	
(b) Provisions		219,596	
		3,606,868	
Net Current Assets			(16,726)
Total			**47,850,000**
Statement on Significant Accounting Policies and Notes to the Accounts	7		

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 the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Sd/-
Shrikant Sharma
Company Secretary

Place : Bangalore
Date : April 25, 2006

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 1	31st March 2006
Share Capital	
Authorised	
10,000 Equity Shares of Rs.10 each	100,000
Issued, Subscribed & Paid Up	
10,000 Equity Shares of Rs.10 each Fully paid up	100,000
Of the above:	
(i) 5,100 Equity Shares are held by GMR Energy Limited, the Holding Company.	
(ii) 4,800 Equity Shares are held by GMR Infrastructure Limited, the ultimate Holding Company.	
Total	**100,000**

Schedules forming part of the Balance Sheet as at March 31, 2006

Schedule 2

Fixed Assets

(Amount in Rupees)

Description	Gross block			Depreciation		Net Block
	Additions	Withdrawals	As at March 31, 2006	For the Year	As at March 31, 2006	As at March 31, 2006
Office Equipment	4,287,092	–	4,287,092	222,022	222,022	4,065,070
Furniture and Fixtures	471,369	–	471,369	85,594	85,594	385,775
Capitalised Software (Note 1)	583,878	–	583,878	259	259	583,619
Total	**5,342,339**	–	**5,342,339**	**307,875**	**307,875**	**5,034,464**
Capital Work in Progress	84,388	–	84,388	–	–	84,388
Grand Total	**5,426,727**	–	**5,426,727**	**307,875**	**307,875**	**5,118,852**

Note: 1. The Capitalised software have useful lives ranging from 6-7 years. Amortisation of these assets is based on straight line method.

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 3	31st March 2006
Expenditure During Construction Period, Pending Allocation (From July 14, 2005 to March 31, 2006)	
Salaries, allowances and benefits to employees	16,834,754
Contribution to provident and other funds	158,122
Staff welfare expenses	632,113
Rent	2,086,415
Rates and taxes	4,811
Repairs and maintenance	
- Buildings	4,044
- Others	169,603
Consultancy and professional charges	6,183,330
Director's sitting fees	10,000
Remuneration to Auditors	
- Audit fees	335,190
Travelling and conveyance	3,693,852
Communication expenses	384,548
Preoperative project expenses	6,766,829
Recruitment expenses	2,455,410
Fringe Benefit Tax	463,815
Depreciation	307,875
Bank/other finance charges	550,367
Loss on exchange fluctuation	76
Miscellaneous expenses	1,696,256
Preliminary expenses	10,464
The above expenditure includes reimbursement to GMR Infrastructure Limited aggregating to Rs.17,835,874.	
Total	**42,747,874**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 4	31st March 2006
Cash and Bank Balances	
Cash on hand	69,602
Balances with scheduled banks	
- On Current accounts	2,136,030
Total	**2,205,632**

(Amount in Rupees)

Schedule 5	31st March 2006
Loans and Advances	
(Unsecured, Considered Good)	
Advances recoverable in cash or in kind or for value to be received*	1,383,510
Deposits with Government Authorities	1,000
Total	**1,384,510**

* Includes amount due from directors as at March 31, 2006 - Rs. 5,00,000.
Maximum amount due at any time during the year was Rs. 5,00,000.

(Amount in Rupees)

Schedule 6	31st March 2006
Current Liabilities and Provisions	
A) Sundry Creditors	
Dues to small scale industrial undertakings	–
Dues to other than small scale industrial undertakings	2,883,377
Other Liabilities	503,895
	3,387,272
B) Provisions	
Provision for Employee Benefits	151,544
Provision for Taxation (Net of Advance Tax)	68,052
	219,596

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7

Statement on Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainities and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition. Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress.

3. Expenditure during Construction Period

The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on "Treatment of expenditure during construction period" issued by the Institute of Chartered Accountants of India. Such expenditure will be allocated to fixed assets on commencement of commercial operations. Any income accrued upon short term investments of funds during construction period is reduced from the Expenditure during Construction Period.

4. Depreciation

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act,1956. Individual Assets costing less than Rs.5,000 are fully depreciated in the year of acquisition.

5. Retirement Benefits

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for Gratuity and Superannuation is funded through a scheme administered by an insurer. Provision for Leave Encashment is made on actual basis based on balance leave as at the year end.

6. Foreign Currency Transaction

All foreign Currency transactions are accounted for at the exchange rate prevailing on the date of transactions. Current Assets and Current Liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss if any, is recognised in the financial statements.

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7 (Contd.)

II. Notes on Accounts

1. **Contingent Liabilities**

   Performance guarantee issued by Bank : Rs. 149,000,000.

2. The Company has been incorporated for the purpose of design, construction, development, improvement, operation and maintenance including strengthening and widening of Ambala - Chandigarh Section on National Highway 21 and 22 in the states of Haryana and Punjab on Build, Operate and Transfer (BOT) basis and the project is under implementation.

3. The Company has not commenced business operation. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period pending allocation in Schedule-3.

4. **Related Party Transactions:**

   a) Names of related parties and description of relationship

(i) Enterprise that Controls the Company	GMR Energy Limited (Holding Company) GMR Infrastructure Limited GMR Holdings Private Limited
(ii) Fellow Subsidiaries	GMR Power Corporation Private Limited Vemagiri Power Generation Limited GMR Mining and Energy Private Limited GMR Tambaram Tindivanam Expressways Private Limited GMR Tuni Anakapalli Expressways Private Limited GMR Hyderabad International Airport Limited GMR Pochanpalli Expressways Private Limited GMR Jadcherla Expressways Private Limited
(ii) Key Management Personnel and relatives	Mr.G.M.Rao Mr.G.B.S.Raju Mr.Srinivas Bommidala

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

(Amount in Rupees)

Nature of Transaction	Holding Company	Balance Payable/ (Receivable)
Share Application Money	47,750,000	–

Notes:

(i) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered.

Schedules forming part of the Balance Sheet as at March 31, 2006

5 The Company has entered into certain operating lease agreements and an amount of Rs.686,400 paid under such agreements has been disclosed as rent under Schedule 3 "Expenditure during construction period, pending allocation". These agreements are cancellable in nature.

6 Since the Project is in development stage, Profit and Loss Account has not been prepared, deferred taxes as per the Accounting Standard (AS-22) on "Accounting For Taxes on Income", issued by the Institute of Chartered Accountants of India has not been recognised.

7 Expenditure in Foreign Currency
a). Consultancy & Professional Charges : Rs. 446,308.

8 Additional information pursuant to paras 3, 4, 4-A, 4-B, 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent "Nil" or "Not Applicable" has not been furnished.

9 The Company was incorporated on 14th July, 2005. This being the first financial year of the company, the disclosure of the previous year figures are not applicable.

As per our report of even date attached

for **Price Waterhouse**
Chartered Accountants

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Sd/-
Shrikant Sharma
Company Secretary

Place : Bangalore
Date : April 25, 2006

Cash Flow Statement for the year ended March 31, 2006

(Amount in Rupees)

Particulars	As at 31st March 2006
A Cash Flow From/(Used In) Operating Activities	
Net Profit Before Tax and Extraordinary Items	–
Operating Profit Before Working Capital Changes	–
Adjustments for:	
Changes in Trade and Other Receivables	(1,384,510)
Changes in Trade Payables	3,538,816
Cash generated from Operations	**2,154,306**
Income Taxes paid	(395,763)
Net Cash from Operating Activities	**1,758,543**
B Cash Flow From/(Used In) Investing Activities	
Purchase of Fixed Assets/Preoperative Expenditure Pending Allocation (including capital work in progress and capital advances)	(47,402,911)
Net Cash used in Investing Activities	**(47,402,911)**
C Cash Flow From/(Used In) Financing Activities	
Proceeds from Share Capital including Share application Money	47,850,000
Net Cash from Financing Activities	**47,850,000**
Net Increase in Cash and Cash Equivalents	**2,205,632**
Cash and Cash Equivalents at the beginning of the year	–
Cash and Cash Equivalents at the end of the year	**2,205,632**

Note:

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.

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

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Sd/-
Shrikant Sharma
Company Secretary

Place : Bangalore
Date : April 25, 2006

Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Registration Number	36773	State Code	08
	Balance Sheet Date	March 31, 2006		
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	47,850.00	Total assets	47,850.00
	Sources of Funds			
	Paid - Up Capital	100.00	Share Appl. Money/Calls in advance	47,750.00
	Reserves & Surplus	NIL	Unsecured Loans	NIL
	Secured Loan	NIL		
	Application of Funds			
	Net Fixed Assets (Incl.Expenditure during Construction Period)	47,866.73	Investments	NIL
	Net Current Assets	(16.73)	Misc. Expenditure	NIL
	Accumulated Losses	–		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	N.A	Total Expenditure	N.A
	+ (-) Profit / (Loss) before Tax	N.A	+ (-) Profit / (Loss) after Tax	N.A
	Earnings (Loss) per Share (Rs.)	N.A	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

Sd/-	**Sd/-**	**Sd/-**
G. M. Rao	**B. V. Nageswara Rao**	**Shrikant Sharma**
Chairman	Director	Company Secretary.

Place : Bangalore
Date : April 25, 2006

GMR Jadcherla Expressways Private Limited

Project Highlights of GMR Jadcherla Expressways Private Limited

Section	:	Thondapalli - Jadcherla on NH - 7 in the State of Andhra Pradesh
Length of the Project	:	58 Kilometers
Type	:	Build, Operate and Transfer (BOT)
Basis	:	Toll
Concession Agreement Date	:	20th February 2006
Concession Period	:	20 Years
Estimated Project Cost	:	Rs. 4, 713 Millions

Board of Directors

Mr. G.M.Rao	Chairman
Mr. Srinivas Bommidala	Director
Mr. G.B.S. Raju	Director
Mr. B.V. Nageswara Rao	Director
Mr. N.C. Sarabeswaran	Director

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

ING Vysya Bank

Registered Office

6-3-866/1/G3, Greenlands, Begumpet, Hyderabad 560 016 A.P. India
Telephone : 040 23410191
Fax : 040 55624443

Site Office

Ayshwarya Nilayam
D.No. 2-161, Solipur, Shadnagar, Mahaboobnagar District, Andhra Pradesh

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the First Annual Report and the Audited Accounts for the period ended 31st March, 2006, together with the Auditors Report thereon.

Incorporation

Your Company was incorporated on 18th October, 2005 as a Special Purpose Vehicle to implement Highway Project of 57.75 km stretch connecting Thondapalli & Jadcherla in the State of Andhra Pradesh.

The project was awarded through International Competitive bidding process of National Highways Authority of India under National Highways Development Project called NHDP Phase II, under North-South Corridor, on BOT basis

Review of Operations

During the period under review, considerable progress was made on many fronts in the directions of implementing the project as stated below.

Project

Your Company has entered into Concession Agreement with National Highways Authority of India on 20th February, 2006, for implementing the highway project envisaging Design, Construction, Development, Finance, Operation & Maintenance of 'Km 34.14 (Farukhnagar) to Km 80.05 (Jadcherla) on NH 7 in the state of Andhra Pradesh" and Improvement, Operation and Maintenance of Km 22.3 (Thondapalli) to Km 34.14 (Farukhnagar) on NH-7 on BOT Toll basis.

Project Finance

The project cost will be financed by equity and debt components. Negotiations are on with Lending Institutions and Banks and the financial closure is expected to be completed by August, 2006.

Project Progress

Preliminary project works have been initiated and your company is in the process of acquiring necessary permits, consents such as Forest clearances for tree cutting, Utility Shifting, etc, from the State Authorities of Andhra Pradesh and other statutory authorities. Your management's endeavor is to execute the works for the implementation of the project as per NHAI schedule.
For the project implementation, your Company is in the process of finalizing the Engineering, Procurement and Construction (EPC) Contractor in terms of Concession Agreement.

Finance

During the period upto 31st March,2006 the Company has received Rs.1.44 Crores towards Equity Share Capital (including Rs. 1.43 crores as Share Application money) and incurred an amount of Rs. 1.51 crores on account of Expenditure (part of expenditure is in Current Liabilities) during Construction and Rs. 0.08 crores towards purchase of Fixed Assets and Capital work-in-progress.

Holding Company

Consequent to acquisition of equity shares of the Company by GMR Infrastructure Limited during the period, your company has become subsidiary of GMR Infrastructure Limited.

Directors

The First Directors of the Company are Mr. G. Mallikarjuna Rao and Mr. G.B.S Raju and Mr. Srinivas Bommidala.

Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran were co-opted as Additional Directors during the period and they shall hold the office of Directors upto the date of ensuing Annual General Meeting.

Being eligible, Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran have offered themselves for re-appointment.

The Company has received notices from the members, proposing the appointment of Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran, as Directors at the ensuing Annual General Meeting.

Directors' Report

Keeping in view their vast expertise and knowledge, it will be in the interest of the Company that the above persons are appointed as Directors of the Company. The Board of Directors recommend the appointment of these Directors.

Mr. G.M. Rao and Mr. G.B.S. Raju, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors recommend the appointment of these Directors.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the period ended March 31, 2006 the applicable accounting standards have been followed and proper explanations were provided for material departures if any.
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the period.
3. that the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. that the Directors had prepared the accounts for the period ended 31st March, 2006 on a going concern basis.

Auditors

M/s Price Waterhouse, Chartered Accountants, Hyderabad Statutory Auditors of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them, to the effect that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

Auditors' Report

The Notes to Accounts forming part of Annual Accounts are self-explanatory and need no further elaboration. There are no issues raised in Auditors' Report which require any clarification/explanation.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings, and outgo

The particulars as required under sub-section (1)(e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 , are set out in the annexure "A" as part of this report.

Particulars of Employees

There are no Employees whose Particulars as required to be disclosed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Fixed Deposits

During the year under review, the Company has not accepted any deposits from public.

Acknowledgements

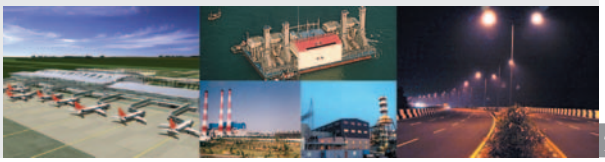
Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Andhra Pradesh, National Highways Authority of India and other Central and State Government Agencies and ING Vysya Bank Limited and ICICI Bank Limited for their support.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

Place : Bangalore
Date : April 25, 2006

G. M. Rao
Chairman



Annexure "A" To The Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Directors' Report for the period ended 31st March, 2006.

1. Conservation of energy and technology absorption:

Since the company is not engaged in any manufacturing activity the particulars are not applicable.

2. Foreign Exchange earnings or outgo in Foreign Exchange during the period:

The particulars relating to Foreign Exchange Earnings or out go in foreign exchange incurred during the period are:

i) There was no foreign exchange earning during the year.

ii) There was no foreign exchange Outgo during the year.

For and on behalf of the Board

Place : Bangalore
Date : April 25, 2006

G. M. Rao
Chairman

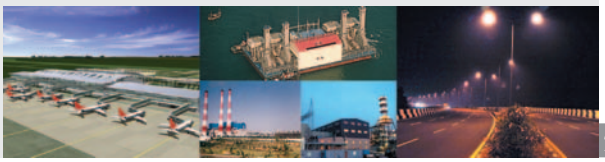
Auditors' Report

To
The Members
GMR Jadcherla Expressways Private Limited

1. We have audited the attached Balance Sheet of **GMR Jadcherla Expressways Private Limited** ("the Company"), as at March 31, 2006, and the related Cash Flow Statement for the period ended on that date annexed thereto, which we have signed under reference to this report. No Profit and Loss Account has been prepared for the reason stated in Note II(4) of Schedule 7. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended 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' of India (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 give 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 in paragraph 3 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 purposes of our audit;
   (b) 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;
   (c) The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet 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 Act;
   (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act 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 March 31, 2006;
      (ii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006



Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Jadcherla Expressways Private Limited on the financial statements for the period ended March 31, 2006]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the period and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

2. The company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

3. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets. The activities of the company did not involve purchase of inventory and sale of goods and services during the period. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the period to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. As the company is not listed on any stock exchange or the paid-up capital and reserves as at the commencement of the financial year did not exceed Rupees Fifty Lakhs or the average annual turnover for a period of three consecutive financial years immediately preceding the financial year did not exceed Rupees Five Crores, the requirement of the internal audit system as per the clause (vii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004 is not applicable to the company for the current period.

7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.

8. (a) 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 depositing the undisputed statutory dues including provident fund, income-tax, wealth tax and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, investor education and protection fund, employees' state insurance, sales-tax, service tax, customs duty, excise duty and cess are not applicable to the company in the current period.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax and wealth tax which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the company examined by us, sales tax, service tax, customs duty, excise duty and cess are not applicable to the company for the current period.

Annexure To Auditors' Report

9. As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, regarding the erosion of 50% or more of net worth and the cash losses in the current and immediately preceding financial years, is not applicable to the company for the current period.
10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
13. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the period.
14. The company has not obtained any term loans.
15. 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, there are no funds raised on a short-term basis which have been used for long-term investment.
16. The company has not raised any money by public issues during the period.
17. 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 period, nor have we been informed of such case by the management.
18. The other clauses, (i)(c); (ii); (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g); (v)(b); (xi); (xviii) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current period, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Balance Sheet As At March 31, 2006

(Amount in Rupees)

	Schedule Ref	31st March 2006	
I. Sources of Funds			
1. Shareholders' Funds			
Share Capital	1		100,000
2. Share Application Money, pending allotment			14,300,000
Total			**14,400,000**
II. Application of Funds			
1. **Fixed Assets**	2		
(a) Gross Block		813,730	
(b) Less : Depreciation		15,828	
(c) Net Block			797,902
2. **Expenditure during construction period, pending allocation**	3		15,109,417
3. **Current Assets, Loans and Advances**			
(a) Cash and Bank Balances	4	680,737	
(b) Loans and Advances	5	275,197	
		955,934	
Less : Current Liabilities and Provisions	6		
(a) Liabilities		2,350,248	
(b) Provisions		113,005	
		2,463,253	
Net Current Assets			(1,507,319)
Total			**14,400,000**
Statement on Significant Accounting Policies and Notes to the Accounts	7		

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 the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 1	31st March 2006
Share Capital	
Authorised	
10,000 Equity Shares of Rs.10 each	100,000
Issued, Subscribed & Paid Up	
10,000 Equity Shares of Rs.10 each Fully paid up	100,000
Of the above:	
(i) 5,100 Equity Shares are held by GMR Infrastructure Limited, the Holding Company.	
(ii) 1,000 Equity Shares are held by GMR Energy Limited, subsidiary of the Holding Company.	
Total	**100,000**

Schedules forming part of the Balance Sheet as at March 31, 2006

Schedule 2

Fixed Assets

(Amount in Rupees)

Description	Gross block			Depreciation		Net Block
	Additions	Withdrawals	As at March 31, 2006	For the Year	As at March 31, 2006	As at March 31, 2006
Office Equipment	229,852	–	229,852	15,569	15,569	214,283
Capitalised Software (Note 1)	583,878	–	583,878	259	259	583,619
Total	**813,730**	**–**	**813,730**	**15,828**	**15,828**	**797,902**

Note: 1. The Capitalised software have useful lives ranging from 6-7 years. Amortisation of these assets is based on straight line method.

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 3	31st March 2006
Expenditure During Construction Period, Pending Allocation (From October 18, 2005 to March 31, 2006)	
Salaries, allowances and benefits to employees	3,527,366
Contribution to provident and other funds	73,413
Staff welfare expenses	279,432
Rent	1,746,002
Rates and taxes	940
Repairs and maintenance	
- Others	140,365
Consultancy and professional charges	614,037
Remuneration to Auditors	
- Audit fees	224,480
Travelling and conveyance	670,245
Communication expenses	81,427
Preoperative project expenses	6,757,786
Recruitment expenses	392,678
Fringe Benefit Tax	121,576
Depreciation	15,828
Bank/other finance charges	220,775
Miscellaneous expenses	229,418
Preliminary expenses	13,649
The above expenditure includes reimbursement to GMR Infrastructure Limited aggregating to Rs.6,865,365.	
Total	**15,109,417**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 4	31st March 2006
Cash and Bank Balances	
Cash on hand	25,127
Balances with scheduled banks	
- On Current accounts	655,610
Total	**680,737**

(Amount in Rupees)

Schedule 5	31st March 2006
Loans and Advances	
(Unsecured, Considered Good)	
Advances recoverable in cash or in kind or for value to be received	275,197
Total	**275,197**

(Amount in Rupees)

Schedule 6	31st March 2006
Current Liabilities and Provisions	
A) Sundry Creditors	
Dues to small scale industrial undertakings	–
Dues to other than small scale industrial undertakings	2,098,991
Other Liabilities	251,257
	2,350,248
B) Provisions	
Provision for Employee Benefits	42,368
Provision for Taxation (Net of Advance Tax)	70,637
	113,005

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7

Statement on Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainities and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Acountants of India.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition.

3. Expenditure during Construction Period

The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on "Treatment of expenditure during construction period" issued by the Institute of Chartered Accountants of India. Such expenditure will be allocated to fixed assets on commencement of commercial operations. Any income accrued upon short term investments of funds during construction period is reduced from the Expenditure during Construction period.

4. Depreciation

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act,1956. Individual Assets costing less than Rs.5,000 are fully depreciated in the year of acquisition.

5. Retirement Benefits

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for Gratuity and Superannuation is funded through a scheme administered by an insurer. Provision for Leave Encashment is made on actual basis on balance leave as at the year end.

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7 (Contd.)

II. Notes on Accounts

1. **Contingent Liabilities**

   Performance guarantee issued by Bank : Rs. 133,590,000.

2. The Company has been incorporated for the purpose of design, construction, development, finance, operation and maintenance of Farukhnagar to Jadcherla section and improvement, operation and maintenance of Thondapalli to Farukhnagar section on National Highway 7 in the state of Andhra Pradesh on Build Operate and Transfer (BOT) Basis and project is under implementation.

3. The Company has not commenced business operation. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation in Schedule-3.

4. **Details of transcations with Related Parties:**

   a) Names of related parties and description of relationship

(i) Enterprise that Controls the Company	GMR Infrastructure Limited (Holding Company) GMR Holdings Private Limited
(ii) Fellow Subsidiaries	GMR Energy Limited GMR Hyderabad International Airport Limited GMR Pochanpalli Expressways Private Limited GMR Ambala Chandigarh Expressways Private Limited GMR Power Corporation Private Limited Vemagiri Power Generation Limited GMR Mining and Energy Private Limited GMR Tamabaram Tindivanam Expressways Private Limited GMR Tuni Anakapalli Expressways Private Limited
(ii) Key Management Personnel and relatives	Mr.G.M.Rao Mr.G.B.S.Raju Mr.Srinivas Bommidala

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

(Amount in Rupees)

Nature of Transaction	Holding Company	Balance Payable/ (Receivable)
Share Application Money	14,300,000	–

Notes:

(i) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered.

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7 (Contd.)

5. The Company has entered into certain operating lease agreements and an amount of Rs.346,000 paid under such agreements has been disclosed as rent under Schedule 3 "Expenditure during construction period, pending allocation". These agreements are cancellable in nature.

6. Since the Project is in development stage, Profit and Loss Account has not been prepared, deferred taxes as per the Accounting Standard (AS-22) on "Accounting For Taxes on Income", issued by the Institute of Chartered Accountants of India has not been recognised.

7. Additional information pursuant to paras 3, 4, 4-A, 4-B, 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent "Nil" or "Not Applicable" has not been furnished.

8. The Company was incorporated on 18th October, 2005. This being the first financial year of the company, the disclosure of the previous year figures are not applicable.

As per our report of even date attached

for **Price Waterhouse**
Chartered Accountants

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Place : Bangalore
Date : April 25, 2006

Cash Flow Statement for the year ended March 31, 2006

(Amount in Rupees)

Particulars	31st March 2006
A Cash Flow From/(Used In) Operating Activities	
Net Profit Before Tax and Extraordinary Items	–
Operating Profit Before Working Capital Changes	–
Adjustments for:	
Changes in Trade and Other Receivables	(275,197)
Changes in Trade Payables	2,392,616
Cash generated from Operations	**2,117,419**
Income Taxes paid	(50,939)
Net Cash from Operating Activities	**2,066,480**
B Cash Flow From/(Used In) Investing Activities	
Purchase of Fixed Assets/Preoperative Expenditure Pending Allocation	(15,785,743)
Net Cash used in Investing Activities	**(15,785,743)**
C Cash Flow From/(Used In) Financing Activities	
Proceeds from Share Capital including Share application Money	14,400,000
Net Cash from Financing Activities	**14,400,000**
Net Increase in Cash and Cash Equivalents	**680,737**
Cash and Cash Equivalents at the beginning of the year	**-**
Cash and Cash Equivalents at the end of the year	**680,737**

Note:

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.

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

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Registration Number	47800	State Code	01
	Balance Sheet Date	March 31, 2006		
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	14,400.00	Total assets	14,400.00
	Sources of Funds			
	Paid - Up Capital	100.00	Share Appl. Money/Calls in advance	14,300.00
	Reserves & Surplus	NIL	Unsecured Loans	NIL
	Secured Loan	NIL		
	Application of Funds			
	Net Fixed Assets (Incl.Expenditure during Construction Period)	15,907.32	Investments	NIL
	Net Current Assets	(1,507.32)	Misc. Expenditure	NIL
	Accumulated Losses	–		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	N.A	Total Expenditure	N.A
	+ (-) Profit / (Loss) before Tax	N.A	+ (-) Profit / (Loss) after Tax	N.A
	Earnings (Loss) per Share (Rs.)	N.A	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

Sd/-	**Sd/-**
G. M. Rao	**B. V. Nageswara Rao**
Chairman	Director

Place : Bangalore
Date : April 25, 2006

GMR Pochanpalli Expressways Private Limited

Project Highlights of GMR Pochanpalli Expressways Private Limited

Section	:	Adloor Yella Reddy - Gundla Pochanpalli on NH - 7 in the State of Andhra Pradesh
Length of the Project	:	98 Kilometers
Type	:	Build, Operate and Transfer (BOT)
Basis	:	Annuity
Concession Agreement Date	:	31st March 2006
Concession Period	:	20 Years
Estimated Project Cost	:	Rs. 6,900 Millions

Board of Directors

Mr. G.M.Rao	Chairman
Mr. Srinivas Bommidala	Director
Mr. G.B.S. Raju	Director
Mr. B. V. Nageswara Rao	Director
Mr. N.C. Sarabeswaran	Director

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

ING Vysya Bank

Registered Office

6-3-866/1/G3, Greenlands, Begumpet, Hyderabad 560 016 A.P. India
Telephone : 040 23410191
Fax : 040 55624443

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the First Annual Report and the Audited Accounts for the period ended 31st March, 2006, together with the Auditors Report thereon.

Incorporation

Your Company was incorporated on 18th October, 2005 as a Special Purpose Vehicle to implement Highway Project of 97.75 km stretch connecting Adloor Yellareddy & Gundla Pochanpalli in the State of Andhra Pradesh.

The project was awarded through International Competitive bidding process of National Highways Authority of India under National Highways Development Project called NHDP Phase II, under North-South Corridor, on BOT basis.

Review of Operations

During the period under review, considerable progress was made on many fronts in the directions of implementing the project as stated below.

Project

Your Company has entered into Concession Agreement with National Highways Authority of India on 31st March, 2006, for implementing the highway project envisaging Design, Construction, Development, Finance, Operation and Maintenance of 'Km 367.000 (Adloor Yellareddy) to Km 447.000 (Kalkallu) covering 80.745 kilometres and Improvement, Operation and Maintenance of Km 447.000 (Kalkallu) - Km 464.000 (Gundla Pochan Palli) covering 17.000 kilometres on NH-7 in the state of Andhra Pradesh on BOT - Annuity basis.

Project Finance

The project cost will be financed by equity and debt components. Negotiations are in final stage with Lenders and the financial closure is expected to be completed by September, 2006.

Project Progress

Preliminary project works have been initiated and your company is in the process of acquiring necessary permits, consents such as Forest clearances for tree cutting, Utility Shifting, etc, from the State Authorities of Andhra Pradesh and other statutory authorities. Your management's endeavor is to execute the works for the implementation of the project as per NHAI schedule.

For the project implementation, your Company is in the process of finalizing the Engineering, Procurement and Construction (EPC) Contractor in terms of Concession Agreement.

Finance

During the period upto 31st March, 2006 the Company has received Rs.1.19 Crores towards Equity Share Capital (including Rs. 1.18 crores as Share Application money) and incurred an amount of Rs. 1.15 crores on account of Expenditure) during Construction and Rs. 0.06 crores towards purchase of Fixed Assets and Capital work-in-progress.

Holding Company

Consequent to acquisition of equity shares of the Company by GMR Infrastructure Limited, during the period, your company has become subsidiary of GMR Infrastructure Limited.

Directors

The First Directors of the Company are Mr. G. Mallikarjuna Rao and Mr. G.B.S Raju and Mr. Srinivas Bommidala.

Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran were co-opted as Additional Directors during the period and they shall hold the office of Directors upto the date of ensuing Annual General meeting.

Being eligible, Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran have offered themselves for re-appointment.

The Company has received notices from the members, proposing the appointment of Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran, as Directors at the ensuing Annual General Meeting.

Directors' Report

Keeping in view their vast expertise and knowledge, it will be in the interest of the Company that the above persons are appointed as Directors of the Company. The Board of Directors recommend the appointment of these Directors.
Mr. G.M. Rao and Mr. G.B.S. Raju, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors recommend the appointment of these Directors.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the period ended March 31, 2006 the applicable accounting standards have been followed and proper explanations were provided for material departures if any.
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the period.
3. that the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. that the Directors had prepared the accounts for the period ended 31st March, 2006 on a going concern basis.

Auditors

M/s Price Waterhouse, Chartered Accountants, Hyderabad Statutory Auditors of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them, to the effect that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

Auditors' Report

The Notes to Accounts forming part of Annual Accounts are self-explanatory and need no further elaboration. There are no issues raised in Auditors' Report which require any clarification/explanation.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings, and outgo

The particulars as required under sub-section (1) (e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 , are set out in the annexure "A" as part of this report.

Particulars of Employees

There are no Employees whose Particulars as required to be disclosed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Fixed Deposits

During the year under review, the Company has not accepted any deposits from public.

Acknowledgements

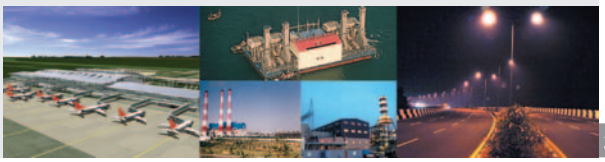
Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Andhra Pradesh, National Highways Authority of India and other Central and State Government Agencies and ING Vysya Bank Limited and ICICI Bank Limited for their support.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

Place : Bangalore
Date : April 25 ,2006

G. M. Rao
Chairman



Annexure "A" To The Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Directors' Report for the period ended 31st March , 2006.

1. Conservation of energy and technology absorption:

Since the company is not engaged in any manufacturing activity the particulars are not applicable.

2. Foreign Exchange earnings or outgo in Foreign Exchange during the period:

The particulars relating to Foreign Exchange Earnings or out go in foreign exchange incurred during the period are:

i) There was no foreign exchange earning during the year.

ii) There was no foreign exchange Outgo during the year.

For and on behalf of the Board

Place : Bangalore
Date : April 25 ,2006

G. M. Rao
Chairman

Auditors' Report

To

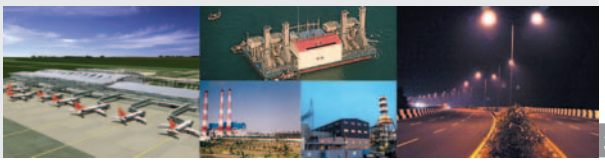
The Members

GMR Pochanpalli Expressways Private Limited

1. We have audited the attached Balance Sheet of **GMR Pochanpalli Expressways Private Limited** ("the Company"), as at March 31, 2006, and the related Cash Flow Statement for the period ended on that date annexed thereto, which we have signed under reference to this report. No Profit and Loss Account has been prepared for the reason stated in Note II(4) of Schedule 7. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended 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' of India (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 give 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 in paragraph 3 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 purposes of our audit;
   (b) 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;
   (c) The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet 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 Act;
   (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act 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 March 31, 2006;
      (ii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25 ,2006



Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Pochanpalli Expressways Private Limited on the financial statements for the period ended March 31, 2006]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the period and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

2. The company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

3. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets. The activities of the company did not involve purchase of inventory and sale of goods and services during the period. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the period to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. As the company is not listed on any stock exchange or the paid-up capital and reserves as at the commencement of the financial year did not exceed Rupees Fifty Lakhs or the average annual turnover for a period of three consecutive financial years immediately preceding the financial year did not exceed Rupees Five Crores, the requirement of the internal audit system as per the clause (vii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004 is not applicable to the company for the current period.

7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.

8. (a) 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 depositing the undisputed statutory dues including provident fund, income-tax, wealth tax and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, investor education and protection fund, employees' state insurance, sales-tax, service tax, customs duty, excise duty and cess are not applicable to the company in the current period.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax and wealth tax which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the company examined by us, sales tax, service tax, customs duty, excise duty and cess are not applicable to the company for the current period.

Annexure To Auditors' Report

9. As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, regarding the erosion of 50% or more of net worth and the cash losses in the current and immediately preceding financial years, is not applicable to the company for the current period.
10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
13. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the period.
14. The company has not obtained any term loans.
15. 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, there are no funds raised on a short-term basis which have been used for long-term investment.
16. The company has not raised any money by public issues during the period.
17. 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 period, nor have we been informed of such case by the management.
18. The other clauses, (i)(c); (ii); (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g); (v)(b); (xi); (xviii) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current period, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalroe
Date : April 25 ,2006

Balance Sheet As At March 31, 2006

(Amount in Rupees)

	Schedule Ref	31st March 2006	
I. Sources of Funds			
1. Shareholders' Funds			
Share Capital	1		100,000
2. Share Application Money, pending allotment			11,800,000
Total			**11,900,000**
II. Application of Funds			
1. **Fixed Assets**	2		
(a) Gross Block		583,878	
(b) Less : Depreciation		259	
(c) Net Block			583,619
2. **Expenditure during construction period, pending allocation**	3		11,486,694
3. **Current Assets, Loans and Advances**			
(a) Cash and Bank Balances	4	895,816	
(b) Loans and Advances	5	33,153	
		928,969	
Less : Current Liabilities and Provisions	6		
(a) Liabilities		1,089,139	
(b) Provisions		10,143	
		1,099,282	
Net Current Assets			(170,313)
Total			**11,900,000**
Statement on Significant Accounting Policies and Notes to the Accounts	7		

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 the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G. M. Rao
Chairman

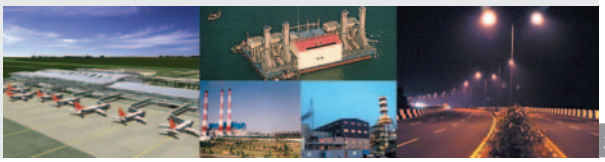
Sd/-
B. V. Nageswara Rao
Director

Place : Bangalore
Date : April 25 ,2006

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 1	31st March 2006
Share Capital	
Authorised	
10,000 Equity Shares of Rs.10 each	100,000
Issued, Subscribed & Paid Up	
10,000 Equity Shares of Rs.10 each Fully paid up	100,000
Of the above:	
(i) 5,100 Equity Shares are held by GMR Infrastructure Limited, the Holding Company.	
(ii) 1,000 Equity Shares are held by GMR Energy Limited, subsidiary of the Holding Company.	
Total	**100,000**



Schedules forming part of the Balance Sheet as at March 31, 2006

Schedule 2

Fixed Assets

(Amount in Rupees)

Description	Gross block			Depreciation		Net Block
	Additions	Withdrawals	As at March 31, 2006	For the Year	As at March 31, 2006	As at March 31, 2006
Capitalised Software (Note 1)	583,878	-	583,878	259	259	583,619
Total	**583,878**	**-**	**583,878**	**259**	**259**	**583,619**

Note: 1. The Capitalised software have useful lives ranging from 6-7 years. Amortisation of these assets is based on straight line method.

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 3	31st March 2006
Expenditure During Construction Period, Pending Allocation (From October 18, 2005 to March 31, 2006)	
Salaries, allowances and benefits to employees	2,428,000
Staff welfare expenses	399
Rent	1,400,002
Rates and taxes	200
Repairs and maintenance	
- Others	140,365
Consultancy and professional charges	17,580
Remuneration to Auditors	
- Audit fees	224,480
Travelling and conveyance	87,097
Communication expenses	2,087
Preoperative project expenses	6,757,786
Fringe Benefit Tax	23,349
Depreciation	259
Bank/other finance charges	228,126
Miscellaneous expenses	163,316
Preliminary expenses	13,649
The above expenditure includes reimbursement to GMR Infrastructure Limited aggregating to Rs.6,865,365.	
Total	**11,486,694**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 4	31st March 2006
Cash and Bank Balances	
Balances with scheduled banks	
- On Current accounts	895,816
Total	**895,816**

(Amount in Rupees)

Schedule 5	31st March 2006
Loans and Advances	
(Unsecured, Considered Good)	
Advances recoverable in cash or in kind or for value to be received	33,153
Total	**33,153**

(Amount in Rupees)

Schedule 6	31st March 2006
Current Liabilities and Provisions	
A) Sundry Creditors	
Dues to small scale industrial undertakings	–
Dues to other than small scale industrial undertakings	1,034,722
Other Liabilities	54,417
	1,089,139
B) Provisions	
Provision for Taxation (Net of Advance Tax)	10,143
	10,143

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7

Statement on Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainities and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition.

3. Expenditure during Construction Period

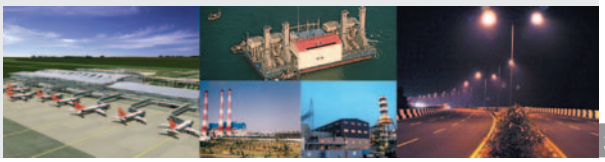
The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on "Treatment of expenditure during construction period" issued by the Institute of Chartered Accountants of India. Such expenditure will be allocated to fixed assets on commencement of commercial operations. Any income accrued upon short term investments of funds during construction period is reduced from the Expenditure during Construction Period.

4. Depreciation

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act,1956. Individual Assets costing less than Rs.5,000 are fully depreciated in the year of acquisition.

5. Retirement Benefits

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for Gratuity and Superannuation is funded through a scheme administered by an insurer. Provision for Leave Encashment is made on actual basis based on balance leave as at the year end.



Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7 (Contd.)

II. Notes on Accounts

1. **Contingent Liabilities**

   Performance guarantee issued by Bank : Rs. 273,075,000.

2. The Company has been incorporated for the purpose of design, construction, development, improvement, operation and maintenance including strengthening and widening of Adloor Yellareddy to Kalkallu section on National Highway 7 in the state of Andhra Pradesh on Build Operate and Transfer (BOT) Basis and project is under implementation.

3. The Company has not commenced business operation. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation in Schedule-3.

4. **Details of transcations with Related Parties:**

   a) Names of related parties and description of relationship

(i) Enterprise that Controls the Company	GMR Infrastructure Limited (Holding Company) GMR Holdings Private Limited
(ii) Fellow Subsidiaries	GMR Energy Limited GMR Hyderabad International Airport Limited GMR Jadcherla Expressways Private Limited GMR Ambala Chandigarh Expressways Private Limited GMR Power Corporation Private Limited Vemagiri Power Generation Limited GMR Mining and Energy Private Limited GMR Tamabaram Tindivanam Expressways Private Limited GMR Tuni Anakapalli Expressways Private Limited
(ii) Key Management Personnel and relatives	Mr.G.M.Rao Mr.G.B.S.Raju Mr.Srinivas Bommidala

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

(Amount in Rupees)

Nature of Transaction	Holding Company	Balance Payable/ (Receivable)
Share Application Money	11,800,000	–

Notes:

(i) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered.

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7 (Contd.)

5. Since the Project is in development stage, Profit and Loss Account has not been prepared, deferred taxes as per the Accounting Standard (AS-22) on "Accounting For Taxes on Income", issued by the Institute of Chartered Accountants of India has not been recognised.

6. Additional information pursuant to paras 3, 4, 4-A, 4-B, 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent "Nil" or "Not Applicable" has not been furnished.

7. The Company was incorporated on 18th October, 2005. This being the first financial year of the company, the disclosure of the previous year figures are not applicable.

As per our report of even date attached

for **Price Waterhouse**
Chartered Accountants

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Place: Bangalore
Date : April 25 ,2006

Cash Flow Statement for the year ended March 31, 2006

(Amount in Rupees)

Particulars	31st March 2006
A Cash Flow From/(Used In) Operating Activities	
Net Profit Before Tax and Extraordinary Items	–
Operating Profit Before Working Capital Changes	–
Adjustments for:	
Changes in Trade and Other Receivables	(33,153)
Changes in Trade Payables	1,089,139
Cash generated from Operations	**1,055,986**
Income Taxes paid	(13,206)
Net Cash from Operating Activities	**1,042,780**
B Cash Flow From/(Used In) Investing Activities	
Purchase of Fixed Assets/Preoperative Expenditure Pending Allocation	(12,046,964)
Net Cash used in Investing Activities	**(12,046,964)**
C Cash Flow From/(Used In) Financing Activities	
Proceeds from Share Capital including Share application Money	11,900,000
Net Cash from Financing Activities	**11,900,000**
Net Increase in Cash and Cash Equivalents	**895,816**
Cash and Cash Equivalents at the beginning of the year	**–**
Cash and Cash Equivalents at the end of the year	**895,816**

Note:

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.

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

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25 ,2006

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

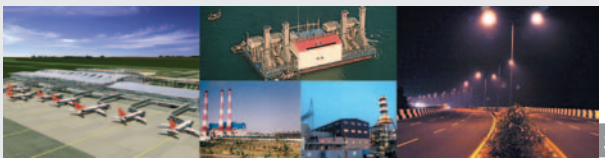
Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Registration Number	47799	State Code	01
	Balance Sheet Date	March 31, 2006		
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	11,900.00	Total assets	11,900.00
	Sources of Funds			
	Paid - Up Capital	100.00	Share Appl. Money/Calls in advance	11,800.00
	Reserves & Surplus	NIL	Unsecured Loans	NIL
	Secured Loan	NIL		
	Application of Funds			
	Net Fixed Assets (Incl.Expenditure during Construction Period)	12,070.31	Investments	NIL
	Net Current Assets	(170.31)	Misc. Expenditure	NIL
	Accumulated Losses	–		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	N.A	Total Expenditure	N.A
	+ (-) Profit / (Loss) before Tax	N.A	+ (-) Profit / (Loss) after Tax	N.A
	Earnings (Loss) per Share (Rs.)	N.A	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

Sd/-	**Sd/-**
G. M. Rao	**B. V. Nageswara Rao**
Chairman	Director

Place : Bangalore
Date : April 25 ,2006



GMR Hyderabad International Airport Limited

Project Highlights of GMR Hyderabad International Airport Limited

Location:	Hyderabad, India
Airport Opening Date:	Scheduled Commercial Operation Date: April 2008
Principal EPC Contractors involved:	Larsen & Toubro - Airside & Landside Works China State Construction & Engineering (HK) - Passenger Terminal Building Works
Total investment:	Rs.17, 600 million - USD 390 Million

Key Features:

- India's foremost Greenfield airport developed under Public-Private initiative
- 7 million pax per annum initial capacity,
- Code-F (A-380) compatible runway,
- Parallel taxiway to be used for emergency take-off
- Modular Terminal Building, - initial capacity of 1,0600 sq.m.
- Hotels and Convention Facilities,
- State of art IT technology,
- 1,00000 MT initial capacity of Cargo terminal
- Fuel Farm, Flight catering, Aircraft MRO etc
- Excellent connectivity from city
- 'Airport Village' a place for meeters and greeters

Board of Directors

Mr. G. M. Rao	Chairman
Mr. Kiran Kumar Grandhi	Managing Director
Mr. Binoy Kumar, IAS	Director
Mr. P. Ramakanth Reddy, IAS	Director
Mr. K. Ramalingam	Director
Mr. Sanjay Narayen IAS	Director
Mr. Dato' Bashir Ahmad Bin Abdul Majid	Director
Mr. R.S.S.L.N. Bhaskarudu	Director
Mr. B V Nageswara Rao	Director
Mr. K Balasubramanian	Director
Prof. Rigas Doganis	Director
Mr. Sunil Tandon	Director
Mr. K Brahmananda Reddy	- Alternate to Mr. Binoy Kumar, IAS
Mr. T S Appa Rao, IAS	- Alternate to Mr. P Ramakanth Reddy, IAS
Mr. K V K Seshavataram	- Alternate to Mr. Prof. Rigas Doganis
Mr. Dato' Abd. Hamid B. Mohd. Ali	- Alternate to Dato' Bashir Ahmad Bin Abdul Majid

AVP (Fin & Accts) & Company Secretary

Mr Rajgopal Swami

Audit Committee Members

Mr. P. Ramakanth Reddy	Chairman
Mr. B.V. Nageswara Rao	Member
Mr. K. Balasubramanian	Member
Mr. K.V.K. Seshavatarm	Member

Auditors

Statutory Auditors
Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

Allahabad Bank, Bank of Baroda
Oriental Bank of Commerce
Canara Bank.
State Bank of Hyderabad
Industrial Development Bank of India Ltd, Vijaya Bank
Infrastructure Development Finance Company Ltd

Registered Office

Aparna Crest, 3rd Floor, Banjara Hills Road No.2, Hyderabad 500 034 A.P. India
Telephone : 040 6672333
Fax : 040 66462626
www.newhyderabadairport.com

Directors' Report

To
The Members,
GMR Hyderabad International Airport Limited

Your Directors have pleasure in presenting the Third Annual Report and the Audited Accounts for the year ended March 31, 2006, together with the Auditors' Report thereon. During the year under review, the name of your company has been changed from Hyderabad International Airport Limited to **GMR Hyderabad International Airport Limited.**

Snapshot of activities for 2005-06

A year after Smt. Sonia Gandhi laid the Foundation Stone for GMR Hyderabad International Airport Limited, an annual review was held by Shri. Y. S. Rajasekhara Reddy, Chief Minister of Andhra Pradesh.

The financial year 2005-06 which was very eventful saw the start of many major activities.

- Your company achieved Financial Closure and the documents were signed on 22nd August 2005.
- The project received clearance from the Bureau of Civil Aviation Security (BCAS) in the month of June 2005.
- Your company had its representation in the first HADA Board Meeting which was held on 4th May 2005.
- Communication Navigation Services - Air Traffic Management (CNS-ATM) Agreement was signed with the Airports Authority of India on 11th August 2005.
- Airside Landside and Passenger Terminal Building contracts were awarded to Larsen & Toubro (L&T) and China State Construction Engineering (Hong Kong) Limited respectively.
- The first concrete pour for the PTB was done on 10th October 2005 by Shri. Ajay Prasad, Secretary, Ministry of Civil Aviation, Government of India.
- Your company's website has been launched on the public URL under the domain name of www.newhyderabadairport.com

State Support and Exemptions

Government Orders were issued by Revenue Department for reimbursement of Value Added Tax and also exemption of entry tax. Your company has been granted exemption of segniorage fee.

Clearances

Your company has procured BCAS Clearance in the month of June 2005, with which all the clearances for the project are in place.

EPC Contracts

The total construction process was categorized into the following packages:

A) Compound Wall
B) Site Preparation Works
C) Passenger Terminal Building
D) Air Side and Land Side

Compound Wall (Package I)

The construction of Compound Wall was awarded to Consolidated Consortium Construction Ltd. The compound wall/fence has been successfully completed in the month of April 2005.

Site Preparation Works (Package II)

Site Preparation Works awarded to Soma Enterprises Limited has been completed and the land has been handed over to the respective contractors during the month of March 2006.

Passenger Terminal Building (PTB) (Package III)

The contract for PTB was signed with China State Construction Engineering (Hong Kong) Limited on 12th August 2005 and a Notice to Progress (NTP) was issued in the month of September 2005.

The first concrete pour for the PTB was done on 10th October 2005 by Shri. Ajay Prasad, Secretary, Ministry of Civil Aviation, Government of India.

Directors' Report

Work on PTB foundation is substantially complete with 390 out of 396 footings concreted, as on the 25th March, 2006. Superstructure of PTB column concreting is in progress with 412 out of 833 column lifts up to level D having been cast, as on the 25th March, 2006.

The first lift of raft slab for Air Traffic Control (ATC) tower has been cast. Erection of falsework and formwork for elevated slab for plant desks in central processing area eastern pier is in progress. Three tower cranes have been erected and all three cranes are fully commissioned.

Air Side and Land Side (ALS) (Package IV)

The contract for ALS was signed with Larsen & Toubro on 12th August 2005 and NTP was issued in the month of September 2005.

PTB as on 25th March 2006 - GMR HIAL Site.

Runway - Cutting and filling work for runway is on schedule.

Main Access Road - Cutting and filling has been completed and the Granular Sub-base is in progress.

DG yard - Trench vertical wall has been completed, main cable trench and block work is in progress.

Work on forecourt foundations continues with 44 footings cast and 35 columns up to 604.5 level and 6 columns up to 601 level having been cast.

CFR Main - All the 40 footings have been cast and pedestals for 18 footings are completed.

CFR Satellite - Column marking has been completed for excavation.

Ground Handling workshop - Plinth beams have been totally completed and 10 columns have been cast.

Cargo Apron - First layer of subgrade is under preparation.

Overall Progress Summary- The planned cumulative programme is 10.75% while the overall progress has been 10.54% (As of 25th March 2006)

Directors' Report

Runway Compaction

Site Office

The Project Management Team of your company has occupied the site office during the month of November 2005. The punch list has been prepared by the team and the work has been completed

1. Landscaping in Type B Block of GHIAL site

2. Canteen in Type C Block of GHIAL Site

Business Development

Your Company had its representation at major conferences like the Routes Conference which was held in Copenhagen between 26 & 27 September 2005. Various aero and non-aero agreements like cargo, retail, fuel farm, catering, ground handling, MRO etc. are in advanced stages of conceptualization.

Airlines

During the year your company had negotiations with the major airlines for betterment of connectivity to Hyderabad from various destinations

Project Finance

Your company achieved Financial Closure on 22nd August 2005.

The total debt of Rs 960 crores was tied-up with IDFC as lead lender of the consortium, with the other participating banks being Allahabad Bank, Bank of Baroda, Canara Bank, IDBI, Oriental Bank of Commerce, State Bank of Hyderabad and Vijaya Bank.

Directors' Report

Human Resources, Administration & Training Programs

Recruitment of manpower was carried out as per the Human Resource plan of your Company. The administration and facilities policy and procedures have also been reviewed periodically to ensure that the best possible support system is provided by your Company. Your company has conceived a new training program for the first time in country for the airport executives with the Cranfield University, UK. This will be the first step for having the executives and staff trained to meet new challenges in airport management and high service standards on par with reputed international airports. The first batch of executives have undergone the training module on "Airport Domain".

Way Forward

Your company expects the Commencement of Commercial Operation (COD) by the first quarter of 2008.

Finance

Your company has received 19028 Lakhs towards cash calls till March 31, 2006 (Rs. 10573 Lakhs till March 31, 2005) as per the Shareholders Agreement.
Your company has incurred project expenditure of Rs. 57005 Lakhs as on March 31, 2006 (Rs. 7005 lakhs till March 31, 2005). As the company is in the project state, a Profit & Loss Account has not been prepared.

Directors

Composition and size of the Board of Directors

The present Board comprises of the following directors:

Sl No	Name of the Director	Representing
1	Mr. G M Rao, Chairman	Sponsors
2	Mr. Kiran Kumar Grandhi, Managing Director	Sponsors
3	Mr. Sunil Tandon	Sponsors
4	Mr. B V Nageswara Rao	Sponsors
5	Prof. Rigas Doganis	Sponsors - Alternate director - Mr. K V K Seshavataram.
6	Mr. K Balasubramanian	Sponsors
7	Mr. P Ramakanth Reddy	Government of Andhra Pradesh Alternate Director - Mr. T S Appa Rao
8	Mr. Binoy Kumar	Government of Andhra Pradesh Alternate Director to Mr. K Brahmananda Reddy.
9	Mr. K Ramalingam	Airports Authority of India
10	Mr Sanjay Narayen IAS	Airports Authority of India
11	Dato' Bashir Ahmad Bin Abdul Majid	Sponsors - Alternate director - Dato' Abd. Hamid bin Mohd Ali
12	Mr. R S S L N Bhaskarudu	Independent

During the year under review, Dr. Nazim Zaidi and Mr. K V K Seshavataram ceased to be Directors of the company. Mr. K V K Seshavataram was subsequently appointed as Alternate Director to Prof. Rigas Doganis, Director of the company.

The Board places on record its deep appreciation for the services rendered by Dr. Nazim Zaidi and Mr. K V K Seshavataram, during their tenure as Directors.

Mr. K Ramalingam, Mr. Binoy Kumar and Prof. Rigas Doganis retire at the ensuring Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. R S S L N Bhaskarudu and Mr. Sanjay Narayen, IAS, were appointed as Additional Directors on the Board and hold office till the ensuing Annual General Meeting. Notices under Section 257 of the Companies Act, 1956 have been received from the members of the company, for their appointment.

Mr. K Brahmananda Reddy was appointed as an Alternate Director to Mr. Binoy Kumar, IAS, replacing Mr. N P Ramakrishna Reddy, effective April 01, 2006.

Directors' Report

Audit Committee

The Audit Committee comprises of the following Directors;

Sl No	Name of Director
1	Mr. P Ramakanth Reddy (as Chairman)
2	Mr. B V Nageswara Rao, Member
3	Mr. K Balasubramanian, Member
4	Mr. K V K Seshavataram, Member

Directors' Responsibility Statement

Your directors confirm that

1. in the preparation of the annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
4. the Directors have prepared the accounts for the financial year ended 31st March, 2006 on a 'going concern' basis.

Auditors

The auditors, M/s. Price Waterhouse, Chartered Accountants, Hyderabad, retire at the ensuing Annual General meeting and have confirmed their eligibility and willingness to accept office, if re- appointed.

Conservation of Energy, Technology Absorption & Foreign Exchange Earnings & Outgo

The particulars as required under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, are set out in the Annexure - I included in this report.

Particulars of Employees

Particulars required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, are set out in the Annexure - II to this report.

Acknowledgement

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Andhra Pradesh, Airports Authority of India, Malaysia Airports Holdings Berhad, GMR Group and the Lending Banks and Financial Institutions, for their co-operation.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board of Directors

Kiran Kumar Grandhi	B V Nageswara Rao
Managing Director	Director

Place: Hyderabad
Date: April 21, 2006

Annexure I to the report of the Directors

Particulars pursuant to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988.

Conservation of Energy, Technology absorption

Since the Company is in the project stage and is not engaged in any manufacturing activity, the particulars are not applicable.

Foreign Exchange Earnings and Outgo

There were no foreign exchange earnings during the period. Information regarding Foreign Exchange outgo is given in item no.11 of the Notes to Accounts

Auditors' Report

To
The Members,
GMR Hyderabad International Airport Limited

1. We have audited the attached Balance Sheet of **GMR Hyderabad International Airport Limited** as at March 31, 2006, and Cash Flow Statement for the year ended on that date annexed which we have signed under reference to this report. No Profit and Loss Account has been prepared for the reason stated in Note no.2 of Schedule L. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by 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' of India (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 give in the Annexure to this report, 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 in paragraph 3 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 purposes of our audit;
   b) 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;
   c) The Balance Sheet dealt with by this report is in agreement with the books of account;
   d) In our opinion, the Balance Sheet dealt with by this report complies with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
   e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India, subject to Note. No II (10) of Schedule L pertaining to approval of the Central Government under section 269(2) of the Companies Act, 1956 :
      i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006; and
      ii. in the case of the Cash Flow Statement, of the cash flows for the year ended as on that date.

P Rama Krishna
Partner
Membership Number: 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: 21 April, 2006

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Hyderabad International Airport Limited on the financial statements as at March 31, 2006].

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the financial year and no discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

2. The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is adequate internal system procedures commensurate with the size of the company and the nature of its business for the purchase of fixed assets. The activities of the Company did not involve purchase of inventory and sale of goods during the financial year. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control system.

4. In our opinion and according to the information and explanations given to us, there have been no contracts or arrangements referred to in section 301 of the Act during the year to be entered in the register required to be maintained under that section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. As the company is not listed on any stock exchange and the paid up capital and reserves of the Company as at the commencemen of the financial year did not exceed Rs. Fifty Lakhs and as the average annual turnover is not applicable, clause (vii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies Auditor's Report)(Amendment) Order, 2004, is not applicable to the company for the current financial year.

7. (a) 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 depositing the undisputed statutory dues including provident fund, income tax (other than short fall in the estimation and remittance of advance tax), wealth tax, service tax, and other material statutory dues as applicable with the appropriate authorities in India. According to the information and explanation given to us and the records of the company examined by us, investor education and protection fund, employees' state insurance, sales tax, customs duty, excise duty and cess are not applicable to the Company for the current financial year.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income tax, wealth tax and service tax, which have not been deposited on account of any dispute. According to the information and explanation given to us and the records of the company examined by us, sales tax, customs duty, excise duty and cess are not applicable to the Company for the current financial year.

8. As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004, is not applicable to the company for the current financial year.

9. According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to any bank during the financial year

10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

Annexure To Auditors' Report

11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.

12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.

13. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the financial year.

14. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

15. 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, there are no funds raised on a short- term basis which have been used for long-term investment, and vice versa..

16. The company has not raised any money by public issues during the financial year.

17. 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, we have neither come across any instance of fraud on or by the company, noticed or reported during the financial year, nor have we been informed of such case by the management.

18. The other clauses, (i)(c), (ii), (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g); (v)(b); (vii); (xviii) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current financial year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P Rama Krishna
Partner
Membership Number: 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: 21 April, 2006

Balance Sheet as at March 31, 2006

(Amount in Rupees)

	Sch. Ref	As at March 31, 2006		As at March 31, 2005	
I. Sources of Funds:					
1. Shareholders' Funds					
(a) Capital	A	587,300			587,300
(b) Reserves & Surplus	B	1,070,000,000	**1,070,587,300**		–
2. Share Application Money pending allotment			**1,902,873,000**		1,057,292,000
3. Loan Funds					
Secured Loans		2,516,666,666			–
Unsecured Loans		1,575,000,000	4,091,666,666		–
Total			**7,065,126,966**		**1,057,879,300**
II. Application of Funds:					
1. Fixed Assets	D				
(a) Gross Block		**90,880,710**		21,119,460	
(b) Less: Depreciation		**8,054,154**		2,368,281	
(c) Net Block		**82,826,556**		18,751,179	
(d) Capital Work-in-Progress		**4,776,925,846**	**4,859,752,402**	196,826,914	215,578,093
2. Expenditure during construction period, pending allocation (net)	E		**832,702,330**		**482,102,773**
3. Investments	F		**652,723,938**		213,312,992
4. Current Assets, Loans and Advances					
(a) Cash and Bank Balances	G	285,430,665		280,271,385	
(b) Other Current Assets	H	717,099,150		546,615	
(c) Loans and Advances	I	164,975,643		20,511,897	
		1,167,505,458		**301,329,897**	
Less: Current Liabilities and Provisions					
(a) Liabilities	J	442,209,047		152,067,565	
(b) Provisions	K	5,348,115		2,376,890	
		447,557,162		154,444,455	
Net Current Assets			**719,948,296**		146,885,442
Total			**7,065,126,966**		**1,057,879,300**
Significant Accounting Policies and Notes to Accounts	**L**				

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 the Board of Directors

Sd/-
P Rama Krishna
Partner
Membership No 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
Kiran Kumar Grandhi
Managing Director

Sd/-
B V Nageswara Rao
Director

Sd/-
Rajgopal Swami
AVP (Fin & Accts.) & Company Secretary

Place : Hyderabad
Date : April 21, 2006

Schedules forming part of the Balance Sheet

(Amount in Rupees)

SCHEDULE - A	As at March 31,2006	As at March 31,2005
Capital		
Authorised		
400,000,000 Equity Shares of Rs 10/- each (2005- 75,000,000 Equity Shares of Rs. 10 each)	4,000,000,000	750,000,000
Issued, Subscribed and paid-up		
58,730 Equity Shares of Rs.10/- each fully paid up	587,300	587,300
	587,300	**587,300**
(Out of the above, 36,995 (2005 - 36,995) Equity shares fully paid up are held by the holding company , GMR Infrastructure Ltd)		

(Amount in Rupees)

SCHEDULE - B	As at March 31,2006	As at March 31,2005
Reserves & Surplus		
Capital Reserve		
Opening	–	–
Additions during the period	1,070,000,000	–
	1,070,000,000	–

(Amount in Rupees)

SCHEDULE - C	As at March 31,2006	As at March 31,2005
Secured Loans		
Term Loan from Banks	1,902,083,333	–
Term Loan from Others	**614,583,333**	**–**
(Secured by mortgage of Leasehold Land and first charge on all movable and immovable assets and intangibles and revenues, both present and future, as well as assignment of all right, title, interest, benefits, claims and demands available under the concession agreement and other project documents and further secured by pledge of certain equity shares, both present and future, held or to be held, as the case may be, by both, the holding company and Malaysia Airport Holdings Berhad)		
Unsecured Loans		
Interest Free Loan from Government of Andhra Pradesh	1,575,000,000	–
	4,091,666,666	**–**

Schedules forming part of the Balance Sheet

SCHEDULE - D

Fixed Assets

(Amount in Rupees)

Description	Gross Block				Depreciation				Net Block	
	As At March 31, 2005	Additions	Deletions	As At March 31, 2006	As At March 31, 2005	For the year	On Deletions	As At March 31, 2006	As At March 31, 2006	As At March 31, 2005
Leasehold Improvements	1,543,741	4,469,498	-	6,013,239	68,560	952,379	-	1,020,939	4,992,300	1,475,181
Furniture and Fixtures	2,042,555	19,631,056	-	21,673,611	70,616	795,175	-	865,791	20,807,820	1,971,939
Capitalised Software	-	2,986,384	-	2,986,384	-	1,326	-	1,326	2,985,058	-
Office Equipment	13,495,211	39,310,233	-	52,805,444	1,821,189	3,508,864	-	5,330,053	47,475,391	11,674,022
Vehicles	4,037,953	3,364,079	-	7,402,032	407,916	428,129	-	836,045	6,565,987	3,630,037
Total	**21,119,460**	**69,761,250**	**-**	**90,880,710**	**2,368,281**	**5,685,873**	**-**	**8,054,154**	**82,826,556**	**18,751,179**
Capital work in progress (including capital advances)									4,776,925,846	196,826,914
Grand Total	**21,119,460**	**69,761,250**	**-**	**90,880,710**	**2,368,281**	**5,685,873**	**-**	**8,054,154**	**4,859,752,402**	**215,578,093**
Previous Year	8,546,094	12,573,366	-	21,119,460	293,536	2,074,745	-	2,368,281	18,751,179	8,252,558

Schedules forming part of the Balance Sheet

(Amount in Rupees)

SCHEDULE - E	March 31, 2006	March 31, 2005
Expenditure during construction period, pending allocation (Net)		
Salaries, allowances and benefits to employees	197,504,084	58,612,058
Contribution to Provident and other Funds	4,623,295	834,074
Staff welfare expenses	26,414,913	6,385,176
Pre-closing date development expenditure	–	117,882,669
Advertisement	62,593,558	20,075,602
Rent	48,254,413	15,585,282
Rates and taxes	22,427,468	5,442,788
Insurance	9,554,434	493,521
Repairs and Maintenance - Others	13,336,354	1,524,450
Consultancy and other professional charges	243,214,267	182,505,100
Directors' sitting fee	155,000	35,500
Electricity charges	5,404,878	1,672,039
Remuneration to auditors		
Audit Fees	718,200	218,200
Certification	124,660	–
Others	314,800	–
Traveling and conveyance	96,349,698	38,391,371
Communication expenses	18,826,345	7,299,669
Interest on fixed loans	23,359,852	2,264,643
Bank / other finance charges	27,702,821	253,454
Depreciation	8,054,154	2,368,281
Provision for Income Tax	5,639,152	3,020,674
Provision for Wealth Tax	76,362	34,905
Provision for Fringe Benefit Tax	6,453,351	–
Miscellaneous expenses	58,884,950	30,718,365
Preliminary Expenses	160,500	160,500
	880,147,509	495,778,321
Less: Interest on Deposits, Loans, etc (Gross) [Tax deducted at source - Rs. 1,493,054 (2005 - Rs.1,063,851)]	14,622,412	8,008,867
Income from Investments - other than trade (Gross) [Tax deducted at source Rs.Nil (2005 - Rs.Nil)]	31,208,948	4,841,750
Profit on Sale of Investments	1,106,109	300,081
Gain / (Loss) on Exchange Fluctuations (Net)	(74,059)	264,850
Miscellaneous Income	581,769	260,000
	832,702,330	**482,102,773**

Balance Sheet as at March 31, 2006

(Amount in Rupees)

SCHEDULE - F	As at March 31,2006	As at March 31,2005
Investments		
Current		
Other than Trade - Unquoted		
Chola Mutual Fund -Liquid Institutional Dividend Reinvestment Plan (54,553,925 Units at Rs.10.03 each)	547,176,682	213,312,992
NLFID CANLIQUID Fund- Institutional Daily Dividend Reinvest (1,493,983 Units at Rs. 10.04 each)	15,001,086	
KOTAK Mutual Fund Liquid(Institutional Premium)-Daily Dividend (5,725,412 Units at Rs.12.23 each)	70,010,905	–
LIC Mutual Fund Liquid Fund - Dividend Plan (1,875,779 Units at Rs.10.95 each)	20,535,265	
	652,723,938	**213,312,992**

(Aggregate Net Asset value as at 31st March 2006 - Rs.652,745,662 2005 - Rs. 213,337,825)

(Amount in Rupees)

SCHEDULE - G	As at March 31,2006	As at March 31,2005
Cash and Bank Balances		
Cash on Hand	273,914	132,765
Balances with Scheduled Banks		
- on Current Accounts	156,751	129,758
- on Deposit Accounts	285,000,000	280,008,862
	285,430,665	**280,271,385**

(Amount in Rupees)

SCHEDULE - H	As at March 31,2006	As at March 31,2005
Other Current Assets		
(Unsecured, Considered good)		
Interest accrued but not due	199,150	546,615
Grant accrued	716,900,000	–
	717,099,150	**546,615**

Schedules forming part of the Balance Sheet

(Amount in Rupees)

SCHEDULE - I	As at March 31,2006	As at March 31,2005
Loans and Advances		
(Unsecured, Considered good)		
Loans to Employees	291,705	69,094
Advances recoverable in cash or in kind or for value to be received*	43,597,337	12,807,059
Deposits with Government Authorities	4,690,862	26,000
Balances with Customs, Excise, etc	116,395,739	7,609,744
	164,975,643	**20,511,897**

*Includes amount due from Managing Director as at March 31, 2006 - Rs. 1,191,574 (2005 - Rs.273,447). Maximum amount due at any time during the year was Rs. 4,737,648 (2005 - Rs.1,659,431)

(Amount in Rupees)

SCHEDULE - J	As at March 31,2006	As at March 31,2005
Liabilities		
Sundry Creditors		
- Due to other than small scale industrial undertakings	352,199,133	136,969,902
	352,199,133	136,969,902
Book Overdraft	–	7,474,030
Other liabilities	90,009,914	7,623,633
	442,209,047	**152,067,565**

(Amount in Rupees)

SCHEDULE - K	As at March 31,2006	As at March 31,2005
Provisions		
Provision for Income Tax (net of advance taxes)	31,153	237,215
Provision for Wealth Tax (net of advance taxes)	55,062	34,905
Provision for Fringe Benefit Tax (net of advance taxes)	1,084,018	–
Provision for Employee benefits	4,177,882	2,104,770
	5,348,115	**2,376,890**

Schedules forming part of the Balance Sheet

SCHEDULE - L

I. SIGNIFICANT ACCOUNTING POLICIES

1. **Accounting Assumptions**

   These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the period, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. **Fixed Assets**

   Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition. Assets under installation or under construction as at the balance sheet date are shown as capital work in progress.

3. **Depreciation**

   Depreciation is provided on straight line method at the rates based on the estimated useful lives of the assets or those prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher. Individual assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

   Leasehold improvements are amortised over shorter of estimated useful lives or lease period. Capitalised Software has useful life ranging from 6-7 years. Amortisation of these assets is based on Straight Line Method..

4. **Investments**

   Long-term investments are valued at cost until there is a permanent diminution in their values. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from Investments is recognised in the year in which it is accrued and stated at gross.

5. **Retirement Benefits**

   Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for leave encashment is made based on actuarial valuation as at the year end.

6. **Borrowing Costs**

   Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalized as a part of cost of such assets. All other borrowing costs are recognized as an expense in the period in which they are incurred.

7. **Foreign Currency Transactions**

   All foreign Currency transactions are accounted at the exchange rates prevailing on the date of transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss is recognised in the financial statements.

8. **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 recognised on timing differences being the difference between the 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 have been computed on the timing differences applying the enacted tax rates.

SCHEDULE - L Condt.

II. NOTES ON ACCOUNTS

1. (a) Contingent Liabilities : Rs. Nil (2005 - Rs. Nil)

   (b) Estimated Amount of contracts remaining to be executed on capital account and not provided for (Net of Advances): Rs.8,648,985,692 (2005 - Rs. 601,484,307)

2. The company has not commenced business operations. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation (net) in Schedule E. As the business operations are not commenced, reporting under the requirements of Accounting Standard - 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India does not arise. As no Profit and Loss Account has been prepared, deferred taxes as per the Accounting Standard (AS-22) "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, have not been recognised.

3. During the year ended March 31, 2006, an amount of Rs. 353,100,000 has been received from Government of Andhra Pradesh towards Advance Development Fund Grant out of a total Grant of Rs. 1,070,000,000, as per the State support agreement. This being in the nature of financial support to the project, the total grant amount has been considered as Capital Reserve.

4. The Company was incorporated to build, own and operate the Greenfield International Airport at Shamshabad, Hyderabad. Development of the Project is envisaged in various phases based on the passenger and cargo capacity. GMR Infrastructure Limited (GIL), Malaysian Airport Holdings Berhad (MAHB) (collectively known as "Sponsors") and Government of Andhra Pradesh (GOAP), Airports Authority of India (AAI) (collectively known as "State Promoters") are the shareholders of the company. During the year, Engineering Procurement Contracts with Larsen & Toubro Ltd (ECC Division) and China State Construction Engineering (Hong Kong) Limited, were signed on 12th August, 2005. Finance Closure was achieved on 22nd August, 2005.

5. In pursuance of the State Support Agreement, the Company has entered into a Land Lease Agreement with Government of Andhra Pradesh, for obtaining the Land on Lease for the development of Airport Project. As per the agreement, the lease term is in line with the term of the Concession Agreement entered into with the Ministry of Civil Aviation. The lease rentals are payable from the eight anniversary of the Commercial Date of Operation. The Company has taken the possession of the said land. Leasehold Land will be capitalised along with the Project.. Capital work in Progress of Rs. 4,776,925,846/- includes boundary wall, site preparation works and progress on passenger terminal building and airside landside works.

6. **Details of transactions with Related Parties**

   A) Names of related parties and description of relationship

(i)	Enterprise that controls the Company	GMR Infrastructure Limited (Holding Company)
(ii)	Enterprises under common control	GMR Holdings Private Limited GMR Energy Limited GMR Power Corporation Private Limited Vemgiri Power Generation Limited GMR (Badrinath) Hydro Power Generation Private Limited GMR Mining & Energy Private Limited GMR Tambaram-Tindivanam Expressways Private Limited GMR Tuni-Anakapalli Expressways Private Limited GMR Ambala-Chandigarh Expressways Private Limited GMR Pochanpalli Expressways Private Limited GMR Ulundurpet Expressways Private Limited G V L Investments Private Limited
(iii)	Enterprises in respect of which the company is a Joint Venture	"Government of Andhra Pradesh "Airports Authority of India" Malaysia Airports Holdings Berhad"
(iv)	Key Management Personnel	Mr. Kiran Kumar Grandhi - Managing Director

SCHEDULE - L Condt.

B) Summary of Transactions with the above related parties is as follows:

Nature of Transaction	Holding Company	Enterprises in respect of which the Company is a Joint Venture	Key Management Personnel	Balance Payable/ (Receivable)
(i) Share Application Money	1,356,273,000 (560,692,000)	534,983,000 (-)	– (-)	– (-)
(ii) Pre-closing Date Development Costs	0 (74,266,081)	11,617,000 (43,616,588)	– (-)	0 (11,668,257)
(iii) Remuneration			9,979,679 (-)	

Notes:

(i) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.

(ii) Previous Year figures are mentioned in brackets.

7. The Company has entered into certain operating lease agreements and an amount of Rs.48,254,413 (2005-Rs.15,585,282) paid under such agreements has been considered under Expenditure during construction period, pending allocation (net). These agreements are cancelable in nature.

SCHEDULE - L Condt.

8. Details of Investments purchased and sold during the year:

Description	Cost of Acquisition		Sales	
	Units	Amount (in Rupees)	Units	Amount (in Rupees)
Alliance Cash Manager Institutional Plan Daily Dividend Scheme	31,094,724 (16,063,179)	310,953,463 (160,632,391)	31,094,724 (16,063,179)	310,953,463 (160,632,941)
J M Morgan Stanley Daily Dividend Scheme	55,070,727 (41,552,442)	551,615,938 (415,900,000)	55,070,727 (41,552,442)	551,615,938 (416,056,859)
Chola Mutual Fund Liquid Institutional Dividend Reinvestment Plan	219,117,115 (34,690,832)	2,196,705,305 (347,387,009)	185,865,020 (34,690,832)	1,862,841,614 (347,397,290)
ABN AMRO Cash Fund-Institutional Daily Dividend	35,227,629 (-)	352,276,444 (-)	35,227,629 (-)	352,276,444 (-)
NLFID CANLIQUID FUND Institutional Daily Dividend Reinvest.	84,155,073 (-)	845,001,086 (-)	82,661,090 (-)	830,000,000 (-)
PRINCIPAL CASH MANAGEMENT FUND Liquid Option Instl. Plan-Dividend Reinvestment Daily	70,130,114 (-)	701,350,236 (-)	70,130,114 (-)	701,350,236 (-)
KOTAK Mutual Fund Liquid(Institutional Premium)-Daily Dividend	20,932,868 (-)	255,969,198 (-)	15,207,456 (-)	185,958,292 (-)
ING Vysya Liquid Fund Super Institutional Daily Dividend Option	37,345,965 (-)	473,563,314 (-)	71,640,957 (-)	473,563,314 (-)
TATA Liquid Super High Investment Fund-Daily Dividend	180,084 (-)	200,702,978 (-)	180,084 (-)	200,702,978 (-)
LIC MUTUAL FUND	85,427,991 (-)	935,535,265 (-)	83,552,212 (-)	915,000,000 (-)
Total	**638,682,292**	**6,823,673,226**	**630,630,014**	**6,384,262,280**

Notes:

(i) The sales realisation excludes dividend, if any, received from Mutual Funds.

(ii) Cost of acquisition includes Dividend earned and Profit & Loss on sale of investments during the year

9. Managerial Remuneration

(Amount in Rupees)

Particulars	2006	2005
Salary*	7,700,000	–
Contribution to Provident & Super Annuation Fund*	1,540,000	–
Perquisites*	739,679	–
Sitting fees	119,500	19,000

Note:* Subject to approval from Central Government u/s 269(2) of the Companies Act, 1956

SCHEDULE - L Condt.

10. Expenditure in Foreign Currency: (Amount in Rupees)

	2006	2005
(a) Foreign Travel Expenses	5,201,145	9,807,674
(b) Professional Charges	41,003,505	104,737,901
(c) Others	12,724,611	4,186,633

11. Additional Information pursuant to paragraphs 3, 4, 4-C and 4-D of part - II of Schedule VI to the Companies Act, 1956 to the extent either "Nil" or "Not Applicable" has not been furnished.

12. Previous period figures have been regrouped and reclassified, wherever necessary, to conform to those of the current year.

For and on behalf of the Board of Directors

Sd/-
P Rama Krishna
Partner
Membership No 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
Kiran Kumar Grandhi
Managing Director

Sd/-
B V Nageswara Rao
Director

Sd/-
Rajgopal Swami
AVP (Fin & Accts.) &
Company Secretary

Place : Hyderabad
Date : April 21, 2006

Cash flow statement for the year ended March 31, 2006

(Amount in Rupees)

	2006	2005
A. CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items		
Operating Profit Before Working Capital Changes		
Adjustments for:		
Changes in Trade and Other Receivables	(144,463,746)	(12,695,684)
Changes in Trade and Other Payables	291,895,842	96,097,673
Cash generated from Operations	**147,432,096**	**83,401,989**
Income Taxes paid	(8,235,330)	(2,263,851)
Net Cash Flow from Operating Activities	**139,196,766**	**81,138,138**
B. CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets (including capital work in progress and capital advances)	(4,649,860,182)	(208,774,929)
Expenditure during Construction period, pending allocation (net)	(369,248,260)	(385,596,138)
Sale / (Purchase) of Investments (net)	(438,604,918)	(184,002,609)
Dividend received	26,367,198	4,831,448
Interest received	6,961,010	5,458,864
Net Cash used in Investing Activities	**(5,424,385,152)**	**(768,083,364)**
C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from Share application money/Share capital	845,581,000	765,187,000
Proceeds from Grant received from GOAP	353,100,000	-
Proceeds/(Repayment) of long term debt (Net)	4,091,666,666	(70,000,000)
Net Cash from Financing Activities	**5,290,347,666**	**695,187,000**
Net increase in Cash and Cash Equivalents	**5,159,280**	**8,241,774**
Cash and Cash Equivalents at the beginning of the year	**280,271,385**	**272,029,611**
Cash and Cash Equivalents at the end of the year	**285,430,665**	**280,271,385**

Note:

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 period'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 and on behalf of the Board of Directors

Sd/-
P Rama Krishna
Partner
Membership No 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
Kiran Kumar Grandhi
Managing Director

Sd/-
B V Nageswara Rao
Director

Sd/-
Rajgopal Swami
AVP (Fin & Accts.) & Company Secretary

Place : Hyderabad
Date : April 21, 2006

Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Company Identification Number			40118
	Balance Sheet Date			Mach 31, 2006
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	7,065,127	Total assets	7,065,127
	Sources of Funds			
	Paid - Up Capital	587	Share Application Money	1,902,873
	Reserves & Surplus	Nil	Unsecured Loans	1,575,000
	Secured Loan	2,516,667	Grant from GOAP	1,070,000
	Application of Funds			
	Net Fixed Assets	5,692,455	Investments	652,724
	Net Current Assets	719,948	Misc. Expenditure	-
	Accumulated Losses	Nil		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	N.A	Total Expenditure	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/-	Sd/-	Sd/-
Kiran Kumar Grandhi	**B V Nageswara Rao**	**Rajgopal Swami**
Managing Director	Director	AVP (Fin & Accts.) & Company Secretary

Place : Hyderabad
Date : April 21, 2006

RISK MANAGEMENT

In a dynamic industry such as infrastructure, risk is an inherent aspect of business. The risk management function therefore is integral to the company and its objectives include ensuring that critical risks are identified continuously, monitored and managed effectively in order to protect the company's businesses.

A comprehensive and integrated risk management framework forms the basis of all the de-risking efforts of the company. Prudential norms at limiting exposures are an integral part of this framework. Formal reporting and control mechanisms ensure timely information availability and facilitate proactive risk management. These mechanisms are designed to cascade down to the level of line managers so that the risks at the transactional level are identified and steps are taken towards mitigation in a Decentralized fashion.

At the enterprise level derisking of company's business risks is sought to be achieved by a policy of undertaking diversified projects in different segments, geographies and revenue models The board of directors is responsible for monitoring risk levels on various parameters and the management council ensures implementation of mitigation measures, wherever required.

Framework

The risk management framework is designed to address what management believes can be largely quantified and mitigated. The framework classifies these risks as follows:

1. **Business Risks**
   - Client Concentration
   - Contracts
   - Regulatory
   - Technological Obsolescence
2. **Financial Risks**
   - Interest Rates
   - Foreign Exchange Fluctuations
   - Liquidity Management
3. **Legal and Statutory Risks**
   - Contractual Liabilities
   - Statutory Compliance
   - Fixed asset & employee insurance
4. **Organizational and management risks**
   - Leadership development
   - Human resource management
   - Process maturity
   - Internal Control Systems
5. **Political Risks**

1. **Business Risks**

- **Client Concentration**

  Excessive exposure to a few large clients has the potential to impact profitability and to increase credit risk. However large clients and high repeat business lead to higher revenue growth and lower marketing costs. We depend on our single customers like state electricity boards, NHAI etc. for most of our income. The financial state of government owned entities that purchase power from us are not satisfactory and their cash flows are not sufficient to meet their obligation in time under the power purchase agreement entered into. The Company has entered into instruments like ESCROW agreement, annuity based projects to mitigate the company against such risks.

- **Contracts**

  All major infrastructure projects have long gestation periods. Construction, cost and time overruns will reduce our return on capital during the initial operation period. Our growth strategy involves development of new Greenfield projects, which involves significant risk. We have a strong risk assessment team which conducts in-depth study into the viability of new projects to ensure its success. The company ensures that it works with EPC contractors, who are best in the business having an excellent track record. Also sufficient provision is made into the contract agreements to insulate the company from the risk of cost escalation and time overruns.

- **Regulatory**

  The power sector is in the process of deregulation and our success will depend on our ability to respond to changes that are taking place. This however may result in reduction of risk of exposure of depending on a single customer. We have a strong business development cell, which proactively monitors & anticipates the changes, & put in place systems to mitigate the risk associated with changes.

- **Technological Obsolescence**

  The Company strives to be a leader in acquiring world-class cutting edge technology for all its new projects. Tthe flexibility of technology up-gradation without major investment is incrorporated during design stage itself with a focus of reducing the risk related to technological obsolescence.

2. **Financial Risks**

- **Interest Rates**

  The company is exposed to interest rate risk like any other business. The ruling market interest rates are continuously monitored by a dedicated strategic finance team, which takes care of short and long term funding requirements of the company. There is a consistent effort to swap the borrowings with lower interest rate instruments to ensure that the average cost of funding is always kept at minimum. The company has built an excellent reputation with banks and financial institutions through consistent performance record, which enables the company to mobilize funds in a time and cost effective way. Our debt agreements are subject to restrictive covenants including conversion rights, which may place significant limitation on us.

- **Foreign Exchange Fluctuations**

  The company earns revenues mainly in Indian Rupees. Therefore the company is exposed to limited risk arising out of fluctuations in the foreign exchange rates. However the company's risk exposure to foreign exchange rate fluctuations is primarily associated with the foreign currency term loans. The Company seeks to minimize such risks by entering into forward contracts and other hedging options. A treasury team operates to mitigate foreign exchange volatility risk in accordance with the policy approved by the board in this regard.

- **Liquidity Management**

  The company has adequate cash reserves and liquid assets, which are actively managed through efficient treasury operations. Its investment policy is driven by the objective of ensuring adequate liquidity to meet any exigency. Accordingly, all the investible surpluses are deployed in short term liquid instruments. The investments are well diversified to mitigate risk and are made in accordance with the policy approved by the Board in this regard.

3. **Legal and Statutory Risks**

- **Contractual Liabilities**

  Liabilities can arise out of legal cases pending against the Company in the courts of India. The Company is consistently following up on all pending legal cases, and has made adequate provisions for these liabilities. Contractual risks may arise out of non-performance of contracts or any other breach in the contracts signed by the company with its customers or any other external entities. The company has a centralized legal department, which reviews all legal obligations in the contracts being entered into by the Company and to ensure that all legal aspects are addressed properly. This legal vetting process is applied to contracts with company's customers, key suppliers, business partners, and associates.

- **Statutory Compliance**

  The company has a company secretary and compliance officer to advise the company and to monitor the compliance issues to ensure that the company is in compliance with the laws of the jurisdiction where the company has operations. Competent legal firms suitably represent the company. These firms advise the company on various requirements. Statutory obligations that warrant insurance cover are adequately availed.

- **Fixed Asset and Employee Insurance**

  The fixed and movable assets of the company are comprehensively covered under relevant insurance policies. As welfare measure the Company provides a group medical claim for all employees. The Company also has wider group personal accident policy for all employees.

4. **Organizational and Management Risks**

- **Leadership Development**

  The company has a strong and competent top management collectively called the Management Committee (MC). The MC mentors the strategic business units and provides overall direction and leadership to the Company. As the company experiences continuous growth, one of the key imperatives is to develop leadership from among the talent pool that it possesses. The company has embarked on a new initiative through which it intends to identify employees with leadership potential who can lead the Company during challenging and difficult times. A fast track career has been envisaged for these employees. These initiatives will ensure that all transitions are efficiently managed for business continuity.

- **Human Resource Management**

  The key resource for the company is its people. The company has been able to create a favorable work environment that encourages innovation & participation in achieving the company's objectives. An employee-friendly work environment combined with well-balanced compensation package ensures that the company has low attrition rates.

- **Process Maturity**

  Risk management processes at the operational level are a key requirement for reducing uncertainty in delivering high quality products & services to customers within the budgeted time and cost. Adoption of quality models such as Process Capability Maturity Model (PCMM) under the TQM umbrella is a step in this direction. The company has an effective system in place to ensure creation, documentation & dissemination of knowledge. An intranet-based, user-friendly application known as gNET is being used effectively for this purpose. The company has mature processes in the infrastructure development arena; it has been focusing its attention on enhancing the process quality of other enterprise processes, and aligning them with the organizational objectives. World-class models of process excellence such as Six Sigma and CII business excellence quality framework guide this initiative. Through this initiative, many of the processes critical to the long-term competitiveness of the company have been taken up.

- **Internal Control Systems**

  The company has a well-defined internal control system that is adequate and commensurate with the size and nature of the business. Clear roles, responsibilities and authorities, coupled with robust internal information systems, ensure appropriate information flow to facilitate effective monitoring. There are clearly defined Delegation Of Powers (DOP's) at all levels to ensure that adequate controls are established to ensure that assets of the Company are safeguarded and transactions are executed in accordance with well documented policies. The company has a strong management information system coupled with an annual operating plan, which is subject to periodic reviews by the top management. Effective budgetary control on all expenses ensures that actual spending is in line with the budget. Compliance with the above policies is monitored through regular internal audits of processes as well as underlying transactions. The company has appointed accredited audit firms as internal auditors and also has an active internal management assurance group to proactively conduct independent audits of all the businesses of the company. The Audit committee periodically reviews these reports and gives recommendations. Action plans are agreed with the process owners to facilitate proper implementation of the recommendations. The auditors also conduct follow up reviews to report on the efficacy of the implementation process.

5. **Political Risk**

   The company operates in multiple locations throughout the country and consequently in the respective political, social and cultural environments. The political scenario in the country over the last decade has been coalition governance of many political parties. This may get reflected in the pace of economic reforms and also in speed of implementation of already pronounced economic policies, impacting adversely on the market for our services. Given the consensus among all the leading political parties on the importance of creating quality infrastructure for stimulating economic growth, the management is sanguine that, it is likely to remain focus area for governmental policy in the future.