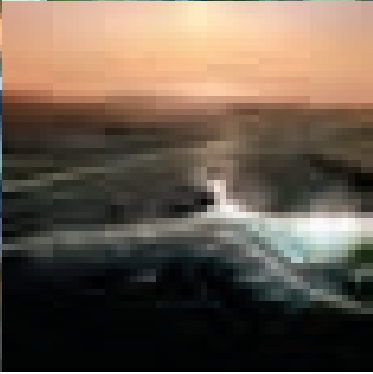
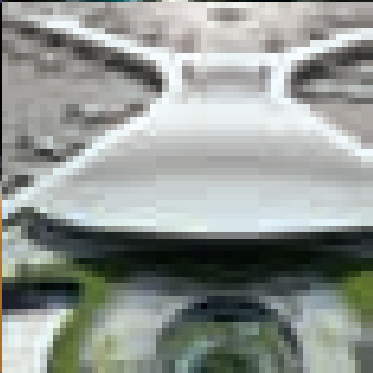
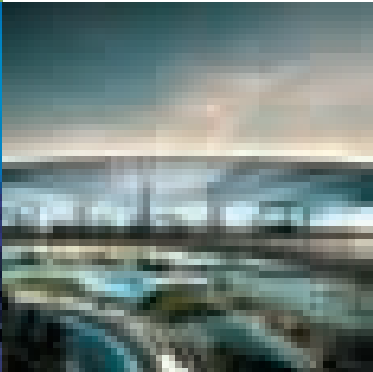
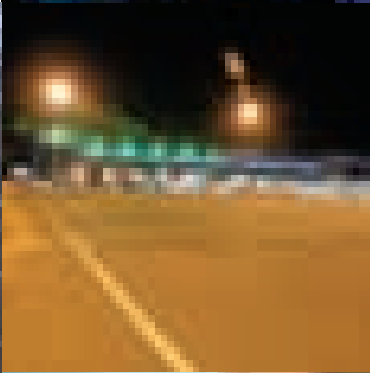
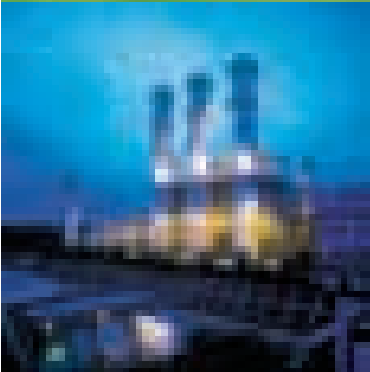
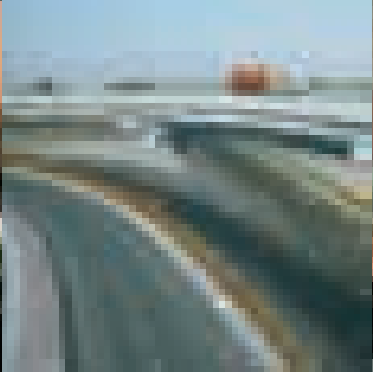


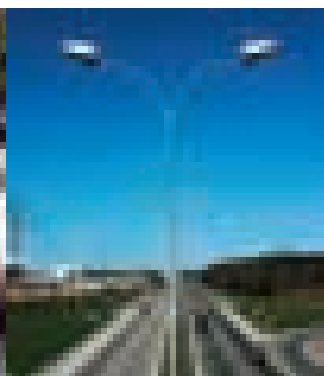
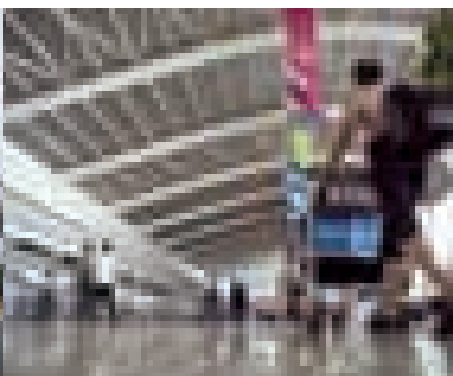


GVK POWER & INFRASTRUCTURE LIMITED



13TH
ANNUAL REPORT
2006 - 07





Corporate Information

Board of Directors

G V Krishna Reddy	Chairman & Managing Director
G Indira Krishna Reddy	Director
G V Sanjay Reddy	Director
Somanadri Bhupal	Director
A Ramakrishna	Director
K N Shenoy	Director
Abid Hussain	Director
P Abraham	Director
Ajay Lal	Director
Sanjay Narayen	Director (co-opted on 28/01/2007)
Pradip Bajjal	Director (co-opted on 24/07/2007)
Ch G Krishna Murthy	Director (co-opted on 24/07/2007)
A Issac George	Chief Financial Officer
P V Rama Seshu	Company Secretary

Committees of the Board

Audit Committee

K N Shenoy	Chairman
A Ramakrishna	Member
P Abraham	Member
Ch G Krishna Murthy	Member

Remuneration Committee

A Ramakrishna	Chairman
K N Shenoy	Member
P Abraham	Member

Investors' Grievance Committee

A Ramakrishna	Chairman
Somanadri Bhupal	Member
G V Sanjay Reddy	Member

Statutory Auditors

M/s S R Batliboi & Associates
205, 2nd Floor
Ashok Bhoopal Chambers
S P Road, Secunderabad - 500 003

Registered Office

503 - 504, Pragati Towers
26, Rajendra Place
New Delhi - 110 008

Corporate Office

'Paigah House', 156-159
Sardar Patel Road
Secunderabad - 500 003

Registrar & Share Transfer Agents

Karvy Computer Share Private Limited
Plot No. 17-24, Vittal Rao Nagar
Madhapur, Hyderabad - 500 081

ISIN

INE251H01016

Stock Code

BSE:532708
NSE: GVKPIL

Holding Company

- GVK Power & Infrastructure Limited

Subsidiaries of the Company (As on 30th September 2007)

- GVK Industries Limited
- GVK Jaipur Expressway Private Limited
- Alaknanda Hydro Power Company Limited
- Goriganga Hydro Power Private Limited
- GVK Power (Goindwal Sahib) Limited
- GVK Coal (Tokisud) Company Private Limited
- GVK Airport Developers Private Limited
- GVK Airport Holdings Private Limited
- GVK Aviation Private Limited
- GVK Infratech Private Limited

Associates of the Company (As on 30th September 2007)

- Gautami Power Limited
- Mumbai International Airport Private Limited

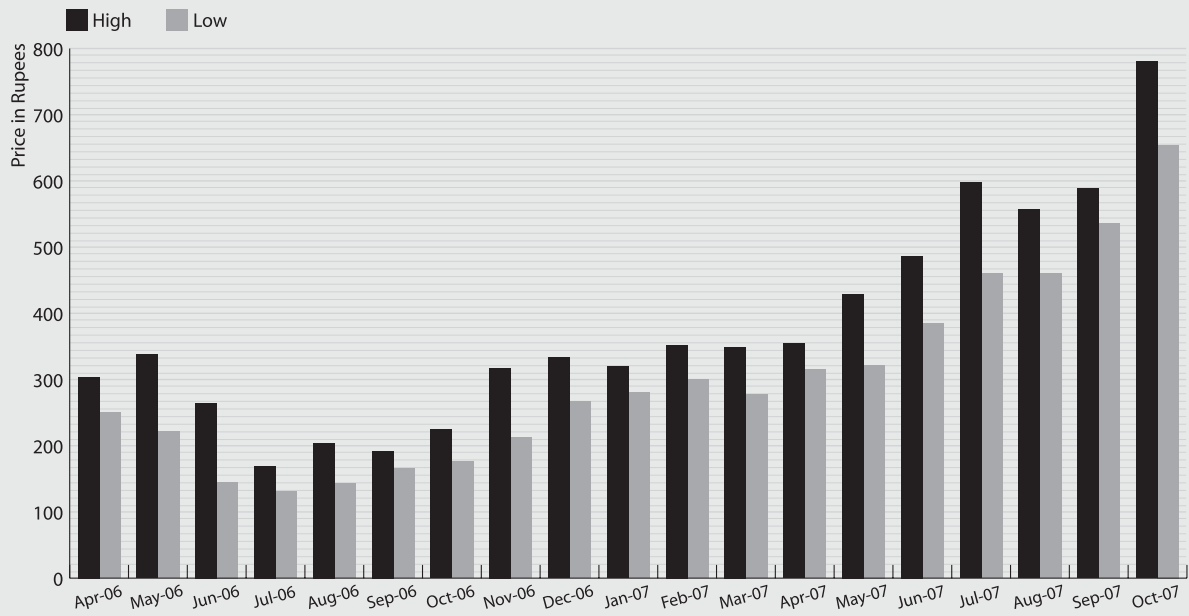
The year at a glance

Rs. in '000

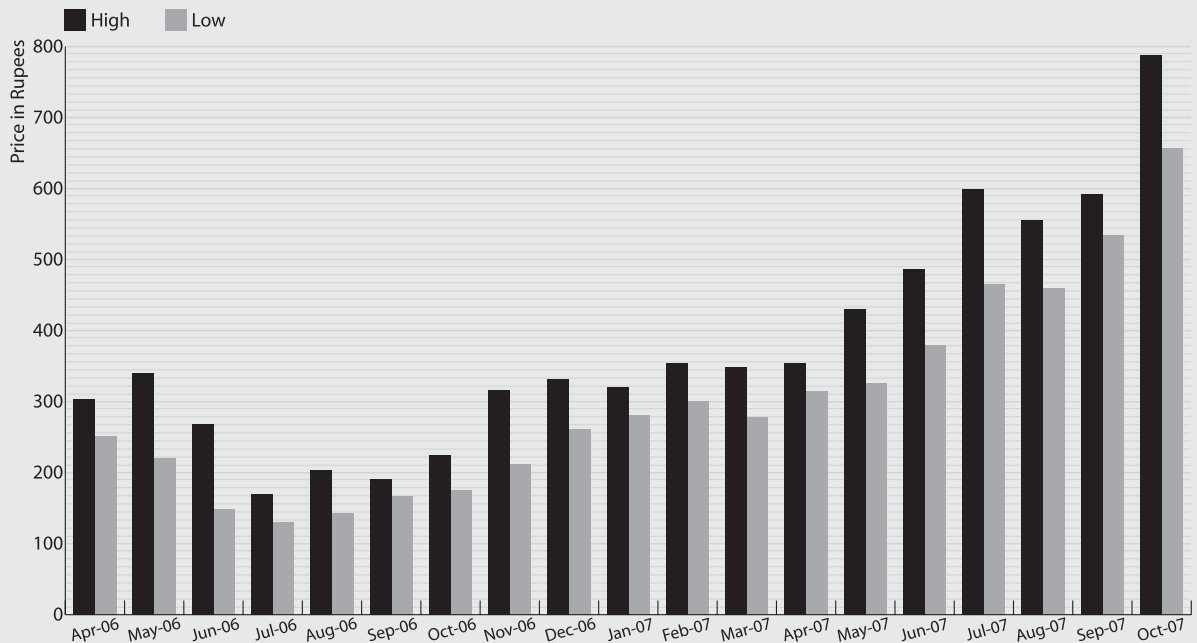
	2006-07*	2005-06
Financial Performance		
Gross Income	429,162	236,013
EBIDTA	357,976	189,501
Interest & Financial Charges	189,214	85,919
Depreciation	26	26
Profit After Tax	148,454	80,962
Dividend	59,111	-
EPS (Rupees)		
Basic	1.58	7.46
Diluted	1.58	7.46
Financial position		
Fixed Assets	110	109
Cash and cash equivalent	33,112	60,182
Net current assets	662,212	1,033,588
Total Assets	7,717,611	4,121,586
Equity	939,694**	236,444
Reserves	3,273,515	3,885,142
Networth	4,213,209	4,121,586
Market Capitalisation	8,112,100	5,922,933

* The financials for the year 2006-07 are re-stated after giving effect to the Scheme of Amalgamation and as such are not comparable with the previous year.

** Includes shares pending allotment under the Scheme of Amalgamation.



Price Movement in BSE



Price Movement in NSE

Notice

Notice is hereby given that the Thirteenth Annual General Meeting of the members of GVK Power & Infrastructure Limited will be held on Thursday, the 6th day of December, 2007, at 11.30 a.m. at Air Force Auditorium, Subroto Park, New Delhi - 110 010 to transact the following business:

Ordinary business

1. To receive, consider and adopt the Balance Sheet as at March 31, 2007 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. G V Sanjay Reddy, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. K N Shenoy, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Abid Hussain, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint M/s. S R Batliboi & Associates, Chartered Accountants, Hyderabad, the retiring auditors, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting and to authorise the Board of Directors to approve/determine their remuneration.
6. To confirm interim dividend declared and paid by the Company as the Final Dividend for the financial year 2006-07.

Special business

7. To consider and if thought fit, to pass the following, with or without modification(s), as an ordinary resolution.
"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Sanjay Narayan, be and is hereby appointed as Director of the Company, whose period of office shall be liable to retire by rotation."
8. To consider and if thought fit, to pass the following, with or without modification(s), as an ordinary resolution.
"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Pradip Baijal, be and is hereby appointed as an Independent Director of the Company, whose period of office shall be liable to retire by rotation."
9. To consider and if thought fit, to pass the following, with or without modification(s), as an ordinary resolution.
"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Ch G Krishna Murthy, be and is hereby appointed as an Independent Director of the Company, whose period of office shall be liable to retire by rotation."

10. To consider and if thought fit, to pass the following, with or without modification(s), as a special resolution.

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government or its Authorities / Agencies, consent of the Shareholders be and is hereby accorded to the Company to amend the Articles of Association as mentioned below:

The following words and figures shall be substituted in place of existing Article 107 of the Articles of Association of the Company:

107. Board's Maximum Strength - The minimum number of directors shall not be less than 3 (three) and the maximum number of directors shall not be more than 20 (twenty) or such higher number as may be specified by the Act or as may be authorised by the Government from time to time.

RESOLVED FURTHER THAT Mr. G V Krishna Reddy, Chairman & Managing Director, Mr. Sanjay Reddy and Mr. Somanadri Bhupal, Directors, Mr. A Issac George, Chief Financial Officer and Mr. P V Rama Seshu, Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds and things as may be necessary for giving effect to the above resolutions."

11. To consider and if thought fit, to pass the following, with or without modification(s), as an ordinary resolution.

"RESOLVED THAT pursuant to the provisions of section 258 and other applicable provisions, if any, of the Companies Act, 1956, subject to approval of the Central Government, consent of the members be and is hereby accorded to the Company to increase the maximum number of Directors on the Board from 12 (twelve) to 20 (twenty) including all types of Directors.

RESOLVED FURTHER THAT Mr. G V Krishna Reddy, Chairman & Managing Director, Mr. Sanjay Reddy and Mr. Somanadri Bhupal, Directors, Mr. A Issac George, Chief Financial Officer and Mr. P V Rama Seshu, Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds and things as may be necessary for giving effect to the above resolutions."

By Order of the Board

Place: Secunderabad
Date : 26.10.2007

P V Rama Seshu
Company Secretary

Notes

1. Every Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and such Proxy need not be a member of the Company.
2. Duly filled in Proxy form must be deposited at the Corporate / Registered Office of the Company before 48 hours of the time fixed for holding the meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the notice.
4. Pursuant to Clause 49 of the Listing Agreement, particulars of Directors seeking appointment / re-appointment at this meeting are annexed hereto.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 01-12-2007 to 06-12-2007 (both days inclusive).
6. Members are requested to:
 - i) Note that copies of Annual Report will not be distributed at the Annual General Meeting.
 - ii) Deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Auditorium will be strictly on the basis of the entry slip available at the counters at the venue to be exchanged with the attendance slip.
 - iii) Quote their Folio / Client ID & DP ID Nos. in all correspondence.
 - iv) Note that due to strict security reasons brief cases, eatables and other belongings are not allowed inside the auditorium.
 - v) Note that no gifts / coupons will be distributed at the Annual General Meeting.
7. A corporate member shall be deemed to be personally present only if it is represented in accordance with Section 187 of the Companies Act, 1956 i.e. only if the corporate member sends certified true copy of the Board resolution / power of attorney authorizing the representative to attend and vote at the Annual General Meeting.
8. Members are requested to notify immediately any change of address to their Depository Participants (DP) in respect of shares held in dematerialized form.
9. Members desirous of getting any information on any items of business of this Meeting are requested to address their queries to Mr. P V Rama Seshu, Company Secretary at the Corporate Office of the Company at least ten days prior to the date of the meeting, so that the information required can be made available at the meeting.
10. All documents referred to in the notice and annexures thereto along with other mandatory registers / documents are open for inspection at the registered office of the

Company on all working days (except Saturdays and Sundays) between 11.00 a.m. to 1.00 p.m. prior to the date of Annual General Meeting.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item 7

The Board of Directors of your Company at its meeting held on January 28, 2007 has appointed Mr. Sanjay Narayan as an Additional Director of the Company. In terms of the provisions of Section 260 of the Companies Act, 1956 read with Article 109 of the Articles of Association of the Company, Mr. Sanjay Narayan holds his office only up to the date of this Annual General Meeting. A brief profile of Mr. Sanjay Narayan is given below for your information.

Profile of Mr. Sanjay Narayan

Mr. Sanjay Narayan is a Post Graduate in M.A. (History) from Delhi University, Diploma in Dev. Economics, from Churchill College, Cambridge University, UK. He has joined the Indian Administrative Services (IAS) and worked in different capacities in Government of Maharashtra and Government of India.

Your Company has received a notice, in writing, from a shareholder, under section 257 of the Companies Act, 1956 along with a requisite deposit, signifying his intention to appoint Mr. Sanjay Narayan as Director of the Company. Your Board considers it desirable that the Company should continue to avail of his services and accordingly recommends the resolution for your approval.

None of the Directors except Mr. Sanjay Narayan is interested or concerned in the above resolution.

Item 8 & 9

The Board of Directors of the Company had at its meeting held on July 27, 2007 appointed Mr. Pradip Bajjal and Mr. Ch G Krishna Murthy as Additional Directors of the Company. In terms of the provisions of Section 260 of the Companies Act, 1956 read with Article 109 of the Articles of Association of the Company, Mr. Pradip Bajjal and Mr. Krishna Murthy hold their office only up to the date of this Annual General Meeting. A brief profile of Mr. Pradip Bajjal and Mr. Krishna Murthy are given below for your information.

Profile of Mr. Pradip Bajjal

Mr. Bajjal is a B.E. (Honors) in Mechanical Engineering, from IIT (Roorkee) and a Retired IAS - 1966 batch (Madhya Pradesh Cadre). He was the Chairman of Telecom Regulatory Authority of India (TRAI) from March, 2003 to March, 2006. Before that he was Secretary, Ministry of Disinvestment, Government of India from Dec,

1999 to Feb, 2003. Prior to that he was holding the position of Special / Additional / Joint Secretary, Ministry of Power from Aug, 1994 to Dec, 1999 and Joint Secretary, Ministry of Steel from May, 1984 to Sep, 1987. Before joining the Central Government, he was serving the Government of Madhya Pradesh in various capacities.

Profile of Mr. Ch G Krishna Murthy

Mr. Krishna Murthy is a MA, LLB and a Chartered Accountant. He was a Member, Law Commission of India from Dec, 1994 to Aug, 1997. Before that he served the Income Tax Appellate Tribunal (ITAT) in various capacities viz., Member, Vice President, Senior Vice President and President from 1968 to 1994. He was Chairman, Oil Selection Board, Ministry of Petroleum for the States of Andhra Pradesh, Karnataka and Orissa. Before joining Government Service, he was a practicing Chartered Accountant from 1953 to 1968. Currently, he is a Member of the Governing Council of International Centre for Alternative Dispute Resolution (ICADR), Member, General Council of National Academy of Legal Studies And Research University (NALSAR), Chairman of Chinmaya Vidyalaya and Trustee of Chinmaya Seva Trust.

Your Company has received notices, in writing, from shareholders, under section 257 of the Companies Act, 1956 along with a requisite deposit, signifying their intention to appoint Mr. Pradip Baijal and Mr. Ch. G Krishna Murthy as Independent Directors of the Company. The Board considers it desirable that the Company should continue to avail of their services and accordingly recommends the resolution for your approval.

None of the Directors except Mr. Pradip Baijal and Mr. Krishna Murthy are interested or concerned in the above resolutions.

Item 10 & 11

Currently the overall strength of your Board is 12 Directors comprising of 7 Independent Directors, 4 Promoter Directors and 1 Non Independent Director. The current Board strength is in compliance with the Corporate Governance requirements under the Listing Agreement with the Stock Exchanges.

Your Company's current and future subsidiaries / associates are engaged in diversified infrastructure projects like power (gas, hydro and coal based), expressways, airports, ports, SEZ etc. Your Company proposes to further broad base the Board by inducting more Independent Directors and utilise the expert services of eminent persons from their respective fields. The presence of multi faceted personalities as Directors would strengthen your Board further and also achieve the desired results in all the current and future corporate endeavours.

As the current board has already reached its maximum strength of 12 Directors, your Company intends to increase the maximum strength of the Board to 20 Directors. This requires prior approval of the Shareholders and the Central Government in terms of section 258 of the Companies Act, 1956 and also amendment to Article 107 of the Articles of Association of the Company so as to reflect the maximum strength of the Board. In this regard, your Company intends to make an application to the Central Government seeking its approval.

Your Board recommends the resolutions set forth under item 10 & 11 for your approval.

None of the Directors are in any way, concerned or interested in the said resolutions.

By Order of the Board

Place:Secunderabad
Date :26.10.2007

P V Rama Seshu
Company Secretary

Annexure

Brief details of Directors seeking reappointment at this Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Mr. G V Sanjay Reddy	Mr. K N Shenoy	Dr. Abid Hussain
Date of Appointment	16/02/2005	09/10/2005	09/10/2005
Date of Birth	18/11/1964	26/04/1931	19/12/1926
Qualifications	BE (Ind. Eng) (USA), MBA (Finance) (USA)	BE (Electrical), MBA (USA)	Retired IAS
Expertise in specific functional areas	He has been actively associated with the implementation of GVK Jegurupadu and Gautami Power Projects. As a Managing Director of Mumbai International Airport Private Limited he oversees the entire construction, planning and general management of the Airport. He looks after the new business initiatives of the GVK Group. He is a member of Confederation of Indian Industry (CII) National Council, CII Southern Regional Council and CII AP State Council. He is also a Member of the CII Young Indians apart from being a member of the Board of Trustees of the prestigious Jagdish and Kamla Mittal Museum of Indian Art, a world renowned museum dedicated to the cause of propagating the Indian Art and Culture.	He has worked as Managing Director and CEO of ABB for over 40 years until 2002 and acted as Chairman for another six years. Currently, he is the Vice Chairman of Volvo India Private Limited. He has also been associated with various Industry Bodies such as Confederation of Indian Industry, Indian Electrical & Electronics Association and Manufacturers' Association and Electrical Research & Development Association.	As a member of Indian Administrative Service he served in various capacities at the Centre and State Governments. He was Secretary, Ministry of Heavy Industries, Commerce Secretary, Government of India and Chairman, IIFT. He became Member, Planning Commission in 1985. He was India's Ambassador to the United States of America. In the year 1988, he was honored with Padma Bhushan award for meritorious services. He is a member of several prestigious organizations, including the Nehru Memorial Fund, the Population Foundation of India, Foundation for Academic Excellence & Access, Administrative Staff College of India.
List of Companies in which outside Directorship held as on 31.03.2007	<ol style="list-style-type: none"> GVK Industries Limited Taj GVK Hotels & Resorts Limited Novopan Industries Limited Alaknanda Hydro Power Company Limited Gautami Power Limited Pinakini Share & Stock Brokers Limited GVK Power (Goindwal Sahib) Limited GVK Projects Limited Bowstring Projects & Investments Private Limited Mumbai International Airport Private Limited GVK Jaipur Expressway Private Limited Goriganga Hydro Power Private Limited GVK Biosciences Private Limited GVK Aviation Private Limited GVK Infratech Private Limited GVK Coal (Tokisud) Company Private Limited GVK Airport Developers Private Limited GVK Airport Holdings Private Limited 	<ol style="list-style-type: none"> Volvo India Private Limited EMCO Limited Triveni Engineering & Industries Limited Sobis Software (India) Private Limited Sobis Teksoft Private Limited Shelk Software Private Limited Gebin Water Management Systems Private Limited Alstom Power India Limited 	<ol style="list-style-type: none"> Hyderabad Flextech Limited Nagarjuna Oil Corporation Limited Taj GVK Hotels & Resorts Limited Zodiac Clothing Company Limited Wockhardt Limited Havell's India Limited Shree Cements Limited GVK Industries Limited
Chairman / Member of the *Committees of other Companies on which he is a Director as on 31.03.2007	Nil	Volvo India Private Limited (Chairman - Audit Committee)	GVK Industries Limited (Member - Audit Committee)
* The Committees include the Audit Committee, the Remuneration Committee and the Shareholder's / Investor Grievance Committee.			

Brief details of Directors appointed since last AGM and seeing appointment at this AGM (Pursuant to Clause 49 of the Listing Agreement)

Mr. Sanjay Narayen	Mr. Pradip Baijal	Mr. Ch. G Krishna Murthy
28/01/2007	24/07/2007	24/07/2007
06/06/1952	15/02/1943	09/02/1931
Retired IAS	Retired IAS and a Mechanical Engineer from IIT Roorkee,	MA, LLB and Chartered Accountant
As a member of Indian Administrative Service he served in various capacities at the Centre and State Governments. He was Secretary, MSEB Chief of Protocol for Maharashtra, Advisor to Prime Minister on Heritage and Cultural Affairs. He also worked as Joint Secretary, Ministry of Civil Aviation and has been instrumental in the privatization of Delhi and Mumbai Airports.	As a member of Indian Administrative Service he served in various capacities at the Centre and State Governments. He was the Chairman of Telecom Regulatory Authority of India (TRAI), Secretary, Ministry of Disinvestment, and also worked as Special / Additional / Joint Secretary, Ministry of Power and Joint Secretary, Ministry of Steel. Before joining the Central Government, he was serving Government of Madhya Pradesh in various capacities.	He has expertise in the fields of finance, taxation and law. He was a Member, Law Commission of India and served Income Tax Appellate Tribunal (ITAT) in various capacities viz., Member, Vice President, Senior Vice President and President. He was Chairman, Oil Selection Board, Ministry of Petroleum for the States of AP, Karnataka and Orissa. Before joining the Government Service, he was a practicing Chartered Accountant. He is a Member of the Governing Council of "International Centre for Alternative Dispute Resolution (ICADR)", Member, General Council of NALSAR, Chairman of Chinmaya Vidyalaya and Trustee of Chinmaya Seva Trust.
Nil	1. Noesis Strategic Consulting Services Private Limited	Nil
Nil	Nil	Nil

Directors' Report

To the members,

Your Directors are pleased to present the annual report and the audited accounts of your Company for the year ended March 31, 2007.

Financial Results

Rs. in '000

	2006-2007*	2005-2006
Gross Income	429,162	236,013
Profit before interest and depreciation	357,976	189,501
Interest & Financial Charges	189,214	85,919
Profit before Depreciation	168,762	103,582
Depreciation	26	26
Profit before tax	168,736	103,556
Provision for tax	20,282	22,594
Profit after tax	148,454	80,962
Add: Balance brought forward	81,176	32,168
Profit available for appropriation	229,630	113,130
Appropriations		
- Interim dividend @ 25%	59,111	-
- Tax on dividend	8,290	-
- General Reserve	14,845	31,954
Balance carried forward	147,384	81,176
Paid-up Capital	939,694**	236,444
Reserves and Surplus	3,273,515	3,885,142
EPS (Rupees)		
- Basic	1.58	7.46
- Diluted	1.58	7.46

* The financials for the year 2006-07 are re-stated after giving effect to the Scheme of Amalgamation and as such are not comparable with the previous year.

** Includes shares pending allotment under the Scheme of Amalgamation.

Corporate Restructuring

During the year under review, your Company has undertaken a major corporate restructuring through a scheme of amalgamation and a scheme of arrangement. Through the scheme of amalgamation six companies have been brought under your company as subsidiaries.

Scheme of Amalgamation

The Hon'ble High Court of Delhi vide its orders dated 3rd September, 2007 has approved a Scheme of Amalgamation of Bowstring Projects & Investments Private Limited (first transferor company) and Green Garden Horticulture Private Limited (second transferor company) with GVK Power & Infrastructure Limited (transferee company) and their respective shareholders and creditors. The respective Companies have filed a certified copy of the High Court orders with the Registrar of Companies on 11th October, 2007 and the scheme became effective from that date. The Appointed Date fixed under the scheme is 1st April, 2006. Accordingly, all the assets and liabilities of both the transferor companies stands transferred to and vests with the transferee company with effect from the appointed date. In terms of the scheme, your company has issued and allotted 7,03,25,000 equity shares of Rs.10 each to the respective shareholders of both the transferor companies, as per the approved share exchange ratio, on 17th October, 2007. The enclosed financial statements of your Company reflect the restated and consolidated financials of the merged entities.

Scheme of Arrangement

The Hon'ble High Court of Delhi vide its orders dated 3rd September, 2007 has approved a Scheme of Arrangement between GVK Industries Limited, GVK Power & Infrastructure Limited and their respective shareholders. The Hon'ble High Court of Andhra Pradesh has approved the said Scheme of Arrangement vide its orders dated 20th July, 2007. The respective Companies have filed a certified copy of the respective High Court orders with the respective Registrar of Companies on 03-11-2007 and the scheme became effective from 03-11-2007. In terms of the scheme, your Company will acquire the balance 46.04% equity stake in GVK Industries from the existing shareholders within 7 days of the Record Date being fixed by GVK Industries Limited and in consideration thereof, your Company will issue and allot 90,46,215 equity shares of Rs.10 each to the 46.04% shareholders of GVK Industries Limited as per the approved share exchange ratio. As a result, GVK Industries Limited will become a wholly owned subsidiary of your Company.

Qualified Institutional Placement (QIP)

During May, 2007 your Company has made a Qualified Institutional Placement (QIP) issue for an amount of US\$ 300 millions equivalent to Rs.1,221 crores which was oversubscribed by 2.7 times. Your Company has issued and allotted 3,75,69,230 equity shares of Rs.10 each at a premium of Rs.315 per share to the select Qualified Institutional Buyers (QIBs). The proceeds of the issue has been / will be used for purpose specified under the offer document i.e. for funding

various projects of the Company through its subsidiaries / associates.

Dividend

Your Company has declared and paid an interim dividend of 25% (i.e. Rs.2.50 per equity share) during November 2006 for the year 2006-07. The Board of Directors of your Company have not recommended any further dividend for that year and had recommended to treat the said interim dividend as the final dividend for the year 2006-07.

Consolidated Financial Statements

In accordance with the provisions of the Companies Act, 1956 and the Listing Agreement read with Accounting Standard (AS-21) on Consolidated Financial Statements and Accounting Standard (AS-23) on Accounting for Investments in Associates, the audited Consolidated Financial Statements of the Company and Standalone Financial Statements of each of the Subsidiaries are enclosed herewith and forms part of the annual report. A statement under section 212 of the Companies Act, 1956 on each of the subsidiaries is also appended hereto.

Management Discussion and Analysis

As required under clause 49 of the Listing Agreement with the Stock Exchanges a report on the Management Discussion and Analysis of the financial condition and results of operations of the Company for the year under review is annexed to the report on the Corporate Governance and forms part of the annual report.

Corporate Governance

Your Company firmly believes and adopts the highest standard of practice under Corporate Governance. A separate section on Corporate Governance is attached along with the Auditor's Certificate on the compliance of Corporate Governance for the year under review and forms part of the annual report.

Listing

The Equity Shares of your Company are listed on The National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE). Listing fees for the year 2007-08 has been paid to both the exchanges and there was no outstanding fee payable to these exchanges.

Directors

In accordance with the Companies Act, 1956 read with the Articles of Association of the Company, Mr. G V Sanjay Reddy, Mr. K N Shenoy and Dr. Abid Hussain, Directors, will retire by rotation at this meeting and being eligible offer themselves for reappointment.

During the year under review, Mr. Sanjay Narayan, Mr. Pradip Baijal and Mr. Ch. G Krishna Murthy were appointed as additional directors and shall hold office upto the date of this AGM. Your Company is in receipt of notices from shareholders under section 257 of the Companies Act, 1956 signifying their intention to appoint them as Directors of the Company. Your Board recommends the above re-appointments / appointments.

Auditors

M/s. S R Batliboi & Associates, the Statutory Auditors of the Company will retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. The Company has received a letter from M/s. S R Batliboi & Associates to the effect that their appointment, if made, would be within the limits prescribed under section 224(1B) of the Companies Act, 1956. Your Board recommends their appointment for the year 2007-08.

Public Deposits

During the year under review, your company has neither invited nor accepted any fixed deposits from the public.

Particulars of Employees

As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employee(s) are set out in the annexure to this report.

Directors' Responsibilities Statement

Pursuant to the requirements specified under Section 217 (2AA) of the Companies Act, 1956, with respect to the Directors' Responsibilities Statement, it is hereby confirmed that;

- i) in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;
- ii) the directors had 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 March 31, 2007 and of the profit or loss of the Company for said period;
- iii) that the directors had 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; and
- iv) the directors had prepared the annual accounts for the financial year ended 31st March, 2007 on a "going concern" basis.

Foreign Exchange Earnings and Outgo

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information relating to foreign exchange earnings and outgo is provided under note 9.3 of the Notes to the Balance Sheet and Profit and Loss Account.

Other Information

The Audit Committee of the Company reviewed the audited financial statements for the year under review at its meeting held on 26th October, 2007 and recommended the same for the approval of the Board of Directors.

Your company's effort towards conservation of energy, which

results in savings in consumption of electricity, is an ongoing process. The Company continues to absorb and upgrade modern technologies and advanced management techniques for implementing the same.

Acknowledgements

Your Directors would like to express their sincere appreciation to the investors and bankers for their continued support during the year. Your Directors extend their sincere gratitude to all the Regulatory Authorities like FIPB, SEBI, Stock Exchanges and other Central & State Government authorities / agencies, Registrars for their support.

Your Directors also place on record their appreciation for the dedicated services rendered by the employees at various levels and look forward to their continued support in the future as well.

By Order of the Board

Place: Secunderabad
Date : 26.10.2007

G V Krishna Reddy
Chairman & Managing Director

Annexure to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2007.

Name of the employee	Age	Qualification	Designation	Experience (Years)	Date of commencement of employment	Remuneration received (Rupees)	Previous Employment
Mr. G V Krishna Reddy	70	BA	Chairman & Managing Director	43	10-09-2005	5,376,000	Executive Chairman GVK Industries Limited

(a) Remuneration received includes salary and other allowances, perquisites etc.

(b) Mrs. G Indira Krishna Reddy, Mr. G V Sanjay Reddy and Mr. Somanadri Bhupal, Directors of the Company are relatives to Mr. G V Krishna Reddy.

By Order of the Board

Place: Secunderabad
Date : 26.10.2007

G V Krishna Reddy
Chairman & Managing Director

Corporate Governance

In compliance with Clause 49 of the Listing Agreement entered into with stock exchanges, the Company hereby submits a report on the matters as mentioned in the said clause and practices followed by the Company.

Philosophy of the Company on the code of governance

The Company aims at achieving transparency, accountability and equity in all facets of its operations, and in all interactions with stakeholders, including shareholders, employees, government, lenders and other constituents, while fulfilling the role of a responsible corporate representative committed to good corporate practices. The Company is committed to achieve good standards of Corporate Governance on a continuous basis by laying emphasis on ethical corporate citizenship and establishment of good corporate culture which aims at true Corporate Governance.

The Company believes that all its operations and actions must result in enhancement of the overall shareholder value in terms

of maximizing shareholder's benefits, over a sustained period of time.

Board composition

Size and composition of the Board

The policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board, and to separate the Board functions of governance and management. The total strength of the Board is 12 comprising of four Promoter Directors, seven Independent Directors and one Non-independent Director. The Board has one Executive Director and eleven Non-executive Directors.

The Board periodically evaluates the need for increasing or decreasing its size. Currently, the Company proposes to increase the maximum strength of the Board to 20 subject to approval of the Shareholders and the Central Government. Following is the present composition of our Board and their directorships in other companies.

Name of the Director	Category	Designation	Relationship with other directors	Number of memberships in Board of other Public Limited Company	+ Associated with other Committees of Public Limited Company	
					Member	Chairman
G V Krishna Reddy	Promoter/ Executive	Chairman & Managing Director	All promoter directors are relatives	8	-	-
G Indira Krishna Reddy	Promoter, Non Executive	Director	All promoter directors are relatives	4	-	-
Somanadri Bhupal	Promoter, Non Executive	Director	All promoter directors are relatives	8	-	-
G V Sanjay Reddy	Promoter, Non Executive	Director	All promoter directors are relatives	8	-	-
Abid Hussain	Independent, Non-executive	Director	None	8	1	-
A Ramakrishna	Independent, Non-executive	Director	None	11	-	-
K N Shenoy	Independent, Non-executive	Director	None	3	-	-
P Abraham	Independent, Non-executive	Director	None	8	-	-
Ajay Lal	Independent, Non-executive	Director	None	8	2	-
Sanjay Narayen*	Non-Independent, Non-executive	Director	None	-	-	-
Pradip Baijal**	Independent, Non-executive	Director	None	1	-	1
Ch G Krishna Murthy**	Independent, Non-executive	Director	None	-	-	-

Co-opted as Additional Director with effect from:

* January 28, 2007

** July 24, 2007

+ Committee memberships considered are of other companies only and those as required under the Code of Corporate Governance.

None of the directors is i) a member in more than ten committees; and ii) acting as a chairman in more than five committees across all companies in which he is a director.

Number of Board meetings and the attendance of directors during the financial year 2006-07

Seven Board meetings were held during the year ended March 31, 2007. These were held on 22-05-2006, 30-08-2006, 04-09-2006, 23-10-2006, 28-01-2007, 31-01-2007 and 06-03-2007.

Given in the table below is the attendance record of the

Name of the Director	No. of meetings held	No. of meetings attended	Sitting Fees Paid (Rs.)	Presence at last AGM
G V Krishna Reddy	7	7	Nil	Yes
G Indira Krishna Reddy	7	4	20,000	No
Somanadri Bhupal	7	7	35,000	Yes
G V Sanjay Reddy	7	6	30,000	Yes
A Ramakrishna	7	6	30,000	Yes
Abid Hussain	7	5	25,000	No
K N Shenoy	7	7	35,000	Yes
P Abraham	7	4	20,000	Yes
Ajay Lal*	7	4	20,000	Yes
Sanjay Narayan**	7	3	15,000	No
Pradip Bajjal #	-	-	-	-
Ch G Krishna Murthy #	-	-	-	-

directors during the year 2006-07.

Co-opted as Director with effect from:

* May 22, 2006

** January 28, 2007

July 24, 2007

Availability of information to the members of the Board

The Board has unfettered and complete access to any information within the Company and from any of our employees. At meetings of the Board, it welcomes the presence of concerned employees who can provide additional insights into the items being discussed.

The information regularly supplied to the Board includes:

- Annual operating plans and budgets, capital budgets and updates
- Quarterly results of our operating divisions or business segments
- Minutes of meetings of audit, compensation and investor grievance committee of the Company along with board minutes of the subsidiary companies
- General notices of interest
- Information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and Company Secretary
- Materially important litigations, show cause, demand, prosecution and penalty notices, if any
- Fatal or serious accidents or dangerous occurrences, any material effluent or pollution problems, if any

- Any materially relevant default in financial obligations to and by us
- Details of any joint venture, acquisitions of companies or collaboration agreement
- Transactions that involve substantial payment toward goodwill, brand equity or intellectual property
- Significant development on the human resources front
- Sale of material, nature of investments in subsidiaries and assets, which are not in the normal course of business
- Details of foreign exchange exposure and the steps taken by the management to limit risks of adverse exchange rate movement
- Non-compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer

The Board also periodically reviews compliance reports of all laws applicable to the Company, prepared by the designated employees as well as steps taken to rectify instances of non-compliance.

Code of Conduct

The Board of Directors of the Company has laid a code of conduct for Directors and the senior management. The code of conduct is posted on the Company's website. All Directors and designated personnel in the senior management have affirmed compliance with the code for the year under review. A declaration to this effect duly signed by Mr. G V Krishna Reddy, Chairman & Managing Director is annexed to this report.

Details of Directors seeking appointment / re-appointment as required under Clause 49 of the Listing Agreement

Pursuant to the requirements of the Listing Agreement of Stock Exchanges on Corporate Governance, the information about the Directors proposed to be appointed / re-appointed is given as an Annexure.

Audit Committee

In terms of Clause 49 of the Listing Agreement, the Audit Committee constituted by the Board consists of four Non-Executive and Independent Directors. The committee had met four times on 22-05-2006, 30-08-2006, 23-10-2006 and 31-01-2007. The attendance details for the Committee meetings are as follows:

Name of the Member	No. of meetings	
	Held	Attended
K N Shenoy	4	4
A Ramakrishna	4	4
P Abraham	4	2
Ch G Krishna Murthy*	-	-

* Appointed on July 24, 2007.

The terms of reference as stipulated by the Board to the Audit Committee include:

- a) Oversight of the Company's financial reporting process and disclosure of its financial information.
- b) Recommending the appointment and removal of external auditors, fixation of audit fee and recommending payment for any other services.
- c) Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on
 - (i) Changes in accounting policies and practices
 - (ii) Major accounting entries involving estimates based on the exercise of judgement by the management
 - (iii) Qualifications in the draft audit report
 - (iv) Significant adjustments arising out of audit
 - (v) The going concern assumption
 - (vi) Compliance with accounting standards
 - (vii) Compliance with stock exchange and legal requirements concerning financial statements
 - (viii) Disclosure of any related party transactions
- d) Reviewing with the management, the external and internal auditors and the adequacy of internal control systems.
- e) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- f) Discussion with internal auditors of any significant findings and follow up there on.
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
- h) Discussion with statutory auditors about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

The committee is in compliance with its requirements under this charter.

Remuneration Committee

The Remuneration Committee comprises of following three Non-Executive Independent Directors.

A Ramakrishna	-	Chairman
K N Shenoy	-	Member
P Abraham	-	Member

The committee has been constituted to recommend/review the remuneration package of the Managing/Whole-Time Directors apart from deciding other matters such as framing and implementation of stock option plans to employees, etc. The remuneration policy is directed towards rewarding performance based on review of achievements which are being reviewed periodically which is in consonance with the existing industry practices. This Committee meets as and when required.

Shareholders' / Investors' Grievance Committee

The Shareholders' / Investors' Grievance Committee comprises of following three Non-Executive Independent Directors.

A Ramakrishna	-	Chairman
Somanadri Bhupal	-	Member
G V Sanjay Reddy	-	Member

The Shareholders'/Investors' Grievance Committee reviews and redresses all the grievances periodically and meets as and when required.

Details of complaints received / resolved during the financial year 2006-07

Nature of Complaints	Received	Resolved	Pending
For Non receipt of			
-Refund Order	319	319	0
-Securities	132	132	0
-Dividend Warrant	36	36	0
-Annual Report	5	5	0
-Share Certificate	1	1	0
Total	493	493	0

Ethics & Compliance Committee

The Ethics & Compliance Committee was constituted pursuant to the amended regulations of SEBI (Insider Trader Regulations), 1992 and comprises of the following Non-Executive Independent Directors.

Abid Hussain	-	Chairman
A Ramakrishna	-	Member
K N Shenoy	-	Member

The Company has a Code of Conduct for Prevention of Insider Trading as prescribed by the Securities and Exchange Board of India. The Committee monitors the implementation of the Code and takes on record the status reports detailing the dealings in securities by the Specified Persons.

Whistle-blower policy

We have established a policy for all the employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy. The mechanism under the said policy also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairperson of the Audit Committee in exceptional cases. We further affirm that during the financial year 2007, no employee has been denied access to the audit committee.

Mr. P V Rama Seshu, Company Secretary of the Company has been designated as the Compliance Officer and also acts as the Secretary to all the above Committees.

Annual General Meetings

Year	Date	Time	Venue
2003-04	30.09.2004	11.00 A.M.	Registered office
2004-05	09.09.2005	10.30 A.M.	Registered office
2005-06	04.09.2006	10.30 A.M.	Air Force Auditorium Subroto Park New Delhi - 110 010

Postal ballot

Following is the details of the resolutions passed through Postal Ballot under Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 during the financial year ended March 31, 2007.

Subject matter of the resolution and its type	Section/ Guideline under which passed	Date of passing
Shifting of Registered Office from one State to another - by way of Special Resolution *	Section 17 of the Companies Act, 1956	06-11-2006
Increasing the limit of investment by Foreign Institutional Investors (FIIs) from 24% to 74% of the paid up capital of the Company - by way of Special Resolution	Chapter XIII - A of the SEBI (DIP) Guidelines, 2000	16-04-2007
Alteration of main objects of the Memorandum of Association of the Company - by way of Special Resolution	Section 16 and 17 of the Companies Act, 1956	04-06-2007

* This resolution was not given effect to because of the corporate restructuring being done through a Scheme of Amalgamation and Arrangement. Instead, the Company has changed its registered office within the city itself.

Disclosures

The Board of Directors receives the required disclosures, from time to time, relating to financial and commercial transactions from the key managerial personnel of the Company. There are no materially significant related party transactions, which have potential conflict with the interest of the Company at large.

There have not been any occasion of non-compliance by the Company and therefore, no penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets since the company was listed on the stock exchanges.

Means of Communication

The quarterly and annually financial results of the Company are generally published in National Newspapers i.e. Financial Express or Economic Times in English and Jansatta a regional newspaper in vernacular language.

Further, the Securities and Exchange Board of India (SEBI) has made it mandatory for companies to file information through the internet on their website www.sebiedifar.nic.in vide the Electronic Data Information and Retrieval System (EDIFAR) which is an automated system for filing, retrieval and dissemination of time - sensitive corporate information. The Company has been regularly filing information such as quarterly financial statements, shareholding pattern, etc., on the site apart from posting on the Company's website www.gvk.com for information of the stakeholders.

Changes in Share Capital

Date of Allotment	Number of Shares	Issue Price (Rs.)	Consideration	Reasons for Allotment	Cumulative Paid up Capital (Rs.)	Cumulative Share Premium (Rs.)
02/12/1994	1	10.00	For Cash	Subscribers to the Memorandum	10	Nil
02/12/1994	1	10.00	For Cash	Subscribers to the Memorandum	20	Nil
10/09/1996	8	10.00	For Cash	Allotment to JOMC Mauritius	100	Nil
18/01/1997	20,990	10.00	For Cash	Allotment to JOMC Mauritius	210,000	Nil
18/06/1997	14,000	10.00	For Cash	Allotment to Triumph Investments Limited	350,000	Nil
27/08/2005	5,285,000	10.00	Other than Cash	Bonus issue in the ratio 151:1	53,200,000	Nil
14/10/2005	2,476,194	155.41	For Cash	Preferential allotment to certain Promoters, Promoter Group Companies and others	77,961,940	360,063,369.54
14/10/2005	7,572,695	155.44	For Cash	Preferential allotment to Transoceanic Projects Limited	153,688,890	1,461,436,130.34
21/02/2006	8,275,556	310.00	For Cash	Initial Public Offering	236,444,450	3,944,102,930.34
14/05/2007	37,569,230	325.00	For Cash	Qualified Institutional Placement (QIP)	612,136,750	15,778,410,380.34
17-10-2007	70,325,000	10.00	Other than Cash	Under the Scheme of Amalgamation	1,315,386,750	15,778,410,380.34
**	9,046,215	10.00	Other than Cash	Under the Scheme of Arrangement	1,405,848,900	15,778,410,380.34
TOTAL	140,584,890					

** These shares are expected to be issued/allotted during Nov/Dec 2007.

**Chief Executive Officer and Chief Financial Officer
Certification under clause 49 of the Listing Agreement with
the Stock Exchanges**

To
The Board of Directors of
GVK Power & Infrastructure Limited

In relation to the Audited Financial Accounts of the Company
as at March 31, 2007, we hereby certify that

- a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief.
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place:Secunderabad
Date :26.10.2007

G V Krishna Reddy
Chairman & Managing Director

A Issac George
Chief Financial Officer

**Certificate from a Company Secretary in Whole-time
Practice on compliance of conditions of Corporate
Governance as per Clause 49 of the Listing Agreement
with Stock Exchanges**

To
The Members of
GVK Power & Infrastructure Limited

We have reviewed the compliance of conditions of Corporate Governance by **GVK Power & Infrastructure Limited**, for the year ended on March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

No investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

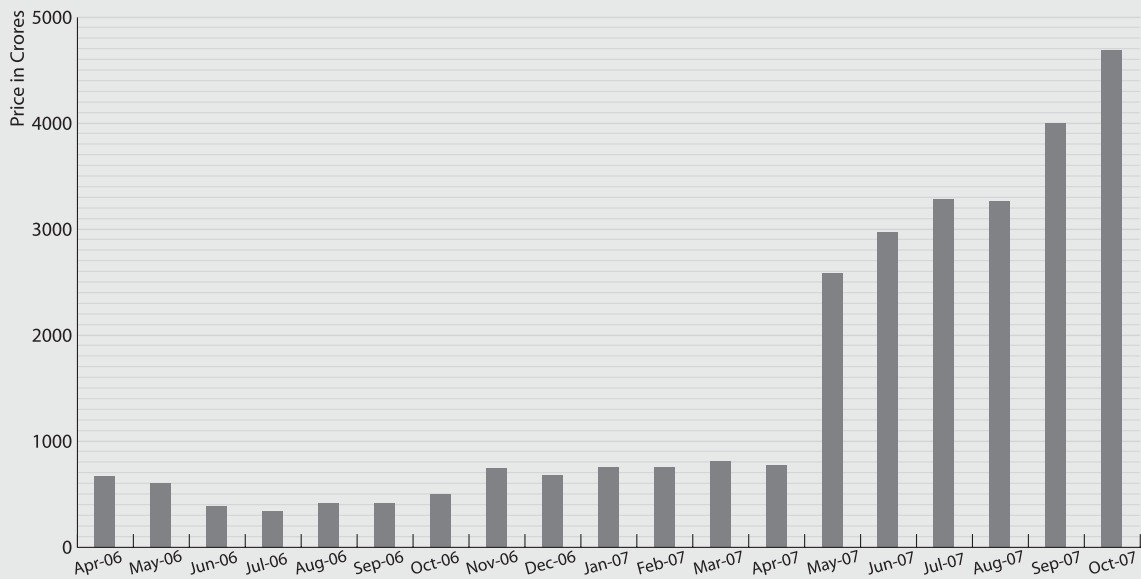
Place:Hyderabad
Date :26.10.2007

G Narender
Company Secretary
in Whole-time Practice
FCS- 4898 CP: 5024

General Shareholder Information

<p>1. Annual General Meeting: Day, date and time Venue</p> <p>2. Book Closure Dates</p> <p>3. Calendar of events (tentative and subject to change) for financial reporting for the period ending-</p> <ul style="list-style-type: none"> - Jun 30, 2007 - Sep 30, 2007 - Dec 31, 2007 - Mar 31, 2008 - AGM for 2007-08 	<p>: Thursday, the 6th December, 2007 at 11.30 a.m.</p> <p>: Air Force Auditorium, Subroto Park, New Delhi - 110 010</p> <p>: From 01-12-2007 to 06-12-2007 (both days inclusive)</p> <p>: July 24, 2007</p> <p>: October 26, 2007</p> <p>: January, 2008 *</p> <p>: April / May, 2008 *</p> <p>: September, 2008 *</p> <p>(* tentative)</p>
<p>4. Listing of equity shares is at</p>	<p>: The National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No.C/1, G Block Bandra Kurla Complex, Bandra East, Mumbai - 400 051</p> <p>The Bombay Stock Exchange Limited 1st Floor, New Trading Ring, Rotunda Bldg, P J Towers Dalal Street, Fort, Mumbai 400 013</p> <p>Annual Listing Fee has been paid for the year 2007-08 to both the Exchanges.</p>
<p>5. Stock Code</p> <p>i) Trading Symbol at</p> <p>BSE</p> <p>NSE</p> <p>ii) ISIN</p>	<p>: Scrip Code: 532708 Scrip ID: GVKPIL</p> <p>: GVKPIL</p> <p>: INE251H01016</p>
<p>6. Corporate Identification Number (CIN) allotted by the Ministry of Corporate Affairs</p>	<p>: L74999DL2005PLC135142</p>
<p>7. Share Transfer System</p>	<p>: Share transfer requests, which are received in physical form are processed and the share certificates returned within a period of 15 days in most cases, and in any case within 30 days, from the date of receipt, subject to the documents being in order and complete in all respects.</p>
<p>8. Secretarial Audit</p>	<p>: Secretarial Audit is being carried out every quarter by a practicing Company Secretary and his audit report is placed before the Board for its perusal and filed regularly with the Stock Exchanges within the stipulated time.</p>

<p>9. Location</p>	<p>: Registered office 503-504, Pragati Towers, 26, Rajendra Place New Delhi - 110 008 Phone: 011 - 25753563 Fax : 011 - 25753564</p> <p>: Corporate Office 'Paigah House', 156-159, Sardar Patel Road Secunderabad - 500 003 Phone: 040 - 2790 2663 / 64 Fax : 040 - 2790 2665 E-mail: cs.gvcpil@gvk.com website: www.gvk.com</p>
<p>10 Registrar & Share Transfer Agents</p>	<p>: Karvy Computershare Private Limited Unit: GVK Power & Infrastructure Limited Plot Number 17-24, Vittal Rao Nagar, Madhapur Hyderabad - 500 081 Phone: 040 - 2342 0815 Fax : 040 - 2343 1551 E-mail: gvcpil@karvy.com website: www.karvy.com</p>
<p>11 Any query on Annual Report (shall reach 10 days before the AGM)</p>	<p>: P V Rama Seshu Company Secretary & Compliance Officer GVK Power & Infrastructure Limited, 156-159, 'Paigah House' Sardar Patel Road, Secunderabad - 500 003</p>



Market Capitalisation

Market Price Data

Monthly high, low and trading volume of equity shares of the Company during the financial year 2006-07.

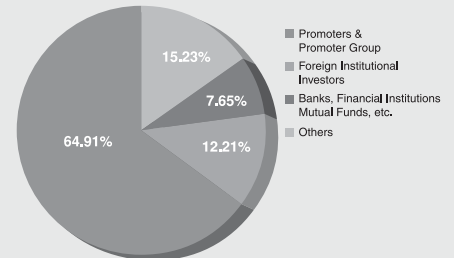
Month, Year	National Stock Exchange (NSE)			Bombay Stock Exchange (BSE)			Total Volume (No.)
	High (Rs.)	Low (Rs.)	Volume (No.)	High (Rs.)	Low (Rs.)	Volume (No.)	BSE & NSE
Apr, 2006	302.40	248.60	6864100	303.80	250.00	4482897	11346997
May	339.70	221.00	8559953	338.25	221.20	5492823	14052776
Jun	268.85	148.00	2517579	264.50	145.00	1638637	4156216
Jul	170.15	130.80	1505740	169.20	130.55	881299	2387039
Aug	203.30	143.15	5913453	203.90	142.60	3522695	9436148
Sep	191.30	166.50	2264233	191.90	166.00	1295791	3560024
Oct	224.00	175.50	6458244	224.50	176.00	4422045	10880289
Nov	316.40	221.35	8492586	317.40	212.25	6050276	14542862
Dec	332.25	261.25	3412583	333.25	266.25	2286614	5699197
Jan, 2007	320.75	281.00	1053335	319.45	280.00	630098	1683433
Feb	353.65	325.00	3188441	352.15	300.00	1877149	5065590
Mar	349.00	278.50	1084745	349.00	277.00	640016	1724761

Details of Shareholding as on 31st March, 2007

Category	Number of Shareholders	Total Shares	% of holding
Promoter Companies	5	9968243	42.16
Promoter Directors	4	3251691	13.75
Promoter Individuals	6	2128000	9.00
Directors & Relatives	9	14565	0.06
Foreign Institutional Investors	14	2887255	12.21
Resident Individuals	60816	2864485	12.11
Mutual Funds	13	1457155	6.16
Bodies Corporate	591	572067	2.42
Banks	4	226533	0.96
HUF	2396	104096	0.44
Indian Financial Institutions	2	99905	0.42
Non Resident Indians	350	45258	0.19
Clearing Members	146	24901	0.11
Trusts	6	291	0.00
Total	64362	23644445	100.00

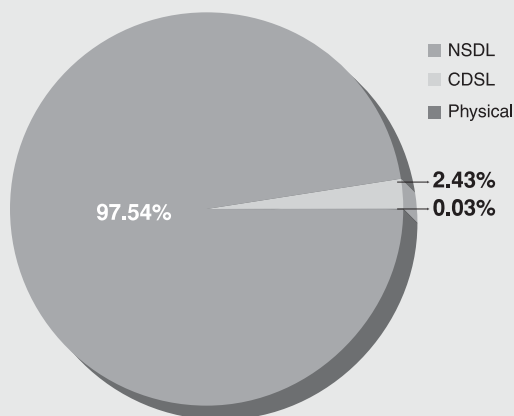
Distribution by category as on 31st March, 2007

Category	Number of Shares	% of holding
Promoters & Promoter Group	15347934	64.91
Foreign Institutional Investors	2887255	12.21
Banks, FIs, Mutual Funds etc	1808494	7.65
Others	3600762	15.23
Total	23644445	100.00



Distribution by size as on 31st March, 2007

Range of equity shares held	No. of Shareholders	%	No. of equity shares	%
1-5,000	63795	99.12	2307984	9.76
5,001-10,000	274	0.43	208522	0.88
10,001-20,000	143	0.22	209749	0.89
20,001-30,000	37	0.06	98948	0.42
30,001-40,000	10	0.02	32884	0.14
40,001-50,000	24	0.04	112986	0.48
50,001-1,00,000	24	0.04	178307	0.75
1,00,001 & above	55	0.09	20495065	86.68
Total	64362	100.00	23644445	100.00



Dematerialisation of Shares

Category	Shareholders	Number of Shares	%
NSDL	52577	23062597	97.54
CDSL	11743	573908	2.43
Physical	42	7940	0.03
Total	64362	23644445	100.00

Over 99.97% of outstanding shares have been dematerialised up to March 31, 2007. Trading in equity shares of the Company is permitted only in dematerialised form as per notification issued by the Securities and Exchange Board of India (SEBI). Shareholders interested in dematerializing / rematerializing their shares are requested to write to the Registrar & Transfer Agent through their Depository Participants.

Compliance with Clause 49 of the Listing Agreement

The Company has been in compliance with all the requirements specified under the revised Clause 49.

Declaration

A Code of Conduct for the Directors and Senior Management Personnel has already been approved by the Board of Directors of the Company. As stipulated under the provisions of sub-clause I(D) (ii) of Clause 49 of the Listing Agreement with stock exchanges, all the Directors and the designated personnel in the Senior Management of the Company have affirmed compliance with the said code for the financial year ended March 31, 2007.

For **GVK Power & Infrastructure Limited**

Place: Secunderabad
Date: 26/10/2007

G V Krishna Reddy
Chairman & Managing Director

Management's Discussions and Analysis

About The Company

GVK Power & Infrastructure Limited (the Company) is a holding company of its infrastructure business. The Company has interest in various types of Power Generation viz., Gas, Hydel and Thermal, Roads & Expressways, Airports, Aviation, Ports, SEZ, etc. The Company is a listed entity which operates in the above said sectors through its Subsidiary / Associate Companies.

During the year, as a part of internal restructuring, six companies have been added as Subsidiary / Associate to the Company through a Scheme of Amalgamation and a Scheme of Arrangement. The Company, as a stand alone entity, does not have any independent revenue except, O&M fee, incentives and dividends from its Subsidiary / Associate Companies and interest income from surplus funds. The Company's projects are spread across the Country.

Industry Structure and Development

Recognizing the importance of infrastructure to sustain a steady GDP growth and as one of the fastest growing economies of the world, Government of India has taken several initiatives in the last few years to give thrust to infrastructure creation, both in terms of quality and scale. Also, realizing huge investment needs of infrastructure development, the Government of India has taken several policy measures to enlist private sector participation in infrastructure sectors like Power, Roads, Airports, SEZ etc., for a fast paced development of infrastructure. This has led to the path for Public Private Partnerships (PPP) for the overall infrastructure development of the Country.

The Government of India has initiated a series of reforms to promote economic growth focusing on reforms and accelerating foreign investment and privatization of public sector units through Public Private Partnership (PPP). As a result of the reforms India's economy registered robust growth with an average real GDP of around 6% over the last decade.

India's GDP increased from 8.4% in 2005-06 to 9.4% in 2006-07, making it the fastest growing economy in the World next only to China. The following reasons could be attributed to the said growth:

- ❖ Changing composition of GDP; reduced dependence on agriculture and growing industrial and services sectors
- ❖ Strong outsourcing growth momentum - IT and financial services, healthcare and manufacturing

- ❖ Strong improvement in the external sector and a gradual fiscal deficit correction

This strong economic growth in India needs provision of quality and efficient infrastructure services to realize its full potential. An investment of Rs. 14,50,000 million or about US\$ 320 billion is envisaged in the infrastructure sector during the Eleventh Five Year Plan, comprising 26% of the planned spending. This sector accounts for a 27% weightage in the Index of Industrial Production (IIP).

The Power Sector

The Government of India's ambitious mission of 'Power for all by 2012' requires that India's installed generation capacity should be at least 2,00,000 MW by 2012 from the present level of 1,14,000 MW. Currently, the transmission capacity in the country is inadequate to meet power flow needs. Thus, an expansion of the regional transmission network and inter-regional capacity to transmit power is essential. Private sector participation in transmission projects is likely to lead to higher spending and a faster creation of transmission infrastructure

- ❖ Indian power supply needs to grow at approximately 12% annually to keep pace with the average GDP growth rate of 8% per annum.
- ❖ The target for the Eleventh Five Year Plan (2007-2012) has been set at around 69000 MW.
- ❖ The Central Government has introduced different schemes which include Accelerated Power Development and Reform Program (APDRP) for improving the transmission and distribution network across States.

Any addition in generation would need to be supported by augmentation of transmission capacity. Accordingly, Government of India (GoI) and Ministry of Power (MoP) have identified transmission grid strengthening & augmentation requirements for the next five years. As per current estimates, this is likely to translate into investment of more than Rs.71,000 Crore in power transmission. Considering these investment requirements, GoI has initiated steps to involve private sector players to realise its capacity addition objectives. The first fully independent private transmission project was awarded during the year through international competitive bidding basis. The project was awarded to the winning bidder under a Build-Own-Operate-Transfer (BOOT) basis. GoI has already identified 12 such projects, which would be awarded in a similar manner across the country in the coming years.

Continuing with its efforts from the previous years, Gol released the National Tariff Policy 2006 in January last year. The policy, which came into effect from April 1st of this financial year, aimed to address the key issue of "open access" on transmission & distribution networks. The policy provided the basis for transmission tariffs and provisions for estimating the cross subsidy surcharge chargeable on all open access transactions.

The Road Sector

Out of the total length of 66,590 kms of National Highway network in India, only 10% is four-lane, 55% two-lane and 35% is still single lane only. The Economic Survey 2006-07 projects an investment requirement of over USD 50 billion for modernization and upgradation of highways during the Eleventh Five Year Plan (2007-12).

India has one of the largest road networks in the world comprising about 3.3 million kilometers. Roads carry about 70% of the freight and 85% of the passenger traffic. While national highways/expressways constitute only about 66,590 kms (2% of all roads), they carry 40% of the road traffic. This signifies the huge potential for highway development in the country. Number of vehicles has been growing at an average pace of 10.16% per annum over the last five years.

Public-private partnerships are intended to form a substantial portion of the investments required to be made in the sector over the next five years. NHAI is progressing well on track with its plans for highway modernization and upgradation. Over 95% progress has been achieved on the Golden Quadrilateral project. Similarly, nearly 15% progress has already been achieved in the North-South and East-West (NSEW Phase 1 and 2) corridors, while another 70% is under implementation. The government is now giving importance to NHDP phases III and V. NHDP phase IIIA is scheduled for completion by Dec 2009, which means stretches of nearly 2,500 Kms would have to be awarded by NHAI over the next two years. NHDP phase V provides for six laning of Golden Quadrilateral. While contracts for 148 Kms have already been awarded, NHAI would be awarding the balance length of Golden Quadrilateral for six laning in phases over the next few years. A significant portion of these stretches would be awarded on a Design Build Finance and Operate (DBFO) basis.

Government has taken several initiatives to encourage private investment in roads. Some of the key initiatives are as follows: Government will carry out all preparatory work including land

acquisition and utility removal. Right of Way (ROW) to be made available to Concessionaires, free from all encumbrances. In addition, a new model concession agreement directs NHAI to hand over 60% to 80% of required land area and obtain all environmental clearances as conditions precedent for it before the financial closure of any project.

- NHAI / GOI to provide capital grant up to 40% of project cost to enhance viability on a case to case basis.
- Concession period is linked to traffic to minimize the traffic risk.
- In BOT projects concessionaire is allowed to collect and retain toll revenue.

The Airports Sector

Recent developments in Aviation sector

Airports are the first point of contact for foreigners to any country; hence the quality of airport infrastructure is a vital component for a country's image and also for the overall transportation network contributing directly to a country's economy in terms of flow of foreign investment. However, India's current airport infrastructure is not fully geared up to meet the growing traffic. To meet the huge demand for capacity addition in aviation sector for India, Government took initiative to bring in private players to work under Public Private Partnership (PPP) for airport modernization & expansion.

Modernization of existing Airports

The government has assigned high priority to improving the services and facilities at Indian airports to bring them on par with international standards. Accordingly, it has decided to restructure and develop airports by encouraging private sector participation in both green field and brown field airports in the country. Several initiatives have been taken by the government in the recent past to develop and improve upon the quality of airport infrastructure. The international airports in Delhi and Mumbai are being modernized and upgraded through private sector participation. Of these, GVK-South African consortium has bagged the concession for operation, maintenance and development for Mumbai airport.

Investment of USD 9 billion for the development of airports during 2006-07 to 2013-14 is estimated. Out of the total, USD 6.9 billion would come from Public Private Partnerships (PPPs). This comprises modernization of Chennai and Kolkata airports and Greenfield airports for Navi Mumbai, Pune, Goa, Nagpur,

Greater Noida, and four North-eastern states. Airports Authority of India (AAI) is also considering development of about 35 non-metro airports where city side development shall be done by private players. The techno-economic feasibility has been received for 10 of these airports.

Risks and Concerns

Availability of Natural Gas

The most critical input required by our power generation plants to generate electricity is fuel (Natural Gas). The Jegurupadu Phase I facility has a natural gas supply agreement with Gas Authority of India Limited ("**GAIL**") and a naphtha supply agreement with Bharat Petroleum Corporation Limited ("**BPCL**"). Our Jegurupadu Phase II and the GPL power project facilities, which are not yet operational, are designed to use natural gas and High Speed Diesel ("**HSD**") and have natural gas supply agreements with GAIL and a Memorandum of Understanding ("**MOU**") for the supply of High Speed Diesel with BPCL for the GPL power project facility.

The present natural gas availability in the State of Andhra Pradesh is less than the actual demand. Our new projects and the other power projects in the State of Andhra Pradesh are likely to be affected by the shortage of natural gas until at least mid 2008. Government of Andhra Pradesh ("**GoAP**") had earlier entered into an understanding with four short gestation projects (including Jegurupadu Phase II and Gautami Power Project) to defer the payment of fixed charges on Deemed Generation until December, 2006. However, due to the prevailing uncertainty over the actual period by which the gas is likely to be made available to these projects, the GoAP had once again requested the management of these power projects to further defer the payment of fixed charges on Deemed Generation until mid 2008. To this extent, all the IPPs have initiated action to amend their respective Power Purchase Agreements.

GAIL had earlier announced that it would be allocating the existing quantity of natural gas on a pro rata basis to all the projects that are in operation in the State of Andhra Pradesh including the new projects to be commissioned. However, due to acute shortage of natural gas, it could not fully meet the requirements of the existing projects. This has resulted in the new projects to either shut down their power plants which are otherwise ready for declaring commercial operations or to defer the commissioning period.

Performance And Outlook

GVK Power & Infrastructure Limited - Financial Performance review

Standalone Financials

The results for the current year reflects the status after giving effect to the scheme of amalgamation.

Revenue

The Company's total income, which comprises of income in the form of operating fees, incentives, fees for technical services and other income increased by 81.86% at Rs.4292 lakhs as compared to Rs.2360 lakhs of the previous year.

Expenditure

The Company's total expenditure, comprising of staff costs, other administrative expenses, interest and depreciation increased by 96.6% to Rs.2604 lakhs for the year ended March 31, 2007 from Rs 1325 lakhs when compared to the previous year ended March 31, 2006. The increase in expenses is mainly due to interest paid/provided on loans taken for acquiring 59% stake in GVK Jaipur Expressway Private Limited.

Interest

The interest expenses stood at Rs.1892 lakhs (previous year Rs. 859 lakhs)

Profit before Tax (Gross Profit)

The PBT increased by 62.9% to Rs.1687 lakhs for the current year from Rs.1036 lakhs of the previous year.

Profit after Tax

The Company's net profit after tax increased by 83.4% to Rs.1485 lakhs for the year ended 31st March, 2007 from Rs 810 lakhs when compared to the previous year.

Consolidated Financials

The current year results include the results of the companies which became subsidiaries and associates as per the scheme of amalgamation.

The Consolidated Financial Statements have been drawn as per the Accounting Standards 21 and 23 issued by the Institute of Chartered Accountants of India. A total of 7 subsidiary companies and 1 associate company have been consolidated in arriving at the group performance. These companies operate broadly in the following sectors

- a) Power
- b) Road and
- c) Airport

Revenue

The Company reported gross revenue of Rs. 40,912 lakhs for 2006-07 compared to Rs. 15,469 lakhs of the previous year. The increase in gross revenue is mainly attributable to the restructuring exercise undertaken by the Company.

Profit After Tax

The Company reported profit after tax and minority interest of Rs. 5803 lakhs for 2006-07 which is 433.6% higher over previous year's profit after tax at Rs. 1088 lakhs. 80% of the increased PAT has come due to the said restructuring.

Internal Control System

The Internal Control System is an essential element of the Corporate Governance and plays a key role in identifying, minimizing and managing risks that are significant for the Company, contributing to the safeguarding of stockholders' investments and the Company's assets.

The Internal Control System includes policies, processes and performance of the company that ensures economical and effective use of resources to attain aims and objectives of the company. It also facilitates the effectiveness and efficiency of its operations by enabling it to respond appropriately to operational, financial, compliance and other risks that hinder the achievement of the company's objectives. The Internal Control Systems help in ensuring quality of Internal and external reporting and compliance with applicable laws and regulations and internal procedures and safeguards the company's assets from inappropriate use or from loss and fraud.

The Company is responsible for ensuring that internal control and risk managements is adequate. Internal guidance and control systems provide management with the information necessary for decision making and evaluation of activities, internal control covers both economic and other forms of control. Actual accomplishment of control is undertaken not just by the management but by the entire staff.

Your company has established and is maintaining adequate controls within the system to ensure the completeness, accuracy, and authority of all financial information and of all other information or is used for management control and accountability. The adequacy and effectiveness of internal

controls are monitored regularly by the Internal Auditors and remedial measures are adopted, wherever necessary.

The system also prevents its assets against loss from wastage and records the unauthorized usage. The decision making and operational evaluation processes are composed of the monitoring system, evaluation of the achievement of objectives and the financial management associated with budget and cost accounting procedures.

The Audit Committee of the company meets periodically to review and recommend quarterly, half yearly and annual financial statements of the company. The Audit Committee reviews the important finding of the Internal Auditors during their audits, periodically. The committee also holds discussions with the internal auditors, statutory auditors and the management on the matters relating to internal controls, auditing and financial reporting. The Committee also reviews with the statutory auditors, the scope and results of the audit.

Human Resources

Human resources continued to be one of the biggest assets of the Company. The management has been paying special attention to various aspects like training, welfare and safety and thereby further strengthening the human resources. Relations with the employees remained cordial throughout the year. The work and jobs at all levels in your company are designed, organized and managed through collaboration with employees and management.

Future Outlook

While there is no doubt about the availability of abundant gas reserves in the Krishna Godavari Basin, the question of availability of natural gas at the required time is a matter of concern for commencing commercial operations of the new projects. Even though, there have been recent announcements on the discovery of huge reserves of gas by Reliance, Gujarat State Power Corporation Limited and the ONGC in the Krishna Godavari Basin, the question remains mute as to when the same would be made available to the generating companies. Your Company hopes that this new found gas would be made available to meet the demands of all the projects earlier than envisaged.

Recent discoveries of gas in Krishna Godavari and Mahanadi basins along with the development of Coal Bed Methane (CBM) are expected to provide the much needed fuel diversity in the

next 2-3 years. Gas utilization can substitute oil and command a remunerative price in the industrial sector. However, it would need to establish its affordability for the power sector to compete with imported coal. Till then, coal is likely to be the mainstay for power generation.

The power sector has shown great interest in acquiring coal mines both in India and abroad to securitize fuel supplies for existing and proposed power projects. The Government of India has initiated steps in promoting coal based generation at pitheads by identifying and offering captive coal blocks to the power sector. While this has received an overwhelming response, there is a lack of clear policy and speed in allocating the coal blocks to various applicants.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the company's objectives, projections estimates and expectations may be 'forward looking statements' within the meaning applicable securities laws and regulations. As 'forward looking statements' are based on certain assumptions and expectations of future events over which the company exercises no control, the company cannot guarantee their accuracy nor can it warrant that the same will be realized by the company. Actual results could differ materially from those expressed or implied. Significant factors that could make a difference to the company's operations include domestic and international economic conditions affecting demand, supply and price conditions in the electricity industry changes in government regulations, tax regimes and other statutes.

Auditor's Report on Consolidated Financial Statements

The Board of Directors

GVK Power & Infrastructure Limited

1. We have audited the attached consolidated balance sheet of GVK Power & Infrastructure Limited ('the Company') as at March 31, 2007, and its subsidiaries (a) GVK Industries Limited, (b) GVK Jaipur Expressway Private Limited, (c) Alaknanda Hydro Power Company Limited, (d) GVK Power (Goinwal Sahib) Limited, (e) GVK Coal (Tokisud) Company Private Limited, (f) GVK Airport Developers Private Limited, (g) Goriganga Hydro Power Company Private Limited and (h) GVK Airport Holdings Private Limited ("the Subsidiaries") and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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. We did not audit the financial statements of the subsidiaries, whose financial statements reflect aggregate total assets of Rs.22,915,160 thousands as at March 31, 2007 and aggregate total revenues of Rs.4,086,562 thousands and net cash outflows aggregating to Rs.398,077 thousands for the year then ended. These financial statements and other financial information required for the purposes of consolidation have been audited by other auditors, whose reports have been furnished to us, and our opinion is based solely on the reports of other auditors.
4. We report that the consolidated financial statements have been prepared by Management in accordance with the requirements of Accounting Standards (AS) 21- 'Consolidated Financial Statements' and Accounting Standards (AS) 23 'Accounting for Investments in Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.
5. Without qualifying our opinion, we draw attention to:
 - (i) Note 12(a) of Schedule 19, regarding pending confirmation for and approval by the Central Electricity Authority (CEA) of the increase in capital cost and accruals of revenue being the fixed charged

components of the tariff therein for the years 1997-98 to 2000-01 aggregating to Rs.451,250 thousands by the Subsidiary Company;

- (ii) Note 12(b) and 12(c) of Schedule 19, regarding outstanding minimum alternate tax amounts claimed for reimbursement and other amounts aggregating to Rs.141,178 thousands and Rs.7,551 thousands respectively in the Subsidiary Company's books. The matters involved are interpretational in nature and subjudice respectively;
- (iii) Note 13 of Schedule 19, regarding prepayment charges, premium for reduction of interest rates and other charges aggregating to Rs.12,574 thousands considered as good and recoverable by the subsidiary Company, though there is no specific provision in the Power Purchase Agreement for reimbursement of charges of the nature referred to above by Transmission Corporation of Andhra Pradesh Limited ('AP Transco');
- (iv) Note 20 of Schedule 19, regarding provision for income taxes net of amounts claimed for reimbursements from AP Transco and the Subsidiary Company's intention to offer such amounts to tax on acceptance by AP Transco.

The ultimate outcome of the above matters cannot presently be determined, pending approvals, acceptances and legal interpretations as referred to in the relevant notes to the consolidated accounts referred above and no provision for any liability that may result has been made in the consolidated financial statements.

6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated balance sheet, of the state of affairs of GVK Power & Infrastructure Limited and its Subsidiaries, as at March 31, 2007;
 - (b) in the case of the consolidated profit and loss account, of the consolidated profit of GVK Power & Infrastructure Limited and its Subsidiaries, for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of GVK Power & Infrastructure Limited and its Subsidiaries, for the year ended on that date.

For **S R Batliboi & Associates**
Chartered Accountants

Place: Hyderabad
Date: 26/10/2007

per **Ali Nyaz**
Partner
Membership No.: 200427

Consolidated Balance Sheet as at March 31, 2007

As at 31st March			
	Schedules	2007	2006
		Rs. '000	Rs. '000
Sources Of Funds			
Shareholders' funds			
Capital	1	236,444	236,444
Share application money	2	849,214	-
Reserves and surplus	3	6,745,601	5,102,188
		<u>7,831,259</u>	<u>5,338,632</u>
Minority interest		2,729,425	2,621,392
Loan funds			
Secured loans	4	11,353,057	7,401,460
Unsecured loans	5	4,092,505	564,676
		<u>15,445,562</u>	<u>7,966,136</u>
Deferred tax liability (net)	19 (10) (a)	892,735	1,194,350
Total		26,898,981	17,120,510
Application Of Funds			
Fixed assets			
Gross block	6	18,889,840	10,112,084
Less: Accumulated depreciation		5,874,000	4,603,335
Net block		<u>13,015,840</u>	<u>5,508,749</u>
Capital work-in-progress (including capital advances)		8,211,487	7,092,446
		<u>21,227,327</u>	<u>12,601,195</u>
Investments	7	2,973,502	1,321,690
Deferred tax assets	19 (10) (b)	2,023	904
Current assets, loans and advances			
Inventories	8	284,826	230,514
Sundry debtors	9	828,329	769,364
Cash and bank balances	10	631,333	579,640
Loans and advances	11	1,024,642	1,277,393
Unbilled revenues	19 (11)	623,337	964,322
		<u>3,392,467</u>	<u>3,821,233</u>
Less: Current liabilities and provisions			
Liabilities	12	637,699	588,543
Provisions	13	58,639	35,969
		<u>696,338</u>	<u>624,512</u>
Net current assets		2,696,129	3,196,721
Total		26,898,981	17,120,510
Notes to Consolidated Accounts	19		

The schedules referred to above and notes to consolidated accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date

For **S R Batliboi & Associates**
Chartered Accountants

per **Ali Nyaz**
Partner
Membership No. 200427

Place : Hyderabad
Date : 26/10/2007

For and on behalf of the Board of Directors of
GVK Power & Infrastructure Limited

G V Krishna Reddy
Chairman and Managing Director

A Issac George
Chief Financial Officer

G V Sanjay Reddy
Director

P V Rama Seshu
Company Secretary

Consolidated Profit and Loss Account for the year ended March 31, 2007

As at 31st March			
	Schedules	2007	2006
		Rs. '000	Rs. '000
Income			
Gross earnings from sale of electrical energy		2,738,291	1,504,609
Less: Prompt payment rebate		69,603	38,910
Net earnings from sale of electrical energy		2,668,688	1,465,699
Income from Toll Operations		1,157,377	-
Less: Sharing of excess Toll fee collected		19,675	-
		1,137,702	-
Fees from technical and operating & maintenance services (Gross)		-	65,358
Less: Service tax		-	2,040
Fees from technical and operating & maintenance services (Net)	14	-	63,318
Other income	15	284,772	17,909
Total Income		4,091,162	1,546,926
Expenditure			
Cost of Fuel		1,227,955	716,579
Personnel expenses	16	133,880	40,573
Operating, Maintenance & Administration expenses	17	472,265	119,046
Financial expenses	18	630,522	142,794
Depreciation and amortisation (net of amount withdrawn from grant Rs. 117,222 thousands)	6	805,500	269,312
Total Expenditure		3,270,122	1,288,304
Share of profits of associate for the year		336,422	-
Withdrawn from Grant		-	-
Profit before tax and minority interest		1,157,462	258,622
Provision for taxation			
Current		192,972	46,502
Deferred		38,251	(36,520)
Income Tax for earlier years		15,641	(1,255)
Fringe benefit		2,732	1,289
Profit before minority interest		907,866	248,606
Minority interest		327,568	139,856
Profit for the year		580,298	108,750
Profit at the beginning of the year		108,964	32,168
Balance available for appropriations		689,262	140,918
Transfer to general reserve		49,845	31,954
Interim Dividend		59,111	-
Dividend Tax (including tax paid by subsidiaries)		60,651	-
Balance carried to Balance Sheet		519,655	108,964
Earnings per share (in Rs.) (Refer Note 19 on Schedule 19)			
Basic		6.18	10.02
Diluted		6.18	10.02
Nominal value per equity share (in Rs.)			
Weighted average number of shares		10	10
- Basic		93,969,445	10,857,000
- Diluted		93,969,445	10,857,000
Notes to Consolidated Accounts	19		

The schedules referred to above and notes to consolidated accounts form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date

For **S R Batliboi & Associates**
Chartered Accountants

per **Ali Nyaz**
Partner
Membership No. 200427

Place : Hyderabad
Date : 26/10/2007

For and on behalf of the Board of Directors of
GVK Power & Infrastructure Limited

G V Krishna Reddy
Chairman and Managing Director

G V Sanjay Reddy
Director

A Issac George
Chief Financial Officer

P V Rama Seshu
Company Secretary

Schedules to the Consolidated Accounts

Schedules	As at 31st March	
	2007 Rs. '000	2006 Rs. '000
Schedule 1: Capital		
Authorised		
17,72,50,000 (Previous year: 50,000,000) equity shares of Rs.10/- each	1,772,500	500,000
Issued, subscribed and paid-up		
23,644,445 equity shares of Rs.10/- each fully paid up	236,444	236,444
Schedule 2 : Share Application Money		
Shares pending for allotment on amalgamation (Refer Note 4 (vi) on Schedule 19)	703,250	-
Share application money pending allotment	145,964	-
	849,214	-
Schedule 3 : Reserves and surplus		
Capital reserve on acquisition	1,189,258	1,189,258
General reserve		
As per last balance sheet	-	20,896
Add: Transferred from Profit & Loss Account	49,845	31,954
	49,845	52,850
Less: Amount utilised for issue of bonus shares	-	52,850
	49,845	-
Securities Premium Account		
Balance as per last account	3,803,966	-
Add: Received during the year	-	3,944,071
Less: Utilised for share issue expenses	1,033	140,105
Adjustment on amalgamation (Refer Note 4 (iv) on Schedule 19)	682,250	-
Written off preliminary expenses of Transferors Companies (Bowstring Projects & Investments Private Limited & Green Garden Horticulture Private Limited)	307	-
	3,120,376	3,803,966
Profit and Loss Account		
Less: Profit & Loss a/c. of Transferor Companies on amalgamation	519,655	108,964
	9,090	-
	510,565	108,964
Deferred income	1,875,556	-
	6,745,601	5,102,188
Schedule 4 : Secured loans		
(Refer Notes 3 on Schedule 19)		
Term loans		
Rupee loans from banks	6,456,449	2,861,853
Rupee loans from others	3,095,800	1,785,502
[Repayable within one year Rs. 431,165 thousands (Previous year: Rs. 491,154 thousands)]		
Foreign currency loans from banks	1,551,949	2,542,694
Foreign currency loans from others	-	74,120
[Repayable within one year Rs. 40,999 thousands (Previous year: Rs. 269,153 thousands)]		
Working capital loans from banks	248,859	137,291
	11,353,057	7,401,460
Schedule 5 : Unsecured loans		
Short term loans and advances		
From banks	736,103	314,676
From others	3,356,402	250,000
	4,092,505	564,676

Schedules	As at 31st March	
	2007 Rs. '000	2006 Rs. '000
Schedule 7 : Investments (Refer Note 8 on Schedule 19)		
Current investments (At lower of cost and market value)		
Other than trade (quoted)		
264,935.949 (Previous year: 4,337,115.298) units in Principal Mutual Fund at Rs. 10.0022 per unit. [Market value Rs. 2,650 (Previous year: Rs. 50,125)]	2,650	50,125
2,005,510.273 (Previous year: Nil) units in Reliance Mutual Fund at Rs. 15.2862 per unit. [Market value Rs. 30,657 (Previous year: Rs. NIL)]	30,657	-
3,448,634.843 (Previous year: Nil) units in JM Mutual Fund at Rs. 10.00 per unit. [Market value Rs. 34,485 (Previous year: Rs. NIL)]	34,485	-
1,081,998.887 (Previous year: Nil) units in ING Vysya Mutual Fund at Rs. 10.0121 per unit. [Market value Rs. 10,833 (Previous year: Rs. NIL)]	10,833	-
4,454,881 (Previous year: Nil) units in Pru ICICI Long Term Floating Plan A Growth at Rs. 11.3583 per unit [Market value Rs. 50,600 (Previous year: Rs. NIL)]	50,600	-
1,299,310.96 (Previous year: Nil) units in Birla Cash Plus Retail Growth at Rs. 19.8536 per unit [Market value Rs. 25,976 (Previous year: Rs. NIL)]	25,796	-
Nil (Previous year 578,391.301) units in Chola Short Term Floating Rate - Cum at Rs. Nil (Previous year: Rs. 10.3736) per unit [Market value NIL (Previous year: Rs. 6,000)]	-	6,000
Nil (Previous year: 1,384.294) units in Chola Liquid Institutional Dividend Reinvest Plan at Rs. Nil (Previous year: Rs. 10.3728) per unit. [Market value NIL (Previous year: Rs.14)]	-	14
(Aggregate value of quoted investments Rs. 155,021 (Previous year Rs. 56,139 thousands)		
Long term investments (At cost)		
Trade (unquoted)		
In associate		
174,202,550 (Previous year: 126,555,100) equity shares of Rs. 10 each fully paid-up in Gautami Power Limited	1,742,025	1,265,551
74,000,000 (Previous year: Nil) equity shares of Rs. 10 each fully paid-up in Mumbai International Airport Private Limited (including share of profits as per AS-23)	1,076,422	-
National Savings Certificates [Non Trade (unquoted)]	34	-
	2,973,502	1,321,690

Schedules to the Consolidated Accounts

Schedules	As at 31st March	
	2007 Rs. '000	2006 Rs. '000
Schedule 8 : Inventories (At lower of cost or net realisable value)		
Stores, spares and consumables	284,826	230,514
Schedule 9 : Sundry debtors (Refer Note 12 on Schedule 19)		
Secured, considered good		
Debts outstanding for a period exceeding six months	599,979	595,567
Other debts	241,080	173,797
	828,329	769,364
Schedule 10 : Cash and bank balances		
Cash and cheques on hand	8,886	19,298
Stamps in hand	954	-
Balances with scheduled banks on :		
(i) Current accounts	100,801	144,622
(ii) Deposit accounts	388,652	273,976
(iii) Unpaid dividend accounts	4,485	131,000
(iv) Margin money deposit accounts	127,555	10,744
	631,333	579,640
Schedule 11 : Loans and advances		
Unsecured, considered good (Refer Note 13 on Schedule 19)		
Advances recoverable in cash or in kind or for value to be received	227,068	1,152,132
Advance tax, net of provision	9,853	21,508
Deposits	110,581	98,001
Inter Corporate Loans	60,000	-
Advance for investments	478,674	-
Interest accrued on deposits	7,866	5,752
Other receivables	130,600	-
	10,24,642	12,77,393
Schedule 12 : Liabilities		
Sundry creditors	216,100	195,310
Interest accrued but not due	189,873	25,016
Retention money	8,066	355,647
Unpaid dividend	4,485	-
Due to Directors	11,553	-
Share application money refundable	129,476	-
Other liabilities	78,146	12,570
	637,699	588,543
Schedule 13 : Provisions		
Income tax (net of advance tax payments)	44,977	4,537
Fringe benefit tax (net of advance tax payments)	207	300
Dividend tax	-	18,373
Retirement benefits		
-Gratuity	8,462	8,743
-Leave encashment	4,993	4,016
	58,639	35,969

Schedule 6 : Fixed assets (Refer Notes 2 (ii) and 7 on Schedule 19)											(Rs. '000)	
Particulars	Gross Block					Depreciation					Net Block	
	As at 01.04.06	Additions on acquisition of subsidiaries	Additions/ adjustments during the period	Deletions/ adjustments during the period	As at 31.03.07	Up to 01.04.06	Additions on acq- sition of subsidiaries	For the period	On deletions	Up to 31.03.07	As at 31.03.07	As at 31.03.06
Tangible Assets:												
Land & Site development	88,724	26,010	25,423	-	140,157	-	-	-	-	-	140,157	88,724
Buildings												
i) Factory building	387,047	-	-	-	387,047	115,954	-	12,927	-	128,882	258,165	271,093
ii) Non-factory building	235,231	6,657	47	-	241,935	31,793	-	3,835	-	35,628	206,307	203,438
Plant & Machinery	9,333,726	1,723	3,313	-	9,338,762	4,421,953	144	492,130	-	4,914,227	4,424,535	4,911,773
Computers	21,712	3,354	2,530	1,112	26,484	16,118	797	1,980	1,036	17,858	8,626	5,594
Office equipment	16,522	9,049	1,499	-	27,070	4,880	1,001	1,314	-	7,195	19,875	11,642
Electrical equipment	3,567	-	137	-	3,704	1,388	-	204	-	1,592	2,112	2,179
Vehicles	11,337	13,339	8,688	2,475	30,889	5,087	1,726	2,318	1,212	7,919	22,970	6,250
Furniture & fixtures	14,218	5,991	1,551	-	21,760	6,162	1,365	1,495	-	9,022	12,738	8,056
Intangible Assets:												
Toll collection rights	-	6,205,130	576,961	2,459	6,779,632	-	343,534	408,323	180	751,677	6,027,955	-
Goodwill	-	-	1,892,400	-	1,892,400	-	-	-	-	-	1,892,400	-
Total	10,112,084	6,271,253	2,512,549	6,046	18,889,840	4,603,335	348,567	924,526	2,428	5,874,000	13,015,840	5,508,749
Capital work-in-progress (including capital advances)											8,211,487	7,092,446
Previous Year	10,072,575	-	42,784	3,275	10,112,084	4,333,745	-	269,824	235	4,603,335	5,508,749	-

Note:

a. Depreciation amounting to Rs. 1,804 (Previous year Rs 512) for the year ended March 31, 2007 transferred to capital work-in-progress.

Schedules to the Consolidated Accounts

Schedules	For the year ended	
	31.03.2007 Rs. '000	31.03.2006 Rs. '000
Schedule 14 :		
Fees and billable expenses from operation, maintenance and other services		
Operating fees	-	19,000
Incentive fees	-	5,806
Fees for technical services	-	20,000
Billable expenses	-	18,512
	-	63,318
Schedule 15 : Other income		
Interest income, (gross)	37,014	11,324
Dividend income from non trade investments - short term	21,146	125
Miscellaneous income	17,527	6,460
Excess provisions / Credit balances written back	109	-
Profit on sale of assets	104	-
Profit on sale of investments	670	-
Guarantee commission	117,822	-
Professional services fee	90,380	-
	284,772	17,909
Schedule 16 : Personnel expenses		
Salaries, allowances and bonus	125,002	35,833
Staff welfare	5,021	2,893
Contribution to provident and other funds	3,857	1,847
	133,880	40,573
Schedule 17 : Operating , Maintenance and Administration Expenses		
Operating and maintenance expenses	37,748	9,166
Insurance	81,587	42,622
Repairs and maintenance:		
Buildings	8,840	2,447
Roads	24,812	-
Plant & Machinery	76,449	24,921
Others	74,418	674
Payments to NHAI	6,636	-
Vehicle Hire Charges	1,764	-
Rent	10,281	1,884
Electricity and water	3,644	386
Travel and conveyance	27,739	11,560
Legal and professional charges	40,250	759
Audit Fee	1,964	1,298
Rates and taxes	1,297	5,307
Directors' sitting fee	1,150	581
Miscellaneous expenses	22,913	12,124
Expenses on amalgamation	3,991	-
Donation	9,357	5,317
Communication	8,658	-
Printing & Stationery	5,622	-
Postage & Courier	75	-
Loss on sale of Investments	99	-
Loss on sale of assets	312	-
	472,265	119,046
Schedule 18 : Financial expenses		
Interest		
- on fixed period loans	327,163	109,916
- on other loans	297,403	29,272
Bank charges	3,515	988
Processing and other charges	2,441	2,618
	630,522	142,794

Consolidated Cash Flow Statement for the year ended March 31, 2007

Particulars	For the year ended	
	31.03.2007 Rs. '000	31.03.2006 Rs. '000
Profit before tax	703,818	258,622
Adjustments for		
Depreciation	922,722	269,312
Dividend income	(21,148)	-
Interest income	(37,014)	(11,324)
Interest expense	627,007	139,188
Profit on sale of short term investment	(571)	-
Loss on sale of Assets	208	25
Operating profit before working capital changes	2,195,022	655,823
Movements in working capital		
Increase in sundry debtors and other receivables	(216,584)	(104,930)
Increase in unbilled revenue	-	(3,641)
(Increase)/Decrease in inventories	(43,741)	2,618
(Increase) /decrease in loans and advances	16,036	(965,658)
(Decrease)/increase in current liabilities	(321,639)	315,105
Cash (used in)/generated from operations	1,629,093	(100,683)
Direct taxes paid	(194,045)	(38,955)
Net cash from / (used in) operating activities (A)	1,435,048	(139,638)
Cash flows from investing activities		
Purchase of fixed assets	(1,323,193)	(879,316)
Proceeds from sale of fixed assets	3,411	2,140
Payments for net assets acquired of subsidiaries, net of cash	(3,079,657)	(486,762)
Purchase of investments	(153,966)	(1,281,841)
Proceeds from sale/ redemption of investments	137,472	25,151
Dividends received	21,145	-
Interest received	37,755	26,548
Preoperative/Unallocated expenditure	(170,590)	-
Net cash used in investing activities (B)	(4,527,623)	(2,594,080)

Particulars	For the year ended	
	31.03.2007 Rs. '000	31.03.2006 Rs. '000
Cash flows from financing activities		
Proceeds from public issue, net of share issue expenses	(1,033)	4,077,581
Expenses on amalgamation & preliminary expenses	(61)	-
Proceeds from long term borrowings	1,345,291	1,881,079
Repayment of long term borrowings	(328,587)	(1,282,808)
Proceeds from short term borrowings (net)	2,857,371	(933,467)
Proceeds from share application money	83,208	-
Repayment of share application money	(126,988)	-
Interest paid	(463,179)	(430,393)
Dividend paid	(222,005)	-
Net cash from financing activities (C)	3,144,017	3,311,992
Net increase in cash and cash equivalents	D=(A+B+C)	51,443
Cash and cash equivalents at the beginning of the year		579,640
Cash and cash equivalents at the beginning of the year of Transferor Companies		250
Cash and cash equivalents at the end of the period		631,333

Note: 1. The Amalgamation of Bowstring Projects and Investments Private Limited and Green Garden Horticulture Private Limited is considered as non cash transaction.

2. Cash and Cash equivalents include the following which are not available for ready use by the company.

Particulars	March 31, 2007	March 31, 2006
Margin Money Account	127,555	10,744
Unpaid Dividend Account	4,485	131,000

As per our report of even date

For **S R Batliboi & Associates**
Chartered Accountants

per **Ali Nyaz**
Partner
Membership No. 200427

Place : Hyderabad
Date : 26/10/2007

For and on behalf of the Board of Directors of
GVK Power & Infrastructure Limited

G V Krishna Reddy
Chairman and Managing Director

A Issac George
Chief Financial Officer

G V Sanjay Reddy
Director

P V Rama Seshu
Company Secretary

Schedule 19: Schedules to the Consolidated Accounts as at and for the year ended March 31, 2007

(Amounts expressed in Indian Rupees thousands unless otherwise stated)

1. Nature of Operations

GVK Power & Infrastructure Limited ("GVKPIL" or the "Parent Company") is engaged in the provision of operation and maintenance services to the power plants. The following is the brief description of the Company, subsidiaries and Associates:

- a) GVK Industries Limited ("GVKIL" or the "Subsidiary Company") Generation of power.
- b) The Alaknanda Hydro Power Company Limited ("AHPCL" or the "Subsidiary Company") is engaged in generation of power.
- c) GVK Power (Goindwal Sahib) Limited ("GVKPGSL" or the "Subsidiary Company") is engaged in generation of power.
- d) Goriganga Hydro Power Private Limited ("GHPPL" or the "Subsidiary Company") is engaged in generation of power.
- e) GVK Coal (Tokisud) Company Private Limited ("GVKCCPL" or the "Subsidiary Company") is engaged in mining of coal meant.
- f) GVK Jaipur Expressway Private Limited ("GJEPL" or the "Subsidiary Company") is engaged in Building and developing of the Highway project.
- g) The GVK Airport Developers Private Limited ("GVKADPL" or the "Subsidiary Company") is engaged in business of construction, development of Airports.

- h) GVK Airport Holdings Private Limited ("GVKAHPL" or the "Subsidiary Company") is engaged in business of investments as promoters & developers of the international and domestic projects.
- i) The Mumbai International Airport Private Limited ("MIAL" or the "Associate Company") is engaged in operations, maintenance and development of Mumbai Airport.
- j) Gautami Power Limited ("GPL" or the "Associate Company") is engaged in generation of power.

2. Summary of Significant Accounting Policies

i. Basis of preparation

The Consolidated Financial Statements of GVKPIL together with its subsidiaries (collectively termed as "the Company" or "the Group") are prepared under the historical cost convention on an accruals basis to comply in all material respects with the mandatory Accounting Standards (AS) issued by the Institute of Chartered Accountants of India ("the ICAI").

Investments in the subsidiary companies, except where investments are acquired exclusively with a view to its subsequent disposal in the immediate near future, are accounted in accordance with accounting principles as defined in the AS 21 "Consolidated Financial Statements".

All material inter-company balances and inter-company transactions and resulting unrealized profits or losses are eliminated in full on consolidation.

The Consolidated Financial Statements as at and for the year ended on March 31, 2007 include the financial statements of the following entities:

Name of the Consolidated Entity	Country of Incorporation	Nature of Interest	% of Interest
GVK Industries Limited	India	Subsidiary	53.96%
GVK Jaipur Expressway Private Limited	India	Subsidiary	100%
Alaknanda Hydro Power Company Limited	India	Subsidiary	99.97%
GVK Power (Goindwal Sahib) Limited	India	Subsidiary	98.6%
GVK Coal (Tokisud) Company Private Limited	India	Subsidiary	99%
Goriganga Hydro Power Private Limited	India	Subsidiary	99%
GVK Airport Developers Private Limited	India	Subsidiary	99%
GVK Airport Holdings Private Limited	India	Subsidiary	98.01%

Investment in the associate companies, except where investments are acquired exclusively with a view to its subsequent disposal in the immediate near future, are accounted in accordance with accounting principles as defined in the AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements".

Unrealized profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Companies interest in the associate. Unrealized losses are eliminated if and to the extent the cost of the transferred assets can not be recovered.

Name of the Associate entity	Country of Incorporation	Nature of Interest	% of Interest
Gautami Power Limited	India	Associate	44.97%
Mumbai International Airport Private Limited	India	Associate	36.26%

ii. Fixed assets and depreciation

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. Borrowing cost relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided on straight line method at the rates mentioned below, which are greater than or equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956 ("the Act") :

Particulars	Rates (%)
Toll collection rights	*
Factory buildings	3.34
Non-factory buildings	1.63
Plant and machinery	5.28
Data processing equipment	16.21
Office equipment, Electrical equipment and Air conditioners	4.75
Vehicles	9.50
Furniture and fixtures	6.33

*The Toll collection rights will be written off over the Concession Period.

Direct and indirect expenditure incurred on construction of Highway Project is shown as Cost of Highway Project. Fixed assets individually costing Rs. 5 or less are fully depreciated in the year of purchase.

iii. Impairment

The carrying amounts of fixed assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amounts of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

iv. Expenditure on project expansion

Expenditure directly relating to construction activity is

capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

v. Investments

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

vi. Government Grants

Governments grants relating to depreciable assets is treated as deferred income which is recognized over the life of asset.

vii. Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.

(a) Generation of power

Revenue from sale of energy is recognised on accrual basis in accordance with the provisions of the Power Purchase Agreement ("PPA") with Transmission Corporation of Andhra Pradesh Limited ("AP Transco").

The subsidiary company 'GVKIL' is entitled to received incentive for every percentage point generated in excess of Plant Load Factor (PLF) of 68.50% during the tariff year of 20th June of each year to 19th June of next year. However incentive for the period from 20.06.2007 to 31.03.2007 has not been considered since PLF so far has not reached minimum PLF of 68.50%.

(b) Operation and maintenance services

Revenues from operation and maintenance services are billed or accrued for services rendered and for expenses incurred in relation to such services, in accordance with the terms and conditions of the Operation and Maintenance agreement. Per the operation and maintenance agreement, the Parent Company's income comprises of (a) Operating fees (b) Incentive fees and (c) Reimbursement of actual expenses. Operating fees are receivable based on certain defined levels of Actual Annual Availability ("AAA") of plant. The Parent Company is also eligible to receive incentive fees, if the AAA and/or if the

actual generation of power are higher than the defined levels.

The AAA of the power plant for the purpose of determining the operating fees and incentive fees are measured annually according to a tariff year, currently ending on June 19.

The Parent Company recognizes base fees as it becomes billable, and accrues for incentive fees, based on the qualifying operating levels achieved as at the year-end. Unbilled revenue represents services performed but not billed.

(c) *Income from Toll Operations*

The revenue is recognized as and when the traffic passes through toll - plazas.

(d) *Interest*

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

(e) *Dividends*

Revenue is recognised when the right to receive payment is established by the balance sheet date.

viii. Foreign currency transactions

(a) *Initial recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) *Conversion*

Foreign currency monetary items are reported using the closing rate. Foreign Currency Loans for the Phase I project of the Subsidiary Company are stated only at the exchange rates at which the said loans were drawn (but not at the rates as on the date of the balance sheet) as the foreign exchange variation for repayment of principal and interest is fully reimbursable to the Subsidiary Company by AP Transco as per the PPA. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(c) *Exchange differences*

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise. Exchange differences arising in respect of Phase - II fixed assets acquired from outside India are capitalized as a part of fixed asset.

(d) *Forward Exchange Contracts not intended for trading or speculation purposes*

The difference between the forward rate and the exchange rate at date of the transaction is recognised as income or expense over the life of the contract, except in respect of liabilities incurred for acquiring fixed assets covered under a forward exchange contract entered before April 1, 2004 in which case, such difference is adjusted in the carrying amount of the respective fixed assets. Any profit or loss arising on cancellation or renewal of a forward exchange contract is recognised as income or as expense for the period, except in case of a forward exchange contract entered before April 1, 2004 relating to liabilities incurred for acquiring fixed assets, in which case, such profit or loss is adjusted in the carrying amount of the respective fixed assets.

ix. Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

x. Retirement benefits

(a) The Company's contribution to Provident Fund is recognised on an accruals basis.

(b) Gratuity liability under the Payment of Gratuity Act, 1972 and provision for leave encashment are accrued and provided for on the basis of an actuarial valuation made at the end of each reportable period other than in respect of the whole time directors of the Subsidiary Company. In respect of whole time directors of the Subsidiary Company, retirement benefits in the nature of gratuity and leave encashment are provided in accordance with the contractual obligations.

xi. Inventories

Spares, stores and consumables are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale.

xii. Taxes on income

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted

at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciations or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year which Minimum Alternative Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that company will pay normal Income Tax during the specified period.

xiii. Earning per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xiv. Provisions

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

xv. Segment Reporting Policies

(a) Identification of segments

The Company's operating businesses are organized and managed separately according to the nature services provided, with each segment representing a strategic business.

(b) Intersegment Transfers

The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

(c) Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

(d) Unallocated items

The Corporate and Other segment includes general corporate income and expense items which are not allocated to any business segment.

xvi. Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. **Secured Loans**

Loans and advances from banks and others include those of the Subsidiary Company which are -

a) In the case of GVKIL, loans outstanding as at 31st March, 2007 aggregating to Rs 75,567.78 Lakhs (Previous year Rs 74,014.60 Lakhs) are secured by way of :

i) exclusive first charge on all unused spares and inventory for the outstanding loan.

ii) pari passu first mortgage and charge on all the immovable and movable properties (both tangible and intangible), both present and future, of the expansion project and assets common for both Phase I and expansion project.

iii) pari passu second mortgage and second charge on all the immovable and movable properties (both tangible and intangible), both present and future, pertaining to Phase I (including all receivables).

iv) pari passu first charge/assignment/security interest on all the revenues/receivables of the company pertaining to expansion project.

v) pari passu first charge/assignment/security interest on company's rights under the expansion Project Agreements, all clearances, licences, permits, approvals and consents in respect of the expansion project, and letters of credit, guarantee or performance bond that may be provided in favour of the Subsidiary Company by any party under any project agreement or contract pertaining to the expansion project.

vi) hypothecation by way of first charge on six weeks' book debts of the GVKIL.

vii) Pledge of the shares held by the promoters representing GVK Group to the extent of 26% of the paid up capital of the Subsidiary Company after the amounts outstanding to Phase I lenders representing lenders who have advanced term loans to Phase -I are fully repaid.

(b) In the case of GVK Jaipur Expressway Private limited, loans outstanding as at 31st March 2007 aggregating to Rs 27,879.78 Lakhs (Previous year Nil) is secured by a way of :

(i) a first mortgage and charge against the Company's immovable properties present and future.

(ii) a first charge by way of hypothecation of all the movables, including movable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, present and future.

(iii) first charge on all cash flows, books debts and receivables and any other revenues of whatsoever nature and wherever arising, present and future.

(iv) a first charge on all intangibles including but not limited to goodwill, uncalled capital, present and future.

(v) first charge by way of assignment or creation of security interest in:

a) All the rights, titles, interest, benefits, claims and demands whatsoever of the Company in the project documents, duly acknowledged and consented to by the relevant counter parties to such project documents, all as amended, varied or supplemented from time to time;

b) All the rights, title, interest, benefits, claims and demands whatsoever of the Company in the clearances;

c) All the rights, title, interest, benefits, claims and demands whatsoever of the Company in any letter of credit, guarantee, performance bond provided by any party to the project documents and

d) All Insurance contracts/Insurance proceeds

(vi) A first charge on the Escrow Account and other reserves, and any other bank accounts of the Company wherever maintained.

(vii) Pledge of shares to the extent of 51% of the capital of the Company.

(viii) The securities specified above shall rank pari passu amongst the participating senior lenders.

(c) In the case of GVK Airport Holdings Private Limited, loans outstanding as at 31st March, 2007 aggregating to

Rs.10,083 lakhs (Previous Year Nil) is secured by way of :

i) Cross security on Paigah property already mortgaged to IL&FS.

ii) Cross pledge on 27.90 mn shares of GVK Jaipur-Krishangarh Expressway Ltd. already under pledge to IL&FS.

iii) Cross pledge on 62.20 mn shares of GVKIL already under pledge to IL&FS.

iv) Cross security of land property of 43.2 acres at Himayat Nagar already mortgaged to IL&FS.

v) Personal guarantee of Mr. G.V.Krishna Reddy

4. Scheme of Amalgamation

i) Bowstrings Projects & Investments Private Limited (the "First Transferor Company") engaged in the business of Infrastructure and other constructions, operating and maintenance business and making investments in the companies engaged in providing infrastructure facilities, currently engaged in business of making investments, within GVK group and Green Garden Horticulture Private Limited (the "Second Transferor Company") engaged in business of horticulture activities and making investments in the companies engaged in providing infrastructure facilities, currently engaged in business of making investment in GVK group, have been amalgamated with the Company with effect from April 1, 2006 in terms of the Scheme of Amalgamation (Scheme) sanctioned by Hon'ble High Court at New Delhi vide its order dated September 03, 2007. The Scheme came into effect on October 11, 2007 being effective date and pursuant thereto all assets, estates, title, interests, authorities, debts, out standings, credits, liabilities have been transferred to and vested in the Company retrospectively with effect from the appointed date i.e. April 1, 2006. A summary of which is as follows:

Particulars	Bowstrings Projects & Investments Private Limited	Green Garden Horticulture Private Limited	Total
Investments	499,707	200,000	699,707
Current assets	100,155	95	100,250
Preliminary expenses	242	5	247
Profit and loss account	2,310	6,780	9,090
Share application money received for allotment of shares subsequently	19,900	900	20,800
Current liabilities	(446,305)	(206,780)	(653,084)
Share application money, pending allotment	(156,009)		(156,009)
Consideration payable in the form of Equity shares	(665,000)	(38,250)	(703,250)
Excess of consideration payable over net value of assets and liabilities taken over	645,000	37,250	682,250

ii) The amalgamation has been accounted for under the "Pooling of Interest method" as prescribed under Accounting Standard (AS) 14 issued by Institute of Chartered Accountants of India.

iii) As per the scheme of amalgamation sanctioned by the Hon'ble High Court the swap ratio between the transferor Company and the transferee Company is as follows :

First Transferor Company in ratio of 133 equity shares in Transferee Company of Rs. 10 each credited as fully paid up for every 4 (four) equity shares of Rs. 10 each credited as fully paid up in the Transferor Company.

Second Transferor Company in ratio of 153 equity shares in Transferee Company of Rs. 10 each credited as fully paid up for every 4 (four) equity shares of Rs. 10 each credited as fully paid up in the Transferor Company.

iv) As per the Scheme of Amalgamation sanctioned by

the Hon'ble High Court the excess of consideration of Rs. 682,250 over the value of the net assets of the transferor companies acquired under the scheme of amalgamation is set off against 'Share Premium Account.

v) The transactions arising out of operations of the transferor companies during the Financial Year have been incorporated in the respective heads of account.

vi) Share capital pending allotment represents equity shares to be issued as fully paid up pursuant to the scheme of amalgamation mentioned above.

Consequent to the scheme of amalgamation resulting in merger of "Bowstring Projects and Investments Private Limited" and "Green Garden Horticulture Private Limited" with GVKPIL effective 1st April'06 following subsidiaries of the Transferor Companies has become subsidiaries or associate of GVKPIL.

Name of the Consolidated Entity	Nature of Interest	Appointed date / Date of acquisition
GVK Jaipur Expressway Private Limited	Subsidiary	April 01, 2006
Alaknanda Hydro Power Company Limited	Subsidiary	April 01, 2006
GVK Power (Goindwal Sahib) Limited	Subsidiary	April 01, 2006
GVK Coal (Tokisud) Company Private Limited	Subsidiary	April 01, 2006
GVK Airport Developers Private Limited	Subsidiary	April 01, 2006
Goriganga Hydro Power Company Private Limited	Subsidiary	May 30, 2006
GVK Airport Holdings Private Limited	Subsidiary	April 01, 2006
Mumbai International Airport Private Limited	Associate	April 01, 2006

5. Contingent Liabilities

(a) Claims against the Company not acknowledged as debt

The Parent Company has received an order from the Assistant Commissioner of Central Excise demanding service tax estimated at Rs. 5,161 including estimated penalty, on the revenues of the Company for the period up to March 31, 1999. An amount of Rs. 1,000 has been deposited with the authorities in this regard and the same is included under loans and advances. The consequential liability in respect of service tax and penalty for the period from April 1999 to March 31, 2007 and interest for the period from July 8, 1997 up to March 31, 2007 is estimated at Rs. 67,342 (Previous year ended Rs. 54,357).

The Company has been legally advised that its services are not covered by the provisions of the service tax. Accordingly, the Company has filed an appeal before the Commissioner of Central Excise against the order. The Company believes that, there would be no impact of the outcome of appeal, either on the profit or on the shareholder funds as the entire amount would be recovered from GVK Industries Limited pursuant to the terms and conditions of the O&M agreement.

(b) Security against loans taken by others

During the year ended March 31, 2007 the Parent Company has provided security amounting to Rs. 2,082,703 by way of pledge of its investments in respect of amounts borrowed by GVK Industries Limited, Gautami Power Limited and Vertex Infratech Private Limited. As of March 31, 2007 no provision was recognized against such securities. Management is of the opinion that the subsidiary Company will be able to meet their obligations as they arise and consequently no adjustment is required to be made by the Company of the security provided.

(c) Contingent liabilities in respect of the Subsidiaries Company as at March 31, 2007:

In case of GVKIL

S.No.	Particulars	2006-07	2005-06
1	On account of guarantees issued by banks	67,545	185,680
2	On account of Inland letters of credit	70,000	170,000
3	Service tax reimbursable to GVK Power & Infrastructure Limited for the period 1.4.97 to 31.3.07 as matter is disputed by GVKPIL and pending in appeals	67,442	54,352
4	Income tax demand pending appeals	1,545	12,002

i) Sundry debtors includes Rs. 76 lakhs due from AP TRANSCO being the amount withheld towards excess charging of interest on working capital by the Company. The matter is pending in arbitration before Hon'ble High Court of Andra Pradesh.

ii) The payments made by AP Transco to the Subsidiary Company for the supply of electrical energy commencing from the December 10, 2004 billing period are subject to the result of an appeal filed by AP Transco in the Honourable High Court of Andhra Pradesh against the Honourable City Civil Court order in the matter relating to calculation of interest on working capital. The matter is pending disposal and hence the impact on amounts, if any, in this regard on the consolidated accounts is not presently ascertainable.

iii) AP Transco has approved the fixed charges payable to the Subsidiary Company for the supply of electrical energy from the initial tariff year till the tariff year 2004-2005 on a provisional basis. While the fixed charges proposal submitted by the Subsidiary Company for the tariff year 2005-2006 is subject to the approval of AP Transco, the Company has accounted for revenues in the form of fixed charges as the amounts accepted by AP Transco. Further, the fixed charges as provisionally approved by AP Transco for the tariff years 2003-2004 and 2004-2005 are subject to the outcome of the petitions filed by AP Transco before Andhra Pradesh Electricity Regulatory Commission (APERC) in the matters relating to reduction of interest on working capital, limiting the working capital amount to actual borrowing or as per PPA whichever is lower, and revision of operating parameters like O & M expenses, insurance, etc. In the absence of revision in the fixed charges provisionally approved and pending the outcome of the petitions, the impact, if any, in this regard on the consolidated accounts is not presently ascertainable.

iv) As per the Gas Authority of India Limited ("GAIL"), the gas supplier to a subsidiary company, the prices of natural gas from April 1, 2000 are provisional and are subject to revision by the Government. Pending such revision, adjustments, if any, in this regard are not presently ascertainable. However, because fuel is a pass through cost, the management is of the view that revision, if any, of such costs will not have any material impact on the consolidated accounts.

v) AP Transco during the year 2003-2004 made a claim of Rs. 204,834 against the subsidiary company stating that effective Return on Equity ("ROE") claimed by the company works out to 17.17% as pointed out by Comptroller and Auditor General of India as against 16% to be claimed as per the PPA. Aggrieved by the said claim, the subsidiary preferred a writ petition before the Honourable High Court of Andhra Pradesh and the Honourable High Court directed that the matter be referred to arbitration as envisaged in PPA. Pending arbitration, the Honourable High Court permitted the subsidiary company to collect ROE at 16% on a monthly basis which

is accounted for as income. The subsidiary company is confident that its claim for ROE on a monthly basis is strictly in accordance with PPA. If the decision is in favour of AP Transco, the liability on this account up to March 31, 2007 would be Rs. 299,928.

vi) AP Transco has filed petitions before the APERC during February 2004 for adjudication of certain matters relating to tariff provisions under the PPA without specifying any amount. Based on these petitions, APERC has issued notices to the subsidiary company for hearing on these matters. The subsidiary company has filed a writ petition before the Honourable High Court of Andhra Pradesh questioning the jurisdiction of APERC for adjudication of matters under the PPA. The Honourable High Court of Andhra Pradesh in June 2004 has issued interim directions against APERC not to proceed with the subject notice until further orders. Pending disposal of the matter, no provision has been made in the consolidated accounts in this regard.

vii) A subsidiary company has received demand notice during March 2006 to pay income tax of Rs. 12,002 for the assessment year 2003-04 in respect of which the subsidiary has gone on appeal and it believes that based on judicial pronouncements the claim is likely to be accepted by the appellate authorities.

viii) A subsidiary has entered into an agreement with the Gas Authority of India Limited (GAIL) for supply of natural gas for its Phase - II project. In accordance with the terms and conditions of such agreement GAIL has raised invoices amounting to Rs. 52,705 in respect of fixed monthly transmission charges. The Company has disputed such claims and has approached to the ministry of Petroleum and Natural Gas for waiver of such charges on various grounds. Pending finalization of the matter, no provision has been made in the consolidated accounts in this regard.

ix) As per the terms of contract with Bharat Petroleum Corporation Limited (BPCL) for supply of Naphtha, the Company has to pay for 80000 MT @ 38.45 as 'Minimum off Take charges' in the year of no purchases. The Company is negotiating with BPCL to reduce the Minimum off Take quantity from 80000 MT to 40000 MT, which is under consideration by BPCL. Pending receipt of acceptance from BPCL, no provision is made in the books for the requested reductions of 40000 MT, which worked out to Rs.15,38,000/-for the year and the liability on this account upto 31st March, 2007 is Rs.30,76,000/-.

In case of GVK Jaipur Expressway Private Limited

Particulars	2006-07	2005-06
-On account of guarantees issued by banks	210,000	Nil
-On account of corporate guarantee given by others	90,000	90,000
-On account of Inland letters of credit	7,500	Nil

Deposits recoverable under loans and advances include Rs. 9,000 being margin money deposit with M/s Novapan Industries Ltd. against the corporate guarantee given by them.

In case of Alaknanda Hydro Power Limited

The Company has received claims from Synergics Hydro Asia, Mauritius and others to the extent of Rs.68 crores. The Company is in the process of reviewing these claims against the milestone events in this respect. The Company has so far reviewed the claims amounting to Rs.38.20 crores and is reconciling the same with the milestone events. The Company may be acknowledging any liability against these claims upto Rs.38.20 crores after completing the reconciling of the same with milestone events and also after obtaining necessary approvals from the appropriate authorities wherever required. As regards the balance amount of Rs.29.80 crores, Company is yet to review the same. Accordingly the said amount has been disclosed as contingent liability.

In case of GVK Power (Goindwal Sahib) Limited

Contingent liability not provided for on account of bank guarantees Rs. 39,000.

6. Capital Commitments

(i) Estimated amounts of contracts (net of advances) remaining to be executed on capital account and not provided for as at March 31, 2007 are Rs. 5,745 (Previous year: Rs. 708,304).

7. Goodwill/Capital Reserve

The interest of GVKPIL in the net assets of the acquired entities and resulting capital reserve / goodwill as on the date of acquisitions as a consequence of amalgamation are as given hereunder:

Particulars	GVK Jaipur Expressway Private Limited	Alaknanda Hydro Power Company Limited	GVK Power (Goindwal Sahib) Limited	GVK Coal (Tokisud) Company Private Limited	GVK Airport Developers Private Limited	Goriganga Hydro Power Company Limited	GVK Airport Holdings Private Limited
Share in the net assets of the acquired entity	1,556,844	31,314	470	91	(114)	94	(19,695)
Cost of Investment	3,429,525	30,990	493	99	99	99	99
Goodwill/ (Capital Reserve)	1,872,681	(324)	23	8	213	5	19,794

8. Investment in associates

During the year ended March 31, 2007 one of the step down subsidiary of GVKPIL has acquired 37% equity shares of Mumbai International Airport Private Limited consequent to which Mumbai International Airport Private Limited has become an associate of the Company as defined under AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements". Investment in associate in the consolidated financial statements have been accounted in accordance with AS 23 and profit amounting to Rs. 336,422 has been recognised.

9. Foreign Currency Loans

Foreign currency loans of the Subsidiary Company (GVKIL) in respect of Phase I have been stated at the exchange rates at which the said loans were drawn as any foreign exchange variation thereof on payment is reimbursable by AP Transco as per the terms of the PPA. Liability on this account and correspondingly fixed assets (without considering the impact of non-translation of such liabilities as at the respective financial year ends, following the periods in which the loans were obtained) as at March 31, 2007 would have been higher by Rs. 9,194 (Previous year: Rs. 60,340) had the outstanding Foreign Currency Loans been translated at the rates prevailing as on March 31, 2007.

10. Deferred Taxes

a) Deferred Tax Liability of the subsidiary Company GVKIL, net of deferred tax assets as at March 31, 2007 arising on account of timing differences is given below:

Particulars	2006-07	2005-06
Deferred tax liability		
Depreciation	813,491	1,116,477
Tax on unbilled revenues	82,587	81,265
	896,078	1,197,742
Less: Deferred tax assets		
Provision for retirement benefits	3,343	3,392
Total	892,735	1,194,350

b) Deferred Tax Assets of the Parent Company GVKPIL as at March 31, 2007 arising on account of timing differences is given below:

Particulars	2006-07	2005-06
Provision for retirement benefits	934	903
Amalgamation Expenditure	1,085	Nil
Depreciation	4	1
Total	2,023	904

11. Unbilled Revenues

In accordance with the terms and conditions of the PPA with AP Transco, a subsidiary ('GVKIL') is entitled for reimbursement of tax on income from the project. Accordingly, the subsidiary estimated reimbursement of future taxes amounting to Rs. 623,337 arising on account of deferred tax liabilities and has accounted the same as unbilled revenues in the consolidated financial statements. Deferred tax liabilities as at March 31, 2007 include future tax liabilities to the extent not reimbursable by A.P. Transco on such unbilled revenues.

12. Sundry Debtors

a) Sundry Debtors include accruals towards reimbursement of fixed charges for the financial years 1997-1998 to 2000-2001, on increased capital cost worked out as per ratios set out in the PPA aggregating to Rs. 451,250 by GVKIL. The increased capital cost is subject to approval of Central Electricity Authority (CEA). Pending approval of increased capital cost by CEA, the claim for reimbursement of fixed charges has not been made on AP Transco. The Subsidiary Company contends that it is entitled to reimbursement of fixed charges on increased capital cost under the terms of PPA and accordingly considers these amounts as good and recoverable. The Subsidiary Company has filed a writ petition before the Hon'ble High Court of New Delhi against CEA, seeking a direction to CEA to take a decision on approval of completed capital cost in a time bound manner. The matter is pending hearing. Pending such approvals, the impact of adjustments, if any, on such amounts is not presently ascertainable.

b) Sundry Debtors also include amounts billed on AP Transco by GVKIL towards reimbursement of minimum alternate tax under the provisions of Income Tax Act, 1961, for the period commencing from the financial year 2000-2001 up to the period ended March 31, 2007, aggregating to Rs. 141,178. While the Subsidiary Company contends that it is entitled to claim payments on account of minimum alternate taxes also under the provisions of PPA, in AP Transco's contention only taxes on the net taxable income under the regular provisions of the Income Tax Act, 1961 are reimbursable and not taxes levied on book profits under the deemed provisions of Section 115 JB of the Income Tax Act, 1961. Although, AP Transco is refuting such claims from time to time, in the Subsidiary Company's contention these amounts are considered as good and recoverable. The matters involved being interpretational in nature, the impact of adjustments, if any, on such amounts is not presently ascertainable.

c) Sundry Debtors further include an amount of Rs. 7,551, being the differential interest recovered by AP Transco considering the actual working Capital Limits as against the working Capital limits computed as per the terms of the PPA. The Subsidiary Company has filed a petition under Section 9 of Arbitration & Conciliation Act 1996, and the Hon'ble City Civil Court of Hyderabad has restrained AP Transco from considering the lower level of working capital limits by granting a stay in the matter. The appeal filed by AP Transco before the Hon'ble High Court of Andhra Pradesh against the aforesaid stay, is pending disposal. The matter being sub judice, the impact of adjustments, if any, on such amounts is not presently ascertainable.

13. Loans and Advances

a. Loans and Advances include Rs. 12,574, being prepayment charges, premium for reduction in interest rates and other charges in connection with prepayment of loans incurred by GVKIL in earlier years to avail the benefit of reduced interest rates. In respect of the above, amounts aggregating to Rs. 5,245 are pending to be claimed from AP Transco. In the view of the Subsidiary Company, AP Transco, being the ultimate beneficiary, these amounts are considered as recoverable from them. Pending resolution on recoverability and estimation of quantum thereof not being possible, the impact on the consolidated accounts is not presently ascertainable.

b. Included in loans and advances are amounts of Rs. 112,750 paid by GVKIL to the Government of Uttaranchal (the "Government") as project premium in connection with design, engineering, financing, procurement, construction, operation and maintenance of two hydro power projects on Build, Own, Operate and Transfer basis and Rs. 3,755 incurred in relation to such project. As per the Memorandum of Understanding

entered into between the Subsidiary Company and Alaknanda Hydro Power Company Limited, a special purpose entity, the entire project and project cost has been transferred to the special purpose entity.

14. Managerial Remuneration

Particulars	Rs. as on March 31,	
	2007	2006
Salaries	26,416	11,309
Commission	10,136	--
Contribution to provident fund	2,267	1,075
Perquisites	984	21
Total	39,803	12,403

Note: As the future liability for gratuity and leave encashment is provided for the company as a whole, gratuity expenses pertaining to the directors is not ascertainable and, therefore, not included in the above disclosure.

15. Related Party Transactions

a) Transactions with related parties during the year ended and outstanding balances as at March 31, 2007 are :

(a) Associates

M/s. Gautami Power Limited
M/s. Mumbai International Airports Limited **

** Through Subsidiary Companies

(b) Key Management Personnel

Mr. G V Krishna Reddy - Chairman and Managing Director
Mrs. G V Indira Krishna Reddy - Director
Mr. V Rama Rao - Director
Mr. Y Rama Murthy - Director
Mr. A Issac George - Chief Financial Officer

(c) Relatives of Key Management Personnel

Mr. Somanadri Bhupal
Mr. G V Sanjay Reddy
Mr. P V Prasanna Reddy
Mr. Krishna Ram Bhupal
Mrs. G V Aparna Reddy
Mr. G V Keshav Reddy
Ms. G Mallika Reddy
Mrs. Shalini Bhupal
Ms. Shriya Bhupal

(d) Companies over which the key management personnel exercise Significant influence

M/s. TAJ GVK Hotels & Resorts Limited
M/s. Orbit Travels & Tours Private Limited
M/s. GVK Hydel Private Limited
M/s. Vertex Infratech Private Limited
M/s. Novopan Industries Limited
M/s. Paigah House Hotel Private Limited
M/s. GVK City Private Limited
M/s. GVK Technical & Consultancy Services Private Limited
M/s. GVK Projects Limited
M/s. GVK Foundation
M/s. GVK Energy Holdings Private Limited
M/s. Transoceanic Projects Limited, Mauritius
M/s. Guardian Holdings Limited, Mauritius

Particulars of Transactions	Associates	Key Management Personnel and relatives	Enterprises in which key management personnel are interested
Remuneration	----	39,803	----
	----	(15,359)	----
Rent	----	2,136	4,633
	----	(697)	(1,425)
Services rendered	----	----	21,940
	----	----	(20,703)
Inter Corporate Deposits Received	----	----	35,78,269
	----	----	----
Inter Corporate Deposits Paid	----	----	822,412
	----	----	----
Repayment of Share Application Money	----	65,266	112
	----	----	----
Share application money paid pending allotment	----	----	253
	----	----	(3,173,949)
Investment in Equity	740,000	174	----
	----	----	(2,671,543)
Advances Paid	----	----	67,772
	----	----	----
Guarantees and collaterals given	1,131,495	----	468,879
	----	----	(1,889)
Interest paid / accrued	----	----	182,942
	----	----	----
Sale of Investments	----	----	55,000
	----	----	----
Donations	----	----	9,225
	----	----	(6,717)
Consultancy Services	----	----	38,735
	----	----	----
Sale of Assets	2,278	----	----
	----	----	(2,385)
Margin money Deposit	----	----	9,000
	----	----	----
Sitting fees	----	70	----
	----	----	----

Particulars of Transactions	Associates	Key Management Personnel and relatives	Enterprises in which key management personnel are interested
Service charges	----	----	162,264
	----	----	----
Expenses re imbursement	----	15,720	----
	----	----	1,929
Purchase of Fixed assets	----	----	152
	----	----	----
Rental Deposits	----	----	----
	----	----	35,000
Balance Outstanding:			
Remuneration Payable	----	3,407	----
	----	----	----
Service Payables	----	----	104
	----	----	----
Deposits Receivable	----	----	39,547
	----	----	(39,547)
Investment in Equity	740,000	1	----
	(12,65,551)	----	----
Advances	----	----	67,772
	----	----	----
Loan Outstanding	----	----	3,356,402
	----	----	----
Guarantee and Collateral outstanding	1,131,495	----	246,180
	(1,131,495)	----	----
Other Payables	----	----	150,777
Advance payable	----	6,729	26,687
	----	----	----
Receivables	----	----	95,965
Share Application Money	----	400	----

Details of material related party transaction (included above)

Particulars	GVK Technical & Consultancy Pvt. Ltd.	Gautami Power Limited	Mumbai International Airports Ltd.	GVK Hydel Pvt. Ltd.	Vertex Infratech Pvt. Ltd.	GVK Projects Limited	Novapan Industries Ltd.	TAJ GVK Hotels & Resorts Ltd.	Orbit Travels & Tours Pvt. Ltd.
Capital Works	–	–	–	–	–	–	–	–	–
Payment for Services rendered	–	–	–	–	–	–	–	2,096 (318)	16,158 (3,524)
Consutalancy Services	–	–	20,486	–	–	–	–	–	–
Advances	–	–	–	400	35,104	32,268	–	–	–
Investment in equity	–	–	740,000	–	–	–	–	–	–
Inter Corporate Deposits Received	7,000	–	–	200	3,571,069	–	–	–	–
Inter Corporate Deposits Paid	–	–	–	31,172	791,240	–	–	–	–
Repayment of Share application Money	–	– (92,654)	–	253	–	–	–	–	–
Interst paid/ Provision	–	–	–	2,464	180,478	–	–	–	–
Guarantees and Colaterals given	–	1,131,495 (1,131,495)	–	–	246,180	–	1,350	–	–
Service Charges	–	–	–	–	–	–	9,821	–	–
Margin Money Deposit	–	–	–	–	–	–	9,000	–	–
Sale of Assets	–	–	–	–	2,278	–	–	–	–
Sale of Investments	–	–	–	–	–	–	55,000	–	–

Note: The previous year figures are in parenthesis

16. Segment Information

Business Segments :

The Company organized its operations into two major businesses:

- a) Power : Generation, Operation and Maintenance services to the power plants
- b) Roads : Building, development and maintenance of roads.
- c) Airports : Development and operation of airports

Geographical Segments:

The Company operates in a single geographical segment.

Rs.'000

Particulars	Power	Roads	Airport*	Total
REVENUE				
External Revenue	2,898,538	1,155,610	-	4,054,148
Inter Segment Revenue	-	-	-	-
Total Revenue	2,898,538	1,155,610	-	4,054,148
Result				
Segment Result	761,582	690,342	293,502	1,745,426
Less: Inter-Segment margin on capital goods			-	
				1,745,426
Unallocated Corporate income / (expenditure) net				(412)
Operating Profit (PBIT)				1,745,014
Interest expense				624,566
Interest income				37,014
Other Income (net)				
Profit Before Tax (PBT)				1,157,462
Taxes				249,596
Profit before minority interest				907,866
Minority interest				327,568
Profit for the year				580,298
Other Information				
Segment assets	15,372,653	6,154,988	60,209	21,587,850
Unallocable corporate assets				6,007,469
Total assets				27,595,319
Segment liabilities	573,011	53,225	24,919	651,155
Unallocable corporate liabilities				19,112,905
Total liabilities				19,764,060
Capital Expenditure	43,188	576,961	-	620,149
Depreciation (included in segment expense)	511,700	293,800	-	805,500
Non-cash expenses other than depreciation included in segment expense	-	-	-	-

* Includes share of profit from associate

17. Operating Leases

The Subsidiaries have entered into operating lease agreements for various offices and guest house for period of 1 to 17 years. The future minimum lease payments payable under non-cancellable operating lease are as follows:

Particulars	2007	2006
Not later than one year	8,496	Nil
Later than one year and not later than five years	2,370	75,600
Later than five years	2,090	Nil

Rental expense of Rs 9,798 (Previous year: Rs. 6, 278) in respect of obligation under operating lease have been recognised in Profit & Loss account

18. Payments to auditors (including service tax)

Particulars	For the year ended March 31	
	2007	2006
Statutory audit fees	1,889	224
Other Services	89	168
Reimbursement of out-of-pocket expenses	20	-
	1,998	392

19. Earnings Per Share

Particulars	For the year ended March 31	
	2007	2006
(a) Basic and dilutive Earnings per share:		
Net Profits after tax	580,298	108,750
Weighted average no. of equity shares	9,3969,445	1,0857,000
Basic and diluted earnings per share	6.18	10.02

20. Income Tax

Provision for current taxes was made by the Subsidiary Company taking into account the amount claimed as reimbursable from AP Transco as per the terms of the PPA till the financial year ended March 31, 2007. As mentioned in Note 11 (b) above, AP Transco is refuting claims for reimbursement of MAT made by the Subsidiary Company. Since the claims are disputed, the Subsidiary Company intends to offer amounts in respect of these claims to income tax as and when such claims are accepted by AP Transco. Pending resolution on recoverability and estimation of quantum thereof not being possible, the impact on the consolidated accounts is not presently ascertainable.

21. Unhedged Foreign Currency Exposure

Particulars of Unhedged foreign Currency Exposure as at the Balance Sheet date.

Particulars	2006-07	2005-06
Import Creditors	145 (4073 Swiss Francs (CHF) at closing rate 1 CHF=35.82)	Rs. 175,713 (5,212,500 Swiss Francs (CHF) at Closing of rate 1 CHF = Rs. 33.71)

22. Subsequent event

Consequent to the approval of the Board of Directors at its meeting held on January 28, 2007 a Scheme of Arrangement to acquire 46.04% equity stake in GVK Industries Limited so as to make it a wholly owned subsidiary company, the Company has filed application and petition with the Hon'ble High Court of Delhi, on March 17, 2007 and May 14, 2007 for getting approval to the proposed Scheme of Arrangement. The effective date of Scheme of Arrangement is as based on the conditions prescribed under the clause 13.2 of the said Scheme of Arrangement.

23. The identification of micro, small and medium enterprise suppliers as defined under the provisions of "The Micro, Small and Medium Enterprises Development Act, 2006" is based on Management's knowledge of their status. There are no dues to micro, small and medium enterprises as on March 31, 2007.

24. Previous Year Comparatives

Previous period's figures are not comparable in view of amalgamation of "Bowstring Projects & Investments Private Limited" and "Green Garden Horticulture Private Limited" with effect from April 01, 2006 as per scheme of amalgamation and consequent first time consolidation of accounts of subsidiaries and associates of "Bowstring Projects & Investments Private Limited" and "Green Garden Horticulture Private Limited"

Signatures to Schedules 1 to 19

As per our report of even date

For **S R Batliboi & Associates**
Chartered Accountants

per **Ali Nyaz**
Partner
Membership No. 200427

Place : Hyderabad
Date : 26/10/2007

For and on behalf of the Board of Directors of
GVK Power & Infrastructure Limited

G V Krishna Reddy
Chairman and Managing Director

G V Sanjay Reddy
Director

A Issac George
Chief Financial Officer

P V Rama Seshu
Company Secretary

Standalone Financials

Auditors' Report

To

The Members of GVK Power & Infrastructure Limited:
(Formerly known as Jegurupadu Operating and Maintenance Company)

1. We have audited the attached Balance Sheet of GVK Power & Infrastructure Limited as at March 31, 2007 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required

- by law have been kept by the Company so far as appears from our examination of those books;
- iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **S R Batliboi & Associates**
Chartered Accountants

Place: Hyderabad
Date: 26/10/2007

per **Ali Nyaz**
Partner
Membership No.: 200427

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

Re: GVK Power & Infrastructure Limited (formerly known as Jegurupadu Operating and Maintenance Company)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) Fixed assets have been physically verified by the Management during the year and no material discrepancies were identified on such verification.
(c) There was no disposal of fixed assets during the year.
- (ii) Due to the nature of its business, the Company has no inventory. Accordingly, the provisions of clause (ii) of paragraph 4(A) of the Companies (Auditor's Report) Order, 2003 as amended ('the Order') in respect of inventories are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company during the year has not granted any loans, secured or unsecured to/from companies, firms or other parties covered under section 301 of the Companies Act, 1956; accordingly, clause (iii) (b), (c) and (d) of the

Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

- (e) The Company had taken loans from a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 492,000 thousands and the year-end balance of loans taken from such party was Rs. NIL.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

- (v) (a) According to the information and explanations provided by the Management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, transactions made in pursuance of such contract or arrangement exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time, except in respect of transactions entered into pursuant to service contracts, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time, because of the unique and specialized nature of the items involved and absence of any comparable prices.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities though there have been delays in a number of cases in respect of withholding taxes.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, there are no dues of income tax, sales-tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute, other than the following:-
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the Management, we are of the opinion that the Company has not defaulted in repayment of dues to bank. The Company does not have any dues to financial institutions and to debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank and financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- (xvi) Based on information and explanations given to us by Management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. In our opinion the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) We have verified that the end use of money raised by public issues is as disclosed in note (9) to Schedule 19 to the financial statements.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by Management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S R Batliboi & Associates
Chartered Accountants

Place: Hyderabad
Date: 26/10/2007

per **Ali Nyaz**
Partner
Membership No.: 200427

Name of the statute	Nature of dues	Amount (Rupees)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Service Tax	67,342	July 8, 1997 to March 31, 2007	Commissioner Central Excise (Appeals)

Balance Sheet as at March 31, 2007

		As at 31st March	
		Schedules	
			2007
			2006
			Rs. '000
			Rs. '000
Sources of Funds			
Shareholders' Funds			
Share capital	1	236,444	236,444
Share capital pending allotment	2	703,250	-
Reserves and surplus	3	3,273,515	3,885,142
		4,213,209	4,121,586
Loan Funds			
Unsecured loans	4	3,504,402	-
		3,504,402	-
		7,717,611	4,121,586
Application of Funds			
Fixed Assets			
Gross block	5	468	441
Less : Accumulated depreciation		358	332
Net block		110	109
Investments			
	6	7,053,266	3,086,985
Deferred tax assets			
	7	2,023	904
Current Assets, Loans and Advances			
Sundry debtors	8	12,730	12,065
Unbilled Revenues		15,116	12,031
Cash and bank balances	9	33,112	60,182
Other current assets	10	-	70,692
Loans and advances	11	938,566	1,004,800
		999,524	1,159,770
Less: Current Liabilities and Provisions			
Current liabilities	12	330,148	118,664
Provisions	13	7,164	7,518
		337,312	126,182
Net Current Assets	(A - B)	662,212	1,033,588
		7,717,611	4,121,586
Notes to Accounts		19	

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.
As per our report of even date

For **S R Batliboi & Associates**
Chartered Accountants

per **Ali Nyaz**
Partner
Membership No. 200427

Place : Hyderabad
Date : 26/10/2007

For and on behalf of the Board of Directors of
GVK Power & Infrastructure Limited

G V Krishna Reddy
Chairman and Managing Director

A Issac George
Chief Financial Officer

G V Sanjay Reddy
Director

P V Rama Seshu
Company Secretary

Profit and Loss Account for the year ended March 31, 2007

As at 31st March			
	Schedules	2007	2006
		Rs. '000	Rs. '000
Income			
Fees and billable expenses (gross)		111,530	115,653
Less: Service tax		-	2,040
Fees and billable expenses (Net)	14	111,530	113,613
Other income	15	317,632	122,400
		429,162	236,013
Expenditure			
Personnel expenses	16	38,719	25,581
Operating, Maintenance and Administration expenses	17	32,467	20,931
Depreciation	5	26	26
Financial expenses	18	189,214	85,919
		260,426	132,457
Profit before tax			
		168,736	103,556
Provision for taxation			
- Current		19,344	23,370
- Deferred tax charge	7	(1,119)	(169)
- Fringe benefit tax		591	648
Income tax of earlier year		1,466	(1,255)
Total Tax Expense		20,282	22,594
Profit after tax			
		148,454	80,962
Balance brought forward from previous year		81,176	32,168
Profit available for appropriation			
		229,630	113,130
Appropriations:			
Transfer to general reserve		14,845	31,954
Interim dividend		59,111	-
Tax on dividend		8,290	-
Surplus carried to Balance Sheet			
		147,384	81,176
Earnings per share (in Rs.)			
- Basic		1.58	7.46
- Diluted		1.58	7.46
Nominal value per share (in Rs.)		10	10
Weighted average number of shares			
- Basic		93,969,445	10,857,000
- Diluted		93,969,445	10,857,000
Notes to Accounts	19		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account. As per our report of even date

For **S R Batliboi & Associates**
Chartered Accountants

per **Ali Nyaz**
Partner
Membership No. 200427

Place : Hyderabad
Date : 26/10/2007

For and on behalf of the Board of Directors of
GVK Power & Infrastructure Limited

G V Krishna Reddy
Chairman and Managing Director

A Issac George
Chief Financial Officer

G V Sanjay Reddy
Director

P V Rama Seshu
Company Secretary

Schedules to the Accounts

Schedules	As at 31st March	
	2007 Rs. '000	2006 Rs. '000
Schedule 1: Capital		
Authorised 17,72,50,000 (Previous year: 50,000,000) equity shares of Rs.10/- each	1,772,500	500,000
Issued, subscribed and paid up 23,644,445 (Previous year: 23,644,445) equity shares of Rs.10/- each	236,444	236,444
Notes: 1. Of the above shares 5,285,000 shares are allotted as fully paid up by way of bonus shares by capitalization of General Reserve.		
Schedule 2 : Share capital pending allotment		
Share capital pending allotment on amalgamation (Refer note: 19 (3) (vi))	703,250	-
	703,250	-
Schedule 3 : Reserves and surplus		
General Reserve		
Balance as per last account	-	20,896
Add: Transferred from Profit and Loss account	14,845	31,954
	14,845	52,850
Less: Amount utilised for issue of Bonus Shares	-	52,850
	14,845	-
Securities Premium Account		
Balance as per last account	3,803,966	-
Add: Received during the year	-	3,944,071
Less: Utilised for share issue expenses	1,033	140,105
Adjustment on amalgamation (Refer Note: 19 (3) (iv))	682,250	-
Written off preliminary expenses of Transferor Companies (Bowstring Projects & Investments Private Limited & Green Garden Horticulture Private Limited)	307	-
	3,120,376	3,803,966
Profit and Loss Account	147,384	81,176
Less: Profit & Loss a/c. of Transferor Companies on amalgamation	9,090	-
	138,294	81,176
	3,273,515	3,885,142
Schedule 4 : Unsecured Loans		
Short term loan from banks	148,000	-
Inter Corporate Deposits	3,356,402	-
	3,504,402	-

Schedule 5 : Fixed assets

Description	Gross Block		Depreciation		Net Block			
	At 01.04.2006	Additions	At 31.03.2007	Upto 01.04.2006	For the year	Upto 31.03.2007	31.03.2007	31.03.2006
Tangible Assets:								
Furniture and fittings	339	27	366	255	21	276	90	84
Office equipment	102	-	102	77	5	82	20	25
Total	441	27	468	332	26	358	110	109
Previous year	441	-	441	306	26	332	109	135

Schedules to the Accounts

Schedules	As at 31st March	
	2007 Rs. '000	2006 Rs. '000
Schedule 6 : Investments		
Long Term Investments (At cost)		
A. Trade (Unquoted)		
174,202,450 equity shares of Rs 10 each fully paid-up in Gautami Power Limited (Previous year: 126,555,100)	1,742,025	1,265,551
B. In Subsidiary Company (Unquoted)		
141,383,800 equity shares of Rs 10 each fully paid-up in GVK Industries Limited (Previous year: 141,383,800) net off dividends declared out of pre-acquisition profits	1,771,309	1,771,309
121,170,000 equity shares of Rs. 10 each fully paid-up in GVK Jaipur Expressway Private Limited (Previous year: 'NIL')	3,429,526	-
3,099,000 equity shares of Rs. 10 each fully paid-up in Alakananda Hydro Power Company Limited (Previous year: 'NIL')	30,990	-
9,900 equity shares of Rs. 10 each fully paid-up in GVK Airport Developers Private Limited (Previous year: 'NIL')	99	-
9,900 equity shares of Rs. 10 each fully paid-up in GVK Coal (Tokisud) Company Private Limited (Previous year: 'NIL')	99	-
9,900 equity shares of Rs. 10 each fully paid-up in Goriganga Hydro Power Private Limited (Previous year: 'NIL')	99	-
49,300 equity shares of Rs. 10 each fully paid-up in GVK Power (Goindwal Sahib) Limited (Previous year: 'NIL')	493	-
[Aggregate value of unquoted investments Rs. 6,974,640 (Previous year: Rs. 3,036,860)]		
Current investments (At lower of cost and market value)		
Other than trade (quoted)		
264,935.949 (Previous year: 4,337,115.298) units in Principal Mutual Fund at Rs. 10.0022 per unit. [Market value Rs. 2,650 (Previous year: Rs. 50,125)]	2,650	50,125
3,448,634.843 (Previous year: Nil) units in JM Mutual Fund at Rs. 10.00 per unit. [Market value Rs. 34,486 (Previous year Rs. Nil)]	34,486	-
1,081,998.887 (Previous year: Nil) units in ING Vysya Mutual Fund at Rs. 10.0121 per unit. [Market value Rs. 10,833 (Previous year Rs. Nil)]	10,833	-
2,005,510.273 (Previous year: Nil) units in Reliance Mutual Fund at Rs. 15.2862 per unit. [Market value Rs. 30,657 (Previous year Rs. Nil)]	30,657	
[Aggregate value of quoted investments Rs. 78,626 (Previous Year Rs. 50,125)]		
[Aggretage market value of quoted investments Rs. 78,626 (Previous Year Rs. 50,125)]		
	7,053,266	3,086,985

Schedules	As at 31st March	
	2007 Rs. '000	2006 Rs. '000
Schedule 7 : Deferred tax assets		
Deferred tax assets represents the aggregate tax effect of the timing differences arising from:		
Provision for gratuity	683	648
Provision for leave encashment	251	255
Amalgamation expenses	1,085	-
Depreciation	4	1
	2,023	904
Schedule 8 : Sundry debtors – Unsecured, considered good		
Outstanding for more than six months	-	-
Other debts*	12,730	12,065
	12,730	12,065
* represents amounts receivable from GVK Industries Limited, a company under the same management.		
Schedule 9 : Cash and bank balances		
Cash on hand	59	-
Balances with scheduled banks		
On current accounts	32,640	19,429
On unpaid dividend accounts	413	-
Balance of unutilised monies raised by issue with scheduled banks on current accounts (Refer Note: 19 (8))	-	40,753
	33,112	60,182
Schedule 10 : Other current assets		
Dividend receivable	-	70,692
	-	70,692
Schedule 11 : Loans and advances - Unsecured, considered good		
Advances recoverable in cash or kind or for value to be received**	911,912	978,146
Deposits	26,654	26,654
	938,566	1,004,800
** Includes share application money amounting to Rs. 802,749 (Previous year: Rs 952,949)		
Schedule 12 : Liabilities		
Sundry creditors ***	8,916	109,770
Interest accrued but not due on loans	151,349	-
Unpaid dividend	413	-
Retention money	314	291
Share Application money Refundable	129,476	-
Other liabilities	39,680	8,603
	330,148	118,664
*** Sundry Creditors includes creditors amounting to Rs. 3,255 (Previous period: Rs 108,363) for share issue expense in connection with the Company's initial public offering of equity shares. There are no amounts due to small scale industrial undertakings as defined under section 3 of the Industries (Development and Regulation) Act, 1951.		
Schedule 13 : Provisions		
Income tax (net of advance tax payments)	4,209	4,537
Fringe benefit tax (net of advance tax payments)	207	300
Retirement benefits		
-Gratuity	2,010	1,924
-Leave encashment	738	757
	7,164	7,518

Schedules to the Accounts

Schedules	As at 31st March	
	2007 Rs. '000	2006 Rs. '000
Schedule 14 : Fees and billable expenses		
Operating fees	42,549	40,523
Incentive fees	12,250	12,250
Fees for technical services	-	20,000
Billable expenses	56,731	40,840
	111,530	113,613
Schedule 15 : Other income		
Interest income, gross of tax deducted at source Rs.9 (Previous year Rs. 178)	47	808
Dividend income		
Investment in subsidiary - long term	313,032	121,467
Non trade investments - short term	3,883	125
Profit on sale of investments	670	-
	317,632	122,400
Schedule 16 : Personnel expenses		
Salaries, wages and bonus	34,659	23,351
Staff welfare expenses	1,618	1,291
Contribution to provident and other funds	2,442	939
	38,719	25,581
Schedule 17 : Operating, Maintenance and Administration expenses		
Communication	3,258	392
Travel and conveyance	6,684	3,981
Operating and maintenance expenses	8,672	9,166
Legal and professional fees	147	160
Rates and Taxes	2,282	4,702
Printing & Stationery	2,036	21
Insurance	128	119
Audit Fees	678	392
Miscellaneous Expenses	3,234	1,048
Expenses on amalgamation	3,991	-
Donations	1,077	800
Directors sitting fee	280	150
	32,467	20,931
Schedule 18 : Financial Expenses		
Interest		
- on term loans from others	-	56,510
- on loans from bank	2,582	8,443
- on loans from others	186,632	20,966
	189,214	85,919

Cash Flow Statements for the year ended March 31, 2007

Particulars	As at 31st March	
	2007 Rs. '000	2006 Rs. '000
Profit before tax	168,736	103,556
Adjustments for:		
Depreciation	26	26
Dividend income	(316,915)	(121,467)
Profit on sale of short term investment	(670)	-
Interest income	(47)	(808)
Interest expense	189,214	85,919
Operating profit before working capital changes	40,344	67,226
Movements in working capital :		
Increase in sundry debtors	(665)	(9,891)
(Increase) /decrease in loans and advances	16,036	(50,731)
(Increase) /decrease in unbilled revenues	(3,085)	(10,027)
(Decrease)/increase in provisions	67	677
(Decrease)/increase in current liabilities	(69,867)	27,387
Cash (used in) / generated from operations	(17,170)	24,641
Direct taxes paid	(21,822)	(17,854)
Net cash from / (used in) operating activities (A)	(38,992)	6,787
Cash flows from investing activities		
Purchase of fixed assets	(27)	-
Purchase of investments		
In subsidiary	(2,816,599)	(896,196)
In others	(103,796)	(1,315,676)
Proceeds from sale of investments	130,965	-
Advance for investments	(326,278)	(952,949)
Dividends received	387,607	67,479
Interest received	47	808
Net cash from / (used in) investing activities (B)	(2,728,081)	(3,096,534)
Cash flows from financing activities		
Proceeds from public issue, net of share issue expenses	(1,033)	4,077,581
Expenses on Amalgamation & preliminary expenses	(61)	-
Repayment of long term borrowings	-	(700,000)
Proceeds from short term borrowings	2,860,389	(142,000)
Proceeds from share application money	81,992	-
Repayment of share application money	(87,725)	-
Interest paid	(46,408)	(87,018)
Dividend paid	(67,401)	-
Net cash (used in) / from financing activities (C)	2,739,753	3,148,563
Net (decrease) / increase in cash and cash equivalents $D=(A+B+C)$	(27,320)	58,816
Cash and cash equivalents at the beginning of the year	60,182	1,366
Cash and cash equivalents at the beginning of the year of Transferor Companies	250	-
Cash and cash equivalents at the end of the period	33,112	60,182

Note: 1)The amalgamation of Bowstrings Projects & Investments Private Limited and Green Garden Horticulture Private Limited is considered as non cash transaction

2) Cash and Cash equivalent the following which are not available for ready use by the company:

Particulars	March 31, 2007	March 31, 2006
Unpaid Dividend account	413	-

As per our report even date
For **S R Batliboi & Associates**
Chartered Accountants

per **Ali Nyaz**
Partner
Membership No. 200427

Place : Hyderabad
Date : 26/10/2007

For and on behalf of the Board of Directors of
GVK Power & Infrastructure Limited

G V Krishna Reddy
Chairman and Managing Director

G V Sanjay Reddy
Director

A Issac George
Chief Financial Officer

P V Rama Seshu
Company Secretary

Notes to Accounts

Schedule 19: Notes to Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

1. Nature of Operations

GVK Power & Infrastructure Limited ("the Company or "GVKPIL") was originally incorporated as a private company with an unlimited liability and subsequently it was converted into private and then into a public limited company and was renamed as GVK Power & Infrastructure Limited.

GVKPIL provides operating and maintenance services to the owners of power plants and it has also acquired substantial ownership interest into power generating assets and companies engaged in providing infrastructure facilities.

2. Statement of Significant Accounting Policies

a. Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards (AS) issued by the Institute of Chartered Accountants of India ("the ICAI") and the relevant provisions of the Companies Act, 1956 ("the Act"). The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies applied by the Company are consistent with those used in the previous year. The significant accounting policies are as follows:

b. Fixed assets and depreciation

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided on Straight Line Method at the rates below which are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956:

	Rates
Furniture and fittings	6.33
Office equipment	4.75

Fixed assets individually costing Rs. 5 or less are fully depreciated in the period of purchase.

c. Impairment

(i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is

recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(ii) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

d. Investments

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

e. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Rendering of services

Revenues represent amounts billed or accrued for services rendered and for expenses incurred in relation to such services, in accordance with the Operation and Maintenance agreement with its customers.

Per the operations and maintenance agreement, the company's income comprises of (a) Operating fees (b) Incentive fees and (c) Reimbursement of actual expenses. Operating fees are receivable based on certain defined levels of Actual Annual Availability ("AAA") of plant. The Company is also eligible to receive incentive fees, if the AAA and/or if the actual generation of power are higher than the defined levels.

The AAA of the power plant for the purpose of determining the operating fees and incentive fees are measured annually according to a tariff year, currently ending on June 19. Expenses incurred for the purpose of operating and maintaining the power plant are reimbursed by GVK Industries Limited.

The Company recognizes base fees as they become billable, and accrues for incentive fees, based on the qualifying operating levels achieved as at the tariff year end, or, if unavailable, management's estimation thereof.

Unbilled revenue represents services performed but not billed

(ii) Interest

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

(iii) Dividends

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

f. Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

g. Retirement benefits

(i) Retirement benefits in the form of Provident Fund are charged to the Profit and Loss Account of the year when the contribution to the provident fund is due.

There are no other obligations other than the contribution payable to the Provident fund.

(ii) Gratuity liability under the Payment of Gratuity Act and provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.

h. Income tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the company has unabsorbed depreciations are carry forward tax lossess, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

MAT credit is recognized as an asset only when and to be extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year which Minimum Alternative Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that company will pay normal Income Tax during the specified period.

i. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

j. Provisions

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

k. Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Scheme of Amalgamation

i) Bowstrings Projects & Investments Private Limited (the "First Transferor Company") engaged in the business of Infrastructure and other constructions, operating and maintenance business and making investments in the companies engaged in providing infrastructure facilities,

currently engaged in business of making investments, within GVK group and Green Garden Horticulture Private Limited (the "Second Transferor Company") engaged in business of horticulture activities and making investments in the companies engaged in providing infrastructure facilities, currently engaged in business of making investment in GVK group, have been amalgamated with the Company with effect from April 1, 2006 in terms of the Scheme of Amalgamation (Scheme) sanctioned by Hon'ble High Court at New Delhi vide its order dated September 03, 2007. The Scheme came into effect on October 11, 2007 being effective date and pursuant thereto all assets, estates, title, interests, authorities, debts, out standings, credits, liabilities have been transferred to and vested in the Company retrospectively with effect from the appointed date i.e. April 1, 2006. A summary of which is as follows:

Particulars	Bowstrings Projects & Investments Private Limited	Green Garden Horticulture Private Limited	Total
Investments	499,707	200,000	699,707
Current assets	100,155	95	100,250
Preliminary expenses	242	5	247
Profit and loss account	2,310	6,780	9,090
Share application money received for allotment of shares subsequently	19,900	900	20,800
Current liabilities	(446,305)	(206,780)	(653,084)
Share application money, pending allotment	(156,009)		(156,009)
Consideration payable in the form of Equity shares	(665,000)	(38,250)	(703,250)
Excess of consideration payable over net value of assets and liabilities taken over	645,000	37,250	682,250

ii) The amalgamation has been accounted for under the "Pooling of Interest method" as prescribed under Accounting Standard (AS) 14 issued by Institute of Chartered Accountants of India.

iii) As per the scheme of amalgamation sanctioned by the Hon'ble High Court the swap ratio between the transferor Company and the transferee Company is as follows :

First Transferor Company in ratio of 133 equity shares in Transferee Company of Rs. 10 each credited as fully paid up for every 4 (four) equity shares of Rs. 10 each credited as fully paid up in the Transferor Company.

Second Transferor Company in ratio of 153 equity shares in Transferee Company of Rs. 10 each credited as fully paid up for every 4 (four) equity shares of Rs. 10 each credited as fully paid up in the Transferor Company.

iv) As per the Scheme of Amalgamation sanctioned by the Hon'ble High Court the excess of consideration of Rs. 682,250 over the value of the net assets of the transferor companies acquired under the scheme of amalgamation is set off against 'Share Premium Account.

v) The transactions arising out of operations of the transferor companies during the Financial Year have been incorporated in the respective heads of account.

vi) Share capital pending allotment represents equity shares to be issued as fully paid up pursuant to the scheme of amalgamation mentioned above.

4. Related party transaction

Disclosure as required by Accounting Standard 18 (AS -18) "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are as follows:

Names of the related parties and description of relationship

(a) Related parties where control exists

Subsidiaries M/s. GVK Industries Limited
M/s. GVK Jaipur Expressway Private Limited
M/s. Alakananda Hydro Power Company Limited
M/s. Goriganga Hydro Power Private Limited
M/s. GVK Power (Goindwal Sahib) Limited
M/s. GVK Airport Developers Private Limited
M/s. GVK Airport Holdings Private Limited
M/s. GVK Coal (Tokisud) Company Private Limited

(b) Associates

M/s. Gautami Power Limited
M/s. Mumbai International Airports Limited **

** Through Subsidiary Company

(c) Key Management Personnel

Mr. G V Krishna Reddy - Chairman and Managing director
Mr. G V Sanjay Reddy - Director

(d) Relative of Key Management personnel

Mrs. G V Indira Krishna Reddy
Mrs. G V Aparna Reddy
Mr. G V Keshav Reddy
Ms. G Mallika Reddy
Mr. Somanadri Bhupal
Mrs. Shalini Bhupal
Mr. Krishna Ram Bhupal
Ms. Shriya Bhupal

(e) Companies over which the key management personnel exercise Significant influence

M/s. TAJ GVK Hotels & Resorts Limited
M/s. Orbit Travels & Tours Private Limited
M/s. Paigah House Hotel Private Limited
M/s. GVK Hydrel Private Limited
M/s. Transoceanic Projects Limited, Mauritius
M/s. GVK Energy Holdings Private Limited
M/s. Gaurdian Holdings Limited, Mauritius
M/s. Vertex Infratech Private Limited
M/s. Novopan Industries Limited

(f) Details of Related Party Transactions

Particulars of Transactions	Subsidiaries	Associates	Key Management Personnel and relatives	Enterprises in which key management personnel are interested
Fees for rendering of services	54,799	----	----	----
	(72,773)	----	----	----
Reimbursement of expenses	56,731	----	----	----
	(40,840)	----	----	----
Payment for services rendered	----	----	----	1,486
	----	----	----	(3,842)
Remuneration	----	----	5,376	----
	----	----	(2,500)	----
Dividend received	313,032	----	----	----
	(121,467)	----	----	----
Loans taken	----	----	----	3,571,269
	----	----	----	----
Refunds towards loans taken	----	----	----	864,765
	(492,000)	----	----	----
Guarantees and collaterals given	705,028	1,131,495	----	246,180
	(1,484,604)	(1,131,495)	----	----
Equity contribution (including advance for equity contribution)	3,142,873	----	----	----
	(879,492)	(2,218,500)	----	----
Interest paid / accrued	----	----	----	186,632
	----	----	----	----
Share application money received	----	----	64,301	----
	----	----	----	----
Share application money paid	----	----	92,654	15,000
	----	----	----	----
Sale of Investments	----	----	----	55,000
	----	----	----	----
Balance Outstanding:	----	----	----	----
Receivables	12,730	----	----	----
	(12,065)	----	----	----
Other payables	----	----	----	150,777
	----	----	----	----
Loan outstanding	----	----	----	3,356,402
	----	----	----	----
Guarantee and Collateral outstanding	705,028	1,131,495	----	246,180
	(1,484,604)	(1,131,495)	----	----

Note: The previous year figures are in parenthesis.

(g) Details of material related party transaction (included above)

Particulars	GVK Industries Limited	Gautami Power Limited	GVK Jaipur Expressway Pvt. Ltd.	Alakananda Hydro Power Co.Ltd.	Goriganga Hydro Power Pvt. Ltd.	GVK Power (Goindwal Sahib) Ltd.	GVK Airport Developers Pvt. Ltd.	GVK Airport Holdings Pvt. Ltd.	GVK Coal (Tokisud) Company Pvt. Ltd.	GVK Hydel Pvt. Ltd.	Vertex Infratech Pvt. Ltd.	GVK Novpan Pvt. Ltd.	TAJGVK Hotels Resorts Limited	Orbit Travel & Tours Pvt. Ltd.
Fees for rendering services	54,799 (72,773)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses (billable expenses)	56,731 (40,840)	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment for services rendered	-	-	-	-	-	-	-	-	-	-	-	-	319 (318)	1,167 (3,524)
Dividends received	70,692 (121,467)	-	242,340	-	-	-	-	-	-	-	-	-	-	-
Purchase of Investments	-	-	2,816,500	-	99	-	-	-	-	-	-	-	-	-
Loans taken	-	-	-	-	-	-	-	-	-	200	3,511,069	-	-	-
Refunds towards Loans taken	-	-	-	-	-	-	-	-	-	31,172	833,593	-	-	-
Equity contribution (including advance for equity contribution)	-	952,949	-	177,635	119,356	24,761	326	4,150	47	-	-	-	-	-
Interest paid/ Provision	-	-	-	-	-	-	-	-	-	2,467	184,165	-	-	-
Guarantees and collaterals given	705,028 (1,484,604)	1,131,495 (1,131,495)	-	-	-	-	-	-	-	-	246,180	-	-	-
Sale of Investments	-	-	-	-	-	-	-	-	-	-	-	55,000	-	-

Note: The previous year figures are in peranthesis.

5. Consequent to Minimum Alternative Tax (MAT) being applicable to the Company, tax provision for the year has been made by applying the provisions of Section 115JB of the Income tax Act 1961.

6. Contingent liability

(a) Claims against the Company not acknowledged as debt

The Company has received an order from the Assistant Commissioner of Central Excise demanding service tax estimated at Rs. 5,161 including estimated penalty, on the revenues of the Company for the period up to March 31, 1999. An amount of Rs. 1,000 has been deposited with the authorities in this regard and the same is included under loans and advances. The consequential liability in respect of service tax and penalty for the period from April 1999 to March 31, 2007 and interest for the period from July 8, 1997 up to March 31, 2007 is estimated at Rs. 67,342 (Previous year ended Rs. 54,357).

The Company has been legally advised that its services are not covered by the provisions of the service tax. Accordingly, the Company has filed an appeal before the Commissioner of Central Excise against the order. The Company believes that, there would be no impact of the outcome of appeal,

either on the profit or on the shareholder funds as the entire amount would be recovered from GVK Industries Limited pursuant to the terms and conditions of the O&M agreement.

(b) Security against loans taken by others

During the year ended March 31, 2007 the Company has provided security amounting to Rs. 2,082,703 (Previous Year Rs 2,616,009) by way pledge of its investments in respect of amounts borrowed by GVK Industries Limited, Gautami Power Limited and Vertex Infratech Private Limited. Management is of the opinion that the subsidiary Company will be able to meet their obligations as they arise and consequently no adjustment is required to be made to the carrying value of the security provided.

7. Segment Information

Based on the analysis of the Company's internal organization and management structure the management of the Company has classified its business activities as "Operation and Maintenance Services" segment.

No separate financial information is provided since the Company has only one reportable segment.

The company operates a single geographic segment.

8. Details of utilisation of proceeds raised through public issue during the year

Particulars	Up to	Up to
	March 31 2007	March 31 2006
Proceeds from public issue of shares	-	2,565,422
Opening Balance brought forward		
Investment in Mutual Funds	50,000	-
Balance with scheduled banks	40,753	-
	90,753	-
Utilisation		
Share issue expenses	90,573	49,734
Investment in Gautami Power Limited in the form of share application money for allotment of equity shares	-	952,949
Deposit with National Stock Exchange	-	25,654
Repayment of secured loans	-	665,000
Repayment of other loans	-	781,332
	90,573	2,474,669
Closing Balance carried forward		
Investment in Mutual Funds	-	50,000
Balance with scheduled banks	-	40,753
	-	90,573

9. Supplementary Statutory Information

9.1 Directors' Remuneration

Particulars	For the year ended March 31	
	2007	2006
Salaries	4,800	2,232
Contribution to provident fund	576	268
	5,376	2,500

Note: As the future liability for gratuity and leave encashment is provided for the Company as a whole, gratuity expenses pertaining to the directors is not ascertainable and, therefore, not included in the above disclosure.

9.2 Payments to auditors (including service tax)

(a) Audit fees in Schedule 17 to the financial statements:

Particulars	For the year ended March 31	
	2007	2006
Statutory audit fees	658	224
Other Services	-	168
Reimbursement of out-of-pocket expenses	20	-
	678	392

(b) Amount paid towards professional services adjusted against securities premium account - Nil (Previous Year - Rs 2,792).

9.3 Expenditure in foreign currency (Accrual basis):

Particulars	For the year ended March 31	
	2007	2006
Travel	158	208
Legal and professional fees	-	11,412
	158	11,620

10. Additional information pursuant to the provisions of Paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 are not provided as the Company is in the business providing services only.

11. Earnings Per Share:

Particulars	For the year ended March 31	
	2007	2006
Basic and Diluted Earnings per share:		
Net Profits after tax	148,453	80,692
Weighted average no. of equity shares	23,644,445	10,857,000
Add: Shares to be issued on amalgamation	70,325,000	-
Weighted average no. of equity shares of Diluted	93,969,445	10,857,000
Diluted earnings per share	1.58	7.46

12. Subsequent event

Consequent to the approval of the Board of Directors at its meeting held on January 28, 2007, a Scheme of Arrangement to acquire 46.04% equity stake in GVK Industries Limited so as to make it a wholly owned subsidiary company, the Company has filed an application and a petition with the Hon'ble High Court of Delhi, on March 17, 2007 and May 14, 2007 for getting approval to the proposed Scheme. The effective date of Scheme of Arrangement is as based on the conditions prescribed under the clause 13.2 of the said Scheme of Arrangement.

13. The identification of micro, small and medium enterprise suppliers as defined under the provisions of "The Micro, Small and Medium Enterprises Development Act, 2006" is based on Management's knowledge of their status. There are no dues to micro, small and medium enterprises as on March 31, 2007.

14. Previous period Comparative

Previous period's figures are not comparable in view of amalgamation of "Bowstring Projects & Investments Pvt. Ltd." and "Green Garden Horticulture Pvt. Ltd." with effect from April 01, 2006 as per scheme of amalgamation.

As per our report of even date

For **S R Batliboi & Associates**
Chartered Accountants

per **Ali Nyaz**
Partner
Membership No. 200427

Place : Hyderabad
Date : 26/10/2007

For and on behalf of the Board of Directors of
GVK Power & Infrastructure Limited

G V Krishna Reddy
Chairman and Managing Director

A Issac George
Chief Financial Officer

G V Sanjay Reddy
Director

P V Rama Seshu
Company Secretary &
Compliance Officer

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies as on 31-03-2007								
Name of the Subsidiary Company	GVK Industries Limited	Alaknanda Hydro Power Company Limited	GVK Power (Goindwal Sahib) Limited	GVK Jaipur Expressway Private Limited	GVK Coal (Tokisud) Private Limited	GVK Airport Developers Private Limited	Goriganga Hydro Power Company Private Limited	
Financial year of the Subsidiary Company ended on	31.03.2007	31.03.2007	31.03.2007	31.03.2007	31.03.2007	31.03.2007	31.03.2007	31.03.2007
Date of becoming Subsidiary	21.09.2005	01.04.2006	01.04.2006	01.04.2006	01.04.2006	01.04.2006	01.04.2006	30.05.2006
Number of shares in the subsidiary company held by GVK Power & Infrastructure Limited (GVKPIL)	141,383,800	3,099,000	49,300	121,170,000	9,900	9,900	9,900	9,900
Extent of interest of Holding Company as on 31-03-2007	53.96%	99.97%	98.60%	100.00%	99.00%	99.00%	99.00%	99.00%
The net aggregate amount of subsidiary Companies profit/ (Loss) so								
i) Dealt with in the accounts of GVKPIL								
(a) for the subsidiary's financial year ended 31st March, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of GVKPIL	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
ii) Not dealt with in the accounts of GVKPIL								
(a) for the subsidiary's financial year ended 31st March, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of GVKPIL	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Subsidiaries

GUK Industries
Limited

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the 15th Annual Report and the Audited Accounts for the year ended March 31, 2007, together with the Auditor's Report thereon.

Review of Operations

During the year under review, your Company has achieved a Plant Load Factor (PLF) of 61.023 % as compared to 68.515% of the previous year. The reduction in PLF is mainly attributable to the restricted gas supply from GAIL, AP Transco's order not to use naphtha as a supplementary fuel and also dispatch instructions to limit the daily generation to synchronize with their day to day demand. However, the Plant Availability Factor (PAF) for the year has gone upto 97.65 % when compared to 95.70% of the previous year.

Due to heavy shortage of power in the State, the Government of Andhra Pradesh has asked Andhra Pradesh Power Coordination Committee (APPCC) to purchase power from IPPs on naphtha fuel also giving subsidy to meet the demand and accordingly one Gas Turbine was put into operation on naphtha from 30th December, 2007 to 31st March, 2007 (30th Dec. 06 to 2nd Jan. 07 and 27th March, 07 to 31st March, 07).

Financial Results

Your Company's financial results for the year under review are as under:

(Rupees in Millions)

	2006 - 2007	2005 - 2006
Gross Revenues	2738.29	2833.99
Operating Profit	1003.15	960.44
Interest and		
Financing Charges	81.15	110.89
Profit before		
Depreciation and Tax	1166.38	876.07
Depreciation	511.67	511.88
Profit before Tax	654.71	364.19
Extraordinary Items	--	256.09
Income Tax (MAT) ,		
Wealth tax & FBT	96.86	5.89
Deferred Tax Liability	39.37	(1052.12)
Profit after Tax	518.48	1154.33

Environment & Safety

In tune with its philosophy, your Company has been maintaining the highest environment standards with the best safety record at the Plant and also a socially responsible corporate entity with a thrust on environment protection. Your Company has achieved yet another full year of accident free operations, which is a clear reflection on the result of the safety practices being followed at the plant. Your Company is committed to achieving global standards of environment and safety.

Your Company's Health, Environment and Safety policy, has become a respected reference in power and related sectors. This policy is being scrutinized and evaluated every year.

Expansion Project

Your directors wish to inform you that in view of non allocation of gas for the Phase-II the plant was shutdown from 22.01.2006 after completion of the performance tests and also the EPC contractor M/s. Alstom had completed the critical punch list item. The plant has been taken over from Alstom on 12.05.2006 and was kept under preserved condition as per the OEM recommendation till AP Transco agrees to declare COD and GAIL supply the natural gas for operation of the plant.

The statutory inspection of 400 KV Switchyard and other electrical equipment was done by the Chief Electrical Inspector to Government (CEIG) on 29.03.2007 and approval accorded.

The company has requested Andhra Pradesh Power Coordination Committee (APPCC) to back charge the 400 KV Switchyard on permanent basis as per the provisions of the Power Purchase Agreement.

Scheme of Arrangement

Your Directors wish to inform you that subsequent to the approval of the shareholders for the Scheme of Arrangement, the company has filed necessary petitions with the relevant High Courts for their confirmation. The scheme is presently under consideration by the relevant High Courts. Once the approval is received and the scheme of arrangement is fully implemented, your company would become 100% subsidiary to GVK Power & Infrastructure Limited.

Directors

Mrs. G. Indira Krishna Reddy, Mr. Ajay Lal and Dr. A. Ramakrishna, Directors of the Company would retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment in the best interest of the Company.

Air Chief Marshal I H Latif has resigned as Director of the company with effect from 23.4.2007 due to his pre-occupations. Your Board wishes to place on record its appreciation for the valuable services rendered by Air Chief Marshal I H Latif during his tenure on the Board.

Directors' Responsibility Statement

Pursuant to provisions of section 217 (2AA) of the Companies Act, 1956 with respect to "Directors' Responsibility Statement", it is hereby confirmed;

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;

- (ii) that the directors had 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 and of the profit or loss of the Company for the year under review;
- (iii) that the directors had 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;
- (iv) that the directors had prepared the annual accounts for the financial year ended 31st March, 2007 on a going concern basis.

Audit Committee

During the year under review, the Audit Committee of the Company has met 3 times and reviewed the internal control measures, internal audit reports and the financial performance of the Company. Following is the constitution and attendance of the members of the Audit Committee.

S. No	Name	Designation	Attendance on 06-05-06	Attendance on 23-10-06	Attendance on 31-01-07
1	Mr. K Balarama Reddi	Chairman	Yes	Yes	Yes
2	Mr. Ajit Singh	Member	Yes	Yes	Yes
3	Mr. Ajay Lal	Member	No	Yes	No
4	Mr. Devi Dayal	Member	Yes	Yes	No
5	Dr. Abid Hussain	Member	Yes	Yes	Yes
6	Air Chief Marshal I H Latif	Member	Yes	No	Yes

Auditors

The term of our present Auditors viz., M/s. Brahmayya & Co., would come to an end at the ensuing Annual General Meeting. It is proposed to reappoint M/s. Brahmayya & Co., as the Statutory Auditors of the Company. Accordingly, the Board recommends their re-appointment.

Particulars of Employees

A statement giving information and particulars of the employees as required under section 217(2A) of the Companies Act, 1956, is enclosed as an Annexure to this Report.

Social Commitment

In line with its corporate philosophy, your Company is making contributions to promote certain socio-economic development activities. These include establishing schools, colleges, hospitals, nursing homes, clinics, homes for elderly and destitutes, repairs of roads, drinking water supply, sports etc.

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

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the required information is furnished as an Annexure to this report.

Fixed Deposits

During the year under review, your Company has neither invited nor received any deposits from the public.

Acknowledgments

Your Directors acknowledges with deep sense of appreciation the cooperation received from Government of India, Government of Andhra Pradesh, Transmission Corporation of Andhra Pradesh Limited, Indian Financial Institutions and Banks. Your Directors express their appreciation for the dedicated and sincere services rendered by the employees of the Company at all levels. Your Directors also wish to express their gratitude to the Shareholders for the confidence reposed by them in the Company and for the continued support and co-operation.

For and on behalf of the
Board of Directors

Place : Hyderabad
Date : 24.07.2007

G V Krishna Reddy
Chairman

Annexure to Directors' Report

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2007.

A. Conservation of Energy

a) Energy Conservation Measures

An Energy Conservation Committee has been formed at the plant to periodically review the conservation measures being implemented.

The following measures are being followed at the Jegurupadu Power Plant to reduce the energy consumption by adopting energy conservation measures.

Lighting

The minimum required number of lights is being put ON during normal hours. From 10:00 PM until dawn, most of the lights inside the plant and street lights are being switched OFF.

Pumps

Only the required number of cooling water pumps for the generator and lube oil coolers are being operated.

DM Water

Whenever Naphtha is not used, the DM and raw water capacity is being reduced which will in turn reduce the electricity and chemical consumption etc.,

- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: None.
- c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
- Not relevant as the Company itself is engaged in generation of electric power.

B. Technology absorption

Efforts made in technology absorption as per Form B of the Annexure:

The Erection, Procurement and Construction Contract of the Power Plant was done by a consortium of ABB Germany and ABB India. As a part of the EPC Contract, ABB had trained the operation and maintenance staff at its works in Germany. Presently, the entire operating and maintenance team comprises of Indians without any expatriate staff. The skilled and experienced O&M staff are involved with routine maintenance and inspection of the power plant, apart from operating the same.

C. Foreign exchange earnings and outgo

- a) Activities relating to exports; initiatives taken to increase exports; development of new export market for products and services; and export plans are not applicable, as Electric Power generated is sold to the AP Transco
- b) Total foreign exchange used and earned

(Rs. in Lacs)

	Foreign exchange	
	earnings (Lacs)	used (Lacs)
Current Year	16.37	1907.44
Previous Year	13.66	2572.58

For and on behalf of the
Board of Directors

Place : Hyderabad
Date : 24.07.2007

G V Krishna Reddy
Chairman

Annexure to Director's Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2007

Sl. No.	Name of the employee	Age	Qualification	Designation	Experience (Years)	Date of commencement of Employment	Remuneration received (Rupees)	Previous Employment
1	Mr. Somanadri Bhupal	50	B.Sc., MBA (USA)	Managing Director	26	03.07.2000	1,48,58,617	Erstwhile GVK Hotels Limited
2	Mr. A. Issac George	51	FCA	Director (Finance)	27	01.03.1999	27,09,140	-

Note: 1) Remuneration received includes salary and other allowances, perquisites etc.

2) Mr. Somanadri Bhupal is a relative of Mr. G V Krishna Reddy, Mrs. G Indira Krishna Reddy and Mr. G V Sanjay Reddy.

For and on behalf of the
Board of Directors

Place : Hyderabad
Date : 24.07.2007

G V Krishna Reddy
Chairman

Auditor's Report

To

The members of **GVK Industries Limited**, Secunderabad (A.P)
We have audited the attached balance sheet of GVK Industries Limited, Secunderabad (A.P.) as at 31st March, 2007 and the Profit and Loss Account for the year ended on that date annexed thereto, and its Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account as required by Law have been kept by the company so far as appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash-flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash-flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2007;

(b) in the case of the Profit and Loss Account, of the PROFIT of the company for the year ended on that date; and

(c) in the case of the Cash-flow Statement, of the cash flows of the company for the year ended on that date.

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

Koteswara Rao SSR
Partner
Membership No. 18952

Place: Hyderabad
Date : 24.07.2007

Re: GVK Industries Limited

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

- 1.1 The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.2 According to the information and explanations furnished to us, the company has not physically verified all its fixed assets during the year, but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed during the year on such verification.
- 1.3 According to the information and explanations furnished to us, the company has not disposed of a substantial part of its fixed assets during the year.
 - 2.1 According to the information and explanations furnished to us, the company has physically verified its inventories during the year. In our opinion, the frequency of verification is reasonable.
 - 2.2 In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - 2.3 According to the information furnished to us, the company is maintaining proper records of inventory and discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
 - 3.1.1 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 Companies Act, 1956.
 - 3.1.2 As the company 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 Companies Act, 1956, the provisions of the clause 4(iii)(b),(c),(d),(e),(f) and (g) are not applicable to the company.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and inventory and fixed assets and with regard to the sale of power. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- 5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions which have been entered into, pursuant to contracts that have been entered in the register maintained under section 301 of the Companies Act, 1956, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The company has not accepted any deposits from public and consequently, the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Act and the rules framed hereunder are not applicable.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- 9.1 According to the information furnished to us, the company is regular in depositing with appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Custom duty, Cess and other material statutory dues applicable to the company.
- 9.2 According to the information and explanations furnished to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Service Tax, Customs Duty and Cess were in arrears, as at the date of the Balance Sheet under report, for a period of more than six months from the date they become payable.
- 9.3 According to the records of the Company and the information and explanations given to us, the following is the disputed demand in respect of Income Tax, which has not been deposited.

Nature of the dues	Amount Rs.	Financial year to which the amount relates	Forum where the dispute is pending
Income tax (TDS)	15,45,042	2005-06 & 2006-07	Commissioner of Income-Tax (Appeals)

10. The company has no accumulated losses as at the end of the financial year 31-03-2007 and it has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

11. In our opinion and according to the information and explanations furnished to us by the company, the company has not defaulted in repayment of its dues to financial institutions and banks at the date of Balance Sheet. Default in repayment of debentures does not arise, since the company has not issued any debentures.
12. According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is neither a chit fund nor a nidhi/mutual benefit fund/society. Hence the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
14. According to the information furnished to us, the company is not trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information and explanations given to us, the guarantees given by the company for loans taken by others from banks and financial institutions are not prejudicial to the interest of the company.
16. According to the information and explanation given to us, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanation given to us, and on overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investments.
18. According to the information and explanation given to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act, or to any others.
19. According to the information and explanation given to us, the company has not issued any debentures during the year under report.
20. The company has not raised any money through public issues during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
21. According to the information and explanation given to us, and based on the audit procedures generally adopted by us, we report that, during the year, no fraud on or by the company has been noticed or reported that is either significant or could have caused a material misstatement in the financial statements.

For **Brahmayya & Co**
Chartered Accountants

Koteswara Rao SSR
Partner

Place : Hyderabad
Date : 24.07.2007

Membership No. 18952

Balance Sheet as at 31st March, 2007

	Schedule		As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
I Sources Of Funds				
(1) Share holders' Funds				
(a) Share Capital	A	2,620,000,000	2,620,000,000	
(b) Reserves and Surplus	B	3,299,973,830	2,930,895,546	
			5,919,973,830	5,550,895,546
(2) Loan Funds				
(a) Secured Loans	C	7,556,778,464	7,401,459,934	
(b) Unsecured Loans	D	350,000,000	564,675,573	7,966,135,507
(3) Deferred Tax Liability				
			269,398,031	230,027,806
Total			14,096,150,325	13,747,058,859
ii Application Of Funds				
(1) Fixed Assets				
(a) Gross Block	E	10,116,678,271	10,111,643,911	
(b) Less: Depreciation		5,113,870,300	4,603,002,952	
(c) Net Block			5,002,807,971	5,508,640,959
(d) Capital Work-in-Progress, Stock of materials and advances on Capital Account		5,581,030,278	5,578,083,837	
(e) Expenditure incurred on Project Expansion	F	2,142,147,122	7,723,177,400	7,092,446,206
(2) Investments (long-Term, Non - Trade, unquoted)				
	G		-	6,013,885
(3) Current Assets, Loans and Advances				
(a) Inventories		275,743,032	230,513,692	
(b) Sundry Debtors		828,328,523	769,363,975	
(c) Cash and Bank Balances		277,200,952	519,458,487	
(d) Loans and Advances		332,729,106	281,709,754	
		1,714,001,613	1,801,045,908	
(4) Less: Current Liabilities and provisions				
(a) Current Liabilities	I	260,287,381	635,052,888	
(b) Provisions		83,549,278	27,489,875	
Net Current Assets			1,370,164,954	1,138,503,145
(5) Miscellaneous Expenditure (to the extent not written off or adjusted)				
	J		-	1,454,664
Total			14,096,150,325	13,747,058,859
Notes on Accounts	N			

As per our report of even date

For **Brahmayya & Co**
Chartered Accountants**Koteswara Rao SSR**
PartnerHyderabad: 24th July, 2007

For and on behalf of the Board

G V Krishna Reddy
Chairman**A Issac George**
Director-Finance**Somanadri Bhupal**
Managing Director**T Ravi Prakash**
Company Secretary

Profit and Loss Account for the year ended 31st March, 2007

	Schedule	For the Year ended 31st March, 2007 Rupees	For the Year ended 31st March, 2006 Rupees
Income			
Gross Earnings from sale of Electrical energy		2,738,290,879	2,833,991,475
Less: Discount allowed for prompt payment of bills		69,603,314	74,040,317
		<u>2,668,687,565</u>	<u>2,759,951,158</u>
Other Income	K	243,672,029	26,520,999
		<u>2,912,359,594</u>	<u>2,786,472,157</u>
Expenditure			
Cost of Fuel		1,227,953,584	1,358,342,163
Generation, Administration and other expenses	L	436,869,675	441,164,501
Interest and Finance Charges	M	81,151,149	110,892,903
Depreciation	E	511,674,374	511,879,760
		<u>2,257,648,782</u>	<u>2,422,279,327</u>
Profit for the year		654,710,812	364,192,830
Less: Extraordinary items		-	256,095,560
Profit before tax		654,710,812	108,097,270
Less: Provision for Income Tax		82,200,000	4,758,773
Deferred Tax Liability		39,370,225	(1,052,123,708)
Fringe Benefit Tax		1,140,000	1,133,397
Income Tax for earlier years		13,549,553	-
Net Profit After Taxes		518,451,034	1,154,328,808
Balance brought forward from previous year		2,929,271,046	2,073,687,738
		<u>3,447,722,080</u>	<u>3,228,016,546</u>
Appropriations			
Interim Dividend @ 5%		131,000,000	262,000,000
Corporate Dividend Tax thereon		18,372,750	36,745,500
Balance carried to Balance Sheet		<u>3,298,349,330</u>	<u>2,929,271,046</u>

As per our report of even date

For **Brahmayya & Co**
Chartered Accountants

Koteswara Rao SSR
Partner

Hyderabad: 24th July, 2007

For and on behalf of the Board

G V Krishna Reddy
Chairman

A Issac George
Director-Finance

Somanadri Bhupal
Managing Director

T Ravi Prakash
Company Secretary

Schedules

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Schedule- A		
Share Capital		
Authorised		
35,00,00,000 Equity Shares of Rs.10/- each	<u>3,500,000,000</u>	<u>3,500,000,000</u>
Issued, Subscribed And Paid-up		
26,20,00,000 Equity Shares of Rs.10/- each fully paid-up	<u>2,620,000,000</u>	<u>2,620,000,000</u>
[14,13,83,800 shares were held by GVK Power & Infrastructure Limited, Holding Company. (Previous year 14,13,83,800)]		
Schedule-B		
Reserves And Surplus		
Capital Reserve	1,624,500	1,624,500
Balance in Profit and Loss Account	<u>3,298,349,330</u>	<u>2,929,271,046</u>
Total	<u><u>3,299,973,830</u></u>	<u><u>2,930,895,546</u></u>
Schedule-C		
Secured Loans		
1. Term Loans		
A) Foreign Currency Loans:		
IDBI Ltd	-	74,119,554
Canara Bank	14,458,500	74,006,100
Bank of India	14,458,500	74,006,100
Indian Overseas Bank	<u>12,081,714</u>	<u>62,106,706</u>
	<u><u>40,998,714</u></u>	<u><u>284,238,460</u></u>

Above Loans are secured by:

- i) Pari passu legal mortgage of Company's land situated at Nasik,
- ii) Pari passu first charge in the form of equitable mortgage by deposit of title deeds in respect of land and all buildings and movable plant and machinery, tools and accessories present and future situated at Jegurupadu, East Godavari District, A.P and
- iii) Pari passu first charge in the form of hypothecation of the Company's movable (save and except six weeks book debts) plant and machinery & accessories present and future subject to prior charges of bankers for securing the borrowings for working capital requirements.

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
B) Rupee Loans For Spares:		
State Bank of Mauritius Ltd	<u>87,500,000</u>	<u>137,500,000</u>
	87,500,000	137,500,000
This Loan is secured by exclusive first charge on all unused spares and inventory		
Amounts falling due for repayment in the next one year		
A) Rupee Term Loans	50,000,000	
B) Foreign Currency Loans	40,998,714	
2. Term Loans For Expansion Project :		
A) Rupee Term Loans:		
Canara Bank	666,000,000	666,000,000
Federal Bank Ltd	250,000,000	228,891,281
IDFC Ltd	1,100,000,000	1,007,118,627
Indian Overseas Bank	1,000,000,000	915,555,113
State Bank of Bikanur & Jaipur	200,000,000	183,087,022
State Bank of Mysore	200,000,000	183,087,022
Union Bank of India	200,000,000	183,117,022
The Jammu & Kashmir Bank Ltd	500,000,000	500,000,000
IDBI Ltd	700,000,000	640,883,332
Syndicate Bank	850,000,000	778,224,638
	<u>5,666,000,000</u>	<u>5,285,964,057</u>
B) Foreign Currency Loans:		
Bank of Baroda	<u>1,510,950,000</u>	<u>1,554,350,000</u>

Both Rupee and Foreign currency Loans are secured by:

- (i) Pari passu first mortgage and charge on all the immovable and moveable properties (both tangible and intangible), both present and future of the expansion project and assets common for both Phase 1 and expansion project.
- (ii) Pari passu second mortgage and second charge on all the immovable and moveable properties (both tangible and intangible), both present and future, pertaining to Phase I (including all receivables).
- (iii) Pari passu first charge/assignment/security interest on all the revenues/receivables of the company pertaining to expansion project.

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
(iv) Pari passu first charge/assignment/security interest on company's rights under the expansion Project Agreements, in respect of all clearances, licences, permits, approvals and consents in respect of the expansion project, and letters of credit, guarantee or performance bond that may be provided in favour of Company by any party to any project agreement or contract pertaining to the expansion project.		
(v) Pledge of the shares of the company held by promoters representing GVK Group to be created after the loans of Phase I are fully repaid.		
3. Working Capital Loans From Banks:	248,858,744	137,291,443
(Secured by Hypothecation of first charge on six weeks book debts)		
4. Hire Purchase Loans For Vehicles	2,471,006	2,115,974
Total	7,556,778,464	7,401,459,934
Schedule-D		
Unsecured Loans		
A) Short Term Loans For Phase-i		
B N P Paribas	-	100,000,000
The Bank of Nova Scotia	50,000,000	-
HDFC Bank Ltd	-	100,000,000
IDBI Ltd	100,000,000	250,000,000
State Bank of Hyderabad	-	50,000,000
Indian Overseas Bank (Demand Loan)	-	64,675,573
Standard Chartered Bank	50,000,000	-
Centurion Bank Ltd	150,000,000	-
Total	350,000,000	564,675,573

Schedule-E - Fixed Assets

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 31st March 2006 Rupees	Additions Rupees	Deductions Rupees	As at 31st March 2007 Rupees	Upto 31st March 2006 Rupees	For the Year Rupees	On Deductions Rupees	Upto 31st March 2007 Rupees	As at 31st March 2007 Rupees	As at 31st March 2006 Rupees
1) Land and Site development Phase I	79,912,189	-	-	79,912,189	-	-	-	-	79,912,189	79,912,189
Phase II	8,812,185	-	-	8,812,185	-	-	-	-	8,812,185	8,812,185
2) Buildings & Roads i) Factory Building	387,047,380	-	-	387,047,380	115,954,299	12,927,382	-	128,881,681	258,165,699	271,093,081
ii) Others	111,923,533	-	-	111,923,533	18,231,467	1,824,354	-	20,055,821	91,867,712	93,692,066
iii) Residential colony Phase II	85,663,284	-	-	85,663,284	13,359,808	1,396,312	-	14,756,120	70,907,164	72,303,476
i) Factory Building	768,895	-	-	768,895	1,580	12,533	-	14,113	754,782	767,315
ii) Others	3,031,651	-	-	3,031,651	13,268	49,416	-	62,684	2,968,967	3,018,383
iii) Residential colony	33,843,490	47,500	-	33,890,990	186,954	552,303	-	739,257	33,151,733	33,656,536
3) Plant & Machinery Phase I	9,330,744,792	1,084,104	-	9,330,744,792	4,421,952,814	491,951,184	-	4,913,903,998	4,416,840,794	4,908,791,978
Phase II	2,981,476	-	-	4,065,580	-	30,727	-	30,727	4,034,853	2,981,476
4) Data Processing equipment Phase I	20,774,259	1,361,397	1,112,480	21,023,176	15,926,424	1,235,006	1,036,008	16,125,422	4,897,754	4,847,835
Phase II	938,240	73,380	-	1,011,620	191,150	162,615	-	353,765	657,855	747,090
5) Vehicles Phase I	8,727,461	3,604,203	1,446,552	10,885,112	4,706,345	566,784	1,034,546	4,238,583	6,646,529	4,021,116
Phase II	2,609,457	-	-	2,609,457	380,293	247,898	-	628,191	1,981,266	2,229,164
6) Furniture & Fixtures Phase I	11,778,024	728,144	-	12,506,168	5,817,999	840,116	-	6,658,115	5,848,053	5,960,025
Phase II	2,101,163	11,800	-	2,112,963	89,495	133,583	-	223,078	1,889,885	2,011,668
7) Electrical Equipment Phase I	3,566,575	117,765	-	3,684,340	1,388,129	199,284	-	1,587,413	2,096,927	2,178,446
Phase II	-	18,775	-	18,775	-	5,031	-	5,031	13,744	-
8) Office Equipment Phase I	7,152,031	286,424	-	7,438,455	2,657,610	359,561	-	3,017,171	4,421,284	4,494,421
Phase II	1,272,200	70,000	-	1,342,200	66,278	62,143	-	128,421	1,213,779	1,205,922
9) Air Conditioners Phase I	7,842,377	189,900	-	8,032,277	2,072,432	374,391	-	2,446,823	5,585,454	5,769,945
Phase II	153,249	-	-	153,249	6,607	7,279	-	13,886	139,363	146,642
Total Rs.	10,111,643,911	7,593,392	2,559,032	10,116,678,271	4,603,002,952	512,937,902	2,070,554	5,113,870,300	5,002,807,971	5,508,640,959
Less: Depreciation on Expansion project transferred to un-allocated capital expenditure	-	-	-	-	-	1,263,528	-	-	-	-
Previous Year	9,973,865,902	140,185,057	2,407,048	10,111,643,911	4,046,687,071	556,549,352	233,471	4,603,002,952	5,508,640,959	5,927,178,831
	10,111,643,911	7,593,392	2,559,032	10,116,678,271	4,603,002,952	511,674,374	2,070,554	5,113,870,300	5,002,807,971	5,508,640,959

	Upto 31.03.2006 Rupees	During the year Rupees	Upto 31.03.2007 Rupees
Schedule-F			
Statement Of Expenditure Incurred For Expansion Project (Pending Allocation)			
Printing & Stationery	1,865,831	56,066	1,921,897
Employees cost:			
Salaries, Wages, Exgratia etc.	3,739,328	8,019,413	11,758,741
Contribution to Provident and Other funds	126,461	408,110	534,571
Gratuity	-	48,625	48,625
Welfare expenses	765,685	757,185	1,522,870
Communication costs	1,169,899	89,211	1,259,110
Travelling and Conveyance	46,848,325	5,186,040	52,034,365
Advertisement	687,807	61,360	749,167
Legal & Professional Charges	17,474,291	13,445,748	30,920,039
Technical Consultancy	299,364,544	2,109,829	301,474,373
Operators Training	131,258,000	-	131,258,000
Repairs & Maintenance:			
Buildings	807,670	-	807,670
Other Assets	2,562,500	3,645,667	6,208,167
Sundry Expenses	1,802,326	1,277,587	3,079,913
Bank Charges	13,213,453	1,502,015	14,715,468
Insurance	52,918,573	11,730,095	64,648,668
Rent	315,000	180,000	495,000
Electricity charges	84,144	58,288	142,432
Payments to Auditors - Certification fee	57,030	36,121	93,151
Corporate Guarantee Commission	4,300,000	3,600,000	7,900,000
Finance Charges	162,746,542	279,262	163,025,804
Interest on Fixed Loans	637,671,958	574,263,572	1,211,935,530
Depreciation	1,176,955	1,263,528	2,440,483
Trail Run cost:			
Power used during Trial runs	22,181,460	-	22,181,460
Cost of Fuel	186,620,319	-	186,620,319
Other expenses	66,120	-	66,120
Fringe Benefit Tax	559,906	209,278	769,184
	1,590,384,127	628,227,000	2,218,611,127
Less: Interest income	7,697,001	432,271	8,129,272
: Dividends from Mutual Funds	1,482,757	9,976	1,492,733
: Sale of Infirm Power	66,842,000	-	66,842,000
Balance carried to Balance sheet	1,514,362,369	627,784,753	2,142,147,122

Schedule-G: Investments

Name of the Mutual Fund	Opening	Purchased	Redeemed	As at		As at	
	Balance	during	during	31-03-2007	31-03-2006	31-03-2006	31-03-2006
	No. of units	No. of units	No. of units	No. of units	Amount in Rs	No. of units	Amount in Rs
Long Term - Not trade, unquoted							
Chola Mutual Fund	579775	-	579775	-	-	579,775	6,013,885
(Face Value Rs.10/-)				-	-	579,775	6,013,885

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Schedule-H		
Current Assets, Loans And Advances		
(a) Inventories (As valued and certified by the management)		
Stores, Spares and consumables (at cost)	275,743,032	230,513,692
(b) Sundry debtors (Secured considered good)		
Debts outstanding for a period exceeding six months	599,978,375	595,566,566
Other debts	228,350,148	173,797,409
	828,328,523	769,363,975
(c) Cash and Bank Balances		
Bank Balances-With Scheduled Banks in:		
Current Accounts	25,341,473	103,738,658
Short Term Deposits	247,787,584	284,719,829
Unpaid Dividend Account	4,071,895	131,000,000
	277,200,952	519,458,487
(d) Loans and advances (Advances recoverable in cash or in kind or for value to be received unsecured, Considered good)		
Interest Accrued	832,986	5,752,017
Advances for expenses and purchases	4,529,792	321,183
Other Receivables	130,599,483	130,098,645
Prepaid Expenses	32,100,049	43,565,415
Deposits recoverable	73,099,764	71,347,789
Advance Income-tax and TDS and FBT	91,567,032	30,624,705
	332,729,106	281,709,754
Total	1,714,001,613	1,801,045,908
Schedule-I		
Current Liabilities And Provisions		
A) Current Liabilities		
Creditors for Expenses	164,586,056	90,635,309
Due to Directors	6,728,686	-
Creditors for Capital Goods	-	4,822,179
Creditors for Other finance	54,516,182	28,223,245
Retention Money	5,121,910	355,355,905
Dividends Payable	4,071,895	131,000,000
Interest accrued but not due on loans	25,262,652	25,016,250
	260,287,381	635,052,888
B) Provisions		
Provision for Income Tax and FBT	83,549,278	9,117,125
Provision for Interim Dividend	-	-
Provision for Dividend Tax	-	18,372,750
	83,549,278	27,489,875
Total	343,836,659	662,542,763
Schedule-J		
Miscellaneous Expenditure		
Preliminary expenses	-	414,551
Expenses on Green belt	-	1,040,113
Total	-	1,454,664

	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
Schedule-K		
Other Income		
Interest on Term Deposits (TDS Rs. 42,17,641/- previous year Rs.38,95,158/-)	18,375,110	18,072,274
Miscellaneous Income	16,991,000	8,448,725
Profit on sale of assets	104,401	-
Guarantee Commission (TDS Rs.72,93,000/-previous year Rs. Nil)	117,821,918	-
Professional services fee (TDS Rs.57,46,693/- previous year Rs. Nil)	90,379,600	-
Total	243,672,029	26,520,999
Schedule-L		
Generation, Administration And Other Expenses		
Employee Cost:		
Salaries, Wages, Exgratia etc.	88,394,507	52,944,753
Contribution to Provident and Other funds	2,072,318	2,034,977
Gratuity	1,244,315	3,882,592
Welfare expenses	2,250,594	2,582,940
Rent	8,759,219	4,481,000
O & M Contractor's fee including incentive	54,798,732	52,772,603
Bank Charges	1,546,511	2,123,316
Insurance	69,814,543	77,386,293
Electricity and Water	3,425,784	1,613,191
Minimum off take price for Naptha	1,475,021	1,538,000
Printing & Stationery	2,822,015	3,924,355
Travelling & Conveyance	19,892,545	14,799,993
Auditor's fee : for Statutory Audit	785,680	785,680
for Tax Audit	-	82,650
for Income Tax matters	50,000	2,500
for Certification	22,448	35,305
Repairs & Maintenance to:		
Buildings	8,839,637	3,136,215
Plant & Machinery	70,035,463	167,754,700
Other Assets	56,688,205	5,511,697
Communication costs	4,360,156	2,243,553
Advertisement	3,873,146	6,998,473
Vehicle Hire Charges	2,259,532	1,942,919
Legal & Professional Charges	10,642,388	5,839,279
Donations	4,957,312	4,517,000
Rates and Taxes	985,504	889,362
Directors Sitting fee	590,000	547,500
Loss on Sale of Assets	210,381	25,077
Exchange difference	-	932,264
Preliminary expenses and expenses on Green belt written off	1,454,664	2,771,784
Sundry Expenses	14,619,055	17,064,530
Total	436,869,675	441,164,501

Schedule-M
Interest And Finance Charges

Interest on Term loans	67,932,871	91,030,678
Interest on Other loans	10,776,941	17,181,530
Processing and Other charges	2,441,337	2,680,695
Total	81,151,149	110,892,903

Schedule-N
Notes On Accounts:

1. Significant Accounting Policies:

- 1.1 The financial accounts have been prepared on historical cost convention and in accordance with applicable accounting standards.
 - 1.2 Fixed Assets:
Cost of Fixed Assets comprises of purchase price, duties, levies and other directly and indirectly attributable costs for bringing the asset to its working condition for its intended use.
 - 1.3 Depreciation:
Depreciation on Fixed assets has been provided at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on straight-line basis.
 - 1.4 Foreign Currency Transactions:
 - a) Foreign Currency Loans for Phase I: These loans are stated only at the exchange rates at which the said loans were drawn (but not at the rates as on the date of the balance sheet) as the foreign exchange variation for repayment of principal and interest are fully reimbursable to the company by Transmission Corporation of Andhra Pradesh Limited as per the Power Purchase Agreement.
 - b) Foreign Currency transactions in respect of Phase II: Transactions in foreign currencies are recorded at the rates on dates of transactions. Monetary value of assets and liabilities on reporting date are translated at the rate on balance sheet date and the exchange differences are adjusted to the cost of Capital Work in progress.
 - 1.5 Preliminary expenses and expenses on green belt are being amortized over a period of 10 years commencing from 1996-97.
 - 1.6 Retirement benefits :Provision for gratuity and leave encashment is made on the basis of actuarial valuation in respect of employees other than whole time directors. In respect of whole time directors retirement benefits are provided in accordance with the contractual obligations.
 - 1.7 Inventories:Spares, Stores and accessories are valued at cost. The cost is arrived at on weightage average method.
 - 1.8 Expenditure on project expansion :The expenditure during the construction period which cannot directly be attributed to the assets is treated as unallocated expenditure and will be allocated to Fixed Assets as and when they are put to use.
 - 1.9 Impairment of assets:The Carrying amounts of Company's assets are reviewed at each balance sheet date. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable value.
 - 1.10 Contingent Liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved. Provision is recognized when the Company has a legal/constructive obligation and on managements discretion as result of past event, for which it is probable that a cash out flow may be required and a reliable estimate can be made of the amount of the obligation.
 - 1.11 Claims are accounted for on admission.
2. The Company is entitled to receive incentive for every percentage point generated in excess of Plant Load Factor (PLF) of 68.50% during the tariff year of 20th June of each year to 19th June of next year. However incentive for the period from 20.06.2006 to 31.03.2007 has not been considered since PLF so far has not reached minimum PLF of 68.50%.
 3. APTRANSCO during the year 2003-04 made a claim against the company for Rs.20.48 Crores (up to 19-06-03), stating that CAG has pointed out that the effective Return on Equity (ROE) paid to the company on monthly basis, works out to 17.17%, as against 16% as per Power Purchase Agreement (PPA). Aggrieved of the said claim, company preferred a writ petition before hon'ble High Court of A.P and the hon'ble High Court directed APTRANSCO not to take any action pending disposal of the case.

Meanwhile on appeal by APTRANSCO in this regard, Andhra Pradesh Electricity Regulatory Commission (APERC) admitted the case and issued notice to the company. The company challenged the said notices before the High court of Andhra Pradesh, on the ground that the amended and restated PPA between the company and APTRANSCO provides referral of all disputes to arbitration. The High court of Andhra Pradesh issued interim directions to APERC not to proceed with the above case until the writ petition is disposed off. Pending disposal of the same, probable liability on this account up to 31st March, 2007 would be Rs. 33.40 Crores. (previous year Rs.30.07 Crores)

4. The company has recognized Deferred Tax Liability as per AS - 22 only for the period after the expiry of the present power purchase agreement with AP Transco in 2015 since up to that time, AP Transco has to reimburse income tax payable by the Company.
5. There are no overdue amounts payable to small-scale industries as of March 31, 2007 as per the information available with the Company.
6. a) Fixed Deposits of Rs.40,38,788/- (previous year Rs.1,07,44,450/-) included under the head 'Short Term Deposits' in Schedule 'H' are under lien with the banks for obtaining letters of credits & Bank Guarantees.

b) Extraordinary items include:

	Amount in Rupees	
	Current Year	Previous Year
i) Depreciation on Capital Spares	--	4,39,61,000
ii) Deferred Revenue Expenditure	--	17,36,74,331
iii) Foreign Exchange gain of earlier years	--	4,13,30,847
iv) Advertisement	--	4,55,000
v) Service Tax of earlier years	--	1,33,508
Total:	--	25,95,54,686
vi) Less: Minimum off take Naphtha	--	34,59,126
Net Total	--	25,60,95,560

7. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. NIL. (Previous year 0.07 crores)

	31st March, 2007 Rs. in lakhs	31st March, 2006 Rs. in lakhs
8. Contingent Liabilities not provided for:		
a) On account of Guarantees issued by banks.	675.45	1856.80
b) On account of Inland Letters of Credit.	700.00	1700.00
c) Service Tax reimbursable to GVK Power & Infrastructure Limited (GVKPIL) (erstwhile Jegurupadu Operating and Maintenance Company,) for the period 1.4.97 to 31.03.2007 as the matter is disputed by GVKPIL and pending in Appeals	673.42	543.52
d) Income tax demand pending in appeals	15.45	120.02
9. a) During February 2004, AP Transco has filed petitions before the Andhra Pradesh Electricity Regulatory Commission (APERC) for adjudication of certain matters relating to tariff provisions under the Power Purchase Agreement (PPA) without specifying any amount aggrieved of which the Company has filed a Writ petition before the Hon'ble High Court of Andhra Pradesh questioning the jurisdiction of APERC for adjudication of the matters under the PPA. The Hon'ble High Court of AP has issued interim directions to APERC not to proceed with the subject notice until further orders.		
b) Sundry Debtors includes Rs. 76 lakhs due from APTRANSCO being the amount withheld towards excess charging of interest on working capital by the company. The matter is pending in arbitration before Hon'ble High Court of Andhra Pradesh.		
10. As per the terms of contract with Bharat Petroleum Corporation Limited (BPCL) for supply of Naphtha, the Company has to pay for 80000 MT @ 38.45 as 'Minimum off Take charges' in the year of no purchases. The Company is negotiating with BPCL to reduce the Minimum off Take quantity from 80000 MT to 40000 MT, which is under consideration by BPCL. Pending receipt of acceptance from BPCL, no provision is made in the books for the requested reductions of 40000 MT, which worked out to Rs.15,38,000/-for the year and the liability on this account upto 31st March, 2007 is Rs.30,76,000/-.		
11. Foreign currency Loans in respect of Phase I have been stated at the exchange rates at which the said loans were drawn as the said Foreign Exchange variation is reimbursable to the company by Transmission Corporation of Andhra Pradesh		

Limited as per power purchase agreement. Liability on this account would have been higher by Rs.91,93,835/-(previous year Rs.6,03,39,660/-) had the outstanding Foreign Currency Loans were translated as on 31st March 2007.

12. Provision for Taxation is made taking into account the amount reimbursable by AP Transco as per Power Purchase Agreement.
 13 A. Computation of net profits in accordance with section 349 of the Companies Act, 1956 and commission payable to Chairman and Managing Director.

		Rupees
Net profit before Tax		654710812
Add: Remuneration to Directors	17567757	
Director's sitting fee	<u>590000</u>	<u>18157757</u>
Net profit as per sec 349 of the Companies Act.		<u>672868569</u>
11% of the above profits as per S.198 of the Companies Act		74015543
Commission @ 1% of the net profits to Managing Director		6728686
	Current Year	Previous Year
		(Rs. in Lakhs)

B. Managerial Remuneration:

Chairman	Remuneration	-----	64.83
	Contribution to provident fund	-----	6.58
	Perquisites	-----	0.10
Managing Director	Remuneration	68.03	60.23
	Commission	67.29	-----
	Contribution to provident fund	8.19	7.20
	Perquisites	5.08	-----
Whole Time Directors	Remuneration	20.83	82.80
	Contribution to provident fund	1.50	3.75
	Perquisites	4.76	0.37
	Total	175.68	225.86

14. Related Party disclosures:

a. Related Parties

Key Management personnel (KMP)

Somanadri Bhupal	Managing Director
A Issac George	Director Finance

Enterprises in which the directors are interested

Taj G V K Hotels & Resorts Ltd.
 Orbit travel and tours (P) Ltd.
 Novopan Industries Ltd.
 Paigah House Hotel (P) Ltd.
 G V K City pvt. Ltd.
 G V K Technical & Consultancy Services (P) Ltd.
 G V K Power & Infrastructure Ltd.
 G V K Jaipur-Expressway Private Ltd.
 Gautami Power Limited.
 Mumbai International Airport Pvt. Ltd.
 Alaknanda Hydro Power Co. Ltd.

Relatives of Key Management Personnel

Krishna Enterprises
 Krishna Ram Bhupal

b. Transactions during the year:

Rs. in lakhs

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management Personnel are interested
Remuneration	175.68 (225.86)	-- --	-- --
Rent	-- --	21.36 (13.20)	46.33 (40.35)
Hospitality Services	-- --	-- --	16.45 (20.39)
Air tickets	-- --	-- --	79.28 (185.06)
Reimbursement of expenses	-- --	-- --	659.94 (47.79)
Purchases	-- --	-- --	1.66 (3.81)
O&M Fee, Commercial operation fee and reimbursement of expenses	-- --	-- --	1082.26 (1213.27)
Sale of Asset	-- --	-- --	--- (23.85)
Reimbursement of expenses (Receipt)	-- --	-- --	1196.08 (--)
Manpower charges	-- --	-- --	204.86 (126.47)
Sharing of common expenses (Receipt)	-- --	-- --	139.45 (13.76)
Guarantee commission & Professional fee received	-- --	-- --	2213.49 (--)
Balances as at 31-03-2007			
Receivables	-- --	-- --	956.95 (--)
Payable	67.29 (--)	-- --	248.29 (240.96)

Note: Figures in brackets indicate that of previous year

15. Quantitative Information :

15.1 Licensed Capacity, Installed Capacity and Actual generation :

	31st March 2007	31st March 2006
a. Licensed Capacity	400.00 MW	400.00 MW
b. Installed Capacity	216.82 MW	216.82 MW
c. Actual Generation (Lacs)	11574.72 Kwh	12962.55 Kwh

(As certified by the management and not verified by the Auditors being a technical matter)

15.2 Fuel Consumption :

	Quantity	Value	Quantity	Value
		Rs. in lacs		Rs. in lacs
Natural Gas (in lacs)	2438.84 (SCM)	11482.80	2843.00(S CM)	13583.42
Naphtha (in lacs)	1971.06 (MT)	796.74	---	---
Total:		12279.54		13583.42

15.3 Value of components, stores and spare parts consumed	For the year ended 31st March 2007		For the year ended 31st March 2006	
	Rs. in lacs	(%)	Rs. in lacs	(%)
Imported	416.26	75.36	1014.07	91.46
Indigenous	136.05	24.64	94.71	8.54
	<u>552.31</u>	<u>100.00</u>	<u>1108.78</u>	<u>100.00</u>

15.4 Value of Imports Calculated on CIF basis by the Company during the financial year in respect of:

(a) Capital Goods	--	21.29
(b) Components and Spare Parts	892.10	765.22

16. Expenditure in Foreign Currency on account of:	Rs. In lacs	Rs. In lacs
(a) Foreign Travel	8.79	23.61
(b) Professional Charges	16.82	7.54
(c) Finance Charges	1357.97	1493.70

17. Remittance of Interim dividend in Foreign Currency:

	Current Year @ 5% on 26.10.2006	Previous Year @ 5% on 22.09.2005	Previous Year @ 5% on 30.03.2006
(a) Number of Non-resident share holders	31	32	30
(b) Number of shares held	104772800	104773300	104771400
(c) Dividend (Rs.in Lacs)	523.86	523.87	523.86

18. Earnings in Foreign Exchange :	Rs. In lacs	Rs. In lacs
Interest Earned	16.37	13.66

19. In the opinion of the Board of Directors of the company, the current assets, loans and advances are expected to realise approximately the value at which they are stated in accounts in the ordinary course of business.

20. Previous Year figures have been re-grouped / re-classified to make them comparable, wherever necessary.

21. Schedules A to N form an integral part of the accounts.

As per our report of even date

For **Brahmayya & Co**
Chartered Accountants

Koteswara Rao SSR
Partner

Hyderabad: 24th July, 2007

For and on behalf of the Board

G V Krishna Reddy
Chairman

A Issac George
Director-Finance

Somanadri Bhupal
Managing Director

T Ravi Prakash
Company Secretary

GVK Jaipur Expressway Private Limited

Directors' Report

Dear Shareholder,

Your Directors have great pleasure in presenting the Fifth Annual Report and the Audited Accounts for the year ended 31st March 2007 together with Auditors' Report thereon.

Financial Results

Your Company's financial results for the year under review are as under:

(Rupees in Crores)

Particulars	2006-07	2005-06
Gross Toll Revenues	115.74	98.48
Less: Excess Toll Collections shared with NHAI	1.97	-
Net Toll Revenues	113.77	98.48
Other Income	2.66	0.97
Total Income	116.43	99.45
Less: Operating Expenses	17.38	17.43
Gross Profit	99.05	82.02
Interest	25.97	31.52
Depreciation	41.10	34.59
PBT from operations	31.98	15.91
Withdrawal from Grant	11.72	11.72
Profit Before Tax	43.70	27.63
Provision for Tax	8.96	3.18
Profit After Tax	34.74	24.45
Cash Profit (Net Profit plus Depreciation minus Grant)	63.62	47.31

Review of Operations

During the financial year 2006-07 the Company has earned Gross Revenue of Rs.116.43 crores consisting of Net Toll Revenues to the tune of Rs.113.77 crores (Net of excess fee shared with National Highways Authority of India) (NHAI) and Other Income of Rs.2.66 crores achieving a growth rate of 17% as against the Gross revenue of Rs.99.45 crores earned during the year 2005-06.

The three major factors that have contributed to the growth are (i) Increase in the traffic, (ii) shift in the traffic composition from low tariff categories to higher tariff categories and (iii) upward revision of toll fee with effect from 1/7/2006.

The average daily collections received during 2006-07 is Rs.31.70 lacs as against Rs.27.62 lacs received during 2005-06. Other income received for the year is Rs.2.66 crores as against Rs.0.97 crores received during the previous year.

The Gross profit earned during the year is Rs.99.05 crores as against Rs.82.02 crores earned during the year 2005-06 resulting in a growth rate of 21%. After providing an amount of Rs.25.97 crores towards Interest (Rs.31.52 crores for 2005-06) and Rs.41.10 crores towards depreciation (Rs.34.59 crores for 2005-06) the Profit Before Tax for the year 2006-07 stood at Rs.31.98 crores as against Rs.15.91 crores earned during the year 2005-06. After considering the withdrawal of grant to the extent of Rs.11.72 crores the PBT stands at Rs.43.70 crores for the financial year 2006-07 as against Rs.27.63 crores achieved during the year 2005-06. The Net Profit earned during the financial year is Rs.34.74 crores as against Rs.24.45 crores earned during the year 2005-06.

Sharing of Excess Revenue with NHAI during the year 2006-07

The Members are requested to note that in terms of Clause 7.2.1 and 7.2.3 of Concession Agreement 80% of the Excess Toll Fee Revenue over and above the Projected Toll Fee of Rs.110.82 Crores for the year 2006-07 (as declared in schedule Y of the Concession Agreement) should be distributed equally between NHAI and the Company.

The Toll Fee Revenue of Rs.115.74 Crores earned during 2006-07 was in excess of the Projected Toll Fee to the extent of Rs.4.92 Crores and 80% of this excess revenue amounting to Rs.3.93 Crores was equally shared for the first time between NHAI and the Company. The Company remitted Rs.1.97 Crores (being 50% of Rs.3.92 Crores) to NHAI on 27-04-2007. During the financial year 2005-06 there was no excess toll fee revenue and hence, there was no sharing.

Dividend

The Company had declared and paid an Interim Dividend of 20% during November, 2006 for the year 2006-07. The total Dividend outflow was Rs.24.23 Crores and corporate Dividend Tax of Rs.3.40 Crores was paid by the Company on the above said Dividend.

The Board of Directors of your company has not proposed any further dividend for that year and had recommended to treat the said Interim Dividend as the Final Dividend for the year 2006-07.

Directors

During the year under review, Mr. K V Rangaswami and Mr. J Ganguly and Mr. B Krishnaiah, Directors have submitted their respective resignations and the same were accepted and the Board commended the valuable services rendered by them during their respective tenure on the Board.

Further, Mr. C B Mouli, Director of the Company also expressed his inability to continue on the Board, Audit Committee and Remuneration Committee due to his pre occupations. The Board accepted his resignation and commended the valuable services rendered by Mr. C B Mouli during his tenure on the Board of the Company and as Chairman of the Audit Committee. The Board reconstituted the Audit Committee by appointing Dr. A Rama Krishna as its Chairman in place of Mr. C B Mouli.

Mr. G V Sanjay Reddy and Mr. K Balarama Reddi, Directors will retire by rotation at this meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment in the best interest of the Company.

Directors' Responsibility Statement

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

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;
- (ii) that the directors had 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 and of the profit or loss of the Company for the year under review;
- (iii) that the directors had 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;
- (iv) that the directors have prepared the annual accounts for the financial year ended 31st March, 2007 on a going concern basis.

Auditors

The term of the present Auditors viz., M/s. Brahmayya & Co., Chartered Accountants, Hyderabad would come to an end at the conclusion of this Annual General Meeting. Being eligible, the Board recommends the re-appointment of M/s. Brahmayya & Co., as the Statutory Auditors of the Company.

Public Deposits

During the year under review, your Company has neither invited nor received any deposits from the public.

Particulars Of Employees

Except Mr. Somanadri Bhupal, Managing Director of the Company, there are no other employees in the Company whose particulars are required to be disclosed for the year under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. Particulars of Mr. Somanadri Bhupal, Managing Director are detailed hereunder.

Sl. No	Name of the Employee	Age	Qualification	Designation & Nature of duties of employee	Experience	Date of Commencement of employment	Remuneration received (Rs in Lacs)	Previous Employment
1	Mr. Somanadri Bhupal	51 Yrs	MBA	Managing Director	26 Years	25/3/2006	101.44	Managing Director of GVK Industries Limited

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2007.

Conservation Of Energy And Technology Absorption

Additional information on Conservation of Energy, Technology Absorption in accordance with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is not required to be provided by your Company since, it is not applicable.

Disclosures Of Particulars With Respect To Foreign Exchange Earnings And Outgo

Following is the details of foreign exchange earnings and outgo during the year under review.

(Rupees in Lacs)

	2006 - 07	2005 - 06
Foreign Exchange earnings	Nil	Nil
Foreign Exchange outgo	30.98	85.93

Acknowledgements

Your Directors take this opportunity to express their sincere gratitude to the Government of India, Government of Rajasthan, National Highways Authority of India (NHAI), Infrastructure Development Finance Company Limited (IDFC) and other Lenders whose co-operation and assistance your Company has been privileged to receive. Your Directors also thank the Shareholders for the confidence reposed by them in the Company and their continued support and co-operation. Last but not the least, your Directors sincerely appreciate the dedicated and sincere services rendered by the employees at various levels.

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 23-7-2007

G V Krishna Reddy
Chairman

Auditor's Report

To the Members of GVK Jaipur Expressway Private Limited, Jaipur, Rajasthan

We have audited the attached balance sheet of GVK Jaipur Expressway Private Limited, Jaipur, Rajasthan as at 31st March, 2007, its Profit & Loss account for the year ended on that date annexed thereto, and its Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by The Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- i. We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- iii. The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the Directors, as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
 - b) In the case of the Profit and Loss account, of the Profit of the Company for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Brahmayya & Co**
Chartered Accountants

Koteswara Rao SSR
Partner
Membership No.18952

Place : Hyderabad
Date : 23-07-2007

Annexure

Statement on the Companies (Auditor's Report) Order, 2003

Re: GVK Jaipur Expressway Private Limited, Jaipur, Rajasthan

- 1.1 The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.2 According to the information and explanations furnished to us, the company has physically verified all its fixed assets during the year.
- 1.3 During the year, the company has not disposed of a substantial part of its fixed assets.
- 2.1 The Company has physically verified its inventories during the year. In our opinion, the frequency of verification is reasonable.
- 2.2 In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 The company is maintaining proper records of inventory and the discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3.1 The Company has not granted any loans, secured or unsecured to the companies, firms or other parties whose particulars are recorded in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of clauses 4(iii) (b), 4(iii) (c) and 4(iii) (d) of the order are not applicable.
- 3.2 According to the information and explanations furnished to us, the company has not taken any loans, secured or unsecured to the companies, firms, or other parties whose particulars are recorded in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of clauses 4(iii) (f) and 4(iii) (g) of the order, are not applicable.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the toll collections. Further during the course of our audit, we have not come across any instances of major weaknesses in internal control that in our opinion, require correction but have so continued without correction.
- 5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are having regard to the prevailing market prices at the relevant time.
- 6 The company has not accepted deposits from public.
- 7 In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- 8 The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the Company's business.
- 9.1 According to the records of the company, the company is regular in depositing with appropriate authorities, the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it.
- 9.2 According to the information furnished to us, there were no undisputed statutory dues payable in respect of Income Tax, Wealth Tax, Service Tax and Cess which were in arrears, as at the date of the Balance Sheet under report, for a period of more than six months from the date they become payable.

- 10 The company has no accumulated losses and it has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- 11 The company has not defaulted in repayment of its dues to financial institutions and banks at the date of the Balance Sheet.
- 12 The company has not granted any loans or advances of the basis of security by way of pledge of shares, debentures and other securities.
- 13 The company is neither a chit fund nor a nidhi/mutual benefit fund/society and hence the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
- 14 The company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 15 According to the information and explanation given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- 16 In our opinion the term loans have been applied for the purpose for which they were raised.
- 17 According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that funds raised on short-term basis have not been used for long-term investment during the year under report.
- 18 During the year, the Company has not made any Preferential allotment of shares to parties covered in the register maintained under section 301 of the Companies Act, 1956.
- 19 During the year, the Company has not issued any debentures.
- 20 The company has not raised any money through public issues during the year. Accordingly, the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 21 According to the information and explanations given to us, and based on the audit procedures generally adopted by us, we report that, during the year, no fraud on or by the company has been noticed or reported that is either significant or could have caused a material misstatement in the financial statements.

For **Brahmayya & Co**
Chartered Accountants

Koteswara Rao SSR
Partner
Membership No.18952

Place : Hyderabad
Date : 23-07-2007

Balance Sheet as at 31st March, 2007

Description	Schedule	As At 31-03-2007 Rupees	As At 31-03-2006 Rupees
I. Sources Of Funds :			
1) Share holders funds			
a) Share Capital	1	1,211,700,000	1,211,700,000
b) Reserves & Surplus	2	<u>2,201,315,240</u>	<u>2,247,438,965</u>
		<u>3,413,015,240</u>	<u>3,459,138,965</u>
2) Loan Funds:			
Secured Loans	3A	2,787,977,884	2,823,323,806
Un-Secured Loans	3B	<u>105,500,000</u>	<u>-</u>
		<u>2,893,477,884</u>	<u>2,823,323,806</u>
Total :		<u>6,306,493,124</u>	<u>6,282,462,771</u>
ii. Application Of Funds :			
1) Fixed Assets			
a) Gross Block	4	6,812,384,720	6,233,574,327
b) Less : Depreciation		<u>757,877,466</u>	<u>347,212,103</u>
c) Net Block		<u>6,054,507,254</u>	<u>5,886,362,224</u>
2) Investments:	5	76,430,000	26,359,000
3) Current Assets, Loans & Advances	6		
a) Cash & Bank balances		172,619,003	350,725,678
b) Inventories		9,083,155	10,570,844
c) Loans & Advances		<u>80,432,383</u>	<u>40,675,600</u>
		<u>262,134,541</u>	<u>401,972,122</u>
4) Less: Current Liabilities	7a	53,224,893	39,091,646
Provisions	7b	<u>39,545,224</u>	<u>1,394,190</u>
		<u>92,770,117</u>	<u>40,485,836</u>
Net Current Assets		<u>169,364,424</u>	<u>361,486,286</u>
5) Miscellaneous Expenditure (to the extent not written off or adjusted) Preliminary Expenses		6,191,446	8,255,261
Total		<u>6,306,493,124</u>	<u>6,282,462,771</u>
Notes on Accounts	13		

As per our report of even date

For and on behalf of the Board

For **Brahmayya & Co**
Chartered Accountants

G V Krishna Reddy
Chairman

Somanadri Bhupal
Managing Director

Koteswara Rao SSR
Partner
Membership No.18952

A Ramakrishna
Director

V Vidya Rani
Company Secretary

Place : Hyderabad
Date : 23-07-2007

Profit and Loss Account as at 31st March, 2007

Description	Schedule	Current Year Rupees	Previous Year Rupees
Income			
Income from Toll Operations		1,157,377,038	984,852,084
Less: Share of NHAI in Toll Collections		19,674,815	-
		1,137,702,223	984,852,084
Other Income	8	26,569,789	9,678,239
		1,164,272,012	994,530,323
Expenditure			
Operating Expenses	9	106,369,066	104,409,372
Payments and Benefits to Employees	10	28,832,063	19,059,214
Administrative Expenses	11	38,532,374	50,813,978
Financial Expenses	12	259,686,905	315,157,811
Depreciation	4	411,022,406	345,981,631
		844,442,814	835,422,006
Net Profit for the Year		319,829,198	159,108,317
Withdrawn from Grant		117,222,222	117,222,222
Net Profit for the Year before Income Tax		437,051,420	276,330,539
Less: Provision for			
- Income Tax		88,000,000	31,000,000
- Fringe Benefit Tax		1,000,000	850,569
- Short provision of Fringe Benefit Tax of earlier year		624,738	-
Profit After Tax		347,426,682	244,479,970
Add: Profit brought forward from Previous Year		254,661,187	10,181,217
Balance available for appropriation		602,087,869	254,661,187
Appropriations:			
- General Reserve		35,000,000	-
- Interim Dividend		242,340,000	-
- Corporate Dividend Tax		33,988,185	-
Balance carried to Balance Sheet		290,759,684	254,661,187
Total		602,087,869	254,661,187
Notes on Accounts	13		

As per our report of even date

For and on behalf of the Board

For **Brahmayya & Co**
Chartered Accountants**G V Krishna Reddy**
Chairman**Somanadri Bhupal**
Managing Director**Koteswara Rao SSR**
Partner
Membership No.18952**A Ramakrishna**
Director**V Vidya Rani**
Company SecretaryPlace : Hyderabad
Date : 23-07-2007

Schedules annexed to and forming part of Balance Sheet as at 31st March, 2007

Schedule - 1

Share Capital

Description	As at 31-03-2007 Rupees	As at 31-03-2006 Rupees
Authorised Capital: 12,20,00,000 Equity Shares of Rs.10/- each	1,220,000,000	1,220,000,000
Issued, Subscribed and Paid-up: 12,11,70,000 Equity Shares of Rs.10/- each	1,211,700,000	1,211,700,000

Schedule - 2

Reserves & Surplus

Description	Balance as at 01-04-2006 Rupees	Additions Rupees	Deductions Rupees	Balance as at 31-03-2007 Rupees
1. General Reserve	-	35,000,000	-	35,000,000
2. Grant from National Highways Authority of India	1,992,777,778	-	117,222,222	1,875,555,556
3. Balance in Profit & Loss Account	254,661,187	290,759,684	254,661,187	290,759,684
Total	2,247,438,965	325,759,684	371,883,409	2,201,315,240

Schedule - 3A

Secured Loans

Description	As at 31-03-2007 Rupees	As at 31-03-2006 Rupees
<u>Senior Debt 'A'</u>		
IDFC	987,499,999	1,000,000,000
Canara Bank	444,357,435	450,000,000
Indian Overseas Bank	444,375,000	450,000,000
Punjab National Bank	197,493,279	200,000,000
State Bank of Bikaner & Jaipur	197,500,000	200,000,000
State Bank of Hyderabad	171,127,171	173,300,000
State Bank of Mysore	148,125,000	150,000,000
Union Bank of India	98,750,000	100,000,000
Jammu & Kashmir Bank	98,750,000	100,000,000
Interest Accrued and Due	-	23,806
Total	2,787,977,884	2,823,323,806

Above loans are secured by way of

- i) a first mortgage and charge against the Company's immovable properties present and future.
- ii) a first charge by way of hypothecation of all the movables, including movable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, present and future.
- iii) a first charge on all cash flows, books debts and receivables and any other revenues of whatsoever nature and wherever arising, present and future.
- iv) a first charge on all intangibles including but not limited to Goodwill, uncalled capital, present and future.
- v) a first charge by way of assignment or creation of security interest in:
 - (a) all rights, titles, interest, benefits, claims and demands whatsoever of the Company in the project documents, duly acknowledged and consented to by the relevant counter parties to such project documents, all as amended, varied or supplemented from time to time;

- (b) all the rights, title, interest, benefits, claims and demands whatsoever of the Company in the clearances;
- (c) all the rights, title, interest, benefits, claims and demands whatsoever of the Company in any letter of credit, guarantee, performance bond provided by any party to the project documents and
- (d) all Insurance contracts/Insurance proceeds;
- vi) a first charge on the Escrow Account and other reserves, and any other bank accounts of the Company wherever maintained.
- vii) Pledge of shares to the extent of 51% of the capital of the Company.
- The securities specified above shall rank pari passu amongst the participating senior lenders.

Schedule - 3B

Un-Secured Loans

Description	As at 31-03-2007 Rupees	As at 31-03-2006 Rupees
Standard Chartered Bank	50,000,000	-
IndusInd Bank Limited	55,500,000	-
Total	105,500,000	-

Schedule - 4

Fixed Assets

(Amount in Rupees)

Description	Gross Block			Depreciation				Net Block		
	As at 31-03-2006	Additions	Deletions	As at 31-03-2007	Upto 31-03-2006	For the year	on Deductions	Upto 31-03-2007	As at 31-03-2007	As at 31-03-2006
Road Office & Communication Equipment	6,205,129,528	576,961,298	2,458,926	6,779,631,900	343,535,111	408,323,230	180,002	751,678,339	6,027,953,561	5,861,594,417
EDP Equipment	7,868,128	328,936	-	8,197,064	674,230	389,304	-	1,063,534	7,133,530	7,193,898
Furniture & Fixtures	3,178,780	610,558	-	3,789,338	690,886	559,786	-	1,250,672	2,538,666	2,487,894
Vehicles	4,204,459	189,914	-	4,394,373	673,449	289,742	-	963,191	3,431,182	3,531,010
Total	6,233,574,327	582,298,800	3,488,407	6,812,384,720	347,212,103	411,022,406	357,043	757,877,466	6,054,507,254	5,886,362,224
Previous Year	5,652,297,372	582,186,575	909,620	6,233,574,327	1,477,060	345,981,631	246,588	347,212,103	5,886,362,224	5,650,820,312

Schedule - 5

Investments

Description	No.of Units	As at 31-03-2007 Rupees	No.of Units	As at 31-03-2006 Rupees
National Savings Certificates (Long term) (Pledged with Sales Tax authorities) (Non trade-Quoted)		34,000		34,000
Investment in Mutual Funds (Short-term) (Face Value Rs.10/-each unit)				
1) Prudential ICICI Floating Rate Plan A	-	-	999800	10,000,000
2) Prudential ICICI Long Term Floating Rate Plan A-Growth	4454881	50,600,000	585898	6,325,000
3) Tata Floater Fund - Growth	-	-	977326	10,000,000
4) Birla Cash Plus Retail Growth	1299311	25,796,000	-	-
(The Aggregate Market Value Rs.78021398; Previous Year Rs.26449441)				
Total		76,430,000		26,359,000

Description	As at 31-03-2007 Rupees	As at 31-03-2006 Rupees
Schedule - 6	Current Assets, Loans & Advances	
a) Cash and Bank Balances		
Cash in Hand	8,225,107	3,925,464
Cheques on Hand	-	43,280
Balance with Scheduled Banks:		
In current accounts	2,740,902	3,578,226
In fixed deposits	140,302,294	343,178,708
In margin money deposit	21,350,700	-
Total	172,619,003	350,725,678
b) Inventories (At Cost) (As valued and certified by the Management)		
Stores, Spares & Consumables	9,083,155	10,570,844
	<u>9,083,155</u>	<u>10,570,844</u>
c) Loans and Advances (Unsecured, considered good, recoverable in cash or in kind or for value to be received)		
Advances for Capital items and Expenses	5,629,196	27,136,555
Insurance Claims receivable	90,411	-
Inter Corporate Deposits	60,000,000	-
Deposits recoverable	10,305,048	9,782,299
Interest accrued	2,285,470	1,566,133
Prepaid Expenses	2,122,258	2,190,613
Total	80,432,383	40,675,600
Schedule - 7	Current Liabilities and Provisions	
Creditors for		
- Expenses	35,883,377	27,459,312
- Other finance	3,895,611	3,347,113
Due to Directors	4,823,846	-
Retention Money	2,630,254	2,602,133
Toll Collections Received in Advance	1,030,487	839,898
Deposits refundable	500,100	325,500
Interest accrued but not due	4,461,218	4,517,690
	53,224,893	39,091,646
Provisions:		
Income Tax and FBT (Net of payments)	39,545,224	1,394,190
Total	39,545,224	1,394,190

Schedules annexed to and forming part of Profit & Loss Account

Description	Current Year	Previous Year
Schedule - 8		Other Income
Interest earned (TDS Rs.21,20,235/-, Prv Yr. Rs.9,49,771/-)	8,662,150	5,674,375
Dividend Income - From Mutual Funds	17,262,082	3,564,293
Excess provisions / Credit balances written back	109,452	-
Miscellaneous Income	536,105	428,087
Profit on Sale of Assets	-	11,484
Total	26,569,789	9,678,239

Schedules annexed to and forming part of Profit & Loss Account

Description	Current Year	Previous Year
Schedule - 9		Operating Expenses
Manpower Services	27,601,114	24,529,299
Power & Fuel	13,658,363	14,706,619
Insurance	11,643,725	12,298,404
Repairs & Maintenance:		
- Roads	40,458,118	27,826,764
- Other Assets	4,608,061	4,460,102
Vehicle Hire charges	1,764,023	5,021,963
Reimbursement of Independent Consultant Fee to NHAI	6,635,662	15,566,221
Total	<u>106,369,066</u>	<u>104,409,372</u>
Schedule - 10		Payments and Benefits to Employees
Salaries Wages and Bonus	25,218,732	16,823,859
Contribution to Provident and other Funds	1,732,279	1,155,168
Staff Welfare Expenses	1,881,052	1,080,187
Total	<u>28,832,063</u>	<u>19,059,214</u>
Schedule - 11		Administrative Expenses
Rent	1,521,995	1,182,211
Bank Charges	1,924,154	1,098,227
Administrative Expenses	2,003,073	3,665,786
Rates & Taxes	201,500	1,291,069
Professional Fee	9,510,593	19,264,148
Communication Expenses	1,114,517	1,819,212
Travelling Expenses	4,441,550	4,448,218
Printing & Stationery	708,298	1,141,252
Directors Sitting Fees	280,000	345,000
Managerial Remuneration	10,144,181	154,252
Payments to Auditors:		
Statutory Audit	392,840	336,720
Certification fee	16,734	2,500
Donations	3,323,037	1,997,664
Prior Period Expenses	684,157	67,858
Inaguration Expenses	-	11,926,370
Preliminary Expenses written off	2,063,815	2,063,815
Loss on Sale of Investments	99,470	-
Loss on sale of assets	102,460	9,676
Total	<u>38,532,374</u>	<u>50,813,978</u>
Schedule - 12		Financial Expenses
On Term Loans	256,647,422	313,644,939
Others	3,039,483	1,512,872
Total	<u>259,686,905</u>	<u>315,157,811</u>

Notes on Accounts:

Schedule - 13

1. Accounting Policies:

The following are the significant accounting policies adopted in the preparation and presentation of financial statements:

- i) Financial Statements are based on historical cost convention and in accordance with generally accepted accounting practices.
- ii) Grant received from National Highways Authority of India is credited to Capital Reserve and shown under Shareholders Funds and is credited to the Profit and Loss Account proportionately over the Concession Period.
- iii) Fixed Assets are stated at cost less depreciation. Direct and Indirect Expenditure incurred on construction of the Highway Project is shown as Cost of Highway project.
- iv) Depreciation on assets is provided on:
 - a) Highway cost will be written off over the Concession Period.
 - b) All other Assets on straight line method in accordance with Schedule XIV of the Companies Act, 1956.
- v) Inventories:

Stores, Spares & Consumables are valued at weighted average cost.
- vi) Revenue is recognized as and when the traffic passes through toll - plazas.
- vii) Retirement Benefits:
 - Contributions to Provident Fund are remitted to the Provident Fund Commissioner and charged to revenue.
 - No provision is made for Gratuity as the company has not completed five years since inception.
 - Encashment of leave is provided based on the accumulated leaves of employees as on the date of balance sheet.
- viii) Preliminary expenses will be written off equally over a period of five years beginning from the year of commencement of commercial operations.
- ix) All contingent liabilities will be indicated by way of a note and will be paid / provided on crystallization.

2. Contingent liabilities not provided for

(Rupees in Lacs)

Description	As at 31-03-2007	As at 31-03-2006
a) Estimated amount of contract to be executed on capital account	3300.00	-
b) On account of Bank Guarantee	2100.00	-
c) On account of Corporate Guarantee given by others on behalf of the company.	900.00	900.00
d) On account of Foreign Letter of Credit	75.00	-

3. Deposits recoverable under loans and advances include Rs. 90.00 Lacs being the margin money deposit with Novopan Industries Limited against the Corporate Guarantee given by them.

4 Expenditure in Foreign Currency

(Rupees in Lacs)

Particulars	Current Year	Previous Year
i) Technical consultancy	12.78	0.96
ii) Import of stores, spares & consumables	18.20	85.93

5. Consumption of Imported and Indigenous Stores and Spares (Charged to appropriate accounts)

Particulars	Current Year		Previous Year	
	Value (Rs)	%	Value (Rs)	%
Imported	14,31,458	14.42	60,49,694	36.08
Indigenous	84,91,918	85.58	1,07,18,673	63.92
Total	99,23,376	100.00	1,67,68,367	100.00

6. Remuneration to Managing Director

a. Computation of Net Profits in accordance with Section 349 of the Companies Act, 1956

(Amount In Rupees)

Profit for the year as per Profit and Loss Account.		43,70,51,420
Add: Directors Sitting Fee	2,80,000	
Remuneration to Managing Director	1,01,44,181	1,04,24,181
Net Profit U/s 349 of the Companies Act		44,74,75,601
Commission @1% to the Managing Director		44,74,756
Restricted to in terms of the Central Government approval dt.15.03.2007		34,04,741

b. Details of Remuneration to Managing Director: (Amount in Rupees)

Particulars	Current Year	Previous Year
Salary	60,14,678	90,322
Contribution to Provident Fund	7,21,762	10,839
Commission	34,07,741	53,091
Total	1,01,44,181	1,54,252

Note: Remuneration to the Managing Director is subject to the approval of the Shareholders.

7. In the absence of information made available to the Company by its suppliers, details of dues to Small Scale Industries could not be furnished.

8. Related party transactions:

Disclosure of Particulars pursuant to 'Accounting Standard 18':

List of Related parties

- a. Key Management personnel
 - Mr. Somanadri Bhupal - Managing Director
- b. Relatives of Key Management personnel
 - Mr. G V Krishna Reddy
 - Mr. G V Sanjay Reddy
- c. Enterprises in which Key Management personnel and / or their relatives have significant influence:
 - M/s NOVOPAN Industries Limited
 - M/s GVK Technical & Consultancy Services Private Limited
 - M/s Orbit Travels & Tours Private Limited
 - M/s GVK Industries Limited
 - M/s Alaknanda Hydro Power Company Limited
 - M/S Taj GVK Hotels & Resorts Limited
 - M/s GVK Foundation
 - M/s Mumbai International Airport Private Limited

Transactions with related parties:

(Amount in Rupees)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises/Trust in which Key Management Personnel and/or their relative have significant influence
Transactions during the year			
Remuneration	1,01,44,181 (1,54,252)	-	-
Sitting Fees	Nil (20,000)	70,000 (40,000)	-
Capital Works	-	-	-
Service Charges	-	-	1,88,89,322 (77,60,829)
Sale of Assets	-	-	22,78,224 (Nil)
Management Fee	-	-	Nil (1,08,48,730)
Corporate Guarantee	-	-	13,50,000 (13,50,000)
Donations	-	-	31,91,083 (14,00,000)
Balances as at 31-03-2007	-	-	-
Remuneration payable	34,07,741 (1,43,143)	-	-
Payable	-	-	1,03,945 (2,40,404)
Advances	-	-	Nil (2,19,237)
Deposits receivable	-	-	90,00,000 (90,00,000)

Note: Figures in brackets indicate that of previous year.

9. The Company did not recognize Deferred Tax Asset for the year, since the company's Income from Operations is eligible for deduction U/s 80IA for any ten years out of a total of 15 years after commencement of Toll Operations and the possibility of availing such Deferred Tax Asset is limited.
10. Details of Units of Mutual Funds purchased and sold during the year are furnished in annexure to notes on accounts.
11. In the opinion of Board of Directors, the Current Assets, Loans and Advances are expected to realise approximately the value stated in the Accounts, in the ordinary course of business.
12. Previous years figures are regrouped wherever required.

As per our report of even date

For and on behalf of the Board

For **Brahmayya & Co**
Chartered Accountants**G V Krishna Reddy**
Chairman**Somanadri Bhupal**
Managing Director**Koteswara Rao SSR**
Partner
Membership No.18952**A Ramakrishna**
Director**V Vidya Rani**
Company SecretaryPlace : Hyderabad
Date : 23-07-2007

Alaknanda Hydro Power Company Limited

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Eleventh Annual Report and the Audited Accounts for the year ended 31st March, 2007 together with Auditors' Report thereon.

Review Of Operations

Your Directors are pleased to inform you that Axis Bank Limited has appraised our proposed 330MW Shrinagar Hydro Electric Power Project being implemented by your Company in the State of Uttarakhand. The cost of project is estimated at Rs.2069 crores and the same is proposed to be financed with a Debt of Rs.1655 crores and equity of Rs.414 crores. The Debt/Equity of the project works out to 80:20. Axis Bank has been given the mandate for syndicating the debt of Rs.1655 crores. Your Board is happy to inform you that the response from banks and financial institutions has been encouraging and we are confident of achieving Financial Closure by end of July 2007. The Construction of the Project will be completed in 48 months from the date of Financial Closure and the same would be operational by July, 2011.

Your Company has already appointed the Owner's Engineers, Detailed Engineering Consultants and also awarded contracts for Electro Mechanical Equipment and Major Civil Works.

Directors

Mr. G V Sanjay Reddy and Mr. Somanadri Bhupal, Directors will retire by rotation at this meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment in the best interest of the Company.

Directors' Responsibility Statement

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

- i) that in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards has been followed along with proper explanation relating to material departures;
- ii) that the directors had 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;
- iii) that the directors had 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;
- iv) that the directors had prepared the annual accounts for the financial year ended 31st March, 2007 on a going concern basis.

Auditors

The term of present Auditors viz., M/s. Brahmayya & Co., Chartered Accountants, Hyderabad would come to an end at the ensuing Annual General Meeting. It is proposed to reappoint M/s. Brahmayya & Co., as the Statutory Auditors of the Company. Accordingly, your Board recommends their re-appointment.

Public Deposits

During the year under review, your Company has neither invited nor received any deposits from the public.

Particulars Of Employees

Particulars of Employees under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given hereunder.

Name of the employee	Age years	Qualification	Designation & Nature of Duties of employee	Experience (Years)	Date of commencement of employment	Remuneration received (Rupees in Lakhs)	Previous Employment
P V Prasanna Reddy	52	BSc.	Director Projects & CEO	32	01.04.06	22.33	President, GVK Jaipur Expressway Private Limited
Y Rama Murty	47	FCA, CPA (USA)	Director Finance	20	01.04.06	22.33	Senior Vice President, GVK Industries Limited
V Rama Rao	79	BE	Director Technical	43	01.04.06	22.48	Director (Technical) GVK Industries Limited

Conservation of Energy and Technology Absorption

Additional information on Conservation of Energy, Technology Absorption in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is NIL as the Company is still in implementation stage.

Disclosures of particulars with respect to foreign exchange earnings and out-go

	Rupees in Lakhs	
	2006-07	2005-06
Foreign Exchange earnings	Nil	Nil
Foreign Exchange outgo	Nil	Nil

Acknowledgements

Your Directors take this opportunity to express their sincere gratitude to the Government of Uttar Pradesh, Government of Uttaranchal, UP Power Corporation Limited, various Banks and Financial Institutions for their timely support and cooperation to the Company. Your Directors also thank all the Shareholders for their continued support and expects to receive the same in the years to come.

For and on behalf of the Board

Place : Secunderabad
Date : 25.06.2007

G V Krishna Reddy
Chairman

Auditor's Report

To the Members of

Alaknanda Hydro Power Company Limited, Hyderabad, (A.P)
We have audited the attached Balance Sheet of Alaknanda Hydro Power Company Limited, Hyderabad, (A.P) (Formerly known as Duncan's North Hydro Power Company Limited), as at 31st March, 2007. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (iii) The Balance Sheet, along with annexures dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

- (vi) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, of the state of affairs of the company as at 31st March, 2007 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

For **Brahmayya & Co**
Chartered Accountants

Koteswara Rao SSR
Partner
Membership No: 18952

Place : Hyderabad
Date : 25.06.2007

Re: Alaknanda Hydro Power Company Limited, Hyderabad, (A.P)

- 1.1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- 1.2. According to the information and explanations furnished to us, the company has physically verified all its fixed assets during the year.
- 1.3. According to the information and explanations furnished to us, and based on the Companies activities, clauses (ii), (vi), (viii), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xviii), (xix) and (xx) of CARO,2003 are not applicable during the year under report.
- 2.1. The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties whose particulars are recorded in the register maintained under Section 301 of the Companies Act 1956. Accordingly the provisions of clauses 4(iii) (b), 4(iii) (c), 4(iii) (d),4(iii)f and 4(iii)g of the order are not applicable.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business. Further during the course of our audit, we have not come across any instances of major weaknesses in internal control that in our opinion, require correction but have so continued without correction.
- 4.1 Based on the information and explanations given to us, we are of the opinion that the particulars of transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been entered.
- 4.2 In our opinion, the transactions have been made at prices which are reasonable, having regard to the prevailing market prices.
6. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
7. According to the records of the company, there are no disputed or undisputed statutory dues pending as at the last date of financial year concerned or for a period of more than six months from the date they became payable.
8. According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the funds raised on short-term basis have been applied for the purpose for which they were taken.
9. According to the information and explanations given to us, and based on the audit procedures generally adopted by us, we report that, during the year, no fraud on or by the company has been noticed or reported that is either significant or could have caused a material misstatement in the financial statements.

For **Brahmayya & Co**
Chartered Accountants

Koteswara Rao SSR
Partner
Membership No: 18952

Place : Hyderabad
Date : 25.06.2007

Balance Sheet as at 31st March, 2007

Alaknanda Hydro Power Company Limited

(Formerly: Duncans North Hydro Power Company Limited)

Particulars	Schedule	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Sources of Funds :				
Share Holders' Funds				
Share Capital	1	31,000,000		31,000,000
Share application money		178,135,240		30,595,240
Reserves and Surplus	2	451,308	209,586,548	451,308
				62,046,548
Loan Funds:				
Unsecured Loans	3		110,672,448	3,317,042
Total			320,258,996	65,363,590
Application Of Funds:				
Fixed Assets				
Gross Block	4	30,532,174		1,040,022
Less: Depreciation		1,373,363		378,619
Net Block		29,158,811		661,403
Capital work-in-progress		77,784,717		5,928,760
Project Expenditure Pending Allocation	5	117,398,982	224,342,510	66,299,213
				72,889,376
Current Assets, Loans And Advances				
Cash & Bank Balances	6A	10,349,308		870,524
Loans and Advances	6B	92,714,079		7,297,831
		103,063,387		8,168,355
Less: Current Liabilities				
Current Liabilities	7	7,274,346		15,821,586
Net Current Assets			95,789,041	(7,653,231)
Miscellaneous Expenditure				
(to the extent not written off or adjusted)			127,445	127,445
Total			320,258,996	65,363,590

As per our attached report of even date

For **Brahmayya & Co.**

Chartered Accountants

Koteswara Rao SSR

Partner

Membership No. 18952

Place : Secunderabad

Dated : 25.06.2007

For Alaknanda Hydro Power Company Limited

Somanadri Bhupal

Vice Chairman

V Rama Rao

Director (Technical)

Schedules forming part of the Balance Sheet as at 31st March, 2007

Schedules	As at 31st March	
	2007 Rupees	2006 Rupees
Schedule 1: Share Capital		
Authorised		
40,00,000 Equity Shares of Rs.10 each	40,000,000	40,000,000
	40,000,000	40,000,000
Subscribed and Paid Up Capital		
31,00,000 Equity Shares of Rs.10 each	31,000,000	31,000,000
[Out of the above 30,99,000, shares are held by Bowstring Projects & Investments Private Limited holding company]		
Total	31,000,000	31,000,000
Schedule - 2		
Reserves and Surplus		
Capital Reserve		
Balance as per last Balance sheet	451,308	451,308
Total	451,308	451,308
Schedule - 3		
Unsecured Loans		
From Banks		
From IndusInd Bank	110,130,000	3,300,000
Interest accrued and due on above	542,448	17,042
Total	110,672,448	3,317,042

**Schedule - 4
Fixed Assets**

Description	GROSS BLOCK		DEPRECIATION			NET BLOCK	
	As at 1st April 2006 Rupees	Additions during the year Rupees	As at 31st March 2007 Rupees	As at 1st April 2006 Rupees	For the year 2007 Rupees	As at 31st March 2007 Rupees	As at 31st March 2006 Rupees
Freehold Land		24,786,918	24,786,918			24,786,918	-
Plant & Machinery		2,198,886	2,198,886		335,591	1,863,295	-
Data Processing Equipment	174,509	484,143	658,652	105,747	116,089	436,816	68,762
Furniture & Fixtures	724,053	553,311	1,277,364	237,445	340,332	699,587	486,608
Office Equipment	141,460	593,100	734,560	35,427	124,143	574,990	106,033
Vehicles		875,794	875,794		78,589	797,205	-
Total	1,040,022	29,492,152	30,532,174	378,619	994,744	29,158,811	661,403
Previous Year	1,040,022	-	1,040,022	208,105	170,514	661,403	831,917

Schedule - 5
Project Expenditure Pending Allocation

Particulars	Upto 31st March,2006		During the year		Upto 31st March, 2007	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Payments & Benefits to employees:						
- Salaries	7,560,513		1,054,415		8,614,928	
- Welfare expenses	250,494		332,760		583,254	
		7,811,007		1,387,175		9,198,182
Remuneration & perks to Directors		-		6,714,524		6,714,524
Repairs & Maintenance:						
- Repairs & Maintenance - Buildings	1,042,347		4,219,643		5,261,990	
- Repairs & Maintenance - Plant & Machinery	365,954		766,637		1,132,591	
- Repairs & Maintenance - Other assets	-		138,175		138,175	
		1,408,301		5,124,455		6,532,756
Stores and consumables		-		28,074		28,074
Power and fuel		260,090		1,130,352		1,390,442
Insurance		57,399		8,613		66,012
Rent		2,791,750		950,560		3,742,310
Rates and taxes		3,300,000		59,039		3,359,039
Vehicle running & maintenance		308,541		235,903		544,444
Travelling and Conveyance		8,478,147		7,365,326		15,843,473
Communication expenses		1,672,454		261,264		1,933,718
Advertisement & business promotion expenses		111,013		2,671,554		2,782,567
Legal & professional charges		21,360,391		18,068,997		39,429,388
Consultant's fees		60,961,776		-		60,961,776
Cost of services		20,135,797		-		20,135,797
Interest paid to others		37,038		2,584,420		2,621,458
Bank charges		1,441,574		107,043		1,548,617
TDS paid		182,626		-		182,626
Fringe Benefit Tax		75,000		500,000		575,000
Statutory Audit fees		84,271		101,016		185,287
Project survey expenses		-		167,328		167,328
Miscellaneous expenses		2,145,954		2,650,069		4,796,023
Depreciation		1,559,513		994,744		2,554,257
Donations		-		536,753		536,753
Total		134,182,642		51,647,209		185,829,851
Less						
Tender fee received		-		545,547		545,547
Credit balances written back		67,879,416		-		67,879,416
Interest earned on FDR		6,049		2,854		8,903
Less: Provision for Income Tax		(2,036)		(961)		(2,997)
		67,883,429		547,440		68,430,869
Total		66,299,213		51,099,769		117,398,982

Particulars	As at 31st March, 2007		As at 31st March, 2006	
	Rupees	Rupees	Rupees	Rupees
Current Assets, Loans And Advances				
Current Assets				
Schedule - 6A				
Cash And Bank Balances				
Cash in hand		1,469		13,407
Stamps in hand		954,420		-
Balance with Scheduled Banks				
- in Current Account	9,343,419		807,117	
- in Fixed Deposit Account	50,000		50,000	
		9,393,419		857,117
Total		10,349,308		870,524
Schedule - 6B				
Loans And Advances				
[Unsecured, considered good, recoverable in cash or in kind or for value to be received]				
Advances for:				
- expenses		281,557		5,000,000
- capital works		54,333,054		31,407
- others		35,704,000		-
Prepaid expenses		31,734		-
Advance tax & Tax Deducted at Source (Net of provision)		1,835,231		1,908,375
Deposits recoverable		519,600		352,000
Interest receivable		8,903		6,049
Total		92,714,079		7,297,831
Schedule - 7				
Current Liabilities				
Liabilities for:				
- expenses		3,763,911		2,503,309
- other finance		755,913		320,199
- cheques issued		2,754,522		2,798,078
The Tata Power Company Limited		-		10,200,000
Total		7,274,346		15,821,586

Notes forming part of the Accounts

Schedule - 8

Notes to Accounts

1. Significant Accounting Policies:

a. General

The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting practices.

b. Fixed Assets and Depreciation

- i) Fixed assets are stated at cost less depreciation. Cost comprises of cost of acquisition and other attributable costs for bringing the asset to the condition for its intended use.
- ii) Depreciation has been provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Preliminary expenses

Preliminary expenses will be amortized over a period of 5 years from the year of commercial operations.

d. Pre-Operative Expenses

Pre-operative expenses have been recognized on accrual basis and all expenses incurred during the project implementation period have been taken as "Project Expenditure Pending Allocation".

2. Contingent Liabilities not provided for:

- a. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 2443.79 lacs (Previous year Rs. 479.45 lacs).
- b. The Company has received claims from Synergics Hydro Asia, Maritius and others to the extent of Rs. 68 crores. The Company is in the process of reviewing these claims against the milestone events in this respect. The Company has so far reviewed the claims amounting to Rs.38.20 crores and is reconciling the same with the milestone events. The Company may be acknowledging any liability against these claims upto Rs.38.20 crores after completing the reconciling of the same with milestone events and also after obtaining necessary approvals from the appropriate authorities wherever required. As regards the balance amount of Rs.29.80 crores, Company is yet to review the same. Accordingly the said amount has been disclosed as contingent liability.

3. Managerial Remuneration:

(Rs.)

Particulars	Current year			
	Director (Technical)	Director (Finance)	Director (Projects)	Total
Remuneration	2,248,124 (NIL)	2,233,200 (NIL)	2,233,200 (NIL)	6,714,524 (NIL)
Total	2,248,124	2,233,200	2,233,200	6,714,524

4. Related party balances:

a. Related Parties:

- (i) Key Management personnel
 Mr. Somanadri Bhupal - Vice Chairman
 Mr. V Rama Rao - Director (Technical)
 Mr. Y Rama Murty - Director (Finance)
 Mr. P V Prasanna Reddy - Director (Projects)
- (ii) Enterprises in which Key Management Personnel and / or their relatives have significant influence:
 M/s GVK Industries Limited
 M/s GVK Jaipur Expressway Private Limited
 M/s GVK Technical & Consultancy Services Private Limited
 M/s Orbit Travel and Tours Private Limited
 M/s Taj GVK Hotels & Resorts Limited
 M/s Goriganga Hydro Power Private Limited
 M/s GVK Hydrel Private Limited
 M/s Vertex Infratech Private Limited
 M/s GVK Projects Limited

b. Transactions with related parties:

Particulars	Key Management personnel	Enterprises in which Key Management Personnel and / or their relatives have significant influence
	Rs.	Rs.
Transactions during the year		
Remuneration	6,714,524 (NIL)	-- --
Service charges	-- --	85,416,894 (1,000,543)
Balance as at 31.03.07		
Advances	-- --	65,789,370 (NIL)
Payable	-- --	1,857,525 (1,000,543)

Note: Figures in brackets indicate that of previous year.

5. An amount of Rs.19,47,000 shown under "Other Advances" represents TDS recoverable from Income Tax Department for which claim has already been filed.
6. In the absence of information made available to the Company by its suppliers, details of dues to Small Scale Industries could not be furnished.
7. Figures have been rounded off to the nearest rupee. Previous year's figures have been regrouped wherever necessary.

As per our attached report of even date

For **Brahmayya & Co.**

Chartered Accountants

Koteswara Rao SSR

Partner

Membership No. 18952

Place : Secunderabad

Dated : 25.06.2007

For **Alaknanda Hydro Power Company Limited**

Somanadri Bhupal

Vice Chairman

V Rama Rao

Director (Technical)

GVK Power (Goindwal Sahib) Limited

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Ninth Annual Report along with Audited Accounts for the year ended as on March 31, 2007 together with the Auditors' Report thereon.

Review of Operations

Your Company is in the process of setting up a 540 MW (2 x 270 MW) Coal Fired Power Plant at Taran Taran District in the State of Punjab. The Power Purchase Agreement (PPA) has been initiated by the Company with Punjab State Electricity Board (PSEB) for a period of 25 years and the same has been submitted to Punjab State Electricity Regulatory Commission (PSERC) for its approval. The estimated capital cost of the project is Rs.2988 crores.

Your Directors are happy to inform you that Dr. Manmohan Singh, Hon'ble Prime Minister of India has laid the foundation stone for the project on 21-12-2006. The Company has executed the coal supply agreement with GVK Coal (Tokisud) Company Private Limited for supply of 2 mmtpa of coal for captive consumption. The coal would be supplied by that Company from its mines located in the State of Jharkhand. In this regards, your Company is negotiating with Indian Railways for coal transportation. Further BTC Package is being awarded to BHEL and Environmental clearances are being obtained.

Directors

Mr. Somanadri Bhupal, Director of your Company retires by rotation at this meeting and being eligible, the Board recommends his re-appointment.

Directors' Responsibility Statement

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

- i) that in the preparation of the annual accounts for the
- i) that in the preparation of the annual accounts for the year ended March 31, 2007, the applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- ii) that the Directors had 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 for the year under review;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts for the year ended March 31, 2007 on a going concern basis;

Auditors

M/s Brahmayya & Co., Chartered Accountants, statutory auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, your Board recommends their re-appointment.

Public Deposits

During the year under review, your Company has neither invited nor received any deposits from the public.

Particulars of Employees

Particulars of employees under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are Nil.

Conservation of Energy and Technology Absorption

As the Company is only in the implementing stage of the project, additional information on conservation of Energy, Technology Absorption in accordance with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is NIL.

Disclosures of particulars with respect to Foreign Exchange Earnings and Outgo

(Rupees in lacs)

Particulars	2006-07	2005-06
Foreign Exchange Outgo	Nil	Nil
Foreign Exchange Earnings	Nil	Nil

Acknowledgements

Your Directors take this opportunity to express their sincere gratitude to the Government of India, Government of Punjab, Registrar of Companies and various other Central and State Government Offices, Bankers, the Shareholders and the employees of the Company for the confidence reposed by them in the Company and their continued support and co-operation.

For and on behalf of the Board
GVK Power (Goindwal Sahib) Limited

Place : Secunderabad
Date : 01.09.2007

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

Auditor's Report

To the Members of

GVK POWER (GOINDWAL SAHIB) LIMITED, HYDERABAD

1. We have audited the attached balance sheet of GVK POWER (GOINDWAL SAHIB) LIMITED, HYDERABAD, as at 31st March, 2007 and also the Statement of expenditure incurred during construction period for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion:
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 224 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - ii) The Balance Sheet and the Statement of Unallocated Capital Expenditure dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v) On the basis of written representations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information as required by the

Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007; and
- ii) Insofar as it relates to the Statement of Unallocated Capital Expenditure of the expenditure incurred during the year ended on that date.

For **Brahmayya & Co**
Chartered Accountants

Place : Hyderabad
Date : 01.09.2007

Koteswara Rao SSR
Partner
Membership No: 18952

Re: GVK Power (Goindwal Sahib) Limited

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) All the assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
c) During the year, the company has not disposed off any fixed assets.
- ii) The Company does not have inventory since it is in the stage of setting of the project and hence the provisions of the clause 4(ii) (b) and (c) are not applicable to the Company.
- iii) 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 Companies Act 1956 and hence the provisions of clauses 4(iii) (b), (c), (d), (e), (f) and (g) are not applicable to the Company.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
b) In our opinion and according to the information and explanations given to us, there were no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year.
- vi) The Company has not accepted deposits from the public.
- vii) The Company has no internal audit system.
- viii) The Company's commercial operations are yet to commence and hence the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 does not arise.
- ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues applicable to the Company.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax was in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.
c) According to the records of the Company and the information and explanations given to us, there were no dues in respect of Income Tax which have not been deposited on account of any dispute.
- x) As the Company not yet started commercial operations, clause 4(x) of the said Order in respect of cash losses is not applicable for the year under report.
- xi) The Company has not availed any loans from financial institutions, Banks and Debenture holders, hence the repayment of the loans does not arise.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is neither a chit fund nor a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the above referred Order are not applicable to the Company.
- xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the above referred Order are not applicable to the Company.
- xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) The Company has not raised any term loans during the year and hence the provisions of clause (xvi) of the Order are not applicable.
- xvii) The funds raised by the Company on short-term basis during the were not applied for long term investments.
- xviii) The company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year and the price at which shares have been issued is not prejudicial to the interest of the Company.
- xix) The Company has not issued any debentures.
- xx) During the year the Company has not raised money by public issues.
- xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For **Brahmayya & Co**
Chartered Accountants

Place: Hyderabad
Date : 01.09.2007

Koteswara Rao SSR
Partner
Membership No: 18952

Balance Sheet as at 31st March, 2007

	Sch.	As at 31st March, 2007		As at 31st March, 2006	
		Rupees	Rupees	Rupees	Rupees
Sources of Funds:					
Shareholders' Funds					
Share Capital	1		500,000		500,000
Share Application Money			169,824,500		153,205,000
Un-secured Loans	2		4,400,000		-
Total Funds Employed			174,724,500		153,705,000
Application Of Funds:					
Fixed Assets					
Gross Block	3	36,670,893		36,639,893	
Less : Depreciation		1,135,382		979,066	
Net Block		35,535,511		35,660,827	
Un-allocated Capital Expenditure	4	108,936,703		102,252,506	
			144,472,214		137,913,333
Investments	5		-		493,000
Current Assets, Loans & Advances					
Cash and Bank Balances	6	9,227,408		125,218	
Loans and Advances		21,422,445		15,681,257	
		30,649,853		15,806,475	
Less : Current Liabilities & Provisions	7	420,907		531,148	
Net Current Assets			30,228,946		15,275,327
Miscellaneous Expenditure (to the extent not written off or adjusted)					
Preliminary Expenses			23,340		23,340
Total Assets			174,724,500		153,705,000
Notes on Accounts	8				

As per our attached report of even date

For **Brahmayya & Co**
Chartered Accountants

For and on behalf of the Board

Koteswara Rao SSR
Partner
Membership No: 18952**G V Sanjay Reddy**
Director**Somanadri Bhupal**
DirectorPlace : Secunderabad
Dated : 01.09.2007

Schedules annexed to and forming part of Balance Sheet

Schedules	As at 31st March	
	2007 Rupees	2006 Rupees
Schedule-1 "Share Capital"		
Authorised: 5,00,000 Equity Shares of Rs. 10/- each	5,000,000	5,000,000
Issued, Subscribed and Paid-up Capital 50,000 Equity Shares of Rs.10/- each Fully Paid-up	500,000	500,000
Total :	500,000	500,000
Share Application Money Received	169,824,500	153,205,000
Schedule-2 " Un-secured Loans "		
Loans from Banks Loan from IndusInd Bank Limited	4,400,000	-
Total :	4,400,000	-

Schedule-3
Fixed Assets

(Rupees)

Description	GROSS BLOCK		DEPRECIATION			NET BLOCK	
	As at 31st March 2006 Rupees	Additions during the year Rupees	As at 31st March 2007 Rupees	Up to 31st March 2006 Rupees	For the year 2007 Rupees	Up to 31st March 2007 Rupees	As at 31st March 2006 Rupees
Land & Land Development	26,010,019	-	26,010,019	-	-	-	26,010,019
Roads	6,657,158	-	6,657,158	-	-	-	6,657,158
Borewells	1,568,270	-	1,568,270	144,420	25,563	169,983	1,423,850
Office Equipment	1,040,089	31,000	1,071,089	291,752	49,537	341,289	748,337
Furniture & Fixtures	1,063,417	-	1,063,417	455,576	67,314	522,890	607,841
Motor Cars / Scooters	146,340	-	146,340	87,318	13,902	101,220	59,022
Stock of Materials	36,485,293	31,000	36,516,293	979,066	156,316	1,135,382	35,506,227
	154,600	-	154,600	-	-	-	154,600
Total Rs.	36,639,893	31,000	36,670,893	979,066	156,316	1,135,382	35,660,827
Previous Year	36,644,893	5,000	36,639,893	822,883	156,183	979,066	35,822,010

	As at 31.03.2006 Rupees	Incurred during the year Rupees	As at 31.03.2007 Rupees
Schedule-4			
"Un-Allocated Capital Expenditure"			
Advertisement Charges	-	2,526,576	2,526,576
Travelling & Conveyance	550	1,134,453	1,135,003
Postage, Telegrams & Telephones	95	1,160	1,255
Printing & Stationery	9,587	220	9,807
Survey Charges	-	437,000	437,000
Licences & Fees Paid	-	350,000	350,000
Insurance-Vehicles	336	1,142	1,478
Auditor's Remuneration for Statutory Audit	11,224	12	11,236
Depreciation	156,183	133	156,316
General Charges	11,629	60,181	71,810
Interest	-	189,084	189,084
Bank Charges	4,433	48,710	53,143
Bank Guarantee Commission	-	637,207	637,207
Legal & Professional Charges	-	1,189,832	1,189,832
	194,037	6,575,710	6,769,747
Less: Deposits written off in earlier years recovered	5,490		-
Interest Earned on FDRs (TDS - Rs.23,118/-)		132,878	132,878
Less : Income Tax		47,328	85,550
	188,547	6,495,650	6,684,197
Balance brought forward from previous year	102,063,959	-	102,252,506
Total :	102,252,506	6,495,650	108,936,703
Schedule-5			
"Investments"			
Long Term Unquoted at Cost			
a) 24,650 Equity shares of Rs. 10/- each in GVK Cements Ltd.,	-		246,500
b) 24,650 Equity shares of Rs. 10/- each in GVK Power (Krishnapatnam) Pvt. Ltd.,	-		246,500
Total :	-		493,000

Schedules annexed to and forming part of Balance Sheet

	As at 31st March	
	2007 Rupees	2006 Rupees
Schedule-6		
"Current Assets, Loans and Advances"		
a) Cash and Bank Balances:		
Cash in hand	493,000	30,000
Balance with Scheduled Banks		
- in Current Accounts	4,834,408	95,218
- in Fixed Deposits towards Margin Money	3,900,000	-
Total :	9,227,408	125,218
b) Loans and Advances		
(Un-secured, considered good, recoverable in cash or in kind or for value to be received)		
Advances for : Capital Works	-	980,780
: Other Accounts	18,842,314	14,695,327
: Expenses	2,447,850	3,100
Interest Accrued but not due	109,760	-
Deposits recoverable	2,050	2,050
Prepaid Expenses	20,471	-
Total :	21,422,445	15,681,257
Schedule - 7		
"Current Liabilities"		
a) Current Liabilities :		
Creditors for : Expenses	353,934	485,699
: Other Finances	11,950	45,449
Provision for Income Tax (Net of TDS)	24,210	-
Interest Accrued and due	30,813	-
Total :	420,907	531,148

7. Notes on Accounts

1. The following are the significant accounting policies adopted by the Company in the preparation and presentation of financial statements.

- a. Financial statements are based on historical cost convention and in accordance with generally accepted accounting practices.
- b. Depreciation on the assets of the Company is provided on Straight Line method as per Schedule XIV to the Companies Act, 1956.
- c. Tangible Fixed assets are stated at cost net of depreciation provided.
- d. Preliminary expenses will be amortized equally over a period of five years commencing from the year of commercial operations.

2. Contingent Liabilities Not Provided For :

On account of Bank Guarantees Rs. 3,90,00,000/-

3. As no Commercial operations were carried out by the Company during the year, no Profit and Loss Account is prepared and the expenditure incurred is treated as unallocated capital expenditure and such expenditure will be allocated to Fixed Assets on the commencement of commercial operations. Other particulars to be given as required under part II, Schedule VI to the Companies Act, 1956 are not furnished as they are not applicable to the Company for the year under report.

4. Previous year's figures are re-grouped wherever necessary.

Per our report of even date

For **Brahmayya & Co**
Chartered Accountants

Koteswara Rao SSR
Partner
Membership No.18952

Place : Secunderabad
Dated : 01.09.2007

For and on behalf of the board

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

GUK Airport Holdings Private Limited

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Second Annual Report along with Audited Accounts for the year ended as on March 31, 2007 together with the Auditors' Report thereon.

Review of Operations

Your Company, as prime member of GVK Group and South African Consortium headed by Airport Company of South Africa Limited and Bidwest Services Limited, has invested in the equity of Mumbai International Airport Private Limited (MIAL). MIAL is a Special Purpose Vehicle (SPV) formed for the purpose of operations, development and modernization of the Chhatrapati Shivaji International Airport (CSIA), Mumbai. Your directors are happy to inform you that MIAL has made significant progress viz., financial closure achieved, master plan submitted to the AAI and arrival lounge of Terminal 1B renovated and opened to public. The operations at CSIA are being carried on by MIAL in accordance with concession agreement signed with Airport Authority of India (AAI).

Directors' Responsibility Statement

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

- i) that in the preparation of the annual accounts for the year ended March 31, 2007, the applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- ii) that the Directors had 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 for the year under review;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts for the year ended March 31, 2007 on a going concern basis.

Auditors

M/s V G Rao & Associates, Chartered Accountants, statutory auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, your Board recommends their re-appointment.

Public Deposits

During the year under review, your Company has neither invited nor received any deposits from the public.

Particulars of Employees

Particulars of employees under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are Nil.

Conservation of Energy and Technology Absorption

As the Company is only in the implementing stage of the project, additional information on conservation of Energy, Technology Absorption in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is NIL.

Disclosures of Particulars with respect to Foreign Exchange Earnings and Outgo

(Rupees in lacs)

Particulars	2006-07	2005-06
Foreign Exchange Outgo	Nil	Nil
Foreign Exchange Earnings	Nil	Nil

Acknowledgements

Your Directors take this opportunity to express their sincere gratitude to the Government of Andhra Pradesh, Registrar of Companies and Bankers for their timely support and co-operation to the Company. Your Directors also thank all the Shareholders for their continued support and expects to receive the same in the years to come.

By order of the Board
For **GVK Airport Holdings Private Limited**

Place : Secunderabad
Date : 03.09.2007

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

Auditor's Report

To

The Members of

GVK Airport Holdings Private Limited, Secunderabad

1. We have audited the attached Balance Sheet of GVK Airport Holdings Private Limited as at 31st March, 2007 and the profit and loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of the books;
 - iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section(3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of written representations received from the directors, as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2007; and
 - b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For **V G Rao and Associates**
Chartered Accountants

Place: Hyderabad
Date : 03.09.2007

N Neerja
Partner
Membership No: 205570

Annexure to the Auditor's Report (Referred to in paragraph (3) of our report of even date)

- iii) (a) The company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
(e) The company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventories, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system of the Company.
- v) (a) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposit from the public.
- vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii) The Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 for this company.
- ix) (a) According to the information and explanations given to us, the company is regular in depositing with appropriate authorities undisputed Income-tax and other material statutory dues applicable to it. Provident Fund, Employees' State Insurance, Customs duty, Sales tax, Service tax, Excise duty and Wealth Tax are not applicable to the company.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax were in arrears, as at 31st March, 2007 for a period of more than six months from the date it became payable.
(c) According to the information and explanation given to us, there are no dues of Income-tax and Customs duty which have not been deposited on account of any dispute.
- x) According to the information and explanations given to us, there are no accumulated losses in the company. Further, the company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution and bank.
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xv) In our opinion, the terms and conditions on which the company has given guarantees for the loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- xxi) According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.
The clauses (i), (ii), (iii)(b) to (d), (f) and (g), (v) (b), (xiii), (xiv), (xviii), (xix) and (xx) of paragraph 4 of the said order are not applicable to this company.

For **V G Rao and Associates**
Chartered Accountants

Place : Hyderabad
Date : 03.09.2007

N Neerja
Partner
Membership No.205570

Balance Sheet as at 31st March, 2007

	Schedule	As at 31st March, 2007		As at 31st March, 2006	
		Rupees	Rupees	Rupees	Rupees
Sources of Funds:					
Shareholders' Funds	1				
Share Capital			100,000		100,000
Share Application Money			4,262,000		112,000
Profit and Loss Account			-		936,621
Loan Funds					
Secured Loans	2		1,008,300,000		-
Un-secured Loans			17,500,000		134,138,801
Total			1,030,162,000		135,287,422
Application of Funds:					
Pre-operative Expenses			-		20,761,458
Investments	3		740,000,000		-
Current Assets, Loans & Advances	4				
a) Cash & Bank Balances		127,738,048		125,027,635	
b) Loans & Advances		37,403,291		1,168,488	
		165,141,339		126,196,123	
Less: Current Liabilities & Provisions	5	28,332,579		11,839,759	
Net Current Assets			136,808,760		114,356,364
Miscellaneous Expenditure (to the extent not written off or adjusted)	6				
Preliminary Expenses			127,200		169,600
Profit and Loss Account			153,226,040		-
Total			1,030,162,000		135,287,422
Notes on Accounts	7				

As per our report of even date

For **V G Rao & Associates**

Chartered Accountants

For and on behalf of the Board of Directors

N Neerja

Partner

Membership No: 205570

G V Sanjay Reddy

Director

Somanadri Bhupal

Director

Place : Secunderabad

Dated : 03.09.2007

Profit & Loss Account for the year ended on 31st March, 2007

Schedules	As at 31st March	
	2007 Rupees	2006 Rupees
Income:		
Interest on FDRs	9,930,115	1,506,561
Miscellaneous Income (Travelling Expenses Refunded)	48,552	-
Total	9,978,667	1,506,561
Expenditure		
Bank Charges	43,934	1,874
Bank Guarantee Commission	16,744,402	-
Interest on Loan - IDBI	-	-
Interest on IL & FS Loan	95,394,411	-
Interest on Loan - IndusInd Bank Limited	1,543,457	-
Interest on Loan - Bank of India	17,328	-
Courier Charges	232	-
Filing Fee	5,600	-
General Charges	3,764	-
Legal & Professional Charges	19,996,574	-
Stamping Charges	201,945	-
Service Tax	178,824	-
Arranger Fee	1,918,280	-
Up-front Fee	3,793,712	-
Printing & Stationery	55,771	-
Audit Fee - Statutory Audit	11,236	11,224
Pre-operative Expenses Written off	20,761,458	-
Preliminary Expenses Written off	42,400	42,400
Total	160,713,328	55,498
Profit / (Loss) Before Income Tax	(150,734,661)	1,451,063
Less : Provision for Income Tax	3,428,000	514,442
	(154,162,661)	936,621
Balance Brought Forward from Previous year	936,621	-
Carried over to Balance Sheet	(153,226,040)	936,621

As per our report of even date

For **V G Rao & Associates**

Chartered Accountants

N Neerja

Partner

Membership No: 205570

For and on behalf of the Board of Directors

G V Sanjay Reddy

Director

Somanadri Bhupal

Director

Place : Secunderabad

Dated : 03.09.2007

Schedules annexed to and forming part of Balance Sheet

Schedules	As at 31st March	
	2007 Rupees	2006 Rupees
Schedule-1 " Share Holders Funds "		
Authorised: 20,00,000 Equity Shares of Rs. 10/- each	20,000,000	20,000,000
	20,000,000	20,000,000
Issued, Subscribed and Paid-up Capital 10,000 Equity Shares of Rs.10/- each Fully Paid-up	100,000	100,000
Total :	100,000	100,000
Share Application Money		
Mr. G. V. Sanjay Reddy	-	56,000
Mr. Som Bhupal	-	56,000
GVK Airport Developers Pvt.Ltd	112,000	-
Bowstring Projects & Investments Pvt.Ltd	4,150,000	-
Total	4,262,000	112,000
Schedule-2 " Loan Funds "		
Secured Loans		
Loan from IL & FS Limited	1,008,300,000	-
Un-secured Loans		
Loan from Bank of India	17,500,000	-
Loan from IndusInd Bank Limited	-	121,638,801
Loan from Others	-	12,500,000
Total	1,025,800,000	134,138,801
Schedule-3 " Investments "		
Shares in Companies - Long Term - at Cost - Non-Trade		
Mumbai International Airport Private Limited		
(7,40,00,000 equity shares of Rs.10/- each) (Previous year Nil)	740,000,000	-
Total	740,000,000	-

Schedules annexed to and forming part of Balance Sheet

Schedules	As at 31st March, 2007		As at 31st March, 2006	
	Rupees	Rupees	Rupees	Rupees
Schedule-4				
" Current Assets, Loans & Advances "				
Current Assets				
a) Cash & Bank Balances				
Balance with Banks				
- in Current Accounts	24,922,368		27,635	
- in Fixed Deposit Receipts	102,815,680	127,738,048	125,000,000	125,027,635
b) Loans & Advances				
- Interest Accrued on FDRs	4,627,542		1,168,488	
- TDS Recovered from interest on FDRs	2,228,320			
- Other Advances	30,547,429	37,403,291	-	1,168,488
Total		165,141,339		126,196,123
Schedule-5				
"Current Liabilities & Provisions "				
Provision for Income Tax		3,428,000		176,369
TDS Recoveries		1,988,975		616,020
Outstanding Liabilities		25,060		11,047,370
Interest Accrued But not due		22,890,544		-
Total		28,332,579		11,839,759
Schedule-6				
"Miscellaneous Expenditure"				
Miscellaneous Expenditure (to the extent not written off or adjusted)				
Preliminary Expenses		127,200		169,600
Total :		127,200		169,600
Schedule-7				
"Notes on Accounts "				

1. Significant Accounting Policies :
Method of Accounting: The Company generally follows accrual basis of accounting.
2. The other particulars as required under part II, Schedule VI to the Companies Act, 1956 are not furnished as they are not applicable to the Company for the year under report.
3. Schedule 1 to 7 form part of the Balance Sheet.

As per our report of even date

For **V G Rao & Associates**
Chartered Accountants

N Neerja
Partner
Membership No: 205570

Place : Secunderabad
Dated : 03.09.2007

For and on behalf of the Board of Directors

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

Details of Profit & Loss Account

"Pre-operative Expenditure"	Current year
	Rupees
Bank Guarantee Commission	6,962,991
Interest on Loan - IDBI	699,045
Interest on Loan - IndusInd Bank Limited	539,756
Legal & Professional Charges	11,891,550
Travelling Expenses	668,116
Total	20,761,458

GUK Airport Developers Private Limited

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Second Annual Report along with Audited Accounts for the year ended as on March 31, 2007 together with the Auditors' Report thereon.

Review of Operations

Your Company, as one of the investors in the GVK Group and South African Consortium headed by Airport Company of South Africa Limited and Bidwest Services Limited, has invested in the equity of Mumbai International Airport Private Limited (MIAL). MIAL is a Special Purpose Vehicle (SPV) formed for the purpose of operations, development and modernization of the Chhatrapati Shivaji International Airport (CSIA), Mumbai. Your directors are happy to inform you that MIAL has made significant progress viz., financial closure achieved, master plan submitted to the AAI and arrival lounge of Terminal 1B renovated and opened to public. The operations at CSIA are being carried on by MIAL in accordance with concession agreement signed with Airport Authority of India (AAI).

Further, as part of restructuring in the GVK Group, there will be a change in the holding company once the above restructuring is completed.

Directors' Responsibility Statement:

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

- i) that in the preparation of the annual accounts for the year ended March 31, 2007, the applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- ii) that the Directors had 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 for the year under review;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts for the year ended March 31, 2007 on a going concern basis.

Auditors

M/s Saranga Pani & Co., Chartered Accountants, statutory auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, your Board recommends their re-appointment.

Public Deposits

During the year under review, your Company has neither invited nor received any deposits from the public.

Particulars of Employees

Particulars of employees under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are NIL.

Conservation of Energy and Technology Absorption

As the Company is only in the implementing stage of the project, additional information on conservation of Energy, Technology Absorption in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is NIL.

Disclosures of Particulars with respect to Foreign Exchange Earnings and Outgo

(Rupees in lacs)

Particulars	2006-07	2005-06
Foreign Exchange Outgo	Nil	Nil
Foreign Exchange Earnings	Nil	Nil

Acknowledgements

Your Directors take this opportunity to express their sincere gratitude to the Government of Andhra Pradesh, Registrar of Companies, Andhra Pradesh, and the Bankers for their timely support and co-operation to the Company. Your Directors also thank all the Shareholders for their continued support and expects to receive the same in the years to come.

By order of the Board
For **GVK Airport Developers Private Limited**

Place : Secunderabad
Date : 01.09.2007

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

Auditor's Report

To

The Members of GVK Airport Developers Private Limited.

We have audited the attached Balance Sheet of GVK Airport Developers Private Limited as at 31st March, 2007. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on the financial statements based on our audit.

We have 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 misstatements. 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 and report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
3. The Balance Sheet dealt with by this report is in agreement with the Books of Account and comply with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
4. On the basis of the written representations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that, none of the Directors are disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007 and
6. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report) order, (Amendment) 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks, as we considered appropriate and considering the transactions of the Company during the year under audit, we report that the matters specified in paragraphs 4 and 5 of the said order are not applicable to the Company.

For **Saranga Pani & Co**
Chartered Accountants

Place: Secunderabad
Date : 01.09.2007

C Saranga Pani
Proprietor
Membership No. 73178

Balance Sheet as at 31st March, 2007

	Sch.	As at 31st March, 2007		As at 31st March, 2006	
		Rupees	Rupees	Rupees	Rupees
Sources of Funds:					
Shareholders' Funds	1				
Share Capital			100,000		100,000
Share Application Money			325,622		209,500
Total			425,622		309,500
Application Of Funds:					
Investments					
	2		99,000		99,000
Current Assets, Loans & Advances	3	112,000		-	
		112,000		-	
Less: Current Liabilities & Provisions	4	15,515		5,612	
Net Current Assets			96,485		(5,612)
Miscellaneous Expenditure (to the extent not written off or adjusted)					
Preliminary Expenses	5		210,500		210,500
Profit and Loss Account			19,637		5,612
Total			425,622		309,500
Notes on Accounts	6				

As per our report of even date

For **Saranga Pani & Co**
Chartered Accountants

For and on behalf of the Board of Directors

C. Saranga Pani
Proprietor
Membership No: 73178**G. V. Sanjay Reddy**
Director**Somanadri Bhupal**
DirectorPlace : Secunderabad
Dated : 01.09.2007

Profit & Loss Account for the year ended on 31st March, 2007

Schedule	As at 31st March	
	2007 Rupees	2006 Rupees
Income:		
Total	-	-
Expenditure		
Auditors Remuneration	7,303	5,612
Filing Fee	5,600	-
Professional Charges	1,122	-
Total	14,025	5,612
Loss for the year carried over to Balance Sheet	(14,025)	(5,612)
Add : Balance brought forward from previous year	(5,612)	-
Balance carried over to Balance Sheet	(19,637)	(5,612)
Notes on Accounts	6	

As per our report of even date

For **Saranga Pani & Co**
Chartered Accountants

C Saranga Pani
Partner
Membership No: 73178

Place : Secunderabad
Dated : 01.09.2007

For and on behalf of the Board of Directors

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

Schedules annexed to and forming part of Balance Sheet

Schedules	As at 31st March	
	2007 Rupees	2006 Rupees
Schedule-1 " Share Capital "		
Authorised:		
20,00,000 Equity Shares of Rs. 10/- each	20,000,000	20,000,000
Total	20,000,000	20,000,000
Issued, Subscribed and Paid-up Capital		
10,000 Equity Shares of Rs.10/- each Fully Paid-up	100,000	100,000
Share Application Money (Pending Allotment of Shares)	325,622	209,500
Total	325,622	209,500
Schedule-2 " Investments "		
Shares in Companies - Long Term - at Cost - Non-Trade		
GVK Airport Holdings Private Limited (9,900 Equity Shares of Rs.10/- each) (Previous year 9,900 equity shares of Rs.10/- each)	99,000	99,000
Total	99,000	99,000
Schedule-3 " Current Assets "		
Loans & Advances		
Share Application Money Paid (Pending Allotment of Shares) GVK Airport Holdings Private Limited	112,000	-
Total	112,000	-
Schedule-4 " Current Liabilities "		
Creditors for expenses		
Outstanding Liabilities	15,515	5,612
Total	15,515	5,612
Schedule-5 " Miscellaneous Expenditure "		
Miscellaneous Expenditure (to the extent not written off or adjusted)		
Preliminary Expenses	210,500	210,500
Total	210,500	210,500

Notes forming part of the Balance Sheet as at 31st March, 2007

Schedule-6

Notes on Accounts and significant Accounting Policies.

Accounting Policies

1. Basis of Preparation of Accounts

The Accounts have been prepared to comply in all material aspects with applicable Accounting principles, mandatory accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 (as amended up to date).

The Financial statements have been prepared under the historical cost convention on an accrual basis.

2. Recognition of Income & Expenditure

Income and Expenses are accounted for on accrual basis and provision is made for all known expenses.

3. Previous years figures are regrouped wherever is necessary.

4. Auditors Remuneration - Statutory Audit : Rs.7,303/-

5. Other particulars as required under Part II, Schedule VI to the Companies Act, 1956 are not applicable to the Company for the year under audit.

6. Schedules 1 to 6 form an integral part of the Balance Sheet.

As per our report of even date

For **Saranga Pani & Co**
Chartered Accountants

C S Pani

Proprietor

Membership No. 73178

Place : Secunderabad

Dated : 01.09.2007

For and on behalf of the board

G V Sanjay Reddy

Director

Somanadri Bhupal

Director

GVK Coal (Tokisud) Company Private Limited

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Second Annual Report along with Audited Accounts for the year ended as on March 31, 2007 together with the Auditors' Report thereon.

Review of Operations

Your Directors are pleased to inform you that during the year under review, the Ministry of Coal has reserved a Mine Block that has an estimated 55 Million Tones of Coal to your Company and has approved the mine plan submitted by your Company. As informed during the last annual report, the coal generated out of these mines would be supplied to GVK Power (Goindwal Sahib) Limited for its captive consumption and to that extent an agreement has been entered with that Company. Estimated cost of the mining is around Rs.180 Crores. Other advantage of the project is that till GVK Power (Goindwal Sahib) Limited becomes operational, the coal can be sold to Punjab State Electricity Board (PSEB) for its other power plant requirements. Currently, the land acquisition for compensatory afforestation is under way, draft environmental impact assessment is being made and a public hearing is likely to be held during mid November, 2007.

Directors' Responsibility Statement

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

- i) that in the preparation of the annual accounts for the year ended March 31, 2007, the applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- ii) that the Directors had 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 for the year under review;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts for the year ended March 31, 2007 on a going concern basis.

Auditors

M/s. Saranga Pani & Co. Chartered Accountants, statutory auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, your Board recommends their re-appointment.

Public Deposits

During the year under review, your Company has neither invited nor received any deposits from the public.

Particulars of Employees

Particulars of employees under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are NIL.

Conservation of Energy and Technology Absorption

Since, the Company has not yet commenced its operations, additional information on conservation of Energy, Technology Absorption in accordance with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is NIL.

Disclosures of particulars with respect to Foreign Exchange Earnings and Outgo

(Rupees in lacs)		
Particulars	2006-07	2005-06
Foreign Exchange Outgo	Nil	Nil
Foreign Exchange Earnings	Nil	Nil

Acknowledgements

Your Directors take this opportunity to express their sincere gratitude to the Ministry of Coal, Government of the Jharkhand, Punjab and Andhra Pradesh, Registrar of Companies and the Bankers for their timely support and co-operation to the Company. Your Directors also thank all the Shareholders for their continued support and expects to receive the same in the years to come.

By order of the Board
For **GVK Coal (Tokisud) Company Private Limited**

Place : Secunderabad
Date : 01.09.2007

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

Auditor's Report

To the Members of GVK Coal (Tokisud) Company Private Limited.

We have audited the attached Balance Sheet of GVK Coal (Tokisud) Company Private Limited as at 31st March, 2007. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on the financial statements based on our audit.

We have 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 misstatements. 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 and report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of Account as required by law have been kept by the Company so far as appears from our examination of such books.
3. The Balance Sheet dealt with by this report is in agreement with the Books of Account and comply with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
4. On the basis of the written representations received from the Directors as on 31st March, 2007 and taken on record

by the Board of Directors, we report that, none of the Directors are disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007 and
6. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report) order, (Amendment) 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks, as we considered appropriate and considering the transactions of the Company during the year under audit, we report that the matters specified in paragraphs 4 and 5 of the said order are not applicable to the Company.

For **Saranga Pani & Co**
Chartered Accountants

Place: Secunderabad
Date : 01.09.2007

C Saranga Pani
Proprietor
Membership No: 73178

Balance Sheet as at 31st March, 2007

	Sch.	As at 31st March, 2007		As at 31st March, 2006	
		Rupees	Rupees	Rupees	Rupees
Sources of Funds:					
Shareholders' Funds					
Share Capital	1		100,000		100,000
Share Application Money			17,086,414		14,689,927
Total			17,186,414		14,789,927
Application of Funds:					
Fixed Assets					
Gross Block	2	71,376		-	
Less: Depreciation Block		561		-	
Net Block			70,815		-
Current Assets, Loans & Advances					
Cash & Bank Balances	3	60,022		92,200	
Loans & Advances		5,033,967		3,615,360	
		5,093,989		3,707,560	
Less: Current Liabilities & Provisions	4	31,436		11,224	
Net Current Assets			5,062,553		3,696,336
Miscellaneous Expenditure (to the extent not written off or adjusted)					
Preliminary Expenses	5		7,800		7,800
Pre-operative Expenses	6		12,045,247		11,085,791
Total			17,186,414		14,789,927
Notes on Accounts	7				

As per our report of even date

For **Saranga Pani & Co**
Chartered Accountants

For and on behalf of the Board of Directors

C Saranga Pani
Proprietor
Membership No: 73178

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

Place : Secunderabad
Dated : 01.09.2007

Schedules annexed to and forming part of Balance Sheet

Schedules	As at 31st March	
	2007 Rupees	2006 Rupees
Schedule-1 " Share Capital " Authorised: 10,000 Equity Shares of Rs. 10/- each	100,000	100,000
Issued, Subscribed and Paid-up Capital 10,000 Equity Shares of Rs.10/- each Fully Paid-up	100,000	100,000
Total :	100,000	100,000
Share Application Money (Pending Allotment of Shares)	17,086,414	14,689,927
Schedule-2 (Refer Page No. 155)		
Schedule-3 "Current Assets, Loans And Advances"		
Cash & Bank Balances		
Cash on hand	17,200	92,200
Balance with Scheduled Banks in Current Accounts	42,822	-
Total :	60,022	92,200
Loans & Advances		
Advances - Consultants	3,895,960	3,615,360
Advances For Expenses	138,359	-
Advances - Others	364,000	-
Advances for Capital Expenditure	635,648	-
Total :	5,033,967	3,615,360
Grand Total :	5,093,989	3,707,560
Schedule-4 "Current Liabilities & Provisions"		
Current Liabilities		
Creditors for Expenses	22,460	11,224
Fringe Benefit Tax Payable	8,976	-
Total :	31,436	11,224
Schedule-5 " Miscellaneous Expenditure "		
Miscellaneous Expenditure (to the extent not written off or adjusted)		
Preliminary Expenses	7,800	7,800
Total :	7,800	7,800

**Schedule-2
Fixed Assets**

Description	GROSS BLOCK		DEPRECIATION			NET BLOCK		
	As at 31st March 2006 Rupees	Additions during the year Rupees	As at 31st March 2007 Rupees	Up to 31st March 2006 Rupees	For the year 2007 Rupees	Up to 31st March 2007 Rupees	As at 31st March 2006 Rupees	As at 31st March 2007 Rupees
Electrical Equipment	-	30,680	30,680	-	221	221	-	30,459
Furniture & Fixtures	-	40,696	40,696	-	340	340	-	40,356
Total Rs.	-	71,376	71,376	-	561	561	-	70,815
Previous Year	-	-	-	-	-	-	-	-

Schedules annexed to and forming part of Balance Sheet

Schedules	As at 31st March	
	2007 Rupees	2006 Rupees
Schedule-6		
"Pre-Operative Expenses"		
Audit Fee - Statutory Audit	11,236	11,224
Advertisement Charges	6,500	-
Bank Charges	1,496	27,096
Communication Cost	41,564	-
Conveyance Expenses	23,147	-
Depreciation	561	-
Filing Fee	5,100	-
General Charges	62,099	-
Legal & Professional Charges	6,061	-
Mining Licencence Fee	500,000	11,047,471
Office Maintenance	3,577	-
Printing & Stationery	14,723	-
Rent	30,900	-
Repairs & Maintenance - Vehicles	38,300	-
Salaries & Wages	11,800	-
Staff Welfare Expenses	29,931	-
Travelling Expenses	53,779	-
Guest House Maintenance Expenses	109,707	-
Fringe Benefit Tax	8,976	-
	959,455	11,085,791
Balance brought forward from Previous year	11,085,791	-
Total :	12,045,247	11,085,791

Notes forming part of the Balance Sheet as at 31st March, 2007

Schedule-7

Notes on Accounts and significant Accounting Policies.

Accounting Policies

1. Basis of Preparation of Accounts

The Accounts have been prepared to comply in all material aspects with applicable Accounting principles, mandatory accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 (as amended up to date).

The Financial statements have been prepared under the historical cost convention on an accrual basis.

2. Recognition of Income & Expenditure

Income and Expenses are accounted for on accrual basis and provision is made for all known expenses.

3. Previous years figures are regrouped wherever is necessary.

4. Auditors Remuneration - Statutory Audit : Rs.11,236/-

5. Other particulars as required under Part II, Schedule VI to the Companies Act, 1956 are not applicable to the Company for the year under audit.

6. Schedules 1 to 7 form an integral part of the Balance Sheet.

As per our report of even date

For **Saranga Pani & Co**
Chartered Accountants

C S Pani
Proprietor
Membership No. 73178

Place : Secunderabad
Dated : 01.09.2007

For and on behalf of the board

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

Goriganga Hydro Power Private Limited

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the First Annual Report along with Audited Accounts for the year ended as on March 31, 2007 together with the Auditors' Report thereon.

Review of Operations

Your Company is in the process of setting up a 370 MW run-of-the-river Power Project on the River of Goriganga which was won through a competitive bidding process. Salient features of the project is that 12% of the power generated is to be supplied to Uttaranchal Power Corporation Limited (UPCL) for free of cost and the remaining can be sold to any third party at our discretion at the wheeling charges to be finalized by the Central Electricity Regulatory Commission (CERC). This project is being set up as a Merchant Plant with no long term PPA. The estimated capital cost of the project is Rs.1,930 crores and is expected to be completed by 2012.

Directors' Responsibility Statement

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

- i) that in the preparation of the annual accounts for the year ended March 31, 2007, the applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- ii) that the Directors had 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 for the year under review;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts for the year ended March 31, 2007 on a going concern basis.

Auditors

M/s Saranga Pani & Co., Chartered Accountants, statutory auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, your Board recommends their re-appointment.

Public Deposits

During the year under review, your Company has neither invited nor received any deposit from the public.

Particulars Of Employees

Particulars of employees under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are Nil.

Conservation of Energy and Technology Absorption

Since, the Company has not yet commenced its operations, additional information on conservation of Energy, Technology Absorption in accordance with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is NIL.

Disclosures of particulars with respect to Foreign Exchange Earnings and Outgo

(Rupees in lacs)

Particulars	2006-07
Foreign Exchange Outgo	Nil
Foreign Exchange Earnings	Nil

Acknowledgements

Your Directors take this opportunity to express their sincere gratitude to the Government of Uttar Pradesh, Registrar of Companies, Bankers for their timely support and co-operation to the Company. Your Directors also thank all the Shareholders for their continued support and expects to receive same in the years to come.

By order of the Board

For **Goriganga Hydro Power Private Limited**

Place : Secunderabad

Date : 31.08.2007

G V Sanjay Reddy

Director

Somanadri Bhupal

Director

Auditor's Report

To the Members of Goriganga Hydro Power Private Limited.

We have audited the attached Balance Sheet of Goriganga Hydro Power Private Limited as at 31st March, 2007. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on the financial statements based on our audit.

We have 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 misstatements. 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 and report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of Account as required by law have been kept by the Company so far as appears from our examination of such books.
3. The Balance Sheet dealt with by this report is in agreement with the Books of Account and comply with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
4. On the basis of the written representations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that, none of the Directors are disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007 and
6. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report) order, (Amendment) 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks, as we considered appropriate and considering the transactions of the Company during the year under audit, we report that the matters specified in paragraphs 4 and 5 of the said order are not applicable to the Company.

For **Saranga Pani & Co**
Chartered Accountants

Place: Secunderabad
Date : 31.08.2007

C Saranga Pani
Proprietor
Membership No. 73178

Balance Sheet as at 31st March, 2007

	Schedule	As at 31st March, 2007	
		Rupees	Rupees
Sources of Funds:			
Shareholders' Funds			
Share Capital	1		100,000
Share Application Money (Pending Allotment of Shares)			119,355,525
Total Funds Employed			119,455,525
Application of Funds:			
Fixed Assets			
Capital Work-in-Progress			2,047,976
Advances to Contractors / Suppliers			308,099
Pre-Operative Expenditure	2		116,077,481
Current Assets, Loans & Advances			
Cash & Bank Balances	3	1,028,405	
Less: Current Liabilities & Provisions	4	11,236	
Net Current Assets			1,017,169
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	5		
Preliminary Expenses			4,800
Total Assets			119,455,525
Notes to Accounts	6		

As per our report of even date

For **Saranga Pani & Co**
Chartered Accountants

C Saranga Pani
Proprietor
Membership No: 73178

Place : Secunderabad
Dated : 31.08.2007

For and on behalf of the Board of Directors

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

Schedules annexed to and forming part of Balance Sheet

Schedules	As at 31st March
	2007 Rupees
Schedule-1	
" Share Capital "	
Authorised:	
10,000 Equity Shares of Rs. 10/- each	100,000
Issued, Subscribed and Paid-up Capital	
10,000 Equity Shares of Rs.10/- each Fully Paid-up	100,000
Total :	100,000
Schedule-2	
" Capital Work-in-Progress "	
Pre-Operative Expenditure	
Audit Fee - Statutory Audit	11,236
Project Premium Paid to Govt.of Uttaranchal	112,750,000
Project Survey Expenses	1,754,160
Tender Fee	1,000,000
Bank Guarantee Commission	334,828
Bank Charges	2,914
Books & Periodicals	636
Conveyance	10,957
Vehicle Expenses	30,585
Fringe Benefit Tax	8,000
Legal & Professional Charges	561
Internet Charges	1,175
Miscellaneous Expenses	22,490
Office Maintenance	4,329
Postage, Courier & Stamps	227
Printing & Stationery	3,719
Small Assets Written off	2,450
Rent	25,000
Salaries	27,000
Staff Welfare	3,702
Telephone Charges	10,884
Travelling Expenses	72,628
Total :	116,077,481

Schedules annexed to and forming part of Balance Sheet

Schedules	As at 31st March
	2007 Rupees
Schedule-3 "Current Assets, Loans and Advances"	
Cash & Bank Balances	
Cash on hand	90,947
Balance With Scheduled Banks in Current Accounts	937,458
Total :	1,028,405
Schedule-4 " Current Liabilities & Provisions "	
Creditors for Expenses	11,236
Total :	11,236
Schedule-5 " Miscellaneous Expenditure "	
(to the extent not written off or adjusted)	
Preliminary Expenses	4,800
Total :	4,800

Notes forming part of the Balance Sheet as at 31st March, 2007

Schedule: 6

Notes on Accounts and significant Accounting Policies.

Accounting Policies

1. Basis of Preparation of Accounts

The Accounts have been prepared to comply in all material aspects with applicable Accounting principles, mandatory accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 (as amended up to date).

The Financial statements have been prepared under the historical cost convention on an accrual basis.

2. Recognition of Income & Expenditure

Income and Expenses are accounted for on accrual basis and provision is made for all known expenses.

3. Previous years figures are regrouped wherever is necessary.

4. Auditors Remuneration - Statutory Audit : Rs.11,236/-

5. Other particulars as required under Part II, Schedule VI to the Companies Act, 1956 are not applicable to the Company for the year under audit.

6. Schedules 1 to 6 form an integral part of the Balance Sheet.

As per our report of even date

For **Saranga Pani & Co**
Chartered Accountants

C S Pani
Proprietor
Membership No. 73178

Place : Secunderabad
Dated : 31.08.2007

For and on behalf of the board

G V Sanjay Reddy
Director

Somanadri Bhupal
Director

Balance Sheet Abstract & Company's General Business Profile

1. Registration Details

Registration No.

1 3 5 1 4 2

State Code

5 5

Balance Sheet Date

3 1

Date

0 3

Month

2 0 0 7

Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

8 0 5 4 9 2 3

Total Assets

8 0 5 4 9 2 3

Sources of Funds

Paid-up Capital

2 3 6 4 4 4

Reserves & Surplus

3 2 7 3 5 1 5

Secured Loans

N I L

Unsecured Loans

3 5 0 4 4 0 2

Deferred Tax liability

N I L

Application of Funds

Net Fixed Assets

1 1 0

Investments

7 0 5 3 2 6 6

Net Current Assets

6 6 2 2 1 2

Misc. Expenditure

N I L

Deferred Tax Assets

2 0 2 3

IV. Performance of the company (Amount in Rs. Thousands)

Turnover

4 2 9 1 6 2

Total Expenditure

2 6 0 4 2 6

Profit before tax

1 6 8 7 3 6

Profit after tax

1 4 8 4 5 4

Earnings per Share Rs.

1 . 5 8

Dividend Rate %.

2 5

V. Generic Names of three Principle Products/Services of Company (As per Monetary Terms)

Product

O & M P O W E R P L A N T S

Description

N I L

Item Code No.

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GVK POWER & INFRASTRUCTURE LIMITED

Registered Office: 503 - 504, Pragati Towers, 26, Rajendra Place, New Delhi - 110 008

ATTENDANCE SLIP

I/we hereby record my/our presence at the 13th Annual General Meeting held on Thursday, the 6th December, 2007 at 11.30 a.m. at Air Force Auditorium, Subroto Park, New Delhi - 110 010.

Name of the Shareholder/Proxy* _____ No. of Shares Held: _____

FOLIO NO.	CLIENT ID:	DP ID:
-----------	------------	--------

SIGNATURE OF THE SHAREHOLDER/PROXY*	
-------------------------------------	--

*Strike out whichever is not applicable

- Notes:
1. Shareholder/Proxy intending to attend the meeting must bring the duly signed Attendance Slip to the Meeting and handover at the entrance.
 2. Shareholder/Proxy should bring his/her copy of the Annual Report.
 3. **No gifts / gift coupons will be distributed at the Annual General Meeting.**



GVK POWER & INFRASTRUCTURE LIMITED

Registered Office: 503 - 504, Pragati Towers, 26, Rajendra Place, New Delhi - 110 008

PROXY

I/We _____ of _____
 in the District of _____ being a Member(s) of the above named Company, hereby
 appoint _____ of _____ in the district
 of _____ or failing him/her _____ of _____ in the district of
 _____ as my/our Proxy to attend and vote for me/us and on my/ our behalf at the 13th
 Annual General Meeting of the Company to be held on Thursday, the 6th December, 2007 at 11.30 a.m. and at
 any adjournment thereof.

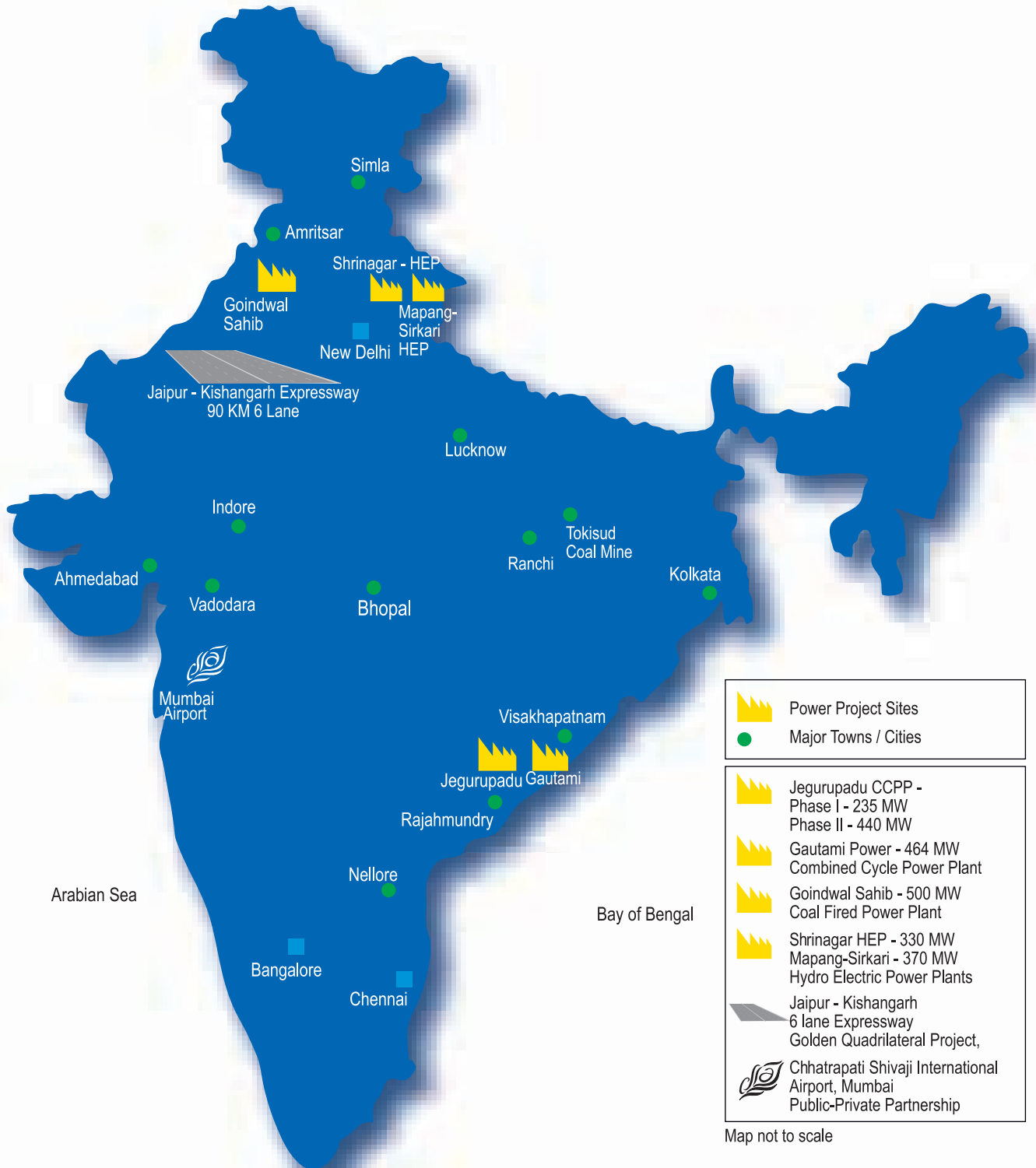
Signed this _____ day of _____ 2007

FOLIO NO.	CLIENT ID:	DP ID:
-----------	------------	--------

No. of Shares: _____ Signature: _____

Note: The Proxy in order to be effective must reach duly filled in at least 48 (forty-eight) hours before the commencement of the aforesaid meeting.

Affix Rs.1/- Revenue Stamp



	Power Project Sites
	Major Towns / Cities
	Jegurupadu CCPP - Phase I - 235 MW Phase II - 440 MW
	Gautami Power - 464 MW Combined Cycle Power Plant
	Goindwal Sahib - 500 MW Coal Fired Power Plant
	Shrinagar HEP - 330 MW Mapang-Sirkari - 370 MW Hydro Electric Power Plants
	Jaipur - Kishangarh 6 lane Expressway Golden Quadrilateral Project,
	Chhatrapati Shivaji International Airport, Mumbai Public-Private Partnership

Map not to scale

If undelivered, please return to:



GVK POWER & INFRASTRUCTURE LIMITED

"Paigah House", 156-159, Sardar Patel Road

Secunderabad - 500 003, India.

Phone: 040 - 2790 2663 / 64

Fax: 040 - 2790 2665

