

14TH ANNUAL REPORT 2007-08



GVK POWER & INFRASTRUCTURE LIMITED



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
Pradip Bajjal	Director
Ch G Krishna Murthy	Director
A Issac George	Director & CFO (w.e.f 01-04-08)
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

"Paigah House" 156 - 159
Sardar Patel Road
Secunderabad - 500 003

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

INE251H01024

Stock Code

BSE:532708

NSE: GVKPIL

Holding Company

- GVK Power & Infrastructure Limited

Subsidiaries of the Company (As on 31st March, 2008)

- 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 Aviation Private Limited
- GVK Infratech Private Limited
- GVK Energy Limited (w.e.f. 18-02-2008)

Associates of the Company (As on 31st March, 2008)

- Gautami Power Limited
- Mumbai International Airport Private Limited

The year at a glance

Rs. '000

	2008	2007
Financial Performance		
Gross Income	1,173,166	429,162
EBIDTA	1,041,431	357,976
Interest & Financial Charges	64,937	189,214
Depreciation	113	26
Profit After Tax	908,536	148,454
Dividend	---	59,111
EPS (Rupees)		
Basic	0.70	0.16
Diluted	0.70	0.16
Financial position		
Fixed Assets	3,191	110
Cash and cash equivalent	3,499,072	111,738
Net current assets	5,474,279	662,212
Total Assets	17,182,253	7,717,611
Equity	1,405,849	939,694
Reserves	15,776,404	3,273,515
Networth	17,182,253	4,213,209
Market Capitalisation	7,029,245	8,112,100

Notice

Notice is hereby given that the Fourteenth Annual General Meeting of the members of GVK Power & Infrastructure Limited will be held on Tuesday, the 29th day of July, 2008, at 11.30 a.m. at Sri Satya Sai Nigamagmam, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073 to transact the following business:

Ordinary business

1. To receive, consider and adopt the Balance Sheet as at March 31, 2008 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 Dr. A Ramakrishna, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. P Abraham, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ajay Lal, 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.

Special business

6. 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. A Issac George, Chief Financial Officer of the Company be and is hereby appointed as Director of the Company, whose period of office shall not be liable to retire by rotation."
7. 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 sections 198, 269, 309, 310, 314, 316, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof that may hereafter be made by the Central Government) and subject to approval of the Central Government, if any, and based on the recommendations of the Remuneration Committee and the Board, approval of the Shareholders be and is hereby accorded for the appointment of Mr. A Issac George, Chief Financial Officer of the Company as Director & CFO for a period of 3 (Three) years with effect from 1st April, 2008 on the salary and perquisites as set out below;
 1. **Salary:** In the scale of Rs.4,50,000 - 1,00,000 - 6,50,000 per month which includes Basic, DA, HRA and all other allowances by whatever name called.
 2. **Perquisites:** Perquisites shall be restricted to an amount equivalent to annual salary and shall be valued in terms of the provisions of Income Tax Act, 1961.
 - i) Medical Reimbursement: Reimbursement of medical expenses incurred for self and family.
 - ii) Leave Travel Concession: Leave Travel Concession for self and family once in a year.
Explanation: Family for (i) and (ii) above shall mean spouse, dependant children and dependant parents.
 - iii) Club Fees: Fees for one club and no admission and life membership fee shall be paid;
 - iv) Personal Accident Insurance: Personal Accident Insurance premium shall be as per the rules of the Company;
 - v) Use of Company's car for official duties and telephone at residence (including long distance calls) shall not be considered as perquisites;
 - vi) Earned Leave: Encashment of leave at the end of the tenure is as per the rules of the Company.
 - vii) Contribution to the provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; and
 - viii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
The perquisites mentioned above can be interchangeable within the overall ceiling of the annual salary.
 3. **Minimum Remuneration:** Where, in any financial year, the Company has no profits or its profits are inadequate, during the currency of tenure of the Director & CFO, the Company shall pay remuneration by way of salary and perquisites as specified above as minimum remuneration subject to such approvals, if any, as may be required under Schedule XIII of the Companies Act, 1956."
Services of Mr. A Issac George, Director & CFO can be terminated by 6 (Six) months notice in writing from either side or 6 (Six) months Salary and Perquisites in lieu thereof, as may be decided by the company.

"RESOLVED FURTHER THAT Dr. G V Krishna Reddy, Chairman & Managing Director, Mr. G V Sanjay Reddy and Mr. Somanadri Bhupal, Directors 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: Hyderabad
Date : 22.04.2008

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 25-07-2008 to 29-07-2008 (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 & 8

The Board of Directors of your Company at its meeting held on April 22, 2008 has appointed Mr. A Issac George, Chief Financial Officer 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. A Issac George holds his office only upto the date of this Annual General Meeting. Your Company has received a notice, in writing, from the shareholders, under section 257 of the Companies Act, 1956 along with a requisite deposit, signifying their intention to appoint Mr. A Issac George as Non-Independent Director of the Company.

At the same meeting, your board has also appointed Mr. A Issac George as Director & CFO of the Company for a period of 3 years with effect from 1st April, 2008 subject to the approval of the shareholders and the Central Government, if any. The detailed terms of appointment of Mr. A Issac George as given in the above resolution has been fixed by the Remuneration Committee of the company at its meeting held on 22nd April, 2008 and approved to the Board. A brief profile of Mr. A Issac George is given herewith for your information.

Profile of Mr. A Issac George

Mr. A Issac George is a member of the Institute of Chartered Accountants of India. His area of expertise includes Project Financing, Financial Structuring, Acquisition Financing, Debt Syndication, Corporate Planning & Forecasting, Treasury Functions, MIS Development & Implementation. He has vast knowledge in the fields of Corporate Security

Issuance, Lease Financing and Bond Administration. He also brings in his vast international exposure in dealing with Banks and multilateral agencies. He has been associated with GVK Group since 1994 and held various positions. Currently, he is also a Director (Finance) of GVK Industries Limited, a wholly owned subsidiary of your company.

In terms of the provisions of sections 198, 269, 309, 310, 314, 316, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the above is required to be approved by the Shareholders as a special resolution. The terms and conditions as specified in the said resolution shall also be treated as an abstract of his terms of appointment and memorandum of disclosure of nature of interest or concern therein in terms of section 302 of the Companies Act, 1956. Your Board considers it desirable that the Company should continue to avail of his services and accordingly recommends the above resolutions for your approval.

None of the Directors except Mr. A Issac George is interested or concerned in the above resolution.

By Order of the Board

Place: Hyderabad
Date : 22.04.2008

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	Dr. A Ramakrishna	Mr. P Abraham	Mr. Ajay Lal
Date of Appointment	10.09.2005	10.09.2005	22.05.2006
Date of Birth	21.12.1939	01.7.1939	08.08.1961
Qualifications	B E, M Sc	I A S (Retd)	B Tech, (IIT), M B A, (IIM)
Expertise in specific functional areas	He is a renowned personality in the field of engineering and was the Dy Managing Director and President (Operations) of L&T Ltd. As recognition to his specialized knowledge in structural engineering, he was conferred with an honorary degree of Doctorate of Science by Andhra University and JNTU conferred an honorary degree of Doctor of Philosophy. He is associated with many apex industries like CIL & FICCI and with premier academic institutes like IITs, Structural Engineering Research Centre, National Institute of Construction Management & Research and Anna University. He has been President of Indian National Academy of Engineering (INAE) and is the Vice-Chairman of National Academy of Construction	As a member of Indian Administrative Service he served in various capacities at the Centre and State Governments. He was the Secretary- Power, Govt. of India. He held responsible executive positions in Centre and State Governments. He functioned as Chairman, Maharashtra State Electricity Board and he was the first Chairman of the State Electricity Board in the country. He was a United Nations Industrial Development Organisation Fellow on Industrial Development. He retired as Member, Union Public Service Commission.	He is an Engineer and MBA and is presently the Managing Director of AIF Funds Management Limited. Before joining AIF, he served as India Country Representative for AIG Investment Corporation, Vice President, Bank of America. He is specialized in the areas of Mergers and Acquisitions, Equity & Debt Funding, Financial Restructuring and Private Placements and Buy-out opportunities.
List of Companies in which outside Directorship held as on 31.03.2008	<ol style="list-style-type: none"> 1. Madras Cements Ltd 2. Ramco Industries Ltd 3. SPEL Semi Conductor Ltd 4. TAJGVK Hotels & Resorts Ltd 5. Mumbai International Airport Pvt Ltd 6. Gautami Power Ltd 7. GVK Industries Ltd 8. Teesta Urja Ltd 9. Andhra Sugars Ltd 10. KCP Ltd 11. GVK Jaipur Expressway Pvt Ltd 12. International Infrastructure Consultants Pvt Ltd 	<ol style="list-style-type: none"> 1. Futura Polyesters Ltd 2. Lanco Infratech Ltd 3. Nagarjuna Construction Co. Ltd 4. PTC Ltd 5. Uflex Industries Ltd 6. JSW Energy Ltd 7. Vijay Electricals Ltd 8. Maharashtra State Power Generation Co Ltd 9. PTC Financial Services Ltd 10. Green Infrastructure Pvt Ltd. 	<ol style="list-style-type: none"> 1. Bharti Airtel Ltd 2. YES Bank Ltd 3. AIF Capital (India) Pvt. Ltd 4. GVK Industries Ltd
Chairman / Member of the *Committees of other Companies on which he is a Director as on 31.03.2008	<ol style="list-style-type: none"> 1. GVK Jaipur Expressway Pvt Ltd 2. Gautami Power Ltd 3. GVK Industries Ltd 	Nil	Nil

* 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 seeking appointment at this AGM (Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Mr. A Issac George
Date of Appointment	01-04-2008
Date of Birth	19-04-1954
Qualifications	B. Com., ACA
Expertise in specific functional areas	Mr. A Issac George is a member of the Institute of Chartered Accountants of India. His area of expertise includes Project Financing, Financial Structuring, Acquisition Financing, Debt Syndication, Corporate Planning & Forecasting, Treasury Functions, MIS Development & Implementation. He has vast knowledge in the fields of Corporate Security Issuance, Lease Financing and Bond Administration. He also brings in his vast international exposure in dealing with Banks and multilateral agencies. He has been associated with GVK Group since 1994 and held various positions. Currently, he is also a Director (finance) of GVK Industries Limited, a wholly owned subsidiary of your Company.
List of Companies in which outside Directorship held as on 31.03.2008	GVK Industries Limited Gautami Power Limited Novopan Industries Limited GVK Power (Ratlam) Pvt Ltd GVK Power (Goindwal Sahib) Ltd GVK Aviation Pvt Ltd
Chairman / Member of the *Committees of other Companies on which he is a Director as on 31.03.2008	Novopan Industries Limited Gautami Power Limited

* The Committees include the Audit Committee, the Remuneration Committee and the Shareholder's / Investor Grievance Committee.

Directors' Report

To the members,

Your Directors are pleased to present the 14th annual report and the audited accounts of your Company for the year ended March 31, 2008.

Financial Results

	2008 Rs. '000	2007 Rs. '000
Gross Income	1,173,166	429,162
Profit before interest and depreciation	1,041,431	357,976
Interest & Financial Charges	64,937	189,214
Profit before Depreciation	976,494	168,762
Depreciation	113	26
Profit before tax	976,381	168,736
Provision for tax	67,846	20,282
Profit after tax	908,535	148,454
Add: Balance brought forward	138,294	81,176
Profit available for appropriation	1,046,828	229,630
Appropriations		
- Interim dividend @ 25%	---	59,111
- Tax on dividend	---	8,290
- General Reserve	---	14,845
Balance carried forward	1,046,828	147,384
Paid-up Capital	1,405,849	939,694
Reserves and Surplus	15,776,403	3,273,515
EPS (Rupees)		
- Basic	0.70	0.16
- Diluted	0.70	0.16

Sub-Division of Equity Shares

During February, 2008 your Company's equity shares has been sub-divided to a face value of Re.1 from Rs.10 and the sub-divided shares have been duly credited to all the shareholders. Subsequent to the sub-division of shares, the number of shareholders of your company has increased from 51,000 to 90,000.

Change of registered office

The Company Law Board (CLB), Northern Region Bench, New Delhi vide its order no: 63/17/2008 - CLB dated 17th April, 2008 has approved the change of registered office of the company from the NCT of Delhi to the State of Andhra Pradesh. A certified copy of the CLB order has been filed with the Registrar of Companies, Delhi & Haryana and the Registrar of Companies, A.P, Hyderabad.

Financials of Subsidiary Companies

The Ministry of Corporate Affairs, New Delhi vide its order No: 47/01/2008-CL-III dated 23rd January, 2008 has exempted your company from the requirement of attaching the Financial Statements of its subsidiaries in terms of section 212(1) of the Companies Act, 1956. As per the orders, a gist of the financial statements of each of the subsidiary companies has been prepared

in terms of section 212(8) of the Companies Act, 1956 and the same is appended hereto and forms part of the annual report. The Financials of GVK Oil & Gas Limited has not been appended as it became a wholly owned subsidiary of your company with effect from 18th February, 2008. It has been decided to prepare the first financial statements for the company for a period beginning from 18th February, 2008 to 31st March, 2009.

Consolidated Financial Statements

The audited Stand alone and Consolidated Financial Statements of the company which form part of the annual report have been prepared in accordance with the provisions of the Companies Act, 1956, the Listing Agreement, the Accounting Standard (AS-21) on Consolidated Financial Statements and the Accounting Standard (AS-23) on Accounting for Investments in Associates.

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 position and the 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.

Directors

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the Company, Dr. A Ramakrishna, Mr. P Abraham and Mr. Ajay Lal, Directors of the company will retire by rotation at this meeting and being eligible, offer themselves for re-appointment.

During the year under review, Mr. A Issac George, Chief Financial Officer of the Company has been appointed as additional director and shall hold his office only upto the date of this AGM. Your Company is in receipt of notice from shareholders under section 257 of the Companies Act, 1956 signifying their intention to appoint him as a Non-Independent Director of the Company. Further, it is also proposed to appoint Mr. A Issac George as Director & CFO of the company for a period of 3 years with effect from 1st April, 2008 subject to your approval. 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 as Statutory Auditors for the year 2008-09.

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, 2008, 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 31st March, 2008 and of the profit or loss of the Company for the 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, 2008 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 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 22nd April, 2008 and recommended the same for the approval of the Board of Directors.

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: Hyderabad

Date : 22.04.2008

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, 2008.

Name of the employee	Age	Qualification	Designation	Experience (Years)	Date of commencement of employment	Remuneration received (Rupees)	Previous Employment
Dr. G V Krishna Reddy	71	BA	Chairman & Managing Director	44	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 of Dr. G V Krishna Reddy.

By Order of the Board

Place: Hyderabad
Date : 22.04.2008

G V Krishna Reddy
Chairman & Managing Director

Report on Corporate Governance

In compliance with Clause 49 of the Listing Agreement entered into with the stock exchanges, the Company is providing below 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 Thirteen Directors comprising of four Promoter Directors, seven Independent Directors and two Non-independent Directors. Among the Directors, two are Executive Directors and eleven are Non-executive Directors. The Board periodically evaluates the need for increasing or decreasing its size. The Ministry of Corporate Affairs, New Delhi vide its order no:12/02/08-CL.VII dated 19th February, 2008 has approved the increase of the maximum strength of the Board from Twelve (12) to Twenty (20). Following is the present composition of our Board and their number of 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	9	-	-
G Indira Krishna Reddy	Promoter, Non Executive	Director	All promoter directors are relatives	7	-	-
Somanadri Bhupal	Promoter, Non Executive	Director	All promoter directors are relatives	9	-	-
G V Sanjay Reddy	Promoter, Non Executive	Director	All promoter directors are relatives	9	-	-
Abid Hussain	Independent, Non-executive	Director	None	10	5	1
A Ramakrishna	Independent, Non-executive	Director	None	8	2	-
K N Shenoy	Independent, Non-executive	Director	None	3	-	-
P Abraham	Independent, Non-executive	Director	None	9	-	-
Ajay Lal	Independent, Non-executive	Director	None	11	2	-
Sanjay Narayen	Non-Independent, Non-executive	Director	None	-	-	-
Pradip Bajjal	Independent, Non-executive	Director	None	3	-	-
Ch G Krishna Murthy	Independent, Non-executive	Director	None	-	-	-
A Issac George	Non-Independent Executive	Director & CFO	None	5	2	-

+ 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 2007-08

Six Board meetings were held during the year ended March 31, 2008. These were held on 23-4-07, 16-5-07, 24-7-07, 26-10-07, 6-12-07, 28-01-08.

Given in the table below is the attendance record of the directors during the year 2007-08.

Name of the Director	No. of meetings held	No. of meetings attended	Sitting Fees Paid (Rs.)	Presence at last AGM
Dr G V Krishna Reddy	6	6	NIL	Yes
G Indira Krishna Reddy	6	5	70,000	No
Somanadri Bhupal	6	6	110,000	Yes
G V Sanjay Reddy	6	4	65,000	Yes
A Ramakrishna	6	6	155,000	Yes
Abid Hussain	6	5	70,000	Yes
K N Shenoy	6	5	145,000	Yes
P Abraham	6	4	130,000	Yes
Ajay Lal	6	6	90,000	Yes
Sanjay Narayen	6	4	65,000	Yes
Pradip Bajjal	6	4	80,000	Yes
Ch G Krishna Murthy	6	4	140,000	Yes
A Issac George *	-	-	-	-

* Co-opted on 22-04-2008

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
- Periodise Financial Statements
- 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 towards 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 Dr. 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 23-04-2007, 24-07-2007, 26-10-2007 and 28-01-2008. The attendance details for the Committee meetings are as follows:

Name of the Member	No. of meetings	
	Held	Attended
K N Shenoy	4	3
A Ramakrishna	4	4
P Abraham	4	4
Ch G Krishna Murthy	4	2

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

- a) Review 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 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 2007-08

Nature of Complaints	Received	Resolved	Pending
Non receipt of Refund Order	21	21	0
For Non receipt of			
- Dividend Warrant	32	32	0
- Annual Report	8	8	0
- Share Certificate	124	124	0
Total	185	185	0

Ethics & Compliance Committee

The Ethics & Compliance Committee was constituted pursuant to the amended regulations of SEBI (Insider Trading 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 2008, 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
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
2006-07	06-12-2007	11.30 A.M.	Air Force Auditorium Subroto Park, New Delhi - 110 010

Postal ballot

Following are 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, 2008.

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	18-01-2008
Sub-Division of Shares (Stock split) from Rs.10 per share to Re.1 per share	Section 16 & 94 of the Companies Act, 1956	18-01-2008

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.sebidifar.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	Cash	Subscribers to the Memorandum	10	Nil
02/12/1994	1	10.00	Cash	Subscribers to the Memorandum	20	Nil
10/09/1996	8	10.00	Cash	Allotment to JOMC Mauritius	100	Nil
18/01/1997	20,990	10.00	Cash	Allotment to JOMC Mauritius	210,000	Nil
18/06/1997	14,000	10.00	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	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	Cash	Preferential allotment to Transoceanic Projects Limited	153,688,890	1,461,436,130.34
21/02/2006	8,275,556	310.00	Cash	Initial Public Offering	236,444,450	3,944,102,930.34
14/05/2007	37,569,230	325.00	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
24-11-2007	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*					

* Effective from 15-02-2008 these shares have been sub-divided into 1,405,848,900 equity shares with face value of Re. 1/- each.

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, 2008, we hereby certify that

- a) We have reviewed the 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.

G V Krishna Reddy
Chairman & Managing Director

Place: Hyderabad
Date : 22.04.2008

A Issac George
Director & CFO

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, 2008, 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 : 22.04.2008

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

General Shareholder Information

1. Annual General Meeting:
Day, date and time : **Tuesday, the 29th July, 2008 at 11.30 a.m.**
Venue : Sri Satya Sai Nigamagamam, 8-3-987/2,
Srinagar Colony, Hyderabad - 500 073
2. Book Closure Dates : From 25-07-2008 to 29-07-2008 (both days inclusive)
3. Calendar of events (tentative and subject to change) for financial reporting for the period ending-
 - Jun 30, 2008 : July, 2008
 - Sep 30, 2008 : October, 2008 *
 - Dec 31, 2008 : January, 2009 *
 - Mar 31, 2009 : April / May, 2009 *
 - AGM for 2008-09 : September, 2009 *
4. Listing of equity shares is at : **The National Stock Exchange of India Limited**
Exchange Plaza, Bandra Kurla Complex,
Bandra East, Mumbai - 400 051
The Bombay Stock Exchange Limited
Floor 25, P J Towers, Dalal Street
Fort, Mumbai - 400 001
Annual Listing Fee has been paid for the year 2008-09 to both the Exchanges.
5. Stock Code : BSE: 532708, NSE: GVKPIL
ISIN : INE251H01024
6. Corporate Identification Number (CIN) allotted by the Ministry of Corporate Affairs : **L74999AP2005PLC059013**
7. Share Transfer System : 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.
8. Secretarial Audit : 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.
9. Location : **Registered 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
Pursuant to the orders of the Company Law Board, Northern Region Bench, New Delhi, dated 17th April, 2008 the registered office of the company has been changed from NCT of Delhi to the State of Andhra Pradesh.

10 Registrar & Share Transfer Agents

: **Karvy Computershare Private Limited**

Unit: GVK Power & Infrastructure Limited
Plot No. 17-24, Vittal Rao Nagar, Madhapur
Hyderabad - 500 081
Phone: 040 - 2342 0815
Fax : 040 - 2343 1551
E-mail: mailmanager@karvy.com
website: www.karvy.com

11 Query on the Annual Report
(shall reach 10 days before the AGM)

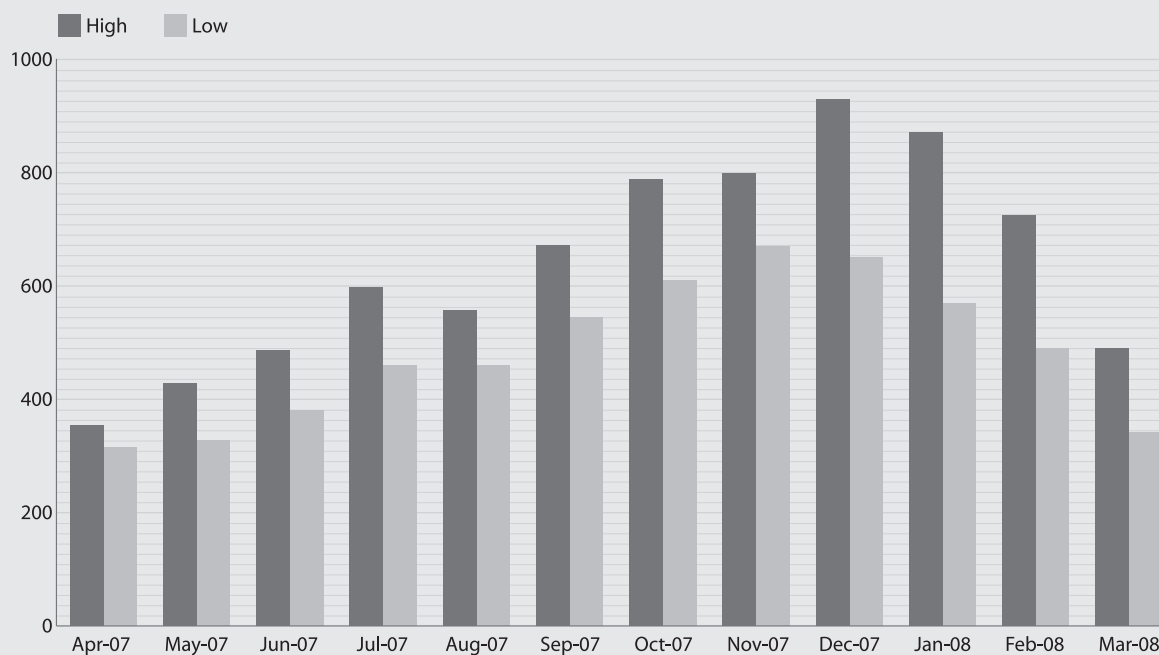
: P V Rama Seshu
Company Secretary & Compliance Officer
GVK Power & Infrastructure Limited, 156-159, 'Paigah House'
Sardar Patel Road, Secunderabad - 500 003

Market Price Data

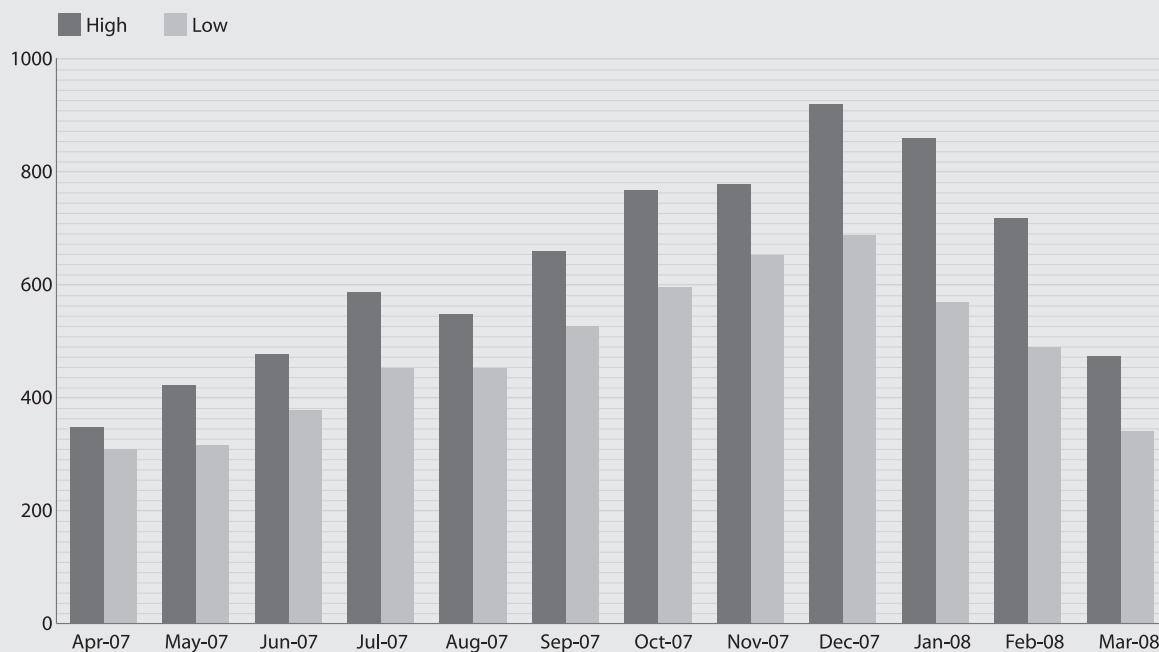
Monthly high, low and trading volume of equity shares of the Company during the financial year 2007- 08.

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, 2007	354	315	653678	354	315	367049	1020727
May	428	328	4600051	429	322	2817110	7417161
Jun	487	380	1675082	486	385	1129417	1675082
Jul	598	460	3363595	597	460	1995041	5358636
Aug	557	460	1181458	557	460	3104271	4285729
Sep	671	545	2577755	670	535	1603139	4180894
Oct	788	610	2986000	781	605	2054807	5040807
Nov	799	670	2471426	792	664	1353568	3824994
Dec	929	650	1733939	935	700	1544281	3278220
Jan, 2008	872	570	2107848	874	579	1567645	3675493
Feb *	72	50	15928952	72	50	7035227	22964179
Mar	50	33	51219083	49	33	29178186	80397269

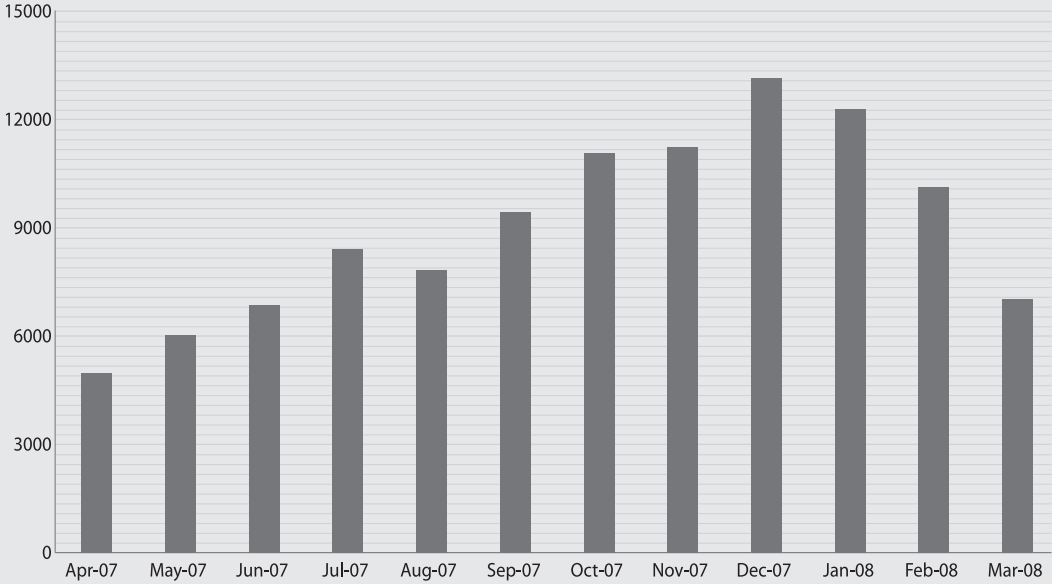
* During February 2008, face value of equity share has been sub-divided to Re. 1/- per share.



Price Movement in NSE



Price Movement in BSE



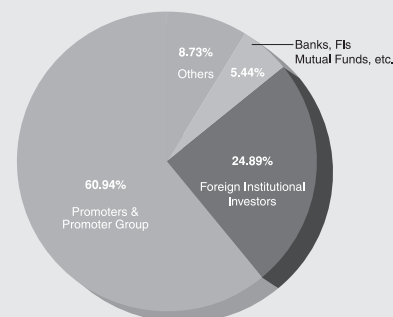
Market Capitalisation

Details of Shareholding as on 31st March, 2008

Category	Number of Shareholders	Total Shares	% of holding
Promoter Companies	5	99682430	7.15
Promoter Directors	4	595116910	42.33
Promoter Individuals	6	161930000	11.51
Directors & Relatives	9	148880	0.01
Foreign Institutional Investors	70	349967733	24.89
Resident Individuals	74203	28229457	2.00
Mutual Funds	40	71774999	5.10
Bodies Corporate	1008	9672108	0.68
Banks	6	1247680	0.08
HUF	1516	923613	0.06
Indian Financial Institutions	3	3332110	0.23
Non Resident Indians	520	1072323	0.07
Clearing Members	226	460422	0.03
Trusts	5	760	0.00
State Government	1	6330000	0.45
Overseas Corporate Bodies	3	376695	0.02
Foreign Bodies	3	75802600	5.39
Total	77626	1405848900	100.00

Distribution by category as on 31st March, 2008

Category	Number of Shares	% of holding
Promoters & Promoter Group	856729340	60.94
Foreign Institutional Investors	349967733	24.89
Banks, FIs, Mutual Funds etc	76354789	5.44
Others	122797038	8.73
Total	1405848900	100

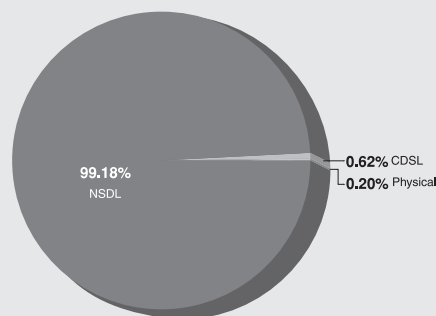


Distribution by size as on 31st March, 2008

Range of equity shares held	No. of Shareholders	%	No. of equity shares	%
1-5,000	68666	88.46	13119487	0.93
5,001-10,000	4692	6.39	4167408	0.30
10,001-20,000	2093	2.7	3254465	0.23
20,001-30,000	583	0.75	1510666	0.11
30,001-40,000	294	0.38	1048484	0.07
40,001-50,000	291	0.37	1402221	0.10
50,001-1,00,000	297	0.38	2295820	0.16
1,00,001 & above	440	0.57	1379050349	98.09
Total	77626	100.00	1405848900	100.00

Dematerialisation of Shares

Category	Shareholders	Number of Shares	%
NSDL	53310	1394286822	99.18
CDSL	16975	8741307	0.62
Physical	7341	2820771	0.20
Total	77626	1405848900	100.00



As on 31st March, 2008 over 99.80% of outstanding shares are held in demat form and the balance 0.20% in physical form. 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, 2008.

Place: Hyderabad
Date: 22.04.2008

For GVK Power & Infrastructure Limited
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, SEZ, etc. The Company is a listed entity which operates in the above said sectors through its Subsidiary / Associate Companies.

Major events completed during the year are internal restructuring through a Scheme of Amalgamation and a Scheme of Arrangement, Qualified Institutional Place (QIP) issue, Sub-division of equity shares (from Rs.10 per share to Re.1 per share) and change of Registered Office from NCT of Delhi to the State of Andhra Pradesh. The Company's revenue comprises of 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.

The Economy

The Indian economy, characterized by strong macro economic fundamentals, has drawn the attention of the world as one of the fastest growing economies of the world with a future promise. The country continued to grow at an impressive pace of 8.7% in the fiscal year 2007-08 albeit at slower pace as compared to the last two years. The average growth rate for the last 5 years has been a record 8.5%. The industry and services sector remain buoyant, driven by 9.4% and 10% growth in manufacturing and services respectively. Industry and services will continue to be two pillars supporting growth. It is expected that the Indian Economy will grow moderately to around 8.0 - 8.5% as a result of the monetary tightening measures of RBI and exports demand slow down due to appreciating currency and slow down in developed economies. The effect of the buoyant tax collections due to pick up in growth momentum since 2003-04 is clearly visible on the fiscal health of the government. The saving and investment rates are a healthy 32.7% and 33% respectively. The trend of increasing investment in the economy relative to GDP, both public and private, continues unabated. The improvement in investment was driven by a significant increase in private sector investment which has doubled as a share of GDP from 6.6 % in 2003-04 to 14.5% in 2006-07. Over the same period the government investment increased from 6.3% to 7.8% of GDP. Another encouraging factor has been the efficiency with which the capital is being used.

Inflation based on wholesale price index, stayed within the RBI's target range of 5 percent for the year 2007-08 supported by strong rupee, timely intervention of RBI and buoyant economy. However, in the current year, the challenges on the inflation front cannot be dismissed as it may assume serious proportions. The sore note has been the sluggish growth in agriculture which has averaged to 2.3% in 10th five year plan.

The economy will continue to grow over 8% in 2008-09. Addressing the inflation will be a key concern. Investment both, public and private will continue to increase as a share of GDP, but their growth would be moderate. Further growth will be sustained only by addressing the infrastructural bottlenecks and supply of skilled manpower. The investment in agriculture, rural development, health and human resources and Infrastructure will gain momentum to make growth more inclusive.

Infrastructure

Unprecedented robust growth in the last half-decade despite inadequate infrastructure underlines the urgent need for speed in meeting large infrastructure requirements of the nation. Development of infrastructure and marginalization of bottlenecks are sine-qua-non to our economy which is on a growth trajectory. Continued investment in infrastructure is indispensable to the realization of the double-digit growth rate envisaged for the economy and an improvement in the quality of the life of the people. Cost of lack of sufficient infrastructure could be as severe as loss of competitiveness for business of all sizes in every segment. Moreover, it diminishes domestic business climate and impedes accessibility to domestic and international markets. Given the universal acceptance of infrastructure as being vital for sustenance and advancement of economic growth, the provision of further incentives by the Government and the facilitation of a liberalized regulatory framework is crucial to attract and retain Private sector participation.

Obsolete infrastructure impedes and even stalls economic growth of a country. The antiquated state of Infrastructure in India has been identified and acknowledged as one of the major stumbling blocks by the Government. A series of measures have been initiated by the Government to boost investment in Infrastructure and to stimulate interest in the Sector.

The private sector is playing an increasingly significant role in infrastructure development in the country. The estimated investments in infrastructure development projects by the private sector are an estimated Rs 1,500,035 crores over the next 4-5 years. Infrastructure related projects by themselves are developing into attractive business propositions and contribute to the burgeoning growth in demand for equipment, services, etc. However, India's infrastructure challenges are immense. While the opportunity appears huge, tough challenges need to be overcome such as issues relating to land acquisition, multiplicity of authorities for various clearances contributing to project delays, delays in equipment supplies, etc.

The Economic Survey by the Ministry of Finance has estimated the investment in physical infrastructure to be \$500 Billion during the 11th Five Year Plan with the share of the Private Sector pegged at 30.07% translating into \$150.35 billion.

Energy

The National Electricity Policy 2005 recognizes electricity as a "basic human need" and targets a rise in per capita availability from 631 units to 1000 units per annum by the end of 2012. The 11th five year plan proposes an ambitious capacity addition target of 78,577 MW with an estimated contribution of 10,760 MW from the private sector.

However, as against the target of 16,335 MW additions to the installed capacity in the first year ending December 07, the estimated addition has been 5,026 MW. By March 08, the Ministry of Power claims to have added 12,897 MW for the year 2007-08. In both the 9th and 10th five year plans, the capacity additions were way behind target. Peak-time energy deficit is 14.8% of the peak-time demand, trending further upward. These trends underscore the urgent need to address the supply - demand imbalance and calls for further reforms and fiscal allocations in the sector. The key to power sector reform is improving the efficiencies in the power distribution sector. A strong political support is needed to achieve the desired results and ensure fiscal sustenance of the sector.

One of the big initiatives taken by the Government is awarding of Ultra Mega Power Projects (UMPPs) totaling to 12,000 MW to the private sector. Further, 5 more UMPPs are expected to be awarded during the current financial year. The Rajiv Gandhi Grameen Vidhutikaran Yojana provides the required fillip for rural electrification. There is also a business opportunity in tapping the country's hydro power potential that has been estimated to be around 150,000 MW.

Going forward, the Government is very keen to increase private sector participation in the power sector. They aim to achieve this by policy reforms and other incentives. The amendment to the Electricity Act in 2007 is a commendable effort on the part of the Government to create an environment conducive to private sector participation. The Government is also looking to include private players for the renovation, upgrading, modernization and life extension of old power plants.

India has the fourth largest coal reserves in the world. The demand for coal is expected to increase to 730 MMT per annum by the year 2011-12 which will mean a shortage of 50 MMT by 2011. The coal sector is expected to grow rapidly driven by the increasing gap between the demand and supply of power. 9 Coal fired UMPPs will need over 40 MMT per annum of coal. The estimated investment opportunity over the next five years is 10-15 billion US \$ for exploring and developing new coal mines, manufacturing and selling state-of-the-art mining technology and creating related infrastructure for the off-take of mined coal.

Airports

India's air traffic is poised for strong growth. The exponential increase in air traffic occurred mainly due to the entry of low cost carriers in 2003 and a reduction in taxes in 2004. Other factors contributing to this phenomenal growth are a booming economy, favorable change in demographics, growing middle class with a rising disposable income, increasing foreign investment, rising tourist interest, etc. However there is still a huge unmet demand as the average Indian takes less than 0.1 flights per year. This is roughly one-third of that of the average Chinese and one-twentieth that of the average American. The reason for this low base is inadequate airport infrastructure. There is a serious lack of terminals, runways, modern ATC systems, parking bays and x-ray machines which lead to the delay in flights. This is further compounded by the fact that air traffic is concentrated in a few cities - Delhi and Mumbai alone account for 45% of air traffic.

As part of the Govt initiatives, the Eleventh Five Year Plan envisaged a 300% increase in infrastructure spends. Furthermore, four out of India's six busiest airports were privatized and their capacities increased. While the Greenfield airports in Bengaluru and Hyderabad have recently become operational, the Brownfield projects in Mumbai and the Greenfield project at Delhi are underway.

An Inter-Ministerial Group has approved the action plan for the upgrading of the Kolkata and Chennai airports by the Airports Authority of India (AAI). While the new terminal in Kolkata would handle 20 million passengers annually, the one in Chennai would handle 13 million passengers annually. The project will proceed once the Committee on Infrastructure sanctions it. The AAI has also begun to modernize 35 non-metro airports. It is expected that 24 airports would be upgraded by March 2009 while the remaining 11 would be upgraded by March 2010. Overall, 80 small airports will be modernized going forward. The estimated investment of airport development over the next five years is Rs 40,000 Crores (US \$9 Billion).

Taking into consideration all these facts and also factoring in the expected annual growth in passenger traffic of 15% it is clear that the civil aviation space in India is poised for a dramatic change. By 2010, the 148 million passengers who fly in India will be treated to an experience that would be on par with any airport in the world. For instance the Chhatrapati Shivaji International Airport at Mumbai would have an extensive duty free shop, luxurious lounges, a variety of restaurants and shops as well as many more amenities.

Roads

India has the second largest road network of 3.34 million kms, carrying 65% of freight and 80% of passenger traffic respectively. With National Highways constituting a meagre 2% of all roads (yet accounting for 40% of the total traffic), the Govt plans to spend 50 Billion US dollars on road development over the next five years. Public Private Partnership Model is envisaged for development of roads. With 40% of India's villages not having access to all-weather roads, the Govt. has identified rural roads as a component of the \$40 Billion Bharat Nirman Program for development of rural areas.

Govt. of India spends \$4 bn annually on road development. Annual growth is projected at 12% to 15% for passenger traffic and 15% to 18% for cargo traffic. Over \$90 billion is estimated as required investment over the next five years to improve road infrastructure. The last financial year witnessed a lull in the awarding of new road projects. This was due to the confusion caused by the new Model Concession Agreement. However, this has been largely resolved and a large number of projects are likely to be awarded in the coming quarters. Under NHDP and other NHAI Projects alone, about 16351 kms is yet to be bid out for road development as on 31st March, 2008.

The Private Sector is playing a major role in road development projects and is poised to contribute 50% of the total investment in National Highways during the 11th Plan Period. State highways and major district roads constitute another opportunity for investment with a requirement of 3, 00,000 kms estimated to be developed. The 11th Plan targets a financial investment of Rs 1000 billion with about 320 billion rupees coming from the Private sector.

SEZs

Exports from SEZs are expected to touch Rs 67,088 crores in 2007-2008 as compared to Rs 34,625 crores in 2006-2007. The current investment and employment opportunities in the SEZs notified under the SEZ Act 2005 are Rs 67,346 crores and Rs 61,015 persons. The SEZ scheme has generated a tremendous response from the investment community going by the extensive list of developers, both Indian and Foreign, who have set up SEZs. Major incentives available to SEZ developers such as exemption from taxes and duties enhance the financial viability of the projects. Going forward, it is expected that many more approvals would be sanctioned for setting up of SEZs.

Future of Public-Private Partnership

The development of infrastructure facilities hinges on the ability of the government to attract private capital under the public private partnership (PPP) projects. This model has enabled greater private participation in the creation and maintenance of infrastructure. The pace of PPP projects is clearly very slow. However various steps are being taken in this direction. One such step is setting up of India Infrastructure Finance Company Limited to provide long term debts to infrastructure projects. Till date 221 PPP projects have been undertaken with total contract value of Rs 1295.7 billion.

Risks and Concerns

Power

The company sources its current gas requirement from GAIL. However, the supply is not adequate. With expected start up of production from Krishna-Godavari -D6 Gas fields, it may be possible for the company to source the gas from Reliance Industries Limited (RIL) from July 2008 for Jegurupadu Phase II and Gautami power projects. The gas availability for the existing plant will also improve. Your Company has already entered into an arrangement with RIL for the supply of 1.1 million standard cubic meters of gas per day for Jegurupadu Phase II and 1.96 million standard cubic meters for Gautami Power Limited. Any delay in the supply of gas will mean that the completed plants will not be able to commence operations. The company is reducing its dependence only on gas based plants by adding Hydel as well as Thermal Power Plants.

Navi Mumbai Airport

The MIAL airport will reach its threshold capacity of 40 million passengers by 2013. Additional traffic beyond the figure specified will create unwarranted congestion if the Navi Mumbai airport is not developed by 2013. . The bidding for this project has yet to be announced. A delay in completion of the Navi Mumbai airport will cause a strain on the infrastructure at MIAL and might affect the passenger experience.

Rising Aviation Fuel Prices

Global oil prices have crossed \$100 a barrel and this has increased the cost of aviation fuel. The airline industry has been forced to pass on some of this cost to customers. While this rise in flight tickets may impact the leisure travelers, it is unlikely to adversely impact business and other travelers who comprise the majority of passengers. Given the large non-aero revenues that airports are estimated to generate, in the medium term, it is unlikely that rising aviation fuel prices will adversely affect MIAL's business.

Performance

Energy

We currently operate one power asset at Jegurupadu, Rajahmundry in the state of Andhra Pradesh. During the Financial Year 2007-08, Jegurupadu Phase-I Project generated total revenue of Rs.342.54 crores (including other income) with a net profit of Rs 29.53 crores as compared to Rs.303.44 crores with a net profit of Rs.52 crores in the Financial Year 2006-07. The increase in revenue is on account of higher sale of energy as compared to previous year. The profit after tax has dropped mainly due to expenditure major and unscheduled maintenance performed during the year. The company could not operate the expansion project of 220 MW due to non availability of the gas. Your company expects the plant to be operational in the financial year 2008-09.

Your company also has significant stake (44.97%) in another Gas based power project, Gautami Power Limited (GPL). The GPL is a combined cycle gas based 464 MW project. The company could not operate the project due to non availability of gas. Your company expects the project to be operational in financial year 2008-09.

Your company is presently implementing the following projects through its wholly owned subsidiaries.

- The development of 330 MW Hydro electric power plant on Alaknanda river in Uttarakhand .
- The development of 540 MW thermal power plant in Goindwal Sahib, Punjab.
- The development of linked Coal mines at Tokisud in Jharkhand.
- The development of 370 MW Hydro electric power plant on river Goriganga in Pithoragarh District, Uttarakhand.

Airport

During the financial year 2007-08 Mumbai International Airport Private Limited (MIAL) generated total revenue of Rs 856.83 Crore (including other income) with a net profit of Rs 109.91 crores as compared to Rs 589.90 Crore and Rs 90.91 Crores in the financial year 2006-07. The above revenue constitutes 43% from aeronautical and the balance 57% from non aeronautical and cargo operations. The similar figure in previous year was 49% and 51% respectively. There has been a 15% increase in Aircraft movement, 16% increase in Passenger movement and 22% increase in cargo movement in the current year as compared to previous year. MIAL in the current year has shared Rs 331.60 Crores of its revenue to AAI as compared to Rs 228.29 Crores in the previous year.

Highlights

- Chhatrapati Shivaji International Airport (CSIA), Mumbai has been adjudged the best Airport in India.
- CSIA has been awarded the Frost and Sullivan award for aeronautical excellence.
- ISO 10002 received from the accredited agency.
- All the mandatory capital project has been completed on time.
- New terminals and other facilities has been completed on time enhancing the convenience of the passengers.
- Actions initiated for capacity augmentation like commissioning of two New rapid exit taxiways, Cross runway operation during peak hours and construction of apron for aircraft parking.
- Contract for duty free shop awarded to DFS Singapore
- Advertisement rights have been given Times group.
- HDIL has been awarded contract for rehabilitation of slums.

Road

During the financial year 2007-08 GVK Jaipur Expressway Private Limited generated total revenue of Rs 140.71 Crores with a net profit of Rs 43.44 Crores as compared to Rs 119.61 Crores with a net profit of Rs 34.95 crores in the financial year 2006-07. This is first SPV in the road projects in India to share the excess toll fee revenue over and above the projected toll fee with NHAI.

GVK Power & Infrastructure Limited - Financial Performance Review

Standalone Financials

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 173% to Rs. 117.32 Crores as compared to Rs. 42.92 Crores of the previous year.

Expenditure

The Company's total expenditure, comprising of staff costs, other administrative expenses, interest and depreciation decreased by 24% to Rs. 19.68 Crores for the year ended March 31, 2008 from Rs. 26.04 Crores when compared to the previous year ended March 31, 2007. The decrease in expenses is mainly due to fall in the interest paid / provided on loans.

Interest

The interest expenses stood at Rs. 6.49 Crores (previous year Rs. 18.92 Crores)

Profit Before Tax (PBT)

The PBT increased by 479% to Rs. 97.64 Crores for the current year from Rs. 16.87 Crores of the previous year.

Profit After Tax

The Company's profit after tax increased by 512% to Rs. 90.85 Crores for the year ended 31st March, 2008 from Rs. 14.85 Crores when compared to the previous year.

EPS

The earning per share for the current year stood at Rs 0.70 as compared to Rs 0.16 per equity share of Rs 1 each in the previous year.

Net Worth

The networth stands at Rs 1718 crores as compared to Rs 421 crores in the previous year.

Changes in Share Capital

1) Issue of Shares to Qualified Institutional Buyers

In the current year your company has raised equity capital of Rs.1,221 Cores through Qualified Institutional Placement by issue of 3,75,69,230 equity shares of Rs10/- each at a premium of Rs 325/- per Share to Qualified Institutional Buyers (QIB).

2) Scheme of Arrangement

Through a Scheme of Arrangement approved by Hon'ble High Courts of Andhra Pradesh and Delhi, the existing subsidiary company i.e. GVK Industries Limited has become a wholly owned subsidiary of your Company with effect from November 19, 2007 (being the record date). As per the share exchange ratio and in terms of the Scheme of Arrangement 90,46,215 equity shares of Rs 10/- each were issued to the other shareholders of GVK Industries Limited as consideration for transfer of their respective shares in favour of GVKPIL. These shares have been admitted for trading by both the stock exchanges.

3) Scheme of Amalgamation

In terms of the Scheme of Amalgamation as approved by the Hon'ble High Court of Delhi, the Share Allotment and Transfer Committee of the Company at its meeting held on October 17, 2007 has allotted 66,500,000 Equity Shares of Rs.10/- each to the shareholders of erstwhile Bowstring Projects & Investments Private Limited (First Transferor Company) and 3,825,000 Equity Shares of Rs.10/- each to the shareholders of erstwhile Green Garden Horticulture Private Limited (Second Transferor Company) as per the share exchange ratio of 133:4 and 153:4 respectively, aggregating to 70,325,000 Equity Shares of Rs.10/- each. These shares have been admitted for trading by both the stock exchanges.

4) Stock split

The members of the Company at its meeting held on January 18, 2008 approved the split of the nominal value of each equity share from Rs.10/- per share to Rs.1/- per share and to alter Clause V of the Memorandum of Association of the Company to give effect to the same.

Consolidated Financials

The current year results include the results of the 12 companies including 10 subsidiaries and 1 associate. 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 11 subsidiary companies and 1 associate company have been consolidated in arriving at the group performance. These companies operate broadly in the a) Power, b) Road and C) Other sectors.

Revenue

The Company reported gross revenue of Rs. 532.14 Crores for 2007-08 compared to Rs. 423.29 Crores in the previous year. The increase in gross revenue is mainly attributable to increase in revenue of operating subsidiaries in power and road sectors.

Profit After Tax

The Company reported profit after tax and minority interest of Rs. 135.47 Crores for 2007-08 which is 133% higher over previous year's profit after tax at Rs. 58.03 Crores. The increase in PAT is basically due to improved performance of subsidiaries and associates.

EPS

The earning per share at consolidated level for the current year stands at Rs 1.04 as compared to Rs 0.62 per equity share of Rs 1 each in the previous year.

Net Worth

The networth in the current year stands at Rs 2363 crores as compared to Rs 1056 crores in the previous year.

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 Internal Audit function has been outsourced to a firm of Independent Chartered Accountants who conducted the audit on the basis of Annual Audit Plan. The Internal audit process sought to include review and evaluation of effectiveness of the existing processes, controls and compliance. It also ensures adherence to policies and systems and mitigation of the operation risks perceived for each area under audit. Significant observations were reported to the Audit Committee of the Board which reviewed the Internal Audit Reports and the status of implementation of the agreed action plan.

Human Resources

Your company's human capital remains its key strength. Several initiatives have been undertaken during the year to increase the depth of management expertise. Highly skilled professionals from reputed institutes as well as specialists with deep industry knowledge and experience have been recruited for various roles across the organization. The company continues to value its personnel in that it designs program and policies tailored to enhance individual and organizational welfare. Participative style of management ensures excellent relations throughout the organization. Your company aims to become to "employer of choice" in the industry and is on course to achieve the stated objective.

Future Outlook

Your Company aspires to be the most trusted and respected name in Infrastructure in India and the World. We seek to attain a transnational presence in Infrastructure that would be competitive and avant-garde. Even as we are going from strength to strength in the Energy and Transportation vertical, we keep abreast constantly evolving technology, explore potential avenues in other areas within the infrastructure space and post due-diligence and satisfactory evaluation of relevant parameters strive to foray into areas considered beneficial to the interests of all stakeholders. We endeavor to contribute meaningfully to infrastructure development in India and seek to aggressively place bids for the upcoming infrastructure projects to be developed under Public Private Partnership mode.

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"), its subsidiaries and associates (collectively, the "GVK Group"), as at March 31, 2008, 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 certain subsidiaries, whose financial statements reflect total assets of Rs. 28,488,723 thousands as at March 31, 2008, the total revenue of Rs. 4,840,955 thousands and cash flows amounting to Rs. 404,324 thousands for the year then ended. We also did not audit the financial statements of associates, share of profits of the company in those associates being Rs. 406,675 thousands for the year ended March 31, 2008. These financial statements and other financial information, except to the extent mentioned in paragraph 4 below, have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. These consolidated financial statements for the year ended March 31, 2008 include unaudited financial statements of GVK Energy Limited. These consolidated financial statements reflect total assets of Rs. 31,629 thousands as at March 31, 2008 and net cash inflows of Rs. 3,776 thousands in respect of the aforesaid entity.
5. Without qualifying our opinion, we draw attention to:
 - i) Note 12(a) of Schedule 20, 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 GVK Industries Limited (the "Subsidiary Company");
 - ii) Note 12 (b) and 12 (c) of Schedule 20, regarding outstanding minimum alternate tax amounts claimed for reimbursement and other amounts aggregating to Rs. 169,159 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 19 of Schedule 20, regarding provision for income taxes net of amounts claimed for reimbursements from Transmission Corporation of Andhra Pradesh Limited (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.
 - iv) Note 24 of Schedule 20, regarding certain transactions with Mumbai International Private Limited in respect of which the Parent Company is in the process of filing necessary applications seeking approval from the Central Government as required under the provisions of Section 297 of the Companies Act 1956.
6. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, 'Consolidated Financial Statements' and AS 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' Notified by Companies Accounting Standards Rules, 2006.
7. 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 the GVK Group as at March 31, 2008;
 - (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S R Batliboi & Associates
Chartered Accountants

Place: Hyderabad
Date: 22.04.2008

per Ali Nyaz
Partner, Membership No.: 200427

Consolidated Balance Sheet as at March 31, 2008

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	Schedules	March 31, 2008	March 31, 2007
Sources of Funds			
Shareholders' funds			
Share capital	1	1,405,849	236,444
Share capital/application money pending allotment	2	2,796	849,214
Reserves and surplus	3	20457271	4870044
		21865916	5955702
Defered income		1758333	1875557
Minority interest		5,634	2,729,425
Loan funds			
Secured loans	4	12,639,398	11,353,057
Unsecured loans	5	270,545	4,092,505
		12,909,943	15,445,562
Deferred tax liability (net)	20(10)(B)	891,401	892,735
Total		37,431,227	26,898,981
APPLICATION OF FUNDS			
Fixed assets	6		
Gross block		19,043,682	18,889,840
Less: Accumulated depreciation and amortisation		6,768,850	5,874,000
Net block		12,274,832	13,015,840
Expenditure incurred during construction period pending allocation		3,834,545	2,496,617
Capital work-in-progress including capital advances		9,666,546	5,714,870
		25,775,923	21,227,327
Investments	7	7,068,138	2,973,502
Deferred tax asset (net)	20(10)(A)	4,912	2,023
Current assets, loans and advances			
Inventories	8	227,134	284,826
Sundry debtors	9	652,300	599,979
Cash and bank balances	10	1,643,482	631,333
Loans and advances	11	1,476,813	1,016,776
Other current assets	12	879,668	859,553
(A)		4,879,397	3,392,467
Less: Current liabilities and provisions			
Current liabilities	13	269,427	637,699
Provisions	14	27,716	58,639
(B)		297,143	696,338
Net current assets (A-B)		4,582,254	2,696,129
Total		37,431,227	26,898,981
Notes to Consolidated Accounts	20		

The Schedules referred to above 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 : 22.04.2008

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
Director & CFO

Som Bhupal
Director

P V Rama Seshu
Company Secretary

Consolidated Profit and Loss account for the year ended March 31, 2008

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	Schedules	For the year ended March 31, 2008	For the year ended March 31, 2007
Income			
Gross earnings from sale of electrical energy		3,204,905	2,738,291
Income from Toll Operations		1,368,644	1,157,377
Fees from manpower and consultancy services	15	126,311	90,380
Other income	16	621,554	246,822
Total Income		5,321,414	4,232,870
EXPENDITURE			
Cost of fuel		1,735,941	1,227,955
Personnel expenses	17	146,307	133,880
Operating, Maintenance & Administration expenses	18	962,387	617,488
Financial expenses	19	413,675	627,007
Depreciation and amortisation (net of amount withdrawn from grant 117,222 (Previous year: 117,222))	6	775,693	805,500
		4,034,003	3,411,830
Profit before tax and share of profits of associate and minority interest		1,287,411	821,040
Provision for taxation			
Current (Refer note 19 in schedule 20)		237,903	192,972
Deferred		1,394	38,251
Income tax for earlier years		(4,251)	15,641
Fringe benefit		3,465	2,732
Profit after tax and before share of profits of associate and minority interest		1,048,900	571,444
Add: Share of profits of associate for the year		406,675	336,422
Less: Minority interest		100,878	327,568
Profit for the year		1,354,697	580,298
Balance brought forward from previous year		510,565	108,964
Balance of profit and loss account taken over on amalgamation -		(9,090)	
Profit available for appropriation		1,865,262	680,172
Appropriations			
Transfer to general reserve		47,500	49,845
Interim dividend		-	59,111
Tax on dividend		96,009	60,651
Surplus carried to balance sheet		1,721,753	510,565
Earnings per share (in Rs.)			
Basic		1.04	0.62
Diluted		1.04	0.62
Nominal value per equity share (in Rs.)		1	1
Weighted average number of equity shares			
- Basic		1,304,368,059	939,694,450
- Diluted		1,304,368,059	939,694,450
Notes to Consolidated Accounts	20		

The schedules referred to above 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 : 22.04.2008

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
Director & CFO

Som Bhupal
Director

P V Rama Seshu
Company Secretary

Schedules to the Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	March 31, 2008	March 31, 2007
Schedule 1: Share Capital		
1,772,500,000 equity shares of Rs.1/- each (Previous year: 177,250,000 equity shares of Rs.10/- each)	1,772,500	1,772,500
Issued, subscribed and paid-up		
1,405,848,900 equity shares of Rs.1/- each (Previous year: 23,644,445 equity shares of Rs.10/- each)	1,405,849	236,444
Note:		
Of the above shares:		
1. Of the above shares 52,850,000 shares of Rs.1/- per share (Previous year: 5,285,000 shares of Rs. 10/- per share) are allotted as fully paid up by way of bonus shares by capitalization of General Reserve.		
2. Of the above shares 703,250,000 shares of Rs.1/- each are allotted as fully paid up as per the scheme of amalgamation.		
3. Of the above shares 90,462,150 shares of Rs.1/- are allotted as fully paid up as per the scheme of arrangement. (Refer note 21 in schedule 20)		
4. With effect from February 15, 2008 the nominal value of the equity shares have been sub divided from Rs. 10/- per share to Rs. 1/- per share. (Refer note 22 in schedule 20)."		
Schedule 2 : Share capital/application money pending allotment		
Share capital pending allotment on amalgamation (Refer note 23 in schedule 20)	-	703,250
Share application money pending allotment	2,796	145,964
	2,796	849,214
Schedule 3 : Reserves and surplus		
(Refer note 8 in schedule 20)		
Capital reserve on acquisition	3,923,445	1,189,258
General reserve		
Balance as per last account	49,845	-
Less: Adjustment for employee benefits provision (net of tax of 1,106)	2,147	-
(Refer note 5 in schedule 20)		
Add: Transferred from Profit & Loss Account	47,500	49,845
	95,198	49,845
Securities premium account		
Balance as per last account	3,120,376	3,803,966
Add: Received during the year on Qualified Institutional Placement issue	11,834,307	-
Less: Utilised for share issue expenses	237,808	1,033
Adjustment on amalgamation	-	682,250
Written off preliminary expenses of Transferors Companies (Bowstring Projects & Investments Private Limited & Green Garden Horticulture Private Limited)	-	307
	14,716,875	3,120,376
Profit and loss account	1,721,753	510,565
	20,457,271	4,870,044
Schedule 4 : Secured loans		
(Refer note 4 in schedule 20)		
Term loans		
Rupee loans from banks	10,264,192	6,456,449
(Repayable within one year 406,767 (Previous year: 431,165))		
Rupee loans from others	434,500	3,095,800
Foreign currency loans from banks	1,797,550	1,551,949
(Repayable within one year 42,000 (Previous year: 195,033))		
Working capital loan	143,156	248,859
	12,639,398	11,353,057

Schedules to the Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	March 31, 2008	March 31, 2007
Schedule 5 : Unsecured loans		
Short term loans and advances		
From banks	270,545	736,103
From others	-	3,356,402
	270,545	4,092,505
Schedule 8 : Inventories (at lower of cost and net realisable value)		
Stores, spares and consumables	227,134	284,826
Schedule 9 : Sundry debtors (Refer note 12 in schedule 20)		
Secured, considered good		
Outstanding for a period exceeding six months	599,883	599,979
Other debts	28,077	-
	627,960	599,979
Unsecured, considered good		
Outstanding for a period exceeding six months	-	-
Other debts	24,340	-
	24,340	-
	652,300	599,979
Schedule 10 : Cash and bank balances		
Cash and cheques on hand	7,562	8,886
Stamps in hand	588	954
Balances with scheduled banks on :		
- On current accounts	408,678	100,801
- On fixed deposits	1,109,855	388,652
- On unpaid dividend accounts	4,034	4,485
- On margin money deposit accounts	112,765	127,555
	1,643,482	631,333
Schedule 11 : Loans and advances		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	147,574	227,068
Advance tax (net of provision)	41,488	9,853
Deposits	105,787	110,581
Inter corporate loans	-	60,000
Advance for investments	998,185	478,674
Other receivables	183,779	130,600
	1,476,813	1,016,776
Schedule 12 : Other current assets		
Unbilled revenues	822,374	851,687
(Refer note 11 in schedule 20)		
Interest accrued but not due on deposits	57,294	7,866
	879,668	859,553
Schedule 13 : Current liabilities		
Sundry creditors		
a) total outstanding dues to micro, small and medium enterprises	-	-
b) total outstanding dues of other creditors	192,794	216,100
Interest accrued but not due on loans	23,321	189,873
Retention money	7,862	8,066
Unpaid dividend	4,033	4,485
Due to directors	7,111	11,553
Share application money refundable	-	129,476
Other liabilities	34,306	78,146
	269,427	637,699
Schedule 14 : Provisions		
Provision for Income tax (net of advance tax payments)	4,362	44,977
Provision for Fringe benefit tax (net of advance tax payments)	261	207
Retirement benefits		
Provision for Gratuity	15,426	8,462
Provision for Leave encashment	7,667	4,993
	27,716	58,639

Schedules to the Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

Particulars	Gross Block			Depreciation / Amortisation			Net Block			
	As at April 01 2007	Additions / adjustments during the year	Deletions/ adjustments during the year	As at March 31 2008	Up to April 1 2007	For the year	On deletions	Up to March 31 2008	As at March 31 2008	As at March 31 2007
Tangible Assets:										
1) Land & site development	140,157	101,178	636	240,699	-	-	-	-	240,699	140,157
2) Buildings										
i) Factory building	387,816	-	-	387,816	128,896	12,953	-	141,849	245,967	258,165
ii) Non-factory building	241,166	12,557	-	253,723	35,614	3,876	-	39,490	214,233	206,307
3) Plant and machinery	9,338,732	2,962	-	9,341,694	4,914,227	492,243	-	5,406,470	3,935,224	4,424,535
4) Computers	26,514	7,751	118	34,147	17,857	2,862	35	20,684	13,463	8,626
5) Office equipment	27,070	5,946	11	33,005	7,196	1,598	6	8,788	24,217	19,875
6) Electrical equipment	3,704	2,491	-	6,195	1,592	306	-	1,898	4,297	2,112
7) Vehicles	30,889	14,680	3,180	42,389	7,919	2,855	973	9,801	32,588	22,970
8) Furniture and fixtures	21,760	4,507	29	26,238	9,022	2,455	7	11,470	14,768	12,738
9) Road maintenance equipments	-	1,540	-	1,540	-	58	-	58	1,482	-
Intangible assets:										
1) Toll collection rights	6,779,632	-	-	6,779,632	751,677	376,665	-	1,128,342	5,651,290	6,027,955
2) Goodwill	1,892,400	4,204	-	1,896,604	-	-	-	-	1,896,604	1,892,400
Total	18,889,840	157,816	3,974	19,043,682	5,874,000	895,871	1,021	6,768,850	12,274,832	13,015,840
Less: Depreciation on Expansion project transferred to unallocated capital expenditure										
Total	18,889,840	157,816	3,974	19,043,682	5,874,000	892,915	1,021	6,768,850	12,274,832	13,015,840
Capital work-in-progress (including capital advances)									9,666,546	5,714,870
Previous year	16,383,337	2,512,549	6,046	18,889,840	4,951,902	924,526	2,428	5,874,000	13,015,840	-

Note: a. Depreciation amounting to 2,956 (Previous year 1,804) for the year ended March 31, 2008 transferred to capital work-in-progress.

Schedules to the Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

Schedule 7: Investments

	Face Value	Number of Shares/Units	March 31, 2008 Amount	Market Values	March 31, 2007 Number of shares/Units	March 31, 2007 Amount	Market values
Long term investments (at cost)							
Trade (unquoted), fully paid equity shares							
Gautami Power Limited (includes goodwill amounting 51,938 previous year 51,938)	10	174,202,450	1,742,025	-	174,202,450	1,742,025	-
Mumbai International Airport Private Limited (Refer note 9 in schedule 20)	10	74,000,000	1,483,097	-	74,000,000	1,076,422	-
Other than trade (quoted)							
Reliance Diversified Power Sector Fund-Retail Dividend Plan	20	835.645	43,284	35,243	-	-	-
Sub - Total (A)			3,268,406	35,243		2,818,447	
Current Investments (at lower of cost and market value) Other than trade (quoted)							
Principal Cash Management Fund	10	280,460	2,805	2,805	264,936	2,650	2,650
JM Money Manager Fund Super Plus - Daily Dividend	10	18,280,137	182,876	182,876	3,448,635	34,485	34,485
ING Liquid Plus Fund - Institutional Daily Dividend	10	23,844,616	238,525	238,525	-	-	-
ING Liquid Fund - Daily Dividend	10	1,227,829	13,245	13,245	-	-	-
ING Fixed Maturity Fund 34 - Institutional Dividend	10	10,000,000	100,000	100,000	-	-	-
DWS Money Plus Fund - Institutional Daily Dividend	10	10,077,685	100,859	100,859	-	-	-
DWS Credit Opportunities Cash Fund - Weekly Dividend	10	100,420,473	1,007,686	1,009,708	-	-	-
Kotak Quarterly Interval Plan Series 4 - Dividend	10	7,029,034	70,282	70,394	-	-	-
DSP Merrill Lynch Fixed Maturity Plan 3M series 3- Institutional Dividend	10	14,062,616	140,628	140,983	-	-	-
Principal Floating Rate Fund Fixed Maturity Plan - Institutional Daily Dividend Reinvestment	10	1,448,979	14,508	14,508	-	-	-
Principal Liquid Plus Fund - Daily Dividend Reinvestment	10	20,661,395	207,027	207,027	-	-	-
Reliance Liquid Plus Fund - Institutional Daily Dividend	1,000	27,615	27,647	27,647	-	-	-
LIC MF Liquid Fund - Daily Dividend	10	24,214,475	242,145	242,145	-	-	-
Birla Sun Life Liquid Plus - Institutional Daily Dividend - Reinvestment	10	135,339	1,354	1,354	-	-	-
Birla Sun Life Interval Income Fund - Institutional quarterly series 2 Dividend	10	10,079,264	100,793	100,994	-	-	-
Birla Sun Life Interval Income Fund - Institutional quarterly Series 3 Dividend	10	9,061,094	90,611	90,779	-	-	-
ING Fixed Maturity Fund 35 Institutional Dividend	10	15,000,000	150,000	150,749	-	-	-
JM Interval Fund - Quarterly Plan 5 - Institutional Dividend Plan	10	18,124,000	181,240	181,584	-	-	-
AIG Short Term Fund Institutional Weekly Dividend	1,000	10,050	10,050	10,060	-	-	-
HSBC Interval Fund -Plus-III- Institutional Dividend	10	10,000,000	100,000	100,360	-	-	-
Birla Sun Life Interval income - Institutional monthly series 2 Dividend	10	10,036,270	100,363	100,552	-	-	-
Reliance Fixed Horizon Fund-VI series 3 Institutional Dividend payout	10	5,000,000	50,000	50,072	-	-	-
Reliance Monthly Interval Fund- series-1 Institutional Dividend	10	5,006,655	50,109	50,138	-	-	-
TATA Dynamic Bond Fund Option A- Dividend	10	9,550,985	100,313	100,480	-	-	-
Fidelity Liquid Plus Institutional - Dividend	10	1,606,038	16,062	16,062	-	-	-
UTI Fixed Income interval fund qrtly plan series-1 Institutional Dividend plan reinvestment	10	10,000,000	100,000	100,152	-	-	-
Mirae Asset Liquid Fund Regular -Dividend Plan	1,000	4,018	4,020	4,020	-	-	-
ING Vysya Mutual Fund	10	-	-	-	1,081,999	10,833	10,833
Reliance Mutual Fund	10	-	-	-	2,005,510	30,657	30,657
Prudential ICICI Long Term Floating Rate Plan A-Growth Fund	10	-	-	-	4,454,881	50,600	51,832
Birla Cash Plus Retail Growth Fund	10	-	-	-	1,299,311	25,796	26,189
Reliance Fixed Horizon Fund - VI - Series 2-Institutional Dividend Plan	10	1,500,252	15,022	15,022	-	-	-
ICICI Prudential Institutional Liquid Plan - Daily Dividend Reinvestment	10	2,070,082	24,531	24,531	-	-	-
ICICI Prudential Institutional Liquid Plan - Daily Dividend Reinvestment	10	5,297,824	56,017	56,017	-	-	-
ICICI Prudential Institutional Liquid Plan - Daily Dividend Reinvestment	10	2,333,367	24,672	24,672	-	-	-
DWS Credit Opportunities Fund - Weekly Dividend Plan	10	11,815,708	118,805	118,805	-	-	-
DSP Merrill Lynch Liquid Plus Daily Dividend	1,000	19,588	19,600	19,600	-	-	-
MIRAE Asset Liquid Plus Fund	1,000	49,979	50,049	50,049	-	-	-
Reliance Liquid Plus Fund	1,000	50,131	50,188	50,188	-	-	-
Sundaram BNP Paribas Liquid Plus Fund	10	3,755,794	37,652	37,652	-	-	-
Reliance Mutual Fund	10	896	14	14	-	-	-
[Aggregate value of quoted investments 3,799,698 (Previous year 155,022)]			3,799,698	3,805,119		155,021	156,646
Sub - Total (B)							
National savings Certificates [other than trade (unquoted)]			34			34	
Sub - Total (C)			34			34	
Total - A + B + C			7,068,138			2,973,502	

Schedules to the consolidated accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	For the year ended March 31, 2008	For the year ended March 31, 2007
Schedule 15 : Fees from manpower and consultancy services		
Manpower and consultancy services	126,311	90,380
	126,311	90,380
Schedule 16 : Other income		
Interest on bank deposits (TDS 25,861 (Previous year: 8,336))	117,670	37,014
Dividend income from non trade investments- short term	287,667	21,146
Miscellaneous income	186,614	69,957
Excess provisions / credit balances written back	12,846	109
Profit on sale of assets	2	104
Profit on sale of investments	4,577	670
Guarantee commission	12,178	117,822
Professional services fee	-	-
	621,554	246,822
Schedule 17 : Personnel expenses		
Salaries, allowances and bonus	129,356	122,843
Staff welfare	5,814	5,021
Contribution to provident and other funds	4,559	3,857
Retirement benefits	6,578	2,159
	146,307	133,880
Schedule 18 : Operating, Maintenance & Administration expenses		
NHAI share of toll fee	78,278	19,675
Operating and maintenance expenses	45,190	37,748
Prompt payment rebate	80,329	69,603
Insurance	73,138	81,587
Repairs and maintenance:		
Buildings	2,931	8,840
Roads	76,321	24,812
Plant and machinery	357,786	128,879
Others	22,960	74,418
Payments to NHAI	8,322	6,636
Vehicle hire charges	4,387	1,764
Rent	11,751	10,281
Electricity and water	3,342	3,644
Travel and conveyance	30,145	27,739
Legal and professional charges	37,347	40,250
Rates and taxes	2,135	1,297
Audit fees	2,496	1,964
Directors' sitting fee	1,880	1,150
Miscellaneous expenses	44,876	22,913
Donation	26,081	9,357
Communication	3,410	8,733
Printing and stationery	5,866	5,622
Bid and tender document charges	7,838	-
Expenses on amalgamation	5,781	3,991
Expenses for manpower services	9,513	-
Loss on sale of investments	2,329	99
Loss on sale of assets	422	312
Bank charges	3,764	3,717
Bank guarantee commission	13,769	16,744
Upfront and arrangers fees	-	5,713
	962,387	617,488
Schedule 19 : Financial expenses		
Interest		
- on fixed period loans	312,845	327,163
- on other loans	97,822	297,403
Processing and other charges	3,008	2,441
	413,675	627,007

Consolidated cash flow statement for the year ended March 31, 2008

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	March 31, 2008	March 31, 2007
Profit before tax	1,287,437	821,040
Adjustments for		
Depreciation	775,693	805,500
Dividend income	(287,667)	(21,148)
Amalgamation expenses	5,781	3,991
Interest income	(117,669)	(37,014)
Interest expense	395,532	627,007
Profit on sale of short term investment	-	(670)
Profit on sale of assets	421	208
Operating profit before working capital changes	2,059,528	2,198,914
Movements in working capital		
Increase in sundry debtors and other receivables	(1,175,857)	(216,585)
(Increase)/Decrease in inventories	57,693	(43,741)
(Increase) /decrease in loans and advances	(143,411)	16,036
(Decrease)/increase in current liabilities	(51,474)	(321,639)
Cash generated from operations	746,479	1,632,985
Direct taxes paid	(311,187)	(194,045)
Net cash from operating activities (A)	435,292	1,438,940
Cash flows from investing activities		
Purchase of fixed assets	(2,100,960)	(1,323,193)
Proceeds from sale of fixed assets	1,898	3,411
Payments for net assets acquired of subsidiaries, net of cash (39)	(3,521,527)	
Purchase of investments	(908,268)	(25,170)
Proceeds from sale/ redemption of investments	-	341,182
Advance for investments	(391,163)	-
Expenses on amalgamation and preliminary expenses	(6,588)	(4,052)
Dividends received	298,900	21,145
Interest received	68,539	37,755
Preoperative/unallocated expenditure	(1,542,631)	(170,589)
Net cash used in investing activities (B)	(4,580,312)	(4,641,038)
Cash flows from financing activities		
Proceeds from share issue, net of share issue expenses	11,980,808	(1,033)
Proceeds from long term borrowings	2,407,297	1,345,291
Repayment of long term borrowings	(4,762,378)	(328,587)
Proceeds from/(repayment of) short term borrowings (net)	(72,963)	2,857,371
Proceeds from share application money	-	83,208
Repayment of share application money	(292,680)	(126,988)
Interest paid	(1,227,216)	(463,179)
Dividend paid	(96,009)	(222,005)
Net cash from financing activities (C)	7,936,859	3,144,078
Net increase in cash and cash equivalents A+B+C	3,791,839	(58,018)
Cash and cash equivalents at the beginning of the year	521,872	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 year	4,313,711	521,872

	March 31, 2008	March 31, 2007
Components of cash and cash equivalents as at		
Cash on hand	7,562	8,886
Stamps in hand	588	954
Balances with scheduled banks on :		
(i) Current accounts	408,679	100,804
(ii) Deposit accounts	89,366	233,484
(iii) Unpaid dividend accounts *	4,033	4,485
(iv) Margin money deposit accounts *	3,765	18,204
Balances in short term investments	3,799,718	155,055
	4,313,711	521,872

Reconciliation between cash and cash equivalents and amounts reported in consolidated balance sheet

	March 31, 2008	March 31, 2007
Cash and cash equivalents	4,313,711	521,872
Add: Fixed deposits classified in investing activities	1,129,489	264,516
Less: Current investments classified as cash equivalents	(3,799,718)	(155,055)
Cash and bank balance as reported in consolidated balance sheet	1,643,482	631,333

- Notes:1. The allotment of shares on amalgamation of Bowstrings Projects & Investments Private Limited and Green Garden Horticulture Private Limited as well as scheme of arrangement with share holders of GVK Industries Limited have been considered as non cash transaction.
2. The transfer of monies from Synergics Hydro to Alakananda Hydro Power Company Limited has been considered as a non-cash transaction.
- * Not available for ready use by the company

As per our report of even date

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

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

Place : Hyderabad
Date : 22.04.2008

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

G V Krishna Reddy
Chairman and Managing Director

Som Bhupal
Director

A Issac George
Director & CFO

P V Rama Seshu
Company Secretary

Notes to consolidated accounts

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees thousands unless otherwise stated)

1. Nature of Operations

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

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

The following is the brief description of the subsidiaries:

- a) GVK Industries Limited ("GVKIL" or "Subsidiary Company") is engaged in generation of power.
- b) Alaknanda Hydro Power Company Limited ("AHPCL" or "Subsidiary Company") is engaged in generation of power.
- c) GVK Power (Goindwal Sahib) Limited ("GVKPGSL" or "Subsidiary Company") is engaged in generation of power.
- d) Goriganga Hydro Power Private Limited ("GHPPL" or "Subsidiary Company") is engaged in generation of power.
- e) GVK Coal (Tokisud) Company Private Limited ("GVKCCPL" or "Subsidiary Company") is engaged in mining of coal meant.
- f) GVK Jaipur Expressway Private Limited ("GJEPL" or "Subsidiary Company") is engaged in building and developing of the highway project.
- g) GVK Airport Developers Private Limited ("GVKADPL" or "Subsidiary Company") is engaged in business of construction and development of airports.
- h) GVK Airport Holdings Private Limited ("GVKAHPL" or "Subsidiary Company") is engaged in business of investments as promoters and developers of the international and domestic airport projects.
- i) GVK Aviation Private Limited ("GVKAPL" or "Subsidiary Company") is engaged in business of non scheduled air transportation for captive and commercial use.
- j) GVK Infratech Private Limited ("GVKIPL" or "Subsidiary Company") is engaged in business of development, operation and maintenance of infrastructure facility.
- k) GVK Energy Limited ("GVKEL" or "Subsidiary Company") is engaged in business of exploration of Oil and Natural Gas.

The following is the brief description of the associates:

- a) Mumbai International Airport Private Limited ("MIAL" or "Associate Company") is engaged in operations, maintenance and development of Chatrapati Shivaji International Airport, Mumbai.
- b) Gautami Power Limited ("GPL" or "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") have been prepared to comply in all material respects with the notified accounting standard ('AS') by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956 ("the Act"). The consolidated financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

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. Un realized losses resulting from intergroup transactions are eliminated unless cost are recovered.

The Consolidated Financial Statements as at and for the year ended on March 31, 2008 include the financial statements of the following entities:

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

Name of the Consolidated Entity	Country of Incorporation	Nature of Interest	% of Interest	
			2008	2007
GVKIL	India	Subsidiary	100	53.96
GJEPL	India	Subsidiary	100	100
AHPCL	India	Subsidiary	100	99.97
GVKPGSL	India	Subsidiary	100	98.60
GVKCCPL	India	Subsidiary	100	99
GVKADPL	India	Subsidiary	100	99
GHPPL	India	Subsidiary	100	99
GVKAHPL	India	Subsidiary	99	98.01
GVKAPL	India	Subsidiary	100	Nil
GVKIPL	India	Subsidiary	100	Nil
GVKEL	India	Subsidiary	100	Nil

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 Company's interest in the associate. Unrealized losses are not eliminated if and to the extent the cost of the transferred assets can not be recovered.

Name of the Consolidated entity	Country of Incorporation	Nature of Interest	% of Interest	
			2008	2007
GPL	India	Associate	44.97	44.97
MIAL	India	Associate	36.63	36.26

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c. Changes in Accounting Policies - Adoption of AS 15 - Employee Benefits

Effective April 1, 2007 the Company has adopted AS 15 on employee benefits which is mandatory from accounting periods commencing on or after December 7, 2006. Accordingly the company has provided for gratuity based on actuarial valuation done as per projected unit credit method. Pursuant to the adoption, the transitional obligation of the Company as per the notified Accounting Standard amounting to 2,147 (net of tax liability of 1,106) has been adjusted to the general reserve. This change is not having material impact on the profit for the current year.

d. 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. Financing costs relating to acquisition of qualifying assets are also included to the extent they relate to the period till such assets are ready to be put to 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 mentioned below, which are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Act:

Particulars	Rates (SLM)
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 are written off over the concession period.

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

Direct and indirect expenditure incurred on construction of highway project is shown as toll collection rights. Fixed assets individually costing 5 or less are fully depreciated in the year of purchase.

e. Impairment

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

f. Expenditure incurred during construction period

Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized 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. Direct and indirect expenditure are capitalized only if they increase the value of the asset beyond its original standard of performance.

g. 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.

h. Government grants

Grants from the government are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants relating to assets are recognized in the proportion in which the amortisation of such assets is charged and are netted off against the amortisation on such assets.

i. 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.

- (i) Generation of power
Revenue from sale of energy is recognized on accrual basis in accordance with the provisions of the Power Purchase Agreement ("PPA") with Andhra Pradesh Transmission Corporation Limited ("AP Transco").
The Subsidiary Company 'GVKIL' 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.
- (ii) Income from toll operations
The revenue is recognized as and when the traffic passes through toll - plazas.
- (iii) Interest
Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (iv) Dividends
Revenue is recognised when the shareholders'/Unit holders' right to receive payment is established by the balance sheet date.
- (v) Manpower and consultancy services
Revenue for manpower services represents the amount billed for the services rendered.

j. 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. Foreign Currency Loans for Phase I of the Power Plant of GVKIL 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

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

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.

(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 period, or reported in previous financial statements, are recognized as income or as expenses in the period in which they arise. Exchange differences arising in respect of fixed assets acquired from outside India on or before accounting period commencing after December 7, 2006 are capitalized as a part of fixed asset.

k. 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.

l. Employee benefits

- (i) Retirement benefits in the form of Provident fund, in the nature of defined contribution plans, 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 is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- (iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- (iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

m. 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.

n. Income taxes

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 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 realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

o. Earnings 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. 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).

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

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.

p. 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 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.

q. 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 include general corporate income and expense items which are not allocated to any business segment.

r. 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. The Phase II power plant of GVKIL at Jegurupadu is a dual fuel combined cycle power plant using both gas and alternate fuel. As per the terms of agreement with AP Transco the plant may be treated as fully operational only after it is capable of firing under both gas and alternate fuel. Since the alternate fuel facility is under construction all expenditure incurred upto the date of balance sheet including borrowing costs have been included under capital work-in-progress.

4. Secured Loans

Loans and advances from banks and others include the following;

Name of the Subsidiary	2007-08	2006-07
GVKIL	7,563,201	7,556,778
GJEPL	2,646,801	2,787,978
AHPCL	2,429,397	Nil

The details of the security are as follows:

(a) GVKIL

- Exclusive first charge on all unused spares and inventory.
- Pari passu first mortgage and charge on movable and immovable assets, present and future.
- 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 the expansion project.
- 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).
- Pari passu first charge/assignment/security/interest on all the revenues/receivables of the Subsidiary Company pertaining to expansion project.
- Pari passu first charge/assignment/security interest on the Subsidiary 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 the Subsidiary Company by any party to any project agreement or contract pertaining to the expansion project.
- Pledge of 26% of shares of the Subsidiary Company held by the Parent Company.
- First charge on six weeks book debts by way of hypothecation.

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

(b) GJEPL

- First mortgage and charge against the Subsidiary Company's immovable properties present and future.
- 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.
- First charge on all cash flows, books debts and receivables and any other revenues of whatsoever nature and wherever arising, present and future.
- First charge on all intangibles including but not limited to goodwill, uncalled capital, present and future.
- 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 Subsidiary 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 Subsidiary Company in the clearances;
 - c) all the rights, title, interest, benefits, claims and demands whatsoever of the Subsidiary Company in any letter of credit, guarantee, performance bond provided by any party to the project documents and
 - d) all insurance contracts/insurance proceeds.
- First charge on the escrow account and other reserves, and any other bank accounts of the Subsidiary Company wherever maintained.
- Pledge of shares to the extent of 51% of the capital of the Subsidiary Company held by the Parent Company.
The securities specified above shall rank pari passu amongst the participating senior lenders.

(c) AHPCL

- First mortgage and charge against the Subsidiary Company's immovable properties present and future.
- 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.
- First charge on all cash flows, book debts and receivables and any other revenues of whatsoever nature and wherever arising.
- First charge on all intangibles including but not limited to Goodwill, uncalled capital, present and future.
- First change by way of assignment or creation of security interest in:
 - a) all rights, titles, interest, benefits, claims and demands whatsoever of the Subsidiary 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 Subsidiary Company in the clearances;
 - c) all the rights, title, interest, benefits, claims and demands whatsoever of the Subsidiary Company in any letter of credit, guarantee, performance bond provided by any party to the project document; and
 - d) all insurance contracts / insurance proceeds.
- First charge on the Escrow account and other reserves, and any other bank accounts of the Subsidiary Company wherever maintained.
- Pledge of shares to the extent of 51% of the paid-up capital of the Subsidiary Company held by the Parent Company.

5. Employee benefits

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is not funded.

The following tables summarize the components of net benefit recognized in the profit and loss account under the head retirement benefits and amounts recognized in the balance sheet for the respective plans.

(i) Profit and loss account

Particulars	Amount
Current service cost	2,568
Interest cost on benefit obligation	660
Net actuarial (gain) / loss recognized in the year	3,160
Net benefit expenses	6,388
Actual return on plan assets	Nil

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

(ii) Balance sheet

Particulars	Amount
Opening defined benefit obligation	9,958
Interest cost	660
Current service cost	2,568
Benefits paid	(920)
Actuarial (gains)/losses on obligation	3,160
Closing defined benefit obligation	15,426

The principal assumptions used in determining gratuity benefit obligation for the company's plans are shown below:

Particulars	%
Discount rate	8
Expected rate of return on assets	-
Employee turnover	1
Further salary rise	4

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The current year being the first year of adoption of AS 15 by the Company, the previous year comparative information has not been furnished.

6. Contingent liabilities**(A) Parent Company****■ Security against loans taken by others**

During the year ended March 31, 2008 the Parent Company has provided security amounting to 1,131,495 (Previous Year 1,131,495) by way pledge of its investments in respect of amounts borrowed by GPL, management is of the opinion that the Associate 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.

■ Claims against GVKPIL not acknowledged as debt

The Parent Company has received a notice dated February 4, 2008 from the Office of the District Registrar of Assurances, Hyderabad demanding payment of stamp duties of 282,960 on transfer of shares to the shareholders of GVKIL vide the scheme of arrangement approved by the Honourable Andhra Pradesh High Court. GVKPIL has obtained an order from the Honourable Andhra Pradesh High Court staying the above notice on March 13, 2008 until such further orders from the said court.

(B) Subsidiary Companies**(i) GVKIL**

S No	Particulars	2007-08	2006-07
1	On account of guarantees issued by banks	203,350	67,545
2	On account of Inland letters of credit	70,000	70,000
3	Service tax reimbursable to GVKPIL for the period April 1, 1997 to March 31, 2007 as matter is disputed by GVKPIL and pending in appeals	Nil	67,442
4	Income tax demand pending appeals	1,545	1,545
5	On account of foreign letter of credit	20,274	Nil

- AP Transco during the year 2003-2004 made a claim of 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 company 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 against GVKIL, the liability on this account up to March 31, 2008 would be 377,781 (Previous year 343,589).
- AP Transco has filed petitions before the Andhra Pradesh Electricity Regulatory Commission (APERC) in 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 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.

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

- Sundry debtors include 7,551 due from AP Transco being the amount withheld towards excess interest charged on working capital by the Subsidiary Company. The matter is pending in arbitration before Honourable High Court of Andhra Pradesh.
- The Subsidiary Company has received demand notice in March 2006 to pay Income Tax of 1,545 for the assessment year 2003-04 in respect of which the Subsidiary Company has gone on appeal and it believes that based on judicial pronouncements its contention is likely to be accepted by the appellate authorities.
- As per the terms of contract with Bharat Petroleum Corporation Limited (BPCL) for supply of Naphtha, the Subsidiary Company has to pay for 80,000 MT @ Rs 38.45 as 'Minimum off Take charges' in the year in which there is no procurement. The Company is negotiating with BPCL to reduce the Minimum off Take quantity from 80,000 MT to 40,000 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 40,000 MT, which worked out to 1,538 for the year and the liability on this account up to March 31, 2008 is 4,614 (Previous year 3,076)

(ii) GJEPL

S No	Particulars	2007-08	2006-07
1	On account of guarantees issued by banks	210,000	210,000
2	On account of corporate guarantee given by others	90,000	90,000
3	On account of Inland letters of credit	Nil	7,500
4	Disputed income tax demands in respect of financial years 2003-04 and 2004-05	1,086	50

Deposits recoverable under loans and advances include 9,000 (Previous year 9,000) being margin money deposit with Novopan Industries Limited against the corporate guarantee given by them.

(iii) AHPCL

The Subsidiary Company has received claims from Synergic Hydro Asia, Mauritius and others to the extent of 680,000. The Subsidiary Company is in the process of reviewing these claims against the milestone events in this respect. The Subsidiary Company acknowledged liability against these claims up to 382,000 and paid the same during the year. Pending completion of review and necessary approvals from appropriate authorities, the balance amount is disclosed as contingent liability.

(iv) GVKPGSL

Contingent liability not provided for on account of bank guarantees 39,000 (Previous Year 39,000).

(C) Associate companies (to the extent of share holding therein)**(i) GPL (44.97%)**

S No	Particulars	2007-08	2006-07
1	On account of guarantees issued by banks	147,954	195,445
2	Claims against the company not acknowledged as debts	46,314	55,519
3	On account of Income Tax	757	757
4	Disputed Entry Tax	23,026	23,026

(ii) MIAL (36.63%)

- Claims against the Associate Company not acknowledged as debts:
 - (a) Non agricultural tax amounting to 85,421 (Previous year: Nil) levied by the appropriate authorities on the Airport Land, of which 42,711 is paid under protest, as at March 31, 2008.
 - (b) 130,293 (Previous year: Nil) claimed by the Airports Authority of India (AAI) being service tax payable on the Annual Fees. Pending final order from the Honourable High Court of Delhi, no provision in the books of account considered necessary at this stage.
- During the year ended March 31, 2008 the Associate Company received a show cause notice from the Commissioner of Service Tax, Mumbai in respect of utilization of Cenvat Credit amounting to 15,275. Pending, finalization of proceeding in the matter and in the absence of reliable estimate of actual liability, no provision is made in the books of account.
- Pursuant to the terms and conditions of the Operation, Management and Development agreement ("OMDA"):
 - (a) The Associate Company shall reimburse AAI towards pay revision of AAI employees, engaged in providing operation support to it. Pending finalization of pay and allowances revision of such employees and in the absence of reliable estimate thereof, no provisions are made in the books of account at this stage.
 - (b) The Associate Company shall be responsible for payment of voluntary retirement compensation to the employees of AAI, in the event of actual number of employees absorbed within the time period as stipulated under the OMDA are less than sixty percent of AAI employees at the Airport. Pending expiry of the period for absorption of such employees and in the absence of reliable estimate of amounts payable on voluntary retirement, no provisions are made in the books of account at this stage.

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

- During the year ended March 31, 2008 the Associate Company has awarded a contract to Housing Development and Infrastructure Limited ("HDIL") to undertake activities relating to rehabilitation of slum dwellers and restoration of the Airport Land, which is currently encroached by such slum dwellers, in consideration of the rights to develop certain portion of the vacated land in a phased manner.

7. Capital Commitments

Estimated amounts of contracts (net of advances) remaining to be executed on capital account and not provided for as at March 31, 2008;

(A) Subsidiary companies

Name of the subsidiary	2007-08	2006-07
GVKIL	121,506	700
AHPCL	10,420,000	2,443,800

(B) Associate companies (to the extent of share holding therein)

Name of the associate	2007-08	2006-07
GPL	544,632	669,199
MIAL	2,246,042	1,665,127

8. 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 are as given hereunder:

Particulars	GVKIL	AHPCL	GVKADPL	GVKAPL	GVKIPL
Share in the net assets of the entity	2,819,322	9	5,328	19,178	(3,281)
Less: Cost of Investment	90,462	10	1	20,000	100
Capital Reserve / (Goodwill)	2,728,860	(1)	5,327	(822)	(3,381)

The assets and liabilities of the acquired entities included in the Consolidated Balance Sheet as at March 31, 2008 are:

Liabilities	
Current liabilities and Provisions	7,082
Assets	
Fixed assets (net)	1,538,751
Investments	14
Current assets	29,804

The acquired entities have not commenced operations and no profit and loss account is prepared for the said entities. Accordingly the Consolidated Profit & Loss Account for the year ended March 31, 2008 does not include post acquisition profits or losses of the acquired entities.

9. Investment in associates

GVKPIL through its step down subsidiary holds 36.63% equity shares of MIAL consequent to which investment has been accounted in accordance with Notified AS - 23 and profit amounting to 406,675 (Previous year 336,422) has been recognised.

10. Deferred Taxes**(A) Parent company**

Deferred tax assets, net of deferred tax liability arising on account of timing differences is given below:

Particulars	2007-08	2006-07
Provision for retirement benefits	2,678	934
Amalgamation Expenditure	2,288	1,085
Depreciation	(54)	4
Total	4,912	2,023

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

(B) Subsidiary companies**(a) GVKIL**

Deferred tax liability, net of deferred tax assets arising on account of timing differences is given below:

Particulars	2007-08	2006-07
Depreciation	817,581	816,761
Tax on unbilled revenues	80,770	82,587
Interest Income	(2,807)	(3,270)
Provision for retirement benefits	(4,143)	(3,343)
Total	891,401	892,735

(b) GJEPL

The Subsidiary Company has not recognised deferred tax assets since its income from operation is eligible for deduction under section 80 IA of the Income Tax Act, 1961 for a period of 10 years out of a total 15 years after the commencement of Toll Operations and there is no virtual certainty of sufficient future taxable income.

11. Unbilled Revenues

In accordance with the terms and conditions of the PPA with AP Transco, GVKIL is entitled for reimbursement of tax on income. Accordingly, the Subsidiary Company estimated reimbursement of future taxes amounting to 618,826 (previous year 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, 2008 include future tax liabilities to the extent not reimbursable by AP 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 451,250 by GVKIL. The increased capital cost is subject to the 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 Honourable 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, 2008, aggregating to 169,159. 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 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 Honourable 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 Honourable 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. Managerial Remuneration

Particulars	2007-08	2006-07
Salaries	28,505	26,415
Commission	7,103	10,137
Contribution to provident fund	2,463	2,267
Perquisites	1,149	984
Total	39,220	39,803

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

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

14. Related Party Transactions

Transactions with related parties during the year ended and outstanding balances as at March 31, 2008 are:

(a). Associates

GPL

MIAL **

** Through Subsidiary Companies

(b). Key management personnel

Dr. G V Krishna Reddy

Mr. G V Sanjay Reddy

Mr. Somanadri Bhupal

Mr. V Rama Rao

Mr. A Issac George

Mr. Y Rama Murthy

Mr. P V Prasanna Reddy

(c). Relatives of key management personnel

Mrs. G Indira Krishna Reddy

Mrs. G V Aparna Reddy

Mr. G V Keshav Reddy

Ms. G Mallika Reddy

Mrs. Shalini Bhupal

Mr. Krishna Ram Bhupal

Ms. Shriya Bhupal

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

TAJ GVK Hotels & Resorts Limited

Orbit Travels & Tours Private Limited

GVK Hydrel Private Limited

Vertex Infratech Private Limited

Novopan Industries Limited

Paigah House Hotel (P) Limited

GVK City Private Limited

GVK Technical & Consultancy Services (P) Limited

GVK Projects Limited

GVK Energy Holdings Private Limited

Krishna Enterprises

Gautami Power (Samalkot) Private Limited

Pinakini Share and Stock Brokers Limited

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

Related Party Transactions (contd...)

Particulars of Transactions	Associates	Key Management Personnel and relatives	Enterprises in which key management personnel are interested
Remuneration	----	39,220	----
	----	(39,803)	----
Rent	----	2,356	5,691
	----	(2,136)	(4,633)
Services rendered	139,005	----	101,707
	----	----	(21,940)
Inter Corporate Deposits Paid (including interest)	----	----	3,504,402
	----	----	(822,412)
Repayment of Share Application Money	----	----	----
	----	(65,266)	(112)
Share application money paid pending allotment	490,100	----	1,063
	----	----	(253)
Investment in equity	----	----	----
	(740,000)	(174)	----
Advances Paid	----	----	1,585,476
	----	----	(67,772)
Pledge of Investment	1,131,495	----	4,950
Donations	----	----	13,277
	----	----	(9,225)
Consultancy Services	----	----	----
	----	----	(38,735)
Sale of Assets	----	----	----
	(2,278)	----	----
Margin money Deposit	----	----	9,000
	----	----	(9,000)
Sitting fees	----	395	----
	----	(70)	----
Service charges	----	----	----
	----	----	(162,264)
Expenses re imbursement	12,054	----	98,646
	----	(15,720)	----
Remuneration Payable	----	7,111	----
	----	(3,407)	----
Deposits Receivable	----	----	----
	----	----	(39,547)
Investment in Equity	740,000	----	----
	(740,000)	(1)	----
Advances	----	----	685,726
	----	----	(67,772)
Loan Outstanding	----	----	----
	----	----	(3,356,402)
Pledge of Investment	1,131,495	----	4,950
	(1,131,495)	----	(246,180)
Other Payables	----	----	----
	----	----	(150,777)
Advance payable	----	----	----
	----	(6,729)	(26,687)
Receivables	24,340	----	----
	----	----	(95,965)
Share Application Money	----	----	1,063
	----	(400)	----

Schedule 20: Notes to Consolidated Accounts
(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

Details of material related party transaction (included above)

Particulars	GPL	MIAL	GVK Technical & Consultancy Services Pvt Ltd	GVK Hydel Pvt Ltd	Vertex Infotech Pvt Ltd	GVK Projects Limited	Novopan Industries Ltd	TAJ GVK Hotels & Resorts Limited	Orbit Travels & Tours Private Limited	Pinakini Shares & Stock Brokers Ltd	Paigah House Hotel (P) Ltd	Krishna Enterprises	Gautami Power (Samalkot) Pvt Ltd
Rent	-	-	-	-	-	-	-	-	-	-	3,872	1,820	-
Payment for services rendered	-	139,005	74,021	-	-	-	11,236	2,754	13,312	384	-	-	-
Loans repaid	-	-	-	-	3,504,402	-	-	(2,096)	(16,158)	-	-	-	-
Consultancy Services	-	-	-	(31,172)	(833,593)	-	-	-	-	-	-	-	-
Share application money pending allotment	490,100	(20,486)	-	-	-	-	-	-	-	-	-	-	1,063
Investment in equity	-	(740,000)	-	-	-	-	-	-	-	-	-	-	-
Advances	-	-	-	(400)	(35,104)	1,585,476	-	-	-	-	-	-	-
Loans received	-	-	-	(200)	(3,571,069)	(32,268)	-	-	-	-	-	-	-
Repayment of share application money	-	-	-	(253)	-	-	-	-	-	-	-	-	-
Interest paid / Provision	-	-	-	(2,467)	62,966	-	-	-	-	-	-	-	-
Pledge of Investment/corporate guarantee	1,131,495	-	-	-	-	-	4,950	-	-	-	-	-	-
Service charges	(1,131,495)	-	-	-	(246,180)	-	(1,350)	-	-	-	-	-	-
Margin Money Deposit	-	-	-	-	-	-	(9,821)	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	9,000	-	-	-	-	-	-
Expenses reimbursement	12,054	-	-	16,500	(2,278)	-	-	-	-	-	-	-	-
	-	-	-	-	35,104	-	47,042	-	-	-	-	-	-

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

15. Segment Information

Business Segments:

The Company organized its operations into three major businesses:

- a) Power: Generation, Operation and Maintenance services to the power plants
- b) Roads: Building, development and maintenance of roads
- c) Others: SEZ, Aviation, Manpower and consultancy services

Geographical Segments:

The Company operates in a single geographical segment.

Schedule 20: Notes to Consolidated Accounts
(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

Particulars	Power		Roads		Others		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
REVENUE								
External Revenue	3,204,905	2,738,291	1,368,644	1,157,377	126,311	90,380	4,699,860	3,986,048
Inter Segment Revenue	-	-	-	-	-	-	-	-
Total Revenue	3,204,905	2,738,291	1,368,644	1,157,377	126,311	90,380	4,699,860	3,986,048
RESULT								
Segment Result	171,053	605,113	807,853	674,157	102,979	47,504	1,081,885	1,326,774
Interest expense							(413,675)	(627,007)
Interest income							117,669	37,014
Other income (net)							501,532	84,260
Profit Before Tax (PBT)							1,287,411	821,040
Income taxes							238,511	249,596
Profit before minority interest and share of profit from associate							1,048,900	571,444
Share of profit from associate							406,675	336,422
Minority interest							(100,878)	(327,568)
Profit for the year							1,354,697	580,298
OTHER INFORMATION								
Segment assets	18,427,179	14,783,287	5,808,519	6,092,702	1,584,607	55,468	25,820,305	20,931,457
Unallocable corporate assets							11,908,065	6,663,862
Total assets							37,728,370	27,595,319
Segment liabilities	155,994	281,012	106,057	48,764	7,149	2,030	269,200	331,806
Unallocable corporate liabilities							13,834,921	19,432,254
Total liabilities							14,104,121	19,764,060
Capital Expenditure	3,719,945	1,156,892	12,922	582,299	1,538,854	-	5,271,722	1,739,191
Depreciation (included in segment expense)	513,205	511,700	262,488	293,800			775,693	805,500

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

16. Operating Leases

The Parent Company has entered into operating lease agreements for various offices and guest house for period up to 3 years. The future minimum lease payments payable under non-cancellable operating lease are as follows:

Particulars	2007-08	2006-07
Not later than one year	2,752	8,496
Later than one year and not later than five years	1,529	2,370
Later than five years	Nil	2,090

No significant restrictions have been imposed by the lessors on the leases. The leases can be renewed after completion of the minimum lock in period after mutually discussing the renewal terms with the lessor.

17. Payments to auditors (including service tax)

(a) Audit fees in Schedule 17:

Particulars	2008	2007
Statutory audit fees	2,438	1,889
Other Services	36	55
Reimbursement of out-of-pocket expenses	22	20
	2,496	1,964

(b) Amount paid towards professional services adjusted against securities premium account - 1,256 (Previous year - Nil)

18. Earnings Per Share

Particulars	For the year ended March 31	
	2008	2007
(a) Basic and dilutive Earnings per share:		
Net Profits after tax	1,354,697	580,298
Weighted average no. of equity shares	1,304,368,059	939,694,450
Basic and diluted earnings per share	1.04	0.62

Note: Consequent to the stock split as explained in Para 22, the basic and diluted earnings per share for the current and previous financial year are calculated based on face value of Rs. 1/- per equity share.

19. Income Tax

Provision for current taxes was made by GVKIL taking into account the amount claimed as reimbursable amounting to 28,077 (previous year: Nil) from AP Transco as per the terms of the PPA for the financial year ended March 31, 2008. AP Transco has disputed claims for reimbursement of MAT made by GVKIL. 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.

20. Unhedged Foreign Currency Exposure

Particulars	2007-08	2006-07
Loans	1,797,550 (USD 35 million @ Rs 40.11 and USD 10 million @ Rs. 39.37)	1,510,950 (USD 35 million @ Rs. 43.17)
Import Creditors	Nil	145 (4073 Swiss Francs (CHF) @ Rs 35.82)

Schedule 20: Notes to Consolidated Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

21. Scheme of arrangement

GVKIL became a wholly owned subsidiary of GVKPIL with effect from November 19, 2007 being the record date in terms of the scheme of arrangement sanctioned by the Honourable High court of Delhi; vide its order dated September 03, 2007.

22. Stock split

The members of the Parent Company at its meeting held on January 18, 2008 approved the split of the nominal value of each equity share from Rs.10/- per share to Rs.1/- per share and to alter of Clause V of the Memorandum of Association of the Company to give effect to the same.

23. Amalgamation

In terms of the Scheme of Amalgamation as approved by the Honourable High Court of Delhi, the Share Allotment & Transfer Committee of our company at its meeting held on October 17, 2007 has allotted 66,500,000 Equity Shares of Rs.10/- each to the shareholders of Bowstring Projects & Investments Private Limited (First Transferor Company) and 3,825,000 Equity Shares of Rs.10/- each to the shareholders of Green Garden Horticulture Private Limited (Second Transferor Company) as per the share exchange ratio of 133:4 and 153:4 respectively, aggregating to 70,325,000 Equity Shares of Rs.10/- each. In the previous year these were shown as share capital pending allotment.

24. The Consolidated Profit and Loss Account for the year ended March 31, 2008 include certain transactions with Mumbai International Private Limited in respect of which the Parent Company is in the process of filing necessary applications seeking approval from the Central Government as required under the provisions of Section 297 of the Act.

25. Foreign Currency Loans

Foreign currency loans of 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, 2008 would have been higher by Rs. Nil (Previous year: Rs. 9,194) had the outstanding Foreign Currency Loans been translated at the rates prevailing as on March 31, 2008.

25. Previous year comparatives

Previous year figures have been regrouped where necessary to conform to current year classification.

SIGNATURES TO SCHEDULES 1 TO 20

As per our report of even date

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

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

Place : Hyderabad
Date : 22.04.2008

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
Director & CFO

Som Bhupal
Director

P V Rama Seshu
Company Secretary

Standalone Financials

Auditors' Report

To

The Members of GVK Power & Infrastructure Limited.

1. We have audited the attached Balance Sheet of GVK Power & Infrastructure Limited ('the Company') as at March 31, 2008 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. Without qualifying our opinion, we draw attention to note 17 of Schedule 19, regarding certain transactions with Mumbai International Airport Private Limited in respect of which the Company is in the process of filing necessary applications seeking approval from the Central Government as required, under the provisions of Section 297 of the Companies Act 1956.
5. 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, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 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, 2008;
 - 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: 22.04.2008

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

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

Re: GVK Power & Infrastructure Limited ('the 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) In view of the nature of operations carried out by the Company, it has no inventory. Accordingly, the provisions of Clause (ii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) in respect of inventories are not applicable.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of Clauses (iii) (a) to (iii) (d) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of Clauses (iii) (e) to (iii) (g) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- (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 of 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 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 respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- (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) The Company is regular in depositing with appropriate authorities undisputed statutory dues including investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it, though there have been slight delays in few cases.
- (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 information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (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 a bank. According to the information and explanations given to us, there are no dues to any financial institution, or 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 not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (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 not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company did not raise any money through a public issue during the year.
- (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 the 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: 22.04.2008

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

Balance Sheet as at March 31, 2008

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	Schedules	March 31, 2008	March 31, 2007
Sources of Funds			
Shareholders' Funds			
Share capital	1	1,405,849	236,444
Share capital pending allotment	2	-	703,250
Reserves and surplus	3	15,776,404	3,273,515
		17,182,253	4,213,209
Loan Funds			
Unsecured loans	4	-	3,504,402
		-	3,504,402
		17,182,253	7,717,611
Application of Funds			
Fixed Assets			
Gross block	5	3,662	468
Less : Accumulated depreciation		471	358
Net block		3,191	110
Investments	6	11,699,871	7,053,266
Deferred tax assets (net)	7	4,912	2,023
Current Assets, Loans and Advances			
Sundry debtors	8	57,075	12,730
Unbilled revenues		16,576	15,116
Cash and bank balances	9	1,116,361	33,112
Other current assets	10	45,606	-
Loans and advances	11	4,259,260	938,566
(A)		5,494,878	999,524
Less: Current Liabilities and Provisions			
Current liabilities	12	12,513	330,148
Provisions	13	8,086	7,164
(B)		20,599	337,312
Net Current Assets	(A - B)	5,474,279	662,212
		17,182,253	7,717,611
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 Battliboi & Associates**
Chartered Accountants

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

Place : Hyderabad
Date : 22.04.2008

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
Director & CFO

Som Bhupal
Director

P V Rama Seshu
Company Secretary

Profit and Loss Account for the year ended March 31, 2008

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	Schedules	For the year ended March 31, 2008	For the year ended March 31, 2007
Income			
Fees and billable expenses		269,705	111,530
Less: Service tax		15,612	-
Fees and billable expenses (Net)	14	254,093	111,530
Other income	15	919,073	317,632
		1,173,166	429,162
Expenditure			
Personnel expenses	16	47,587	38,719
Operating, Maintenance and Administration expenses	17	84,148	32,467
Depreciation	5	113	26
Financial expenses	18	64,937	189,214
		196,785	260,426
		976,381	168,736
Profit before tax			
Provision for taxation			
- Current tax		73,213	19,344
- Deferred tax	7	(1,783)	(1,119)
- Fringe benefit tax		815	591
- Income tax of earlier year		(4,400)	1,466
Total Tax Expense		67,845	20,282
Profit after tax		908,536	148,454
Balance brought forward from previous year		138,294	81,176
Balance of profit and loss account taken over on amalgamation		-	(9,090)
Profit available for appropriation		1,046,830	220,540
Appropriations:			
Transfer to general reserve		-	14,845
Interim dividend		-	59,111
Tax on dividend		-	8,290
Surplus carried to Balance Sheet		1,046,830	138,294
Earnings per share (in Rs.)			
- Basic		0.70	0.16
- Diluted		0.70	0.16
Nominal value per share (in Rs.) (Refer note 13 in schedule 19)		1	1
Weighted average number of shares			
- Basic		1,304,368,059	939,694,450
- Diluted		1,304,368,059	939,694,450
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 : 22.04.2008

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

G V Krishna Reddy
Chairman and Managing Director

Som Bhupal
Director

A Issac George
Director & CFO

P V Rama Seshu
Company Secretary

Schedules to the Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	March 31, 2008	March 31, 2007
Schedule 1: Share Capital		
Authorised 1,772,500,000 equity shares of Rs.1/- each (Previous year: 177,250,000 equity shares of Rs 10/- each)	1,772,500	1,772,500
Issued, subscribed and paid up 1,405,848,900 equity shares of Rs.1/- each (Previous year: 23,644,445 equity shares of Rs.10/- each)	1,405,849	236,444
Notes:		
1. Of the above shares 52,850,000 shares of Rs.1/- per share (Previous year: 5,285,000 shares of Rs. 10/- per share) are allotted as fully paid up by way of bonus shares by capitalization of General Reserve.		
2. Of the above shares 703,250,000 (Previous year: 70,325,000 of Rs. 10/- each) shares of Rs.1/- each are allotted as fully paid up as per the scheme of amalgamation.		
3. Of the above shares 90,462,150 (Previous Year: Nil) shares of Rs.1/- are allotted as fully paid up as per the scheme of arrangement. (Refer note 12 in schedule 19)		
4. With effect from February 15, 2008 the nominal value of the equity shares have been sub divided from Rs. 10/- per share to Rs. 1/- per share. (Refer note 13 in schedule 19)		
Schedule 2: Share capital pending allotment		
Share capital pending allotment on amalgamation (Refer note 14 in schedule 19)	-	703,250
	-	703,250
Schedule 3: Reserves and surplus		
General reserve		
Balance as per last account	14,845	-
Less: Adjustment for employee benefits provision (net of tax of 1,106) (Refer note 3 in schedule 19)	2,147	-
Add: Transferred from Profit and Loss account	-	14,845
	12,698	14,845
Securities premium account		
Balance as per last account	3,120,376	3,803,966
Add: Received during the year on Qualified Institutional Placement issue	11,834,307	-
Less: Utilised for share issue expenses	237,807	1,033
Adjustment on amalgamation	-	682,250
Written off preliminary expenses of Transferors Companies (Bowstring Projects & Investments Private Limited & Green Garden Horticulture Private Limited)	-	307
	14,716,876	3,120,376
Profit and loss account	1,046,830	138,294
	15,776,404	3,273,515
Schedule 4 : Unsecured Loans		
Short term loan from banks	-	148,000
Inter corporate deposits	-	3,356,402
	-	3,504,402

Schedule 5: Fixed assets
(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

Assets	Gross Block			Depreciation			Net Block			
	As at April 1, 2007	Additions during the year	Deletions during the year	As at March 31, 2008	Upto April 1, 2007	For the year	On Deletions	Upto March 31, 2008	As at March 31, 2008	As at March 31, 2007
Tangible Assets:										
Furniture and fittings	366	210	-	576	276	30	-	306	270	90
Office equipment	102	101	-	203	82	5	-	87	116	20
Vehicles	-	2,803	-	2,803	-	77	-	77	2,726	-
Data processing equipment	-	80	-	80	-	1	-	1	79	-
Total	468	3,194	-	3,662	358	113	-	471	3,191	110
Previous year	441	27	-	468	332	26	-	358	110	109

Schedules to the Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	Face Value (Rs.)	Number of Shares/Units	March 31, 2008		March 31, 2007		
			Amount	Market Values	Number of shares/Units	Amount	Market values
Schedule 6: Investments							
Long Term Investments (At cost)							
A. Trade (Unquoted), fully paid equity shares							
Gautami Power Limited	10	174,202,450	1,742,025		174,202,450	1,742,025	
Sub - Total (A)			1,742,025			1,742,025	
B. In Subsidiaries (Unquoted), fully paid equity shares							
GVK Industries Limited	10	262,000,000	1,861,770		141,383,800	1,771,309	
GVK Jaipur Expressway Private Limited	10	121,170,000	3,429,526		121,170,000	3,429,526	
Alakananda Hydro Power Company Limited	10	124,200,000	1,242,000		3,099,000	30,990	
GVK Airport Developers Private Limited	10	10,000	100		9,900	99	
GVK Coal (Tokisud) Company Private Limited	10	10,000	100		9,900	99	
Goriganga Hydro Power Private Limited	10	10,000	100		9,900	99	
GVK Power (Goindwal Sahib) Limited	10	50,000	500		49,300	493	
GVK Aviation Private Limited	10	2,000,000	20,000		-	-	
GVK Infratech Private Limited	10	10,000	100		-	-	
GVK Energy Limited	10	50,000	500		-	-	
[Aggregate value of unquoted investments 8,296,721 (Previous year: 6,974,640)] (Refer note 5 in schedule 19)							
Sub - Total (B)			6,554,696			5,232,615	
C. Current Investments (at lower of cost and market value)							
Other than trade (quoted)							
Principal Cash Management Fund	10	280,460	2,805	2,805	264,936	2,650	2,650
JM Money Manager Fund Super Plus - Daily Dividend	10	18,280,137	182,876	182,876	3,448,635	34,486	34,486
ING Liquid Plus Fund - Institutional Daily Dividend	10	23,844,616	238,525	238,525	-	-	-
ING Liquid Fund - Daily Dividend	10	1,227,829	13,245	13,245	-	-	-
ING Fixed Maturity Fund 34 - Institutional Dividend	10	10,000,000	100,000	100,491	-	-	-
DWS Money Plus Fund - Institutional Daily Dividend	10	10,077,685	100,859	100,859	-	-	-
DWS Credit Opportunities Cash Fund - Weekly Dividend	10	100,420,473	1,007,686	1,009,708	-	-	-
Kotak Quarterly Interval Plan Series 4 - Dividend	10	7,029,034	70,282	70,394	-	-	-
DSP Merrill Lynch Fixed Maturity Plan 3M series 3- Institutional Dividend	10	14,062,616	140,628	140,983	-	-	-
Principal Floating Rate Fund Fixed Maturity Plan - Institutional Daily Dividend Reinvestment	10	1,448,979	14,508	14,508	-	-	-
Principal Liquid Plus Fund - Daily Dividend Reinvestment	10	20,661,395	207,027	207,027	-	-	-
Reliance Liquid Plus Fund - Institutional Daily Dividend	1,000	27,615	27,647	27,647	-	-	-
LIC MF Liquid Fund - Daily Dividend	10	24,214,475	242,145	242,145	-	-	-
Birla Sun Life Liquid Plus - Institutional Daily Dividend - Reinvestment	10	135,339	1,354	1,354	-	-	-
Birla Sun Life Interval Income Fund - Institutional quarterly series 2 Dividend	10	10,079,264	100,793	100,994	-	-	-
Birla Sun Life Interval Income Fund - Institutional quarterly Series 3 Dividend	10	9,061,094	90,611	90,779	-	-	-
ING Fixed Maturity Fund 35 Institutional Dividend	10	15,000,000	150,000	150,749	-	-	-
JM Interval Fund - Quarterly Plan 5 - Institutional Dividend Plan	10	18,124,000	181,240	181,584	-	-	-
AIG Short Term Fund Institutional Weekly Dividend	1,000	10,050	10,050	10,060	-	-	-
HSBC Interval Fund -Plus-III- Institutional Dividend	10	10,000,000	100,000	100,360	-	-	-
Birla Sun Life Interval income - Institutional monthly series 2 Dividend	10	10,036,270	100,363	100,552	-	-	-
Reliance Fixed Horizon Fund-VI series 3 Institutional Dividend payout	10	5,000,000	50,000	50,072	-	-	-
Reliance Monthly Interval Fund- series-1 Institutional Dividend	10	5,006,655	50,109	50,138	-	-	-
TATA Dynamic Bond Fund Option A- Dividend	10	9,550,985	100,315	100,480	-	-	-
Fidelity Liquid Plus Institutional - Dividend	10	1,606,038	16,062	16,062	-	-	-
UTI Fixed Income interval fund qrtly plan series-1 Institutional Dividend plan reinvestment	10	10,000,000	100,000	100,152	-	-	-
Mirae Asset Liquid Fund Regular -Dividend Plan	1,000	4,018	4,020	4,020	-	-	-
ING Vysya Mutual Fund	10	-	-	-	1,081,999	10,833	10,833
Reliance Mutual Fund	10	-	-	-	2,005,510	30,657	30,657
[Aggregate value of quoted investments 3,403,150 (Previous year: 78,626)]							
Sub - Total (C)			3,403,150	3,408,569		78,626	78,626
Total - A + B + C			11,699,871	3,408,569		7,053,266	78,626

Schedules to the Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	March 31, 2008	March 31, 2007
Schedule 7 : Deferred tax assets (net)		
Deferred tax assets represents the aggregate tax effect of the timing differences arising on account of:		
Provision for gratuity	1,881	683
Provision for leave encashment	797	251
Amalgamation expenses	2,288	1,085
Depreciation	(54)	4
	4,912	2,023
Schedule 8 : Sundry debtors – unsecured, considered good		
Outstanding for period exceeding six months	-	-
Other debts*	57,075	12,730
	57,075	12,730
* represents amounts receivable from GVK Industries Limited, a wholly owned subsidiary and from Mumbai International Airport Private Limited, an associate enterprise		
Schedule 9 : Cash and bank balances		
Cash on hand	494	59
Balances with scheduled banks		
- On current accounts	45,057	32,640
- On fixed deposits *	1,070,439	-
- On unpaid dividend accounts	371	413
	1,116,361	33,112
* Refer Note 8 of Schedule 19		
Schedule 10 : Other current assets		
Interest accrued but not due on deposits	45,606	-
	45,606	-
Schedule 11 : Loans and advances - Unsecured, considered good		
Share application money to subsidiaries and associates	4,226,738	802,751
Advances recoverable in cash or kind or for value to be received	9,371	109,161
Advance tax (net of provisions)	23,151	-
Deposits	-	26,654
	4,259,260	938,566
Schedule 12 : Current liabilities		
Sundry creditors		
a) total outstanding dues to micro, small and medium enterprises-	-	
b) total outstanding dues of other creditors *	8,224	8,916
Interest accrued but not due on loans	-	151,349
Unpaid dividend	371	413
Retention money	474	314
Share application money refundable	-	129,476
Other liabilities	3,444	39,680
	12,513	330,148
* Sundry Creditors includes 3,255 (Previous year: 3,255) for share issue expense in connection with the Company's initial public offering of equity shares.		
Schedule 13 : Provisions		
Provision for taxation (net of advance tax payments)	-	4,209
Provision for fringe benefit tax (net of advance tax payments)	207	207
Provision for gratuity	5,535	2,010
Provision for leave encashment	2,344	738
	8,086	7,164

Schedules to the Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	For the year ended March 31, 2008	For the year ended March 31, 2007
Schedule 14 : Fees and billable expenses		
Operating fees	44,703	42,549
Incentive fees	8,428	12,250
Manpower and consultancy services	126,310	-
Billable expenses	74,652	56,731
	254,093	111,530
Schedule 15 : Other income		
Interest on bank deposits, gross of tax deducted at source 19,351 (Previous year 9)	85,395	47
Dividend income		
Investment in subsidiary - long term	564,925	313,032
Non trade investments - short term	268,753	3,883
Profit on sale of investments	-	670
	919,073	317,632
Schedule 16 : Personnel expenses		
Salaries, wages and bonus	39,229	33,744
Staff welfare expenses	2,265	1,618
Contribution to provident fund	2,957	2,442
Retirement and other employee benefits	3,136	915
	47,587	38,719
Schedule 17 : Operating, Maintenance and Administration expenses		
Rent	1,922	-
Communication	2,990	3,258
Travel and conveyance	9,825	6,684
Operating and maintenance expenses	14,075	8,672
Legal and professional fees	10,230	147
Rates and taxes	3,373	2,282
Printing and stationery	3,966	2,036
Insurance	161	128
Audit fees	1,146	678
Expenses on amalgamation	5,781	3,991
Donations	5,020	1,077
Directors sitting fee	1,120	280
Expenses for manpower services	9,513	-
Bid and tender document charges	7,838	-
Miscellaneous expenses	7,188	3,234
	84,148	32,467
Schedule 18 : Financial expenses		
Interest		
- on loans from bank	1,971	2,582
- on loans from others	62,966	186,632
	64,937	189,214

Cash Flow Statements for the year ended March 31, 2008

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	March 31, 2008	March 31, 2007
Profit before tax	976,381	168,736
Adjustments for:		
Depreciation	113	26
Dividend income	(833,678)	(316,915)
Amalgamation expenses	5,781	3,991
Profit on sale of short term investment	-	(670)
Interest income	(85,395)	(47)
Interest expense	64,937	189,214
Operating profit before working capital changes	128,139	44,335
Changes in working capital :		
(Increase) in sundry debtors	(45,805)	(3,750)
Decrease in loans and advances	17,829	16,036
Increase in provisions	1,878	67
(Decrease) in current liabilities	(36,811)	(69,867)
Cash (used in) / generated from operations	65,230	(13,179)
Direct taxes paid	(96,989)	(21,822)
Net cash from / (used in) operating activities (A)	(31,759)	(35,001)
Cash flows from investing activities		
Purchase of fixed assets	(3,194)	(27)
Purchase of investments		
In subsidiary	(1,231,619)	(2,816,599)
In others	(1,020,439)	(25,170)
Proceeds from sale of investments	-	130,965
Advance for investments	(3,323,986)	(326,278)
Expenses on amalgamation and preliminary expenses	(5,781)	(4,052)
Dividends received	833,678	387,607
Interest received	39,789	47
Net cash used in investing activities (B)	(4,711,552)	(2,653,507)
Cash flows from financing activities		
Proceeds from share issue, net of share issue expenses	11,980,807	(1,033)
Repayment of short term borrowings	(3,504,402)	-
Proceeds from short term borrowings	-	2,860,389
Proceeds from share application money	-	81,992
Repayment of share application money	(129,476)	(87,725)
Interest paid	(216,284)	(46,408)
Dividend paid	-	(67,401)
Net cash from financing activities (C)	8,130,645	2,739,814
Net increase in cash and cash equivalents D=(A+B+C)	3,387,334	51,306
Cash and cash equivalents at the beginning of the year	111,738	60,182
Cash and cash equivalents at the beginning of the year of Transferor Companies	-	250
Cash and cash equivalents at the end of the year	3,499,072	111,738

Cash Flow Statements for the year ended March 31, 2008

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

	March 31, 2008	March 31, 2007
Components of cash and cash equivalents as at		
Cash on hand	494	59
With banks - on current account	45,428	33,053
- on deposit accounts	50,000	-
- short term investments	3,403,150	78,626
	3,499,072	111,738
Reconciliation between cash and cash equivalents and amounts reported in balance sheet		
	March 31, 2008	March 31, 2007
Cash and cash equivalents	3,499,072	111,738
Add: Fixed deposits classified as investing activities	1,020,439	-
Less: Current investments classified as cash equivalents	(3,403,150)	(78,626)
Cash and bank balance as reported in balance sheet	1,116,361	33,112

- Note: 1) The allotment of shares on amalgamation of Bowstrings Projects & Investments Private Limited and Green Garden Horticulture Private Limited as well as Scheme of Arrangement with shareholders of GVK Industries Limited have been considered as a non cash transaction
- 2) The transfer of 1000 from Synergics Hydro Asia (included in the previous year as part of advance for investments) to share application money given to Alaknanda Hydro Power Company Limited in the current year, has been considered as a non cash transaction
- 3) Cash and Cash equivalent the following which are not available for ready use by the company:

	March 31, 2008	March 31, 2007
Unpaid Dividend account	371	413

As per our report of even date

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

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

Place : Hyderabad
Date : 22.04.2008

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
Director & CFO

Som Bhupal
Director

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 limited company and then into a public limited company and was renamed as GVK Power & Infrastructure Limited.

GVKPIL provides operating and maintenance services and incidental services to owners of power plants and infrastructure companies 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 notified accounting standard by Companies Accounting Standards Rules, 2006 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 have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c. Changes in Accounting Policies

Adoption of notified AS 15 - Employee Benefits

Effective April 1, 2007 the Company has adopted the Accounting Standard 15 which is mandatory from accounting periods commencing on or after December 7, 2006. Accordingly the company has provided for gratuity based on actuarial valuation done as per projected unit credit method. Further in accordance with the transitional provision in the accounting standard, 2,147(net of tax 1,106) has been adjusted to the General Reserve. This change is not having material impact on the profit for the current year.

d. 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 using Straight Line Method at the rates mentioned below which are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Act:

	Rates (SLM)
Furniture and fittings	6.33%
Office equipment	4.75%
Vehicle	9.50%
Data Processing Equipment	16.21 %

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

e. 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.

f. 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

Schedule 19: Notes to Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

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.

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

(iii) Dividends

Revenue is recognised when the shareholders'/Unit holders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

(iv) Manpower and consultancy services

Revenue for manpower services represents the amount billed for the services rendered.

h. 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 recognized as income or as expenses in the year in which they arise.

i. Retirement and other employee benefits

(i) Retirement benefits in the form of Provident fund, in the nature of defined contribution plans, 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 is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

(iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

j. Income taxes

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 realized.

Schedule 19: Notes to Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

k. 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.

l. 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.

m. 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.

n. Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized. If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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.

3. Employee benefits

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is not funded.

The following tables summarize the components of net benefit recognized in the profit and loss account and amounts recognized in the balance sheet for the respective plans.

(i) Profit and loss account

Particulars	Amount
Current service cost	901
Interest cost on benefit obligation	312
Net actuarial (gain) / loss recognized in the year	1,305
Net benefit expenses	2,518
Actual return on plan assets	Nil

(ii) Balance sheet

Particulars	Amount
Opening defined benefit obligation	3,905
Interest cost	312
Current service cost	901
Benefits paid	(888)
Actuarial (gains)/losses on obligation	1,305
closing defined benefit obligation	5,535

Schedule 19: Notes to Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

The principal assumptions used in determining gratuity benefit obligation for the Company's plans are shown below:

Particulars	%
Discount rate	8
Employee turnover	1
Further salary rise	4

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The current year being the first year of adoption of AS 15 (revised) by the Company, the previous year comparative information has not been furnished.

4. Related party transaction

Disclosure as required by Notified Accounting Standard 18 (AS -18) "Related Party Disclosures" are as follows:

Names of the related parties and description of relationship:

(a) Related parties where control exists

Subsidiaries	GVK Industries Limited
	GVK Jaipur Expressway Private Limited
	Alakananda Hydro Power Company Limited
	Goriganga Hydro Power Private Limited
	GVK Power (Goindwal Sahib) Limited
	GVK Airport Developers Private Limited
	GVK Airport Holdings Private Limited*
	GVK Coal (Tokisud) Company Private Limited
	GVK Aviation Private Limited
	GVK Infratech Private Limited
	GVK Energy Limited

* Through subsidiary Company

(b) Associates

	Gautami Power Limited
	Mumbai International Airport Private Limited **

** Through subsidiary Company

(c) Key management personnel

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

(d) Relative of key management personnel

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

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

TAJ GVK Hotels & Resorts Limited
Orbit Travels & Tours Private Limited
GVK Hydrel Private Limited
Paigah House Hotel Private Limited
Vertex Infratech Private Limited
GVK Novopan Industries Limited
GVK Technical & Consultancy Services Private Limited
Gautami Power (Samalkot) Private Limited
Pinakini Share and Stock Brokers Limited

Schedule 19: Notes to Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

(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	53,132	126,310	----	----
	(54,799)	----	----	----
Reimbursement of expenses	74,652	----	----	----
	(56,731)	----	----	----
Payment for services rendered	----	----	----	4,591
	----	----	----	(1,486)
Remuneration	----	----	5,376	----
	----	----	(5,376)	----
Dividend received	564,925	----	----	----
	(313,032)	----	----	----
Loans repaid	----	----	----	3,504,402
	----	----	----	(864,765)
Interest paid	----	----	----	62,966
	----	----	----	(186,632)
Pledge of investment	1,932,587	1,131,495	----	----
	(705,028)	(1,131,495)	----	(246,180)
Equity contribution including advance for equity contribution	4,164,423	490,100	----	1,063
	(3,142,873)	----	(156,955)	----
Balance outstanding:				
Receivables	32,735	24,340	----	----
	(12,730)	----	----	----
Other payables	----	----	----	----
	----	----	----	(150,777)
Loan outstanding	----	----	----	----
	----	----	----	(3,356,402)

Note: The previous year figures are in parenthesis.

Schedule 19: Notes to Accounts
(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

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

Particulars	GVK Industries Limited	GVK Jaipur Expressway Pvt.Ltd	Alakananda Hydro Power Company Limited	Goriganga Hydro Power Private Limited	GVK Power (Goindwal Sahib) Limited	GVK Airport Developers Pvt.Ltd	GVK Airport Holdings Pvt.Ltd	GVK Coal (Tokisud) Company Pvt.Ltd	GVK Aviation Pvt. Ltd	GVK Infratech Private Limited	GVK Energy Limited
Fees for rendering services	53,132 (54,799)	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses (Billable expenses)	74,652 (56,731)	-	-	-	-	-	-	-	-	-	-
Dividends received	262,000 (70,692)	302,925 (242,340)	-	-	-	-	-	-	-	-	-
Pledge of Investments	681,200 (705,028)	617,967	633,420	-	-	-	-	-	-	-	-
Equity contribution including advance for equity contribution	-	-	1,220,341 (177,635)	13,730 (119,455)	292,338 (24,761)	1,059,982 (326)	(4,150)	12,313 (47)	724,950	809,141	31,629

Schedule 19: Notes to Accounts
(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

g). Details of material related party transactions (included above) contd.

Particulars	Gautami Power Limited	Mumbai International Airport Pvt Ltd	GVK Hydrel Pvt Ltd	Vertex Infratech Pvt Ltd	GVK Novopan Pvt Ltd	GVK Technical & Consultancy Services Pvt Ltd	Pinakani Stock Broker Limited	TAJ GVK Hotels & Resorts Limited	Orbit Travels & Tours Private Limited	Gautami Power Private Limited (Samalkot)
Fees for rendering services	-	126,310	-	-	-	-	-	-	-	-
Reimbursement of expenses (Billable expenses)	-	-	-	-	-	-	-	-	-	-
Payment for services rendered	-	-	-	-	-	950	384	857	2,400	-
Dividends received	-	-	-	-	-	-	-	(319)	(1,167)	-
Loans repaid	-	-	-	3,504,402	-	-	-	-	-	-
Interest paid	-	-	(31,172)	(833,593)	-	-	-	-	-	-
Pledge of Investments	1,131,495	-	(2,467)	(184,165)	-	-	-	-	-	-
	(1,131,495)	-	-	(246,180)	-	-	-	-	-	-
Equity contribution including advance for equity contribution	490,100	-	-	-	-	-	-	-	-	1,063
	-	-	-	-	-	-	-	-	-	-

Schedule 19: Notes to Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

5. Contingent liability**a. Security against loans taken by others**

During the year ended March 31, 2008 the Company has provided security amounting to 3,064,082 (Previous Year 2,082,703) by way pledge of its investments in respect of amounts borrowed by GVK Industries Limited, Gautami Power Limited, GVK Jaipur Expressway Private Limited and Alaknanda Hydro Power Company 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.

b. Claims against the Company not acknowledged as debt

The Company has received a notice dated February 4, 2008 from the Office of the District Registrar of Assurances, Hyderabad demanding payment of stamp duties of 282,960 on transfer of shares to the shareholders of GVK Industries Limited vide the scheme of arrangement approved by the Honourable Andhra Pradesh High Court. The Company has obtained an order from the Honourable Andhra Pradesh High Court staying the above notice on March 13, 2008 until such further orders from the said court.

6. Segment Information

Segment information is given only for the Consolidated Financial Statements as suggested by Accounting Standard 17 "Segment Reporting".

7. Supplementary statutory information**7.1 Directors' remuneration**

	2007-08	2006-07
Salaries	4,800	4,800
Contribution to provident fund	576	576
	5,376	5,376

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.

7.2 Payments to auditors (including service tax)

(a) Audit fees in Schedule 17:

	2007-08	2006-07
Statutory audit fees	1,124	658
Reimbursement of out-of-pocket expenses	22	20
	1,146	678

(b) Amount paid towards professional services adjusted against securities premium account -1,256(Previous year - Nil)

7.3 Expenditure in foreign currency (accrual basis):

	2007-08	2006-07
Travel	349	158
Legal and professional fees	5,919	--
	6,268	158

8. Details of utilization of proceeds raised through Qualified Institutional Placement (QIP) issue during the year and balance lying unutilized

Particulars	Amount
Proceeds from QIP issue of shares	12,210,000
Utilization	
Share issue expenses	227,435
Repayment of loans with interest	3,758,809
Share application money refund on amalgamation	129,476
Share application money to subsidiaries and associates	3,919,289
	8,035,009
Unutilized balance	
In mutual funds	3,082,024
In fixed deposit with scheduled banks	1,092,967
	4,174,991

Schedule 19: Notes to Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

9. 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 of providing services only.

10. Earnings per share

Basic and diluted earnings per share	2007-08	2006-07
Net profits after tax	908,536	148,454
Weighted average no. of equity shares of basic and diluted	1,304,368,059	939,694,450
Basic and diluted earnings per share	0.70	0.16

Note: Consequent to the stock split as explained in Para 13, the basic and diluted earnings per share for the current and previous financial year are calculated based on face value of Rs. 1/- per equity share.

11. Acquisitions

- (i) GVK Aviation Private Limited became a subsidiary of GVKPIL with effect from June 20, 2007. It became a wholly owned subsidiary from February 1, 2008.
- (ii) GVK Infratech Private Limited became a subsidiary of GVKPIL with effect from July 5, 2007. It became a wholly owned subsidiary from February 1, 2008.
- (iii) With effect from February 1, 2008 GVK Power (Goindwal Sahib) Limited, GVK Coal (Tokisud) Company Private Limited, GVK Airport Developers Private Limited and Goriganga Hydro Power Private Limited were converted to wholly owned subsidiaries by acquiring the balance equity in the respective companies.

12. Scheme of arrangement

GVK Industries Limited became a wholly owned subsidiary of GVKPIL with effect from November 19, 2007 being the record date in terms of the scheme of arrangement sanctioned by the Honourable High court of Delhi; vide its order dated September 03, 2007.

13. Stock split

The members of the Company at its meeting held on January 18, 2008 approved the split of the nominal value of each equity share from Rs.10/- per share to Rs.1/- per share and to alter Clause V of the Memorandum of Association of the Company to give effect to the same.

14. Amalgamation

In terms of the Scheme of Amalgamation as approved by the Honourable High Court of Delhi, the Share Allotment and Transfer Committee of the Company at its meeting held on October 17, 2007 has allotted 66,500,000 Equity Shares of Rs.10/- each to the shareholders of Bowstring Projects & Investments Private Limited (First Transferor Company) and 3,825,000 Equity Shares of Rs.10/- each to the shareholders of Green Garden Horticulture Private Limited (Second Transferor Company) as per the share exchange ratio of 133:4 and 153:4 respectively, aggregating to 70,325,000 Equity Shares of Rs.10/- each.

15. Micro, small and medium enterprises

The identification of micro, small and medium enterprise suppliers as defined under the provisions of "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, 2008.

16. Operating leases

The Company has entered into operating lease agreements for office spaces for period up to 3 years. The future minimum lease payments payable under non-cancellable operating lease are as follows:

Particulars	2007-08	2006-07
Not later than one year	2,752	Nil
Later than one year but not later than five years	1,529	Nil
Later than five years	Nil	Nil

Note: The minimum lease payments are excluding service tax.

No significant restrictions have been imposed by the lessors on the leases. The leases can be renewed after completion of the minimum lock in period after mutually discussing the renewal terms with the lessor.

17. The Profit and Loss Account for the year ended March 31, 2008 include certain transactions with Mumbai International Airport Private Limited in respect of which the Company is in the process of filing necessary applications seeking approval from the Central Government as required under the provisions of Section 297 of the Companies Act 1956.

Schedule 19: Notes to Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

18. Details mutual funds purchase and sold/switched during the year

Name of Mutual Fund	No. of units purchased	Amount	No. of units sold/switched	Amount
ING Liquid Plus Fund - Institutional Daily Dividend	76,095,814.64	761,209	54,881,888.97	549,000
ING Fixed Maturity Fund XXX Dividend	15,000,000.00	150,000	15,000,000.00	150,000
ICICI Prudential - Flexible Income Plan Daily Dividend Reinvestment	3,764,127.29	39,800	3,784,940.35	40,020
Birla Cash Plus - Institutional Premium - Daily Dividend Reinvestment	8,982,484.15	90,000	8,984,018.06	90,015
Birla Sun Life Liquid Plus - Institutional - Daily Dividend - Reinvestment	38,979,844.07	390,060	39,288,377.86	393,151
Birla Sun Life Cash Manager - Institutional Plan Daily Dividend - Reinvestment	29,991,002.69	300,000	29,995,415.05	300,044
DSP Merrill Lynch Liquid Plus Institutional Plan - Daily Dividend	500,611.740	500,000	500,611.74	500,712
DSP Merrill Lynch Fixed Maturity Plan 3 M Series1 - Institutional Dividend	14,000,000.00	140,000	14250469.88	142,539
DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend Reinvestment	107,330,705.12	1,075,400	107,348,623.89	1,075,580
DWS Money Plus Fund - Institutional Plan - Daily Dividend Reinvestment	77,491,252.78	775,548	68,675,237.70	687,316
DWS Money Plus Fund Regular Plan Daily Dividend Reinvestment	2,294,058.38	23,000	2,373,698.65	23,798
Fidelity Liquid Plus Retail - Dividend	1,596,346.93	16,000	1,603,996.42	16,053
Franklin Templeton Floating Rate Income Fund - Dividend Reinvestment	48,337,200.28	500,000	49,123,577.14	508,049
HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment	44,846,000.52	477,000	448,544,33.07	477,090
HDFC Cash Management Fund - Savings Plus Plan - Retail - Daily Dividend Reinvestment	47,559,157.85	477,090	48,042,455.71	481,933
HSBC Liquid Plus-Institutional Plus - Daily Dividend	51,035,695.02	511,000	51,600,926.48	516,659
ING Liquid Fund - Daily Dividend	1,390,524.042	15,000	231,754.00	2,500
ING Liquid Fund Institutional - Daily Dividend	74,909,359.67	750,000	76,028,931.24	761,209
JM Fixed Maturity Fund - Series V - Quarterly Plan 4 - Institutional Dividend Plan	25,000,000.00	250,000	25,000,000.00	250,000
JM Fixed Maturity Fund - Series VI - Quarterly Plan - Institutional Dividend Plan	25,000,000.00	250,000	25,000,000.00	250,000
JM Fixed Maturity Fund - Series VI - Quarterly Plan 2- Institutional Dividend Plan	25,000,000.00	250,000	25,000,000.00	250,000
JM Fixed Maturity Fund - Series VI - Quarterly Plan 5- Institutional Dividend Plan	25,000,000.00	250,000	25,451,815.22	254,518
JM Money Manager Fund Super Plan - Daily Dividend	50,000,000.00	500,000	50,062,024.84	500,620
JM Money Manager Fund Super Plus Plan - Daily Dividend	33,859,156.02	338,620	20,493,262.72	205,000
Kotak Flexi Debt Scheme - Daily Dividend	62,363,651.84	625,576	64,065,478.51	642,647
Kotak FMP 3M Series 25 - Dividend	10,000,000.00	100,000	10,178,258.29	101,783
Kotak Liquid (Institutional Premium) - Daily Dividend	40,889,426.81	500,000	40,904,950.62	500,190
Details mutual funds purchase and sold/switched during the year (contd.)				

Schedule 19: Notes to Accounts

(Amounts expressed in Indian Rupees Thousands unless otherwise stated)

18. Details mutual funds purchase and sold/switched during the year (Continued....)

Name of Mutual Fund	No. of units purchased	Amount	No. of units sold/switched	Amount
Kotak Quarterly Interval Plan Series 4 - Dividend	10,178,258.29	101,783	3,365,684.32	33,666
Kotak FMP 3M Series 26 - Dividend	10,000,000.00	100,000	10,172,060.72	101,721
LIC MF Liquid Fund - Dividend Plan	67,394,650.32	740,000	67,503,480.26	741,195
Lotus India Liquid Fund - Institutional Plus Daily Dividend	49,931,617.81	500,100	51,614,716.40	516,958
ABN AMRO Money Plus Institutional Daily Dividend		500,000	3,696,3851.15	502,139
Principal Cash Management Fund - Liquid Option - Institutional Plan - Dividend Reinvestment	49,989,002.41	500,000	49,995,608.45	500,066
Principal Floating Rate Fund Fixed Maturity Plan - Institutional Option - Dividend Reinvestment Weekly	49,948,667.03	500,066	52,304,756.38	523,311
Principal Liquid Plus Fund- Daily Dividend Reinvestment	35,410,312.33	354,811	14,970,059.88	150,000
Reliance Liquid Fund - Treasury Plan - Institutional - Daily Dividend	33,363,425.83	510,000	35,394,292.16	541,044
Reliance Liquid Plus Fund - Institutional Option - Daily Dividend	571,393.53	572,165	570,358.31	571,000
Reliance Quarterly Internal Fund - Series III - Institutional Dividend Plan	5,999,760.01	60,000	6,111,779.44	61,121
Sundaram BNP Paribas Money Fund Institutional - Daily Dividend Reinvestment	58,938,317.83	595,000	58,945,964.88	595,077
Sundaram BNP Paribas Liquid Plus Institutional Dividend Reinvestment Daily	85,530,825.72	857,077	87,813,231.06	880,142
TATA Liquid Super High Investment Fund - Daily Dividend	448,623.62	500,000	448,708.27	500,094
TELD TATA Floater Fund - Daily Dividend	49,832,032.51	500,094	50,605,032.09	507,852
Total	16,469,876		16,395,812	

19. Previous year comparatives

Previous year figures have been regrouped where necessary to conform to current year classification.

As per our report of even date

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

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

 Place : Hyderabad
Date : 22.04.2008

 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
Director & CFO

Som Bhupal
Director

P V Rama Seshu
Company Secretary

Statement pursuant to approval of the Central Government under Section 212(8) of the Companies Act, 1956 about the financial information of the Subsidiary Companies

**As at 31st March, 2008
(In Rupees)**

Name of the Subsidiary	GVK Industries Limited	GVK Jaipur Expressway Private Limited	Alaknanda Hydro Power Company Limited	Goriganga Hydro Power Pvt Limited	GVK Power (Goindwal Sahib) Limited	GVK Coal (Tokisud) Company Pvt Ltd	GVK Infratech Private Limited	GVK Aviation Private Limited	GVK Airport Developers Private Limited
Issued and Subscribed Share Capital	2,620,000,000	1,211,700,000	1,242,000,000	100,000	500,000	100,000	100,000	20,000,000	100000
Reserves	3,288,781,860	2,164,088,897	451,308	Nil	Nil	Nil	Nil	Nil	Nil
Total Assets	14,227,667,241	6,135,946,842	3,889,714,867	133,502,225	323,073,635	15,621,090	809,441,067	725,273,156	1,060,422,867
Total Liabilities	14,227,667,241	6,135,946,842	3,889,714,867	133,502,225	323,073,635	15,621,090	809,441,067	725,273,156	1,060,422,867
Investments (Except investment in Subsidiaries)	Nil	301,963,380	137,888,824	Nil	Nil	Nil	Nil	13,659	Nil
Turnover	3,124,575,877	1,397,325,115	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit/(Loss) Before Taxation	307,061,255	590,402,984	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Provision for taxation	11,726,325	156,000,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit/(Loss) After Taxation	295,334,930	434,402,984	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Proposed Dividend	10%	25%	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- 1) The Ministry of Corporate Affairs vide their Order No. 47/01/2008 - CL III dated 23 January, 2008 granted exemption to the Company from the applicability of the provisions of sub-section (1) of section 212 of the Companies Act, 1956.
- 2) GVK Oil & Gas Ltd has become a wholly owned subsidiary of the company w.e.f. 18-02-2008. Financial statements of GVK Oil & Gas Ltd will be prepared for the period from the date of incorporation to 31-03-2009. Hence, the same are not attached hereto.
- 3) The Company will make available the annual accounts of the subsidiary companies and related detailed information sought by the members of the Company or its subsidiaries. Further, the annual accounts of the subsidiary companies will also be kept for inspection by any member of the Company or its subsidiary at the registered office of the Company and that of the subsidiary companies concerned.

Balance sheet abstract & company's general business profile

I. Registration Details

Registration No.

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 State Code

0	1
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Balance Sheet Date

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Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Rights Issue																								
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Bonus Issue	Private Placement																								
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	1	2	2	1	0	0	0	0	0																

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets																								
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	1	7	2	0	2	8	5	2																	
	1	7	2	0	2	8	5	2																	
Sources of Funds	Reserves & Surplus																								
Paid-up Capital	<table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td>1</td><td>5</td><td>7</td><td>7</td><td>6</td><td>4</td><td>0</td><td>4</td></tr></table>		1	5	7	7	6	4	0	4															
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Secured Loans	<table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																								
Deferred Tax liability	Application of Funds																								
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Net Current Assets	Invesments																								
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Deferred Tax Assets	Misc. Expenditure																								
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IV. Performance of the company (Amount in Rs. Thousands)

Turnover	Total Expenditure																								
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Profit before tax	Profit after tax																								
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Earnings per Share Rs.	Dividend Rate %.																								
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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				
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Description

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Item Code No.

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GVK POWER & INFRASTRUCTURE LIMITED

Registered Office:'Paigah House', 156-159, Sardar Patel Road, Secunderabad - 500 003.

ATTENDANCE SLIP

I/we hereby record my/our presence at the 14th Annual General Meeting held on Tuesday, 29th July, 2008 at 11.30 a.m. at Sri Satya Sai Nigamagamam, 8-3-987/2, Srinagar Colony, Hyderabad - 500073.

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

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 14th Annual General Meeting of the Company to be held on Tuesday, 29th July 2008 at 11.30 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2008

FOLIO NO.

CLIENT ID:

DP ID:

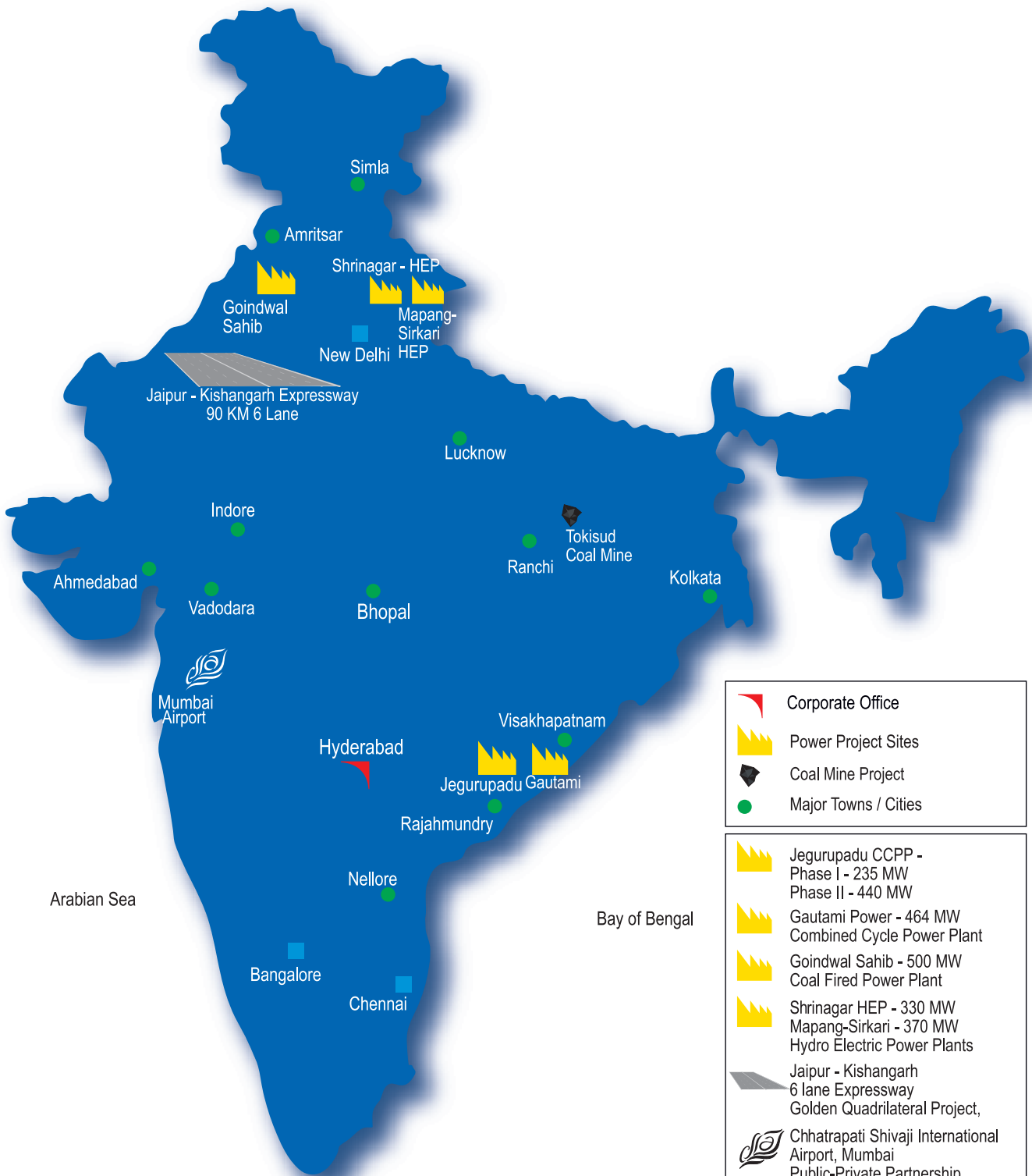
No. of Shares: _____





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

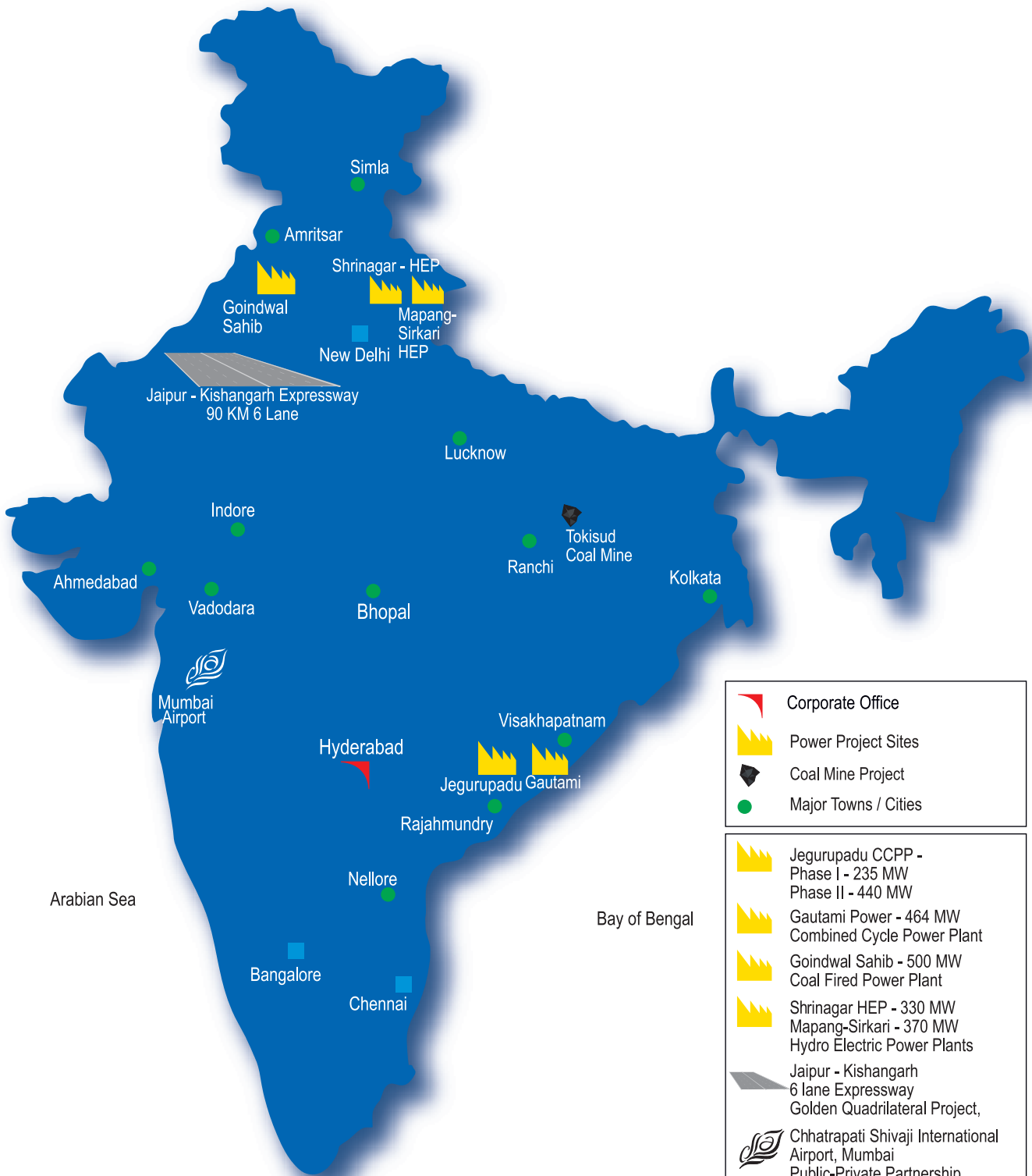
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-  Corporate Office
-  Power Project Sites
-  Coal Mine Project
-  Major Towns / Cities

-  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



-  Corporate Office
-  Power Project Sites
-  Coal Mine Project
-  Major Towns / Cities

-  Jegurupadu CCGP - 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

www.gvk.com

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