

GVK Energy Limited**Balance Sheet as at March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

	Notes	March 31, 2015	March 31, 2014
Equity and liabilities			
Shareholders' Funds			
Share capital	3	44,827	44,827
Reserves and surplus	4	1,34,308	1,38,278
		<u>1,79,135</u>	<u>1,83,105</u>
Non-current liabilities			
Long-term borrowings	5.1	87,823	97,073
Long-term provisions	6	29	26
		<u>87,852</u>	<u>97,099</u>
Current liabilities			
Short-term borrowings	5.2	10,776	-
Trade payables	7	194	73
Other current liabilities	7	28,180	41
Short-term provisions	6	79	24
		<u>39,229</u>	<u>138</u>
TOTAL		<u>3,06,216</u>	<u>2,80,342</u>
ASSETS			
Non-current assets			
Fixed Assets			
Tangible assets	8	7	13
Intangible assets	9	-	-
Non-current investments	10	2,93,982	2,43,297
Deferred tax assets (net)	11	17	16
Long-term loans and advances	15	7,725	11,120
Other non-current assets	12.2	1,165	18,420
		<u>3,02,896</u>	<u>2,72,866</u>
Current assets			
Current investments	13	986	794
Trade receivables	12.1	753	664
Cash and bank balance	14	94	4,127
Short-term loans and advances	15	85	25
Other current assets	12.2	1,402	1,866
		<u>3,320</u>	<u>7,476</u>
TOTAL		<u>3,06,216</u>	<u>2,80,342</u>

Summary of significant accounting policies**2.1**

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No : 101049W
Chartered Accountants

For and on behalf of the Board of Directors of
GVK Energy Limited

per Vikas Kumar Pansari
Partner
Membership No. 093649

Dr. G V Krishna Reddy
Chairman

G V Sanjay Reddy
Director

Place of Signature: Hyderabad
Date: May 07, 2015

K. Venugopal
Director

T Ravi Prakash
Company Secretary

GVK Energy Limited**Statement of profit and loss for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

	Notes	March 31, 2015	March 31, 2014
Income			
Revenue from operations	16	1,279	1,626
Other income	17	1,050	2,003
Total revenue		2,329	3,629
Expenses			
Employee benefit expenses	18	563	626
Operating and other expenses	19	493	505
Depreciation and amortisation expense	20	6	5
Finance costs	21	4,826	23
Total expense		5,888	1,159
Profit/(loss) before tax		(3,559)	2,470
Tax expenses			
Current tax		411	831
Deferred tax expense		(1)	12
Total tax expense		410	843
Profit/(loss) for the year		(3,969)	1,627
Earnings per equity share			
Basic	22	(1.17)	0.48
Diluted		(1.17)	0.13
Nominal value per share		10	10

Summary of significant accounting policies**2.1**

The accompanying notes are an integral part of the financial statements.

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For and on behalf of the Board of Directors of
GVK Energy Limited

per **Vikas Kumar Pansari**
Partner
Membership No. 093649

Dr. G V Krishna Reddy
Chairman

G V Sanjay Reddy
Director

Place of Signature: Hyderabad
Date: May 07, 2015

K. Venugopal
Director

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Company Secretary

GVK Energy Limited**Cash Flow Statement for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

	March 31, 2015	March 31, 2014
A.Cash flow from operating activities		
Profit/ (Loss) before tax	(3,559)	2,470
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	6	5
Profit on sale of investments	(160)	(285)
Retirement benefits provision no longer required written back	-	(11)
Interest income	(890)	(1,707)
Interest expense	4,423	17
Operating profit/(loss) before working capital changes	(180)	489
Movements in working capital:		
Increase/(decrease) in trade payables, current liabilities and provisions	125	(52)
Decrease/(increase) in trade receivables	(89)	(664)
Decrease in loans and advances	1	32
Decrease/(increase) in other current assets and other non-current assets	22	(174)
Cash used in operations	(121)	(368)
Direct taxes paid	(242)	(888)
Net cash used in operating activities	A	(1,256)
B.Cash flows from investing activities		
Purchase of fixed assets	-	(2)
Investments in subsidiaries including share application money	(33,550)	(26,227)
Refund of share application money from subsidiaries	963	4,095
Advances to subsidiaries	(6,608)	(21,215)
Refund of advance from subsidiaries	8,827	14,523
Purchase of current investments	(11,525)	(5,744)
Proceeds from sale/maturity of current investments	11,494	18,158
Redemption of bank deposits	341	5,572
Interest received	1,489	809
Net cash used in investing activities	B	(10,030)
C. Cash flows from financing activities		
Proceeds from long term borrowings	17,950	13,750
Repayment of long term borrowings	(750)	-
Interest paid	(2,735)	-
Proceeds from short term borrowings (net)	10,776	-
Net cash from financing activities	C	13,750
Net increase/ (decrease) in cash and cash equivalents	(A+B+C)	2,464
Cash and cash equivalents at the beginning of the year	3,786	1,322
Cash and cash equivalents at the end of the period	95	3,786
Components of cash and cash equivalents as at		
Cash and cheques on hand	1	1
Balance with scheduled banks on current accounts	93	3,785
	94	3,786
Add: Deposits with bank with original maturity of more than three months	-	341
Cash and bank balance as per balance sheet	94	4,127

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No : 101049W
Chartered Accountants

per Vikas Kumar Pansari
Partner
Membership No. 093649

Place of Signature: Hyderabad
Date: May 07, 2015

For and on behalf of the Board of Directors of
GVK Energy Limited

Dr. G V Krishna Reddy
Chairman

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GVK Energy Limited

Notes to financial statements for the year ended March 31, 2015

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

1. Corporate information

GVK Energy Limited ('the Company' or 'GVKEL') provides operation and maintenance service to the owners of power plants. It has also acquired substantial ownership interest into power generating assets.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

2.1 Summary of significant accounting policies

(a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(b) Tangible fixed assets

Fixed asset are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

(c) Depreciation on tangible fixed assets

Till the year ended March 31, 2014, depreciation rates prescribed under Schedule XIV were treated as minimum rates and the company was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act 2013 prescribes useful lives for fixed assets which, in many cases, are different from lives prescribed under the erstwhile Schedule XIV. However, Schedule II allows companies to use higher/ lower useful lives and residual values if such useful lives and residual values can be technically supported and justification for difference is disclosed in the financial statements. Considering the applicability of Schedule II, the management has re-estimated useful lives and residual values of all its fixed assets which are equal to useful lives and residual values specified in Schedule II. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets. This re-estimation of useful lives and residual value did not have any material impact on the financial statement of the Company for the current year.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible asset comprises of software which is amortized on a straight line basis over the estimated useful economic life of three years.

(e) Impairment

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if

GVK Energy Limited

Notes to financial statements for the year ended March 31, 2015

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses are recognized in the statement of profit and loss.

(f) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur.

(g) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

(h) 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. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of operation and maintenance 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 customer.

Per the operations and maintenance agreements, the Company's income comprises of (a) Operating fees (b) Incentive fees and (c) Reimbursement of expenses. Operating fees are receivable based on certain defined levels of Actual Annual Availability ("AAA") of plant or Plant load factor ("PLF"). 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.

Dividends

Dividend income is recognized when the company's right to receive dividend is established by the reporting date.

Interest

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

(i) Foreign currency transaction

Initial recognition

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

Conversion

Foreign currency monetary items are reported using the exchange rate prevailing on the reporting date. Non-monetary items which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

GVK Energy Limited

Notes to financial statements for the year ended March 31, 2015

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

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.

(j) Retirement and other employee benefits

- (i) Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions are 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.
- (v) The company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

(k) Income taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Deferred income taxes reflects the impact of timing differences between taxable income and accounting income originated during the year and reversal of timing differences of earlier years.

Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets are recognized only if there is reasonable that they can be realized against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain 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 that sufficient future taxable income will be available.

(l) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) 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, 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 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.

(m) 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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

GVK Energy Limited

Notes to financial statements for the year ended March 31, 2015

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

(n) Cash and cash equivalents

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

(o) Contingent liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognise contingent liability but discloses its existence in the financial statement.

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

3. Share capital

	March 31, 2015	March 31, 2014
Authorized shares		
1,500,000,000 (March 31, 2014: 1,500,000,000) equity shares of Rs.10 each	150,000	150,000
1,000,000,000 (March 31, 2014: 1,000,000,000) 0.001% compulsorily convertible preference (CCPS) of Rs.10 each	100,000	100,000
Issued, subscribed and fully paid-up shares		
338,117,648 (March 31, 2014: 338,117,648) equity shares of Rs.10 each	33,812	33,812
110,147,059 (March 31, 2014: 110,147,059) 0.001% CCPS of Rs.10 each	11,015	11,015
	<u>44,827</u>	<u>44,827</u>

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity shares

	March 31, 2015		March 31, 2014	
	No.	Rs.	No.	Rs.
At the beginning of the year	338,117,648	33,812	338,117,648	33,812
Issued during the year	-	-	-	-
	<u>338,117,648</u>	<u>33,812</u>	<u>338,117,648</u>	<u>33,812</u>

Preference shares

	March 31, 2015		March 31, 2014	
	No.	Rs.	No.	Rs.
At the beginning of the year	110,147,059	11,015	110,147,059	11,015
Issued during the year	-	-	-	-
	<u>110,147,059</u>	<u>11,015</u>	<u>110,147,059</u>	<u>11,015</u>

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Terms of conversion/ redemption of CCPS

CCPS carry cumulative dividend of 0.001% per annum. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Each 0.001% compulsorily convertible preference share is convertible into 2.2 equity shares at price of Rs.45 per equity share, in a maximum period of 3 years from the date of issue viz. December 2010. During the previous year, based on discussions between Management and CCPS holders, it has been decided that CCPS will be converted into equity shares in future at a mutually agreed date without any change in terms and conditions.

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

(d) Shares held by holding company

Out of equity shares issued by the company, shares held by the holding company are as below:

	March 31, 2015	March 31, 2014
GVK Power & Infrastructure Limited, the holding company 250,000,000 (March 31, 2014: 250,000,000) equity shares of Rs.10 each fully paid	25,000	25,000

(e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at March 31, 2015		As at March 31, 2014	
	No.	% holding	No.	% holding
Equity shares of Rs.10 each fully paid up				
GVK Power & Infrastructure Limited	250,000,000	73.94%	250,000,000	73.94%
3I India Infrastructure Investment Limited	47,058,824	13.92%	47,058,824	13.92%
Actis Infrastructure India PCC Limited	20,529,412	6.07%	20,529,412	6.07%
Indivest Pte Limited	20,529,412	6.07%	20,529,412	6.07%
CCPS of Rs.10 each fully paid				
3I India Infrastructure Investment Limited	58,823,529	53.40%	58,823,529	53.40%
Actis Infrastructure India PCC Limited	25,661,765	23.30%	25,661,765	23.30%
Indivest Pte Limited	25,661,765	23.30%	25,661,765	23.30%

(f) Shares reserved for issue under options

For details of shares reserved for issue on conversion of CCPS, please refer note 3 (c) regarding terms of conversion of preference shares. For details of shares reserved for issue on conversion of CCD, please refer note 5 regarding terms of conversion of debentures.

4. Reserves and surplus

	March 31, 2015	March 31, 2014
Securities premium account		
Balance as per the last financial statements	129,390	129,390
Add: premium on issue of shares	-	-
	129,390	129,390
Surplus in the statement of profit and loss		
Balance as per the last financial statements	8,888	7,261
Profit/(Loss) for the year	(3,969)	1,627
Net surplus in the statement of profit and loss	4,919	8,888
	134,309	138,278

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

5. Borrowings**5.1 Long-term borrowings**

	Non-current portion		Current maturities	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Debentures				
83,322,610 (March 31, 2014: 83,322,610) 0.001% compulsorily convertible debentures of Rs.100 each (unsecured)	83,323	83,323	-	-
45 (March 31, 2014: Nil) 14.50% Non-convertible debentures of Rs.10,000,000 each (secured)	4,500	-	-	-
Term Loans				
From Financial Institutions (secured)	-	13,750	26,450	-
	87,823	97,073	-	-
The above includes Amount disclosed under the head "other current liabilities" (note 7)	-	-	(26,450)	-
Net amount	87,823	97,073	-	-

- Each 0.001% Compulsorily Convertible Debentures is convertible into certain number of equity shares such that the investor's shareholding in the Company is equal to the investor stake. Investor stake is the proportion of all amounts invested by the investor in the Company, whether in the form of subscription to equity shares or CCPs to the post money valuation of the Company. Post money valuation of the Company has been pegged in the range of Rs. 276,100 to Rs. 425,000. The conversion date coincides with note 3(c) above.
- Each 14.50% Non-convertible debenture is secured by way of pledge of 40% of equity shares of AHPCL, pledge of 26% fully paid up equity shares of borrower, pledge of 49% of equity shares of GVKPGSL, pledge of 49% of equity shares of GVKCTCPL on pari- passu basis and by the Corporate Guarantee by GVKPIL. The debentures are repayable at a premium of 3.60% per annum in three annual instalments starting from July 31, 2016.
- Term loan from financial institutions carries an interest rate of 18.1% p.a. Loan amounting to Rs. 26,450 is secured by way of pledge of 40% of equity shares of AHPCL and pledge of 26% fully paid up equity shares of borrower on pari-passu basis and by the Corporate Guarantee of GVKPIL. Further, loan to the extent of Rs. 12,450 is secured by pledge of 49% of equity shares of GVKPGSL and pledge of 49% of equity shares of GVKCTCPL on pari-passu basis. The loan amounting to Rs. 14,000 is repayable in three annual instalments starting from March 30, 2016 with an option to lender to demand repayment of the entire loan once in every six months from September 30, 2015. The loan amounting to Rs. 12,450 is repayable in three annual instalments along with interest starting from June 30, 2016 with an option to lender to demand repayment of the entire loan once in every six months from December 30, 2015.

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

5.2 Short term Borrowings

	March 31, 2015	March 31, 2014
Interest free loans from related parties repayable on demand (unsecured)	10,776	-
	<u>10,776</u>	<u>-</u>

6. Provisions

	Long-term		Short-term	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Provision for employee benefits				
Provision for gratuity (note 23)	29	26	-	-
Provision for leave benefits	-	-	24	24
	<u>29</u>	<u>26</u>	<u>24</u>	<u>24</u>
Other provisions				
Provision for income tax (net)	-	-	55	-
	<u>-</u>	<u>-</u>	<u>55</u>	<u>-</u>
	<u>29</u>	<u>26</u>	<u>79</u>	<u>24</u>

7. Trade payable and other current liabilities

	March 31, 2015	March 31, 2014
Trade payables (note 30)	<u>194</u>	<u>73</u>
Other current liabilities		
Current maturities of long-term debt (note 5.1)	26,450	-
Interest accrued but not due on debentures	3	2
Interest accrued but not due on borrowings	1,702	15
Others	25	24
	<u>28,180</u>	<u>41</u>

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

8. Tangible assets (cost)

	Office equipment	Data processing equipment	Total
As at April 01, 2013	10	5	15
Additions	1	1	2
As at March 31, 2014	11	6	17
Additions	-	-	-
As at March 31, 2015	11	6	17

Depreciation

Upto April 01, 2013	1	1	2
Charge for the year	1	1	2
Upto March 31, 2014	2	2	4
Charge for the year	3	3	6
Upto March 31, 2015	5	5	10

Net Block

As at March 31, 2014	9	4	13
As at March 31, 2015	6	1	7

9. Intangible assets (cost)

	Computer software
As at April 01, 2013	9
Additions	-
As at March 31, 2014	9
Additions	-
As at March 31, 2015	9

Amortization

Upto April 01, 2013	6
Charge for the year	3
Upto March 31, 2014	9
Charge for the period	-
Upto March 31, 2015	9

Net Block

As at March 31, 2014	-
As at March 31, 2015	-

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

10. Non-current investments

	March 31, 2015	March 31, 2014
Trade investments (cost)		
Unquoted equity instruments		
Investment in subsidiaries		
1,118,200,000 (March 31, 2014: 839,000,000) equity shares of Rs.10 each fully paid-up in Alaknanda Hydro Power Company Limited	111,820	83,900
418,938,901 (March 31, 2014: 418,938,901) equity shares of Rs.10 each fully paid-up in GVK Gautami Power Limited (note 29)	46,900	46,900
244,800,000 (March 31, 2014: 244,800,000) equity shares of Rs.10 each fully paid-up in GVK Industries Limited (note 29)	17,395	17,395
1,080,000,000 (March 31, 2014: 879,500,000) equity shares of Rs.10 each fully paid-up in GVK Power (Goindwal Sahib) Limited (note 30)	108,000	87,950
98,652,100 (March 31, 2014: 71,510,000) equity shares of Rs.10 each fully paid-up in GVK Coal (Tokisud) Company Private Limited (note 28)	9,866	7,151
9,900 (March 31, 2014: 9,900) equity shares of Rs.10 each fully paid-up in GVK Power (Khadur Sahib) Private Limited	1	1
	<u>293,982</u>	<u>243,297</u>
Aggregate amount of unquoted investments	<u>293,982</u>	<u>243,297</u>

11. Deferred tax assets (net)

	March 31, 2015	March 31, 2014
Provision for gratuity	10	9
Provision for compensated absences	8	8
Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	(1)	(1)
	<u>17</u>	<u>16</u>

12. Trade receivables and other assets**12.1 Trade Receivables**

	Non-current		Current	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Unsecured, considered good				
Outstanding for less than six months from the date they are due for payment	-	-	753	664
	<u>-</u>	<u>-</u>	<u>753</u>	<u>664</u>

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

Trade receivables include:

	Non-current		Current	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Dues from GVK Industries Limited (related party)	-	-	753	664

12.2 Other Assets

	Non-current		Current	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Unsecured, considered good				
Unbilled revenues	79	72	5	5
Share application money to subsidiaries	1,042	18,140	-	-
	1,121	18,212	5	5
Others				
Accrued interest	-	-	1,194	1,792
Unamortized expenditure				
Ancillary cost of arranging the borrowings	44	208	203	69
	44	208	1,397	1,861
	1,165	18,420	1,402	1,866

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

13. Current investments

	March 31, 2015	March 31, 2014
Current investments (valued at lower of cost and fair value)		
Quoted mutual funds- other than trade		
27,338 (March 31, 2014: 34,538) units of Rs. 1,000 each fully paid-up of Taurus Ultra Short Term Bond Fund – Short term growth plan	430	484
Nil (March 31, 2014: 21,904) units of Rs. 1000 each fully paid up of Axis Treasury Advantage Fund – Short term growth plan	-	310
23,544 (March 31, 2014: Nil) units of Rs. 1000 each fully paid up of Axis Banking Debt Fund - Growth(BD-GP)	300	-
1,384,517(March 31, 2014: Nil) units of Rs. 1000 each fully paid up of Franklin India Ultra Short Bond Fund - Super Institutional Plan – Growth	252	-
190 (March 31, 2014: Nil) units of Rs. 1000 each fully paid up of Reliance Money Manager Fund-growth Plan Growth	4	-
	986	794
Aggregate amount of quoted investments (Market value Rs. 1,099) (March 31, 2014: Rs.843)	986	794

14. Cash and bank balances

	Non-current		Current	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Cash and cash equivalents				
Balances with banks:				
– On current accounts	-	-	93	3,785
Cash on hand	-	-	1	1
	-	-	94	3,786
Other bank balances				
– Deposits with original maturity for more than 3 months but less than 12 months	-	-	-	341
	-	-	-	341
	-	-	94	4,127

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

15. Loans and advances

	Non-current		Current	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Loans and advances to related parties (note 24)				
Unsecured, considered good	7,464	10,684	-	-
Advances recoverable in cash or kind				
Unsecured considered good	261	322	61	16
Other loans and advances				
Advance income-tax (net of provision for taxation)	-	114	-	-
Prepaid expenses	-	-	9	9
Other advances	-	-	15	-
	<u>7,725</u>	<u>11,120</u>	<u>85</u>	<u>25</u>

16. Revenue from operations

	March 31, 2015	March 31, 2014
Revenue from operations		
- Operation and maintenance services	1,270	1,587
- Manpower and consultancy fees	9	39
	<u>1,279</u>	<u>1,626</u>

17. Other income

	March 31, 2015	March 31, 2014
Profit on sale of investments		
Current, Non trade	160	285
Interest income on		
- Bank deposits	31	428
- Others	859	1,279
Retirement and other employee benefit provision no longer required written back	-	11
	<u>1,050</u>	<u>2,003</u>

18. Employee benefit expenses

	March 31, 2015	March 31, 2014
Salaries, wages and bonus	490	566
Contribution to provident and other funds	23	27
Retirement and other employee benefit expense	22	-
Staff welfare expenses	28	33
	<u>563</u>	<u>626</u>

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

19. Operating and other expenses

	March 31, 2015	March 31, 2014
Communication costs	15	17
Travelling and conveyance	56	65
Operating and maintenance expenses	198	213
Legal and professional fees	104	107
Insurance	11	16
Payment to auditor (Refer details below)	22	11
Rates and taxes	33	36
Printing and stationery	2	2
Directors' sitting fees	3	5
Membership and sponsorship	39	26
Miscellaneous expenses	10	7
	<u>493</u>	<u>505</u>

Payment to auditor (including service tax)

	March 31, 2015	March 31, 2014
As auditor:		
Audit fee (including Rs. 5 of previous year)	21	11
In other capacity:		
Other services (certification fees)	-	0
Reimbursement of expenses	1	0
	<u>22</u>	<u>11</u>

20. Depreciation and amortisation expense

	March 31, 2015	March 31, 2014
Depreciation of tangible assets	6	2
Amortisation of intangible assets	0	3
	<u>6</u>	<u>5</u>

21. Finance costs

	March 31, 2015	March 31, 2014
Interest on debentures	12	1
Interest on rupee term loans	4,397	16
Interest on others	14	-
Guarantee commission	120	-
Amortization of ancillary borrowing costs	275	6
Bank charges	8	-
	<u>4,826</u>	<u>23</u>

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

22. Earnings per share (EPS)

	March 31, 2015	March 31, 2014
Profit/(loss) after tax	(3,969)	1,627
Less : dividends on compulsory convertible preference shares and tax thereon	0	0
Net profit for calculation of basic EPS	(3,847)	1,627
Net profit as above	(3,969)	1,627
Add: Interest on compulsory convertible debentures and tax thereon	1	1
Add : Dividends on compulsory convertible preference shares & tax thereon	-	-
Net profit for calculation of diluted EPS	(3,968)	1,628
	No.	No.
Weighted average number of equity shares in calculating basic EPS	338,117,648	338,117,648
Add: Weighted average number of equity shares which would be issued on the conversion of compulsory convertible preference shares*	-	242,323,530
Add: Weighted average number of equity shares which would be issued on the conversion of compulsory convertible debentures*	-	694,444,445
Weighted average number of equity shares in calculating diluted EPS	338,117,648	1,274,885,623

*Anti- dilutive due to losses made during the year.

23. Gratuity and other post-employment benefit plans

The Company has funded defined benefit gratuity plan. Employees are eligible for gratuity benefits on termination or retirement in accordance with Payment of Gratuity Act, 1972. The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the plan:

(A) Statement of profit and loss**Net employee benefit expense recognized in the employee cost**

	March 31, 2015	March 31, 2014
Current service cost	7	9
Interest cost on benefit obligation	4	5
Expected return on plan assets	(2)	(2)
Net actuarial (gain)/ loss recognized in the year	10	(15)
Net benefit expense/(income)	19	(3)

(B) Balance sheet**Benefit liability**

	March 31, 2015	March 31, 2014
Present value of defined benefit obligation	63	56
Fair value of plan assets	34	30
Plan liability	29	26

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

(C) Changes in the present value of the defined benefit obligation are as follows:

	March 31, 2015	March 31, 2014
Opening defined benefit obligation	56	65
Current service cost	7	9
Interest cost	4	5
Benefits paid	(15)	(8)
Actuarial (gains)/ losses on obligation	11	(15)
Closing defined benefit obligation	63	56

(D) Changes in fair value of plan assets are as follows:

	March 31, 2015	March 31, 2014
Opening balance	30	14
Expected return on plan assets	3	2
Actual company contributions	-	14
Actuarial gain	1	-
Closing fair value of plan assets	34	30

(E) The principal assumptions used in determining gratuity benefit obligations for the company's plans are shown below:

	March 31, 2015	March 31, 2014
Discount rate	7.80% p.a.	9.25% p.a.
Expected rate of return on assets	7% p.a.	7% p.a.
Employee turnover	5%	5%

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.

(F) Amounts for the current and previous four periods are as follows:

	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011
Gratuity					
Defined benefit obligation	(63)	(56)	(65)	(70)	(48)
Plan assets	34	30	14	-	-
Surplus/(deficit)	(29)	(26)	(51)	(70)	(48)
Experience adjustments on plan liabilities	(4)	10	22	(22)	-
Experience adjustments on plan assets	(1)	(0)	(0)	-	-
Actuarial gain/(loss) due to change of assumptions	(7)	5	(3)	3	-

GVK Energy Limited**Notes to financial statements for the year ended March 31, 2015**

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

24. Related party disclosures

Name of the related party	Nature of relationship
GVK Power & Infrastructure Limited (GVKPIL)	Holding Company
GVK Industries Limited GVK Gautami Power Limited Alakananda Hydro Power Company Limited (AHPCL) GVK Power (Goindwal Sahib) Limited (GVKPGSL) GVK Coal (Tokisud) Company Private Limited (GVKCTCPL) GVK Power (Khadur Sahib) Private Limited	Subsidiaries
GVK Airport Developers Limited GVK Developmental Projects Private Limited	Fellow Subsidiaries
Dr. G V Krishna Reddy, Chairman and Director Mr. A Issac George , Director Mr. K Venugopal, Director Ms. G V Indira Krishna Reddy, Director Mr. G V Sanjay Reddy, Director Mr. Krishna Ram Bhupal, Director	Key management personnel
TAJ GVK Hotels & Resorts Limited Orbit Travel and Tours Private Limited GVK Technical & Consultancy Services Private Limited Pinakini Share & Stock Broker Limited GVK Projects & Technical Services Limited	Companies over which the key management personnel exercise significant influence

GVK Energy Limited

Notes to financial statements for the year ended March 31, 2015

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

25. Contingent liabilities

- a. The Company has provided security by way of pledge of its investments in respect of amounts borrowed by the following subsidiaries:

Name of the subsidiary	Number of Shares Pledged	
	March 31, 2015	March 31, 2014
GVK Industries Limited	124,848,000	68,120,000
GVK Gautami Power Limited	268,764,369	268,764,369
Alakananda Hydro Power Company Limited	670,920,000	503,400,000
GVK Power (Goindwal Sahib) Limited	531,012,700	485,000,000
GVK Coal (Tokisud) Company Private Limited	50,312,571	36,470,100

- b. The Company had pledged 24,480,000 shares held by the Company in GVK Industries Limited as security for loan of Rs. 16,667 (March 31, 2014: 20,000) taken by GVK Power & Infrastructure Limited, the holding company.
- c. The Company had pledged 63,648,000 shares held by the Company in GVK Industries Limited as security for loan of Rs. 46,306 (March 31, 2014: 38,500) taken by GVK Airport Developers Limited, fellow subsidiary.
- d. The Company had issued corporate guarantee as collateral security in favour of the lenders of Alakananda Hydro Power Company Limited in connection with loan facilities whose closing balance as at March 31, 2015 is Rs. 396,165 (March 31, 2014 : Rs. 356,867).
- e. The Company has issued corporate guarantee as collateral security in favour of the lenders of GVK Power (Goindwal Sahib) Limited in connection with loan facilities whose closing balance as at March 31, 2015 is Rs. 257,078 (March 31, 2014: Rs. 236,906).
- f. The Company has issued corporate guarantee as collateral security in favour of the lenders of GVK Coal (Tokisud) Company Private Limited in connection with loan facilities whose closing balance as at March 31, 2015 is Rs. 22,500 (March 31, 2014: Rs. 18,222).
- g. The Company has issued corporate guarantee as collateral security in favour of the lenders of GVK Industries Limited in connection with loan facilities whose closing balance as at March 31, 2015 is Rs. 2,423 (March 31, 2014: Rs. 600)
- h. The Company has issued corporate guarantee as collateral security in favour of the lenders of GVK Gautami Power Limited in connection with loan facilities whose closing balance as at March 31, 2015 is Rs. 96,202 (March 31, 2014: Rs. 85,855). The Company is currently in the process of issuing guarantee documents.

Management is of the opinion that the aforesaid companies 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/guarantee provided.

26. During the year ended March 2013, the Company had provided security by way of pledge of its shares in subsidiary GVK Industries Limited with respect to a loan of Rs. 20,000 taken by its holding Company GVK Power & Infrastructure Limited, in respect of which prior approval of Central Government was required under the provisions of Section 295 of the Companies Act, 1956. The Company had applied to the Central Government prior to sanction of such loan, however, the loan was drawn pending approval from Central Government. During the previous year, the Central government has returned the application and directed the Company to take necessary steps to ensure compliance with corresponding section of Companies Act 2013, i.e., section 185 and also other statutory provisions of the Companies Act, 2013. GVK Power & Infrastructure has subsequent to balance sheet date repaid loan on April 27, 2015 and pledge has been released.

GVK Energy Limited

Notes to financial statements for the year ended March 31, 2015

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

27. Commitments

During the year ended March 31, 2011, the Company, GVK Power and Infrastructure Limited (Holding Company) and certain private equity investors ('investors') entered into an investment agreement pursuant to which the Holding Company has undertaken to conduct an initial public offering of the Company's equity shares ('Qualified IPO' or 'QIPO') within 60 months from the date of investment agreement (preferred listing period).

If the Company does not make a QIPO during the preferred listing period and no offer for sale takes place within 12 months of the preferred listing period, then, at any time thereafter, the investors will have a put option with respect to all of the securities held by the Investor ("Put Right") on the Holding Company and the Company at the higher of i) 20% IRR from the date of investment to the date of receipt of proceeds from the investor ("Put IRR") and ii) the fair market value of the investor's shares.

Provided the Put IRR shall be reduced to 15% IRR, if at least 3 private sector initial public offerings with an issue size of Rs.100,000 or more each have not taken place in India between the 36th month to the 60th month from date of investment agreement.

- 28.** The Honourable Supreme Court vide its decision of September 24, 2014 held that allotment of various coal blocks including those allotted to GVK Coal (Tokisud) Company Private Limited, subsidiary of GVK Energy Limited is arbitrary and illegal and has cancelled the allotment. Subsequently, the government promulgated The Coal Mines (Special Provisions) Ordinance 2014, which intends to take appropriate action to deal with situation arising pursuant to the Honourable Supreme Court's judgment. The subsidiary company has filed writ petition before the Hon'ble High Court of Delhi impugning the decision of the Nominated Authority, Ministry of Coal which quantified the compensation payable to the subsidiary company for taking over the Tokisud Coal Block as Rs. 11,129 against the carrying value of assets of Rs. 35,575 in the books of subsidiary company. The Management believes that the subsidiary will be appropriately reimbursed for cancelled coal mine and accordingly no provision is required to be made to investments and share application money with carrying value of Rs. 10,246.
- 29.** The subsidiary companies, GVK Industries Limited (GVKIL) and GVK Gautami Power Limited (GVKGPL) had commenced construction of phase III and phase II power plants respectively on which they have incurred aggregated cost of Rs. 15,655 (March 31, 2014: Rs. 15,655). Due to lower supply/availability of gas, the subsidiary companies have temporarily suspended the construction activities and intend to resume construction once natural gas is available which Management expects to happen in foreseeable future. Further, phase II of GVKIL and Phase I of GVKGPL having fixed assets with Written Down Value of Rs. 196,252 (March 31, 2014: Rs. 209,670) has during the current financial year achieved Nil PLF (March 31, 2014: Nil) and Nil PLF (March 31, 2014: Nil) respectively. Also, GVKIL and GVKGPL have incurred losses of Rs. 6,916 (March 31, 2014: Rs. 7,888) and Rs. 20,474 (March 31, 2014: Rs. 21,103) respectively. However, GVKIL is in the process of tying up additional loans and GVKGPL has already obtained moratorium for payments. The Company and Association of Power Producers are closely monitoring the situation and evaluating various approaches such as installing alternate fuel equipment (already done by GVKGPL and GVKIL) etc. to deal with the situation and Management of the Company is confident that Government of India will take necessary steps/initiatives to improve the situation of natural gas. Further, Management based on its rights under power purchase agreement to recover capacity charges and receipt of the approval from majority of the consortium lenders, believes the subsidiary companies will continue to be in operation in foreseeable future despite continued losses. The Company accordingly believes that it is appropriate to recognise investments and advances aggregating to Rs. 64,295 (March 31, 2014: 64,295) and Rs. 8,658 (March 31, 2014: Rs. 10,169) respectively at carrying value and no provision for diminution is necessary.
- 30.** GVK Goindwal (Sahib) Limited, subsidiary company is presently constructing 540 MW power project with carrying value of Rs. 388,986 which was dependent upon GVK coal mine for fuel. In the wake of cancellation of coal mine as referred in note 28, Management has obtained coal linkage for six months, taken opinion for running plant on imported coal, tied up for importing coal and is mulling other options such as, obtaining coal linkage locally and has

GVK Energy Limited

Notes to financial statements for the year ended March 31, 2015

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

filed petition with Punjab State Electricity Regulatory Commission for re- negotiation of terms of power purchase agreement such as rate revision, approval for using imported coal etc. claiming force majeure and change in law as envisaged under Power Purchase Agreement. Management based on legal advise believes that cancellation of coal mine will not impact the operations of the upcoming power project and accordingly no provision is required to be made to investments and share application money with carrying value of Rs. 108,536.

31. 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 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, 2015: Nil (March 31, 2014: Nil).

32. Segment reporting

The Company's operations fall within a single business segment "Operation and Maintenance of power plants" and single geographical segment and therefore segment information is not provided.

33. The Company has pending litigations with service tax authorities impact of which is not expected to be material upon the financial statement .

34. The financial statements contain certain amounts reported as "0" , which are less than Rs.1.

35. Previous year figures

Previous year figures have been regrouped/reclassified, where necessary, to conform to this year's classification.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm registration number: 101049W
Chartered Accountants

For and on behalf of the board of directors of
GVK Energy Limited

per **Vikas Kumar Pansari**
Partner
Membership no.: 093649

Dr. G. V. Krishna Reddy
Chairman

G.V. Sanjay Reddy
Director

Place of Signature: Hyderabad
Date:

K. Venugopal
Director

T. Ravi Prakash
Company Secretary