



AUDITORS' REPORT

To

The Shareholders of GVK Oil & Gas Limited (Formerly known as GVK Energy Limited)


1. We have audited the attached Balance Sheet of GVK Oil & Gas Limited (Formerly known as GVK Energy Limited) as at 31st March 2012, Profit & Loss account and its 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003(as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments referred to in paragraph 3 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 accounts 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 & Loss Account and cash flow statement dealt with by this report are in agreement with the books of accounts;
  - iv) In our opinion, the Balance Sheet, Profit & Loss Account and cash flow statement dealt with by this report comply with requirements of Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
  - v) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2012, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2012 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 financial statements read together with the Significant Accounting Policies and Notes to Accounts in Schedule "10" and those appearing elsewhere in the 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 31<sup>st</sup> March, 2012; and
  - b) in the case of Profit & Loss A/c, of the loss of the Company as at 31<sup>st</sup> March, 2012; and
  - c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Place: Secunderabad  
Date: 28.04.2012

For Saranga Pani & Co.  
Firm Registration No : 0500305  
Chartered Accountants

  
C Saranga Pani  
(Proprietor)  
Membership No. 73178



Annexure referred to in Paragraph 3 of our report of even date  
Re: GVK Oil & Gas Limited ('the Company')

- 1 (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.
2. The Company does not have any inventory and therefore clause 4(ii)(a),(b) and (c) are not applicable to the company
3. (a) The Company has not granted any Secured or Unsecured loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of the clauses 3 (b) to (d) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.  
  
(e) The Company had taken loan from one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 16,90,613,137/- and the year-end balance of loan taken from such party was Rs. 16,90,613,137/-.  
  
(f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan are not prima facie prejudicial to the interest of the Company.  
  
(g) In respect of loan taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
4. In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the company with regard to the transactions of the company. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. (a).Based on the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the companies Act, 1956 have been so entered.  
  
(b).In our opinion and according to the information and explanation given to us, the transactions which have been entered into ,pursuant to contracts that have been entered in the register maintained under section 301 of the Companies Act, 1956, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.




6. 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.
- 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, the dues outstanding of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute are as follows:-

Name of the Statute	Nature of Amount	Amount (Rs.)	Period to which amount relates	Forum Where dispute is pending
Central Excise and Customs Act, 1944	Service tax	8,186,734/-	2008-2009	Reply submitted to Superintendent of Service Tax Department
Income Tax Act, 1961	Income Tax	8,435,214/-	2008-2009	ITAT, Hyderabad

- 7 In our opinion and according to the information and explanation given to us and considering the transactions of the Company, the Clauses 4(vi), (vii), (viii), and , 4(x) to 4(xxi) are not applicable to the Company.

Place: Secunderabad  
Date: 28.04.2012

For Saranga Pani & Co.  
Firm Registration No : 050030S  
Chartered Accountants

  
C Saranga Pani  
(Proprietor)  
Membership No. 73178

GVK Oil & Gas Limited

Balance Sheet as at 31st March,2012

(Amounts expressed in Indian Rupees unless otherwise stated)

	Note	31-Mar-12	31-Mar-11
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share capital	3	5,00,000	5,00,000
Reserves and surplus	4	(4,29,897)	-
		<b>70,103</b>	<b>5,00,000</b>
<b>Non-current liabilities</b>			
Long-term provisions	5	1,18,675	3,10,308
		<b>1,18,675</b>	<b>3,10,308</b>
<b>Current liabilities</b>			
Short-term borrowings	6	1,69,06,13,137	1,52,25,34,719
Other current liabilities	7	6,51,722	2,66,592
Short-term provisions	5	7,61,539	3,29,754
		<b>1,69,20,26,398</b>	<b>1,52,31,31,064</b>
		<b>1,69,22,15,176</b>	<b>1,52,39,41,372</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed Assets	8		
(i) Tangible Assets		82,57,898	46,53,561
(ii) Capital Work-in-Progress		1,65,68,53,925	1,39,15,39,583
Long-term loans and advances	9	1,58,48,645	11,54,29,161
Other non-current assets	10	6,80,164	6,38,723
		<b>1,68,16,40,631</b>	<b>1,51,22,61,028</b>
<b>Current assets</b>			
Cash and cash equivalents	11	4,92,335	39,11,532
Short-term loans and advances	9	1,00,82,210	77,68,812
		<b>1,05,74,545</b>	<b>1,16,80,344</b>
		<b>1,69,22,15,176</b>	<b>1,52,39,41,372</b>

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

As per our report of even date

For SARANGA PANI & Co.,  
Firm Registration No : 050030S  
Chartered Accountants

C. Saranga Pani  
Proprietor  
Membership No.73178

For and on behalf of the Board of Directors of  
GVK Oil & Gas Limited

G V Sanjay Reddy  
Director

Krishna Ram Bhupal  
Director

Place : Secunderabad  
Date : 28.04.2012

GVK Oil & Gas Limited  
 Profit and Loss Account  
 Statement of profit and loss for the year ended March 31, 2012

	Note	31-Mar-12
<b>INCOME</b>		
		-
<b>EXPENDITURE</b>		
Operating and other expenses	12	4,12,349
		4,12,349
<b>Profit/(loss) before tax</b>		<b>(4,12,349)</b>
Provision for taxation		
Provision for Income Tax		17,548
Income Tax for eaarlier years		-
<b>Total tax expense</b>		<b>17,548</b>
<b>Profit/(loss) after tax</b>		<b>(4,29,897)</b>

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

As per our report of even date

For SARANGA PANI & Co.,  
 Firm Registration No : 0500305  
 Chartered Accountants

C. Saranga Pani  
 Proprietor  
 Membership No.73178

For and on behalf of the Board of Directors of  
 GVK Oil & Gas Limited

G V Sanjay Reddy  
 Director

Krishna Ram Bhupal  
 Director

Place : Secunderabad  
 Date : 28.04.2012

**GVK Oil & Gas Limited**

(Formerly Known as GVK Energy Limited)

**Cash Flow Statement for the year ended 31st March, 2012**

Particulars	31-Mar-12	31-Mar-11
<b>Cash flow from operating activities</b>		
Profit before taxation	(4,29,897)	-
Adjustments for:		
Depreciation	-	-
Provision for retirement benefits	-	-
<b>Operating profit before working capital changes</b>	<b>(4,29,897)</b>	<b>-</b>
<b>Changes in working capital :</b>		
(Increase) in loans and advances	(1,91,633)	-
(Increase) / decrease in unbilled revenues	-	-
(Increase) / decrease in other current assets	-	-
Increase/(Decrease) in current liabilities and provisions	-	-
<b>Cash (used in)/ generated from operations</b>	<b>(6,21,530)</b>	<b>-</b>
<b>Net cash from / (used in) operating activities</b>	<b>(A) (6,21,530)</b>	<b>-</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(46,46,071)	(4,87,765)
CWIP and Expenditure during construction pending Allocation	(16,62,30,013)	(1,08,51,28,795)
<b>Net cash used in investing activities</b>	<b>(B) (17,08,76,085)</b>	<b>(1,08,56,16,560)</b>
<b>Cash flows from financing activities</b>		
Proceed from Unsecured Loan	16,80,78,418	1,52,25,34,719
Proceeds from share application money		(43,46,89,626)
Repayment of share application money		
<b>Net cash from financing activities</b>	<b>(C) 16,80,78,418</b>	<b>1,08,78,45,093</b>
Net increase in cash and cash equivalents	(A+B+C) (34,19,197)	22,28,533
Cash and cash equivalents at the beginning of the year	39,11,532	16,82,999
<b>Cash and cash equivalents at the end of the period</b>	<b>4,92,335</b>	<b>39,11,532</b>

As per our report of even date

For SARANGA PANI & Co.,  
Firm Registration No : 050030S  
Chartered Accountants

C. Saranga Pani  
Proprietor  
Membership No.73178

For and on behalf of the Board of Directors of  
GVK Oil & Gas Limited

G.V. Sanjay Reddy  
Director

Krishna Ram Bhupal  
Director

Place : Secunderabad  
Date : 28.04.2012

# GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)

## Notes to financial statements for the year ended 31 March 2012

### 1. Corporate information

GVK Oil & Gas Limited (the company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company is engaged in the business of exploration and development and production of crude oil, associated gas and natural gas resources.

### 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 the *Companies (Accounting Standards) Rules, 2006, (as amended)* and the relevant provisions of the Companies Act, 1956. 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) Change in accounting policy

###### *Presentation and disclosure of financial statements*

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year. For further details, refer note 20.

##### (b) 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.

##### (c) Fixed assets

The Company follows a full cost method of accounting for oil & gas assets as set out by the Guidance Note issued by The Institute of Chartered Accountants of India (ICAI).

All Costs incurred in prospecting, acquiring mineral interest are accumulated in a large cost centers and are carried as Capital Work in Progress

# GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)

## Notes to financial statements for the year ended 31 March 2012

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 related to the period till such assets are ready to be put to use.

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

Nature of Asset	Rates (SLM)
Data Processing Equipment	16.21%

### (d) Foreign currency transactions

#### *Foreign currency transactions and balances*

#### (i) Initial recognition

Foreign currency transactions are reported 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 & Exchange difference

Foreign currency monetary items are reported using rate as at reporting date and the gain or loss is recognized adjusted to Capital Work In Progress in the year in which they arise.

### (e) Retirement and other employee benefits

(i) 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

(ii) 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.

(iii) Actuarial gains/losses are immediately taken to Expenditure incurred during the Development phase and are not deferred

(iv) 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.

# GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)

## Notes to financial statements for the year ended 31 March 2012

### (f) Provisions & contingent liabilities

A provision is recognized when the Group has a present obligation as a result of past event and 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. A disclosure for a contingent liability is made when there is possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

### (g) Pre-Operative Expenses

Pre-operative expenses have been recognized on accrual basis and all expenses incurred during the project implementation period have been taken as "Expenditure Incurred During Developmental Phase".

### 3. Share capital

	31-Mar-12 Rs.	31-Mar-11 Rs.
<b>Authorized shares (No. thousands)</b>		
50,000 (31 March 2011: 50,000) equity shares of Rs.10/- each	5,00,000	5,00,000
<b>Issued, subscribed and fully paid-up shares</b>		
50,000 (31 March 2011: 50,000) equity shares of Rs.10/- each	5,00,000	5,00,000
	<b>5,00,000</b>	<b>5,00,000</b>

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

#### Equity shares

	31-Mar-12		31-Mar-11	
	No.	Rs.	No.	Rs.
At the beginning of the year	50,000	500,000	50,000	500,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	50,000	500,000	50,000	500,000

# GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)

Notes to financial statements for the year ended 31 March 2012

## (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.

## (c) Shares held by holding company

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

	31-Mar-12	31-Mar-11
	Rs.	Rs.
GVK Power & Infrastructure Limited, the holding company		
50,000 (31 March 2011: 50,000) equity shares of Rs.10/- each fully paid	500,000	500,000

## Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at 31 March 2012		As at 31 March 2011	
	No.	% holding in the class	No.	% holding in the class
<i>Equity shares of Rs.10 each fully paid</i>				
GVK Power & Infrastructure Limited, holding company	50,000	100%	50,000	100%

As per records of the company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

## 4. Reserves and surplus

	31-Mar-12	31-Mar-11
	Rs.	Rs.
Surplus/ (deficit) in the statement of profit and loss		
Balance as per the last financial statements	-	-
Profit for the year	(429,897)	-
Net surplus in the statement of profit and loss	(429,897)	-
Total reserves and surplus	(429,897)	-

# GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)

Notes to financial statements for the year ended 31 March 2012

## 5. Long-term provisions and Short-term provisions

	Long-term		Short-term	
	31-Mar-12 Rs.	31-Mar-11 Rs.	31-Mar-12 Rs.	31-Mar-11 Rs.
<b>Provision for employee benefits</b>				
Provision for gratuity (note 13)	118,675	310,308	219	-
Provision for leave travel allowance	-	-	84,000	87,440
Provision for leave benefits			675,121	240,270
	<u>118,675</u>	<u>310,308</u>	<u>759,340</u>	<u>327,710</u>
<b>Other provisions</b>				
Provision for income tax	-	-	2,199	2,044
	<u>-</u>	<u>-</u>	<u>2,199</u>	<u>2,044</u>
	<u>118,675</u>	<u>310,308</u>	<u>761,539</u>	<u>329,754</u>

## 6. Short-term borrowings

	31-Mar-12 Rs.	31-Mar-11 Rs.
Loan from GVK Power & Infrastructure Ltd. (unsecured)	1,690,613,137	1,522,534,719
	<u>1,690,613,137</u>	<u>1,522,534,719</u>

Loan from GVK Power & Infrastructure Ltd., holding company is unsecured and repayable on demand. This loan carries nil rate of interest.

## 7. Other current liabilities

	31-Mar-12 Rs.	31-Mar-11 Rs.
<b>Other liabilities</b>		
TDS payable	238,973	238,330
Others	412,749	28,262
	<u>651,722</u>	<u>266,592</u>

# GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)

Notes to financial statements for the year ended 31 March 2012

## 8. Tangible assets

	Data processing equipment Rs.	Total Rs.
<b>Cost</b>		
At 1 April 2010	5,921,167	5,921,167
Additions	487,765	487,765
At 31 March 2011	6,408,932	6,408,932
Additions	4,646,071	4,646,071
At 31 March 2012	11,055,003	11,055,003
<b>Depreciation</b>		
At 1 April 2010	729,705	729,705
Charge for the year	1,025,665	1,025,665
At 31 March 2011	1,755,371	1,755,371
Charge for the year	1,041,734	1,041,734
At 31 March 2012	2,797,105	2,797,105

## 9. Loans and advances

	Non-current		Current	
	31-Mar-12 Rs.	31-Mar-11 Rs.	31-Mar-12 Rs.	31-Mar-11 Rs.
<b>Capital advances</b>				
Unsecured, considered good	15,848,645	115,429,161	-	-
<b>Advances recoverable in cash or kind</b>				
Secured considered good	-	-	-	-
Unsecured considered good	-	-	98,204	20,820
<b>Other loans and advances</b>				
Income Tax paid	-	-	9,984,006	7,747,992
	15,848,645	115,429,161	10,082,210	7,768,812

**GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)**

Notes to financial statements for the year ended 31 March 2012

**10. Other non-current assets**

	31-Mar-12	31-Mar-11
	Rs.	Rs.
<b>Other non-current assets</b>		
Interest accrued but not due	133,164	91,723
Non-current bank balance	518,000	518,000
Preliminary Expenditure	29,000	29,000
	<b>680,164</b>	<b>638,723</b>

**11. Cash and bank balances**

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
	Rs.	Rs.	Rs.	Rs.
<b>Cash and cash equivalents</b>				
<i>Balances with banks:</i>				
- On current accounts	-	-	492,335	3,911,532
- Deposits with original maturity of less than three months	-	-	-	-
Cash on hand	-	-	-	-
	-	-	492,335	3,911,532
<b>Other bank balances</b>				
- Deposits with original maturity for more than 12 months	518,000	518,000	-	-
	518,000	518,000	-	-
Amount disclosed under non-current assets	(518,000)	(518,000)	-	-
	-	-	492,335	3,911,532

# GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)

Notes to financial statements for the year ended 31 March 2012

## 12. Operating and other expenses

	31-Mar-12	31-Mar-11
	Rs.	Rs.
Auditor's Remuneration	20,000	-
Legal & Professional Charges	392,349	-
	<b>412,349</b>	-

## 13. Gratuity and other post-employment benefit plans

The company operates one defined plans, viz., gratuity, for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of 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 expenditure incurred during development phase and amounts recognized in the balance sheet for the respective plans.

### (i) Expenditure incurred during development phase

Net employee benefit expense recognized in the employee cost

	31-Mar-12	31-Mar-11
	Rs.	Rs.
Current service cost	175,801	189,259
Interest cost on benefit obligation	24,825	8,703
Net actuarial( gain) / loss recognized in the year	(392,040)	3,554
Net benefit expense	<b>(191,414)</b>	<b>201,516</b>

### (A) Balance sheet

Benefit asset/ liability

**GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)**

Notes to financial statements for the year ended 31 March 2012

	31-Mar-12	31-Mar-11
	Rs.	Rs.
Opening defined benefit obligation	310,308	108,792
Interest cost	24,825	8,703
Current service cost	175,801	189,259
Benefits paid	Nil	Nil
Actuarial (gains)/losses on obligation	(392,040)	3,554
Closing defined benefit obligation	118,894	310,308

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

	31-Mar-12	31-Mar-11
	Rs.	Rs.
Discount rate	8.60% P.A.	8.0% P.A.
Employee turnover	5.0% P.A.	5.0% P.A.
Further salary rise	7.0% P.A.	7.0% P.A.

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.

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

	31-Mar-12	31-Mar-11
	Rs.	Rs.
<b>Gratuity</b>		
Defined benefit obligation	(118,894)	(310,308)
Plan assets	-	-
Surplus / (deficit)	(118,894)	(310,308)
Experience adjustments on plan liabilities	382,114	N/A
Experience adjustments on plan assets	-	N/A
Actuarial gain/ (loss) due to changes on assumptions	9,926	N/A

**14. Related party disclosures**

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

a) Holding Company

**GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)**  
Notes to financial statements for the year ended 31 March 2012

GVK Power & Infrastructure Limited

b) Key Management Personnel

Dr. G V Krishna Reddy

Mr. G V Sanjay Reddy

Mr. Krishna Ram Bhupal

c) Enterprises in which Key Management Personnel and / or their relatives have significant influence

M/s .Orbit Travel & Tours Private Limited

Particulars of Transactions	Holding Company	Enterprises in which key management personnel are interested
Travelling Expenses	- (--)	7,53,784 (981,129)
Unsecured Loan Taken	1,69,06,13,137 (1,522,534,719)	-- (--)

Note: Previous year figures are in parenthesis

**15. 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.

**16. Contingent Liabilities not provided for in respect of claims**

- (i) The dues outstanding of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute are as follows:-

Name of the Statute	Nature of Amount	Amount (Rs.)	Period to which amount relates	Forum Where dispute is pending
Central Excise and Customs Act, 1944	Service tax	81,86,734/-	2008-2009	Reply submitted to Superintendent of Service Tax Department
Income Tax Act, 1961	Income Tax	8,435,214/	2008-2009	ITAT, Hyderabad

- (ii) As On March 31,2012, Seven multiple performance Bank Guarantee's for seven oil blocks amounting for Rs. 117,806,311(Previous Year: Rs. 117,806,311) was taken in favour of 'Ministry of Petroleum & Natural Gas' for a period of one year towards 35% of estimated expenditure of

# GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)

## Notes to financial statements for the year ended 31 March 2012

Minimum Work Program of the exploration phase. As Management is confident of executing the Minimum work Program during the exploration phase, no provision has been made.

### 17. Commitments

The company under the Production Sharing Contract entered into with Ministry of Petroleum and Natural Gas has given commitment towards minimum work programme in seven blocks allotted during NELP VII for exploration of oil and gas being conducted by the jointly controlled entity of the company. Similar commitment was there in the previous year also.

### 18. Expenditure in foreign currency (accrual basis)

	31-Mar-12	31-Mar-11
	Rs.	Rs.
Professional and Consultation fee	310,200	592,884
Software Purchase / Maintenance	5,664,051	594,476
Traveling Expenses	529,743	448,917

### 19. Payment to auditor

	31-Mar-12	31-Mar-11
	Rs.	Rs.
Audit fee	6,000	6,000
Taxation matters	11,000	-
Other services (certification fees)	12,000	17,000

### 20. 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 31 March 2012 (31 March 2011: Nil).

### 21. Previous year figures

Till the year ended 31 March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet. The following is a summary of the effects that revised Schedule VI had on presentation of balance sheet of the company for the year ended 31 March 2011:

# GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)

Notes to financial statements for the year ended 31 March 2012

Pre-revised Schedule VI		Adju.	Revised Schedule VI		Nature of adjustment
Heading	Amount		Amount	Heading	
<b>Sources of funds</b>			<b>Equity and liabilities</b>		
<b>Shareholders' funds</b>			<b>Shareholders' funds</b>		
Share capital	500,000	-	500,000	Share capital	
	<u>500,000</u>	-	<u>500,000</u>		
				<b>Non-Current liabilities</b>	
		310,308	310,308	Long-term provisions	Non-current component
	<u>-</u>	<u>310,308</u>	<u>310,308</u>		
<b>Loan funds</b>					
Unsecured loans	1,522,534,719		1,522,534,719	Short-term borrowings	Grouped under Current liabilities
<b>Current liabilities and provisions</b>			<b>Current liabilities</b>		
Sundry Creditors	95,702	(87,440)	8,262	Other liabilities	Grouped under short term provision
Other liabilities	238,330	-	238,330	Other current liabilities	
Provisions	572,622	(310,308)	262,314	Short-term provisions	Non-current component regrouped under non current liability
		87,440	87,440	Short-term provisions	Grouped under short term provision
	<u>1,523,441,372</u>	<u>(310,308)</u>	<u>1,523,131,064</u>		
	<u>1,523,941,372</u>	<u>-</u>	<u>1,523,941,372</u>		

**GVK OIL & GAS LIMITED (Formerly Known as GVK ENERGY LIMITED)**

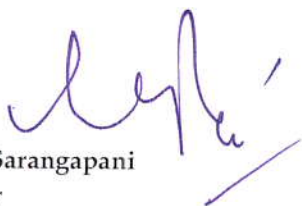
Notes to financial statements for the year ended 31 March 2012

As per our report of even date

**For Saranga Pani & Co.**

Firm registration number: 0500305

Chartered Accountants



per C Sarangapani

Partner

Membership no.: 73178

Place: Hyderabad

Date:

For and on behalf of the board of directors of

**GVK Oil & Gas Limited**



G. V. Sanjay Reddy

Director

Krishna Ram Bhupal

Director