



Auditors' Report

To

The Members of Goriganga Hydro Power Private Limited,

We have audited the attached Balance Sheet of **Goriganga Hydro Power Private Limited** as at 31st March, 2012 and its cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

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

Further to our comments, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (ii) In our opinion, proper books of Account as required by law have been kept by the Company so far as appears from our examination of such books.





- (iii) The Balance Sheet and cash flow statement dealt with by this report is in agreement with the Books of Account and comply with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (iv) On the basis of the written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that, none of the Directors are disqualified as on 31st 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.
- (v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012
- (b) in the case of the cash flow statement, of the cash flows of the company for the year ended on that date.

For SARANGA PANI & CO.,

Chartered Accountants

C. SARANGA PANI

PROPRIETOR

Membership No: 73178

PLACE:
DATE :

Hyderabad
28/4/2012





Re: Goriganga Hydro Power Private Limited

The annexure referred to in our report of even date.

- 1
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of the assets. No material discrepancies were noticed on such verification.
 - c) As per the information & explanations given to us, during the year the Company has not disposed off any substantial part of the fixed assets that would affect the going concern status of the Company.

- 2 The Company does not have any inventory and therefore clause 4(ii)(a),(b) and (c) are not applicable to the company
 - a) The Company has not granted any loans to companies covered in the register maintained under section 301 of the Companies Act, 1956.
 - ~~b) 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 ₹.4,674.21 lakhs and the year-end balance of loan taken from such party was ₹.4,674.21 lakhs.~~
 - c) 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.
 - d) In respect of loan taken, repayment of the principal amount is as stipulated and payment of interest has been regular.





- 3 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.
 - 4 Based on the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the companies Act, 1956 have been so entered.
 - 5 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 The company has not accepted any deposits from the public.
 - 7 The clause 4(vii) dealing with internal audit system is not applicable to the company.
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- 8 To the best of our knowledge and as explained, the central government has not prescribed maintenance of cost records in respect of services/activities provided/undertaken by the company. Accordingly the clause 4(viii) is not applicable to the company.
 - 9 The Company is generally 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.





- 10 According to the information and explanations given to us and records of the company examined by us, there were no disputes with appropriate authorities of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty as on March 31, 2012.
- 11 Since the Company has not completed 5 years from the date of Registration, clause no 4 (X) with regard to accumulated and cash losses is not applicable to the Company.
- 12 In our opinion and according to the information and explanation given to us and considering the transactions of the Company, the 4(xi) to 4(xx) are not applicable to the Company.
- 13 Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information 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 SARANGA PANI & CO.

Chartered Accountants

C. SARANGA PANI

PROPRIETOR

Membership No: 73178

PLACE: Hyderabad
DATE : 28/4/2012



GORIGANGA HYDRO POWER PRIVATE LIMITED
Balance Sheet as at 31st March 2012

Particulars	Notes	As at March 2012	As at March 31, 2011
		RS	RS
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	100,000	100,000
(b) Reserves and surplus		-	-
Sub-Total		100,000	100,000
2 Share application money pending allotment		-	-
3 Non-current liabilities		-	-
4 Current liabilities			
(a) Short-term borrowings	5	467,421,007	430,886,007
(b) Other current liabilities	6	14,384,834	20,929,581
Sub-Total		481,805,841	451,815,588
TOTAL		481,905,841	451,915,588
II. ASSETS			
1 Non-current assets			
(a) Fixed assets	4		
(i) Tangible assets		5,026,967	5,310,529
(ii) Capital work-in-progress		464,422,154	430,711,399
		469,449,121	436,021,928
2 Current assets			
(a) Cash and bank balances	7	181,626	759,364
(b) Short-term loans and advances	7	12,275,093	15,134,296
		12,456,719	15,893,660
TOTAL		481,905,841	451,915,588

In terms of our report attached.
For Saranga Pani & Co.,
Chartered Accountants

C Saranga Pani
Proprietor

Membership No.73178

Place : Hyderabad
Date : 28.04.2012



For and on behalf of the Board of Directors of
Goriganga Hydro Power Private Limited

Krishna Kam Bhupal
Director

G. Indira Krishna Reddy
Director

GORIGANGA HYDRO POWER PRIVATE LIMITED
Cash Flow Statement for the year ended 31st March 2012

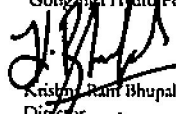
Particulars	As at March 2012	As at March 31, 2011
	RS	RS
Cash flow from operating activities		
Cash flow from Investing Activities		
Purchase of Fixed Assets including intangible assets, CWIP and capital advances	(37,112,738)	(48,193,472)
Net Cash Used in Investing Activities	(37,112,738)	(48,193,472)
Cash Flow from Financing Activities		
Proceeds from Short term Loan	36,535,000	48,235,175
Net Cash Used In Financing Activities	36,535,000	48,235,175
Net Increase / (Decrease) in cash and cash equivalents	(577,738)	41,703
Effect of exchange difference on cash & cash equivalents held in foreign currency		
Cash and Cash Equivalents as at 1st April 2011	759,364	717,661
Cash and Cash Equivalents as at 31st March 2012	181,626	759,364
Components of Cash and Cash equivalents as at 1st April 2011		
Cash and bank Balance	759,364	717,661
Total	759,364	717,661
Components of Cash and Cash equivalents as at 31st March 2012		
Cash and bank Balance	181,626	759,364
Total	181,626	759,364


In terms of our report attached.
For Saranga Pani & Co.,
Chartered Accountants

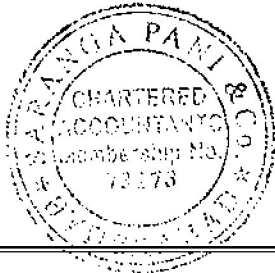
C Saranga Pani
Proprietor
Membership No.73178

Place : Hyderabad
Date : 28.04.2012

For and on behalf of the Board of Directors of
Goriganga Hydro Power Private Limited


Kristina Rani Bhupal
Director


G Indira Krishna Reddy
Director



GORIGANGA HYDRO POWER PRIVATE LIMITED

Notes to financial statements for the year ended 31 March 2012

1. Corporate information

Goriganga Hydro Power Private Limited (the company) is a private limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company is engaged in the business of to generate electrical power through all kinds Hydel, Geo-Hydel Projects and to supply, distribute and trade the power so generated to any Government or Private Entity or for captive consumption.

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 21.

(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.



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GORIGANGA HYDRO POWER PRIVATE LIMITED

Notes to financial statements for the year ended 31 March 2012

(c) Tangible fixed assets and depreciation

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided using Straight Line Method at the rates estimated by the Management which coincides with the rates prescribed under Schedule XIV of the Companies Act, 1956.

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

Nature of Asset	Rates (SLM)
Computers	16.21%
Furniture & Fixtures	6.33%
Office Equipment	4.75%
Motor Vehicles	9.50%
Roads (Helipad)	1.63%

(d) Impairment

The carrying amounts of assets are reviewed at each balance sheet date to see 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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset

(e) 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 period they occur.



GORIGANGA HYDRO POWER PRIVATE LIMITED

Notes to financial statements for the year ended 31 March 2012

(f) Dividends

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

(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) Foreign currency transactions

(i) 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.

(ii) Conversion

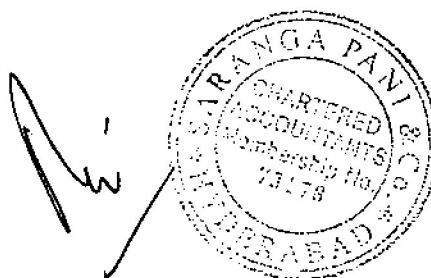
Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other 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) Income tax

Tax expense comprises of current 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.



GORIGANGA HYDRO POWER PRIVATE LIMITED

Notes to financial statements for the year ended 31 March 2012

3. Share capital

	31-Mar-12 Rs.	31-Mar-11 Rs.
Authorized shares (No. thousands)		
Ordinary / Equity Shares		
10,000 (31 March 2011: 10,000) equity shares of Rs.10/- each	1,00,000	1,00,000
	1,00,000	1,00,000
Issued, subscribed and fully paid-up shares		
Ordinary / Equity Shares		
10,000 (31 March 2011: 10,000) equity shares of Rs.10/- each	1,00,000	1,00,000
	1,00,000	1,00,000

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

Equity shares

Name of the shareholder	31-Mar-12		31-Mar-11	
	No.	Rs.	No.	Rs.
At the beginning of the year	10,000	1,00,000	10,000	1,00,000
Issued during the year				
Outstanding at the end of the year	10,000	1,00,000	10,000	1,00,000

b) Terms/rights attached to equity shares

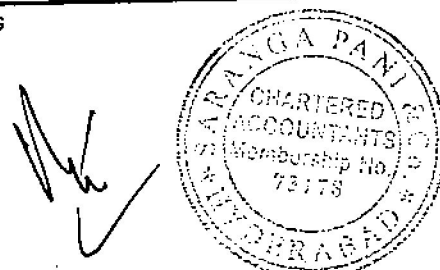
The company has only one class of equity shares having per value of ₹10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders 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 Rs.	31-Mar-11 Rs.
GVK Power & Infrastructure Ltd, the holding company		
10,000 (31 March 2011: 10,000) equity shares of Rs.10/- each fully paid*	1,00,000	1,00,000

*including 100 shares jointly held along with individual promoters



GORIGANGA HYDRO POWER PRIVATE LIMITED

Notes to financial statements for the year ended 31 March 2012

d) 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 Ltd, (GVKPIL) holding company*	10,000	100%	10,000	100%

*including 100 shares jointly held along with individual promoters

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. Tangible assets

	Helipad	Computers	Furniture and fixtures	Vehicles	Office Equipment	Total
Cost or valuation						
At 1 April 2010	2,36,440	3,41,690	12,21,208	1,17,380	8,92,589	28,09,307
Additions	-	-	49,210	-	27,90,505	28,39,715
Disposals	-	-	-	-	-	-
Transfer to assets held for sale (discontinuing operation)	-	-	-	-	-	-
Other adjustments						
- Exchange differences	-	-	-	-	-	-
- Borrowing costs	-	-	-	-	-	-
At 31 March 2011	2,36,440	3,41,690	12,70,418	1,17,380	36,83,094	56,49,022
Additions	-	-	-	-	43,400	43,400
Acquisitions through amalgamation (note 35)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other adjustments						
- Exchange differences	-	-	-	-	-	-
- Borrowing costs	-	-	-	-	-	-
At 31 March 2012	2,36,440	3,41,690	12,70,418	1,17,380	37,26,494	56,92,422
Depreciation						
At 1 April 2010	2,487	25,841	50,217	1,558	821	80,924
Charge for the year	3,854	55,388	79,939	11,151	1,07,237	2,57,569
Disposals	-	-	-	-	-	-
Transfer to assets held for sale (discontinuing operation)	-	-	-	-	-	-
At 31 March 2011	6,341	81,229	1,30,156	12,709	1,08,058	3,38,493

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GORIGANGA HYDRO POWER PRIVATE LIMITED

Notes to financial statements for the year ended 31 March 2012

	Helipad	Computers	Furniture and fixtures	Vehicles	Office Equipment	Total
Charge for the year	3,854	55,388	80,417	11,151	1,76,152	3,26,962
Disposals	-	-	-	-	-	-
At 31 March 2012	10,195	1,36,617	2,10,573	23,860	2,84,210	6,65,455
Impairment loss						
At 1 April 2010	-	-	-	-	-	-
At 31 March 2011	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
At 31 March 2012	-	-	-	-	-	-
Net Block						
At 31 March 2011	2,30,099	2,60,461	11,40,262	1,04,671	35,75,036	53,10,529
At 31 March 2012	2,26,245	2,05,073	10,59,845	93,520	34,42,284	50,26,967

5. Short-term borrowings

	31-Mar-12 Rs.	31-Mar-11 Rs.
GVK Power & Infrastructure Ltd. (unsecured)	46,74,21,007	43,08,86,007
	<u>46,74,21,007</u>	<u>43,08,86,007</u>

The above amounts represents share application money received from holding company and pending for allotment of shares as on the particular date.

6. Other current liabilities

	31 March 2012 Rs	31 March 2011 Rs
Other liabilities		
Others		
TDS & Other statutory dues payable	79,270	23,52,162
Other Creditors for expenses	1,43,05,564	1,85,77,419
	<u>1,43,84,834</u>	<u>2,09,29,581</u>




GORIGANGA HYDRO POWER PRIVATE LIMITED

Notes to financial statements for the year ended 31 March 2012

7. (a) Loans and advances

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
	Rs.	Rs.	Rs.	Rs.
Advances recoverable in cash or kind				
Unsecured considered good	-	-	1,22,75,093	1,51,34,296
	-	-	1,22,75,093	1,51,34,296

(b) Cash and Bank balances

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents				
<i>Balances with banks:</i>				
- On current accounts	-	-	1,80,830	5,78,731
Cash on hand	-	-	-	1,80,633
	-	-	1,80,830	7,59,364

8. Related party disclosures

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

a) Holding Company

GVK Power & Infrastructure Limited

b) Key Management Personnel

Dr. G V Krishna Reddy

Mr. G V Sanjay Reddy

Mr. Krishna Ram Bhupal



GORIGANGA HYDRO POWER PRIVATE LIMITED

Notes to financial statements for the year ended 31 March 2012

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

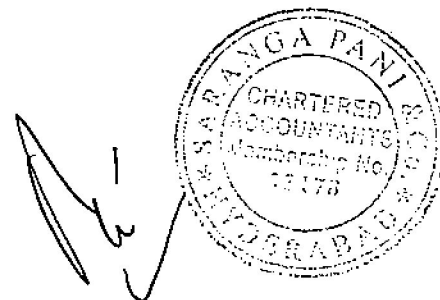
M/s. GVK Technical & Consultancy Services Pvt Ltd
M/s. GVK Projects & Technical Services Ltd
M/s. GVK Hydel Pvt Ltd
M/s. Orbit Tours & Travels Pvt Ltd

Particulars of Transactions	Holding Company	Amount owed to
Short Term borrowings	3,65,35,000 (4,81,93,472)	46,74,21,007 (43,08,86,007)
Particulars of Transactions	Enterprises in which key management personnel are interested	Amount owed to
Civil works - GVK Projects & Technical Services Ltd	- (15,45,73,525)	- (66,30,225)
Travel Expenses - GVK Projects & Technical Services Ltd	13,18,545 (1,73,12,137)	2,92,174 (-)
Professional Services - GVK Technical & Consultancy Services Pvt. Ltd	39,94,295 (31,19,502)	61,590 (3,51,107)
Travel Expenses - Orbit Travel & Tours Pvt. Ltd	1,86,830 (2,83,832)	- (-)
Advances Refund Received - GVK Hydel Pvt Ltd	2,66,237 (-)	- (2,66,237)

Note: Previous year figures are in parenthesis.

9. 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).



GORIGANGA HYDRO POWER PRIVATE LIMITED

Notes to financial statements for the year ended 31 March 2012

10. 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.

As per our report of even date

For Saranga Pani & Co.,
Chartered Accountants

C. Saranga Pani
Proprietor
Membership no.: 73178

Place:
Date:

Hyderabad
28/4/2012

For and on behalf of the board of directors of
Goriganga Hydro Power Private Limited

Krishna/Ram Bhupal
Director

G. Indira Krishna Reddy
Director

