

**CONSOLIDATED
FINANCIAL STATEMENTS**

Auditors' Report

To:

The Board of Directors
GMR Infrastructure Limited
Skip House
25/1, Museum Road
Bangalore - 560 025

Dear Sirs,

1. We have audited the attached Consolidated Balance Sheet of GMR Infrastructure Limited (the company) and its subsidiaries and associates (hereinafter together referred to as consolidated entities) as at March 31, 2006, the Consolidated Profit and Loss Account for the year ended on that date, annexed hereto, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an indentified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.10,903.95 millions as at March 31, 2006 and total revenues of Rs.1,629.98 millions for the year ended on that date, considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of such subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of accounting standard 21, 'Consolidated Financial Statements' and Accounting Standard 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its consolidated entities included in the Consolidated Financial Statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the company and its aforesaid consolidated entities, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the company and its consolidated entities as at March 31 2006.
 - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its consolidated entities for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Company and its consolidated entities for the year ended on that date.

P. Ramakrishna
Partner

Membership Number 22795
 For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
 Date : May 13, 2006



Consolidated Balance Sheet

(Rs. in millions)

Particulars	Schedule Reference	As at March 31, 2006	As at March 31, 2005
I. Sources of Funds			
1. Shareholders' Funds			
(a) Capital	1	2,644.37	1,586.62
(b) Reserves and Surplus	2	3,059.90	2,806.17
		5,704.27	4,392.79
2. Minority Interest		4,243.38	3,709.30
3. Loan Funds			
(a) Secured Loans	3	25,438.48	18,037.20
(b) Unsecured Loans	4	3,778.17	1,117.36
4. Deferred Tax Liabilities (Refer Note 4(xviii) on schedule 20)		1.79	2.61
Total		39,166.09	27,259.26
II. Application of Funds			
1. Fixed Assets			
(a) Gross Block	5	24,558.88	24,274.84
(b) Less: Depreciation		11,051.19	8,856.68
(c) Net Block		13,507.69	15,418.16
(d) Capital Work-in-Progress (including capital advances)		13,868.34	7,058.02
(e) Expenditure during construction period, pending allocation (net)	6	2,450.04	890.33
		29,826.07	23,366.51
2. Investments	7	2,556.98	1,754.79
3. Current Assets, Loans and Advances			
(a) Inventories	8	358.64	306.30
(b) Sundry Debtors	9	2,433.34	1,832.31
(c) Cash and Bank Balances	10	6,754.21	4,509.43
(d) Other Current Assets	11	841.35	32.63
(e) Loans and Advances	12	1,051.46	507.63
		11,439.00	7,188.30
Less: Current Liabilities and Provisions	13		
(a) Liabilities		3,859.23	4,092.78
(b) Share Application Money		-	400.00
(c) Provisions		796.76	557.72
		4,655.99	5,050.50
Net Current Assets		6,783.01	2,137.80
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	14	0.03	0.16
Total		39,166.09	27,259.26
Significant Accounting Policies and Notes to the Consolidated Accounts	20		

The schedules referred to above form an integral part of the Consolidated Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G.M.Rao
Chairman &
Managing Director

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Chelukupalli
Company Secretary

Place : Hyderabad
Date : May 13, 2006

Place : Bangalore
Date : May 13, 2006



Consolidated Profit And Loss Account

(Rs. in millions)

Particulars	Schedule Reference	For the year ended March 31, 2006	For the year ended March 31, 2005
I. Income			
Sales and Operating Income	15	10,589.58	9,929.10
Other Income	16	315.13	285.43
		10,904.71	10,214.53
II. Expenditure			
Generation and Operating Expenses	17	5,057.84	5,134.22
Administration and Other Expenses	18	1,028.24	858.21
Interest and Finance Charges	19	1,557.77	1,129.15
Depreciation		2,199.71	1,911.65
Amortisation of Miscellaneous Expenditure		-	10.06
		9,843.56	9,043.29
III. Profit Before Taxation and before Minority Interest/Share of profits of Associate		1,061.15	1,171.24
Provision for Taxation			
- Current		112.29	121.85
- Deferred		(0.80)	(69.15)
- Fringe Benefit		13.59	-
IV. Profit after Taxation and before Minority Interest/Share of profits of Associate		936.07	1,118.54
Minority Interest		230.58	430.24
Share of Profits of Associate		-	2.17
V. Net Profit after Minority Interest/Share of profits of Associate		705.49	690.47
Surplus brought forward		679.01	618.96
VI. Amount available for appropriation		1,384.50	1,309.43
Appropriations:			
Debenture Redemption Reserve		37.50	370.00
Capital Redemption Reserve		-	185.00
Preference dividend		-	15.48
Issue of bonus shares		99.31	-
Dividend Distribution Tax		73.17	59.91
VII. Available Surplus carried to Balance Sheet		1,174.52	679.04
Earnings Per Share (Rs.) - Basic		2.67	2.54
- Diluted		2.67	2.54
(Equity Share of Rs. 10/- each, fully paid up) (Refer note 4(xvii) on schedule 20)			
Significant Accounting Policies and Notes to the Consolidated Accounts	20		

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

This is the Consolidated Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board of Directors

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A.S.Chelukupalli
Company Secretary

Place : Hyderabad
Date : May 13, 2006

Place : Bangalore
Date : May 13, 2006



Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 1	As at March 31, 2006	As at March 31, 2005
Capital		
Authorised		
400,000,000 (2005 - 175,000,000) Equity shares of Rs.10/- each	4,000.00	1,750.00
Nil (2005, - 3,000,000) Preference Shares of Rs.100/- each	–	300.00
	4,000.00	2,050.00
Issued , Subscribed & Paid up		
264,436,814 (2005 -158,662,091) Equity shares of Rs.10/- each fully paid up	2,644.37	1,586.62
[Out of the above, 264,435,651 (2005-158,661,391) Equity shares fully paid up are held by GMR Holdings Private Limited, which is the holding company with effect from April 1, 2003)]		
[Out of the above 105,747,237 (2005 - Nil) Equity shares of Rs.10 each were allotted as fully paid by way of bonus shares by capitalising free reserves of the company.]		
Total	2,644.37	1,586.62

(Rs. in millions)

Schedule 2	As at March 31, 2006	As at March 31, 2005
Reserves And Surplus		
Securities Premium Account		
As at the commencement of the year	552.99	552.99
Less: Utilised for the issue of bonus shares	552.99	–
	–	552.99
Capital Reserve on consolidation		
As at the commencement of the year	768.70	768.70
Add: Additions for the year	679.18	–
	1,447.88	768.70
Capital Redemption Reserve		
As at the commencement of the year	185.00	185.00
Less: Utilised for the issue of bonus shares	185.00	–
	–	185.00
Debenture Redemption Reserve		
As at the commencement of the year	400.00	30.00
Additions during the year	37.50	370.00
	437.50	400.00
Special Reserve (under Section 45 IC of the Reserve Bank of India Act, 1934)		
As at the commencement of the year	220.44	220.44
Less: Transfer to General Reserve	220.44	–
	–	220.44
General Reserve		
As at the commencement of the year	–	–
Add: Transfer from Special Reserve	220.44	–
Less: Utilised for the issue of bonus shares	220.44	–
	–	–
Profit and Loss Account		
	1,174.52	679.04
Total	3,059.90	2,806.17



Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 3	As at March 31, 2006	As at March 31, 2005
Secured Loans		
Debentures		
1,850,000 Secured Redeemable Non-Convertible Debentures of Rs. 100 each (Out of the above, debentures amounting to Rs.16,250,000 as at March 31, 2006 bear interest at the rate of 10% per annum (14% upto March 31, 2004) and debentures amounting to Rs.30,000,000 as at March 31, 2006 bear interest at the rate of 10% per annum (14% upto December 31, 2004). These debentures are redeemable in 20 equal quarterly instalments from October 1, 2002) (The debentures are secured, on pari-passu basis, by first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates.)	46.25	83.25
6,000 Secured Redeemable Non-Convertible Debentures of Rs.100,000 each (These debentures bear interest at the rate of 9% per annum (12% upto June 30, 2004). These debentures are redeemable in 10 equal semi annual instalments from December 1, 2003) (Secured by the hypothecation of immovable property of the company, pledge and exclusive first charge on dividends to be declared / received by the Company on 48,000,000 (2005 - 48,000,000) shares held in GMR Energy Limited.)	300.00	420.00
1,200,000 Secured Redeemable Non-Convertible Debentures of Rs.100 each (These debentures bear interest at the rate of 10% per annum and are redeemable in four equal annual instalments from January 8, 2005) (The debentures are secured, on pari-passu basis, by first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates.)	60.00	90.00
650,000 Secured Redeemable Non-Convertible Debentures of Rs.100 each (These debentures bear interest at the rate of 10% per annum and are redeemable in four equal annual instalments from February 4, 2005) (The debentures are secured, on pari-passu basis, by first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates.)	32.50	48.75
1,250 Secured Redeemable Non-Convertible Debentures of Rs.1,000,000 each (These debentures bear interest at the rate of 8.9% per annum (7.9% upto September 30, 2005) and are redeemable in 10 annual instalments from September 2005.) (The debentures are secured by immovable property of the company, pledge of 41,253,000 equity shares of the Company held by the promoter shareholders.)	1,100.00	1,250.00
250 Secured Redeemable Non-Convertible Debentures of Rs.1,000,000 each (These debentures bear interest at the rate of 8.71% per annum (7.9% upto September 30, 2005) and are redeemable in 10 annual instalments from September 2005.) (The debentures are secured by immovable property of the company, pledge of 41,253,000 equity shares of the Company held by the promoter shareholders.)	220.00	250.00



Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 3 (Contd.)	As at March 31, 2006	As at March 31, 2005
From Others	614.69	0.33
(The Loan from Housing and Urban Development Corporation Limited is secured by pledge of 100,000,000 equity shares of the Company held by the promoter shareholders and other third party securities. The loan on account of hire purchase is secured by way of hypothecation of the vehicle)		
(Loans of GHIAL are secured by mortgage of leasehold land and first charge on all moveable and immovable assets and intangibles and revenues, both present and future, as well as assignment of all right, title, interest, benefits, claims and demands available under the concession agreement and other project documents and further, secured by pledge of certain equity shares, both present and future, held or to be held, as the case may be, by both, the holding company and Malaysia Airport Holdings Berhad.)		
Supplier's Credit	–	1,243.93
(Supplier's credit availed by GMR Power Corporation Private Limited (GPCPL) is guaranteed by Financial Institutions and Banks under Deferred Payment Guarantee Scheme. Deferred payment guarantees are secured by way of joint equitable mortgage by deposit of the title deeds of the leasehold land of GPCPL and are also secured by first charge on GPCPL's movables including movable plant and machinery, machinery spares and other movable assets (save and except book debts) both present and future ranking pari passu with other term loans, subject to charges created/to be created in favour of GPCPL's bankers on inventories, book debts and such other movables as may be specifically permitted for securing the working capital requirements. Further secured by the irrevocable personal guarantees by some of the Directors of GPCPL).		
Short Term Loans		
From Banks		
Cash Credit and Demand Loans	1,164.12	989.33
(The facilities of GMR Energy Limited are secured by hypothecation of stocks and book debts, both present and future, and further to be secured by creation of a joint mortgage by deposit of title deeds in respect of immovable properties together with all plant and machinery attached to the earth).		
(The facilities of GMR Power Corporation Private Limited (GPCPL) are secured by way of charge on current assets, stocks of raw materials, stores and spares not relating to plant and machinery, bills receivable, book debts and other movables of the Company, both present and future. Cash credit availed from State Bank of India is further to be secured by way of second charge on the fixed assets of the company situated at the plant and is secured by the personal guarantees of some of the Directors of GPCPL)		
(The facilities of Hyderabad International Airport Limited is secured by corporate guarantee of the holding company, GMR Infrastructure Limited and pledge of certain equity shares in the holding company held by third parties)		
Total	25,438.48	18,037.20

(Rs. in millions)

Schedule 4	As at March 31, 2006	As at March 31, 2005
Unsecured Loans		
Short Term		
From Banks	1,060.50	837.24
Interest accrued and due	0.26	-
From Others	518.00	61.90
Other than Short Term		
From Others	2,199.41	218.22
Total	3,778.17	1,117.36



Schedules forming part of The Consolidated Balance Sheet

Schedule 5

Fixed Assets

Description	Gross Block						Depreciation				Net Block	
	As at March 31, 2005	Additions	Additions on inclusion of subsidiaries	Withdrawals	As at March 31, 2006	As at March 31, 2005	For the Year	On account of inclusion of Subsidiaries	On withdrawals	As at March 31, 2006	As at March 31, 2005	
	(Rs. in millions)											
Goodwill	209.57	-	-	-	209.57	-	-	-	-	-	209.57	209.57
Land	111.88	16.58	-	-	128.46	-	-	-	-	-	128.46	111.88
Carriage Ways	6,571.98	-	-	-	6,571.98	166.30	438.28	-	-	604.58	5,967.40	6,405.68
Buildings	1,168.75	0.32	-	-	1,169.07	294.12	48.15	-	-	342.27	826.80	874.63
Plant & Machinery	16,065.89	187.67	-	-	16,253.56	8,336.17	1,700.28	-	-	10,036.45	6,217.11	7,729.72
Office Equipment	98.71	54.30	4.52	13.65	143.88	35.00	13.67	-	9.81	38.86	105.02	63.71
Capitalised Software	2.29	5.63	1.75	-	9.67	1.17	1.40	-	-	2.57	7.10	1.12
Leasehold Improvements	1.91	4.47	-	-	6.38	0.10	0.95	-	-	1.05	5.33	1.81
Furniture & Fixtures	32.91	20.12	0.47	3.19	50.31	18.10	3.55	-	2.34	19.31	31.00	14.81
Vehicles	10.95	6.00	-	0.95	16.00	5.72	1.33	-	0.95	6.10	9.90	5.23
Total	24,274.84	295.09	6.74	17.79	24,558.88	8,856.68	2,207.61	-	13.10	11,051.19	13,507.69	15,418.16
Capital work in progress (including capital advances)	-	-	-	-	-	-	-	-	-	-	13,868.34	7,058.02
Previous year	17,658.93	6,622.76	-	6.85	24,274.84	6,943.60	1,915.69	-	2.61	8,856.68	15,418.16	

Notes:

1. Plant and machinery include foreign exchange fluctuations capitalised Rs. 187.62 millions (2005 - Rs. 172.74 millions)
2. Capital work in progress is net of foreign exchange fluctuation amounting to Rs. 32.87 millions (2005 - Rs. 7.25 millions)
3. Buildings of GMR Power Corporation Private Limited with a gross book value of Rs.1,073.97 millions (2005 - Rs.1,073.66 millions) are on leasehold land.
4. Depreciation for the period includes Rs. 7.90 millions relating to certain consolidated entities in the project stage which is included in Schedule 6.
5. Carriage Ways are mainly intangible assets, being the right to operate and maintain the highways on Build, Operate and Transfer basis.

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 6	As at March 31, 2006	As at March 31, 2005
Expenditure During Construction Period, Pending Allocation (Net)		
Fuel Cost (including transmission charges)	360.98	—
Operation and Maintenance	59.25	—
Salaries, allowances and benefits to employees	305.13	119.10
Contribution to provident fund and others	6.02	1.46
Staff welfare expenses	34.96	10.20
Pre-closing date development expenses	20.28	117.88
Advertisement	62.59	20.08
Rent	96.05	44.69
Repairs and Maintenance - Others	36.27	6.67
Rates and taxes	29.00	5.62
Insurance	82.34	28.09
Consultancy and professional charges	188.50	94.03
Director's Sitting Fees	0.66	0.24
Electricity Charges	84.12	7.70
Remuneration to auditors	3.06	1.02
Travelling and conveyance	170.32	91.40
Communication Expenses	28.86	12.93
Income Tax	10.02	4.40
Fringe Benefit Tax	9.40	—
Depreciation	13.46	5.57
Interest on term loans	602.66	93.93
Interest - others	7.87	7.87
Bank/ other finance charges	212.58	173.02
Loss on sale of fixed assets (net)	43.22	2.13
Miscellaneous expenses	63.64	75.92
Preliminary Expenses	0.20	—
	2,531.44	923.95
Less: Other Income		
Sale of Power	4.94	—
Interest received (gross)	37.50	23.03
[Tax deducted at source - Rs. 1.82 millions (2005 - Rs. 1.12 millions)]		
Income from investments - Other than trade (gross)	39.79	9.69
[Tax deducted at source - Rs. Nil (2005 - Nil)]		
Profit on sale of investments	1.32	0.45
Gain/(Loss) on account of foreign exchange fluctuations (net)	(3.02)	0.17
Miscellaneous income	0.87	0.28
	2,450.04	890.33



Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 7	As at March 31, 2006	As at March 31, 2005
INVESTMENTS		
Long term		
Other than Trade - Quoted *		
In equity shares of Rs.10/- each, fully paid up		
N E Electronics Limited	-	33.15
(Nil (2005 - 780,000) Equity Shares)		
Sangam India Limited	-	0.05
(Nil (2005 - 1,500) Equity Shares)		
Mega Corporation Limited		
(Nil (2005 - 2,088,500) equity shares of Re. 1/- each, fully paid up)	-	9.19
	-	42.39
Less: Provision for diminution in value of investments	-	-
(i)	-	42.39
In shares of associate company		
(At cost plus share of profits based on equity accounting)		
GMR Operations Private Limited	-	20.85
(Nil (2005 - 2,450) equity shares of Rs. 100/- each, fully paid up)		
Gateways for India Airports Private Limited	0.04	0.04
(3,784 (2005 - 3,784) Equity Shares of Rs.10/- each, fully paid up)		
Others		
In equity shares of Rs.10/- each, fully paid up		
Sri Varalakshmi Jute Twine Mills Private Limited	-	30.00
(NIL (2005 - 4,000,000 equity shares))		
In preference shares		
GVL Investments Private Limited	-	205.10
(Nil (2005 - 6%, 5,127,500) Preference shares of		
Rs. 10/- each, fully paid up)		
GMR Industries Limited	-	190.40
(Nil (2005 - 8%, 20,695,580) Preference shares		
of Rs. 11/- each, fully paid up)		
In bonds		
Industrial Development Bank of India - Growing Interest Bond	2.50	2.50
(500 Bonds (2005) of Rs.5,000 each, fully paid up)		
(ii)	2.54	448.89



Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 7 (Contd.)	As at March 31, 2006	As at March 31, 2005
Current		
Other than trade - unquoted		
(Purchased during the year)		
Mutual Funds **		
Chola Mutual Fund-Liquid Institutional Plus Daily Dividend (126,615,675.93 units of Rs.10/- per unit)	1,270.06	
Canbank Mutual Fund-Liquid Fund-Institutional Dividend (1,702,419.31 units of Rs.10/- per unit)	17.09	
HDFC Mutual Fund Cash - Management Fund - Call Option Daily Dividend Reinvestment (680,980.78 units of Rs.10/- per unit)	7.10	
LIC Liquid Fund-Daily Dividend (2,140,839.45 units of Rs.10/- per unit)	23.44	
Kotak Mutual Fund - Institutional Premium Plan - Daily Dividend (7,899,088.39 units of Rs.10/- per unit)	96.59	
ING Vysya Liquid Fund Super Institutional - Daily Dividend Option (3,999,627.99 units of rs.10/- per unit)	40.01	
Can Liquid Fund - Institutional Daily Dividend Reinvest (3,162,010.85 units of Rs.10/- per unit)	31.75	
Kotak Mahindra Mutual Fund - Daily Dividend Option (2005-8,709,447.91 units of Rs.10/- per unit) (Sold during the year)		106.50
Kotak Mutual Fund-Liquid Institutional Growth (2005-11,466,029.49 units of Rs.10/- per unit) (Sold during the year)		152.21
Chola Mutual Fund - Liquid Institutional Dividend Reinvestment Plan (39,466,853.06 (2005-21,301,830) units of Rs. 10/- per unit)	395.51	213.31
Kotak Liquid Institutional Premium Plan Daily Dividend (28,652,496.38 units of Rs.10/- each)	350.37	
Chola Liquid Fund - Cumulative Institutional Plus - Growth Option (2005-10,029,196.1 units of Rs.10/- per unit) (Sold during the year)	-	135.00
Chola Mutual Fund - Liquid Institutional Plus Cumulative (2005-14,936,797.28 units of Rs.10/- per unit) (Sold during the year)	-	201.00
(iii)	2,231.92	808.02
Other than Trade - Quoted		
Government Securities***		
6.35% Government of India 2020 (1,500,000 units of Rs. 100 per unit)	132.97	140.70
6.05% Government of India 2019 (500,000 units of Rs. 100 per unit)	43.31	45.67
5.59% Government of India 2016 (1,000,000 units of Rs. 100 per unit) (Sold during the year)	-	90.45
7.38% Government of India 2015 (500,000 units of Rs. 100 per unit) (Sold during the year)	-	52.65
7.38% Government of India 2015 (500,000 units of Rs. 100 per unit) (Sold during the year)	-	52.65
7.46% Government of India 2017 (500,000 units of Rs. 100 per unit)	40.08	52.38



Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 7 (Contd.)	As at March 31, 2006	As at March 31, 2005
Equity Shares****		
(Purchased during the year)		
Alstom Projects India Limited (13,092 (2005-1,000) shares of Rs.10 each, fully paid up)	14.40	0.17
Andhra Bank (337,728 shares of Rs.10 each,fully paid up)	27.31	–
Bank of Baroda (58,108 shares of Rs.10 each,fully paid up)	11.09	–
Bajaj Hindustan Limited (5,000 shares of Re.1 each, fully paid up)	0.99	–
Ballarpur Industries Limited (16,840 shares of Rs.10 each, fully paid up) (Sold during the year)	–	1.49
Birla Corporation Limited (3,000 shares of Rs.10 each, fully paid up) (Sold during the year)	–	0.54
Century Textiles & Industries Limited (5,000 shares of Rs.10 each, fully paid up)	1.59	–
Coromandal Fertilisers Limited (10,000 shares of Rs.2 each, fully paid up)	0.84	–
Cipla Limited (1,000 shares of Rs.2 each, fully paid up)	0.64	–
Dredging Corporation Limited (1,000 shares of Rs.10 each, fully paid up) (Sold during the year)	–	0.51
Elecon Engineering Limited (500 shares of Rs.10 each, fully paid up)	0.35	–
Engineers India Limited (715 shares of Rs.10 each, fully paid up) (Sold during the year)	–	0.23
EID Parry India Limited (7,732 shares of Rs.10 each, fully paid up) (Sold during the year)	–	3.06
Federal Bank Limited (5,000 shares of Rs.10 each, fully paid up)	0.89	–
Futura Polyester Limited (10,000 shares of Rs.10 each, fully paid up) (Sold during the year)	–	0.28
Great Eastern Shipping Co Limited (5,000 (2005-2,000) shares of Rs.10 each, fully paid up)	1.23	0.31
Gujarat Industries Limited (5,200 shares of Rs.10 each, fully paid up) (Sold during the year)	–	0.37
Hindalco Limited (3,303 shares of Re.1 each, fully paid up)	0.56	–
Hindustan Petroleum Corporation Limited (5,000 shares of Rs.10 each, fully paid up) (Sold during the year)	–	1.53
Indian Petrochemicals Corporation Limited		



Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 7 (Contd.)	As at March 31, 2006	As at March 31, 2005
(5,000 shares of Rs.10 each, fully paid up) Indraprashta Gas Limited	1.21	–
(5,000 shares of Rs. 10 each, fully paid up) (Sold during the year) J K Paper Limited	–	0.49
(18,000 shares of Rs.10 each, fully paid up) (Sold during the year) Jindal Iron & Steel Co Limited	–	0.86
(3,000 shares of Rs. 2 each, fully paid up) (Sold during the year) Jain Irrigations Systems Limited	–	0.29
(10,000 shares of Rs.10 each, fully paid up) Kesoram Industries Limited	1.83	–
(10,000 shares of Rs.10 each, fully paid up) Mangalore Petrol Refinery Limited	1.97	–
(5,000 shares of Rs.10 each, fully paid up, sold during the year) Maruti Udyog Limited	–	0.24
(2,000 shares of Rs.5 each, fully paid up, sold during the year) Morgan Stanley	–	0.84
(25,000 shares of Rs.10 each, fully paid up) Neyveli lignite Corporation Limited	1.00	–
(50,000 shares of Rs.10 each, fully paid up) NIIT Technologies Limited	3.48	–
(5,000 shares of Rs.10 each, fully paid up) Punjab National Bank Limited	0.90	–
(1,000 shares of Rs.10 each, fully paid up) Ranbaxy Laboratories Limited	0.48	–
(2,500 shares of Rs.5 each, fully paid up) Ramco Systems Limited	1.04	–
(15,000 shares of Rs.10 each, fully paid up) Reliance Industries Limited	2.91	–
(25,000(2005-5,000) shares of Rs.10 each, fully paid up) Reliance Natural Resource Limited	9.20	2.37
(20,000 shares of Rs.5 each, fully paid) Reliance Communication Ventures Limited	1.24	–
(20,000 shares of Rs.5 each, fully paid) Reliance Communication Ventures Limited	6.84	–
(2,500 shares of Rs.10 each, fully paid) Raymond Limited	0.77	–
(6,100 shares of Rs.10 each, fully paid up, sold during the year) State Bank Of India	–	1.92
(2,000 shares of Rs.10 each, fully paid up) SRF Limited	1.88	–
(5,000 shares of Rs.10 each, fully paid up) (Sold during the year)	–	0.42



Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 7 (Contd.)	As at March 31, 2006	As at March 31, 2005
T N Newsprint Limited (10,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.59
TRF Limited (30,637 shares of Rs.10 each, fully paid up)	9.42	-
Tata Motors Limited (4,900 shares of Rs.10 each, fully paid up) (Sold during the year)	-	2.03
Tata Tele Services Limited (10,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.25
Tata Power Limited (2,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.72
Uniphos Enterprises Limited (23,174 shares of Rs.10 each, fully paid up)	0.69	-
UCO bank Limited (15,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.45
Vijaya Bank Limited (5,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.32
Webtel-SI-Energy Systems Limited (7,609 shares of Rs.10 each, fully paid up)	1.40	-
Wockhardt Limited (2,000 shares of Rs.5 each, fully paid up) (Sold during the year)	-	0.71
(iv)	322.52	455.49
Total (i)+(ii)+(iii)+(iv)	2,556.98	1,754.79

Notes:

- * Aggregate Market value of long term equity shares - Rs. Nil (2005 - Rs. 91.99)
- ** Aggregate Net Asset Value of Mutual Funds - Rs. 2,232.22 (2005 - Rs.808.89)
- *** Aggregate Market value of Government securities as at March 31, 2006 - Rs. 216.36 (2005 - Rs. 434.50)
- **** Aggregate Market Value of short term quoted equity shares - Rs. 120.90 (2005 - Rs.22.67)

(Rs. in millions)

Schedule 8	As at March 31, 2006	As at March 31, 2005
INVENTORIES		
Stores and spares	177.70	191.10
Raw Materials	180.94	115.20
Total	358.64	306.30



Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 9	As at March 31, 2006	As at March 31, 2005
SUNDRY DEBTORS (Trade, unless otherwise stated)		
Debts outstanding for a period exceeding six months:		
Secured - considered good	320.70	217.42
Unsecured - considered doubtful	127.81	-
	448.51	217.42
Other debts:		
Secured - considered good	1,552.55	976.11
Unsecured - considered good*	505.54	621.88
Unsecured - other than trade - considered good	54.55	16.90
	2,112.64	1,614.89
Less Provision for doubtful debts	127.81	-
Total	2,433.34	1,832.31

* includes unbilled revenue amounting to Rs.545.88 millions (2005: Rs.611.47 millions)

(Rs. in millions)

Schedule 10	As at March 31, 2006	As at March 31, 2005
CASH AND BANK BALANCES		
Cash and Cheques on hand	1.21	83.97
Balances with scheduled banks		
- On Current accounts	314.56	687.22
- On Deposit accounts	6,385.78	3,695.52
- On Margin Money*	52.66	42.72
Total	6,754.21	4,509.43

*The margin money deposits are towards letters of credit and Bank Guarantees issued by the bankers on behalf of the Company.

(Rs. in millions)

Schedule 11	As at March 31, 2006	As at March 31, 2005
OTHER CURRENT ASSETS		
Interest accrued but not due on deposits	31.06	32.63
Claims receivable	93.39	-
Grant receivable from authorities	716.90	-
Dividend receivable	-	-
Total	841.35	32.63



Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 12	As at March 31, 2006	As at March 31, 2005
LOANS AND ADVANCES (Unsecured and considered good, unless otherwise stated)		
Advance towards share application money	112.46	1.13
Advances recoverable in cash or in kind or for value to be received		
- considered good	716.05	414.39
- considered doubtful	28.67	160.03
Deposit with government authorities	131.00	22.67
Advance tax (net of provision)	91.95	69.44
	1,080.13	667.66
Less: Provision for doubtful advances	28.67	160.03
Total	1,051.46	507.63

(Rs. in millions)

Schedule 13	As at March 31, 2006	As at March 31, 2005
CURRENT LIABILITIES AND PROVISIONS		
a) Liabilities		
Sundry Creditors		
Dues to small scale industrial undertakings	-	-
Dues to other than small scale industrial undertakings	3,685.70	3,840.98
	3,685.70	3,840.98
Book overdraft	29.02	32.53
Interest accrued but not due	24.68	42.45
Other liabilities	119.83	176.82
Sub Total	3,859.23	4,092.78
b) Provisions		
Proposed dividend	-	-
Dividend distribution tax	73.17	-
Provision for employee benefits	16.67	9.12
Provision for Operations and Maintenance (net of advances)	642.00	483.68
Provision against claims recoverable	64.92	64.92
Sub Total	796.76	557.72
Total	4,655.99	4,650.50

(Rs. in millions)

Schedule 14	As at March 31, 2006	As at March 31, 2005
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary expenses	0.03	0.16
Total	0.03	0.16



Schedules forming part of The Consolidated Profit And Loss Account

(Rs. in millions)

Schedule 15	For the year ended March 31, 2006	For the year ended March 31, 2005
SALES AND OPERATING INCOME		
Income from sale of electrical energy	9,196.36	9,207.98
Less: Prompt Payment Rebate	163.81	152.93
	9,032.55	9,055.05
Annuity income	1,392.45	625.51
Income from variation works	111.85	244.07
Income from management and other services	12.50	1.42
Dividend received (gross)	57.92	0.63
[Tax deducted at source - Rs. Nil (2005-Rs. Nil)]		
Profit on sale of investments	(17.69)	2.42
Total	10,589.58	9,929.10

(Rs. in millions)

Schedule 16	For the year ended March 31, 2006	For the year ended March 31, 2005
OTHER INCOME		
Interest received on deposits, debts, loans, etc. (gross)	264.18	179.05
[Tax deducted at source - Rs. 24.60 Millions (2005: Rs.30.27 Millions)]		
Income from investments- other than trade (gross)	36.36	7.27
[Tax deducted at source - Rs. Nil (2005- Rs. Nil)]		
Liabilities/Provisions no longer required, written back	1.06	25.88
Claims Received	-	70.00
Gain/(loss) on account of foreign exchange fluctuations (net)	0.47	(9.47)
Provision for diminution in value of investments written back		11.35
Miscellaneous income	13.06	1.35
Total	315.13	285.43

(Rs. in millions)

Schedule 17	For the year ended March 31, 2006	For the year ended March 31, 2005
GENERATION AND OPERATING EXPENSES		
Consumption of fuel and lubricants	4,080.75	4,064.92
Operations and Maintenance	568.78	561.58
[net of warranty and other claims - Rs. 31.11 millions (2005- Rs. Nil) and includes stores and spare parts consumed Rs.162.2 Millions (2005: Rs. 77.85 Millions)]		
Cost of variation works	102.06	232.51
Technical consultancy fee	102.30	97.09
Salaries, allowances and benefits to employees	5.71	5.59
Water charges	1.46	3.35
Repairs and maintenance:		
Plant and machinery (net of claims)	20.44	28.26
Buildings	54.54	18.43
Others	2.38	3.02
Land lease rentals	119.42	119.47
[net of sub lease rentals - Rs. 2.81 Millions (2005 -Rs Nil)]		
Total	5,057.84	5,134.22



Schedules forming part of The Consolidated Profit And Loss Account

(Rs. in millions)

Schedule 18	For the year ended March 31, 2006	For the year ended March 31, 2005
ADMINISTRATION AND OTHER EXPENSES		
Salaries, allowances and benefits to employees	294.19	218.03
Contribution to Provident and other funds	13.24	12.54
Staff welfare expenses	9.13	9.29
Rent	52.32	49.75
Repairs & Maintenance		
- Buildings	0.74	1.04
- Others	5.20	5.34
Rates and Taxes	17.35	5.46
Insurance	81.96	83.88
Consultancy and other professional charges	105.88	77.63
Directors' sitting fee	1.09	0.82
Electricity charges	3.22	1.82
Remuneration to Auditors	2.95	2.11
Green belt maintenance	1.61	6.32
Traveling and conveyance	82.97	29.09
Communication expenses	17.53	10.22
Provision for doubtful advances/ Write off of claims and debts	127.81	160.03
Advances written off	28.68	-
Loss on sale of fixed assets	(0.11)	27.53
Fixed Assets written off	4.65	-
Provision for diminution in value of investments	-	-
Miscellaneous Expenses	177.83	157.31
Less: Reimbursement of expenses		-
Total	1,028.24	858.21

(Rs. in millions)

Schedule 19	For the year ended March 31, 2006	For the year ended March 31, 2005
INTEREST AND FINANCE CHARGES		
Interest on term loans	1,257.06	976.10
Interest - Others	29.63	54.32
Guarantee Commission	23.55	33.73
Bank/other finance charges/prepayment premium (net of reimbursement)	247.53	65.00
Total	1,557.77	1,129.15



Schedule 20

Statement on significant Accounting Policies and Notes to the Consolidated Accounts:

1. Description of business

GMR Infrastructure Limited ('GIL' or 'the Company') and its consolidated subsidiaries and associates (hereinafter collectively referred to as Group) are engaged in generation of power, development of expressways and airport infrastructure facilities. GIL is a holding company with its investments mainly within the group companies. It is also involved in the development of the infrastructure and other projects as mentioned above.

Power business

Certain entities of the Group are involved in the generation of power. These are separate special purpose vehicles formed which have entered into Power Purchase Agreements with the electricity distribution companies of the respective state governments either on MOU basis or on bid basis.

Airport business

The Group is developing the Greenfield International Airport at Hyderabad on build, own, operate and transfer basis along with a consortium of sponsors like Airport Authority of India, State Government of Andhra Pradesh and Malaysian Airport Holdings Berhad under concessionaire agreement.

Development of expressways

Certain entities of the Group are engaged in development of expressways on build, operate and transfer basis. There are special purpose vehicles which have entered into concessionaire agreements with National Highways Authority of India for carrying out these projects.

2. Principles of consolidation

The consolidated financial statements include accounts of GMR Infrastructure Limited ('the Company') and its subsidiaries and associate. Subsidiary undertakings are those companies in which GIL, directly or indirectly, has an interest of more than one half of voting power or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group till the date such control exists. The consolidated financial statements have been prepared in accordance with historical cost convention, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

All inter company transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated.

Investments in the Associates have been accounted in these consolidated statements as per Accounting Standard 23 on Accounting for Investments in Associates in Consolidated Financial Statements. Investments in associate companies which have been made for temporary purposes have not been considered for consolidation.

The companies considered in the consolidated financial statements in each of the years are listed below:



Schedule 20 (Contd.)

Subsidiaries/Associates of GIL

Sl. No.	Name of the Company	Relationship	Percentage of ownership interest	
			March 31, 2006	March 31, 2005
1	GMR Energy Limited (GEL)	Subsidiary	84.90%	84.90%
2	GMR Hyderabad International Airport Limited (GHIAL)	Subsidiary	63.00%	63.00%
3	GMR Tuni Anakapalli Expressways Private Limited (GTAEPL)	Subsidiary	43.12%	29.92%
4	GMR Tambaram Tindivanam Expressways Private Limited (GTTEPL)	Subsidiary	43.12%	29.92%
5	Vemagiri Power Generation Limited (VPGL)	Subsidiary	–	–
6	GMR Power Corporation Private Limited (GPCPL)	Subsidiary	–	–
7	GMR Jadcherla Expressways Private Limited (GJEPL)	Subsidiary	59.49%	–
8	GMR Pochanpalli Expressways Private Limited (GPEPL)	Subsidiary	59.49%	–
9	GMR Operations Private Limited (GOPL)	Associate	–	49.00%
10	Gateways for India Airports Private Limited (GFIAPL)	Associate	37.00%	37.00%

Subsidiaries of GEL

Sl. No.	Name of the Company	Relationship	Percentage of ownership interest	
			March 31, 2006	March 31, 2005
1	VPGL	Subsidiary	100.00%	100.00%
2	GPCPL	Subsidiary	51.00%	51.00%
3	GMR Mining and Energy Limited (GMEPL)	Subsidiary	89.00%	–
4	GMR Ambala Chandigarh Expressways Private Limited (GACEPL)	Subsidiary	51%	–

3 The significant accounting policies are as follows:

(i) REVENUE RECOGNITION:

In case of power generating companies, revenue from sale of energy is recognised on accrual basis in accordance with the provisions of the Power Purchase Agreement (PPA). Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Purchase Agreement, on grounds of prudence, shall be accounted for in the year of acceptance. Insurance claims are accounted on finalization and acceptance. The PPA provides for payment of fixed tariff based on cumulative availability of plant and also the fuel cost at a predetermined station heat rate.

In case of companies involved in construction and maintenance of roads, annuity is accrued on time basis in accordance with the provisions of the Concessionaire Agreement entered into with National Highways Authority of India ('NHAI'). Claims raised on NHAI under Concessionaire Agreement, on grounds of prudence, shall be accounted for in the year of acceptance.

Significant items of income and expenditure on accrual basis except in case of those with significant uncertainties. Income from management/technical services is recognised as per the terms of the agreement and on the basis of services rendered.

Expenses incurred on developmental projects are charged to revenue. These will be dealt with at appropriate time for recovery/capitalization.

(ii) OPERATIONS AND MAINTENANCE

GEL has entered into a Long Term Service Agreement (LTSA) for maintenance of the main plant, Operations and Maintenance Agreement for regular and major maintenance and Long Term Assured Parts Supply Agreement (LTAPSA) for supply of parts for planned and unplanned maintenance over the term of the agreement. Amounts payable under the agreements are charged to the Profit & Loss Account based on actual factored fired hours of the Gas Turbines during the period on the basis of average factored hour cost including Customs Duty applicable at the current prevailing rate. Periodical minimum payments are accounted as and when due.



Schedule 20 (Contd.)

(iii) FIXED ASSETS

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition. Assets under installation or under construction as at the balance sheet date are shown as Capital Work in Progress.

In case of GTAEPL and GTTEPL, all costs incurred to construct, widen and rehabilitate the respective expressways have been capitalised as Carriage Ways.

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes substantial period of time to get ready for its intended use or sale. Other borrowing costs not attributable to the acquisition of any capital asset or investments are recognised as expenses in the period in which they are incurred.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

(iv) DEPRECIATION

Depreciation is provided on straight line method at the rates specified under Schedule XIV to the Companies Act, 1956 or at rates based on estimated useful lives whichever is higher except for assets costing less than Rs. 5,000, which are fully depreciated in the year of acquisition. Leasehold improvements are amortised over the period of the lease or estimated useful life whichever is shorter. Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

In respect of GEL, the Plant & Machinery and Buildings (except temporary structures, which are charged off at 100%) at project site are depreciated up to 95% of their cost on straight-line method over 7 years i.e. the term of Power Purchase Agreement.

In case of GPCPL and VPGL, depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of the Electricity (Supply) Act, 1948 (repealed), as applicable to electricity generating companies or as per the rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

In case of GTTEPL and GTAEPL, depreciation on Fixed Assets other than Carriage Ways is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. The cost of carriage ways which is in the nature of an intangible asset, is amortised over the period of the Concessionaire agreement with NHAI i.e 15.09 years and 14.88 years respectively.

(v) INVESTMENTS

Long term investments are carried at cost less provision made to recognise any decline, other than temporary, in the value of such investments. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

Gains/losses, on investment in futures, both equity and index, being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognised in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the Profit and Loss Account.

(vi) INVENTORIES

Inventories are valued at lower of cost or net realisable value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition.

(vii) RETIREMENT BENEFITS

Retirement benefits are accounted for on accrual basis with contributions to recognise funds such as Provident Fund charged against revenue each year. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for gratuity is made at the year end based on the actuarial valuation. Liability on account of accumulated leave is provided on accrual basis.



Schedule 20 (Contd.)

(viii) FOREIGN CURRENCY TRANSACTIONS

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognized in the financial statements. The original cost of fixed assets acquired prior to April 1, 2004 and imported fixed assets acquired on or after April 1, 2004, through foreign currency loans at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of the Balance Sheet. The amounts so adjusted are depreciated over the remaining useful lives of the respective assets.

(ix) EARNINGS PER SHARE

The earnings considered in ascertaining the Company's Earning Per Share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The number of shares and potentially dilutive shares are adjusted for bonus shares issued.

(x) TAXES ON INCOME

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences; being the difference between the taxable income and the accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

4. Notes to the Consolidated Financial Statements of the Company and its subsidiaries and associate:

(i) Contingent Liabilities

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005
Bank guarantees outstanding	6,070.67	512.50
Corporate guarantees	2,759.58	1,229.10
Performance Guarantees	-	150.80
Stamp Duty Payable for registration	2.99	2.99
Letters of Credit Outstanding	-	-
Income tax matters	-	5.35
Claims against the company not acknowledged as debts	-	0.20
Arrears of dividend on cumulative preference shares of GTAEPL and GTTEPL	240.43	66.90

* A corporate guarantee has been given by the Company to the consortium lenders of the road projects undertaken by GTTEPL and GTAEPL for any cost overrun beyond the estimated project cost (up to the date of commercial operations of GTTEPL and GTAEPL), any increase in operations and maintenance cost beyond the budgeted base cost and to cover any shortfall in the amount payable to NHAI in respect of the facility in the event of termination due to borrowers default as per the terms of the concession agreement.

(ii) The Department of Mines and Geology, Government of Andhra Pradesh (DOM&G) has raised demand notices on GTAEPL levying seigniorage fee amounting to Rs. 157.83 millions (including penalty). An appeal has been filed by GTAEPL and the Engineering Procurement and Construction (EPC) contractor, jointly, with the DOM&G against such demand notices. Pending settlement/finalisation of this matter, no effect has been considered in these financial statements. In terms of the EPC contract, any liability arising on crystallization of such matter will be borne by the EPC contractor.



Schedule 20 (Contd.)

(iii) Capital Commitments

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005
Estimated value of contracts remaining to be executed on capital account, not provided for	8,982.09	3,656.49
Investment in equity shares of subsidiary company	2,077.15	1,109.85

(iv) Equity Shares

During the year ended March 31, 2006, the Company has issued 105,774,723 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Accordingly, the Company has utilised the balances lying in Share Premium, Capital Redemption Reserve, General Reserve and the Profit and Loss Account (to the extent required) for the purpose of the bonus issue.

(v) Preference Shares

- a) During the year 2004-05, GIL has redeemed 1,850,000 fully paid up 13% Optionally Convertible Cumulative Preference Shares of Rs. 100/- each at par aggregating to Rs. 185 millions.

(vi) Reserves and Surplus

- a) Consequent to the exemption obtained from compliance with regulations applicable to Non Banking Financial Companies, the company has transferred the balance in Special Reserve created under section 451C of the Reserve Bank of India Act, 1934 amounting to Rs.220,441,300 to General Reserve.

GHAL has received an amount of Rs. 353.10 millions during the year ended March 31, 2006 from Government of Andhra Pradesh towards Advance Development Fund Grant, out of a total grant of Rs. 1,070.00 millions, as per the State Support Agreement. This being in the nature of financial support for the project, the grant has been considered as Capital Reserve.

(vii) Secured Loans

In case of GTTEPL and GTAEPL, the Secured Loans as at March 31, 2006 are in the nature of advances received towards the assignment of future Annuity/Receivables under the Concession Agreement with National Highway Authority of India and are further secured by way of mortgage of all the present and future immovable fixed assets of the company and by way of hypothecation over the movable fixed assets.

(viii) Fixed Assets

- a) In pursuance of the State Support Agreement, HIAL has entered into a Land Lease Agreement with Government of Andhra Pradesh, for obtaining the Land on Lease for the development of Airport Project. As per the agreement, the lease term is in line with the term of the Concession Agreement entered into with the Ministry of Civil Aviation. The lease rentals are payable from the eight anniversary of the COD. HIAL has taken the possession of the said land during the year 2004-05. Capital Work-in-progress as on March 31, 2006 includes Rs.4,776.92 million representing Boundary Wall, Site Preparation Works and progress on passenger terminal building and airside landside works on such Leasehold Land.
- b) During 2003-04, GEL has exercised its option to purchase 33.41 acres of land from Karnataka Industrial Area Development Board (KIADB) covered under the Lease cum Sale Agreement during the year. Consequently, the advances paid to KIADB for acquisition of land and the deferred revenue expenditure (including amounts amortised in the earlier years) pertaining to land development have been capitalised.

(ix) Investments

- a) GIL, GEL and GPCPL, holding equity and preference shares in their respective subsidiaries, have pledged certain of such shares as security towards borrowings of the investee companies as at March 31, 2006, and March 31, 2005. As such investments do not form part of these consolidated financial statements (on account of elimination during consolidation), details of the shares pledged have not been presented.

(x) Sundry Debtors

- a) In case of GPCPL, the amounts due from Tamil Nadu Electricity Board are subject to confirmation.



Schedule 20 (Contd.)

(xi) Loans and Advances

- a) Loans and advances include share application money given to group companies, pending allotment.

(xii) Foreign Currency Transactions

- a) GIL had entered into dollar denominated currency swap contracts during the year 2004-05 for the part of amounts borrowed and interest thereon. These swap contracts involve exchange of principal amounts aggregating to Rs. 650 millions as at March 31, 2005 respectively.

(xiii) Operating Income

- a) Income from dividends and profit on sale of investments are treated as operating incomes as the main activities of GIL involve investments.
- b) In case of GEL, the Government of Karnataka has vide its order dated 10th May, 2005 directed that the Electricity Supply Companies (ESCOM's) will purchase power from the various electricity generating companies and Karnataka Power Transmission Corporation Limited (KPTCL) will not trade in power.

(xiv) Operations and Maintenance Expenses

- a) Expenses incurred by GEL and GPCPL as per the terms of the Operations and Maintenance contract which mainly represent repairs and maintenance, due to the composite nature of the contract have been grouped and disclosed under operations and maintenance expenses.
- b) In case of GPCPL, Tamil Nadu Government vide a letter dated April 29, 2003, requested Tamil Nadu Electricity Board ('TNEB') to revise the land lease agreement entered into by TNEB with the Company, at the rates specified. GPCPL is awaiting necessary intimation from TNEB in this regard and accordingly, adjustments if any, that may arise on this account will be dealt with in the financial statements on receipt of such intimation.

(xv) Others

- a) GHIAL, GACEPL, GJEPL and GPEPL are in construction stage and VPGL has started trial run generation/testing of equipments. Consequently, no Profit and Loss Account has been drawn up for these Companies. All expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation (net).
- b) VPGL has not commenced commercial operations. Claims/counterclaims, if any, arising out of the project related contracts including Power Purchase Agreement and Engineering, Procurement and Construction contracts, on account of delays or any other reasons, have not been reflected in the financial statements, pending settlements/negotiations with the concerned parties.
- c) GTTEPL and GTAEPL have declared commercial operations on October 11, 2004 and December 24, 2004. Accordingly, the profit and loss account for these companies for the year ended March 31, 2005 have been drawn up from that date.
- d) GFIAPL, an associate of GIL, has been incorporated to build, own and operate Airports & Airport Infrastructure, Airlines and other Infrastructure facilities. GIL, GVL Investments Private Limited, Fraport AG Frankfurt Airport Services Worldwide and India Development Fund are the shareholders of the Company. The company has incurred a total expenditure of Rs. 295.75 millions towards bids for restructuring and modernization of the Mumbai and Delhi Airports and pre takeover expenditure as per the financial statements as at March 31, 2006. Out of the above, expenses incurred subsequent to the results of the bid would be reimbursed by the Special Purpose Vehicle formed for taking up the project and those expenses incurred prior to that date would be reimbursed to GFIAPL by certain shareholders of the Company and the holding company of GIL. Consequently, no Profit and Loss Account has been drawn up for GFIAPL.

(xvi) Operating Leases

The consolidated entities have entered into certain lease agreements. An amount of Rs.52.32 millions (2005 - Rs.49.75 millions) paid under such agreements has been disclosed as 'Rent' under Administration and Other Expenses in the Consolidated Profit and Loss Account. These agreements are cancelable in nature.



Schedule 20 (Contd.)**(xvii) Earnings Per Share (EPS)**

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005
Net Profit after Tax (Rs. in millions)	705.49	690.47
Preference Dividend (including tax thereon)	-	17.51
Net Profit after tax - for Basic EPS	705.49	672.96
Effect of Dilutive instruments	-	-
Net Profit after tax - for Diluted EPS	705.49	672.96
Weighted Average number of shares for Basic EPS	264,436,814	264,436,814
Weighted Average number of shares for Diluted EPS	264,436,814	264,436,814
Earning Per Share - Basic (Rs.)	2.67	2.54
Earning Per Share - Diluted - (Rs.)	2.67	2.54

Calculation of weighted average no of shares outstanding during the year

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005
Nominal value of equity shares - (Rs.)	10	10
Total number of equity shares at the beginning of the year - Rs. 10 per share paid up	158,662,091	158,662,091
Equity shares issued during the year:	105,774,723	-
Total equity shares at the end of the year	264,436,814	158,662,091
Bonus Equity Shares issued (Refer Note 1 below)	-	105,774,723
Weighted Average number of Equity shares for Basic EPS	264,436,814	264,436,814
Potential Equity Shares - Convertible Preference Shares issued on (Note 2)	-	-
Weighted Average number of Equity shares outstanding during the year - Considered for Diluted EPS	264,436,814	264,436,814

Notes

- On September 30, 2005, the company has issued 105,774,709 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred prior to the beginning of the year 2005, the earliest period reported.
- Share application money as on March 31, 2005, which has been refunded subsequently have not been considered for calculation of diluted Earning Per Share.

(xviii) Deferred Tax

Deferred tax liability comprises mainly of the following as at March 31

(Rs. in millions)

Particulars	As at 2006	As at 2005
Miscellaneous expenditure (to the extent not written off)	(0.21)	(0.28)
Depreciation	2.22	2.89
Leave Encashment	(0.21)	-

In case of GIL, in view of the management's assessment that the future income mainly in the form of dividends is tax free, deferred tax asset on carry/brought forward losses have not been recognised by the Company, on the grounds of prudence. In case of GPCPL, as a result of change in depreciation rates under the Income Tax Act, 1961, during the year 2004-2005, all the timing differences as at March 31, 2005 are reversing during the tax holiday period of the Company under the provisions of Section 80-IA of the Income Tax Act, 1961. Accordingly, the opening accumulated deferred tax liability of Rs. 67.77 millions has been reversed during the year. In case of GEL, GTAEPL and GTTEPL, the timing differences are originating and reversing within the tax holiday period of the Company under the provisions of section 80-IA of the Income Tax Act, 1961. Consequently, deferred tax has not been recognised in these financial statements.



Schedule 20 (Contd.)

(xix) Provisions

(Rs. in millions)

Sl. No.	Particulars	As at April 1, 2005	Provision made during the year	Amount used during the year	As at March 31, 2006
a)	Provision against claims recoverable	64.92 (57.26)	— (7.66)	— (-)	64.92 (64.92)
b)	Provision for operations and maintenance (Note 1 below)	483.68 (335.78)	178.89 (240.76)	20.57 (92.86)	642.00 (483.68)

Notes:

1. Amounts provided during the year include transfers from sundry creditors on account of change in terms of the agreement.
2. Previous year figures are mentioned in brackets.

(xx) Segment Reporting:

- a) The segment report of GIL and its consolidated subsidiaries and associates (the Group) has been prepared in accordance with Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.
- b) The corporate strategy of the Group aims at creating multiple drivers of growth anchored on its core competencies. The Group is currently focused on four business groups: Power, Roads, Airport Infrastructure and Others. The Group's organisational structure and governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them.
- c) The Group's activities are restricted within India. The conditions prevailing within India being predominantly uniform, no separate geographical segment disclosure is considered necessary.
- d) For the purpose of reporting, business segments are primary segments and the geographic segment is a secondary segment.
- e) The various business segments comprise of the following companies:

S.No.	Segment	Name of the Company
1.	Power	1. GMR Energy Limited 2. GMR Power Corporation Private Limited 3. Vemagiri Power Generation Limited 4. GMR Mining and Energy Limited
2.	Roads	1. GMR Tuni Anakapalli Expressways Private Limited and 2. GMR Tambaram Tindivanam Expressways Private Limited 3. GMR Ambala Chandigarh Expressways Private Limited 4. GMR Jadcherla Expressways Private Limited 5. GMR Pochanpalli Expressways Private Limited
3.	Airport Infrastructure	1. GMR Hyderabad International Airport Limited (formerly Hyderabad International Airport Limited)
4.	Others	1. GMR Infrastructure Limited



Schedule 20 Contd.

5. The details of Segment information are given below:

(Rs. in millions)

Business Segments	Power		Roads		Aviation		Others		Inter Segment		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue												
Revenue from Customers	9,032.55	9,057.22	1,504.30	869.57	-	-	52.73	4.48	-	-	10,589.58	9,931.27
Inter Segment Revenue	-	-	-	-	-	-	521.70	477.54	(521.70)	(477.54)	-	-
Total Revenues	9,032.55	9,057.22	1,504.30	869.57	-	-	574.43	482.02	(521.70)	(477.54)	10,589.58	9,931.27
Operating Expenses	4,779.25	4,849.75	228.59	284.47	-	-	-	-	(50)	-	5,057.84	5,134.22
Depreciation	1,758.54	1,742.62	439.00	166.48	-	-	2.17	2.55	-	-	2,199.71	1,911.65
Segmental Operating Profit/(Loss)	2,494.76	2,464.85	836.71	418.62	-	-	572.26	479.47	(471.70)	(477.54)	3,332.03	2,885.40
Interest Income/(expense), net	(367.93)	(430.62)	(447.28)	(201.17)	-	-	(180.11)	(219.59)	-	-	(995.32)	(851.38)
Other income/(expense), net	(849.71)	(782.97)	(319.59)	(36.69)	-	-	(37.09)	(7.14)	(69.17)	(33.80)	(1,275.56)	(860.61)
Profit/(Loss) before tax	1,277.12	1,251.26	69.84	180.75	-	-	355.06	252.74	(540.87)	(511.34)	1,061.15	1,173.41
Taxation -												
Current tax	105.56	107.81	6.71	14.18	-	-	0.02	(0.14)	-	-	112.29	121.85
Fringe benefit tax	12.15	-	1.04	-	-	-	0.40	-	-	-	13.59	-
Deferred tax	-	(67.77)	-	-	-	-	(0.80)	(1.38)	-	-	(0.80)	(69.15)
Net Profit/(Loss) for the year	1,159.41	1,211.22	62.09	166.57	-	-	355.44	254.26	(540.87)	(511.34)	936.07	1,120.71
Other Information												
Segment Assets	29,599.72	22,163.35	10,984.56	7,190.83	7,511.50	1,211.89	6,510.83	6,434.28	(10,874.57)	(4,690.75)	43,822.04	32,100.03
Capital Expenditure	3,677.01	6,126.26	77.53	1,883.23	5,000.66	587.75	(1.12)	(0.76)	(100.00)	(68.42)	8,654.08	8,528.06
Depreciation / Amortisation	1,758.54	1,742.62	439.00	166.85	-	-	2.17	12.24	-	-	2,199.71	1,921.71
Segment Liabilities	18,224.13	15,780.62	8,823.62	5,166.05	4,538.04	154.16	2,850.59	3,106.84	(563.85)	-	33,872.53	24,207.67



Schedule 20 (Contd.)

(xxi) Related Party Transactions

a) Names of related parties and description of relationship:

Sl. No.	Relationship	Name of the Parties
(i)	Holding Company	GMR Holdings Private Limited
(ii)	Shareholders' having substantial interest/Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	Airports Authority of India, Government of Andhra Pradesh Malaysia Airports Holdings Berhad, Odeon Limited, U E Development India Private Limited
(iii)	Enterprises where significant influence exists	GMR Varalakshmi Foundation
(iv)	Key Management Personnel	Mr. G.M.Rao, Mr. G.B.S.Raju, Mr. Kiran Kumar Grandhi, Mr. B.V.N.Rao, Mr. Srinivas Bommidala, Mr. O. B. Raju and Mr. K. Balasubramanian

b) Details of transactions:

(Rs. in millions)

Nature of transactions	Holding Company	Shareholders' having substantial interest/Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	Enterprises where significant influence exists	Key Management Personnel	Balance Payable (Receivable)
Sale of Equity Shares	190.69 (-)	- (-)	- (-)	- (-)	- (-)
Share Application Money Received	2,912.55 (-)	2,640.00 (-)	- (-)	- (-)	- (-)
Share Application Money Refunded	3,312.55 (-)	2,640.00 (-)	2,525.36 (-)	- (-)	- (-)
Purchase of Equity shares	- (-)	- (-)	- (-)	0.10 (-)	- (-)
Share Application Money Invested	- (-)	- (-)	2,698.00 (-)	- (-)	- (-)
Redemption of Preference Shares	- (-)	- (-)	205.10 (-)	- (-)	- (-)
Loans Received and Repaid	1,205.50 (-)	- (-)	- (-)	- (-)	- (-)
Issue of Bonus Shares	1,057.74	-	0.04	-	-
Pre-closing Date Development Cost	-	11.62 (13.38)	-	-	-
Manpower Deputation Charges	- (0.36)	- (-)	- (-)	- (-)	- (-)
Payment under Engineering, Procurement and Construction Contract	- (-)	- (1285.54)	- (-)	- (-)	- (167.14)
Directors Remuneration				152.49 (151.99)	67.80 (61.14)
Share Application Money	- (-)	534.98 (-)	- (-)	- (-)	- (-)



Schedule 20 (Contd.)

(Rs. in millions)

Nature of transactions	Holding Company	Shareholders having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	Enterprises where significant influence exists	Key/Management Personnel	Balance Payable (Receivable)
Operation and Maintenance Services	– (-)	52.32 (-)	36.61 (54.79)	– (-)	52.32 (0.47)
Technical Service Fee	– (-)	– (-)	102.30 (102.09)	– (-)	– (31.91)
Unsecured Loans Taken and Repaid(-)	– (-)	– (-)	2.67 (-)	– (-)	–
Unsecured Loans given	– (-)	– (-)	– (61.90)	– (-)	– (71.10)
Unsecured Loans including interest accrued and due thereon	–	–	–	–	62.01
Interest on Unsecured Loan	– (-)	– (-)	5.15 (2.82)	– (-)	– (-)
Donations	– (-)	– (-)	62.50 (57.50)	– (-)	– (0.01)
Services Rendered	– (-)	– (-)	0.13 (-)	– (-)	– (-)
Creditors/Payables	– (-)	– (-)	– (-)	– (-)	30.23 (-)
Remuneration	– (-)	– (-)	– (-)	140.41 (-)	67.80 (-)

Notes

1. Certain Key Management Personnel have extended personnel guarantees as security towards borrowings of the Company. Similarly the holding company has pledged certain shares held in the Company as security towards the borrowings of the Company.
2. Previous year figures are mentioned in brackets.

For and on behalf of the Board of Directors

Sd/-
G.M.Rao
 Chairman &
 Managing Director

Sd/-
G B S Raju
 Group Director &
 Group CFO

Sd/-
A.S.Chelukupalli
 Company Secretary

Place : Bangalore
 Date : May 13, 2006



Consolidated Cash Flow Statement

(Rupees in Millions)

Particulars	March 31, 2006	March 31, 2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,061.15	1,171.24
Adjustments for:		
Depreciation	2,199.71	1,911.65
Provision for diminution in value of investments	-	(11.35)
Provisions no longer required, written back	(1.06)	(25.88)
(Profit)/Loss from sale of investments (net)	17.69	(2.42)
(Profit)/Loss from sale/write off of fixed assets (net)	4.54	27.53
Provision for doubtful advances/claims/debts etc.	127.81	160.03
Dividend income	(57.92)	(0.63)
Income from investments	(36.36)	(7.27)
Interest income	(264.18)	(179.05)
Interest expenses	1,286.69	1,030.42
Amortisation of Miscellaneous expenditure	-	10.06
Operating Profit Before Working Capital Changes	4,338.07	4,084.34
Adjustments for:		
Inventories	(52.34)	5.16
Trade and other receivables/other assets	(1,381.27)	58.67
Current Liabilities and Provisions	(375.70)	1,920.95
Cash generated from operations	(1,809.31)	1,984.78
Direct taxes paid	(148.39)	(79.15)
Net Cash from Operating Activities	2,380.37	5,989.97
B. Cash Flow from / (Used In) Investing Activities		
(Purchase)/Sale of fixed assets (net)	(8,663.66)	(8,554.14)
(Purchase) / Sale of investments (net)	(819.90)	(1,373.33)
Income from investments	36.36	7.27
Interest received	265.75	195.01
Dividend received	57.92	0.63
Net Cash used in Investing Activities	(9,123.53)	(9,724.56)
C. Cash Flow from/(Used in) Financing Activities		
Proceeds from issue of equity shares (including Share Application Money)	-	(185.00)
Issue of common stock in consolidated entities	303.48	(50.51)
Proceeds/(Repayments) from/of Borrowings (Net)	10,062.09	4,770.34
Interest paid	(1,304.46)	(1,026.32)
Dividend paid (including dividend distribution tax)	(73.17)	(75.39)
Net Cash used in Financing Activities	8,987.94	3,433.12
Net increase/(decrease) in Cash and Cash Equivalents	2,244.78	(301.45)
Cash and Cash Equivalents as at April 1,	4,509.43	4,810.88
Cash and Cash Equivalents as at March 31,	6,754.21	4,509.43

- Note:** 1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on 'Cash Flow Statements' issued by the Institute of Chartered Accountants of India.
2. The cash flow statement has been prepared from the consolidated financial statements which have been consolidated on proportionate basis and hence, the change in capital reserve includes change in working capital of the subsidiary companies.

This is the Consolidated Cash flow referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G.M.Rao
Chairman &
Managing Director

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Chelukupalli
Company Secretary

Place : Hyderabad
Date : May 13, 2006

Place : Bangalore
Date : May 13, 2006

