

AUDITORS' REPORT

To

The Members

GMR Infrastructure Limited

1. We have audited the attached Balance Sheet of **GMR Infrastructure Limited** ("the Company"), as at March 31, 2006, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Sd/-

P.Rama Krishna

Partner

Membership No. 22795

For and on behalf of

Price Waterhouse

Chartered Accountants

Place : Hyderabad

Date : May 13, 2006



Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Infrastructure Limited on the financial statements as at and for the year ended March 31, 2006]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
 - (b) The company has taken and repaid unsecured loans, from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans amounts to Rs.9,085.00 lacs and Rs. Nil respectively.
 - (c) These unsecured loans taken were without any interest and in our opinion, the other terms and conditions of such loans were not prima facie prejudicial to the interest of the company.
 - (d) The aforesaid loans have been repaid by the company.
3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of shares and services. The activities of the Company did not involve purchase of inventory. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
4. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
 - (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lacs in respect of any party during the year, which have been made at prices which are not reasonable having regard to the prevailing market prices at the relevant time.
5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
6. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
7. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, income tax, service tax and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, investor education and protection fund, employees' state insurance, sales tax, wealth tax, customs duty, excise duty and cess are not applicable to the Company for the current year.
 - (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income tax and service tax which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the company examined by us, sales tax, wealth tax, customs duty, excise duty and cess are not applicable to the Company for the current year.



Annexure To Auditors' Report

8. The company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
9. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
13. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks during the year, are not prejudicial to the interest of the company.
14. In our opinion, and according to the information and explanations given to us, on an overall basis, pending utilisation of certain term loans for the stated purpose, these loans have been invested in equity shares of upcoming projects.
15. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, funds amounting of Rs. 6,439.42 lacs raised on a short-term basis have been used for long-term investment.
16. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
17. The company has created security or charge in respect of debentures issued and outstanding at the year-end.
18. The company has not raised any money by public issues during the year.
19. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
20. The other clauses (ii), (iii) (b), (iii) (c), (iii)(d), (viii), of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Sd/-

P.Rama Krishna

Partner

Membership No. 22795

For and on behalf of

Price Waterhouse

Chartered Accountants

Place : Hyderabad

Date : May 13, 2006



Balance Sheet as at March 31, 2006

(Amount in Rupees)

Particulars	Schedule Reference	March 31, 2006		March 31, 2005	
I. Sources of Funds					
1. Shareholders' Funds					
a) Capital	1	2,644,368,140		1,586,620,910	
b) Reserves and Surplus	2	1,040,403,573		1,742,695,993	
c) Share Application Money		-		400,000,000	
			3,684,771,713		3,729,316,903
2. Loan Funds					
a) Secured Loans	3	1,758,859,836		2,142,329,508	
b) Unsecured Loans	4	1,067,631,309		537,241,270	
			2,826,491,145		2,679,570,778
			1,798,942		2,614,318
3. Deferred Tax Liability					
			6,513,061,800		6,411,501,999
Total					
II. Application of Funds					
1. Fixed Assets					
a) Gross Block	5	22,169,852		23,294,148	
b) Less : Depreciation		11,081,415		9,614,250	
c) Net Block			11,088,437		13,679,898
2. Investments					
	6		4,382,439,829		4,423,560,780
3. Current Assets, Loans and Advances					
a) Sundry Debtors	7	287,894		10,408,948	
b) Cash and Bank Balances	8	22,851,625		1,134,777,163	
c) Other Current Assets	9	521,754,309		1,091,409	
d) Loans and Advances	10	1,598,707,070		852,672,857	
			2,143,600,898		1,998,950,377
Less: Current Liabilities and Provisions					
a) Liabilities	11	23,431,364		24,689,056	
b) Provisions		636,000		-	
			24,067,364		24,689,056
Net Current Assets			2,119,533,534		1,974,261,321
Total			6,513,061,800		6,411,501,999
Statement on Significant Accounting Policies and Notes to the Accounts	16				

The Schedules referred to above form an integral part of the Balance Sheet

This is the 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



Profit and Loss Account for the year ended March 31, 2006

(Amount in Rupees)

Particulars	Schedule Reference	March 31, 2006	March 31, 2005
I. Income			
Operating Income	12	574,386,510	445,977,969
Other Income	13	38,484,637	117,206,725
		612,871,147	563,184,694
II. Expenditure			
Administration and Other Expenditure	14	73,611,869	54,263,109
Finance Charges	15	182,012,334	254,393,586
Depreciation		2,176,197	2,545,998
Amortisation of Miscellaneous Expenditure (net)		-	9,691,666
		257,800,400	320,894,359
III. Profit Before Taxation		355,070,747	242,290,335
Provision for Taxation			
- Current (relating to earlier years)		20,535	(134,700)
- Deferred		(815,376)	(1,382,892)
- Fringe Benefit Tax		410,778	-
IV. Profit After Taxation		355,454,810	243,807,927
Surplus brought forward from previous year		384,261,309	712,960,722
V. Profit available for Appropriation		739,716,119	956,768,649
Preference Dividend		-	15,483,801
Tax on Dividend		-	2,023,539
Debenture Redemption Reserve		37,500,000	370,000,000
Capital Redemption Reserve		-	185,000,000
Issue of Bonus Shares		99,312,546	-
VI. Available Surplus carried to Balance Sheet		602,903,573	384,261,309
Earnings per Share (Rs.) - Basic and Diluted		1.34	0.86
Statement on Significant Accounting Policies and Notes to the Accounts	16		

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

This is the Profit and Loss Account 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



Schedules forming part of Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 1	March 31, 2006	March 31, 2005
CAPITAL		
Authorised		
400,000,000 (2005 : 175,000,000) Equity shares of Rs.10/- each	4,000,000,000	1,750,000,000
Nil (2005: 3,000,000) Preference Shares of Rs.100/- each	–	300,000,000
	4,000,000,000	2,050,000,000
Issued , Subscribed & Paid up		
264,436,814 (2005 - 158,662,091) Equity Shares of Rs.10 each fully paid up	2,644,368,140	1,586,620,910
(Out of the above, 264,435,651 (2005 : 158,661,391) Equity Shares fully paid up are held by the holding company, GMR Holdings Private Limited)		
(Out of the above, 105,774,723 (2005 : Nil) Equity Shares of Rs.10 each were allotted as fully paid up by way of bonus shares by capitalising free reserves of the company.)		
Total	2,644,368,140	1,586,620,910

(Amount in Rupees)

Schedule 2	March 31, 2006	March 31, 2005
RESERVES AND SURPLUS		
Share Premium		
At the commencement of the year	552,993,384	552,993,384
Less : Utilised for issue of bonus shares	552,993,384	–
(i)	–	552,993,384
Debenture Redemption Reserve		
At the commencement of the year	400,000,000	30,000,000
Add: Transfer from Profit and Loss Account	37,500,000	370,000,000
(ii)	437,500,000	400,000,000
Capital Redemption Reserve		
At the commencement of the year	185,000,000	–
Add: Transfer from Profit and Loss Account	–	185,000,000
Less : Utilised for issue of bonus shares	185,000,000	–
(iii)	–	185,000,000
General Reserve		
At the commencement of the year	–	–
Add: Transfer from Special Reserve	220,441,300	–
Less : Utilised for issue of bonus shares	220,441,300	–
(iv)	–	–
Special Reserve (under Section 45 IC of the RBI Act, 1934)		
At the commencement of the year	220,441,300	220,441,300
Less : Transfer to General Reserve	220,441,300	–
(v)	–	220,441,300
Balance in Profit and Loss Account	602,903,573	384,261,309
(vi)		
Total (i) + (ii) + (iii) + (iv) + (v) + (vi)	1,040,403,573	1,742,695,993



Schedules forming part of Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 3	March 31, 2006	March 31, 2005
SECURED LOANS		
Debentures		
Secured Redeemable Non-Convertible Debentures of Rs.100 each (Out of the above, debentures amounting to Rs.16,250,000 bear interest at the rate of 10% per annum (14% upto March 31, 2004) and debentures amounting to Rs.30,000,000 bear interest at the rate of 10% per annum (14% upto December 31, 2004). These debentures are redeemable in 20 equal quarterly installments from October 1, 2002)	46,250,000	83,250,000
Secured Redeemable Non-Convertible Debentures of Rs.100 each (These debentures bear interest at the rate of 10% per annum and are redeemable in 4 equal annual installments from January 8, 2005)	60,000,000	90,000,000
Secured Redeemable Non Convertible Debentures of Rs.100 each (These debentures bear interest at the rate of 10% per annum and are redeemable in 4 equal annual installments from February 4, 2005)	32,500,000	48,750,000
[The above debentures are secured, on pari passu basis, by the 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		
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 installments from December 1, 2003)	300,000,000	420,000,000
(Secured, by the hypothecation of immovable property of the Company, pledge and by the exclusive first charge on dividends to be declared / received by the company on 48,000,000 (2005 : 69,209,325) equity shares in GMR Energy Limited)		
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)	1,100,000,000	1,250,000,000
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)	220,000,000	250,000,000
(The above debentures are secured by immovable property of the Company, pledge of 41,253,000 Shares of the Company held by the promoter shareholders and other third party securities. These debentures are redeemable in 10 annual instalments from September 30, 2005.		
Others (Secured by hypothecation of the vehicle)	109,836	329,508
Total	1,758,859,836	2,142,329,508

(Amount in Rupees)

Schedule 4	March 31, 2006	March 31, 2005
UNSECURED LOANS		
From Banks - Short Term	549,491,266	537,241,270
Interest Accrued and due	74,000	-
From Other Bodies Corporate	518,000,000	-
Interest Accrued and due	66,043	-
Total	1,067,631,309	537,241,270



Schedules forming part of Balance Sheet as at March 31, 2006

Schedule 5

FIXED ASSETS

(Amount in Rupees)

Description	Gross Block			Depreciation			Net Block	
	As At March 31, 2005	Additions	Deletions	As At March 31, 2005	For the year	On Deletions	As At March 31, 2006	As At March 31, 2005
Freehold Land	835,700	-	-	-	-	-	835,700	835,700
Office Equipment	14,787,965	321,460	1,104,438	6,216,913	1,772,411	558,711	6,574,374	8,571,052
Furniture and Fixtures	6,738,408	-	341,318	3,057,560	315,388	150,321	3,174,463	3,680,848
Vehicles	932,075	-	-	339,777	88,398	-	503,900	592,298
Total	23,294,148	321,460	1,445,756	9,614,250	2,176,197	709,032	11,081,415	13,679,898
Previous Year	24,054,286	21,632	781,770	7,588,934	2,545,998	520,682	9,614,250	-



Schedules forming part of Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 6	March 31, 2006	March 31, 2005
INVESTMENTS - LONG TERM		
Other than Trade - Quoted		
Mega Corporation Limited [Nil (2005 : 2,088,500) Equity Shares of Re. 1 each fully paid up]	–	9,189,400
N E Electronics Limited [Nil (2005 : 780,000) Equity Shares of Rs. 10 each fully paid up]	–	33,150,000
Sangam India Limited [Nil (2005 : 1,500) Equity Shares of Rs. 10 each fully paid up]	–	45,075
(i)	–	42,384,475
Other than Trade - Unquoted		
A. In Equity Shares of Subsidiary Companies		
GMR Energy Limited (276,826,898 Equity Shares of Rs.10 each fully paid up)	2,962,707,179	2,962,707,179
GMR Hyderabad International Airport Limited (36,995 Equity Shares of Rs.10 each fully paid up)	369,950	369,950
GMR Pochanpalli Expressways Private Limited (5,100 (2005 : Nil) Equity Shares of Rs.10 each fully paid up)	51,000	–
GMR Jadcherla Expressways Private Limited (5,100 (2005 : Nil) Equity Shares of Rs.10 each fully paid up)	51,000	–
GMR Tuni-Anakapalli Expressways Private Limited (100,000 Equity Shares of Rs.10 each fully paid up)	1,000,000	1,000,000
GMR Tambaram-Tindivanam Expressways Private Limited (1,00,000 Equity Shares of Rs.10 each fully paid up)	1,000,000	1,000,000
GMR Ambala Chandigarh Expressways Private Limited (4,800 (2005 : Nil) Equity Shares of Rs.10 each fully paid up)	48,000	–
B. In Preference Shares of Subsidiary Companies		
GMR Tuni-Anakapalli Expressways Private Limited 1,100,000 9% Preference Shares of Rs 100 each fully paid up	128,073,282	–
4,655,720 (2005 : 4,155,720) 9.5% Preference Shares of Rs.100 each fully paid up	472,492,806	415,572,000
GMR Tambaram-Tindivanam Expressways Private Limited 1,100,000 9% Preference Shares of Rs 100 each fully paid up	128,071,161	–
6,746,960 (2005 : 57,46,960) 9.5% Preference Shares of Rs 100 each fully paid up	688,537,611	574,696,000
C. In Other Companies		
Gateways for India Airports Private Limited (3,784 Equity Shares of Rs.10 each fully paid up)	37,840	37,840
Sri Varalakshmi Jute Twine Mills Private Limited (Nil (2005 : 4,000,000) Equity Shares of Rs.10 each fully paid up)	–	30,000,000
GMR Operations Private Limited (Nil (2005 : 2,450) Equity Shares of Rs100/-each fully paid up)	–	294,000
GVL Investments Private Limited (Nil (2005 : 5,127,500) Preference Shares of Rs.10 each fully paid up)	–	205,100,000
GMR Industries Limited (Nil (2005 : 20,695,580) Preference Shares of Rs.11 each)	–	190,399,336
(ii)	4,382,439,829	4,381,176,305
Total (i) + (ii)	4,382,439,829	4,423,560,780

* Market Value of Quoted Investments - Nil (2005 - Rs. 91,994,000)



Schedules forming part of Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 7	March 31, 2006	March 31, 2005
SUNDRY DEBTORS		
(Unsecured, Considered good)		
a) Over six months old	-	-
b) Other Debts	287,894	10,408,948
Total	287,894	10,408,948

(Amount in Rupees)

Schedule 8	March 31, 2006	March 31, 2005
CASH AND BANK BALANCES		
Balances with Scheduled Banks		
- On Current accounts	18,802,361	432,730,219
- On Deposit accounts	-	674,586,944
- On Margin Money accounts	4,049,264	27,460,000
Total	22,851,625	1,134,777,163

(Amount in Rupees)

Schedule 9	March 31, 2006	March 31, 2005
OTHER CURRENT ASSETS		
(Unsecured, Considered good)		
Interest accrued but not due	52,346	1,091,409
Dividend receivable from subsidiary company	521,701,963	-
Total	521,754,309	1,091,409



Schedules forming part of Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 10	March 31, 2006	March 31, 2005
LOANS & ADVANCES		
Advances recoverable in cash or in kind or for value to be received:		
Considered good	60,257,019	31,600,460
Considered doubtful	28,676,000	–
Advance towards investments in subsidiary companies and other bodies corporate	1,530,042,000	753,167,000
Advance Income tax (net of provisions)	8,375,356	67,905,397
Advance Fringe Benefit Tax (net of provisions)	32,695	–
	1,627,383,070	852,672,857
Less: Provision for doubtful advance	28,676,000	–
Total	1,598,707,070	852,672,857

(Amount in Rupees)

Schedule 11	March 31, 2006	March 31, 2005
CURRENT LIABILITIES		
A) Liabilities		
Sundry Creditors		
Dues to small scale industrial undertakings	–	–
Dues to other than small scale industrial undertakings	11,851,988	2,897,466
Interest accrued but not due	10,446,722	14,904,023
Other Liabilities	1,132,654	6,887,567
	23,431,364	24,689,056
B) Provisions		
Provision for employee benefits	636,000	–
	636,000	–
Total	24,067,364	24,689,056



Schedules forming part of Profit and Loss Account for the year ended March 31, 2006

(Amount in Rupees)

Schedule 12	March 31, 2006	March 31, 2005
OPERATING INCOME		
Dividend Income	521,741,420	443,549,096
Profit/(Loss) on sale of investments (net)	52,645,090	2,428,873
Total	574,386,510	445,977,969

(Amount in Rupees)

Schedule 13	March 31, 2006	March 31, 2005
OTHER INCOME		
Interest received - Gross	9,130,735	18,077,105
[Tax Deducted at Source Rs.504,751 (2005 : Rs 2,763,000)]		
Gain on foreign exchange transactions	4,601,063	17,775,969
Service Income	12,500,000	22,958,802
Provisions/Liabilities no longer required, written back	12,384	36,673,585
Miscellaneous Income	12,240,455	21,721,264
Total	38,484,637	117,206,725

(Amount in Rupees)

Schedule 14	March 31, 2006	March 31, 2005
ADMINISTRATION AND OTHER EXPENSES		
Salaries, Allowances and Benefits to Employees	11,733,748	3,475,537
Contribution to Provident and other funds	551,591	262,327
Staff welfare expenses	4,400	5,013
Rent	986,377	975,775
Rates and Taxes	14,522,953	28,216,362
Repairs and Maintenance	50,015	448,197
Insurance	66,751	55,871
Directors' sitting fees	240,000	-
Consultancy and Professional Charges	10,746,513	17,368,763
Provision for Doubtful Advance	28,676,000	-
Remuneration to Auditors		
- Audit Fees	561,200	55,100
- Other Certifications	70,000	32,250
- Out of Pocket Expenses	83,499	36,663
Traveling and Conveyance	3,442,636	1,546,975
Fixed Assets Written off	736,724	219,622
Miscellaneous Expenses	1,139,462	1,564,654
Total	73,611,869	54,263,109

(Amount in Rupees)

Schedule 15	March 31, 2006	March 31, 2005
FINANCE CHARGES		
Interest on debentures	169,218,105	123,552,062
Interest on other fixed loans	24,524	108,145,005
Interest - Others	10,810,739	3,847,597
Bank/Other Finance Charges/Prepayment Premium	1,958,966	18,848,922
Total	182,012,334	254,393,586



Schedule 16

I. SIGNIFICANT ACCOUNTING POLICIES:

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

2. Revenue Recognition

The Company recognizes significant items of income and expenditure on accrual basis except in case of those with significant uncertainties. Dividends declared by subsidiary companies after the Balance Sheet date, are recognised as income in the year to which they relate if they are declared before the approval of the financial statements by the Board of Directors.

Income from management/technical services is recognised as per the terms of the agreement and on the basis of services rendered.

3. Investments

Long term investments are valued at cost unless there is a permanent diminution in their value. 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.

4. 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.

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.

5. Depreciation

Depreciation is provided on straight line method at the rates specified under Schedule XIV to the Companies Act, 1956 except for assets of 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.

6. Retirement Benefits

Retirement benefits are accounted for on accrual basis with contributions to recognised funds such as Provident Fund charged against revenue each year. Liability for gratuity is funded through a scheme administered by an insurer. Provision for leave encashment is made based on accrual basis.

7. 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 recognised in the financial statements.

8. 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 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 realised.

9. 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.



Schedule 16 Contd.

II. NOTES TO ACCOUNTS:

1. Contingent Liabilities:

- a) Bank Guarantees outstanding in respect of upcoming projects Rs.5,615,600,000 (2005 : Rs. 95,000,000).
- b) Corporate Guarantees outstanding in respect of cost over-run for upcoming projects Rs.1,578,200,000 (2005: Rs.1,229,100,000).

2. Capital Commitments

Investment in equity shares of subsidiary company Rs.1,023,357,000 (2005: Rs. Nil)

3. During the year, 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.
4. 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 45IC of the Reserve Bank of India Act, 1934 amounting to Rs.220,441,300 to General Reserve.
5. The following long term unquoted investments included in Schedule 6 have been pledged/subjected to negative lien by the Company towards borrowings of the Company or the investee companies:
 - a) 4,005,000 Preference Shares of Rs 100/- each and 100,000 Equity Shares of Rs 10/- each of GMR Tambaram Tindivanam Expressways Private Limited having a carrying value of Rs.408,716,389 and Rs. 1,000,000 respectively;
 - b) 2,930,000 Preference Shares of Rs 100/- each and 100,000 Equity Shares of Rs 10/- each of GMR Tuni Anakapalli Expressways Private Limited having a carrying value of Rs.297,355,494 and Rs. 1,000,000 respectively;
 - c) 233,862,254 Equity Shares of Rs 10/- each of GMR Energy Limited having a carrying value of Rs.2,572,484,794.
 - d) 25,501 Equity Shares of Rs.10/- each of GMR Hyderabad International Airport Limited having a carrying value of Rs.255,010.



Schedule 16 Contd.

6. Related Party Transactions:

a) Name of Related Parties and description of relationship:

Holding Company	GMR Holdings Pvt. Ltd. (GHPL)
Subsidiary Companies	GMR Energy Ltd. (GEL) GMR Power Corporation Pvt. Ltd. (GPCPL) GMR Hyderabad International Airport Ltd. (GHIAL) Vemagiri Power Generation Ltd. (VPGL) GMR Tuni Anakapalli Expressways Pvt. Ltd. (GTAEPL) GMR Tambaram Tindivanam Expressways Pvt. Ltd. (GTTEPL) GMR Jadcherla Expressways Pvt. Ltd. (GJEPL) GMR Pochanpalli Expressways Pvt. Ltd. (GPEPL) GMR Ambala Chandigarh Expressways Pvt. Ltd. (GACEPL) GMR Mining & Energy Private Limited (GMEPL)
Enterprises where significant influence exists/ Fellow Subsidiaries	GVL Investments Pvt. Ltd. (GVPL) GMR Varalakshmi Foundation (GVF) GMR Industries Ltd. (GIDL) Ideaspace Solutions Ltd. (ISL) GMR Estates & Properties Pvt. Ltd. (GEPPL) Gateways for India Airports Pvt. Ltd. (GFIAPL) SACI Sports Pvt. Ltd. (SPL) GMR Highways Pvt. Ltd. (GHWPL) GMR Operations Private Limited (GOPL) Raxa Security Services Private Limited (RSSPL) Bharat Sugar Mills Limited (BSL)
Key Management Personnel and their Relatives	Mr. G.M.Rao Mr. G.B.S.Raju Mr. G. Kiran Kumar Mr. B. V. Nageswara Rao Mr. Srinivas Bommidala Mrs. G. Varalakshmi Mrs. B. Ramadevi



Schedule 16 Contd.

b) Summary of transactions with the above related parties is as follows:

(Amount in Rupees)

Nature of Transaction	Holding Company	Subsidiary Companies	Enterprises where significant influence exists	Key Management Personnel and their relatives
Interest received (GEL)	-	-	-	-
	(-)	(3,336,000)	(-)	(-)
Dividend received (GEL)	-	521,701,963	-	-
	(-)	(442,923,000)	(-)	(-)
Rent received (net of expense) - GEL	-	71,800	-	-
	(-)	(990,000)	(-)	(-)
Services rendered - RSSPL	-	-	719,332	-
	(-)	(-)	(-)	(-)
Manpower deputation	-	-	-	-
	(360,000)	(13,000,000)	(960,000)	(-)
Refund of loan - GEL	-	-	-	-
	(-)	(61,900,000)	(-)	(-)
Purchase of equity Shares	-	-	-	102,000
	(-)	(-)	(-)	(-)
Sale of equity shares	-	1,600	200	2,600
	(-)	(-)	(-)	(-)
Share application money received	2,912,550,000	-	-	-
	(400,000,000)	(-)	(-)	(-)
Share application money refunded	3,312,550,000	-	-	-
	(-)	(-)	(-)	(-)
Loans received and repaid	1,205,500,000	-	-	-
	(-)	(-)	(-)	(-)
Issue of Bonus Shares	1,057,742,600	-	-	3,970
	(-)	(-)	(-)	(-)
Share application money invested - (GHIAL)	-	604,236,000	-	-
	(-)	(752,037,000)	(-)	(-)
Share application money invested - (GVPL)	-	-	2,524,913,000	-
	(-)	(-)	(-)	(-)
Share application money invested - (Others)	-	76,521,000	173,089,000	-
	(-)	(-)	(1,130,000)	(-)
Refund of share application money invested	-	-	2,525,363,000	-
	(-)	(-)	(-)	(-)
Redemption of preference shares	-	-	205,100,000	-
	(-)	(-)	(-)	(-)
Balance Payable / Recoverable	-	1,432,794,000	97,967,332	-
	(-)	(752,037,000)	(1,130,000)	(-)



Schedule 16 Contd.

Note:

- The Company has provided securities by way of pledge of investments for loans taken by certain companies.
- 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.
- Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.
- Previous year figures are mentioned in brackets.

7. Earnings Per Share

Calculation of EPS - (Basic & Diluted)

Particulars	Year Ended March 31	
	2006	2005
Nominal Value of Equity Shares (Rs. per Share)	10	10
Total number of Equity Shares outstanding at the beginning of the year	158,662,091	158,662,091
Add: Bonus Shares issued out of Free Reserves on September 30, 2005 (refer note below)	105,774,723	105,774,723
Total number of Equity Shares outstanding at the end of the year for the purpose of EPS	264,436,814	264,436,814
Weighted average number of Equity Shares outstanding during the year	264,436,814	264,436,814
Profit after Taxes (Amount in Rupees)	355,454,810	243,807,927
Less : Preference Dividend (including tax thereon)	-	17,507,340
Net Profit after tax for the purpose of EPS	355,454,810	226,300,587
EPS - Basic & Diluted (Rs.)	1.34	0.86

Note: 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. Since the bonus issue is an issue without consideration, the issue has been treated as if it had occurred prior to the beginning of the year 2005, the earliest period reported.

- The Company is engaged in business of holding/dealing in equity shares, which in the context of Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, is considered as the only segment. Hence, reporting under the requirements of the said standard does not arise.

- Deferred tax liability (net) as at March 31, 2006 comprises of:

(Amount in Rupees)

SL No	Particulars	2006		2005	
		Deferred tax Asset	Deferred tax liability	Deferred tax Asset	Deferred tax liability
1	Depreciation		2,223,500		2,892,813
2	Preliminary Expenses	210,480		278,495	
3	Leave Encashment	214,078		-	
	Total	424,558	2,223,500	278,495	2,892,813
	Deferred tax liability (net)		1,798,942		2,614,318

Note: In view of the management's assessment that the future income 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.



Schedule 16 Contd.

10. Information on Joint Ventures as per Accounting Standard 27

(Amount in Rupees)

Name of the Joint Venture	2005-06	2004-05
	GMR Hyderabad International Airport Ltd.	GMR Hyderabad International Airport Ltd.
Country of Incorporation	India	India
Share in Ownership and voting power	63%	63%
Proportionate share of the company in the Assets, Liabilities, Incomes and expenses of the Joint Venture:		
Capital Commitments	5,448,860,985	378,935,113
Current Assets	735,824,659	189,837,835
Fixed Assets (including Capital work in progress and Pre-operative expenditure, pending allocation)	3,586,145,366	439,437,830
Current Liabilities	281,961,012	9,730,006

Note: Disclosure of Financial Data as per Accounting Standard - 27 'Financial Reporting of Interest in the joint venture has been done based on the audited financial statements of the entity as on March 31, 2006.

11. Investments purchased and sold during the year

Particulars	Purchased		Sold	
	Units	Amount in Rupees	Units	Amount in Rupees
ING Vysya Institutional Growth Fund	1,273,946	13,300,000	1,273,946	13,300,000
Chola Liquid Dividend Reinvestment Plan Fund	1,198,143	12,000,000	1,198,143	12,000,000
Standard Chartered Grindlays Cash fund	2,750,000	27,500,000	2,750,000	27,500,000
Total		52,800,000		52,800,000

12. Additional information pursuant to paragraph 3, 4, 4A, 4B, 4C and 4D of part II of Schedule VI of the Companies Act, 1956:

a) Expenditure in Foreign Currency (on payment basis)

(Amount in Rupees)

Particulars	2006	2005
Traveling expenses	2,188,043	323,000
Professional and Consultancy charges	7,288,419	6,470,000
Others	2,912,955	–

13. Information pursuant to paragraphs 3, 4, 4A, 4B, 4C and 4D to the extent either Nil or Not Applicable has not been furnished.

14. Previous year's figures have been regrouped and reclassified, wherever necessary, to conform to those of the current year.

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



Cash Flow Statement For The Year Ended March 31, 2006

(Amount in Rupees)

Particulars	March 31, 2006	March 31, 2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	355,070,747	242,290,335
Adjustments for:		
Depreciation	2,176,197	2,545,998
Amortisation of Miscellaneous Expenditure		9,691,666
Provision for Doubtful Advance	28,676,000	–
(Profit)/Loss on sale of investments	(52,645,090)	(2,428,873)
Fixed Assets written off	736,724	219,622
Dividend Received	(521,741,420)	(443,549,096)
Interest Received	(9,130,735)	(18,077,105)
Finance Charges	182,012,334	254,393,586
Operating Profit Before Working Capital Changes	(14,845,243)	45,086,133
Adjustments for:		
(Increase)/Decrease in Trade and other receivables	(47,211,507)	773,200,105
Increase/(Decrease) in Trade Payables	3,835,610	(36,297,303)
Cash generated from Operations	(58,221,140)	781,988,935
Income Taxes refund/(paid) during the year	59,509,506	(6,198,000)
Fringe Benefit Tax paid	(443,473)	–
Net Cash Flow from/(used in) Operating Activities	844,893	775,790,935
B. Cash Flow from/(Used In) Investing Activities		
Purchase of Fixed Assets	(321,460)	(21,632)
Purchase of Investments (including Share application money)	(1,203,931,860)	(1,292,866,126)
Proceeds from Sale of Fixed Assets	–	42,200
Proceeds from Sale of Investments	520,822,902	30,602,721
Interest Income Received	10,169,798	22,352,756
Dividend Received	39,457	1,114,545,235
Net Cash Flow from/(used in) Investing Activities	(673,221,163)	(125,344,846)
C. Cash Flow from/(Used in) Financing Activities		
Proceeds from Secured Loan	–	1,638,750,000
Repayment of Secured Loans	(383,469,672)	(1,709,846,436)
Proceeds/(Repayment) from/of Unsecured Loans (Net)	530,390,039	387,994,882
Share Application Money Received/(Refunded)	(400,000,000)	400,000,000
Redemption of Preference Share Capital	–	(185,000,000)
Financial Charges paid	(186,469,635)	(254,393,587)
Dividends paid (including dividend distribution tax)	–	(17,507,340)
Net cash from/(used in) financing activities	(439,549,268)	259,997,519
Net increase/(decrease) in Cash and Cash Equivalents	(1,111,925,538)	910,443,608
Cash and Cash Equivalents at the beginning of the year	1,134,777,163	224,333,555
Cash and Cash Equivalents at the end of the year	22,851,625	1,134,777,163

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. Previous years figures have been regrouped and reclassified to conform to those of the current year.

This is the cash flow statement referred to in our report of even date

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



Balance Sheet Abstract And Company's General Business Profile

1 Registration Details

Registration Number	34805	State Code	08
Balance Sheet Date	March 31, 2006		

2 Capital Raised during the year (Amount in Rupees)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	1,057,747,230	Private Placement	Nil

3 Position of Mobilisation and Development of Funds (Amount in Rupees)

Total Liabilities	6,537,129,164	Total assets	6,537,129,164
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Sources of Funds

Paid Up Capital	2,644,368,140	Reserves & Surplus	1,040,403,573
Secured Loans	1,758,859,836	Unsecured Loans	1,067,631,309
Deffered Tax Liability	1,798,942	Current Liabilities & Provisions	24,067,364

Application of Funds

Net Fixed Assets	11,088,437	Investments	4,382,439,829
Net Current Assets	2,143,600,898	Misc. Expenditure	-
Accumulated Losses	-		

4 Performance of company (Amount in Rupees)

Gross Income	612,871,147	Total Expenditure	257,800,400
+ / - Profit / Loss Before Tax	355,070,747	+ / - Profit / Loss After Tax	355,454,810
Earning Per Share in Rs.	1.34	Dividend Rate %	Nil

5 Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. :	N.A	Product Description	N.A
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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
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Place : Bangalore
Date : May 13, 2006

