Gammon Infrastructure Projects Limited

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Sowing... what future will reap

Gammon Infrastructure Projects Limited

7th Annual Report 2008

Contents

Key milestones

October 1999 – Concession Agreement signed for the New Mattancherry bridge Project in Kerala

October 2001 – Concession Agreements signed for the Rajahmundry Dharmavaram road project and Dharmavaram Tuni road project marking the company's first project with NHAI as part of the prestigious Golden Quadrilateral Project

October 2001 – Commercial Operations begin for New Mattancherry bridge Project

November 2001 – First bulk port project – License Agreement signed for two berths at Visakhapatnam port; first privatized berths in Visakhapatnam port

July 2004 – Commercial Operations begin for Visakhapatnam seaport project

September 2004 – Commercial Operations begin for Rajahmundry Dharmavaram road project

October 2004 – Commercial Operations begin for Dharmavaram Tuni road project

October 2005 – First NHAI BOT project – Concession agreement signed for Mumbai Nasik Expressway project

November 2005 – Implementation Agreement signed for Rangit II Hydroelectric project, marking the company's foray into hydropower generation segment

December 2005 – Preferential allotment of equity shares to AMIF I Ltd, Mauritius, an affiliate of OZ Management LLC, a firm in the United States under the laws of the state of Delaware

August 2006 – Entry into biomass power generation sector with the biomass projects in the state of Punjab

February 2007 – Execution of MoU for biomass projects in the state of Haryana

December 2007 – First Container port project of the Company; first offshore berths in India - License Agreement signed for Mumbai Offshore Container Terminal Project

March 2008 – Successful completion of the Initial Public Offer

Vizag Seaport

Rajahmundry-Dharmavaram Annuity Road Project

From the desk of MD

Across the globe, there is a consensus building that India is well on its way to finding its rightful place amongst the world's 'Economic Power Houses'. Clearly, ours is an economy on the move and the rapid pace at which we are moving is visible with the numerous transportation, energy, real estate and telecom ventures being announced and undertaken.

Before I traverse back in time and recount the developments of the year gone by and under review in this Report, allow me to commence by thanking each one of you, shareholders, personally, for the faith bestowed upon the company during our Initial Public Offer in March 2008. The Public Offer was oversubscribed 3.48 times. This is notable, as it came at a time when market participants shied away from equities and primary market offerings due to extremely volatile market conditions.

This fund raising exercise has enhanced Company's networth and we are further ready to bid for bigger projects. Infrastructure development is an essential and integral part of a country's overall development and it involves huge capital expenditure with long gestation periods.

Even amidst the economic uncertainties emanating largely from the global markets, the Indian economy still appears poised to grow at a rate of over 7.5% during this fiscal. However, we as a nation, still remain deprived of robust infrastructure. As per the economic survey, the fund requirement for the physical infrastructure sector is considerable and has been pegged at around $500 billion during the next five years. Given the need for huge funds and skill sets, the Government is increasingly involving private sector players under various models under the Public Private Partnership (PPP) model to catalyse growth.

Gammon India Limited, the promoter company of Gammon Infrastructure Projects Limited, has very strong brand equity as 'Civil Contractor' and the company shares immense synergies with the promoter to tap the huge emerging opportunities in the Infrastructure Segment. At the same time, I must state that our decision towards project identification and project bidding is entirely a function of the risks-return that we can generate, regardless of the work opportunity that the project can provide to the Group contracting company – Gammon India Limited.

Against the backdrop of burgeoning infrastructure expenditure, the sector is likely to witness further inflow of funds benefiting the companies in this space. Even though there are signs of a marginal slowdown in growth, I believe that this will be only a temporary phenomenon and would lead to consolidation forming a strong foundation for the next economic boom.

Over the last seven years, our company has acquired 14 projects valued at Rs. 5,500 crores in the road, power and port segments, of which four are operational and ten are at different stages of completion. I am glad to inform you that we have managed to complete all our projects well in advance of the project completion dates. Recently, we have been declared preferred bidders / secured three more projects valued at Rs. 4,000 Crores in the road, hydropower and port sectors.

Going forward, we will also be focusing on the project development of urban infrastructure, including, mass rapid transit system, airports, power transmission and SEZ and our expertise and experience as an infrastructure developer and investor will stand us in good stead as we expand in different segments. With the right portfolio of assets, experience and execution skills, the Company is well on its way to emerge as a leading player in the infrastructure segment.

Further, our strategic relationships with global infrastructure companies as well as domestic players enhance our credentials in bidding for larger and more complex projects under the revised guidelines for the PPP projects.

As we continue to grow, our success will continue to depend upon –

a. Our ability to forge partnerships with large global and Indian corporates, while providing for a significant equity stake for ourselves.

b. Timely commissioning of projects in hand.

c. Our ability to get innovative project financing structures for our projects.

d. Maintaining a strong legally oriented approach to project selection and execution.

Lastly, I once again take this opportunity to thank and assure each one of you, our stakeholders, of our very best efforts.

Parvez Umrigar
Managing Director

Profile of the Board

Abhijit Rajan – Chairman and Managing Director
A commerce graduate and a successful industrialist, Abhijit Rajan has over three decades of business experience. A natural leader, it is his zeal and vision that is primarily driving the Gammon group of companies.

Parvez Umrigar – Managing Director
A Chartered and Cost accountant, Parvez Umrigar brings to the table close to two decades of industrial experience. He has spearheaded the Group's infrastructure business and is looking at widening its focus areas.

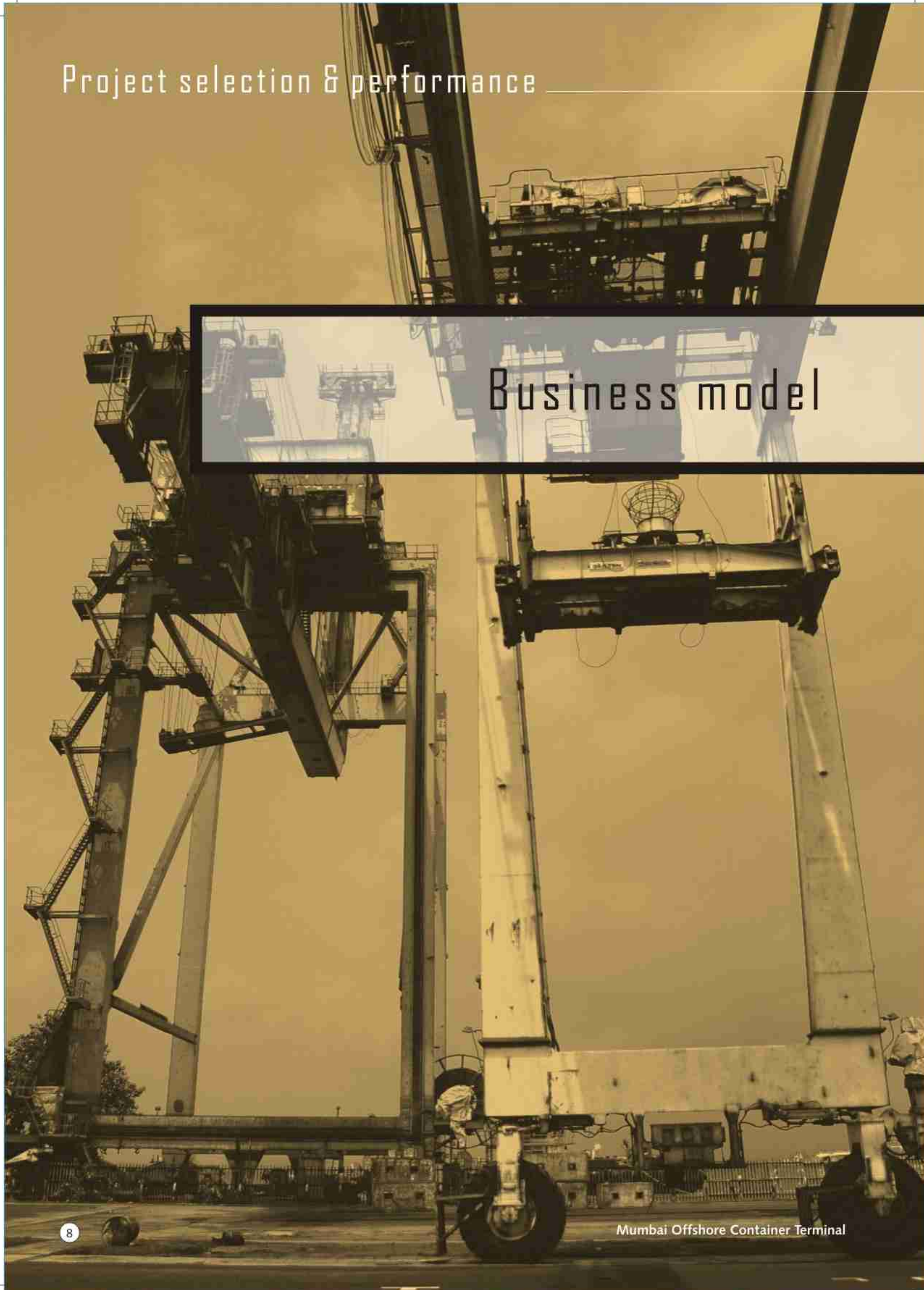
Himanshu Parikh - Non Executive Director
A Commerce Graduate with wide experience in diverse functional fields, he brings his expertise related to procurement and general management. He is also an Executive Director of Gammon India Limited.

C.C. Dayal - Independent Director
A Chartered Accountant with vast experience and expertise in internal audit, taxation and accounts. He is the head of Audit Committee of the Company.

Sanjay Sachdev - Independent Director
Sanjay Sachdev has a Degree in Law from Bombay University and a Masters Degree in International Management from USA. He is a certified financial planner and is credited for co-founding the CFP Program in India. He is a Fellow of the Life Management Institute and LIMRA Leadership Institute (LLIF), USA. He has over two decades of international experience including 13 years with the pension and mutual fund operations of the Principal Financial Group.

Naresh Chandra - Independent Director
A M.Sc. in Mathematics, Mr. Naresh Chandra retired from the Indian Administrative Service in 1992. He has served important positions in the Government including as a member of the Indo-US sub-committee on Economic Affairs & Commerce as well as the co-chairman of Indo-US working group on Technology Transfer. On retirement, he was appointed Senior Advisor to the Prime Minister of India. He has also served as Governor of Gujarat and as the Ambassador of India to the USA. He chaired the Committee on Corporate Governance set up by the Union Ministry of Finance and Company Affairs in 2002.

S. C. Tripathi - Independent Director
A M.Sc., LLB and an IAS officer, he has nearly twenty years of experience in finance and industry at senior levels in the State and Central Government and in a representative capacity at international levels. He retired as Secretary, Ministry of Petroleum and Natural Gas, Government of India.



Business model

Mumbai Offshore Container Terminal

Mumbai Nasik Road Project

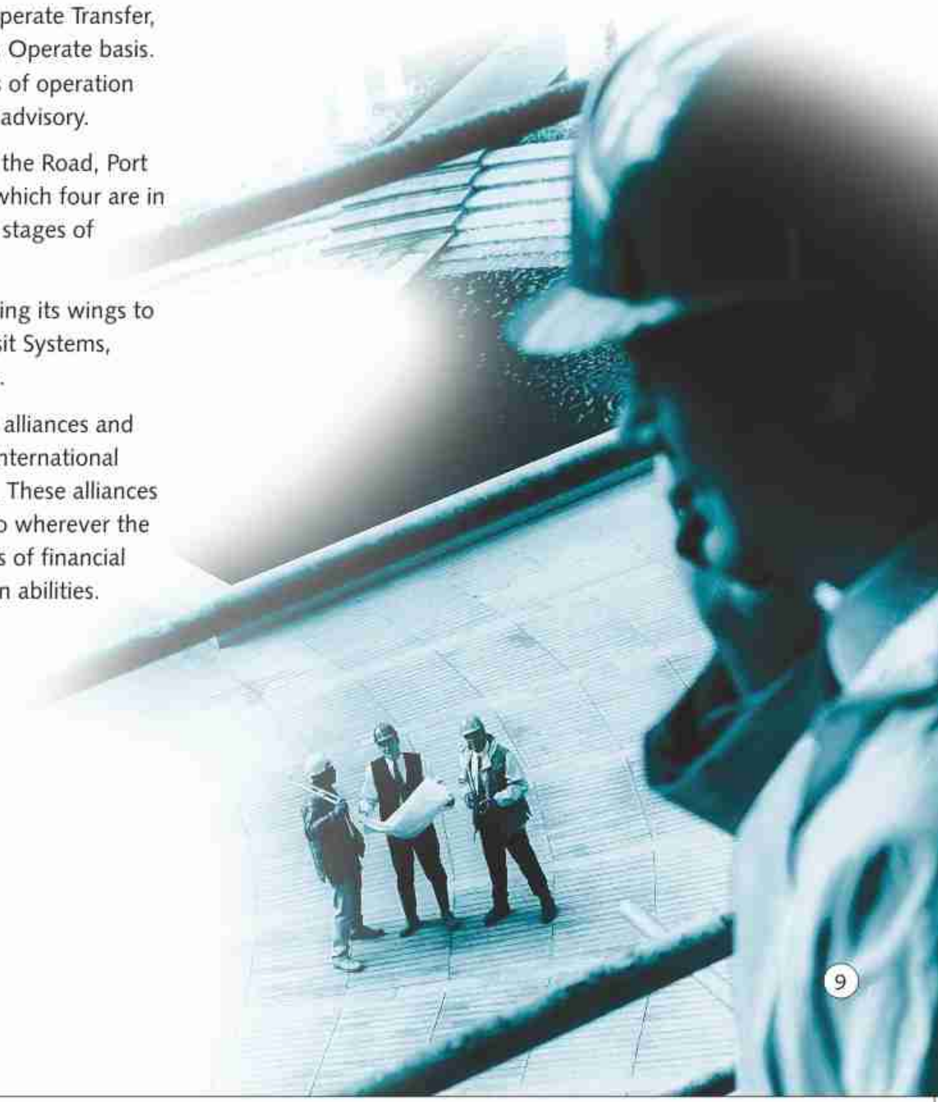
Our company is currently engaged in the business of investing in, developing, operating and maintaining infrastructure projects under the aegis of the Public Private Partnership model, designed by the Government of India to encourage private sector participation.

At present, our footprints span across diverse sectors such as roads, bridges, ports, hydroelectric power, biomass power and SEZ. These are being undertaken as collaborative ventures under the PPP model on a Build Operate Transfer, Build Own Operate Transfer and Build Own Operate basis. In addition, we provide services in the areas of operation and maintenance and project development advisory.

At present, our company has 14 projects in the Road, Port and Power sector and a SEZ project out of which four are in the operations phase and ten are in various stages of development.

Going forward the company intends spreading its wings to other major segments like Mass Rapid Transit Systems, Power Transmission Lines, airports and SEZs.

The company regularly enters into strategic alliances and partnerships with renowned domestic and international players to jointly apply and bid for projects. These alliances have been carefully chosen and entered into wherever the company can enhance its credibility in terms of financial strength, technical know-how and execution abilities.



Project selection & performance

Our track-record

Projects in operational phase

Two Multipurpose Berths - Visakhapatnam Port

The project involved development, construction, dredging, equipping and operations and maintenance of two multipurpose berths at Visakhapatnam Port on a BOT basis. The berths have been developed as a fully mechanized integrated handling system incorporating state of the art technologies comparable to international standards, capable of handling cargo upto 9 Million Tons per Annum. The cost of the project is Rs. 31.3 crores and the project is operational since last 3 years. The Concession Period is 30 years.

Rajahmundry-Dharmavaram Annuity Road Project

This project comprised upgradation & widening of a 53 km stretch between Rajahmundry and Dharmavaram in the state of Andhra Pradesh on National Highway – 5. The project was completed 70 days ahead of schedule at a cost of Rs. 256 crores. The Concession Period is 17.5 years.

New Mattancherry Bridge Project, Cochin, Kerala

A pioneer BOT project in the state of Kerala, the bridge connects Fort Kochi to Willingdon Island in the Cochin Port Trust area. The 700 meters long bridge provides a two-lane link across the Mattancherry channel. The project was completed ten months ahead of schedule at a cost of Rs. 26 crores. The Concession Period is 19 years 9 months.

Dharmavaram-Tuni Annuity Road Project

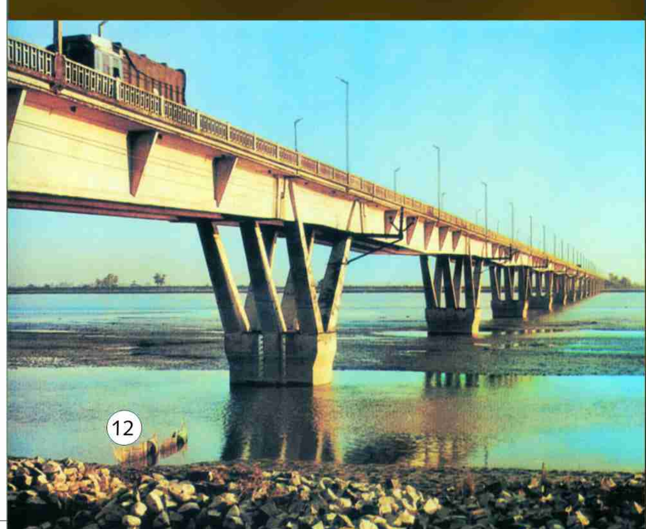
This was a 47 kilometer road project that involved the four-laning of an existing two-lane road on National Highway – 5 and strengthening of the same. The project was completed a month ahead of schedule at a cost of Rs. 248 crores. The Concession Period is 17.5 years.

Project selection & performance

Projects under development

The Mumbai Nasik Road Project

The project involves four - laning of the 100 km Vadape - Gonde (Mumbai-Nasik) section of the National Highway - 3 on BOT basis and is estimated to cost Rs. 753 crores. The Concession Period is 20 years.



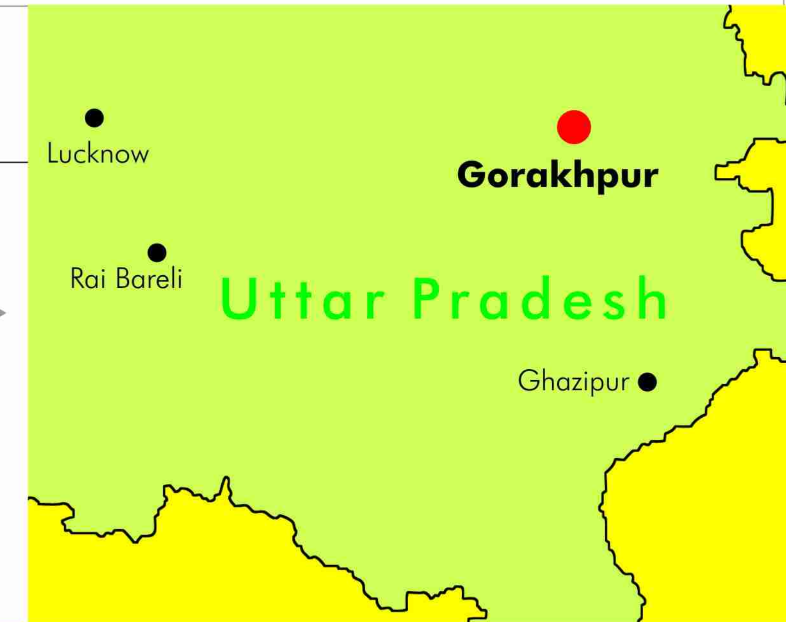
Kosi Bridge Project

The project involves design, construction, finance, operation and maintenance of a 4 - lane Bridge across river Kosi on the National Highway - 57. The project is on BOT (Annuity) Basis at an estimated cost of Rs. 440 crores. The Concession Period is 20 years.

Old Kosi River Bridge constructed by Gammon India Limited

Gorakhpur Bypass Project

The scope of the project involves design, construction, finance, operation and maintenance of the Gorakhpur Bypass on the National Highway – 28 in Uttar Pradesh on BOT (Annuity) Basis. The estimated cost of the project is Rs 649 crores. The Concession Period is 20 years.

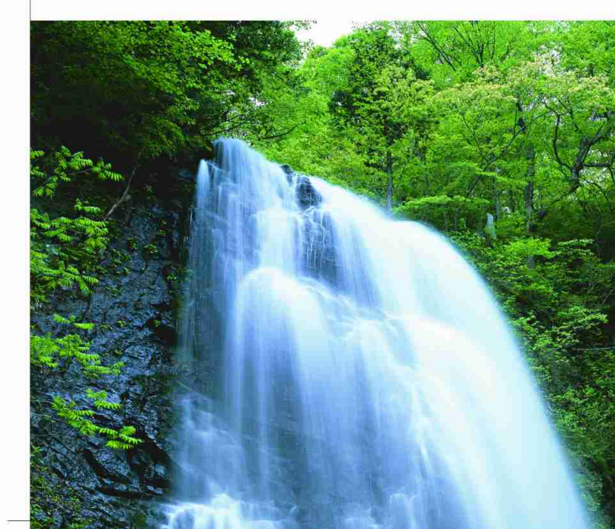


Punjab Biomass Power Project

The scope of this project involves, subject to requisite due diligence, development of upto 9 Biomass based Power Projects in various districts in Punjab state and each of these involve the development of a 10-12 MW biomass fuel based power project on a BOO basis.

Rangit II 66 MW Hydroelectric Power Project

The project involves developing a 66MW Hydro Power Project on a BOOT basis. The project will generate power for captive consumption as well as for sale to third parties. The Concession Period is 35 years post commercial operations.



Projects under development

Pravara Co-generation Power Project

This project involves development of a 30 MW cogeneration power project on BOOT basis for a sugar manufacturing co-operative. The plant will be designed as a multi-fuel plant which will use bagasse as main fuel and the company has an assured supply of bagasse at an agreed price. The Concession Period is 25 years post commercial operations.

Mumbai Offshore Container Terminal

The Project involves operations and management of the existing Mumbai Port container terminal for the initial 5 years and the Development and Management of the new offshore container terminal, comprising at least two berths. The capacity of the new offshore terminal would be 1.4 million TEUs in the first phase. The estimated cost of the project is Rs 1200 crores. The Concession Period is 30 years.

TIDONG Hydropower

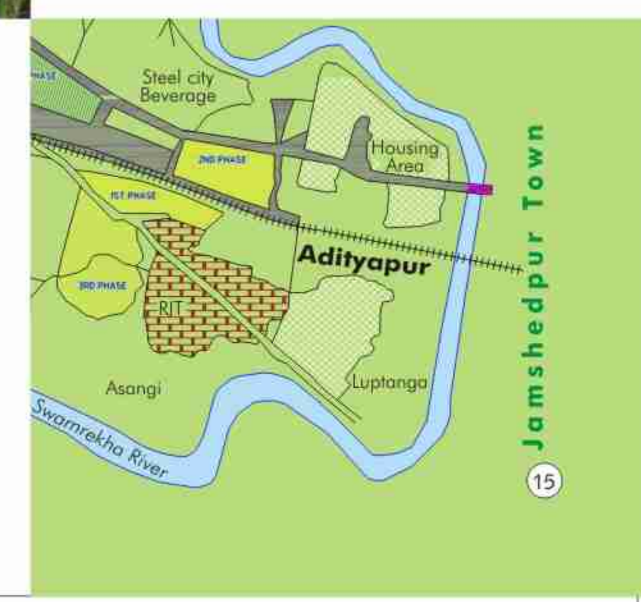
The Project involves developing a 60 MW Hydro Electric Project in Himachal Pradesh. The company has received the Letter of Intent for the Project.

Adityapur SEZ

The Project involves design, construction, finance, operation and maintenance of the SEZ spread over 90 acres of land near Industrial town of Jamshedpur, Jharkhand State. The SEZ is envisaged as single product SEZ involving Auto & Auto ancillary sector industries and will be facilitated by utility and logistics services. The Letter of Intent for the Project has been received.

Haryana Biomass Power Project

The project encompasses, subject to requisite due diligence, development of 6 Biomass fuel based power projects of capacity of 10-12 MW in Haryana. The Memorandum of Understanding has been signed with the Haryana Renewable Energy Development Authority (HAREDA).



Project selection & performance

The macro environment

The global slowdown triggered by the US sub-prime crisis followed by rising inflation throughout the globe on account of rising crude oil and food prices has led to tightening of interest rates. Despite this, the Indian economy is still expected to grow at over 7.5%.

With increasing budgeted outlays over the years and greater involvement of the private sector, the infrastructure sector has been expanding to support the economic growth rate of the country. The six core-infrastructure industries, registered a robust increase of 9.6 per cent during March 2008 owing to accelerated production in the steel and coal sectors. However, World Development Indicators published by the World Bank indicate that India lags far behind the developed as well as developing nations in terms of infrastructure development. This is also reflected in the India's infrastructure spending, which accounts for just 5% of GDP, little more than half as compared to 9% by China.

Thus, the primary challenge for India is to sustain this growth while spreading its benefits more widely across sectors. There is a huge demand-supply gap in the infrastructure space which is not only insufficient to sustain future development but also not enough to sustain the current scenario.

According to the Planning Commission, the investment required in infrastructure in India is USD 494 billion during the Eleventh Plan period (2007-12) thereby increasing the share of infrastructure investment to 9 per cent of GDP from 5 per cent in 2006-07. This will result in an annual incremental investment of USD 40 billion.

Institutional investors have evinced huge interest in infrastructure as separate asset class given its distinct characteristics (especially the stable, long term cash flows), differentiating this from the traditional debt and equity investment routes. The very long-term nature of infrastructure assets makes them attractive to investors worldwide, specifically, pension funds and insurance companies. Further, infrastructure development is critical for the growth of an economy and has extremely high barriers in terms of qualification criteria. Given that its significance

transcends geographical barriers and economies, it continues to be attractive investment avenues, especially in developing economies like India.

The Indian Government too has already enacted many proactive measures by opening up a number of infrastructure segments to private players, permitting FDI into various sectors, introducing model concession agreements, etc. .

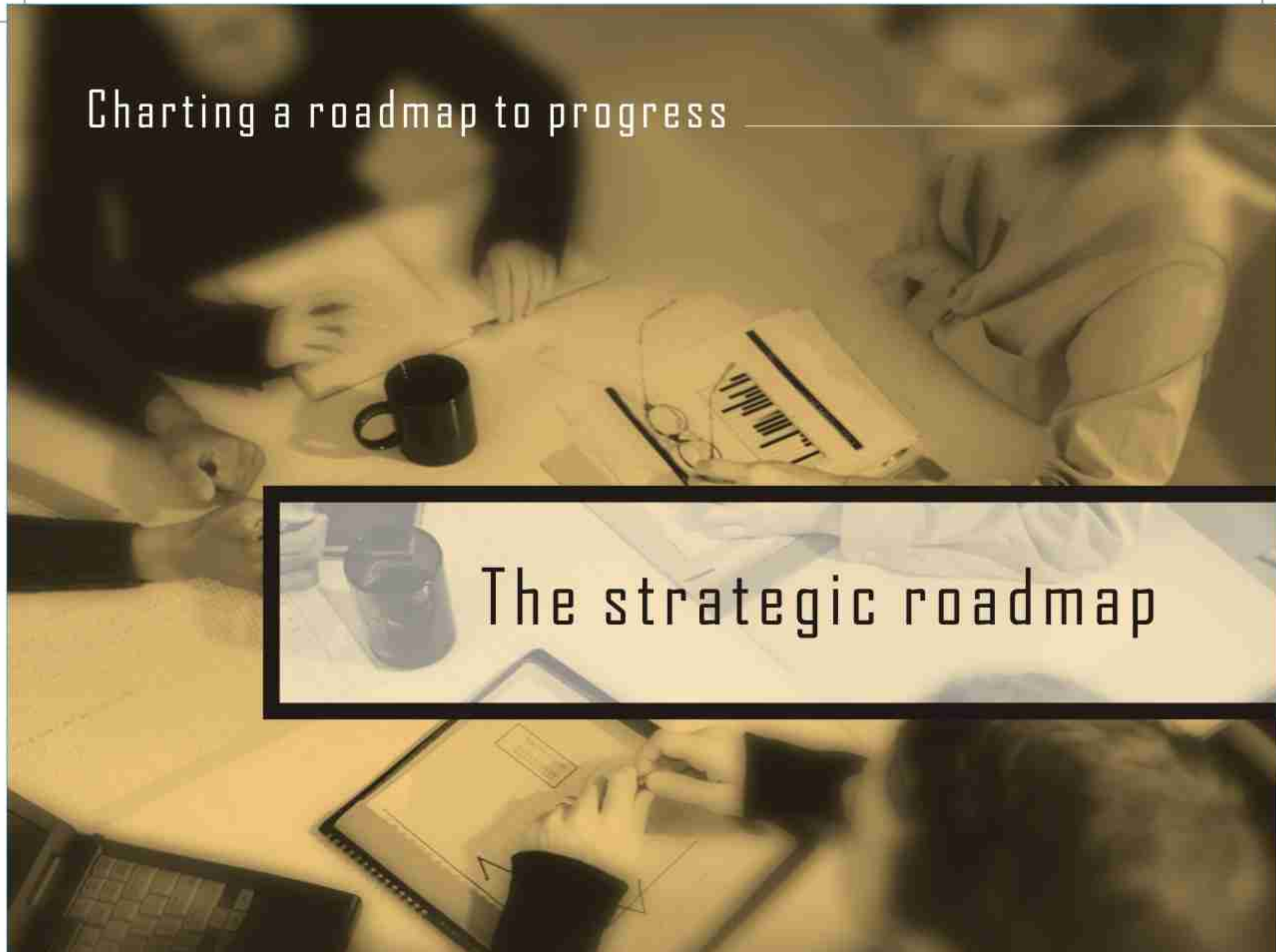
Some of the projects planned over the next five years include:

- The Government plans to add power generation capacity of about 70,000 MW. The Union Finance Minister announced the total allocation of Rs. 5500 crore for the Rajiv Gandhi Grameen Vidyutikaran Yojana, which will be continued in the Eleventh Five Year plan. Ultra Mega Power Projects (UMPPs) schemes were launched for the development of coal-based power projects, each with a capacity of 4,000 MW or above.
- Capacity addition of 485 million MT in Major Ports and 345 million MT in Minor Ports. Investment need of USD 13.5 billion (Rs.60,750 crores) in the major ports under National Maritime Development Program (NMDP) to boost infrastructure at these ports in the next 7 years.
- Modernisation and redevelopment of 21 railway stations. The total projected outlay for the Eleventh Five Year Plan for the Ministry of Railways is Rs.1,94,263 crore at 2006-07 prices with increased private participation.
- Developing 16 million hectares through major, medium and minor irrigation works. Investments in the irrigation segment are likely to lead to a construction demand of Rs. 74,400 crores over 2007 – 2011. The Accelerated Irrigation Benefit Programme has an increased outlay of Rs. 20,000 crore for 2008-09 for irrigation and Rs 43,700 crore for national projects during the 11th Five-Year Plan period (2007-12).
- Modernisation and redevelopment of 4 metro and 35 non-metro airports. Further the government has planned investment of close to Rs. 40,000 crores – to develop about 100 greenfield airports during the 11th Plan period (2007-2012).
- Six-laning 5,500 km of Golden Quadrilateral and selected National Highways. Constructing 1,65,244 km of new rural roads, and renewing and upgrading existing 1,92,464 km covering 78,304 rural habitations. For the roads and bridges sector, the Eleventh Five Year Plan envisages a total investment of Rs. 3,14,152 crore over a five-year period commencing from 2007-08. With the passenger traffic growth projected at 12-15% and Road sector investments expected to grow at 19 per cent p.a., the Eleventh Five Year Plan places high priority on the completion of works approved under the different phases of the National Highways Development Projects (NHDP). For the roads and bridges sector, the Eleventh Five Year Plan envisages a total investment of Rs. 3,14,152 crore over a five-year period commencing from 2007-08.

Infrastructure projects involve large capital investments and require high execution capabilities. Hence a variety of technical, financial and other criteria are used by project authorities while inviting technical proposals along with financial bids.

The bidding process for PPP projects is typically divided in two stages including the Request for Qualification stage where credible bidders are shortlisted based on their ability to match the requisite technical and financial capacity for undertaking the project. This is followed by the Request for Proposal stage where bidders submit their financial bids after proper due diligence of the project. The applicants should also possess the sufficient experience and capacity in building infrastructure projects. This is measured using various parameters such as construction work undertaken or commissioned or from revenues from BOT/BOO/BOLT projects, or from both, normally during the 5 years preceding the application date. Operations and Maintenance experience of the applicants is also considered as one of the eligibility conditions. The financial capacity is generally measured in the form of a certain minimum networth.

The success of an infra player in such a scenario will depend upon its ability to forge partnerships with other large global and Indian corporates, use of advanced technology, use of innovative financing structures and prudent selection of projects.



Charting a roadmap to progress

The strategic roadmap

Having established its presence in the infrastructure segment, the Company has chalked out well planned strategies for future growth which it believes will be its success drivers.

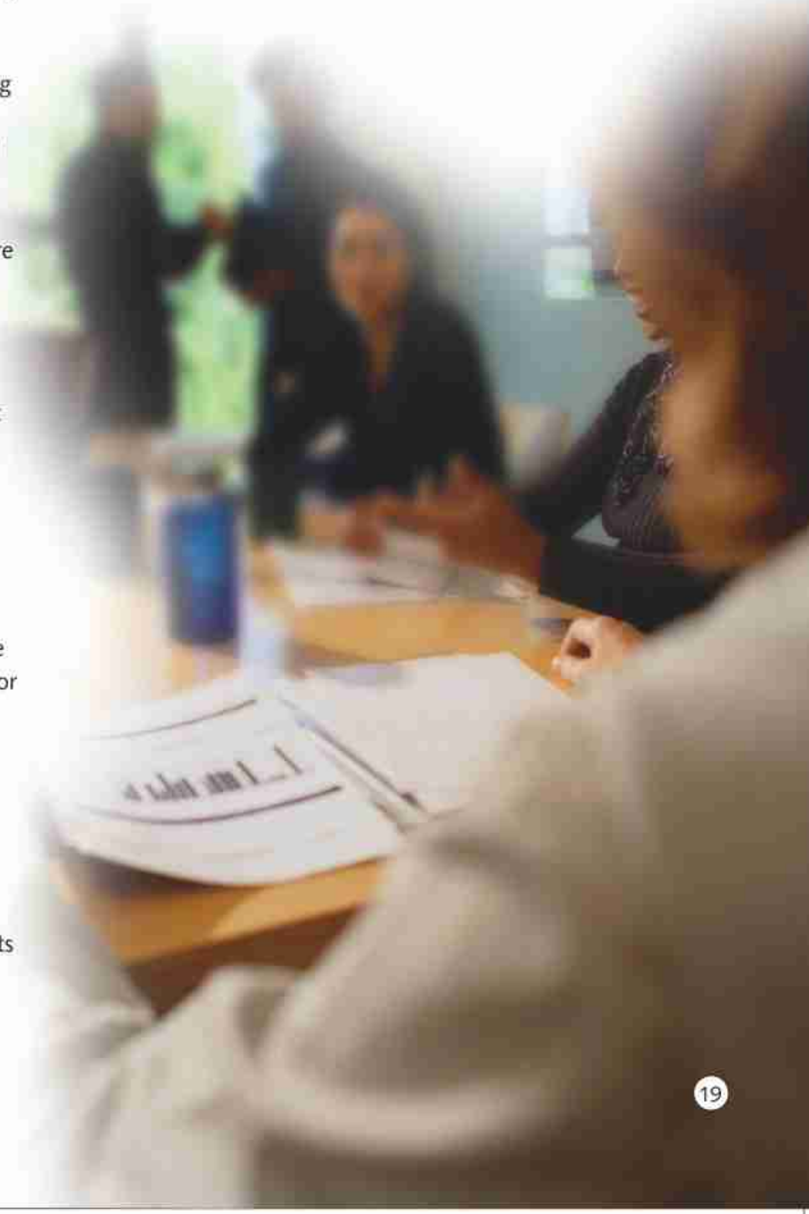
- **Bidding for bigger and complex projects in diverse sectors**
  Diversification is an integral and a very important element as we implement our growth initiatives. In addition to the existing sectors like roads, ports, power and SEZ, we have on our radar potential segments like the mass rapid transit systems, airports, power transmission lines and sewage & water supply. This will give our business the required diversity in terms of nature of the projects. We have diversified successfully thus far by undertaking projects in various sectors and we are confident of raising the bar for ourselves by bidding for big ticket size and complex projects across sectors.

- **Geographical Diversification**
  It is a conscious effort on part of the company to spread its wings across India as well as selected foreign nations, to capitalize on the opportunities provided by the Central, State and Municipal-level Governments/Governmental entities. This will also mitigate our risk pertaining to a particular region. We continuously explore various international opportunities in the infrastructure space and would prudently evaluate and acquire these assets.

- **Make an early entry and achieve a dominant position in identified sectors**
  We believe that our early entry into identified growth areas in the various infrastructure sectors within which we operate provides us with a head start in each such sector. We intend to continue to pursue the advantages associated with early entry in order to achieve a dominant position within such sectors. We believe that by adopting this strategy, we will be able to realize specific advantages of higher margins in certain identified sectors and the flexibility to grow and allocate our resources to sectors that offer more attractive margins.

- **Focus on achieving a mix of market-based and assured-return projects**
  We intend to balance our risk return profile with a mix of market-based projects (where market risk is carried by us)

  and assured return projects (where market risk is carried by the project client). A well balanced portfolio in terms of projects will enable us to balance scalability with market based projects and growth through assured return projects.



- **Operations and Maintenance**
  We intend to offer fee-based O&M services by capitalizing upon our experience of managing, operating and maintaining infrastructure projects. We expect substantial capacity enhancement in the infrastructure sector in India and will aggressively market our capabilities as an O&M service provider, both within and beyond our infrastructure projects.

- **Leveraging strategic relationships**
  We intend to leverage on our strategic relationships with major global and domestic players to enhance our project bidding and development opportunities. We expect that these relationships optimize our ability to execute and deliver quality complex projects.

- **Undertake asset management in the infrastructure sector**
  We intend to leverage our experience in the infrastructure sector to set up an infrastructure fund either on our own or with a partner. We may also make the seed investment in this infrastructure fund. Thus far no applications with regulatory authorities have been made, however this remains high priority in our agenda.

- **Leverage on the Group's brand equity**
  The Company has the advantage of leveraging on the Engineering, Procurement and Construction expertise of its parent company and will benefit from the strong brand equity created by the Gammon group in this segment.

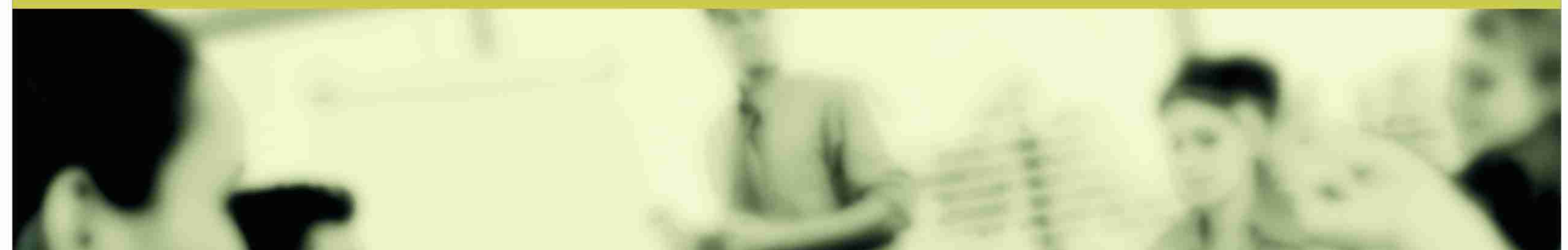
Addressing key concerns

Majority of Projects in the Development Phase
The infrastructure segment is characterized by capital intensive projects with a long gestation period. The company has a track record of successful and timely completion of projects.

Execution Abilities
The Company has built a reputation of undertaking diverse projects and completing them ahead of schedules. It is among the first companies in India to participate in infrastructure development projects through the Public Private Partnership model. The company thus gains from being an early entrant in the infrastructure development business with necessary experience in executing important projects along with the credibility to raise financial resources.

Uneven Cash flows
Presently, the company has a well diversified project portfolio of various payment arrangements like Annuity, a combination of Annuity and Toll and exclusive traffic oriented Projects, with governmental or quasi-governmental entities. Further as the contribution from BOT Portfolio increases we expect the cash flows to even out. Given the nature of the industry, the benefits of the projects accrue over a period of time and hence it needs to be viewed with a long term perspective.

Increasing Competition
Most of the company's contracts are awarded through competitive bidding processes which are finalized on the basis of various criteria. The company enters into strategic alliances to qualify for certain high value contracts and has well defined strategies towards getting pre-qualified with major infrastructure development agencies and entities.

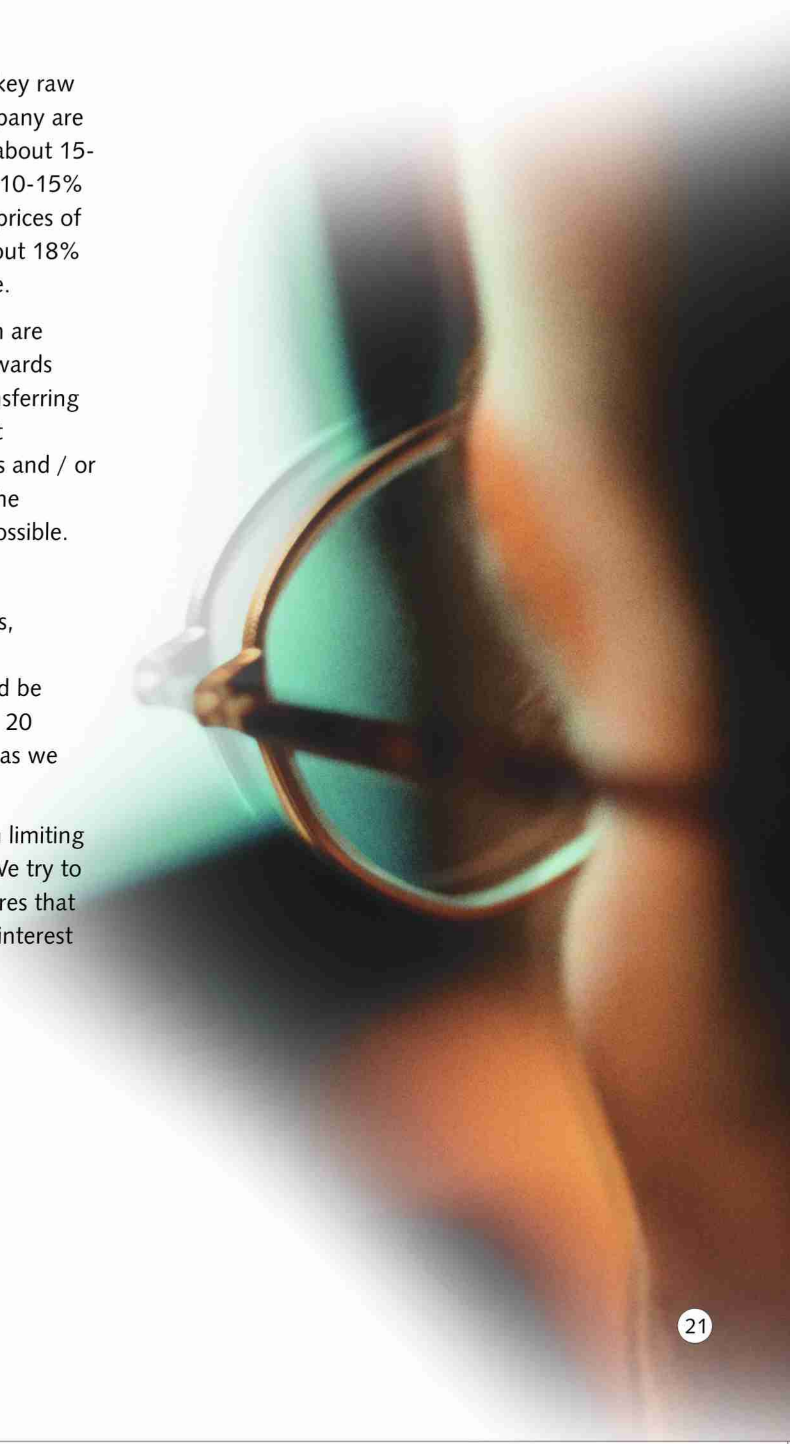


Rising Input Costs
Rising crude, bitumen, steel and cement prices which are key raw materials used by the infrastructure and construction company are beginning to be ominous for the sector. Steel contributes about 15-20% of the total cost, whereas cement contributes about 10-15% of the total cost of a project. Steel companies have hiked prices of long steel products or construction grade products, by about 18% to 20% through three price revisions in March 2008 alone.

Presently, for projects that are financially closed and which are under execution, the EPC contracts which the company awards have been structured as 'fixed price contracts' thereby transferring the risk of input costs to the EPC Contractor. Our constant endeavor would be to enter into such fixed-price contracts and / or similar risk sharing mechanisms, wherever possible, with the contractors for all the future projects also, to the extent possible.

Rising Interest Rate Risks
Infrastructure projects by nature are long duration projects, inherently exposed to the risk of fluctuating interest rates. Moreover, in a growing economy like India, projects would be exposed to such risks. Over a long duration (of more than 20 years), the interest rate cycles typically tends to even out, as we have seen in our early day annuity road projects.

Our strong in-house expertise in project financing helps in limiting and protecting our projects in high interest rate periods. We try to mitigate interest rate risk by entering into financial structures that limit the exposure, viz. all our present projects have fixed interest rates in the construction phase which are reset after every three/five years.



Mumbai Offshore Container Terminal

Mumbai Nasik Road Project

DIRECTORS' REPORT

To
The Shareholders of
Gammon Infrastructure Projects Limited

Your Directors have pleasure in submitting their Seventh Annual Report (and the first after the IPO), together with the Audited Accounts of the Company, for the period 1st April, 2007 to 31st March, 2008 (the "**Period**").

FINANCIAL HIGHLIGHTS

Your Company is in the business of infrastructure development. The business, by its very nature, requires your Company to undertake development of various infrastructure projects through 'Special Purpose Vehicles' (SPVs). Consequently, the Company holds substantial equity stakes in several SPVs, in line with the concerned bid documents and tie-up agreements with consortium partners. Under the circumstances, to give an insight into the workings of the Company, the Shareholders are advised to refer to the consolidated accounts of the Company. Accordingly, your Company has prepared the 'Financial Statements' both on a 'Consolidated Basis' (taking into account the financial statements of the Company, its subsidiaries, associates and joint ventures) and on a Stand-Alone Basis.

On a 'Consolidated Basis', the income of the Company for the Period was Rs. 17,099 lakhs and the profit before depreciation/amortisation and taxation was Rs. 7,519 lakhs. After providing Rs. 4,160 lakhs towards depreciation/amortisation and Rs. 1,225 lakhs towards tax, the Company has a net profit of Rs. 1,864 lakhs for the Period.

On a 'Stand-Alone Basis', the income of the Company for the Period was Rs. 2,751 lakhs and the profit before depreciation/amortisation & taxation was over Rs. 1,374 lakhs. After providing Rs. 1,920 lakhs towards depreciation/amortisation and Rs. 479 lakhs towards tax, the Company has a net profit of Rs. 702 lakhs for the Period.

DIVIDEND

The Company has several projects under implementation. With a view to enable the Company to invest in these projects, the Directors find it necessary to conserve the Company's resources and have accordingly decided to plough back the Profit and have not recommended any Dividend for the Period.

OPERATIONS AND PERFORMANCE

The Company was incorporated in the year 2001 with the objective of focusing on infrastructure projects on Public Private Partnership (**PPP**) basis. Your Company's business currently comprises fourteen infrastructure projects, of which four are already in operation and ten are at various stages of development.

- **Projects in Operation**:

  Rajahmundry-Dharmavaram Annuity Road Project – a 53 kilometer stretch of road in Andhra Pradesh, being a part of 'National Highway – 5', connecting Chennai and Kolkata. The project is owned by an SPV named Rajahmundry Expressway Ltd., a subsidiary of your Company. The concession period for the Project is 17.5 years, including the 2.5 years for construction. The project commenced commercial operations in September, 2004.

  Dharmavaram-Tuni Annuity Road Project – a 47 kilometre stretch of road in Andhra Pradesh, being a part of 'National Highway – 5', contiguous to the Rajahmundry-Dharmavaram project referred to hereinabove. The project is owned by an SPV named Andhra Expressway Ltd., a subsidiary of your Company. The concession period for the Project is 17.5 years, including the 2.5 years for construction. The project commenced commercial operations in October, 2004.

New Mattancherry Bridge Project – a 700 metre bridge across the Mattancherry Channel at Cochin, Kerala; owned by an SPV named Cochin Bridge Infrastructure Company Ltd., a subsidiary of your Company. The project commenced commercial operations in September, 2001.

Visakhapatnam Port Project – two multipurpose berths in the northern arm of the inner harbor at Visakhapatnam Port, Andhra Pradesh, owned by an SPV named Vizag Seaport Pvt. Ltd. The concession period is 30 years, including a construction period of 2 years. The project commenced commercial operations in July, 2004.

- **Projects under Development**:

These are projects at various stages of development following the signing of the concession/ license agreements with the respective client. These are:

Vadape-Gonde Toll Road Project – a 100 kilometre stretch of road, being a part of 'National Highway – 3' in Maharashtra, connecting Mumbai and Nasik. The project is owned by an SPV named Mumbai Nasik Expressway Ltd., a subsidiary of your Company. The project has a concession period of 20 years, including a construction period of 3 years. The project has already achieved financial closure and is expected to be partially commissioned for tolling purposes by December, 2008 & fully commissioned by March 2009.

Rangit II Hydroelectric Project – a 66 MW run-of-the-river hydroelectric project on the Rimbi river in West Sikkim. The project is owned by an SPV named Sikkim Hydro Power Ventures Ltd., a 100% subsidiary of your Company. The project has a concession period of approx. 40 years. Presently, the project is awaiting final statutory development clearances from the Government. Construction activities are expected to commence by December, 2008.

Biomass Power Projects in Punjab – your Company has entered into an agreement with Bermaco Energy Systems Limited, to participate in the development of nine biomass power projects in Punjab, with proposed installed capacities of 10 to 12 MW each. An SPV named Punjab Biomass Power Ltd. ("**PBPL**") was incorporated to undertake the first two projects at villages Bhaghaura and Sawai Singh Wala in Patiala district. Your Company holds an equity stake of 50% in PBPL. The first project of 12 MW capacity is expected to be commissioned before March, 2009.

Kosi Bridge Annuity Project – a four lane bridge, together with approach roads, over the river Kosi in Bihar on 'National Highway – 57'. The project is owned by an SPV named Kosi Bridge Infrastructure Company Ltd., a 100% subsidiary of your Company. The project has achieved financial closure. The concession period for the project is 20 years, including a construction period of 3 years.

Gorakhpur Bypass Annuity Project – a four lane road from km 0.00 to km 32.27 on 'National Highway – 28' in Uttar Pradesh. The project is owned by an SPV named Gorakhpur Infrastructure Company Ltd., a subsidiary of your Company. The project has achieved financial closure. The concession period for the project is 20 years, including a construction period of 2.5 years.

Mumbai Offshore Container Terminal Project – a project for construction and management of an offshore container berth and development of a container terminal at Mumbai Harbour ("**OCT**") with management of the existing Ballard Pier Station Container Terminal ("**BPS**"). The project is owned by an SPV named Indira Container Terminal Pvt. Ltd. The license period for the OCT project is 30 years including the construction period, while the license period for the BPS project is approximately for five years from the date of signing of the concession agreement.

Adityapur Special Economic Zone Project – a mini special economic zone focused on automobile and auto components to be developed on 90 acres land at Adityapur in Jharkhand. The project is to be developed and operated by an SPV named SEZ Adityapur Ltd. in which your Company will hold 38% equity stake. The concession period for the project is 90 years, including a construction period of 5 years.

Tidong Hydroelectric Power Project – a 60 MW hydroelectric project in Kinnaur district of Himachal Pradesh. The project is to be developed and operated by an SPV named Tidong Hydro Power Ltd, in which your Company will hold 50% controlling stake. The concession period for the project is 40 years. A writ petition was filed against Government of Himachal Pradesh to direct the government for execution of the Memorandum of Understanding; the matter is pending in High Court.

Biomass Power Projects in Haryana – Gammon has in consortium with Bermaco Energy Systems Limited been awarded the development of six biomass based power projects in Haryana, with proposed installed capacities of 10 to 12 MW each. The project is to be developed and operated by an SPV named Haryana Biomass Power Ltd., in which your Company will hold 50% controlling stake.

Pravara Co-generation Power Project – your Company has entered into an agreement with Padmashri Dr. Vitthalrao Vikhe Patil Sahakari Sakhar Karkhana Ltd. ("**Karkhana**") for the development of a 30 MW co-generation power project on BOOT basis in Maharashtra. The Company will operate the Project for 25 years from commencement of operations and thereafter hand over the power plant to the Karkhana at a nominal consideration.

- **Operation & Maintenance (O&M) Contracts**

  Your Company also has O&M Contracts for (i) the Rajahmundry-Dharmavaram Annuity Road Project; (ii) the Dharmavaram – Tuni Annuity Road Project; (iii) the Vadape-Gonde Toll Road Project; (iv) the Kosi Bridge Annuity Project; and (v) the Gorakhpur Bypass Annuity Project. While the contracts for the first two projects are operational, the contract for the subsequent three will become operational on the commencement of operation of these projects.

FUTURE PROSPECTS

Infrastructure is the backbone of a progressive economy. As the country is gearing up to create the infrastructure across various sectors, PPP is increasingly becoming the mode of development, due to its inherent advantages of better risk allocation, earlier completion and efficiencies in operation. These factors coupled with the smoothening of the regulatory process and incentives by the Government and the willingness of the banks/financial institutions to provide infrastructure finance is resulting in tremendous growth opportunities in the sector. Almost all sectors of infrastructure development, namely roads & expressways, ports, airports, power generation, urban infrastructure (including mass rapid transit systems, water & waste water management, etc), railways, power transmission etc., are witnessing increasing activities on the PPP side of development. Your Company sees tremendous potential in the PPP sector.

Your Company is currently involved at various stages of financial proposal submission, technical proposal submission and pre-qualification submission in a number of PPP projects and together, the size of these opportunities across sectors, would be in excess of Rs. 550 billion.

The Company will soon take up the following two projects for development as soon as the 'letter of intent' is received:

Youngthang-Khab Hydroelectric Power Project – a 261 MW hydroelectric project in Kinnaur district of Himachal Pradesh. The concession period for the project is 40 years.

Multi Purpose Port at Bedi – a greenfield multi purpose port to be developed at Bedi in Gujarat. The concession period for the project is 30 years.

EQUITY CAPITAL

The Company made a public issue of 1,65,50,000 equity shares of Rs. 10/- each of the Company at the issue price of Rs. 167/- per share through the book building route. The public issue, which was made at a difficult time for the share market, elicited oversubscription to the extent of 3.426 times. The shares were allotted on 27th March, 2008. The equity shares of the Company were listed at the National Stock Exchange and Bombay Stock Exchange on 3rd April, 2008.

EMPLOYEE STOCK OPTION SCHEME

With a view to nurture in-house talent, espouse loyalty and provide an incentive for developing a long term relationship with the Company, your Directors (the Compensation Committee) had granted 16,40,000 ESOPs (1.28% of the pre-IPO capital) to the employees of the Company, pursuant to the approval of the members obtained at the Extra-ordinary General Meeting of the Company on 4th May, 2007.

The details of the ESOPs granted are set out in table below:

Options granted	16,40,000
Pricing Formula/Exercise Price	Rs. 80/-
Options vested	Nil
Options exercised	Not Applicable
Total number of Equity Shares arising as a result of exercise of options	Not Applicable
Options lapsed	75,000
Variation of terms of options	None
Money realised by exercise of options	Not Applicable
Total number of options in force	15,65,000
Diluted EPS pursuant to issue of Equity Shares on exercise of option calculated in accordance with Accounting Standard (AS – 20)	Not Applicable
Weighted average exercise price	Fixed price of Rs. 80/–
Weighted average fair value	Not Applicable
Description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information: (1) risk-free interest rate; (2) expected life; (3) expected volatility; (4) expected dividends; and (5) the price of the underlying share in market at the time of option grant.	Not Applicable
Employee-wise details of options granted to: (1) Directors and senior managerial personnel; (2) Any employee who received a grant in any one year of options amounting to 5% or more of options granted; (3) identified employees who are granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant (excluding (ii) above)	As provided in the table below.

TABLE

Name	Position	Stock options granted	Percentage of the grant on the issued capital at the time of grant	Percentage of total options granted
Mr. Parvez Umrigar	Managing Director	6,00,000	0.47	36.59
Mr. Parag Parikh	Chief Financial Officer	2,40,000	0.19	14.63
Mr. Kshitiz Bhasker	Head- Business Development	1,50,000	0.12	9.15
Mr. Deepak Chauhan	Deputy General Manager – Legal	1,20,000	0.09	7.32
Mr. Amanullah Aman	General Manager	75,000	0.06	4.57

Each of the options give the concerned employee a right to subscribe to one equity share each of the Company at an issue price of Rs. 80/- each over a period of one to four years.

The Company has computed the employee compensation cost arising from grant of Options using the intrinsic value method. The difference between the employee compensation cost so computed and the employee compensation cost as per the fair value method is Rs. 1,70,51,198/-. The net profit for the Period on stand alone basis will come down from Rs. 698 lakhs to Rs. 527 lakhs if the fair value method is employed. Both the basic and diluted earning per share of the Company will come down from 0.54 to 0.41 for the Period.

PARTICULARS UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

(A) Conservation of Energy

The disclosure required under the said heading is not applicable to your Company.

(B) Technology Absorption

The disclosure required under the said heading is not applicable to your Company.

(C) Foreign Exchange Earnings & Outgo

The Company did not earn any foreign exchange during the Period. The Company expended foreign exchange equivalent to Rs. 5,008,771/- during the Period and a further sum of Rs. 10,816,209/- towards professional fees in relation to the IPO, which has been charged to the securities premium account.

SUBSIDIARIES

Andhra Expressway Limited, Cochin Bridge Infrastructure Company Limited, Mumbai Nasik Expressway Limited, Rajahmundry Expressway Limited, Sikkim Hydro Power Ventures Limited, Gammon Projects Developers Limited and Marine Project Services Limited continue to be the subsidiaries of the Company. Kosi Bridge Infrastructure Company Limited, Gorakhpur Infrastructure Company Limited, Tidong Hydro Power Limited, Gammon Logistics Limited and Haryana Biomass Power Limited became subsidiaries of the Company during the year.

The Company has on 4th April, 2008 exercised a call option to purchase 2,28,77,500 equity shares of Rs. 10/- each of Vizag Seaport Pvt. Ltd. from International Port Services Private Ltd., subject to regulatory approvals. Further, the Company has purchased 80,00,000 equity shares of Vizag Seaport Pvt. Ltd. from Cochin Bridge Infrastructure Company Ltd., subsidiary of the Company. Upon completion of the two transactions the shareholding of the Company in VSPL will stand increased to 73.76% from the present 42.22%.

Pursuant to the approval of the Central Government, the Company has not attached the audited accounts of the subsidiaries to the Audited Accounts of the Company for the Period. However, the effect of the same has been brought out in the consolidated Audited Accounts of the Company. The annual accounts of the subsidiaries and the related information will be made available to the Company's and subsidiaries' investors at any point of time. These have also been kept for inspection of the investors at the Registered Office of the Company and of the concerned subsidiaries.

PARTICULARS OF EMPLOYEES

Particulars of employees required under Section 217(2A) of the Companies Act, 1956 forms a part of this Report. However, as per Section 219(1)(b)(iv) of the Act, the report and accounts are being sent to the shareholders of the Company excluding the particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm:

a. The applicable accounting Standards along with proper explanation relating to material departures have been followed by the Company in preparation of the Annual Accounts for the Period;

b. that the Directors have selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Period and of the profits of the Company for the Period;

c. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

d. that the annual accounts are prepared on a going concern basis.

BOARD OF DIRECTORS

As per Article 169 of the Articles of Association of your Company, Mr. Sanjay Sachdev and Mr. Himanshu Parikh are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. Your Directors recommend their re-appointment.

Mr. Naresh Chandra, ex-Governor of Gujarat, ex-Indian ambassador to the United States and ex-senior advisor to the Prime Minister of India joined the Board on 15th October, 2007 as an Additional Director of the Company. The Company has received a notice from a member signifying his intention to propose Mr. Chandra's candidature at the ensuing Annual General Meeting to the office of a Director of the Company liable to retire by rotation.

Mr. Sushil Chandra Tripathi, ex-principal advisor to the Governor of U.P., ex-secretary to the Government of India in the Ministry of Human Resources Development and Ministry of Petroleum and Natural Gas joined the Board on 21st May, 2008 as an Additional Director of the Company. The Company has received a notice from a member signifying his intention to propose Mr. Tripathi's candidature at the ensuing Annual General Meeting to the office of a Director of the Company liable to retire by rotation.

During the year, the Company lost the services of Mr. Guha Thakurtha as a member of the Board due to his untimely demise. The Directors are grateful for Mr. Thakurtha's services to the Company during his tenure.

BOARD COMMITTEES

The Board has set up the following committees to assist the Board in its work:

(i) Audit Committee to, *inter-alia*, oversee and review the financial reporting system and disclosures made in its financial results;

(ii) Shareholders/Investors Grievance Committee to, *inter-alia*, redress investor complaints;

(iii) Remuneration Committee to approve appointments and remuneration of executive directors;

(iv) Compensation Committee to administer the 'Employee Stock Option Scheme';

(v) IPO Committee to oversee issues relating to and arising from the Public Issue; and

(vi) Project Committee to, *inter-alia*, advice the Company on the business opportunities that arise from time to time.

The constitution of the various committees, its powers and duties have been elaborated in greater detail in the 'Corporate Governance Report', which is annexed to the Audited Accounts of the Company.

REPORT ON CORPORATE GOVERNANCE

Attention of the Shareholders is invited to a separate section titled 'Report on Corporate Governance' which is annexed to the Annual Accounts. A certificate of compliance issued by Mr. N. Veeraraghavn, a 'practising company secretary' on compliance with corporate governance requirements of the Listing Agreement is annexed to this Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Attention of the Shareholders is also invited to a separate section titled 'Management Discussion and Analysis Report' which is annexed to the Annual Accounts.

PUBLIC DEPOSITS

Your Company has not accepted deposits under Section 58A of the Companies Act, 1956.

AUDITORS

The Company's auditors, M/s. Natvarlal Vepari & Co. and M/s. S. R. Batliboi & Associates retire at the ensuing Annual General Meeting and being willing and eligible to be re-appointed as Auditors of the Company, have submitted their certificates to the effect that their re-appointments, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. Your Directors recommend their re-appointment.

AUDITORS' REPORT

Observations made by the Auditors in their Audit Report have been duly clarified and explained in the relevant Notes forming part of the Annual Accounts, which are self explanatory and do not need any further clarifications.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation of the devoted and efficient services rendered by the personnel of the Company. Your Directors also wish to acknowledge the co-operation and assistance received from the Bankers, Financial Institutions and various Government, Semi Government and Local Authorities.

For and on behalf of the Board of,
Gammon Infrastructure Projects Limited

Abhijit Rajan	Parvez Umrigar
Chairman & Managing Director	*Managing Director*

Place: Mumbai
Date: 21.05.08

CORPORATE GOVERNANCE REPORT

GAMMON INFRASTRUCTURE PROJECTS LIMITED

[The Members may note that the Company became a listed company only on 3rd April, 2008 and was not required to comply with the listing agreement provisions in the financial year ended 31st March, 2008.]

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Introduction

The Board recognizes that transparency in disclosures, effective implementation of internal controls and accountability at all levels, would lead to a good system of corporate governance creating, sustainable long-term value for the shareholders and other stakeholders of the Company.

2. BOARD OF DIRECTORS

2.1 Composition of the Board of Directors and attendance at the Board Meetings

During the financial year ended 31st March, 2008 the Board had six Directors, of which, three were independent. Later on 21st May, 2008 Mr. S.C. Tripathi, joined as the seventh member of the Board. He is an independent Director. Accordingly, the Company now has seven Directors of which four are independent.

Mr. Abhijit Rajan is the Chairman & Managing Director of the Company. Mr. Parvez Umrigar is the Managing Director of the Company.

During the financial year ended 31st March, 2008 the Board met 4 times on 29th June, 27th September, 15th October, 2007 and 7th January, 2008.

The composition of the Board of Directors as at 31st March, 2008 and details of Directors attendance at Board meetings and Annual General Meeting, the other directorships and Committee Chairmanships/Memberships held by the Directors are as follows:

Name of Director	Out of four Board Meetings held during the year the Director attended	Attendance at Last AGM	No. of Directorships in other public companies$	No. of Committee Positions held in public companies including the Company**	
				Chairman	Member
Mr. Abhijit Rajan Chairman & Managing Director	4	yes	6	–	–
Mr. Parvez Umrigar Managing Director	4	yes	12	3	2
Mr. Himanshu Parikh Non – Executive Director	4	yes	5	1	2
Mr. Guha Thakurta* Independent Director	1	no	–	–	–
Mr. C. C. Dayal Independent Director	3	yes	10	3	5
Mr. Sanjay Sachdev Independent Director	3	no	nil	–	1
Mr. Naresh Chandra# Independent Director	1	no	9	2	8

* passed away on 29th September, 2007
# appointed as additional director on 15th October, 2007
$ excludes private, foreign, unlimited liability companies and companies registered under section 25 of the Companies Act, 1956
** indicates membership of Audit & Shareholders'/Investors' Grievances Committees across all public limited companies. Mr. S.C. Tripathi, who joined the Board on 21st May, 2008 is on the Board of eight other public limited companies in two of which he also holds committee memberships.

2.2 Remuneration of Directors

Executive Directors

Mr. Abhijit Rajan, Chairman, was appointed as the Chairman & Managing Director of the Company for a period of three years with effect from 23rd January, 2006. He does not draw any remuneration from the Company.

Mr. Parvez Umrigar was appointed as the Managing Director of the Company for a period of three years with effect from 21st July, 2005 to 20th July, 2008.

The particulars of Mr. Umrigar's remuneration for the period under review are as fallows:

(in Rupees)

Salary	Rs. 48,62,535/-
Benefits	Rs. 20,12,042/-
Bonus	Rs. 20,68,625/-
Total	Rs. 89,43,202/-

The Company has granted Mr. Umrigar 6,00,000 ESOPs of the Company, which would vest on him a right to apply (exercisable over a period of twenty four months after vesting) for 6,00,000 equity shares of the Company at a price of Rs. 80/- per share in four installments over a period of four years from 1st July, 2008.

Notice period for termination of appointment of the Managing Directors is three months on either side.

Mr. Umrigar is also the Managing Director of the Company's subsidiary, Rajahmundry Expressway Ltd. from which he did not draw any remuneration during the period under report.

Non-Executive Directors

The Non–Executive Directors are paid sitting fees for attending the Board Meetings. The details of sitting fees paid during the period under report are as under:

Name	**Sitting Fees (Rs.)**
Mr. Himanshu Parikh	50,000/-
Mr. Guha Thakurta*	5,000/-
Mr. Naresh Chandra	20,000/-
Mr. Sanjay Sachdev	45,000/-
Mr. C. C. Dayal	30,000/-

*passed away on 29th September, 2007

The Shareholdings of the Non–Executive Directors as on 31st March, 2008 are as under:

Name	**No. of Equity Shares held**
Mr. Himanshu Parikh	7,41,106
Mr. C.C. Dayal	980

There were no other pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company.

2.3 Code of Conduct

The Company has put in place a Code of Conduct for the Directors and the senior management. The Code of Conduct is posted on the website of the Company (www.gammoninfra.com).

2.4 Insider Trading Code

As per SEBI (Prevention of Insider Trading) Regulations, 1992, the Company has adopted a Code of Conduct for prevention of Insider Trading. This code is applicable to all the Directors and designated employees. The code ensures prevention of dealing in shares by persons having access to unpublished price sensitive information.

3. AUDIT COMMITTEE

The members of the Audit Committee were:

Mr. C. C. Dayal (Chairman),

Mr. Parvez Umrigar and

Mr. Sanjay Sachdev

Mr. Naresh Chandra joined the Audit Committee as a member on 21st May, 2008. During the period under review, the Audit Committee met three times on 29th June, 2007; 27th September, 2007 and 7th January 2008. Attendance of the Audit Committee members at such meetings is as follows:

Name	No. of Meetings attended during the year
Mr. C. C. Dayal	3
Mr. Parvez Umrigar	3
Mr. S. K. Guha Thakurta*	1
Mr. Sanjay Sachdev**	1

* passed away on 29th September, 2007

** appointed on 15th October, 2007

The terms of reference stipulated by the Board to the Audit Committee, as per Section 292A of the Companies Act, 1956 include:

1. Discussions with the Auditors periodically about internal control systems and the scope of audit including observations of the Auditors;
2. Review of the half yearly and annual financial statements and analyzing the performance of the Company, along with the management, before the same are forwarded to the Board with primary focus on accounting policies and practices, compliance with accounting standards and legal requirements having financial statement implications;
3. Recommending the appointment and removal of statutory and internal auditors, fixing the audit fees and approving payment of other services;
4. Monitoring the adequacy of the internal control environment including computerized information control system and security and management information systems;
5. To provide directions and oversee the operation of the total audit function in the Company (internal as well as external).

4. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The members of the Shareholders'/Investors' Grievance Committee are:

- Mr. Himanshu Parikh (Chairman); and
- Mr. C. C. Dayal

The Shareholders'/Investors' Grievance Committee has been set up for the following purposes:

- redressing complaints from shareholders such as non-receipt of dividend, annual report, transfer of shares and issue of duplicate share certificates;
- monitoring transfers, transmissions, dematerialization, rematerialization, splitting and consolidation of shares issued by the Company; and
- issues relating to the relationship of the Company with its Share Transfer Agents, including appointment of, termination of and agreement with Share Transfer Agents.

During the period under review, the Committee met only once on 8th November, 2007 at which both the member Directors were present.

Mr. G. Sathis Chandran, Company Secretary, is the Compliance Officer of the Company.

5. IPO COMMITTEE

The IPO Committee was constituted by the Board on June 29, 2007 to oversee the 'Initial Public Offer' of equity shares of the Company.

The members of the IPO Committee are:

Mr. Parvez Umrigar (Chairman); and

Mr. Himanshu Parikh

During the period under review, the Committee met 5 times on 30th January, 26th February, 6th March, 16th March and 27th March 2008, during which both the member Directors were present.

6. REMUNERATION COMMITTEE

The Remuneration Committee presently comprises three Non-Executive Directors viz. Mr. C. C. Dayal (Chairman), Mr. Himanshu Parikh and Mr. Sanjay Sachdev. The scope of the committee comprises appointment and terms of remuneration of the Executive Directors.

During the period under review, the Committee met twice on 30th October, 2007 and on 7th January, 2008 at which both the member Directors were present.

7. COMPENSATION COMMITTEE

The Compensation Committee presently comprises two independent Directors and the Managing Director, viz. Mr. C.C. Dayal (Chairman), Mr. Sanjay Sachdev and Mr. Parvez Umrigar. The scope of the Committee comprises administration of the 'GIPL Employee Stock Options Scheme'.

The Committee has not met so far. However, it allotted ESOPs to eligible employees of the Company by way of a Circular Resolution dated 1st July, 2007.

8. PROJECT COMMITTEE

The Board has on 21st May, 2008 constituted a Project Committee to evaluate and decide the business opportunities that the Company might want to take up, with emphasis on infrastructure related BOT/BOOT and allied projects from the point of:

(a) assessment and minimization of legal and business risk;

(b) business/consortium partners;

(c) terms of engagement with consortium partners, technology providers and other service providers, including the costs thereof;

(d) economic benefits and business positioning of the Company.

9. GENERAL BODY MEETING

9.1 Location, Date and Time of the Annual General Meetings ("AGM") held during the last 3 years

AGM	Year	Date	Time
4th	1st April, 2004 to 31st December, 2004	28th June, 2005	11.30 a.m.
5th	1st January, 2005 to 31st March, 2006	26th September, 2006	12.00 noon
6th	1st April, 2006 to 31st March, 2007	27th August, 2007	11.00 a.m.

All the aforesaid AGMs were held at the Registered Office of the Company at 'Gammon House', Veer Savarkar Marg, Prabhadevi, Mumbai-400 025.

9.2 Special Resolutions passed in the previous three Annual General Meetings:

Date of the AGM	Particulars of Special Resolutions passed
4th AGM	No Special Resolution
5th AGM	(a) resolution u/s. 372A for inter-corporate loans, investments etc.; and (b) resolution u/s. 163 for keeping the Register of Members etc. in the R&T agent's premises
6th AGM	(a) resolution u/s. 81(1A) relating to IPO (b) resolution u/s 372A for inter-corporate loans, investments etc.

9.3 Postal Ballot

The Company did not pass any resolution by postal ballot during the period under review.

10. DISCLOSURES

1. There are no materially significant transactions with the related parties viz. promoters, directors or the management, their subsidiaries or relatives conflicting with the Company's interest. Suitable disclosures as required by the Accounting Standard (AS-18) have been made in the Annual Report.
2. No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.
3. The Company has fulfilled the following non mandatory requirement:

   The Company has constituted a Remuneration Committee.

11. MEANS OF COMMUNICATION

The quarterly, half yearly and annual results will be published in newspapers. The said results will also be published on Company's website. Press releases made by the Company are informed to the Stock Exchanges and are also uploaded on the website of the Company.

12. GENERAL SHAREHOLDER INFORMATION

12.1 Annual General Meeting

Day and Date	:	September 15, 2008
Time	:	11.00 a.m
Venue	:	Patkar Convocation Hall, 1, Nathibhai Thackersey Road, Queens Road, Fort, Mumbai - 400 020

12.2 Financial Calendar

First quarterly results	:	July, 2008
Second quarterly results	:	October, 2008
Third quarterly results	:	January, 2009
Fourth quarterly results	:	April, 2009
Financial Year 2008-09 (audited)	:	June, 2009

12.3 Date of Book Closure

On 15th September, 2008

12.4 Dividend Payment Date

The Company has not declared any dividend for the year.

12.5 Listing on the Stock Exchanges

The Equity Shares of the Company are listed at the following Stock Exchanges:

Name of Stock Exchange	Stock Code/Symbol
(1) Bombay Stock Exchange Limited	532959
(2) The National Stock Exchange of India Limited	GAMMNINFRA

ISIN: INE181G01017 (Fully Paid)

12.6 Listing fees for the year 2008-09

The listing fees have been paid up to date to the Stock Exchanges.

12.7 Stock Market Data

The shares of the Company were listed on Stock Exchanges w.e.f. 3rd April, 2008, hence this information is not available.

12.8 Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.

The shares of the Company were listed on the Stock Exchanges w.e.f. 3rd April, 2008, hence this information is not available.

12.9 Registrar and Share Transfer Agents

Intime Spectrum Registry Limited,
C–13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai - 400 078.
Tel: 022-25963838, Fax: 022-25946969

12.10 Share Transfer System

The Shareholders' & Investors' Grievance Committee looks after the share transfer system and other related issues in tandem with the Registrar and Share Transfer Agents.

12.11 Distribution of Shareholding as on 31st March, 2008.

No. of Equity Shares	Shareholders		No. of Shares	% of Total
	Number	% to Total		
1 – 5,000	22,913	99.6781	44,90,279	3.1064
5,001 – 10,000	30	0.1305	2,76,670	0.1914
10,001 – 20,000	4	0.0174	53,480	0.0370
20,001 – 30,000	17	0.0740	4,76,900	0.3299
30,001 – 40,000	–	–	–	–
40,001 – 50,000	1	0.0044	46,344	0.0321
50,001 – 1,00,000	1	0.0044	92,918	0.0643
1,00,001 and above	21	0.0914	13,91,13,409	96.2390
Total	22,987	100.00	14,45,50,000	100.00

12.12 Shareholding Pattern as on 31st March, 2008.

Category	Number of Shares Held	% of capital
(A) Promoter's Holding		
1. Indian		
Individual/HUF (held as nominees)	30	0.0000
Central/State Government	Nil	
Bodies Corporate	10,55,99,970	73.0543
Financial Institutions/Banks	Nil	Nil
Any Other		
Promoter Group	44,80,000	3.0993
2. Foreign Promoters		
Individual	Nil	Nil
Bodies Corporate	Nil	Nil
Institutions	Nil	Nil
Any Other	Nil	Nil
Sub-Total (A) (1+2)	11,00,80,000	76.1536
(B) Public Shareholding		
1. Institutions		
Mutual Funds and UTI	Nil	Nil
Banks/Financial Institutions	20,33,563	1.4068
Insurance Companies (Central/ State Government Institutions/ Non-Government Institutions)	Nil	Nil
FIIs	68,57,093	4.7438
Foreign Venture Capital	46,344	0.0321
Foreign Company	1,15,20,000	7.9696
Sub-Total (B)(1)	2,04,57,000	14.1522

Category	Number of Shares Held	% of capital
2. Non-Institutions		
Bodies Corporate	23,85,326	1.6502
Individuals		
(i) Individual Shareholders holding nominal share capital up to Rs. 1 Lakh	47,11,142	3.2592
(ii) Individual Shareholders holding nominal share capital in excess of Rs. 1 Lakh	3,73,135	0.2581
Any other		–
(i) NRIs/OCBs	52,432	0.0363
(ii) Non-Independent Directors & Relatives	64,89,985	4.4898
(iii) Independent Directors & Relatives	980	0.0007
Sub-Total (B) (2)	1,40,13,000	9.6942
Shares held by Custodians and against which Depository Receipts have been received	–	–
GRAND TOTAL	**14,45,50,000**	**100.0000**

12.13 Dematerialization of Shares and Liquidity

The Company's Shares are in compulsorily dematerialized segment and available for trading in depository system of the National Securities Depository Limited and Central Depository Services (India) Limited. As on the date of allotment in IPO (27.03.08) about 88.578% of the Company's Shares are held in the demat form. The fully paid up Equity Shares are actively traded on NSE and BSE w.e.f. 3rd April, 2008.

12.14 Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on the equity

None

12.15 Plant Location

None

12.16 Address for Correspondence

All inquiries, clarifications and correspondence should be addressed to the Compliance Officer at the following address:

Compliance Officer
Gammon Infrastructure Projects Ltd.
Gammon House, Veer Savarkar Marg,
Prabhadevi, Mumbai – 400 025.
Telephone : 022 - 67444000

Management Certificate under Clause 49 (1D) of the Listing Agreement

To,
The Members
Gammon Infrastructure Projects Limited

This is to affirm that the Board of Directors of Gammon Infrastructure Projects Limited has adopted a Code on Conduct for its Directors and Senior Management Personnel in compliance with the provisions of Clause 49 (1D) of the Listing Agreement with the Stock Exchanges and the Board of Directors and Senior Management Personnel of the Company have confirmed the compliance of provisions of the said Code for the financial year ended 31st March, 2008.

Parvez Umrigar
Managing Director

Mumbai, May 21, 2008

Certificate from the Practising Company Secretary Regarding Compliance of Conditions of Corporate Governance

To,
The Members of Gammon Infrastructure Projects Limited.

I have examined the compliance of conditions of Corporate Governance by Gammon Infrastructure Projects Limited for the year ended March 31, 2008 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me and the representations made by the officers and the management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Clause 49 of the Listing Agreement.

I state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the shareholders/investors grievance committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

(sd/-)

Veeraraghavn. N
Practising Company Secretary
C. P. No. 4334

Place : Mumbai
Date : May 21, 2008

Management Discussion and Analysis

ABOUT US

Your Company ("Gammon Infrastructure Projects Limited") is an infrastructure project development company which participates in the development of infrastructure projects in India and is among the first companies in India to be modelled as an infrastructure development company, undertaking projects on a public – private partnership basis ("PPP").

The Company currently undertakes and develops projects such as roads, bridges, ports, hydroelectric power and biomass power projects on a PPP basis. In addition, projects in various sectors such as – urban infrastructure, airports, mass rapid transit systems, power transmission lines and SEZs – have been identified as areas of focus for project development. We also offer services in other areas of project development, such as project advisory services, project funding and operations and maintenance activities.

Presently, the infrastructure project development business includes fourteen projects – housed under separate special purpose vehicle companies. Of these, four are already in the operations phase and the other ten at various stages of development.

Industry Structure & Developments

Over the past ten years, the Indian economy has grown at an average rate of 7.3% per year. Over the past ten years the per capita GDP and average consumer spending in India has increased at an average rate of 4% and 5%, respectively. This growth in the Indian economy has fuelled demand for quality infrastructure services, which has led to increased infrastructure development in India. Due in part to recent regulatory and policy reforms, there has been growth in several areas of infrastructure.

We believe a significant proportion of this growth has been a consequence of increased private sector involvement in infrastructure. While historically infrastructure services in India have been provided through government entities, in recent years, changes in the legal, regulatory and policy regimes in India have allowed for increased private involvement in infrastructure development. Some of these recent legislative reforms include the Airports Authority of India Act, 1994, as amended in 2003 and the Electricity Act, 2003, pursuant to which the Government has announced the National Electricity Policy articulating its resolve to make electricity available to all households and fully meet the demand for power by the year 2012. These measures have allowed public-private partnerships (PPPs) where projects are developed, financed, constructed and operated by private sector sponsors with cooperation from the Government.

The increase in investments has led to notable progress in certain key sectors, particularly telecommunications and roads. For example, in roads, under the National Highway Development Program (NHDP) Phase I and Phase II, the largest highway project ever undertaken by the country, 14,471 kilometres of highways are being upgraded.

Despite recent progress, India has lagged behind many other developing and developed nations in terms of infrastructure development. Infrastructure is an integral part of economic development and the availability of quality infrastructure services is key to sustained growth of any economy. The current rate of infrastructure investment in India at 3.5% of GDP is well below the target rate of 8.0% proposed by the Expert Group on Commercialization of Infrastructure Projects. (Source: Asian Development Outlook for 2005 – 2007 and Medium Term Trends). This indicates significant opportunities for further infrastructure development and financing in India, particularly as regulatory, legal and market frameworks evolve and become more supportive of private investment.

OUR PROJECTS

Operational Projects:

1. Rajahmundry Expressway Limited (REL) – REL is a subsidiary of the Company, which has developed the project for widening and strengthening of a 53 kilometer stretch between Rajahmundry and Dharmavaram in Andhra Pradesh on National Highway ("NH") 5, connecting Chennai and Kolkata.

   The project has achieved commercial operations date (COD) on September 20, 2004, 70 days ahead of schedule. The project has a concession period of 17.5 years, including operations period of 2.5 years. The project has been capitalised at Rs. 25,600 lakhs.

   As of March 31, 2008, REL has received 6 annuities from NHAI (each semi-annual annuity amounting to Rs. 2961.9 lakhs). Till date, 100% lane availability has been achieved by REL and has not recorded any deduction in the receipt of annuity payments from NHAI.

   Financial performance highlights of REL during the last two fiscals is as under –

   Rs. in Lakh

	Year ended	
	March 31, 2008	March 31, 2007
Income	**6,596.8**	6,395.8
Profit after tax	**1,636.7**	1,644.2
Equity Share Capital	**2,900.0**	2,900.0
Reserve and Surplus	**5,587.9**	3,951.2

2. Andhra Expressway Limited (REL) – AEL is a subsidiary of the Company, which has developed the project for widening and strengthening of the 47 kilometer stretch between Dharmavaram and Tuni in Andhra Pradesh on National Highway ("NH") 5, connecting Chennai and Kolkata.

   The project has achieved commercial operations date (COD) on October 30, 2004, 30 days ahead of schedule. The project has a concession period of 17.5 years, including operations period of 2.5 years. The project has been capitalised at Rs. 24,800 lakhs .

   As of March 31, 2008, REL has received 6 annuities from NHAI (each semi-annual annuity amounting to Rs. 2,791.2 lakhs). Till date, 100% lane availability has been achieved by REL and has not recorded any deduction in the receipt of annuity payments from NHAI.

   Financial performance highlights of AEL during the last two fiscals is as under –

   Rs. in Lakh

	Year ended	
	March 31, 2008	March 31, 2007
Income	**6,186.7**	5,951.5
Profit after tax	**1,551.8**	1,514.0
Equity Share Capital	**2,900.0**	2,900.0
Reserve and Surplus	**5,569.8**	4,018.0

3. Cochin Bridge Infrastructure Company Limited (CBICL) – CBICL is a subsidiary of the Company which had developed the New Mattancherry Bridge Project, in Cochin, Kerala on BOT (toll) basis. The 700 m long bridge connects Fort Kochi (a heritage town and a famous tourist site) to Willingdon Island in the Cochin Port Trust area and is operational since last 6.5 years.

The construction was completed 10 months ahead of schedule, which resulted in the early collection of toll revenues. At present the bridge witnesses daily traffic of approximately 18,000 passenger car units ("PCU"). The project had been capitalized at Rs. 2,574 lakhs.

Pursuant to the restructuring of the project concession by Government of Kerala (GOK) and the ensuing Government Order, the project has a concession period of 19 years & 9 months. CBICL is also entitled to receive a fixed annual annuity payment of Rs. 154 lakhs from GOK.

Financial performance highlights of CBICL during the last two fiscals is as under –

Rs. in lakhs

	Year ended	
	March 31, 2008	March 31, 2007
Income	**535.2**	544
Profit after tax	**79.7**	147.3
Equity Share Capital	**640**	640
Reserve and Surplus	**299.1**	219.4

4. Vizag Seaport Private Limited (VSPL) – VSPL is the SPV formed to develop, construct, operate and manage two multipurpose berths in the northern arm of the inner harbour at Visakhapatnam Port on a BOT basis. VSPL is the only private operator for handling bulk cargo in India's largest seaport at Visakhapatnam. VSPL has developed the berths and terminal as a fully mechanized integrated handling system incorporating state-of-the-art technologies, capable of handling cargo up to nine MTPA.

   The commercial operations begun in July, 2004 and the Company has handled 4.4 million tons of cargo in the financial year ending March 2008. The concession period is 30 years, including the construction period. As of March 31, 2008, the project has been capitalized at Rs. 31,432.9 lakhs.

   As of March 31, 2008, your Company held 42.22% of the equity shareholding in VSPL. 28.89% of the equity is held by International Port Services, the investment arm of Portia Management Services Limited, UK, an international port operator and the remaining 28.89% is held by Lastin Holdings Limited.

   The Company has on 4th April, 2008 exercised the call option to purchase 2,28,77,500 equity shares of Rs.10/- each of Vizag Seaport Pvt. Ltd. from International Port Services Private Ltd. The transaction will be subject to regulatory approvals. Further, VSPL has allotted 80,00,000 equity shares to Cochin Bridge Infrastructure Company Ltd., subsidiary of the Company, on 1st April, 2008 upon conversion of loan into equity at par, which will be transferred to the Company. Upon completion of the two transactions the shareholding of the Company in VSPL will stand increased to 73.76% from the present 42.22%.

   Financial performance highlights of VSPL during the last two fiscals is as under –

	Period ended	
	March 31, 2008	March 31, 2007
Income	**5,629.6**	3,370.4
Profit after tax	**(1,699.2)**	(1,506.0)
Equity Share Capital	**7,919.1**	7,919.1
Reserve and Surplus	**(5,040.1)**	(3,333.9)

Projects under Development:

1. Mumbai Nasik Expressway Limited (MNEL) – MNEL is the SPV created for widening, strengthening and operating the 99.5 kilometer Vadape–Gonde (Mumbai–Nasik) section of NH–3 on BOT basis. The project is part of the NHDP Phase III.

   The concession period for the project is twenty (20) years, including a construction period of three years. The total project cost is estimated to be Rs. 75,300 lakhs.

   Financial closure for the project has been achieved and presently the project is under its implementation phase with a total capitalization of Rs. 38,527 lakhs as of March 31, 2008.

   Your Company holds 77.4% equity stake in MNEL.

   Engineering, Procurement & Construction (EPC) Contract for the project has been awarded to Gammon India Limited (GIL). The responsibilities of tolling ("Tolling Services") and maintenance ("Maintenance Services") of the project have been granted to your Company. The Tolling Services and the Maintenance Services shall commence from the COD until the expiry of the entire concession period.

2. Sikkim Hydropower Ventures Limited (SHPVL) – SHPVL is a wholly owned subsidiary of the Company which is developing the 66 MW Rangit II Hydroelectric Power Project in Sikkim on BOOT basis. The project involves the development of a 66 MW run-of-the-river Hydroelectric Power Project on the Rimbi river. Concession period for the project is thirty-five (35) years from the Commercial Operations Date (COD).

   As per the conditions of the agreement executed between SHPVL and Government of Sikkim (GOS), SHPVL needs to provide free power to the GOS equivalent to 12% of the net energy generated for the first fifteen (15) years from COD and at 15% of the net energy generated thereafter. Apart from providing such free power, the agreement provides complete freedom to SHPVL for the sale of power within and outside the State of Sikkim with the permission of the Government of Sikkim and also permits captive consumption.

   A detailed project report has been approved by Sikkim Power Development Corporation ("SPDC") and environmental studies are being carried out. The construction activities for the project are expected to commence by December 2008.

3. Punjab Biomass Power Limited (PBPL) – PBPL is the SPV formed to develop upto nine biomass based power projects, each having power generation potential in the range of 10 MW to 15 MW, in the State of Punjab, on BOO basis. These projects will primarily use rice straw as the feedstock to generate power.

   The Power Purchase Agreements have been signed for two of the projects for twenty (20) years from their respective scheduled CODs. The Power Purchase Agreements can be further extended for ten (10) years at mutually agreeable terms. A tariff order has been issued by Punjab State Electricity Regulatory Commission on October 4, 2005 notifying the tariff and other commercial terms for the nine projects. The total project cost for the first project (12 MW) is estimated to be Rs. 4900 lakhs.

   Presently, the first project of 12 MW is under implementation in Bhagaura village, Patiala district and the expected COD for this project is February, 2009. The land acquisition for the second project in Sawai SinghWala village has been completed and the construction activities have commenced. Financial closure for the first project is presently underway.

   As of March 31, 2008, the project capitalization is Rs. 422.4 lakhs

4. Kosi Bridge Infrastructure Company Limited (KBICL) – KBICL is a subsidiary of the Company incorporated for design, construction, development, finance, operation and maintenance of a 1.8 kilometer long four-lane bridge across river Kosi with 8.2 kilometer of access roads and bunds for flood protection on NH 57 in the Supaul district of Bihar, on BOT(Annuity) basis.

   The concession period is twenty (20) years, ending in April 2027, of which seventeen (17) years is for operations and three years is for construction. KBICL will receive an annuity payment of 3190 lakhs from NHAI, semi-annually, in the entire operations period. The COD is expected to be April, 2010.
   The total project cost is estimated to be Rs. 44,000 lakhs.

   Financial closure for the project has been achieved. Presently the project is under implementation with a total capitalization of Rs. 8,460.2 lakhs as of March 31, 2008.

   Engineering, Procurement & Construction (EPC) Contract for the project has been awarded to Gammon India Limited (GIL). The responsibilities of maintenance ("Maintenance Services") of the project have been granted to your Company. The Maintenance Services shall commence from the COD until the expiry of the entire concession period.

5. Gorakhpur Infrastructure Company Limited (GICL) – GICL is a subsidiary of the Company incorporated for design, construction, finance and maintenance of a 32 kilometer long four-lane bypass to Gorakhpur town on NH 28 in the State of Uttar Pradesh on BOT(Annuity) basis.

   The concession period is twenty (20) years, ending in April, 2027, of which 17.5 years is for operations and 2.5 years is for construction. GICL will receive an annuity payment of Rs. 4,860 lakhs from NHAI, semi-annually, in the entire operations period. The COD is expected to be in October, 2009.

   The total project cost is estimated to be Rs. 64,000 lakhs.

   Financial closure for the project has been achieved. Presently the project is under implementation with a total capitalization of Rs. 15,942.7 lakhs as of March 31, 2008.

   Engineering, Procurement & Construction (EPC) Contract for the project has been awarded to Gammon India Limited (GIL). The responsibilities of maintenance ("Maintenance Services") of the project have been granted to your Company. The Maintenance Services shall commence from the COD until the expiry of the entire concession period.

6. Indira Container Terminal Private Limited (ICTPL) – ICTPL has been incorporated for construction of two offshore container berths and development of a container terminal in Mumbai Harbour and management of the existing Ballard Pier Station Container Terminal. ICTPL also has the right to develop the third berth in addition to the two berths on achieving certain throughput conditions as per the License Agreement.

   As per the License Agreement executed between ICTPL and Mumbai Port Trust (MbPT), the license period for the project is thirty (30) years, including three years of construction and equipping. The expected COD for the project is December, 2010. The revenue share payable by ICTPL to MbPT is 35.064% of gross revenue for the year. When fully developed the first phase of the project would have a design capacity to handle 1.4 million TEUs.

   Financial closure for the project is presently underway.

7. Pravara Co-generation Power Project – This project involves the design, construction, finance and operation of a 30 MW co-generation power project on BOOT basis with Padmashri Dr. Vitthalrao Vikhe Patil Sahakari Sakhar Karkhana Limited ("Karkhana") in Pravara Nagar, Maharashtra. The Karkhana is a co-operative sugar factory registered under the provisions of the Maharashtra Co-operative Societies Act, 1960. SPV for this project has not been set up till date.

   As per the Project Development Agreement executed with Karkhana, the SPV shall be responsible for designing, development, procurement, installation, erection, commissioning, operation and maintenance of the co-generation facility for a period of twenty-five (25) years after commercial operation date.

The co-generation facility will be designed as a multi-fuel power plant fired by bagasse or other biomass fuel. The co-generation facility will use bagasse generated or procured by the Karkhana and additional bagasse procured by us as the main fuel to the extent available and bio-gas made available by Karkhana. The co-generation facility shall supply the process steam and power to the Karkhana and shall sell surplus power to any third party after meeting requirements of the Karkhana.

A detailed project report of the project has been carried out and the indicative cost for executing the project has been estimated at Rs. 16,500 lakhs.

8. SEZ Adityapur Limited (SEZAL) – SEZAL is implementing the project of development of an SEZ for automobile and auto components at Adityapur, in the state of Jharkhand in eastern India. The state government is expected to lease out the land to the SPV measuring approximately ninety (90) acres for a period of ninety (90) years. Adityapur Industrial Area Development Authority ("AIADA") is the nodal agency for the project.

   Your company holds 38% equity stake in SEZAL.

   AIADA has issued a letter of allotment to the consortium for the development of the SEZ.

   The authorisation agreement is yet to be executed with AIADA.

9. Haryana Biomass Power Limited (HBPL) – Haryana Renewable Energy Development Agency (HAREDA) has issued a letter of intent for establishing eight biomass based power projects (out of which we intend to develop six) in Haryana in a consortium with a private developer. The capacity of the projects is likely to be in the range of 10 to 12 MW each. These projects will primarily use rice straw as the feedstock for generation of power.

   The detailed project report has been prepared and submitted to HAREDA for their approval.

10. Tidong Hydropower – The Government of Himachal (GOH) has allotted the 60 MW Tidong – II Hydro Electric Project to a consortium consisting of Gammon and a private party.

   The Memorandum of Understanding is still to be executed between GOH and the consortium. A writ petition was filed against GOH to direct the government for execution of the MOU; The matter is pending in High Court.

Business Development Review (as of May 21, 2008)

1. Of the various projects the Company/the holding company has bid for during the year, we are the preferred bidders for the following two projects –

   - Development of a 260 MW hydro power project in Youngthang-Khab, Himachal Pradesh.
   - Development of a multi purpose port at Bedi, Gujarat.

   The Letters of Intent (LOI) for these projects are still awaited from the respective government authorities.

2. Further, we are awaiting the results of the following financial bids which are expected to be announced shortly –

   - Development of Vizhinjam International Transhipment Port on BOT basis in Kerala.
   - Development of Modhwa minor Port in Gujarat.

3. As of date, your company has further been short listed/has submitted qualification papers for the following projects/sectors –

Project/Sector	No. of projects	Estimated Project Cost* (Rs. Crores)
Projects where qualified to place Financial Bid	**14**	**19,964**
Roads	5	1,704
Ports	4	1,568
MRTS/ LRTS	2	15,800
Urban Infra	3	892
Projects where RFQ/ EOI is placed, results awaited	**24**	**37,940**

* The Estimated Project Cost is based on the respective client estimates as featuring in the RFQ/ RFP documents.

4. Opportunities in the pipeline – Your Company is well positioned to qualify and bid for infrastructure projects across varied sectors such as ports, roads, energy, metro rails, urban infrastructure etc. In the ports sector your company is qualified to Bid for various port privatization projects at Paradip Port (iron ore and coal berth projects), Karwar Port (port privatization), New Mangalore Port (iron ore mechanized facilities); in metro rail projects your Company is pre-qualified to Bid for the Hyderabad metro rail project and the Mumbai metro rail (Charkop-Bandra-Mankhurd line); in the roads sector your company has submitted pre-qualification applications for eighteen (18) projects totaling to more than Rs. 21,000 crores.

5. The Committee on Infrastructure chaired by the Prime Minister, has recently introduced new guidelines for qualification of private participants in the PPP projects. These guidelines are applicable and are being adapted by all the nodal agencies across the country in the state/center sector.

   The guidelines suggest pre-qualification of about five/six pre-qualified bidders who would then be allowed to submit the financial bids. In case short-listing is to be done for two or three projects at the same time, the number of short-listed bidders could be increased to 7 and 10 respectively. Bidding authorities in the roads, ports, airports, MRTS sector have already implemented these guidelines for new projects. Your company has entered into strategic partnerships with reputed global infrastructure developers/investors for the purpose of qualifying and bidding for the upcoming projects.

FINANCIAL PERFORMANCE REVIEW – CONSOLIDATED FINANCIALS

Income: We derive our income primarily from our four currently operational projects as well as from advisory services and operations and maintenance income. Income from our operational projects currently includes annuity income from REL's and AEL's road projects and CBCIL's bridge project, toll income from CBCIL's bridge project as well and income from VSPL's port operations. The income from advisory services is for the advice provided by us during pre-bidding, bidding and financial closure primarily to our group companies. Income from operations and maintenance is on account of fees received for operating and maintaining the road projects.

Our total income was Rs. 17,099.6 lakhs for the financial year ended March 31, 2008 as compared to Rs. 15,890.2 lakhs for financial year ended March 31, 2007. For the financial year ended March 31, 2008, total income comprised of turnover of Rs. 15,938 lakhs and other income of Rs. 1,161.6 lakhs.

Annuity income, income from port operations and toll income comprised 68.19%, 13.90%and 2.08% respectively, of our total income for the financial year ended March 31, 2008. In addition, O&M income comprised 8.36% of our total income for the financial year ended March 31, 2008. Income from advisory services rendered to group companies during the Fiscal 2008 amounting to Rs. 1,149.6 lakhs has been eliminated since it is an inter group company transaction.

Expenditure: Our expenditure consists of operating expenses, establishment expenses, finance costs, depreciation, amortisation and preliminary and share issue expenses written off.

Our total expenditure was Rs. 13,761.4 lakhs for the Fiscal 2008 as compared to Rs. 11495.6 lakhs for the Fiscal 2007.

Operating Expenses: Our operating expenses were Rs. 4,451.8 lakhs, for the Fiscal 2008 and Rs. 2,943.8 lakhs for the Fiscal 2007.

The increase in operational expenses, for the Fiscal 2008 as compared to the Fiscal 2007, was substantially attributable to the following factors:

(a) Increase in the Operation and Maintenance Expense of Road & Port Projects – The Port Operation expense has increased from Rs. 603.7 lakhs in Fiscal 2007 to Rs 1,536.7 lakhs in Fiscal 2008 primarily due to the one time cost incurred towards demurrage costs of Rs 594 lakhs during the last fiscal by Vizag Seaport Private Limited.

(b) Rise in the Staff Expenses from Rs. 284.7 lakhs in the Fiscal 2007 to Rs. 612.4 lakhs in Fiscal 2008.

The Salaries, wages and bonus paid to the employees of Gammon Infrastructure Projects Limited has risen from Rs. 220.2 lakhs in Fiscal 2007 to Rs. 393.5 lakhs in Fiscal 2008.

During the Fiscal 2008, the Company had issued Employee Stock Options (ESOP's). The ESOP compensation cost for the Fiscal 2008 was Rs. 113.5 lakhs.

Finance Costs: Finance cost consists of interest paid on term loans and working capital loans, and also includes finance charges related to such borrowings.

Our finance costs were Rs. 5,128 lakhs, for the Fiscal 2008 as compared to Rs. 4,497.4 lakhs, for the Fiscal 2007. Finance costs increased for the Fiscal 2008 as compared to Fiscal 2007, primarily due to an increase in interest paid on term loans for REL and AEL in the Fiscal 2008.

Depreciation and Amortisation: Our depreciation and amortisation costs were Rs. 4,161 lakhs, for the Fiscal 2008 and Rs. 4,022.9 lakhs, for the Fiscal 2007.

Taxation: Our provision for taxation was Rs. 1,225.3 lakhs, for the Fiscal 2008 and Rs. 1,116 lakhs, for the Fiscal 2007.

Net Profit after Tax: Our net profit after tax was Rs. 2,110.1 lakhs for the Fiscal 2008 and Rs. 3,212.8 lakhs, for the Fiscal 2007.

As the Company operates in a single segment, namely project development and does not have 'products' in the normal sense of the word, no separate segmental or product wise analysis has been made.

RISKS & CONCERNS

As an infrastructure project development company, our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

- *General economic and business conditions:* As a company operating in India, we are affected by the general economic conditions in the country and in particular the factors affecting the infrastructure industry in general and the projects we develop in particular. Quality infrastructure, covering the services of transportation, energy, urban infrastructure and industrial and commercial infrastructure is one of the important necessities for promoting and sustaining the economic growth of the country. Growth in the industrial and manufacturing activity and services sector leads to growth in demand for infrastructure facilities which translates into new proposals for construction, up-gradation and maintenance of infrastructure facilities. The growth prospects of our business and our ability to implement our strategies will be influenced by macroeconomic growth.

- *Dependence on government policy and regulation towards infrastructure:* The growth of the infrastructure industry in India and our business is dependent on the establishment of stable government policies and prudent regulation. Changes in government policies, which began in the 1990s, facilitated the entry of private capital into infrastructure and have led to rapid growth in certain sectors. More recently, policy changes in the transportation, energy, urban infrastructure and industrial and commercial infrastructure sectors have begun to attract significant private sector interest. We believe that with the policy and regulatory reforms continuing to move in the right direction, our growth and financial conditions and operations will be positively impacted.
- *Competition:* Despite the fact that we are not affected by competition in the short-term due to our arrangements under our concession and license agreements, our results of operations could be affected by competition in the infrastructure sector in India in the future. We expect competition to intensify due to possible new entrants in the market, existing competitors further expanding their operations and our entry into new markets where we may compete with well-established infrastructure companies. This we believe may impact our financial condition and operations.
- *Our bidding and execution capability:* Infrastructure project development on a public private partnership basis in India involves pre-qualifying interested companies based on their technical and financial strengths. The nature of the Government's process is such that the pre-qualifications obtained in the past play an important role in allowing companies to bid for the new projects. Further, the ability to strategically partner with other players will also determine the success in award of projects for which we bid.
- *Availability of cost effective funding sources:* Our ability to grow in the infrastructure sectors depends largely on cost effective avenues of funding and will be primarily met through funding by increased borrowing from external sources and the issuance of new debt. Our debt service costs as well as our overall cost of funds depend on many external factors, including developments in the Indian credit market and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. We believe that going forward the availability of cost effective funding sources could affect our business operations and financial performance.
- *Tax benefits and incentives:* Our project SPVs are eligible for certain tax benefits and incentives that accord favourable treatment to infrastructure-related activities. In addition, we expect to benefit from tax benefits offered to SEZs. Moving forward, we believe that any change in the existing tax benefits and incentives can affect our financial condition.

OPPORTUNITIES & THREATS

While roads & expressways has been one of the first and currently the largest sector in terms of creation of opportunities coming up in infrastructure development on PPP basis, other sectors like ports, hydro power, airports, urban infrastructure etc., are also throwing up huge opportunities, as most of these need a tremendous ramp up before our country can come anywhere close to being a developed nation.

In the roads sector, National Highways Authority of India has huge plans, as a part of its National Highway Development Programme (NHDP) and Non NHDP, for enhancing the road network of the country. Your company already has significant presence in infrastructure development projects under NHAI (both annuity and toll based) and continues to look forward to such opportunities.

In the ports sector, development of major and minor ports, both by the Ministry of Shipping and the State Governments, is a major business avenue for future.

As our cities become larger, the need to upgrade their infrastructure becomes more and more acute. Many of these fast growing cities are moving to develop mass rapid transit systems and modern water & waste water management systems towards meeting their infrastructure requirements through the PPP route, which translates into ample business opportunities in the urban infrastructure sector.

In the power sector, the Government's thrust on hydro power as an important alternate avenue for future power is well known. Of late, as the country's demand for power has increased exponentially, the need for faster development of such sources of power has been recognized by both, the Central & State Governments. Accordingly, a host of exciting opportunities have come up or are on the anvil for PPP development of such sources of power.

The set of opportunities stated hereinabove brings with them the associated business risks. While your Company is well prepared for such business risks, it considers the following as potential threats for entities operating in the PPP business:

- Increased competition in "active" sectors like roads & expressways, resulting in margin pressures in the short term;
- Change in the Government philosophy for infrastructure spending;
- Any substantial change that might occur in the regulatory environment.

OUTLOOK

Over the past ten years, the Indian economy has grown at an average rate of 7.3% per year, with the per capita GDP increasing at an average rate of 4%. This growth in the Indian economy has fuelled demand for quality infrastructure services, which has led to increased infrastructure development in India. We believe that a significant proportion of this growth has been a consequence of increased PPP involvement in infrastructure. All this translates into a very positive and buoyant outlook for the Company.

In the near term, the Company views roads, ports, power, urban infrastructure (including water and waste water management & MRTS) and airports, as the key sectors for participation; while it views railways and special economic zones, as sectors for increased participation over a longer term.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has proper and adequate internal control systems to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorized, recorded and reported correctly.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

The Company understands the significance of human resource development in the continuing growth of the Company and accordingly places tremendous thrust on Human Resource Management through various modes. Your Company endeavours to build organizational capabilities by helping its people to recognize their potentials through challenging assignments, involving increased responsibilities.

The Company has a core strength of 32 employees. Apart from its own team, there are others employed at the SPV level, depending upon the SPV requirements. The core team of employees comprises professionals holding formal qualifications in various disciplines like finance, engineering, management, law and accountancy.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the Company's objectives, projections estimates and expectations may be 'forward looking statements' within the meaning applicable as per the securities laws and regulations. As 'forward looking statements' are based on certain assumptions and expectations of future events over which the company exercises no control, the Company cannot guarantee their accuracy nor can it warrant that the same will be realized by the Company. Actual results could differ materially from those expressed or implied. Significant factors that could make a difference to the Company's operations including domestic and international economic conditions affecting demand, supply and price conditions, changes in government regulations, tax regimes and other statutes etc.

Auditors Report

The Board of Directors
Gammon Infrastructure Projects Limited

We have audited the attached Consolidated Balance Sheet of Gammon Infrastructure Projects Limited ('GIPL') Group, as at 31st March 2008, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the GIPL's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 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.

We did not audit the financial statements of

(a) certain subsidiaries whose financial statements reflect total assets of Rs. 382,738,687 as at March 31, 2008 and total income of Rs. 63,515,840 and cash flows of Rs. 8,012,657 for the year then ended;

(b) certain joint venture Companies whose financial statements reflect total assets of Rs. 3,614,105,483 as at March 31, 2008, the total income of Rs. 562,955,535 and cash flows amounting to Rs. 59,591,235 for the year then ended, the Company's share of such assets, total income and cash flows being Rs. 1,562,467,138, Rs. 237,692,589 and Rs. 25,019,466 respectively and

(c) certain associates whose financial statements reflect a total loss Rs. 820,976 for the year ended March 31, 2008. The group's share of loss of such associates being Rs. 273,385.

The abovementioned financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors except for certain joint ventures, whose financial statements reflect total assets of Rs. 342,768,804 as at March 31, 2008 and cash flows of Rs. 2,683,390 for the year then ended, the Group's share of such assets and cash flows being Rs. 170,959,845 and Rs. 1,341,715 respectively, which are based on un-audited financial statements certified by management of the said joint ventures.

In respect of the other subsidiaries, the audit has been conducted by one of us who are the joint auditors of Gammon Infrastructure Projects Limited for the standalone as well as the consolidated financial statements.

We report that the consolidated financial statements have been prepared by the GIPL's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.

Without qualifying our report, we draw attention to Note B 4 of Schedule 18 of the financial statements regarding the Early Completion Bonus accrued by two subsidiary Companies in earlier years and included in sundry debtors at March 31, 2008. The outcome of the matter cannot be presently determined and hence no provision for any liability has been made in the financial statements.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached 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 state of affairs of the GIPL Group as at March 31, 2008;

(b) in the case of the consolidated profit and loss account, of the profit of the GIPL Group for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows of the GIPL Group for the year ended on that date.

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner
M. No. 40441

Mumbai, Dated: May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

Amit Majmudar
Partner
M. No. 36656

Mumbai, Dated: May 21, 2008

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

(All amounts in Indian Rupees)

	Schedule No.	As At March 31, 2008		As At March 31, 2007	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1,420,745,077		1,280,000,000	
Employees Stock Options	2	11,353,039		—	
Warrant Issued		—		100,000	
Reserves & Surplus	3	3,793,579,363		1,541,307,222	
			5,225,677,479		2,821,407,222
Minority Interest			235,293,448		195,563,218
Loan Funds					
Secured Loans	4	10,043,926,426		6,678,316,489	
Unsecured Loans	5	293,000,000		—	
			10,336,926,426		6,678,316,489
Deferred Tax Liability (Net)			85,025,111		46,146,326
TOTAL			15,882,922,464		9,741,433,255
APPLICATION OF FUNDS					
Fixed Assets (Net)	6				
Gross Block		6,930,398,263		6,773,163,638	
Less: Depreciation & Impairment		1,412,435,213		996,287,264	
Net Block		5,517,963,050		5,776,876,374	
Add: Capital Work-in-Progress		6,302,886,014		2,002,567,227	
			11,820,849,064		7,779,443,601
Goodwill on Consolidation [refer Note No. B (7) of Schedule 18]		14,638,832		11,327,964	
Less: Amortisation		3,729,475		2,265,592	
			10,909,357		9,062,372
Investments	7		989,230,608		53,918,772
Current Assets, Loans and Advances					
Inventories		12,012,795		3,794,249	
Accrued Income		376,908,824		376,993,437	
Sundry Debtors	8	307,269,600		363,985,509	
Cash & Bank Balances	9	2,703,425,665		1,291,450,683	
Loans & Advances	10	431,797,645		284,200,896	
(A)		3,831,414,529		2,320,424,774	
Less: Current Liabilities and Provisions	11				
Current Liabilities		776,149,390		427,976,003	
Provisions		3,849,031		782,609	
(B)		779,998,421		428,758,612	
Net Current Assets (A – B)			3,051,416,108		1,891,666,162
Miscellaneous Expenses to the extent not written off or adjusted	12		10,517,327		7,342,348
TOTAL			15,882,922,464		9,741,433,255
Notes to Financial Statements	18				

The schedules referred to above form an integral part of these Financial Statements.

As per our report of even date

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner
Membership No. : 40441

Place : Mumbai
Date : May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

per Amit Majmudar
Partner
Membership No. : 36656

For and on behalf of the Board of Directors of Gammon Infrastructure Projects Limited

Parvez Umrigar	Managing Director
Himanshu Parikh	Director
Sathis Chandran	Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

(All amounts in Indian Rupees)

	Schedule No.	Year Ended March 31, 2008		Year Ended March 31, 2007	
INCOME					
Turnover and Operating Income	13	1,593,798,726		*1,477,043,037*	
Other Income	14	116,162,311		*111,973,735*	
			1,709,961,037		*1,589,016,772*
EXPENDITURE					
Operational Expenses	15	344,318,111		*234,704,090*	
Establishment Expenses	16	100,858,977		*59,679,928*	
Financial Costs	17	512,797,069		*449,742,637*	
Depreciation and Amortisation		416,090,308		*402,287,940*	
Amortisation of Goodwill		1,463,883		*2,265,592*	
Preliminary and Share Issue Expenses written off		613,767		*880,392*	
			1,376,142,115		*1,149,560,579*
PROFIT BEFORE TAX AND SHARE OF LOSS OF ASSOCIATE			333,818,922		*439,456,193*
Add: Share of Loss of Associate			(273,385)		*(6,580,843)*
PROFIT BEFORE TAX AND AFTER SHARE OF LOSS OF ASSOCIATE			333,545,537		*432,875,350*
Provision for Taxation:					
Current		82,903,698		*77,900,000*	
Deferred		38,878,784		*33,130,142*	
Fringe Benefit tax		749,496		*565,486*	
			122,531,978		*111,595,628*
PROFIT AFTER TAX			211,013,559		*321,279,722*
Less: Short Provision for Taxation for earlier years			3,328,563		*25,891,194*
Less: Transitional liability recognised pursuant to adoption of Accounting Standard – 15 (Revised) “Employee Benefits”			292,846		*—*
PROFIT FOR THE YEAR			207,392,150		*295,388,528*
Less: Profit after tax attributable to Minority Interest			20,911,420		*20,873,066*
NET PROFIT			186,480,730		*274,515,462*
Add: Retained Earnings brought forward			510,325,999		*235,810,537*
Balance carried to Balance Sheet			696,806,729		*510,325,999*
Earnings Per Share: [refer Note No. B (9) of Schedule 18]					
Basic			1.45		*2.14*
Diluted			1.45		*2.14*
Nominal Value of Equity Shares in Rupees			10		*10*
NOTES TO FINANCIAL STATEMENTS	18				

The schedules referred to above form an integral part of these Financial Statements.

As per our report of even date

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner
Membership No. : 40441

Place : Mumbai
Date : May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

per Amit Majmudar
Partner
Membership No. : 36656

For and on behalf of the Board of Directors of Gammon Infrastructure Projects Limited

Parvez Umrigar — Managing Director

Himanshu Parikh — Director

Sathis Chandran — Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

(All amounts in Indian Rupees)

	Year Ended March 31, 2008		Year Ended March 31, 2007	
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Profit before Tax and extraordinary items		333,545,537		432,875,350
Adjustments for:				
Employees Stock Options	11,353,039		—	
Depreciation & Amortisation	416,090,308		402,287,940	
Dividend Income	(729,807)		(2,346,392)	
(Profit) on sale of Investments	(45,185,476)		(17,613,739)	
Interest (Net)	446,647,618		365,040,639	
Goodwill amortised	1,463,883		2,265,592	
Capital WIP written off	—		885,243	
Preliminary and Share Issue Expenses written off	613,767		880,392	
		830,253,332		751,399,675
Operating Profit before Working Capital Changes		1,163,798,869		1,184,275,025
Adjustments for:				
Trade and Other Receivables	(43,705,965)		(138,821,223)	
Trade Payables & Working Capital Finance	125,145,813		(43,893,328)	
Inventories	(8,218,546)		(3,170,290)	
		73,221,302		(185,884,841)
Cash Generated from Operations		1,237,020,171		998,390,184
Direct Taxes paid		(159,367,936)		(98,430,210)
Cash flow before extraordinary items		1,077,652,235		899,959,974
B. CASH FLOW FROM INVESTMENT ACTIVITIES:				
Capital Purchases after adjusting capital creditors	(4,386,304,928)		(2,137,314,790)	
Purchase of Investments:				
Joint Venture/Group Companies	(489,200)		(15,298,657)	
Mutual Funds	(6,964,613,172)		(1,788,172,298)	
Sale of Investments:				
Joint Venture/Group Companies	713,385		—	
Mutual Funds	6,051,671,951		1,777,657,950	
Fixed Deposit with Banks (above 90 days)	(21,700,000)		—	
Intercorporate Deposits				
Granted	(890,777,773)		(174,356,000)	
Refund Received	905,000,000		—	
Advances to Joint Venture/Group Companies	3,511,494		(6,315,763)	
Goodwill on acquisition of stake in Joint Venture	(3,310,869)		(30,000,000)	
Share Application Money Pending Allotment	(22,594,800)		20,319,500	
Capital WIP written off	—		(885,243)	
Interest received	73,676,748		79,038,947	
Advances received for purchase of equity shares	26,520,000		—	
Profit on sale of Investments	45,185,476		17,613,739	
Dividend received	729,807		2,346,392	
Net Cash from Investment activities		(5,182,781,881)		(2,255,366,223)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

(All amounts in Indian Rupees)

	Year Ended March 31, 2008		Year Ended March 31, 2007	
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from share application money	**2,377,573,203**		*15,000,000*	
Proceeds from borrowings	**4,135,539,807**		*1,901,758,466*	
Repayment of Loans	**(477,839,033)**		*(340,588,000)*	
Minority Interest Contribution	**18,818,810**		*(760)*	
Interest Paid	**(511,643,106)**		*(443,460,710)*	
Preliminary Expenses	**(3,788,746)**		*(4,491,855)*	
Share Issue Expenses	**(43,256,307)**		*(2,462,984)*	
Net Cash from Financing Activities		**5,495,404,628**		*1,125,754,157*
NET DECREASE IN CASH AND CASH EQUIVALENTS		**1,390,274,982**		*(229,652,092)*
Closing Balances		**2,681,725,665**		*1,291,450,683*
Opening Balances		**1,291,450,683**		*1,521,102,775*
NET DECREASE IN CASH AND CASH EQUIVALENTS		**1,390,274,982**		*(229,652,092)*
COMPONENTS OF CASH AND CASH EQUIVALENTS:				
Cash and Cheques on hand		**400,275**		*1,504,891*
With Banks :				
On Current Account		**153,652,187**		*83,016,808*
On Current Account — IPO Proceeds		**2,377,673,203**		—
On Deposit Account		**171,700,000**		*1,206,928,984*
Total Components of Cash and Cash Equivalents		**2,703,425,665**		*1,291,450,683*
Less: Fixed Deposits above 90 days		**21,700,000**		—
		2,681,725,665		*1,291,450,683*

The schedules referred to above form an integral part of these Financial Statements.

As per our report of even date

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner
Membership No. : 40441

Place : Mumbai
Date : May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

per Amit Majmudar
Partner
Membership No. : 36656

For and on behalf of the Board of Directors of Gammon Infrastructure Projects Limited

Parvez Umrigar — Managing Director
Himanshu Parikh — Director
Sathis Chandran — Company Secretary

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

(All amounts in Indian Rupees)

	As at March 31, 2008		*As at March 31, 2007*	
SCHEDULE '1': SHARE CAPITAL				
Authorised:				
200,000,000 Equity Shares of Rs. 10/- each		**2,000,000,000**		*2,000,000,000*
Issued, Subscribed and Paid-Up:				
144,550,000 *(Previous Year: 128,000,000)* Equity Shares of Rs. 10/- each	**1,445,500,000**		*1,280,000,000*	
[Out of the above **105,600,000** *(Previous year: 105,600,000)* Equity shares of Rs. 10/- each fully paid held by Gammon India Limited – the holding company]				
[The Company has issued employee stock options to employees during the year ended March 31, 2008 [refer Note No. B (15) of Schedule 18]. At March 31, **2008 1,565,000 options** *(Previous year: Nil)* are issued and outstanding].				
Less: Amount receivable on allotment of equity shares	**24,754,923**		—	
		1,420,745,077		*1,280,000,000*
		1,420,745,077		*1,280,000,000*
SCHEDULE '2': EMPLOYEE STOCK OPTIONS:				
Employee stock option outstanding		**30,360,000**		—
Less: Deferred Employee compensation outstanding [For Stock Option Outstanding Details refer Note No. B (15) of Schedule 18]		**19,006,961**		—
		11,353,039		—
SCHEDULE '3': RESERVES AND SURPLUS:				
General Reserve		**18,200,000**		*18,200,000*
Security premium, beginning of the year	**1,012,781,223**		*1,000,244,207*	
Add : Security premium during the period/year	**2,598,350,000**		*15,000,000*	
Less: Security Premium receivable on allotment of equity shares	**361,421,874**		—	
	3,249,709,349		*1,015,244,207*	
Less: Share issue expenses (relating to prior year)	**10,816,209**		—	
Less: Share issue expenses during the year	**160,320,506**		*2,462,984*	
Security premium, end of the year		**3,078,572,634**		*1,012,781,223*
Profit and Loss Account		**696,806,729**		*510,325,999*
		3,793,579,363		*1,541,307,222*
SCHEDULE '4': SECURED LOANS				
Term Loans from the Banks [refer note B (10) of Schedule 18]		**10,036,434,677**		*6,671,978,703*
Interest accrued and due on loans		**7,491,749**		*6,337,786*
		10,043,926,426		*6,678,316,489*
SCHEDULE '5': UNSECURED LOANS				
Intercorporate Loan from Holding Company – Gammon India Ltd.		**293,000,000**		—
		293,000,000		—

(All amounts in Indian Rupees)

SCHEDULE '6': FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET	
	As At 1.04.2007	Additions during the year	Deductions/ Adjustments	**As At 31.03.2008**	Upto 31.03.2007	For the year	Deductions/ Adjustments	**As At 31.03.2008**	**As At 31.03.2008**	*As At 31.03.2007*
TANGIBLE ASSETS:										
Buildings	451,526	—	—	**451,526**	40,400	7,380	—	**47,780**	**403,746**	*411,126*
Freehold Property	7,983,713	14,148,130	—	**22,131,843**	—	—	—	**—**	**22,131,843**	*7,983,713*
Plant and Machinery	334,420,786	14,712,026	—	**349,132,812**	16,695,543	15,976,502	—	**32,672,045**	**316,460,767**	*317,725,243*
Furniture & Fixtures	5,294,835	449,121	77,606	**5,666,350**	297,808	342,817	25,410	**615,215**	**5,051,135**	*4,997,027*
Motor Vehicles	5,570,886	1,887,364	—	**7,458,250**	662,985	567,308	—	**1,230,293**	**6,227,957**	*4,907,901*
Office Equipments	2,098,291	405,309	75,675	**2,427,925**	182,033	118,271	19,388	**280,916**	**2,147,009**	*1,916,258*
Computers	2,062,210	1,724,455	—	**3,786,665**	386,292	466,226	—	**852,518**	**2,934,147**	*1,675,918*
Project Berths	862,860,396	—	938,499	**861,921,897**	59,803,398	32,630,918	—	**92,434,316**	**769,487,581**	*802,927,446*
Project Bridge	257,438,683	—	—	**257,438,683**	75,788,624	13,806,178	—	**89,594,801**	**167,843,882**	*181,650,059*
Project Road	5,044,982,312	—	—	**5,044,982,312**	824,147,272	333,944,150	—	**1,158,091,421**	**3,886,890,891**	*4,220,835,040*
Total	6,523,163,638	33,326,405	1,091,780	**6,555,398,263**	978,004,355	397,859,750	44,798	**1,375,819,305**	**5,179,578,958**	*5,545,029,731*
INTANGIBLE ASSETS:										
Purchase of O & M Rights	250,000,000	—	—	**250,000,000**	18,282,909	18,332,999	—	**36,615,908**	**213,384,092**	*231,717,091*
Upfront Fees to BPT	—	125,000,000	—	**125,000,000**	—	—	—	**—**	**125,000,000**	*—*
Total	250,000,000	125,000,000	—	**375,000,000**	18,282,909	18,332,999	—	**36,615,908**	**338,384,092**	*231,717,091*
CAPITAL WORK IN PROGRESS										
Expenses Capitalised									**6,302,886,014**	*2,002,567,227*
Deprecitaion Capitalised						102,441				
GRAND TOTAL	6,773,163,638	158,326,405	1,091,780	**6,930,398,263**	996,287,264	416,090,308	44,798	**1,412,435,213**	**11,820,849,064**	*7,779,314,049*
Previous year	*6,231,215,138*	*543,164,454*	*1,215,954*	*6,773,163,638*	*594,081,883*	*402,287,940*	*128,635*	*996,287,264*	*7,779,443,601*	

SCHEDULE '7': INVESTMENTS

	As at March 31, 2008		*As at March 31, 2007*	
Long term Investments unless otherwise stated:				
Investment in Associates (Fully paid-up equity shares) [refer Note No. B (3) of Schedule 18]				
2,143,950 *(Previous year: 2,143,950)* Eversun Sparkle Maritime Services Pvt. Ltd.	**14,585,272**		*14,858,657*	
Nil *(Prevous year: 19,500)* Gorakhpur Infrastructure Project Ltd.	**—**		*195,000*	
Nil *(Previous year: 24,500)* Kosi Bridge Infrastructure Co. Ltd.	**—**		*245,000*	
24,470 *(Previous year: Nil)* Modern Tollroads Ltd.	**244,700**		—	
24,450 *(Previous year: Nil)* ATSL Infrastructure Projects Ltd.	**244,500**		—	
		15,074,472		*15,298,657*
Non Trade Investments (Fully paid up equity shares, stated at cost)				
76,800 *(Previous year: 76,800)* Canara Bank Ltd.	**2,688,000**		*2,688,000*	
3,200 *(Previous year: 3,200)* Vijaya Bank Ltd.	**76,800**		*76,800*	
1,160 *(Previous year: 1,160)* Tata Consultancy Services Ltd.	**493,000**		*493,000*	
10,530 *(Previous year: 10,530)* Allahabad Bank Ltd.	**863,460**		*863,460*	
52,024 *(Previous year: 52,024)* Infrastructure Development Finance Co. Ltd.	**1,768,816**		*1,768,816*	
		5,890,076		*5,890,076*
Current Investments				
In Liquid Mutual Funds (at cost)		**923,455,569**		*10,514,348*
Share application money pending allotment		**44,810,491**		*22,215,691*
		989,230,608		*53,918,772*

(All amounts in Indian Rupees)

		As at March 31, 2008		*As at March 31, 2007*
SCHEDULE '7': INVESTMENTS (Contd.)				
Summary of Investments:				
Aggregate Book Value of Unquoted Investments		**938,530,041**		*25,813,005*
Aggregate Book Value of Quoted Investments		**5,890,076**		*5,890,076*
Aggregate Book Value of Other Investments		**44,810,491**		*22,215,691*
Market Value of Quoted Investments		**27,047,531**		*27,640,917*
Repurchase price of Mutual Fund Units		**—**		*10,514,348*
SCHEDULE '8': SUNDRY DEBTORS				
(Unsecured, considered good)				
Outstanding for over six months		**221,503,988**		*268,645,934*
Other Debts		**85,765,612**		*95,339,575*
		307,269,600		*363,985,509*
SCHEDULE '9': CASH AND BANK BALANCES				
Cash on Hand		**400,275**		*642,518*
Funds in Transit		**—**		*862,373*
Balances with Scheduled Banks:				
in Current Accounts	**153,652,187**		*83,016,808*	
in Escrow A/c for IPO proceeds	**2,377,673,203**		*—*	
in Fixed Deposits	**171,700,000**		*1,206,928,984*	
		2,703,025,390		*1,289,945,792*
		2,703,425,665		*1,291,450,683*
SCHEDULE '10': LOANS AND ADVANCES				
(Unsecured, considered good, unless otherwise stated)				
Advances recoverable in cash or in kind for value to be received		**104,978,443**		*13,786,576*
Interest Accrued Receivable		**1,143,916**		*8,671,213*
Dues from Joint Venture Companies and/or Associates		**2,804,269**		*6,350,663*
Loan to Vizag Seaport Private Ltd.		**46,222,186**		*46,222,186*
Deposit with Joint Stock Companies		**160,133,773**		*174,356,000*
Advance Taxes Paid	**316,789,200**		*169,152,235*	
Less: Provision for Taxation	**241,078,535**		*165,827,749*	
		75,710,665		*3,324,486*
Other Deposits		**21,690,715**		*4,436,855*
Service Tax Recoverable		**5,476,209**		*11,334,877*
Prepaid Expenses		**13,637,469**		*15,718,040*
		431,797,645		*284,200,896*

(All amounts in Indian Rupees)

	As at March 31, 2008		As at March 31, 2007	
SCHEDULE '11': CURRENT LIABILITIES				
Sundry Creditors				
For Expenses	66,695,581		73,112,333	
For Share Issue Expenses	127,880,408		—	
		194,575,989		73,112,333
Dues to Holding Company – Gammon India Limited		450,873,772		272,353,158
Dues to Modern Tollroads Limited for purchase of equity shares		26,520,000		—
Advance received from Client		21,983,791		28,500,000
Dues to Lenders		7,156,568		6,911,768
Other Liabilites		75,039,270		47,098,744
		776,149,390		427,976,003
Provisions:				
Provision for Staff Benefits				
Provision for Leave Encashment		2,541,110		334,700
Provision for Gratuity		1,307,921		447,909
		3,849,031		782,609
SCHEDULE '12': MISCELLEANEOUS EXPENSES TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED				
Preliminary Expenses		3,166,243		2,879,553
Share Issue Expenses		7,351,084		4,462,795
		10,517,327		7,342,348

	Year ended March 31, 2008		Year ended March 31, 2007	
SCHEDULE '13': TURNOVER AND OPERATING INCOME				
Operation & Maintenance Revenues		143,020,096		143,416,064
Income from Port Operations		237,642,790		128,602,126
Annuity Revenues		1,166,020,000		1,166,020,000
Toll Proceeds		35,517,675		36,508,405
Miscellaneous Receipts		11,598,165		2,496,442
		1,593,798,726		1,477,043,037
SCHEDULE '14': OTHER INCOME				
Interest Income:				
Deposits with Joint Stock Companies	32,486,278		19,863,753	
Others	33,663,173		64,838,245	
		66,149,451		84,701,998
Miscellaneous Income:				
Dividend Income	729,807		2,346,392	
Profit on Sale of Investments	45,185,476		17,613,739	
Miscellaneous Income	4,097,577		7,311,606	
		50,012,860		27,271,737
		116,162,311		111,973,735

(All amounts in Indian Rupees)

SCHEDULE '15': OPERATIONAL EXPENSES

		Year ended March 31, 2008		Year ended March 31, 2007
Road Operation & Maintenance Expenses		**186,093,725**		*169,416,309*
Bridge Operations Expenses		**4,555,486**		*4,922,665*
Port Operational Expenses		**153,668,900**		*60,365,116*
		344,318,111		*234,704,090*

SCHEDULE '16': ESTABLISHMENT EXPENSES

		Year ended March 31, 2008		Year ended March 31, 2007
Administration Expenses		**1,987,443**		*2,094,186*
Staff Expenses		**61,240,342**		*28,474,484*
Professional/Legal Expenses		**18,768,711**		*16,458,159*
Travelling, Leave Passage and Motor Car Expenses		**9,440,398**		*1,038,718*
Office Rent		**1,200,000**		*1,222,500*
Directors Fees		**150,000**		*45,000*
Telephone Expenses		**729,854**		*4,237,619*
Insurance Charges		**203,380**		*92,585*
Miscellaneous Expenses		**4,856,333**		*3,498,712*
Auditors Remuneration:				
– Audit Fees		**2,282,516**		*1,632,722*
– Capital WIP written off		**—**		*885,243*
		100,858,977		*59,679,928*

SCHEDULE '17': FINANCIAL COSTS

		Year ended March 31, 2008		Year ended March 31, 2007
Interest paid on:				
On Fixed Period Loans	**502,925,853**		*463,946,004*	
Interest Paid (Others)	**9,219,963**		*178*	
		512,145,816		*463,946,182*
Other Finance Charges		**3,979,200**		*2,358,052*
		516,125,016		*466,304,234*
Less: Transferred to CWIP		**3,327,947**		*16,561,597*
		512,797,069		*449,742,637*

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

(All amounts in Indian Rupees)

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements comprise the financial statements of GAMMON INFRASTRUCTURE PROJECTS LTD. ("the Company") and its Subsidiary companies (the Company and its subsidiaries are hereinafter referred to as 'the Group'), Associates and Joint Ventures in the form of jointly controlled entities. The Consolidated Financial Statement has been prepared on the following basis:

The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses as per Accounting Standard - 21 "Consolidated Financial Statements" issued by Institute of Chartered Accountants of India ('AS-21').

The Consolidated Financial Statements have been prepared using uniform policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements.

The excess of cost of investments of the Company over its share of equity in the Subsidiary is recognised as goodwill. The excess of share of equity of Subsidiary over the cost of investments is recognised as capital reserve.

Interests in Joint Ventures

The Company's interests in Joint Ventures in the nature of Jointly controlled entities are included in these consolidated financial statements using the proportionate consolidation method as per the Accounting Standard – 27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India ('AS-27'). The group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, on a line by line basis.

Investment in Associates

Investments in Associate Companies are accounted under the equity method as per the Accounting Standard – 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India ('AS-23').

Under the equity method, the investment in associates is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. The income statement reflects the Group's share of the results of operations of the associates.

The excess of the Company's cost of investment over its share of net assets in the associate on the date of acquisition of investment is accounted for as goodwill. The excess of the company's share of net assets in the associate over the cost of its investment is accounted for as capital reserve.

Goodwill/Capital Reserve is included/adjusted in the carrying amount of the investment.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(b) REVENUE RECOGNITION

Infrastructure Development Business:

The toll fees collection from the users is accounted when the amount is due and recovered.

The cash compensation on account of multiple entry of cars has been accounted on accrual basis as per the order of Government of Kerala for which Supplementary Concession Agreement is being worked out between the Government of Kerala, Greater Cochin Development Authority and Cochin Bridge Infrastructure Company Limited. (a subsidiary of the Company).

The Company earns an annuity income from some of its Build, Operate, Transfer ('BOT') projects which is recognised on a time basis over the period during which the annuity is earned. Revenues from bonus and other claims are recognised upon acceptance from customer/counterparty.

Revenue by way of berth hire charges, dust suppression charges, cargo handling charges, plot rent, wharfage, barge freight, other charges etc. are recognised on an accrual basis and is billed as per the terms of the contract with the customers at the rates approved by Tariff Authority for Marine Ports (TAMP) as the related services are performed.

Other income is recognised on an accrual basis when the same is due.

Developer Fees:

Revenue on Professional services rendered are recognised on accrual basis.

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Operations and Maintenance Revenues:

Revenue on Operations & Maintenance (O & M) contracts are recognised over the period of the contract as per the terms of the contract.

Interest Income:

Interest Income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend Income:

Dividend is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same is declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

(c) **FIXED ASSETS AND DEPRECIATION**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition of its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation on the Project Assets constructed and/or acquired by the Company as per the Concession Agreements are amortized over the period of the rights given under the License Agreement/Concession Agreement.

Depreciation on Fixed Assets is provided on the Straight Line Method at the rates and in the manner laid down in Schedule XIV of the Companies Act, 1956 or the rates based on the estimated useful lives of the fixed assets, whichever is higher. Depreciation on assets purchased/installed during the year/period is calculated on a pro-rata basis from the date of such purchase/installation.

Intangible assets comprise of rights of Operations and Maintenance ('O & M') and an amount paid to Mumbai Port Trust towards upfront fees for construction and operation of an offshore terminal (License Fees Intangible). The O & M intangible results in income stream for the Company for a period of 14 years. The rights are therefore amortised over the period of 14 years. The License Fees intangible will be amortised over the remaining concession period of 30 years on commencement of the port terminal.

(d) **IMPAIRMENT**

The carrying amounts of assets, (including goodwill), are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

e) **INVESTMENTS**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long term investments.

(f) **INVENTORIES**

Stores and materials are valued at lower of cost or net realizable value. Net realizable value is the estimated selling price less estimated cost necessary to make the sale. The FIFO method of inventory valuation is used to determine the cost.

(g) **FOREIGN CURRENCY TRANSLATION**

Initial recognition

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

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year/period, or reported in previous financial statements, are recognised as income or as expenses in the year/period in which they arise except those arising from investments in

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India On or before accounting period commencing after December 7, 2006 are capitalized as a part of fixed asset.

(h) **PROVISION FOR TAXATION**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income taxes reflects the impact of current year/period timing differences between taxable income and accounting income for the year/period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(i) **PRELIMINARY AND SHARE ISSUE EXPENSES**

The preliminary expenses and share issue expenses incurred upto March 31, 2004, are amortised equally over a period of ten and five years respectively. Share Issue expenses incurred from April 1, 2004 onwards are charged to the Security Premium Account, if available, or to the Profit and Loss Account.

(j) **OPERATING LEASE**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight line basis over the lease term.

(k) **EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated by dividing the net profit for the year attributed to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(l) **EMPLOYEE BENEFITS**

Retirement benefit in the form of provident fund is a defined contribution scheme and contributions are charged to the Profit and Loss Account for the year/period when the contributions are due.

Gratuity, a defined benefit obligation is provided on the basis of an actuarial valuation made at the end of each year/ period.

Leave encashment is recognised on the basis of an actuarial valuation made at the end of each year.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(m) **EMPLOYEE SHARE – BASED PAYMENTS (ESOP)**

The Company uses the intrinsic value method of accounting prescribed by the Guidance Note (‘GN’) on ‘Accounting for employee share-based payments’ issued by the Institute of Chartered Accountants of India (‘ICAI’) (‘the guidance note’) to account for its Employee Stock Option Scheme (the ‘ESOP’ Scheme) read with SEBI (Employees stock option scheme or Employees Stock Purchase Guidelines,1999).

(n) **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are not recognised but disclosed in notes to accounts. Contingent assets are neither recognised nor recorded in financial statements.

(o) **CASH AND CASH EQUIVALENTS**

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

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

B. OTHER NOTES

Significant accounting policies and notes to this consolidated financial statement are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the companies. Recognising this purpose, the company has disclosed only such policies and notes from the individual financial statements, which fairly presents the needed disclosures.

1. **Subsidiaries**

The following Subsidiary Companies (incorporated in India) have been consolidated in these financial statement as per AS 21:

Name of the Subsidiary	**Voting power and beneficial interest as at March 31, 2008**	*Voting power and beneficial interest as at March 31, 2007*
Andhra Expressway Ltd. ('AEL')	**93.50%**	*93.50%*
Cochin Bridge Infrastructure Company Ltd. ('CBICL')	**97.66%**	*97.66%*
Gammon Logistics Limited ('GLL")	**99.99%**	—
Gammon Projects Developers Ltd. ('GPDL')	**100.00%**	*100.00%*
Gorakhpur Infrastructure Company Ltd. ('GICL')	**94.90%**	—
Haryana Biomass Power Limited ('HBPL')	**99.99%**	—
Kosi Bridge Infrastructure Company Ltd. ('KBICL')	**100.00%**	—
Marine Project Services Limited ('MPSL')	**99.99%**	—
Mumbai Nasik Expressway Ltd. ('MNEL')	**79.99%**	*79.90%*
Rajahmundry Expressway Ltd. ('REL')	**93.50%**	*93.50%*
Sikkim Hydro Power Ventures Ltd. ('SHVPL')	**100.00%**	*100.00%*
Tidong Hydro Power Limited ('THPL')	**99.99%**	—

As part of its overall business plans, the Company has been acquiring beneficial, controlling interest and voting rights from its holding company in consideration of payment of deposit which, along with the Company's direct shareholdings, has resulted in the Company having control over 51% in various SPVs as listed above. The details of the deposits outstanding and the resultant beneficial interest and voting rights are tabulated hereunder:

Name of the Company	**As at March 31, 2008**			*As at March 31, 2007*		
	No. of shares	**Amount Paid**	**% of holding**	*No. of shares*	*Amount Paid*	*% of holding*
Andhra Expressway Ltd. ('AEL')	**12,905,000**	**164,761,200**	**44.50%**	*12,905,000*	*164,761,200*	*44.50%*
Gorakhpur Infrastructure Company Ltd. ('GICL')	**95,96,923**	**95,969,230**	**26.01%**	—	—	—
Kosi Bridge Infrastructure Company Ltd. ('KBICL')	**6,284,146**	**62,841,460**	**26.01%**	—	—	—
Rajahmundry Expressway Ltd. ('REL')	**12,905,000**	**163,618,800**	**44.50%**	*12,905,000*	*163,618,800*	*44.50%*

(a) The Company had on August 31, 2007 entered into two separate agreements with GIL by which it acquired the beneficial, controlling interest and voting rights in respect of 9,596,923 equity shares of Gorakhpur Infrastructure Company Limited ('GICL') and 6,284,146 equity shares of Kosi Bridge Infrastructure Company Limited ('KBICL') (each representing 26.01% of the beneficial, controlling interest and voting rights in GICL and KBICL) in consideration of payment of deposit for acquisition of these shares of Rs. 158,810,690. By virtue of these agreements and the equity share holding in these companies, GICL and KBICL have become subsidiaries of the Company.

(b) Under the Concession Agreement dated October 27, 1999, executed between CBICL, Government of Kerala (GOK), Greater Cochin Development Authority (GCDA) and Gammon India Limited dated January 6, 2001; the entire project has been assigned to CBICL as a Concessionaire for the purpose of developing, operating and maintaining the infrastructure facility on BOT basis for 13 years and nine months. Subsequently a Supplementary Concession Agreement is being worked out as per the Government of Kerala's Order Nos. G. O. (M.S.) No. 11/2005/PWD dated January 24, 2005 and G. O. (M.S.) No. 16/2005/PWD dated March 1, 2005 between the Government of Kerala, Greater Cochin Development Authority and CBICL. In terms of the order, the period of concession has been increased by 6 years and CBICL is entitled to yearly annuity receipts which it is accounting as revenue. CBICL has since not made any provision against the said receivables of Rs. 62,886,256.

(c) CBICL has extended a Term Loan of Rs. 8,00,00,000/- (Rs. Eight Crores only) to VSPL, which is convertible at par into Equity Shares of Rs. 10/- each on April 1, 2008.

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(d) Warrant Issued to Investor

Pursuant to the approval of the members of CBICL at an EGM, a Warrant Subscription Agreement between the CBICL, Gammon India Ltd. and AMIF I Ltd. ('the investor') has been executed on November 30, 2005. Based on the agreement CBICL has issued an Optionally Convertible Warrant on a preferential basis which gives the investor an option to subscribe to 25% of the issued and paid share capital of CBICL on a fully diluted basis, on a preferential allotment basis, at any time after January 1, 2011 but before March 31, 2011, by paying to CBICL, the fair value thereon. As per the Put and Call option of the said agreement, CBICL has exercised the option for repurchasing the warrant.

(e) Effect of acquisition of subsidiaries during the year on Financial Statements.

Particulars	**Gorakhpur Infrastructure Company Limited 'GICL'**	*Kosi Bridge Infrastructure Company Limited 'KBICL'*
Assets:		
Fixed Assets (incl. Capital WIP)	**1,594,265,422**	*846,016,665*
Balances with Bank	**11,174,650**	*2,523,320*
Other assets	**30,000**	*1,636,603*
Miscellaneous Expenses	**4,041,332`**	*2,665,955*
Liabilities:		
Current Liabilities	**7,007,813**	*5,896,915*
Secured Loans	**1,077,557,703**	*557,500,000*
Dues to Holding Company	**155,975,388**	*47,840,628*
Profit and Loss A/c.	**—**	*—*

2. **Jointly Controlled Entities**

The following Jointly Controlled Entities have been considered applying AS-27 on the basis of audited accounts (except stated other wise) for the year ended March 31, 2008.

(a) Details of Joint Ventures entered into by the Company.

Sr. No	Name of the Joint Venture	**% of Interest as at March 31, 2008**
1.	Vizag Seaport Private Ltd. ('VSPL')	**42.22%**
2.	Gammon L & T Infra MRTS Ltd. ('GLIML')	**50%**
3.	Punjab Biomass Power Ltd. ('PBPL')	**50%**
4.	Indira Container Terminal Private Ltd. (ICTPL)*	**50%**
5.	SEZ Adityapur Ltd. ('SEZAL')*	**38%**

* - As per unaudited Management accounts.

The Company had on August 31, 2007 entered into an agreement with GIL for acquisition of beneficial, controlling interest and voting rights in respect of 8,518,068 equity shares of Indira Container Terminal Private Ltd. ('ICTPL'). Under this agreement when ICTPL shares are allotted to GIL, the Company would deposit to GIL, equivalent to GIL's subscription amount for the respective shares to acquire the abovementioned beneficial, controlling interest and voting rights. As a consequence of this agreement the Company's beneficial, controlling interest and voting rights in ICTPL aggregate to 50% of ICTPL and is considered for proportionate consolidation to the extent of 50%.

(b) The proportionate share of assets, liabilities, income and expenditure of the Joint Ventures consolidated in the accounts is tabulated hereunder:

Balance Sheet	**March 31, 2008**	*March 31, 2007*
Assets		
Fixed Assets	**1,362,344,279**	*1,208,606,093*
Less: Depreciation	**126,169,192**	*77,117,708*
Fixed Asset (Net)	**1,236,175,087**	*1,131,488,385*
Capital WIP	**145,946,922**	*96,751,778*
Current Assets:		
Inventories	**10,651,429**	*1,044,024*
Sundry Debtors	**43,866,745**	*11,111,629*
Cash and Bank Balances	**45,873,084**	*21,094,260*
Loan and Advances	**60,602,728**	*25,418,575*
Total Current Assets (A)	**160,993,986**	*58,668,488*
Current Liabilities (B)	**109,056,441**	*65,333,283*
Net Current Assets (A-B)	**51,937,545**	*(6,664,795)*
Preliminary and Share Issue Exp	**277,060**	*240,173*
Total Assets	**1,434,336,614**	*1,221,815,541*

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Liabilities	March 31, 2008	March 31, 2007
Loan Funds:		
Secured Loans	894,228,723	842,904,489
Unsecured Loans	—	—
Deferred Tax Liability	56,470,413	36,731,441
Reserves & Surplus:		
Opening balance of retained earnings	(141,650,414)	(94,697,884)
Less: Loss for the period	(72,051,376)	(42,129,601)
Total Liabilities	736,997,346	742,808,445

Income Statement	March 31, 2008	March 31, 2007
Income	237,692,589	128,656,063
Less:		
Operation & Maintenance Expenses	153,668,900	60,365,116
Administration Expenses	5,504,970	3,498,552
Finance Cost	76,243,484	53,475,876
Depreciation	48,962,738	36,590,077
Preliminary/Share Expenses Written Off	211,111	492,615
Capital WIP written off	—	885,243
Total Expenses	284,591,203	155,307,479
Profit/(Loss) Before Tax	(46,898,614)	(26,651,416)
Provision for Tax	19,860,384	15,478,185
Transitional Liability (AS-15)	292,846	—
Profit/(Loss) After Tax	(67,051,844)	(42,129,601)

3. **Associates**

The following Associate has been accounted for on one line basis applying the equity method in accordance with the Accounting Standard (AS) – 23 "Accounting for Investment in Associates in Consolidated Financial Statements".

Name of the Company	% Share held	Original Cost of Investment	Goodwill/ Capital Reserve	Adjusted/ Accumulated Loss up to March 31, 2007	Dividend/ Prior Period adjustment	**Loss for the year ended March 31, 2008**	**Carrying amount of Investments as on March 31, 2008**
Eversun Sparkle Maritime Services Pvt. Ltd.	33.30%	21,439,500	(5,552,678)	(6,580,843)	—	(273,385)	14,585,272
Modern Toll Roads Limited	48.94%	244,700	—	—	—	—	244,700
ATSL Infrastructure Projects Ltd.	48.90%	244,500	—	—	—	—	244,500
Total							15,074,472

4. **Sundry Debtors**

Bonus recoverable from the NHAI

Sundry debtors also include Rs. 153,969,340/- of Early Completion Bonus receivable from the National Highways Authority of India ('NHAI') accrued in earlier years by AEL and REL under the Contract which has been disputed by the NHAI. The said companies, however, believe that the same is good and fully recoverable, and hence, no provision has been considered necessary against this for any amounts not recoverable. AEL and REL have post year end initiated arbitration proceedings for recovery of bonus.

Recovery of VAT from annuity payments

On the basis of an interim order of the Honourable Andhra Pradesh High Court, the NHAI recovered Rs. 92,049,601 being the VAT @ 4% from the annuities paid to AEL and REL by NHAI (including all annuities of all past years which had been fully paid by NHAI to the AEL and REL).

The interim order had directed NHAI to transfer this amount as a Fixed Deposit in any nationalised bank pending the final order of the Honourable High Court. The Honourable High Court on April 12, 2007 passed the final order accepting the

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Company's position and directed NHAI to refund the said amount to the Company. An amount of Rs. 44,659,200 received is adjusted against Sundry Debtors.

5. **Initial Public Offer**

The Company has during the year made an Initial Public Offer of 16,550,000 equity shares of Rs. 10/- each at a premium of Rs. 157 per share. The equity shares pursuant to the offer were allotted on March 27, 2008. An amount of Rs. 247,208,285 and Rs. 138,968,512 is due from Retail and HNI category of Shareholders as at March 31, 2008 towards Equity Capital and Security Premium to whom equity shares were allotted in the Initial Public Offer. The total share issue expenses of Rs. 171,136,715 has been charged to the Security Premium account. All the funds collected are lying in escrow account as at March 31, 2008.

6. **Deferred tax**

The break up of Deferred Tax Liability and Assets are as follows:

Particulars	**March 31, 2008**	*March 31, 2007*
Deferred Tax Liability:		
On Account of Depreciation	**85,025,111**	*51,787,920*
Deferred Tax Asset:		
On Account of Unabsorbed Losses & Depreciation	**(—)**	*(5,641,594)*
Net Deferred Tax Liability	**85,025,111**	*46,146,326*

AEL and REL, are eligible for a 10-year tax holiday under Section 80 IA of the Income Tax Act, 1961. The deferred tax liability would get reversed during the tax holiday period and have not been recognised in the accounts in accordance with Accounting Standard – 22 "Accounting for taxes on Income" issued by Institute of Chartered Accountants of India.

7. **Capital Reserve and Goodwill**

The details of Goodwill and Capital Reserve are as under.

Particulars	**March 31, 2008**	*March 31, 2007*
Goodwill:		
— CBICL	**13,425,584**	*13,425,584*
— PBPL	**30,000,000**	*30,000,000*
— GICL	**2,063,995**	—
— KBICL	**1,246,874**	—
— VSPL	**24,673,807**	*24,673,807*
— ICTPL	**—**	—
	71,410,260	*68,099,391*
Capital Reserve:		
— AEL	**37,894,737**	*37,894,737*
— REL	**18,876,690**	*18,876,690*
Net of Goodwill over Capital Reserve	**14,638,833**	*11,327,964*
Goodwill amortised	**3,729,475**	*2,265,592*
Net Goodwill/(Capital reserve)	**10,909,357**	*9,062,372*

Hitherto the Company was following the policy of amortising the goodwill on consolidation over a period of 5 years. Accordingly in the accounts drawn up to September 30, 2007, the Company has amortised the goodwill for 6 months. On review of its policy of amortising the goodwill, extant accounting standards and generally accepted accounting principles followed, the Company has decided to adopt the policy of not amortising the goodwill but testing the same for impairment on the said balance sheet date. On account of the change in the method of amortising goodwill, the goodwill amortisation of the period from October 1, 2007 to March 31, 2008 of Rs. 1,463,883 has not been carried out. The management has reviewed any possible impairment and has concluded that there is no impairment in the goodwill on acquisition of shares. On account of this change the consolidated profit before tax is higher by Rs. 1,463,883.

8. **Remuneration to auditors**

Remuneration to Auditors of the subsidiaries not audited by any of the Joint Auditors of the Company is grouped with Professional Fees. The remuneration to the auditors does not include Rs. 5,623,004 being the fees related to the work carried out for the Initial Public Offer that the company has done which is debited as part of Share Issue expenses to the Security Premium Account.

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

9. **Earnings per share**

Earnings Per Share (EPS) = Net Profit attributable to equity shareholders/Weighted Number of Shares Outstanding.

	As at March 31, 2008	*As at March 31, 2007*
Net Profit for the Period	**186,495,610**	*274,515,462*
Weighted average Number of Shares outstanding during the year – Basic	**128,192,801**	*128,000,000*
Weighted average Number of Shares outstanding during the year – Diluted	**128,533,227**	*128,000,000*
Earnings per Share-Basic (Rs.)	**1.45**	*2.14*
Earnings per Share-Diluted (Rs.)	**1.45**	*2.14*

Reconciliation of weighted number of outstanding during the year

Nominal Value of Equity Shares (Rs. per share)	**10**	*10*
For Basic EPS:		
Total number of equity shares outstanding at the beginning of the year	**128,000,000**	*128,000,000*
Add: Issue of Equity Shares through Initial Public Offer [refer note B (5) of Schedule 18]	**14,074,508**	—
Total number of equity shares outstanding at the end of year	**142,074,508**	*128,000,000*
Weighted average number of equity shares at the end of the year	**128,192,801**	*128,000,000*
For Dilutive EPS:		
Total number of equity shares outstanding at the beginning of the year	**128,000,000**	*128,000,000*
Add: Issue of Equity Shares through Initial Public Offer [refer note B (5) of Schedule 18]	**14,074,508**	—
Add: Issue of Equity shares under Options as on March 31, 2008 [refer note B (15) of Schedule 18]	**1,565,000**	—
Total number of equity shares outstanding at the end of year	**143,639,508**	—
Weighted average number of Dilutive Equity shares at the end of the year	**128,533,227**	—

Note: While computing weighted average number of shares outstanding, equity shares allotted on March 27, 2008 in the Initial Public Offer of the Company has been considered.

10. **Security for loans availed by AEL, REL, VSPL, MNEL, GICL and KBICL**

Secured Loans in the consolidated financial statements comprises following loans of SPVs'.

Particulars	Amount
AEL	1,996,380,000
GICL	1,077,500,000
KBICL	557,500,000
MNEL	3,282,400,000
REL	2,235,860,000
VSPL	886,667,568
PBPL	127,109
Total	10,036,434,677

These loans on the books of project SPV companies are project finance loans, secured principally by the project assets (immovable and movable), project contracts and future cash flow from these projects. The lenders of these projects have a "very limited recourse" to the sponsor, viz. GIPL. This limited recourse to GIPL comes in the form of Corporate Guarantees and/or Comfort Letter provided to cover:

- the difference between outstanding loans and the termination payments receivable by the SPV from clients (in case of termination of the project due to concessionaire's event of default and/or force majeure events).
- the shortfall in payment of annuity due to non-availability of road to traffic, for annuity projects.
- increase in O & M expenses beyond those covered in the Financing Documents, for annuity projects.
- increase in tax payments beyond those covered in the Financing Documents, for annuity projects of REL and AEL.

AEL AND REL:

Term Loans availed from Banks are:

Secured by Legal Mortgage in English Form over immovable properties, both present & future.

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Secured by hypothecation/Charge over:

(a) AEL's/REL's other properties, present or future, both tangible and intangible, whether immovable or movable.

(b) All the rights, title, interest, benefits, claims and demands whatsoever of AEL/REL in, to, under and/in respect of project documents including all Guarantees and Bonds issued/to be issued in terms thereof including the Contractor Warranties, Liquidated damages, Performance Guarantees and Bonds.

(c) All the rights, title, interest, benefits, claims and demands whatsoever of AEL/REL, in, to, under and/in respect of insurance related to or in any manner connected with the Project, both present and future, and all rights, claims and benefits to all monies receivable thereunder and all other claims thereunder.

(d) All the rights , title, interest, benefits, claims and demands whatsoever of AEL/REL, in, to, under and/in respect of Project Accounts and all banks, all amount lying therein or to be credited therein, all proceeds, investment made out of the amounts received and/or lying in the accounts including all assets securities and records, documents and instruments which represents all amounts in the Accounts.

(e) All amounts owing/payable/to and/or received by, AEL/REL and/or by any person on behalf of the AEL/REL including without limitation any payment from NHAI and/or any other person under the project documents or otherwise.

(f) Floating Charges on all other assets of AEL/REL, both present and future, other than assets described above.

(g) Pledge of 51% of equity shares of AEL/REL held by GIL and GIPL.

VSPL

(a) Secured by first charge on the fixed assets and moveable assets of the company.

(b) Secured by hypothecation of moveable assets and receivables of the company.

PBPL

Vehicle loan is secured by hypothecation of car purchased under the scheme from ICICI Bank Ltd.

MNEL

The Senior Loan together with all upfront fee, interest, further interest, additional interest, liquidated damages, premium on prepayment, costs, expenses and other monies whatsoever stipulated in this Agreement ("Secured Obligations") shall be secured by:

(a) a first mortgage and charge on all the Borrower's immovable properties, both present and future;

(b) a first charge by way of hypothecation of all the Borrower's moveables, both present and future;

(c) a first charge on Borrower's Receivables except bonus;

(d) a first charge over all bank accounts of the Borrower;

(e) a first charge on all intangibles of the Borrower including but not limited to goodwill, rights, undertakings and uncalled capital, present and future;

(f) a first charge by way of assignment or otherwise creation of Security Interest in:

  (i) all the right, title, interest, benefits, claims and demands whatsoever of the Borrower in the Project Documents, duly acknowledged and consented to by the relevant counter-parties to such Project Documents to the extent not expressly provided in each such Project Document, all as amended, varied or supplemented from time to time including all guarantees and bonds issued or to be issued in terms thereof;

  (ii) the right, title and interest of the Borrower by way of first charge in, to and under all the Government Approvals;

  (iii) all the right, title, interest, benefits, claims and demands whatsoever of the Borrower in any letter of credit, guarantee including contractor guarantees and liquidated damages and performance bond provided by any party to the Project Documents;

  (iv) all insurance contracts/insurance proceeds;

(g) Pledge of 51% of equity shares held by GIL and GIPL.

GICL AND KBICL

The Loan together with all, interest, additional interest, liquidated damages, premium on pre payment, costs, expenses and other monies whatsoever stipulated in this Agreement ("Secured Obligations") shall be secured by:

(a) a first mortgage and charge on all the Borrower's immovable properties, both present and future;

(b) a first charge by way of hypothecation of all the Borrower's moveables, including current and non-current assets, moveable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, both present and future other than the Project Assets;

(c) a first charge on Borrower's Receivables;

(d) a first charge over all bank accounts of the Borrower including without limitation, the Escrow Account, the Retention Accounts (or any account in substitution thereof) and such Other Bank Accounts that may be opened in terms hereof and of the Project Documents and in all funds from time to time deposited therein and in all Authorised Investments or other securities representing all amounts credited thereto;

(e) a first charge on all intangibles of the Borrower including but not limited to goodwill, rights, undertakings and uncalled capital, present and future;

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(f) a first charge by way of assignment or otherwise creation of Security Interest in:

(i) all the right, title, interest, benefits, claims and demands whatsoever of the Borrower in the Project Documents, duly acknowledged and consented to by the relevant counter-parties to such Project Documents to the extent not expressly provided in each such Project Document, all as amended, varied or supplemented from time to time;

(ii) the right, title and interest of the Borrower by way of first charge in, to and under all the Government Approvals;

(iii) all the right, title, interest, benefits, claims and demands whatsoever of the Borrower in any letter of credit, guarantee including contractor guarantees and liquidated damages and performance bond provided by any party to the Project Documents;

(iv) insurance contracts/ insurance proceeds;

11. **Pledge of Shares**

The Company has pledged the following shares in favour of the lenders to the projects of its subsidiaries as part of the terms of financing agreements entered into by the respective subsidiaries.

Company Name	No. of Equity shares pledged as at		Rate (Rupees)
	March 31, 2008	*March 31, 2007*	
AEL	**9,135,010**	*3,697,560*	10/-
REL	**9,135,010**	*3,697,560*	10/-
MNEL	**16,120,000**	*16,120,000*	10/-
GICL	**9,593,233**	—	10/-
KBICL	**6,281,730**	—	10/-

12. **Contingent Liability**

(a) Group's share in Contingent Liability not provided for in the respect of Jointly Controlled Entities:

Particulars	**March 31, 2008**	*March 31, 2007*
VSPL:		
Bank Guarantees	**15,824,483**	*11,412,257*
Disputed Liquidated Damages	**8,444,453**	*8,444,453*
Others	**8,444,453**	*8,444,453*
GIPL:		
Guarantees	**16,550,000**	—
TOTAL	**49,263,389**	*28,301,163*

(b) Disputed liquidated damages pertain to amounts paid by the VSPL, under dispute to Visakhapatnam Port Trust (VPT). VSPL during the period ended December 31, 2004 received a claim from VPT for liquidated damages aggregating Rs. 20 million, on account of a delay in completion of East Quay (EQ) 8. VSPL is disputing the liquidated damages claim and has paid the claim under protest. The amount paid has been included in 'advances recoverable in cash or kind or for value to be received' under 'loans and advances'.

Discussions between VSPL and VPT are ongoing. The management of VSPL expects to resolve the dispute amicably and obtain a refund of the amount paid. Pending the outcome of the dispute, significant uncertainties exists vis-à-vis the ultimate refund of the amounts paid under protest. Hence the management has not considered a provision for the amounts paid and included under advances recoverable in these financial statements.

(c) Contingent Liability includes an amount of Rs. 177,699,900 claimed by the Collector and District Registrar, Rajahmundry, pursuant to and Order dated March 15, 2005, as deficit stamp duty payable on the Concession Agreement entered into between REL and National Highway Authority of India ('NHAI'), classifying the Concession Agreement as a 'lease' under Article 31(d) of the Indian Stamp Act. REL has impugned the Order by way of a writ petition before the High Court of Andhra Pradesh at Hyderabad. No provision is considered necessary in respect of the said demand, as the management believes that there is no contravention of the Indian Stamp Act.

(d) Disputed tax liabilities, in appeal in the case of AEL, is Rs. 32,283,712. Of this, an amount of Rs. 22,788,078 has been deposited by AEL.

13. **Commitments**

Capital commitments

The total capital commitment as on March 31, 2008 is Rs. 20,902,200,000. Total capital commitment as on March 31, 2007 was Rs. 10,425,877,416. The capital commitments are in respect of projects where the concession agreements have been signed and does not include projects where only Letters of Intents are held.

Export obligations

Particulars	**March 31, 2008**	*March 31, 2007*
VSPL:		
Under EPCG Scheme	**—**	*72,028,191*

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

14. **Segment reporting**

The Company's operations' constitutes a single business and geographical segment of "Infrastructure Development "as per AS 17.

15. **Employees Stock Options Scheme ('ESOP')**

The Company has instituted an ESOP Scheme during the year which was approved by the shareholders vide their resolution dated May 4, 2007. The Board of Directors of the Company has granted 1,640,000 stock options to its employees pursuant to the ESOP Scheme on July 1, 2007 and October 1, 2007. Each options entitles an employee to subscribe to 1 equity share of the Company at an exercise price of Rs. 80 per share.

The following options vest in a graded manner over a period of three to four years and are exercisable for a period of 2 years from vesting as described below.

Options granted on July 1, 2007

Vesting Date	No. of Options	Exercise Period	Intrinsic Value (Rs.)	Fair Value (Rs.)
(1)	(2)	(3)	(5)	(4)
July 1, 2008	352,250	01.07.08 to 30.06.10	19.00	41.54
July 1, 2009	421,750	01.07.09 to 30.06.11	19.00	48.68
July 1, 2010	410,250	01.07.10 to 30.06.12	19.00	54.59
July 1, 2011	430,750	01.07.11 to 30.06.13	19.00	59.62
	1,615,000			

Options granted on October 1, 2007

Vesting Date	No. of Options	Exercise Period	Intrinsic Value (Rs.)	Fair Value (Rs.)
(1)	(2)	(3)	(4)	(5)
July 1, 2009	5,000	01.07.09 to 30.06.11	44.00	67.12
July 1, 2010	10,000	01.07.10 to 30.06.12	44.00	73.58
July 1, 2011	10,000	01.07.11 to 30.06.13	44.00	79.24
	25,000			

The Company was an unlisted company at the date of grant and the intrinsic value was determined on the basis of an independent valuation by following the price to Net Asset Value (NAV) method. The intrinsic value and the fair value as determined by the independent valuer are given in the above table.

Under this method, compensation expense equals the intrinsic value of the option which is recorded is amortised over the vesting period of the option. The intrinsic value is the excess of the value of the underlying stock as determined by the independent valuer over the exercise price at the measurement date, which typically is the grant date.

The fair value of 1,540,000 options granted on July 1, 2007 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

(a)	Risk free interest rate	7.49%
(b)	Expected Dividend yield	—
(c)	Expected life of the option	2 to 5 years
(d)	Expected Volatility of Share price	51%

Similarly, the fair value of 25,000 options granted on October 1, 2007 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

(a)	Risk free interest rate	7.77% (3 years maturity)
		7.71% (4 years maturity)
		7.81% (5 years maturity)
(b)	Expected Dividend yield	—
(c)	Expected life of the option	2.75 to 4.75 years
(d)	Expected Volatility of Share price	51%

The Company's stock option activity for the period ended March 31, 2008 is presented below:

Particulars	Shares arising from options	Weighted average exercise price
Outstanding at the beginning of the period	—	—
Granted	1,640,000	80
Exercised	—	—
Forfeited	75,000	80
Outstanding at the end of the period	1,565,000	80

There were 75,000 options which were forfeited during the period. Further, none of the 1,565,000 options granted are exercisable as at March 31, 2008.

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

All the above options have an exercise price of Rs. 80 per share and have a weighted average remaining contractual life of 3.55 years.

Had compensation cost been determined in accordance with the fair value approach described in the Guidance Note, the Company's net profit for the year ended March 31, 2008 as reported would have changed to amounts indicated below:

Particulars	Rupees
Net Income as reported	186,495,610
Add: Stock based compensation expense included in the reported income	11,353,039
Less: Stock based compensation expenses determined using fair value of options	28,404,237
Net profit (adjusted)	169,444,412
Basic earnings per share as reported	1.45
Basic earnings per share (adjusted)	1.32
Diluted earnings per share as reported	1.45
Diluted earnings per share (adjusted)	1.31

16. **Employee benefits**

From the April 1, 2007, the revised AS-15 (Employee Benefits) is applicable to the group. The current year being the first year of adoption of AS-15 (Revised) by the Company, previous year information has not been furnished.

The ICAI has issued a limited revision to AS-15 (revised) which allows an entity to make disclosures required by paragraph 120(n) of AS 15 (revised) prospectively from the transition date and also provides an option to charge the additional defined benefit liability arising upon the first application of AS-15 (revised) as an expense over a period upto 5 years, instead of adjusting the entire increase in liability to opening reserves. The limited revision has not yet been incorporated in AS 15 notified under Companies (Accounting Standard) Rules, 2006. The Company expects that the limited revision will be incorporated in the notified standards shortly.

Accordingly, the Company has not provided the disclosures required by paragraph 120(n) in respect of its defined retirement benefits. The Company does not have any additional defined benefit liability arising upon the first application of AS 15 (revised).

Gratuity

Gratuity is a defined benefit plan under which employees are entitled to receive gratuity calculated based on the number of years of their service and their last drawn salary at the time of retirement

The following table summarises the components of net benefit expense recognized in the profit and loss account and amounts recognized in the balance sheet.

Particulars	**Year ended March 31, 2008**
Net employee benefit expense (recognised in personnel costs)	
Current Service Cost	**343,346**
Interest Cost	**48,877**
Actuarial loss	**836,451**
Total	**1,228,674**

The provision for gratuity at March 31, 2008 and March 31, 2007 aggregates Rs. 1,307,921 and Rs. 447,909 respectively.

The changes in the present value of the defined benefit obligation are as follows:

Particulars	Rupees
Defined benefit obligation, at March 31, 2007	523,478
Current service Cost	343,346
Interest Cost	48,877
Actuarial loss	836,451
Less: Benefit Paid	444,231
Defined benefit obligation, at March 31, 2008	1,307,921

The group's gratuity obligation is fully unfunded. Hence currently, the Company does not expect to contribute any amounts to its gratuity plan in the next annual period.

The principal assumptions used in determining the gratuity obligations are as follows:

Discount rate	8%
Expected rate of return on plan assets	Not applicable
Expected rate of salary increase	5% to 7%
Attrition rate	2%
Retirement age	60 years

The estimates of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

SCHEDULE 18: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

17. **Related party transactions**

(a) **Relationships:**

Entity Where Control Exists: Holding Company of the Group:

Gammon India Limited

Associates:

Eversun Sparkle Maritimes Services Pvt. Limited

Associated Transrail Structure Limited

ATSL Infrastructure Projects Limited

Modern Toll Roads Limited.

Key Management Personnel and Relatives:

Mr. Abhijit Rajan

Mr. Parvez Umrigar

(b) **Related Party Transactions:**

(Please refer to Annexure 1 for Related party transactions)

18. **Derivative Instruments and Unhedged Foreign Currency Exposure**

There are no derivative instruments outstanding as at March 31, 2008. There is unhedged foreign currency exposure of US $ 212,027 (Rs. 8,485,359) of liability outstanding as at March 31, 2008 which is included in Sundry Creditors for share issue expenses under the Schedule for Current Liabilities.

19. **Prior period comparatives**

The previous period figures are however regrouped/reclassified to facilitate limited comparability.

As per our report of even date

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner
Membership No. : 40441

Place : Mumbai
Date : May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

per Amit Majmudar
Partner
Membership No. : 36656

For and on behalf of the Board of Directors of Gammon Infrastructure Projects Limited

Parvez Umrigar	Managing Director
Himanshu Parikh	Director
Sathis Chandran	Company Secretary

ANNEXURE-1

(All amounts in Indian Rupees)

RELATED PARTY TRANSACTIONS:

Transactions	Holding Company	Associates	Key Management Personnel	Total
Operations & Maintenance Income:				
– Gammon India Ltd.	**143,020,096** *(143,416,064)*	**—** *(—)*	**—** *(—)*	**143,020,096** *(143,416,064)*
Other Operating Income:				
– Gammon India Ltd.	**9,000,000** *(—)*	**—** *(—)*	**—** *(—)*	**9,000,000** *(—)*
Operations & Maintenance Expenses:				
– Gammon India Ltd.	**143,020,096** *(136,126,874)*	**—** *(—)*	**—** *(—)*	**143,020,096** *(136,126,874)*
Contract Expenditure:				
– Gammon India Ltd.	**3,528,382,718** *(1,498,323,466)*	**—** *(—)*	**—** *(—)*	**3,528,382,718** *(1,498,323,466)*
Advances given against EPC contracts:				
– Gammon India Ltd.	**926,810,460** *(545,944,750)*	**—** *(—)*	**—** *(—)*	**926,810,460** *(545,944,750)*
Advances recovered against EPC contracts:				
– Gammon India Ltd.	**391,385,820** *(182,474,640)*	**—** *(—)*	**—** *(—)*	**391,385,820** *(182,474,640)*
Advance received for purchase of equity shares:				
– Modern Tollroads Ltd.	**—** *(—)*	**26,520,000** *(—)*	**—** *(—)*	**26,520,000** *(—)*
Purchase of Intangible Asset:				
– Gammon India Ltd.	**—** *(250,000,000)*	**—** *(—)*	**—** *(—)*	**—** *(250,000,000)*
Rent Paid:				
– Gammon India Ltd.	**1,200,000** *(1,200,000)*	**—** *(—)*	**—** *(—)*	**1,200,000** **(1,200,000)**
Share Application Money paid:				
– Modern Tollroads Ltd.	**—** *(—)*	**12,994,800** *(—)*	**—** *(—)*	**12,994,800** *(—)*
– Gorakhpur Infrastructure Co. Ltd.	**—** *(—)*	**—** *(400,000)*	**—** *(—)*	**—** *(400,000)*
Purchase of Investments:				
– Gammon India Ltd.	**10,245,900** *(—)*	**—** *(—)*	**—** *(—)*	**10,245,900** *(—)*
– Associated Transrail Structures Ltd.	**—** *(—)*	**1,004,500** *(—)*	**—** *(—)*	**1,004,500** *(—)*
Sale of Investments:				
– Modern Tollroads Ltd.	**—** *(—)*	**—** *(—)*	**—** *(—)*	**—** *(—)*
Share Application Money Received:				
– Gammon India Ltd.	**210,676,670** *(—)*	**—** *(—)*	**—** *(—)*	**210,676,670** *(—)*
– Associated Transrail Structures Ltd.	**—** *(—)*	**19,771,990** *(—)*	**—** *(—)*	**19,771,990** *(—)*

ANNEXURE-1

(All amounts in Indian Rupees)

RELATED PARTY TRANSACTIONS:

Transactions	Holding Company	Associates	Key Management Personnel	Total
Refund received against Share Application Money Paid/Conversion into equity:				
– Gammon India Ltd.	**211,307,579** *(—)*	**—** *(—)*	**—** *(—)*	**211,307,579** *(—)*
– Associated Transrail Structures Ltd.	**—** *(—)*	**19,771,990** *(—)*	**—** *(—)*	**19,771,990** *(—)*
Insurance Claims received:				
– Gammon India Ltd.	**3,941,595** *(2,987,142)*	**—** *(—)*	**—** *(—)*	**3,941,595** *(2,987,142)*
Insurance Claims paid:				
– Gammon India Ltd.	**3,941,595** *(2,987,142)*	**—** *(—)*	**—** *(—)*	**3,941,595** *(2,987,142)*
Managerial Remuneration:				
– Mr. Parvez Umrigar	**—** *(—)*	**—** *(—)*	**8,406,284** *(3,845,659)*	**8,406,284** *(3,845,659)*
Gross value of stock options issued to:				
– Mr. Parvez Umrigar	**—** *(—)*	**—** *(—)*	**11,400,000** *(—)*	**11,400,000** *(—)*
Amortization of options issued to:				
– Mr. Parvez Umrigar	**—** *(—)*	**—** *(—)*	**4,845,000** *(—)*	**4,845,000** *(—)*
Finance provided (including Loans and Equity contribution in cash or in kind):				
– Modern Toll Road	**—** *(—)*	**244,700** *(—)*	**—** *(—)*	**244,700** *(—)*
– ATSL Infrastructure Projects Ltd.	**—** *(—)*	**244,500** *(—)*	**—** *(—)*	**244,500** *(—)*
– Associated Transrail Structures Ltd.	**—** *(—)*	**665,000,000** *(382,500,000)*	**—** *(—)*	**665,000,000** *(382,500,000)*
Finance provided for expenses and on account payments:				
– Gammon India Ltd.	**3,750,812** *(828,249)*	**—** *(—)*	**—** *(—)*	**3,750,812** *(828,249)*
– Modern Toll Road	**—** *(—)*	**47,771** *(—)*	**—** *(—)*	**47,771** *(—)*
– ATSL Infrastructure Projects Ltd.	**—** *(—)*	**19,585** *(—)*	**—** *(—)*	**19,585** *(—)*
Amount liquidated towards the above finance:				
– Gammon India Ltd.	**2,209,548** *(9,750)*	**—** *(—)*	**—** *(—)*	**2,209,548** *(9,750)*
– Associated Transrail Structures Ltd.	**—** *(—)*	**595,000,000** *(212,500,000)*	**—** *(—)*	**595,000,000** *(212,500,000)*
Interest income during the period:				
– Associated Transrail Structures Ltd.	**—** *(—)*	**22,647,350** *(4,476,988)*	**—** *(—)*	**22,647,350** *(4,476,988)*
Finance received (including Loans and Equity contribution in cash or in kind):				
– Gammon India Ltd.	**561,546,590** *(—)*	**—** *(—)*	**—** *(—)*	**561,546,590** *(—)*
– Associated Transrail Structures Ltd.	**—** *(—)*	**19,771,990** *(—)*	**—** *(—)*	**19,771,990** *(—)*

ANNEXURE-1

(All amounts in Indian Rupees)

RELATED PARTY TRANSACTIONS:

Transactions	Holding Company	Associates	Key Management Personnel	Total
Finance received for expenses & on account payments:				
– Gammon India Ltd.	**53,250,710** *(43,602,113)*	**—** *(—)*	**—** *(—)*	**53,250,710** *(43,602,113)*
– Associated Transrail Structures Ltd.	**—** *(—)*	**—** *(173,394)*	**—** *(—)*	**—** *(173,394)*
Amount liquidated towards the above finance:				
– Gammon India Ltd.	**179,374,676** *(61,630,683)*	**—** *(—)*	**—** *(—)*	**179,374,676** *(61,630,683)*
– Associated Transrail Structures Ltd.	**—** *(—)*	**—** *(173,394)*	**—** *(—)*	**—** *(173,394)*
Interest paid during the period:				
– Gammon India Ltd.	**9,141,163** *(—)*	**—** *(—)*	**—** *(—)*	**9,141,163** *(—)*
Deposit towards purchase of Beneficial Interest of equity shares:				
– Gammon India Ltd.	**243,991,370** *(—)*	**—** *(—)*	**—** *(—)*	**243,991,370** *(—)*
Purchase of Beneficial Interest of equity shares:				
– Mr. Abhijit Rajan	**—** *(—)*	**—** *(—)*	**—** *(—)*	**—** *(—)*
– Parvez Umrigar	**—** *(—)*	**—** *(—)*	**—** *(20)*	**—** *(20)*
Guarantee & Collaterals O/s:				
– Gammon India Ltd.	**16,550,000** *(—)*	**—** *(—)*	**—** *(—)*	**16,550,000** *(—)*
Retention Money recovered:				
– Gammon India Ltd.	**205,111,903** *(—)*	**—** *(—)*	**—** *(—)*	**205,111,903** *(—)*
Retention Money refunded:				
– Gammon India Ltd.	**175,102,620** *(—)*	**—** *(—)*	**—** *(—)*	**175,102,620** *(—)*
Refund received of Margin Money Deposit kept:				
– Gammon India Ltd.	**—** *(9,438,488)*	**—** *(—)*	**—** *(—)*	**—** *(9,438,488)*
Outstanding Balances Receivable:				
– Gammon India Ltd.	**605,272,826** *(360,595,173)*	**—** *(—)*	**—** *(—)*	**605,272,826** *(360,595,173)*
– Associated Transrail Structures Ltd.	**—** *(—)*	**150,139,849** *(170,000,000)*	**—** *(—)*	**150,139,849** *(170,000,000)*
– ATSL Infrastructure Projects Ltd.	**—** *(—)*	**36,785** *(—)*	*(—)*	**36,785** *(—)*
– Modern Toll Road	**—** *(—)*	**48,271** *(—)*	**—** *(—)*	**48,271** *(—)*

(Previous period's figures are shown in brackets)

Auditors' Report

To
The members of
Gammon Infrastructure Projects Limited

We have audited the attached Balance Sheet of **Gammon Infrastructure Projects Limited** as at March 31, 2008 and the related Profit and loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 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.

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

Further to our comments in the Annexure referred to above, we report that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

(ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books.

(iii) The Balance Sheet, Profit and loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

(iv) In our opinion, the Balance Sheet, 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 Companies Act, 1956.

(v) On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of Clause (g) of Sub-section (1) of section 274 of the Companies Act, 1956.

(vi) In our opinion and to the best of our information and according to the explanations given to us, the accounts and the other notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view.

   (a) in the case of Balance Sheet of the state of affairs of the Company as at March 31, 2008 and;

   (b) in the case of Profit and loss Account of the profit for the year ended on that date;

   (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
(Partner)
M. No. 40441

Mumbai, Dated : May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

Amit Majmudar
(Partner)
M. No. 36656

Mumbai, Dated : May 21, 2008

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

(b) The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification;

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and as per the report of the site auditors provided to us, no material discrepancies were noticed on such verification.

(iii) (a) The Company has taken a loan from a party covered in the Register maintained under Section 301 of the Companies Act 1956. The maximum balance outstanding during the year and the balance of the loan outstanding at year end is Rs. 29,30,00,000/- . In our opinion and according to the information and explanations given to us, the rate of interest and terms and conditions of the loans are not prima facie prejudicial to the interests of the company.

(b) The loan taken is re-payable on demand. As informed, the lender has not demanded repayment during the year, thus, there has been no default on the part of the Company. The payment of interest has been regular

(c) 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 Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the rendering of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements entered into during the financial year and exceeding the value of Rupees five lakhs, because of the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public during the year under review, and consequently the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under are not applicable.

(vii) The Company has an internal audit system, *the scope and coverage of which, in our opinion requires to be enlarged to be commensurate with the size and nature of its business.*

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.

(a) The Company is generally regular in depositing Provident Fund, Income tax and service tax dues with the appropriate authorities *though there has been a slight delay in a few cases.* The provisions of the investor education and protection fund, employees' state insurance, sales-tax, customs duty and excise duty are not applicable to the Company.

(b) According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they became payable *except in one case of tax deducted at source amounting to Rs. 45,68,055 which was since paid* after the balance sheet date.

(c) According to the information and explanations given to us there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

(x) The Company does not have any accumulated losses at March 31, 2008 and has not incurred cash losses in current year and the previous year.

(xi) The Company does not have any borrowings from banks and Financial institutions and therefore clause (xi) of para 4 of the Order is not applicable.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society and accordingly clause (xiii) of para 4 of the Order is not applicable.

(xiv) The Company has maintained proper records of securities and other investments, held as investments and the said investments are in the name of the company except as detailed in Note No. C (a) to C (c) of the notes to the financial statements.

(xv) According to the information and explanations given to us the Company has not given guarantee for loans taken by others from bank or financial institutions.

(xvi) The Company has not taken any term loans and therefore clause (xvi) of para 4 of the Order is not applicable.

(xvii) According to the information and explanations given to us and on an over all examination of the Balance Sheet of the Company and the necessary representations from the management, we report that the Company has *applied short term funds being the borrowings from the holding company amounting to Rs. 29.30 crores which is repayable on demand towards long term purposes.* The Company has made a public issue the proceeds of which we are informed by the management would be used to repay the borrowing from the holding company.

(xviii) The Company has not made any preferential allotment of shares during the year to parties covered in the Register maintained under section 301 of the Act and therefore clause (xviii) of the said Order is not applicable.

(xix) The Company has not issued any debentures and accordingly clause (xix) of the said Order is not applicable.

(xx) The Company has during the year raised money by way of an initial public offering during the year. The amounts collected by the Company are held in an escrow account at March 31, 2008 and disclosed in the financial statements.

(xxi) Based on the audit procedures performed and the information and explanations given by the management we report that no fraud on or by the company has been noticed or reported during the year.

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
(Partner)
M. No. 40441

Mumbai, Dated : May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

Amit Majmudar
(Partner)
M. No. 36656

Mumbai, Dated : May 21, 2008

BALANCE SHEET AS AT MARCH 31, 2008

(All amounts in Indian Rupees)

	Schedule No.	As At March 31, 2008		As At March 31, 2007	
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1	1,420,745,077		1,280,000,000	
Employee Stock Options outstanding	2	11,353,039		—	
Reserves and Surplus	3	3,275,534,433		1,139,992,133	
			4,707,632,549		2,419,992,133
Unsecured Loans	4		293,000,000		—
Deferred Tax Liability (Net)			24,246,537		15,056,479
[refer note C (4) of schedule 19]					
TOTAL			5,024,879,086		2,435,048,612
APPLICATION OF FUNDS					
Fixed Assets (Net)	5				
Gross Block		261,313,613		260,148,131	
Accumulated Depreciation and Amortisation		38,107,680		18,875,018	
Net Block			223,205,933		241,273,113
Investments	6		2,461,693,323		1,719,817,661
Current Assets, Loans and Advances					
Inventories	7	1,361,366		2,750,225	
Sundry Debtors	8	37,682,999		47,222,641	
Cash and Bank Balances	9	2,416,372,221		291,144,373	
Loans and Advances	10	67,497,024		209,014,814	
(A)		2,522,913,610		550,132,053	
***Less:* Current Liabilities and Provisions**					
Current Liabilities	11	173,283,360		40,520,871	
Provisions	12	9,650,420		35,653,344	
(B)		182,933,780		76,174,215	
Net Current Assets (A-B)			2,339,979,830		473,957,838
TOTAL			5,024,879,086		2,435,048,612
NOTES TO THE FINANCIAL STATEMENTS	19				

The schedules referred to above form an integral part of these financial statements.

As per our report of even date.

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner

Membership No: 40441

Mumbai

Date: May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

Per Amit Majmudar
Partner

Membership No: 36656

For and on behalf of the Board of Directors of
Gammon Infrastructure Projects Limited

Abhijit Rajan	Chairman & Managing Director
Parvez Umrigar	Managing Director
Himanshu Parikh	Directors
C. C. Dayal	
Naresh Chandra	
S. C. Tripathi	
Sathis Chandran	Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

(All amounts in Indian Rupees)

	Schedule No.	Year Ended March 31, 2008		*Year Ended March 31, 2007*	
INCOME					
Turnover	13	**266,976,780**		*193,159,472*	
Other Income	14	**8,191,855**		*43,935,467*	
			275,168,635		*237,094,939*
EXPENDITURE					
Operating & Maintenance Expenses	15	**43,073,629**		*28,034,411*	
Establishment Expenses	16	**31,490,205**		*21,088,540*	
Personnel Cost	17	**53,425,937**		*23,221,707*	
Finance Costs	18	**9,739,731**		*278,243*	
Depreciation and Amortisation	5	**19,277,460**		*18,815,619*	
			157,006,962		*91,438,520*
PROFIT BEFORE TAX			**118,161,673**		*145,656,419*
Less: Provision for Taxation					
Current Tax		**38,100,000**		*35,500,000*	
Deferred Tax		**9,190,058**		*14,990,080*	
Fringe Benefit Tax		**600,000**		*340,105*	
			47,890,058		*50,830,185*
PROFIT AFTER TAX			**70,271,615**		*94,826,234*
Less: Short Provision for Tax of earlier years			**520,726**		*25,943,942*
NET PROFIT FOR THE YEAR			**69,750,889**		*68,882,292*
Add: Balance beginning of the year			**142,210,910**		*73,328,618*
BALANCE CARRIED TO THE BALANCE SHEET			**211,961,799**		*142,210,910*
Earnings Per Share [refer note no. C (5) of Schedule 19]					
Basic			**0.54**		*0.54*
Diluted			**0.54**		*0.54*
Weigthed Average No. of Equity Shares Outstanding			**128,192,801**		*128,000,000*
Weighted Average of Potential Dilutive equity shares			**128,497,228**		*—*
Nominal Value of Equity Shares in Rupees			**10**		*10*
NOTES TO THE FINANCIAL STATEMENTS	19				

The schedules referred to above form an integral part of these financial statements.

As per our report of even date.

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner
Membership No: 40441
Mumbai
Date: May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

Per Amit Majmudar
Partner
Membership No: 36656

For and on behalf of the Board of Directors of Gammon Infrastructure Projects Limited

Abhijit Rajan — Chairman & Managing Director
Parvez Umrigar — Managing Director
Himanshu Parikh, C. C. Dayal, Naresh Chandra, S. C. Tripathi — Directors
Sathis Chandran — Company Secretary

CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2008

(All amounts in Indian Rupees)

	Year Ended March 31, 2008		Year Ended March 31, 2007	
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before Tax and extraordinary items		118,161,673		145,656,419
Adjustments for:				
Depreciation & Ammortisation	19,277,460		18,815,619	
Dividend Income	(729,807)		(1,133,082)	
Interest (Net)	5,620,710		(39,537,000)	
Employee Stock Options	11,353,039		—	
Provision dues from joint ventures	—		938,441	
Assets Scrapped	108,483		—	
Advances paid to staff written off	4,192		—	
		35,634,077		(20,916,022)
Operating Profit before Working Capital Changes		153,795,750		124,740,397
Adjustments for:				
Trade and Other Receivables	(14,371,209)		(5,135,071)	
Inventories	1,388,859		(2,750,225)	
Trade Payables & Working Capital Finance	(19,036,560)		(8,887,335)	
		(32,018,910)		(16,772,631)
CASH GENERATED FROM THE OPERATIONS		121,776,840		107,967,766
Direct Taxes paid		(67,825,009)		(26,767,391)
NET CASH FROM OPERATING ACTIVITIES		53,951,831		81,200,375
B. CASH FLOW FROM INVESTMENT ACTIVITIES:				
Purchase of Fixed Assets	(1,318,763)		(257,134,695)	
Investments				
Subscription to:				
Gorakhpur Infrastructure Company Limited	(247,861,330)		(195,000)	
Kosi Bridge Infrastructure Company Limited	(173,395,590)		(245,000)	
Mumbai Nasik Expressway Limited	—		(415,600,000)	
Gammon Logistics Limited	(499,400)		—	
Punjab Biomass Power Limited	(2,000,000)		(30,500,060)	
Haryana Biomass Power Limited	(499,940)		—	
Marine Project Services Limited	(499,400)		—	
Tidong Hydro Power Limited	(499,940)		—	
ATSL Infrastructure Projects Limited	(244,500)		—	
Indira Container Terminal Pvt Limited	(78,628,320)		—	
Modern Tollroads Limited	(244,700)		—	
SEZ Adityapur Limited	—		(190,000)	
Eversun Sparkle Maritime Services Limited	—		(10,719,750)	
Purchase consideration comprising entirely cash and cash equivalents) for the acquisition of following subsidiaries:				
Gorakhpur Infrastructure Company Limited	(6,127,450)		—	
Kosi Bridge Infrastructure Company Limited	(5,122,950)		—	
Gammon Projects Developers Limited	—		(700)	
Purchase of Other Investments:				
Mutual Fund Units	(10,000,000)		(50,514,348)	
Sale of Investments:				
Mutual Fund Units	20,514,348		40,000,000	
Intercorporate Deposits:				
Granted	(70,005,000)		(303,970,000)	
Refunds received	240,005,000		130,078,000	
Advances to Subsidiaries	5,207,115		1,187,672	
Advances to Other Companies	(12,010,058)		(1,852,100)	
Deposit for acquistion of controlling interest in GICL and KBICL	(158,810,690)		—	
Share Application Money Pending Allotment	(77,955,800)		398,151,750	
Advances received for sale of shares	26,520,000		—	
Interest received	5,747,845		30,307,086	
Dividend received	729,807		1,133,082	
Net Cash (used for) Investing Activities		(546,999,716)		(470,064,063)

(All amounts in Indian Rupees)

	Year Ended March 31, 2008		Year Ended March 31, 2007	
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from Initial Public Offer of equity shares	**2,377,673,203**		—	
Proceeds from borrowings	**293,000,000**		—	
Interest Paid	**(9,141,163)**		*(278,243)*	
Share Issue Expenses	**(43,256,307)**		*(2,462,984)*	
Net Cash from/(used for) Financing Activities		**2,618,275,733**		*(2,741,227)*
NET DECREASE IN CASH AND CASH EQUIVALENTS		**2,125,227,848**		*(391,604,915)*
Closing Balances		**2,416,372,221**		*291,144,373*
Opening Balances		**291,144,373**		*682,749,288*
NET DECREASE IN CASH AND CASH EQUIVALENTS		**2,125,227,848**		*(391,604,915)*
Note: Figures in brackets denote outflows.				
Components of Cash and Cash Equivalents				
Cash and Cheques on hand		**161,456**		*15,577*
With Banks:				
On Current Account		**38,537,562**		*20,824,812*
On Escrow Account – IPO Proceeds		**2,377,673,203**		—
On Deposit Account		**—**		*270,303,984*
		2,416,372,221		*291,144,373*

As per our report of even date.

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner
Membership No: 40441
Mumbai
Date: May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

Per Amit Majmudar
Partner
Membership No: 36656

For and on behalf of the Board of Directors of
Gammon Infrastructure Projects Limited

Abhijit Rajan	Chairman & Managing Director
Parvez Umrigar	Managing Director
Himanshu Parikh	Directors
C. C. Dayal	
Naresh Chandra	
S. C. Tripathi	
Sathis Chandran	Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

(All amounts in Indian Rupees)

	As at March 31, 2008		*As at March 31, 2007*	
SCHEDULE '1': SHARE CAPITAL				
Authorised:				
200,000,000 *(Previous year: 200,000,000)* Equity shares of Rs. 10/- each		2,000,000,000		*2,000,000,000*
		2,000,000,000		*2,000,000,000*
Issued and Subscribed:				
144,550,000 *(Previous Year: 128,000,000)* Equity Shares of Rs. 10/- each	1,445,500,000		*1,280,000,000*	
[Out of the above **105,600,000** *(Previous Year: 105,600,000)* Equity shares of Rs. 10/- each fully paid held by Gammon India Limited – the holding Company and 4,480,000 (Previous year Nil) equity shares of Rs. 10/- each are held by Gammon Cooling Towers Limited, a wholly owned subsidiary of Gammon India Limited]				
Less: Amount receivable on allotment of equity shares [refer Note C(3) of Schedule 19]	24,754,923		—	
		1,420,745,077		*1,280,000,000*
The Company has issued employee stock options to employees during the year ended March 31, 2008 [refer Note C(17) of Schedule 19]. At March 31, 2008 1,565,000 options (March 31, 2007: Nil) are issued and outstanding.				
		1,420,745,077		*1,280,000,000*
SCHEDULE '2': EMPLOYEE STOCK OPTIONS OUTSTANDING				
Employee stock option outstanding		30,360,000		—
Less: Deferred Employee compensation outstanding		19,006,961		—
For details of Stock Options Outstanding [Refer Note C(17) of Schedule 19]				
		11,353,039		—
SCHEDULE '3': RESERVES AND SURPLUS				
Security Premium, beginning of the year		997,781,223		*1,000,244,207*
Add: Security Premium on equity shares through the Initial Public Offer	2,598,350,000		—	
Less: Amount receivable on allotment of equity shares [Refer Note C(3) of Schedule 19]	361,421,874		—	
	2,236,928,126		—	
Less: Share issue expenses (relating to prior period)	10,816,209		—	
Less: Share issue expenses during the year	160,320,506		*2,462,984*	
		2,065,791,411		*(2,462,984)*
Security premium, end of the year		3,063,572,634		*997,781,223*
Profit & Loss Account balance		211,961,799		*142,210,910*
		3,275,534,433		*1,139,992,133*

(All amounts in Indian Rupees)

	As at March 31, 2008	*As at March 31, 2007*
SCHEDULE '4': Unsecured Loans		
Intercorporate Loan received from Holding Company (repayable on demand)	**293,000,000**	—
	293,000,000	—

(All amounts in Indian Rupees)

SCHEDULE '5':

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION/AMORTISATION				NET BLOCK	
	As on 01.4.2007	Additions during the year	Deletions during the year	**As on 31.03.2008**	*Upto 31.03.2007*	For the year	Deletions for the year	**Upto 31.03.2008**	**As on 31.03.2008**	*As on 31.03.2007*
TANGIBLE ASSETS:										
Office Equipments	*824,561*	270,795	75,675	**1,019,681**	*55,049*	52,557	19,388	**88,218**	**931,463**	*769,512*
Furniture & Fixtures	*4,383,151*	71,186	77,606	**4,376,731**	*206,400*	278,985	25,410	**459,975**	**3,916,756**	*4,176,751*
Computers	*1,191,873*	432,740	—	**1,624,613**	*142,521*	244,221	—	**386,742**	**1,237,871**	*1,049,352*
Motor Cars	*3,748,546*	544,042	—	**4,292,588**	*188,139*	368,698	—	**556,837**	**3,735,751**	*3,560,407*
TOTAL	*10,148,131*	1,318,763	153,281	**11,313,613**	*592,109*	944,461	44,798	**1,491,772**	**9,821,841**	*9,556,022*
INTANGIBLE ASSET:										
Purchase of O&M Rights	*250,000,000*	—	—	**250,000,000**	*18,282,909*	18,332,999	—	**36,615,908**	**213,384,092**	*231,717,091*
	250,000,000	—	—	**250,000,000**	*18,282,909*	18,332,999	—	**36,615,908**	**213,384,092**	*231,717,091*
GRAND TOTAL	*260,148,131*	1,318,763	153,281	**261,313,613**	*18,875,018*	19,277,460	44,798	**38,107,680**	**223,205,933**	*241,273,113*
Previous year	*3,013,436*	*257,134,695*	–	*260,148,131*	*59,399*	*18,815,619*	—	*18,875,018*	*241,273,113*	

	As at March 31, 2008	*As at March 31, 2007*
SCHEDULE '6' : Investments		
Long term Investments unless otherwise stated:		
Trade Investments, in Subsidiary Companies:		
(Fully paid-up unless otherwise stated)		
Ordinary Shares: (Unquoted) of Rs. 10/- each		
14,210,000 *(Previous Year: 14,210,000)* Andhra Expressway Limited	**177,032,800**	*177,032,800*
6,250,070 *(Previous Year: 6,250,070)* Cochin Bridge Infrastructure Company Limited	**62,500,700**	*62,500,700*
50,000 *(Previous Year: 50,000)* Gammon Projects Developers Limited	**500,000**	*500,000*
25,418,378 *(Previous year: 19,500)* Gorakhpur Infrastructure Company Limited*	**254,183,780**	*195,000*
17,876,354 *(Previous year: 24,500)* Kosi Bridge Infrastructure Company Limited*	**178,763,540**	*245,000*
41,595,000 *(Previous year: 41,595,000)* Mumbai Nasik Expressway Limited	**415,950,000**	*415,950,000*
14,210,000 *(Previous Year: 14,210,000)* Rajahmundry Expressway Limited	**178,175,200**	*178,175,200*
50,000 *(Previous Year: 50,000)* Sikkim Hydro Power Ventures Limited	**500,000**	*500,000*
49,940 *(Previous Year: Nil)* Gammon Logistics Limited (formerly Gammon Road Developers Ltd.)	**499,400**	—
Carried Forward	**1,268,105,420**	*835,098,700*

(All amounts in Indian Rupees)

	As at March 31, 2008		*As at March 31, 2007*	
Brought Forward	**1,268,105,420**		*835,098,700*	
SCHEDULE '6' : Investments (Contd.)				
Trade Investments in Subsidiary Companies (Contd.)				
49,940 *(Previous Year: Nil)* Marine Project Services Limited	**499,400**		—	
49,994 *(Previous Year: Nil)* Tidong Hydro Power Limited	**499,940**		—	
49,994 *(Previous Year: Nil)* Haryana Biomass Power Limited	**499,940**		—	
		1,269,604,700		*835,098,700*
Acquisition of Controlling Interest in Equity Shares from Gammon India Limited, of [Refer Note No. C(1) (a) and (b) of Schedule 19]				
Rajahmundry Expressway Limited	**163,618,800**		*163,618,800*	
Andhra Expressway Limited	**164,761,200**		*164,761,200*	
Gorakhpur Infrastructure Company Limited	**95,969,230**		—	
Kosi Bridge Infrastructure Company Limited	**62,841,460**		—	
		487,190,690		*328,380,000*
Investments in Jointly Controlled Entities/Associates:				
(Fully paid-up unless otherwise stated)				
Ordinary Shares: (Unquoted) of Rs. 10/- each, unless otherwise stated				
33,436,347 *(Previous Year: 33,436,347)* Vizag Seaport Private Limited	**334,831,837**		*334,831,837*	
2,750,000 *(Previous Year: 750,000)* Punjab Biomass Power Limited of Re. 1/- each	**32,750,000**		*30,750,000*	
2,143,950 *(Previous year: 2,143,950)* Eversun Sparkle Maritimes Services Pvt. Limited	**21,439,500**		*21,439,500*	
19,000 *(Previous year: 19,000)* SEZ Adityapur Limited	**190,000**		*190,000*	
5,000 *(Previous Year: 5,000)* Gammon L & T Infrastructure MRTS Limited of Rs. 100/- each	**500,000**		*500,000*	
7,862,832 *(Previous Year: Nil)* Indira Container Terminal Pvt. Limited	**78,628,320**		—	
24,470 *(Previous Year: Nil)* Modern Tollroads Limited	**244,700**		—	
24,450 *(Previous Year: Nil)* ATSL Infrastructure Projects Limited	**244,500**		—	
		468,828,857		*387,711,337*
Non-Trade-Quoted Investments, in fully paid-up Equity Shares of of Rs. 10/- each, unless otherwise stated (Current Investments)				
76,800 *(Previous year: 76,800)* Canara Bank Limited	**2,688,000**		*2,688,000*	
3,200 *(Previous Year: 3,200)* Vijaya Bank Limited	**76,800**		*76,800*	
10,530 *(Previous Year: 10,530)* Allahabad Bank Limited	**863,460**		*863,460*	
52,024 *(Previous Year: 52,024)* Infrastructure Development Finance Co. Limited	**1,768,816**		*1,768,816*	
1,160 *(Previous Year: 1,160)* Tata Consultancy Services Limited (Re. 1 per share paid up)	**493,000**		*493,000*	
		5,890,076		*5,890,076*
Carried Forward		**2,231,514,323**		*1,557,080,113*

(All amounts in Indian Rupees)

	As at March 31, 2008	As at March 31, 2007
Brought Forward	**2,231,514,323**	*1,557,080,113*
SCHEDULE '6' : Investments (Contd.)		
Investment in Mutual Fund Units (Current Investments)		
Canbank Mutual Fund (1,047,141 Units @ Rs. 10.04 per Unit)	—	*10,514,348*
Share application money pending allotment (Current Investments)	**230,179,000**	*152,223,200*
	2,461,693,323	*1,719,817,661*
Aggregate Book Value of Unquoted Investments	**1,738,433,557**	*1,233,324,385*
Aggregate Book Value of Quoted Investments	**5,890,076**	*5,890,076*
Aggregate Book Value of Other Investments	**717,369,690**	*480,603,200*
Market Value of Quoted Investments	**27,047,531**	*27,640,917*
Repurchase price of Mutual Fund Units	—	*10,514,348*
* At March 31, 2007 these Companies were associates of the Company		

	As at March 31, 2008	As at March 31, 2007
SCHEDULE '7': Inventories		
Stores and Materials at site	**1,040,966**	*2,750,225*
Goods in Transit	**320,400**	—
	1,361,366	*2,750,225*

	As at March 31, 2008	As at March 31, 2007
SCHEDULE '8': Sundry Debtors [refer note C (2) of Schedule 19]		
(Unsecured - Considered Good)		
Outstanding for more than six months	—	*196,300*
Other Debts	**37,682,999**	*47,026,341*
	37,682,999	*47,222,641*

	As at March 31, 2008	As at March 31, 2007
SCHEDULE '9': Cash and Bank Balances		
Cash on Hand	**161,456**	*15,577*
Balances with Scheduled Banks:		
in Current Accounts	**38,537,562**	*20,824,812*
in Fixed Deposits With Banks	—	*270,303,984*
in Escrow Bank Accounts - IPO Proceeds	**2,377,673,203**	—
	2,416,372,221	*291,144,373*

(All amounts in Indian Rupees)

	As at March 31, 2008		As at March 31, 2007	
SCHEDULE '10': Loans and Advances				
(Unsecured - Considered Good)				
Advances recoverable in cash or in kind or for value to be received		25,222,304		2,143,766
Interest Accrued Receivable		2,503,359		5,457,089
Dues from Subsidiary/Joint Venture/Associate Companies:				
Andhra Expressway Limited	—		23,000	
ATSL Infrastructure Projects Limited	36,785		17,200	
Gammon L & T Infrastructure MRTS Limited	945,441		938,441	
Gammon Project Developers Limited	—		29,600	
Gammon Logistics Limited	337,080		—	
Gorakhpur Infrastructure Projects Limited	—		3,198,767	
Haryana Biomass Power Limited	6,261,447		6,200,000	
Indira Container Terminal Pvt Limited	2,725,779		923,248	
Kosi Bridge Infrastructure Company Limited	—		2,690,772	
Marine Project Services Limited	—		17,200	
Modern Tollroads Limited	48,271		500	
Mumbai Nasik Expressway Limited	5,303		396,827	
Punjab Biomass Power Limited	7,410		140,542	
Rajahmundry Expressway Limited	—		2,000	
Sikkim Hydro Power Ventures Limited	—		959,454	
		10,367,516		15,537,551
Service Tax Credit Receivable		—		6,663,297
Intercorporate Deposits:				
Subsidiary Companies:				
Gammon Projects Developers Limited	5,000		100,005,000	
Associate Companies:				
Associated Transrail Structures Limited	—		70,000,000	
Others	3,892,000		3,892,000	
		3,897,000		173,897,000
Other Deposits		17,111,500		349,900
Prepaid Expenses		9,333,786		5,904,652
		68,435,465		209,953,255
Less: Provision made for Dues receivable from subsidiaries		938,441		938,441
		67,497,024		209,014,814
SCHEDULE '11': Current Liabilities				
Dues to Holding Company, Gammon India Limited		19,118		23,911,762
Dues to Subsidiaries/Joint Venture		850,946		200,940
Sundry Creditors for expenses		1,402,223		1,059,892
Sundry Creditors for Share Issue Expenses		127,880,408		—
Advance received from Modern Tollroads Limited for purchase of equity shares		26,520,000		—
Other Liabilities		16,610,665		15,348,277
		173,283,360		40,520,871
SCHEDULE '12': Provisions				
Provision for Taxation:				
Current Taxation	115,119,502		78,207,169	
Fringe Benefit Tax	1,059,327		459,327	
	116,178,829		78,666,496	
Less: Prepaid Taxes	109,958,744		43,842,128	
		6,220,085		34,824,368
Provision for Staff Benefits against:				
Provident Fund	187,831		46,367	
Leave Encashment	2,082,315		334,700	
Gratuity	1,160,189		447,909	
		3,430,335		828,976
		9,650,420		35,653,344

(All amounts in Indian Rupees)

		Year Ended March 31, 2008		Year Ended March 31, 2007
SCHEDULE '13' : Turnover				
Income from Professional services rendered:				
Developer's Fees		**114,956,684**		*49,743,408*
(Tax Deducted at Source **Rs. 13,844,408;** *Previous year: Rs. 3,132,176)*				
Operating & Maintenance Income		**143,020,096**		*143,416,064*
(Tax Deducted at Source **Rs. 1,620,418;** *Previous year: Rs. 1,609,128)*				
Other Operating Income		**9,000,000**		—
(Tax Deducted at Source **Rs. 101,970;** *Previous year: Rs. Nil)*				
		266,976,780		*193,159,472*
SCHEDULE '14' : Other Income				
Dividend Income (comprises entirely dividend from short-term, non-trade investments)		**729,807**		*1,133,082*
Interest Income:				
On Intercorporate Deposits placed	**2,505,118**		*7,951,465*	
(Tax Deducted at Source **Rs. 566,618;** *Previous year: Rs. 1,779,817)*				
On Fixed Deposits with Banks	**1,003,676**		*31,863,778*	
(Tax Deducted at Source **Rs. 159,720;** *Previous year: Rs. 7,150,232)*				
Others	**11,659**		—	
		3,520,453		*39,815,243*
Other Income:				
Insurance claims received	**3,941,595**		*2,987,142*	
		3,941,595		*2,987,142*
		8,191,855		*43,935,467*
SCHEDULE '15' : Operating and Maintenance Expenses				
Opening Stock of Materials		**2,750,225**		—
Administration Expenses	**2,871,549**		*2,679,334*	
Electricity Charges	**11,112,776**		*9,740,060*	
Fuel Charges	**2,159,116**		*1,991,072*	
Hire Charges	**277,503**		*416,611*	
Maintenance Charges	**15,492,410**		*11,608,887*	
Insurance Charges	**7,102,916**		*2,464,511*	
Motor Car and Conveyance Expenses	**968,402**		*705,369*	
VAT Paid	**82,415**		*59,484*	
Security Charges	**1,297,283**		*1,119,308*	
		41,364,370		*30,784,636*
Less: Closing Stock of Materials		**1,040,966**		*2,750,225*
		43,073,629		*28,034,411*

(All amounts in Indian Rupees)

		Year Ended March 31, 2008		Year Ended March 31, 2007
SCHEDULE '16': Establishment Expenses				
Conveyance Expenses		493,529		261,810
Advertisement Expenses		—		524,762
Bank Charges		139,942		92,148
Books & Periodicals		116,771		105,831
Membership & Subscription		110,500		88,450
Insurance Charges		203,380		92,585
Repairs & Maintenance		310,007		310,723
Motor Car Expenses		1,221,665		732,879
Printing & Stationery		871,809		546,682
Professional Charges		13,552,244		9,665,697
Rent		1,200,000		1,200,000
Telephone Expenses		654,240		432,811
Tender Document Expenses		2,094,327		1,154,478
Travelling Expenses		7,414,309		3,501,550
Directors' Sitting Fees		150,000		45,000
Auditors' Remuneration:				
Audit Fees	1,128,600		1,000,000	
Other Services	574,462		—	
Out of Pocket Expenses	—		45,189	
		1,703,062		1,045,189
Miscellaneous Expenses		1,254,420		349,504
Provision made for dues from joint ventures		—		938,441
		31,490,205		21,088,540

		Year Ended March 31, 2008		Year Ended March 31, 2007
SCHEDULE '17': Personnel Costs				
Salaries, wages and bonus		39,349,150		22,015,316
Contribution to Provident Fund and Other Funds		865,832		154,677
Staff Welfare Expenses		1,857,916		1,051,714
Employees 'ESOP' compensation cost		11,353,039		—
		53,425,937		23,221,707

		Year Ended March 31, 2008		Year Ended March 31, 2007
SCHEDULE '18': Finance Cost				
Interest Paid On:				
Intercorporate Deposits from Gammon India Limited	9,141,163		—	
Others	23,934		—	
		9,165,097		—
Other Finance Costs		574,634		278,243
		9,739,731		278,243

SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

(All amounts in Indian Rupees)

SCHEDULE 19: NOTES TO THE FINANCIAL STATEMENTS

A. BACKGROUND

The Company is an infrastructure development company formed primarily to develop, invest in and manage various initiatives in the infrastructure sector. It is presently engaged in the development of various infrastructure projects in sectors like transportation, energy and urban infrastructure through several special purpose vehicles ("SPVs"). It is also engaged in carrying out operation and maintenance ("O&M") activities for the transportation sector projects.

B. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared to comply in all material respects with the notified accounting standards by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, on an accrual basis of accounting. The accounting policies discussed more fully below, are consistent with those used in the previous year.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(a) Revenue Recognition

Revenue on Operation and Maintenance contracts are recognized over the period of the contract as per the terms of the contract.

Revenue on Developer Fees is recognized on the accrual basis.

Interest Income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same is declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

(b) Fixed Assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition of its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation on Fixed Assets is provided on the Straight Line Method at the rates and in the manner laid down in Schedule XIV of the Companies Act, 1956 or the rates based on the estimated useful lives of the fixed assets, whichever is higher. Depreciation on assets purchased/installed during the year/period is calculated on a pro-rata basis from the date of such purchase/installation.

Intangible assets are rights of Operations and Maintenance ('O&M') which results in an O&M income stream for the Company for a period of 14 years. The rights are therefore amortised over the period of 14 years.

(c) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(d) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long term investments.

(e) Inventories

Stores and materials are valued at lower of cost or net realizable value. Net realizable value is the estimated selling price less estimated cost necessary to make the sale. The FIFO method of inventory valuation is used to determine the cost.

(f) Provision for Taxation

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

SCHEDULE 19: NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Deferred income taxes reflects the impact of current year/period timing differences between taxable income and accounting income for the year/period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(g) Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight line basis over the lease term.

(h) Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the year/period attributed to equity shareholders by the weighted average number of equity shares outstanding during the year/period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(i) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are not recognised but disclosed in notes to accounts. Contingent assets are neither recognised nor recorded in financial statements.

(j) Share Issue Expenses

Share Issue Expenses after 1st April, 2004 are charged off to the Security Premium Account, if available, or to the Profit and Loss Account.

(k) Employee Benefits

Retirement benefits in the form of provident fund is a defined contribution scheme and contributions are charged to the Profit and Loss Account for the year/period when the contributions are due.

Gratuity a defined benefit obligation is provided on the basis of an actuarial valuation made at the end of each year/period.

Leave encashment is recognised on the basis of an actuarial valuation made at the end of each year.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(l) Employee Share – based payment plans ('ESOP')

The Company uses the intrinsic value method of accounting prescribed by the Guidance Note ('GN') on 'Accounting for employee share-based payments' issued by the Institute of Chartered Accountants of India ('ICAI') ('the guidance note') to account for its Employee Stock Option Scheme (the 'ESOP' Scheme) read with SEBI (Employees stock option scheme or Employees Stock Purchase Guidelines, 1999).

(m) Foreign Currency Translation

Initial recognition

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

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year/period, or reported in previous financial statements, are recognised as income or as expenses in the year/period in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India on or before accounting periods commencing after December 7, 2006 are capitalized as a part of fixed asset.

SCHEDULE 19: NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(n) Cash and cash equivalents

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

C. OTHER NOTES

1. Investments

(a) The Company had during the period January 2005 to March 2006 entered into an agreement with Gammon India Limited ('GIL') by which it had acquired the beneficial, controlling interest and voting rights in respect of 12,905,000 equity shares each (representing 44.5% of the beneficial, controlling interest and voting rights each) of Rajahmundry Expressway Limited ('REL') and Andhra Expressway Limited ('AEL') in consideration of payment of deposit of Rs. 163,618,800 and Rs. 164,761,200 respectively. Of these shares GIL had acquired the beneficial, controlling interest and voting rights in 1,812,500 shares each of AEL and REL from Punj Lloyd Limited ('PLL'). By virtue of this agreement and the equity share holding in these companies, AEL and REL have become subsidiaries of the Company.

The amount of Rs. 328,380,000 paid to GIL has been shown under Investments. In respect of these shares where the beneficial, controlling interest and voting rights have transferred to the Company, the shares continue to be held in the name of GIL and PLL as per the records of the respective companies.

(b) The Company had on August 31, 2007 entered into two separate agreements with GIL by which it acquired the beneficial, controlling interest and voting rights in respect of 9,596,923 equity shares of Gorakhpur Infrastructure Company Limited ('GICL') and 6,284,146 equity shares of Kosi Bridge Infrastructure Company Limited ('KBICL') (each representing 26.01% of the beneficial, controlling interest and voting rights in GICL and KBICL) in consideration of payment of deposit for acquisition of these shares of Rs. 158,810,690. By virtue of these agreements and the equity share holding in these companies, GICL and KBICL have become subsidiaries of the Company. In respect of these shares where the beneficial, controlling interest and voting rights have transferred to the Company, the shares continue to be the held in the name of GIL as per the records of the respective companies.

(c) The Company had on August 31, 2007 entered into an agreement with GIL for acquisition of beneficial, controlling interest and voting rights in respect of equity shares of Indira Container Terminal Private Ltd ('ICTPL'). Under this agreement when ICTPL shares are allotted to GIL, the Company would deposit to GIL, equivalent to GIL's subscription amount for the respective shares to acquire the above mentioned beneficial, controlling interest and voting rights. As a consequence of this agreement the Company's beneficial, controlling interest and voting rights in ICTPL aggregate to 50% of ICTPL.

(d) During the year, the Company had purchased and sold the following Investments in Mutual Fund.

	Opening Balance		Purchase/ Dividend Reinvested		Dividend	Sale		Closing balance	
	No. of Units	Rs.	No. of Units	Rs.	Rs.	No. of Units	Rs.	No. of Units	Rs.
Canbank Mutual Fund	**1,047,141** *(—)*	**10,514,348** *(—)*	**6,987** *(5,030,808)*	**—** *(50,514,348)*	**70,154** *(514,348)*	**1,054,128** *(3,983,667)*	**10,514,348** *(40,000,000)*	**—** *(1,047,141)*	**—** *(10,514,348)*
Canara Robeco Mutual Fund	**—** *(—)*	**—** *(—)*	**997,924** *(—)*	**10,000,000** *(—)*	**20,158** *(—)*	**997,924** *(—)*	**10,020,159** *(—)*	**—** *(—)*	**—** *(—)*

(Previous year's figures are in brackets)

2. Sundry Debtors

Sundry Debtors as at March 31, 2008, represents amounts due from the holding company, GIL.

3. Initial Public Offer

The Company has during the year made an Initial Public Offer of 16,550,000 equity shares of Rs. 10/- each at a premium of Rs. 157 per share. The equity shares pursuant to the offer were allotted on March 27, 2008. An amount of Rs. 247,208,285 and Rs. 138,968,512 is due from Retail and HNI category of Shareholders as at March 31, 2008 towards Equity Capital and Security Premium to whom equity shares were allotted in the Initial Public Offer. The total share issue expenses of Rs. 171,136,715 has been charged to the Security Premium account. All the funds collected are lying in escrow account as at March 31, 2008.

SCHEDULE 19: NOTES TO THE FINANCIAL STATEMENTS (Contd.)

4. **Deferred Tax Liability**

The major components of deferred tax assets and liabilities are as given below:

Particulars	As at March 31, 2008	As at March 31, 2007
Deferred Tax Liability on account of:		
— Depreciation	**25,348,664**	*15,319,929*
Deferred Tax Asset on account of:		
— Gratuity/Leave Encashment	**1,102,127**	*263,450*
Net Difference (Deferred Tax Liability)	**24,246,537**	*15,056,479*

5. **Earnings Per Share**

Net Profit attributable to equity shareholders and the weighted number of shares outstanding for basic and diluted earnings per share are as summarised below:

Particulars	As at March 31, 2008	As at March 31, 2007
Net Profit After Prior Year Charge	**69,750,889**	*68,882,292*
Weighted average Number of Shares outstanding during the year - Basic	**128,192,801**	*128,000,000*
Weighted average Number of Shares outstanding during the year - Diluted	**128,533,227**	*128,000,000*
Earnings per Share-Basic (Rs.)	**0.54**	*0.54*
Earnings per Share-Diluted (Rs.)	**0.54**	*0.54*

Reconciliation of weighted number of outstanding during the year

Nominal Value of Equity Shares (Rs. per share)	**10**	*10*
For Basic EPS:		
Total number of equity shares outstanding at the beginning of the year	**128,000,000**	*128,000,000*
Add: Issue of Equity Shares through Initial Public Offer [refer note C (3) of Schedule 19]	**14,074,508**	—
Total number of equity shares outstanding at the end of year	**142,074,508**	*128,000,000*
Weighted average number of equity shares at the end of the year	**128,192,801**	*128,000,000*
For Dilutive EPS:		
Total number of equity shares outstanding at the beginning of the year	**128,000,000**	*128,000,000*
Add: Issue of Equity Shares through Initial Public Offer [refer note C (3) of Schedule 19]	**14,074,508**	—
Add: Issue of Equity shares under Options as on March 31, 2008 [refer note C (10) of Schedule 19	**1,565,000**	—
Total number of equity shares outstanding at the end of year	**143,639,508**	—
Weighted average number of Dilutive Equity shares at the end of the year	**128,533,227**	—

Note: While computing weighted average number of shares outstanding, equity shares allotted on March 27, 2008 in the Initial Public Offer of the Company has been considered.

6. **Expenses in Foreign Currency (on cash basis)**

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Traveling Expenses	**921,895**	*235,301*
Professional Fees (net of TDS & Service tax)	**4,086,876**	*1,512,929*
Total	**5,008,771**	*1,748,230*

The above does not include professional fees of Rs. 10,816,209 paid in relation to the Share Issue which has been charged to the Securities premium account.

SCHEDULE 19: NOTES TO THE FINANCIAL STATEMENTS (Contd.)

7. Managerial Remuneration

Particulars	**Year ended March 31, 2008**	*Year ended March 31, 2007*
Managerial Remuneration for Directors included in the Profit and Loss Account		
Salary and Incentives	**8,218,173**	*3,845,659*
Company's Contribution to Provident Fund	**119,280**	*6,240*
Gratuity and Leave Encashment provision	**68,831**	*56,878*
Computation of remuneration payable to Managing Director as per Schedule XIII of the Companies Act, 1956		
Profit after taxation as per the Profit & Loss Account	**70,271,615**	*94,826,234*
Add:		
Provision for Current and Deferred Taxation	**47,290,058**	*50,490,080*
Directors Fees	**150,000**	*45,000*
Directors Remuneration	**8,406,284**	*3,845,659*
Depreciation and Amortisation	**19,277,460**	*18,815,619*
Add: Assets written off	**108,483**	*—*
Less: Depreciation u/s. 350 of the Companies Act, 1956	**19,277,460**	*18,815,619*
Net Profit u/s. 349 of the Companies Act, 1956	**126,226,440**	*149,206,973*
Maximum Managerial Remuneration payable @ 5% thereof	**6,311,322**	*7,460,349*

Managerial remuneration computation does not include ESOP compensation cost of Managing Director Rs. 4,845,000.

The maximum amount payable in respect of the Managing Director is determined under Schedule XIII, Section III which provides for payment of remuneration to a managerial person in two Companies. Accordingly the maximum amount payable is as follows:

	Year ended March 31, 2008	*Year ended March 31, 2007*
Maximum payable as above	**6,311,322**	*7,477,354*
Maximum payable from Rajahmundry Expressway Ltd.	**9,420,621**	*9,270,756*
Managerial Remuneration paid	**8,406,284**	*4,121,731*

8. Details of Loans and Advances in the nature of Loans

Disclosure of amounts outstanding at the period end as per Clause 32 of the Listing Agreement. These companies are also companies under the same management as per the Companies Act, 1956.

Particulars	**Balance as on March 31, 2008**	*Maximum Amount Outstanding during the year*
Subsidiaries:		
Gammon Logistics Limited	**337,080**	*337,080*
Mumbai Nasik Expressway Limited	**5,303**	*20,018,955*
Haryana Biomass Power Limited	**6,261,447**	*6,261,447*
Gammon Projects Developers Limited	**5,000**	*170,005,000*
Associates and Joint Venture Companies:		
Punjab Biomass Power Limited	**7,410**	*140,542*
Gammon L & T Infra MRTS	**945,441**	*945,441*
Indira Container Terminal Private Limited	**2,725,779**	*2,726,780*
ATSL infrastructure Projects Limited	**36,785**	*36,785*
Modern Tollroads Limited	**48,271**	*48,271*

None of the loanees hold any shares in the Company.

9. Segment Reporting

The Company's operations constitutes a single business and geographical segment of "Infrastructure Development" as per AS-17.

SCHEDULE 19: NOTES TO THE FINANCIAL STATEMENTS (Contd.)

10. Related Party Disclosure

(a) Relationships:

Entity where control exists:

Gammon India Limited - Holding Company

Subsidiaries:

1. Andhra Expressway Limited
2. Cochin Bridge Infrastructure Company Limited
3. Gammon Projects Developers Limited
4. Gorakhpur Infrastructure Company Limited
5. Gammon Logistics Limited (previously known as Gammon Road Developers Limited)
6. Haryana Biomass Power Limited
7. Kosi Bridge Infrastructure Company Limited
8. Marine Project Services Limited
9. Mumbai Nasik Expressway Limited
10. Rajahmundry Expressway Limited
11. Sikkim Hydro Power Ventures Limited
12. Tidong Hydro Power Limited

(b) Associates and Joint Ventures:

1. Associated Transrail Structures Limited
2. ATSL Infrastructure Projects Limited
3. Eversun Sparkle Maritime Services Pvt. Limited
4. Gammon L & T Infra MRTS Limited
5. Indira Container Terminal Private Limited
6. Modern Toll Roads Limited
7. Punjab Biomass Power Limited
8. SEZ Adityapur Limited
9. Vizag Seaport Private Limited

(c) Key Management Personnel:

1. Abhijit Rajan
2. Parvez Umrigar

(d) Details of related parties transactions for the period ended on March 31, 2008

— Please refer to the Annexure – 1

11. Details of Joint Ventures

(a) Details of Joint Ventures entered into by the Company

Sr. No.	Name of the Joint Venture	% of Interest as at March 31, 2008
1.	Vizag Seaport Private Ltd.	**42.22%**
2.	Gammon L & T Infra MRTS Ltd.	**50%**
3.	Punjab Biomass Power Ltd.	**50%**
4.	Indira Container Terminal Private Ltd. (ICTPL)	**50%**
5.	SEZ Adityapur Ltd.	**38%**

All the above jointly controlled entities are incorporated in India

SCHEDULE 19: NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(b) Details of share of Assets, Liabilities, Income, Expenditure and Capital Commitments in Joint Ventures

Amounts in brackets relate to March 31, 2007

Name of the Joint Venture	Share of Assets	Share of Liability	Share of Income	Share of Expenditure	Share of Capital Commitment	Contingent Liabilities
Vizag Seaport Private Ltd.	**1,323,858,135** *(1,282,883,432)*	**1,083,867,763** *(971,066,736)*	**237,692,589** *(128,656,064)*	**309,437,178** *(173,946,047)*	**51,409,525** *(55,877,416)*	**32,713,390** *(28,301,163)*
Gammon L & T Infra MRTS Ltd.	**511,261** *(521,551)*	**926,297** *(922,644)*	**–** *(N.A)*	**13,943** *(885,243)*	**–** *(–)*	**–** *(–)*
Punjab Biomass Power Ltd.	**67,291,090** *(23,705,650)*	**5,802,300** *(7,968,860)*	**N.A.** *(N.A)*	**N.A.** *(N.A)*	**246,293,634** *(265,052,374)*	**–** *(–)*
SEZ Adityapur Ltd.	**325,135** *(242,719)*	**135,135** *(52,719)*	**N.A.** *(N.A)*	**N.A.** *(N.A)*	**–** *(–)*	**–** *(–)*
Indira Container Terminal Private Limited	**170,956,594** *(–)*	**7,147,594** *(–)*	**N.A.** *(N.A)*	**N.A.** *(N.A)*	**956,600,000** *(–)*	**–** *(–)*

The above figures pertaining to the Joint Venture Companies are based on the audited accounts for the year ended March 31, 2008 except SEZ Adityapur Limited and Indira Container Terminal Private Limited which are based on the un-audited management accounts.

12. Amounts due to Micro, Small and Medium Enterprises

As per the information available with the Company, there are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006, to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied by the Auditors.

13. Quantitative information

Since the principal business of the Company is Infrastructure Development and carrying out operations and maintenance activities, quantitative details as required by Part II, para ii, 4(c), 4(d) of Schedule VI of the Companies Act, 1956, are not required to be furnished.

14. Current Assets, Loans and Advances

In the opinion of the Board of Directors, Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.

15. Capital commitments

The total capital commitments of the Company as on March 31, 2008 are Rs. 2,736,900,000 (inclusive of share of capital commitment in joint ventures). Total capital commitment as on March 31, 2007, was Rs. 1,394,519,960. The capital commitments is in respect of projects where the concession agreements have been signed and does not include projects where the Company holds a Letter of Intent.

16. Pledge of Shares

The Company has pledged the following shares in favour of the lenders to the projects as part of the terms of financing agreements of the respective companies:

Company Name	No. of Equity shares pledged as at		Rate (Rs.)
	March 31, 2008	*March 31, 2007*	
Andhra Expressway Limited	**9,135,010**	*3,697,560*	10/-
Rajahmundry Expressway Limited	**9,135,010**	*3,697,560*	10/-
Mumbai Nasik Expressway Limited	**16,120,000**	*16,120,000*	10/-
Gorakhpur Infrastructure Projects Limited	**9,593,233**	—	10/-
Kosi Bridge Infrastructure Company Limited	**6,281,730**	—	10/-

17. Employees Stock Options Scheme ('ESOP')

The Company has instituted an ESOP Scheme during the year which was approved by the shareholders vide their resolution dated May 4, 2007. The Board of Directors of the Company has granted 1,640,000 stock options to its employees pursuant

SCHEDULE 19: NOTES TO THE FINANCIAL STATEMENTS (Contd.)

to the ESOP Scheme on July 1, 2007 and October 1, 2007. Each options entitles an employee to subscribe to 1 equity share of the Company at an exercise price of Rs. 80/- per share.

The following options vest in a graded manner over a period of three to four years and are exercisable for a period of 2 years from vesting as described below.

Options granted on July 1, 2007

Vesting Date	No. of Options	Exercise Period	Intrinsic Value (Rs.)	Fair Value (Rs.)
(1)	(2)	(3)	(4)	(5)
July 1, 2008	352,250	01.07.08 to 30.06.10	19.00	41.54
July 1, 2009	421,750	01.07.09 to 30.06.11	19.00	48.68
July 1, 2010	410,250	01.07.10 to 30.06.12	19.00	54.59
July 1, 2011	430,750	01.07.11 to 30.06.13	19.00	59.62
	1,615,000			

Options granted on October 1, 2007

Vesting Date	No. of Options	Exercise Period	Intrinsic Value (Rs.)	Fair Value (Rs.)
(1)	(2)	(3)	(4)	(5)
July 1, 2009	5,000	01.07.09 to 30.06.11	44.00	67.12
July 1, 2010	10,000	01.07.10 to 30.06.12	44.00	73.58
July 1, 2011	10,000	01.07.11 to 30.06.13	44.00	79.24
	25,000			

The Company was an unlisted company at the date of grant and the intrinsic value was determined on the basis of an independent valuation by following the price to Net Asset Value (NAV) method. The intrinsic value and the fair value as determined by the independent valuer are given in the above table.

Under this method, compensation expense equals the intrinsic value of the option which is recorded is amortised over the vesting period of the option. The intrinsic value is the excess of the value of the underlying stock as determined by the independent valuer over the exercise price at the measurement date, which typically is the grant date.

The fair value of 1,540,000 options granted on July 1, 2007 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

(a) Risk free interest rate 7.49%

(b) Expected Dividend yield .... —

(c) Expected Life of the option .... 2 to 5 years

(d) Expected Volatility of Share price 51%

Similarly, the fair value of 25,000 options granted on October 1, 2007 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

(a) Risk free interest rate. .... 7.77% (3 years maturity)

7.71% (4 years maturity)

7.81% (5 years maturity)

(b) Expected Dividend yield .... —

(c) Expected Life of the option .... 2.75 to 4.75 years

(d) Expected Volatility of Share price 51%

SCHEDULE 19: NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The Company's stock option activity for the period ended March 31, 2008 is presented below:

Particulars	Shares arising from options	Weighted average exercise price
Outstanding at the beginning of the period	—	—
Granted	**1,640,000**	**80**
Exercised	—	—
Forfeited	**75,000**	**80**
Outstanding at the end of the period	**1,565,000**	**80**

There were 75,000 options which were forfeited during the period. Further, none of the 1,565,000 options granted are exercisable as at March 31, 2008.

All the above options have an exercise price of Rs. 80/- per share and have a weighted average remaining contractual life of 3.55 years.

Had compensation cost been determined in accordance with the fair value approach described in the Guidance Note, the Company's net profit for the year ended March 31, 2008 as reported would have changed to amounts indicated below:

Particulars	Rs.
Net Income as reported	**69,750,889**
Add: Stock based compensation expense included in the reported income	**11,353,039**
Less: Stock based compensation expenses determined using fair value of options	**28,404,237**
Net profit (adjusted)	**52,699,691**
Basic earnings per share as reported	**0.54**
Basic earnings per share (adjusted)	**0.41**
Diluted earnings per share as reported	**0.54**
Diluted earnings per share (adjusted)	**0.41**
Weighted average number of shares considered for diluted earnings per share (adjusted)	**128,533,227**

18. Employee benefits

From the April 1, 2007, the revised AS-15 (Employee Benefits) is applicable to the Company. The current year being the first year of adoption of AS-15 (Revised) by the Company, previous year information has not been furnished.

The ICAI has issued a limited revision to AS-15 (revised) which allows an entity to make disclosures required by paragraph 120(n) of AS-15 (revised) prospectively from the transition date and also provides an option to charge the additional defined benefit liability arising upon the first application of AS-15 (revised) as an expense over a period upto 5 years, instead of adjusting the entire increase in liability to opening reserves. The limited revision has not yet been incorporated in AS-15 notified under Companies (Accounting Standard) Rules, 2006. The Company expects that the limited revision will be incorporated in the notified standards shortly.

Accordingly, the Company has not provided the disclosures required by paragraph 120(n) in respect of its defined retirement benefits. The Company does not have any additional defined benefit liability arising upon the first application of AS-15 (revised).

Gratuity

Gratuity is a defined benefit plan under which employees are entitled to receive gratuity calculated based on the number of years of their service and their last drawn salary at the time of retirement.

The following table summarises the components of net benefit expense recognized in the profit and loss account and amounts recognized in the balance sheet.

Particulars	Year ended March 31, 2008
Net employee benefit expense (recognised in personnel costs)	
Current Service Cost	**302,962**
Interest Cost	**39,657**
Actuarial Loss	**813,892**
Total	**1,156,511**

SCHEDULE 19: NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The provision for gratuity at March 31, 2008 and March 31, 2007 aggregates Rs. 1,160,189 and Rs. 447,909 respectively.

The changes in the present value of the defined benefit obligation are as follows:

Particulars	Rs.
Defined benefit obligation, at March 31, 2007	447,909
Current service Cost	302,962
Interest Cost	39,657
Actuarial Loss	813,892
Less: Benefit Paid	444,231
Defined benefit obligation, at March 31, 2008	1,160,189

The Company's gratuity obligation is fully unfunded. Hence currently, the Company does not expect to contribute any amounts to its gratuity plan in the next annual period.

The principal assumptions used in determining the gratuity obligations are as follows:

Discount rate	8%
Expected rate of return on plan assets	Not applicable
Expected rate of salary increase	5%
Attrition rate	2%
Retirement age	60 years

The estimates of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

19. Remuneration to auditors

The remuneration to the auditors does not include Rs. 5,623,004 being the fees related to the work carried out for the Initial Public Offer that the Company has done which is debited as part of Share Issue expenses to the Security Premium Account.

20. Derivative Instruments and Unhedged Foreign Currency Exposure

There are no derivative instruments outstanding as at March 31, 2008. There is unhedged foreign currency exposure of US$ 212,027 (*Rs. 8,485,359*) of liability outstanding as at March 31, 2008 which is included in Sundry Creditors for share issue expenses under the Schedule for Current Liabilities.

21. Prior period comparatives

The previous period figures are however regrouped/reclassified to facilitate limited comparability.

As per our report of even date.

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner

Membership No: 40441

Mumbai

Date: May 21, 2008

For S. R. Batliboi & Associates
Chartered Accountants

Per Amit Majmudar
Partner

Membership No: 36656

For and on behalf of the Board of Directors of
Gammon Infrastructure Projects Limited

Abhijit Rajan	Chairman & Managing Director
Parvez Umrigar	Managing Director
Himanshu Parikh	Directors
C. C. Dayal	Directors
Naresh Chandra	Directors
S. C. Tripathi	Directors
Sathis Chandran	Company Secretary

ANNEXURE 1: NOTES TO ACCOUNTS

(All amounts in Indian Rupees)

Related Party Transactions: Amounts in brackets relate to March 31, 2007

Transactions	**Holding Company**	**Subsidiaries**	**Associates and Joint Ventures**	**Key Management Personnel**	**Total**
Operations & Maintenance Income:					
— Gammon India Ltd.	**143,020,096**	**—**	**—**	**—**	**143,020,096**
	(143,416,064)	*(—)*	*(—)*	*(—)*	*(143,416,064)*
Purchase of Intangible Asset					
— Gammon India Ltd.	**—**	**—**	**—**	**—**	**—**
	(250,000,000)	*(—)*	*(—)*	*(—)*	*(250,000,000)*
Developer's Fees:					
— Mumbai Nasik Expressway Ltd.	**—**	**49,690,280**	**—**	**—**	**49,690,280**
	(—)	*(49,743,408)*	*(—)*	*(—)*	*(49,743,408)*
— Gorakhpur Infrastructure Company Ltd.	**—**	**35,599,857**	**—**	**—**	**35,599,857**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Kosi Bridge Infrastructure Company Ltd.	**—**	**29,666,547**	**—**	**—**	**29,666,547**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Other Operating Income:					
— Gammon India Ltd.	**9,000,000**	**—**	**—**	**—**	**9,000,000**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Insurance Claims received:					
— Gammon India Ltd.	**3,941,595**	**—**	**—**	**—**	**3,941,595**
	(2,987,142)	*(—)*	*(—)*	*(—)*	*(2,987,142)*
Rent Paid:					
— Gammon India Ltd.	**1,200,000**	**—**	**—**	**—**	**1,200,000**
	(1,200,000)	*(—)*	*(—)*	*(—)*	*(1,200,000)*
Share Application Money Paid:					
— Gammon Projects Developers Ltd.	**—**	**—**	**—**	**—**	**—**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Gammon Logistics Ltd.	**—**	**500,000**	**—**	**—**	**500,000**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Gorakhpur Infrastructure Co. Ltd.	**—**	**355,505,000**	**—**	**—**	**355,505,000**
	(—)	*(—)*	*(400,000)*	*(—)*	*(400,000)*
— Indira Container Terminal Pvt. Ltd.	**—**	**—**	**78,508,720**	**—**	**78,508,720**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Kosi Bridge Infrastructure Company Ltd.	**—**	**273,400,580**	**—**	**—**	**273,400,580**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Modern Tollroads Ltd.	**—**	**—**	**12,994,800**	**—**	**12,994,800**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Mumbai Nasik Expressway Ltd.	**—**	**—**	**—**	**—**	**—**
	(—)	*(52,940,000)*	*(—)*	*(—)*	*(52,940,000)*
— Punjab Biomass Power Ltd.	**—**	**—**	**56,000,000**	**—**	**56,000,000**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— SEZ Adityapur Ltd.	**—**	**—**	**—**	**—**	**—**
	(—)	*(—)*	*(189,990)*	*(—)*	*(189,990)*
— Sikkim Hydro Power Ventures Ltd.	**—**	**11,861,000**	**—**	**—**	**11,861,000**
	(—)	*(10,578,000)*	*(—)*	*(—)*	*(10,578,000)*

Related Party Transactions:

Amounts in brackets relate to March 31, 2007

Transactions	Holding Company	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Total
Refund received against Share Application Money					
Paid/Conversion into equity:					
— Sikkim Hydro Power Ventures Ltd.	**—**	**1,000,000**	**—**	**—**	**1,000,000**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Gorakhpur Infrastructure Co. Ltd.	**—**	**355,905,000**	**—**	**—**	**355,905,000**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Kosi Bridge Infrastructure Company Ltd.	**—**	**273,400,580**	**—**	**—**	**273,400,580**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Mumbai Nasik Expressway Ltd.	**—**	**—**	**—**	**—**	**—**
	(—)	*(442,070,000)*	*(—)*	*(—)*	*(442,070,000)*
— Punjab Biomass Power Ltd.	**—**	**—**	**2,000,000**	**—**	**2,000,000**
	(—)	*(—)*	*(20,000,000)*	*(—)*	*(20,000,000)*
— Indira Container Terminal Pvt. Ltd.	**—**	**—**	**78,508,720**	**—**	**78,508,720**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Purchase of Investments:					
— Associated Transrail Structures Ltd.	**—**	**—**	**1,004,500**	**—**	**1,004,500**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Cochin Bridge Infrastructure Company Ltd.	**—**	**—**	**—**	**—**	**—**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Gammon India Ltd.	**10,245,900**	**—**	**—**	**—**	**10,245,900**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Advance received for purchase of equity shares:					
— Modern Tollroads Ltd.	**—**	**—**	**26,520,000**	**—**	**26,520,000**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Managerial Remuneration:					
— Parvez Umrigar	**—**	**—**	**—**	**8,406,284**	**8,406,284**
	(—)	*(—)*	*(—)*	*(4,121,731)*	*(4,121,731)*
Gross value of stock options issued to:					
— Parvez Umrigar	**—**	**—**	**—**	**11,400,000**	**11,400,000**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Amortization of options issued to:					
— Parvez Umrigar	**—**	**—**	**—**	**4,845,000**	**4,845,000**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Finance provided (including Loans and Equity contribution in cash or in kind):					
— Associated Transrail Structures Ltd.	**—**	**—**	**—**	**—**	**—**
	(—)	*(—)*	*(80,000,000)*	*(—)*	*(80,000,000)*
— Gammon Projects Developers Ltd.	**—**	**70,000,000**	**—**	**—**	**70,000,000**
	(—)	*(100,000,000)*	*(—)*	*(—)*	*(100,000,000)*
— Gorakhpur Infrastructure Co. Ltd.	**—**	**247,861,330**	**—**	**—**	**247,861,330**
	(—)	*(—)*	*(194,950)*	*(—)*	*(—)*
— Kosi Bridge Infrastructure Co. Ltd.	**—**	**173,395,590**	**—**	**—**	**173,395,590**
	(—)	*(—)*	*(244,940)*	*(—)*	*(—)*
— Mumbai Nasik Expressway Ltd.	**—**	**—**	**—**	**—**	**—**
	(—)	*(8,500,000)*	*(—)*	*(—)*	*(8,500,000)*
— Punjab Biomass Power Ltd.	**—**	**—**	**—**	**—**	**—**
	(—)	*(—)*	*(10,500,000)*	*(—)*	*(10,500,000)*

Related Party Transactions: Amounts in brackets relate to March 31, 2007

Transactions	Holding Company	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Total
— Sikkim Hydro Power Ventures Ltd.	—	—	—	—	—
	(—)	(10,573,000)	(—)	(—)	(10,573,000)
— Tidong Hydro Power Ltd.	—	499,940	—	—	499,940
	(—)	(—)	(—)	(—)	(—)
— Haryana Biomass Power Ltd.	—	499,940	—	—	499,940
	(—)	(—)	(—)	(—)	(—)
— Marine Projects Services Ltd.	—	499,400	—	—	499,400
	(—)	(—)	(—)	(—)	(—)
— Gammon Logistics Ltd.	—	499,400	—	—	499,400
	(—)	(—)	(—)	(—)	(—)
— Indira Container Terminal Ltd.	—	—	78,628,320	—	78,628,320
	(—)	(—)	(—)	(—)	(—)
— Modern Toll Roads Ltd.	—	—	244,700	—	244,700
	(—)	(—)	(—)	(—)	(—)
— ATSL Infrastructure Projects Ltd.	—	—	244,500	—	244,500
	(—)	(—)	(—)	(—)	(—)
Repayment in respect of finance provided including equity contribution:					
— Gammon Projects Developers Ltd.	—	170,000,000	—	—	170,000,000
	(—)	(—)	(—)	(—)	(—)
— Associated Transrail Structures Ltd.	—	—	70,000,000	—	70,000,000
	(—)	(—)	(10,000,000)	(—)	(10,000,000)
Finance provided for expenses and on account payments:					
— Andhra Expressway Ltd.	—	16,500	—	—	16,500
	(—)	(6,824,500)	(—)	(—)	(6,824,500)
— Cochin Bridge Infrastructure Co. Ltd.	—	451,496	—	—	451,496
	(—)	(5,500)	(—)	(—)	(—)
— Gammon India Ltd.	—	—	—	—	—
	(—)	(—)	(—)	(—)	(—)
— Gammon Projects Developers Ltd.	—	19,245	—	—	19,245
	(—)	(4,800)	(—)	(—)	(4,800)
— Gammon L & T Infra MRTS Ltd.	—	—	7,000	—	7,000
	(—)	(—)	(338,740)	(—)	(338,740)
— Gorakhpur Infrastructure Co. Ltd.	—	9,405,013	—	—	9,405,013
	(—)	(3,198,767)	(—)	(—)	(—)
— Kosi Bridge Infrastructure Co. Ltd.	—	4,938,274	—	—	4,938,274
	(—)	(2,690,772)	(—)	(—)	—
— Mumbai Nasik Expressway Ltd.	—	20,022,589	—	—	20,022,589
	(—)	(28,145,777)	(—)	(—)	(28,145,777)
— Punjab Biomass Power Ltd.	—	—	9,579	—	9,579
	(—)	(—)	(300,723)	(—)	(300,723)
— Rajahmundry Expressway Ltd.	—	14,500	—	—	14,500
	(—)	(7,465,000)	(—)	(—)	(7,465,000)
— Sikkim Hydro Power Ventures Ltd.	—	47,500	—	—	47,500
	(—)	(398,404)	(—)	(—)	(398,404)
— Gammon Logistics Ltd.	—	368,583	—	—	368,583
	(—)	(—)	—	(—)	—
— Indira Container Terminal Ltd.	—	—	1,802,531	—	1,802,531
	(—)	(—)	(923,248)	(—)	(923,248)
— ATSL Infrastructure Projects Ltd.	—	—	19,585	—	19,585
	(—)	(—)	(17,200)	(—)	(17,200)
— Modern Toll Roads Ltd.	—	—	47,771	—	47,771
	(—)	(—)	(500)	(—)	(500)
— Tidong Hydro Power Ltd.	—	50,494	—	—	50,494
	(—)	(—)	(—)	(—)	—
— Haryana Biomass Power Ltd.	—	61,447	—	—	61,447
	(—)	(6,200,000)	—	(—)	(6,200,000)
— Marine Projects Services Ltd.	—	33,529	(—)	—	33,529
	(—)	(17,200)	(—)	(—)	(17,200)

Related Party Transactions: Amounts in brackets relate to March 31, 2007

Transactions	Holding Company	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Total
Amount received towards the above finance:					
— Andhra Expressway Ltd.	**—**	**39,500**	**—**	**—**	**39,500**
	(—)	*(13,783,274)*	*(—)*	*(—)*	*(13,783,274)*
— Cochin Bridge Infrastructure Co. Ltd.	**—**	**446,856**	**—**	**—**	**446,856**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Gammon India Ltd.	**—**	**—**	**—**	**—**	**—**
	(3,769,628)	*(—)*	*(—)*	*(—)*	*(3,769,628)*
— Gammon Projects Developers Ltd.	**—**	**48,845**	**—**	**—**	**48,845**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Gorakhpur Infrastructure Co. Ltd.	**—**	**12,603,780**	**—**	**—**	**12,603,780**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Kosi Bridge Infrastructure Co. Ltd.	**—**	**7,629,046**	**—**	**—**	**7,629,046**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Mumbai Nasik Expressway Ltd.	**—**	**20,414,113**	**—**	**—**	**20,414,113**
	(—)	*(40,552,323)*	*(—)*	*(—)*	*(40,552,323)*
— Punjab Biomass Power Ltd.	**—**	**—**	**142,711**	**—**	**142,711**
	(—)	*(—)*	*(161,511)*	*(—)*	*(161,511)*
— Rajahmundry Expressway Ltd.	**—**	**16,500**	**—**	**—**	**16,500**
	(—)	*(11,711,195)*	*(—)*	*(—)*	*(11,711,195)*
— Sikkim Hydro Power Ventures Ltd.	**—**	**1,021,954**	**—**	**—**	**1,021,954**
	(—)	*(10,578,000)*	*(—)*	*(—)*	*(—)*
— Tidong Hydro Power Ltd.	**—**	**50,494**	**—**	**—**	**50,494**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Marine Projects Services Ltd.	**—**	**51,129**	**—**	**—**	**51,129**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
— Gammon Logistics Ltd.	**—**	**31,503**	**—**	**—**	**31,503**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Interest income during the period:					
— Associated Transrail Structures Ltd.	**—**	**—**	**473,699**	**—**	**473,699**
	(—)	*(—)*	*(3,097,808)*	*(—)*	*(1,031,425)*
— Gammon Projects Developers Ltd.	**—**	**1,641,152**	**—**	**—**	**1,641,152**
	(—)	*(1,084,932)*	*(—)*	*(—)*	*(1,084,932)*
— Mumbai Nasik Expressway Ltd.	**—**	**—**	**—**	**—**	**—**
	(—)	*(44,138)*	*(—)*	*(—)*	*(44,138)*
Interest expenses during the period:					
— Gammon India Ltd.	**9,141,163**	**—**	**—**	**—**	**9,141,163**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Finance received (including Loans and Equity contribution in cash or in kind):					
— Gammon India Ltd.	**393,000,000**	**—**	**—**	**—**	**393,000,000**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Finance received for expenses & on account payments:					
— Gammon India Ltd.	**3,886,348**	**—**	**—**	**—**	**3,886,348**
	(11,266,554)	*(—)*	*(—)*	*(—)*	*(11,266,554)*
— Vizag Seaport Private Ltd.	**—**	**—**	**640,646**	**—**	**640,646**
	(—)	*(—)*	*(196,300)*	*(—)*	*(196,300)*
Amount liquidated towards the above finance received:					
— Gammon India Ltd.	**127,857,335**	**—**	**—**	**—**	**127,857,335**
	(30,216,751)	*(—)*	*(—)*	*(—)*	*(30,216,751)*
— Cochin Bridge Infrastructure Co. Ltd.	**—**	**—**	**—**	**—**	**—**
	(—)	*(5,500)*	*(—)*	*(—)*	*(5,500)*
— Vizag Seaport Private Ltd.	**—**	**—**	**1,000**	**—**	**1,000**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*
Deposit towards purchase of Beneficial Interest of equity shares:					
— Gammon India Ltd.	**158,810,690**	**—**	**—**	**—**	**158,810,690**
	(—)	*(—)*	*(—)*	*(—)*	*(—)*

Related Party Transactions: Amounts in brackets relate to March 31, 2007

Transactions	Holding Company	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Total
Purchase of Beneficial interest of equity shares					
— Mr. Abhijit Rajan	— *(—)*	— *(—)*	— *(—)*	— *(10)*	— *(10)*
— Mr. Parvez Umrigar	— *(—)*	— *(—)*	— *(—)*	— *(20)*	— *(20)*
Guarantees issued on our behalf:					
— Gammon India Ltd.	**16,550,000** *(—)*	— *(—)*	— *(—)*	— *(—)*	**16,550,000** *(—)*
Oustanding Balances Receivable:					
— Andhra Expressway Ltd.	— *(—)*	— *(23,000)*	— *(—)*	— *(—)*	— *(23,000)*
— ATSL Infrastructure Projects Ltd.	— *(—)*	— *(—)*	**36,785** *(17,200)*	— *(—)*	**36,785** *(17,200)*
— Gammon India Ltd.	**234,966,959** *(351,690,879)*	— *(—)*	— *(—)*	— *(—)*	**234,966,959** *(351,690,879)*
— Gammon Projects Developers Ltd.	— *(—)*	**2,115,740** *(100,876,073)*	— *(—)*	— *(—)*	**2,115,740** *(100,876,073)*
— Gammon L & T Infra MRTS Ltd.	— *(—)*	— *(—)*	**945,441** *(938,441)*	— *(—)*	**945,441** *(938,441)*
— Gorakhpur Infrastructure Co. Ltd.	— *(—)*	— *(3,198,767)*	— *(—)*	— *(—)*	— *(—)*
— Kosi Bridge Infrastructure Co. Ltd.	— *(—)*	— *(2,690,772)*	— *(—)*	— *(—)*	— *(—)*
— Marine Projects Services Ltd.	— *(—)*	— *(17,200)*	— *(—)*	— *(—)*	— *(17,200)*
— Mumbai Nasik Expressway Ltd.	— *(—)*	**5,303** *(396,827)*	— *(—)*	— *(—)*	**5,303** *(396,827)*
— Punjab Biomass Power Ltd.	— *(—)*	— *(—)*	**7,410** *(140,542)*	— *(—)*	**7,410** *(140,542)*
— Rajahmundry Expressway Ltd.	— *(—)*	— *(2,000)*	— *(—)*	— *(—)*	— *(2,000)*
— SEZ Adityapur Ltd.	— *(—)*	— *(—)*	— *(—)*	— *(—)*	— *(—)*
— Sikkim Hydro Power Ventures Ltd.	— *(—)*	— *(959,454)*	— *(—)*	— *(—)*	— *(959,454)*
— Associated Transrail Structures Ltd.	— *(—)*	— *(—)*	— *(70,000,000)*	— *(—)*	— *(70,000,000)*
— Haryana Biomass Power Ltd.	— *(—)*	**6,261,447** *(6,200,000)*	— *(—)*	— *(—)*	**6,261,447** *(6,200,000)*
— Indira Container Terminal Ltd.	— *(—)*	— *(—)*	**2,725,779** *(923,248)*	— *(—)*	**2,725,779** *(923,248)*
— Gammon Logistics Ltd.	— *(—)*	**337,080** *(—)*	— *(—)*	— *(—)*	**337,080** *(—)*
— Modern Tollroads Ltd.	— *(—)*	— *(—)*	**48,271** *(500)*	— *(—)*	**48,271** *(500)*
Oustanding Balances Payable:					
— Gammon India Ltd.	— *(—)*	— *(—)*	— *(—)*	— *(—)*	— *(—)*
— Cochin Bridge Infrastructure Co. Ltd.	— *(—)*	— *(4,640)*	— *(—)*	— *(—)*	— *(4,640)*
— Vizag Seaport Private Ltd.	— *(—)*	— *(—)*	**835,946** *(196,300)*	— *(—)*	**835,946** *(196,300)*
— Sikkim Hydro Power Ventures Ltd.	— *(—)*	**15,000** *(—)*	— *(—)*	— *(—)*	**15,000** *(—)*

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO THE SUBSIDIARY COMPANIES

(Amount in Rupees)

	Name of Subsidiaries	Andhra Expressway Ltd.	Cochin Bridge Infrastructure Company Ltd.	Gammon Logistics Ltd.	Gammon Projects Developers Ltd.	Gorakhpur Infrastructure Company Limited	Haryana Biomass Power Ltd.	Kosi Bridge Infrastructure Company Limited	Marine Projects Services Ltd.	Mumbai Nasik Expressway Ltd.	Rajahmundry Expressway Ltd.	Sikkim Hydro Power Ventures Ltd.	Tidong Hydro Power Ltd.
1.	The Financial Year of the Subsidiaries ended	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008
2.	Shares of the Subsidiary Companies held by Gammon Infrastructure Projects Ltd.												
	(1) Number	* 14,210,000	6,250,070	49,940	50,000	** 25,418,378	49,994	** 17,876,354	49,940	41,595,000	* 14,210,000	50,000	49,994
	(2) Extent of Holding	93.50%	97.66%	99.88%	100.00%	94.90%	99.99%	100.00%	99.88%	79.99%	93.50%	100.00%	99.99%
3.	The net aggregate amount of Profit/Losses of the Subsidiaries Companies so far as they concern the members of Gammon Infrastructure Projects Ltd were :												
	(i) Dealt with in the accounts of Gammon Infrastructure Projects Ltd. amounted to:												
	(a) For subsidiaries' financial year ended on 31st March, 2008												
	(b) For previous financial years of the subsidiaries' since these became subsidiaries of Gammon Infrastructure Projects Ltd.												
	(ii) Not dealt with in the accounts of Gammon Infrastructure Projects Ltd amounts to:												
	(a) For subsidiaries' financial year ended March 31, 2008	145,002,200	7,782,127	(644,427)	(389,618)	***	***	***	(18,984)	***	152,970,225	***	***
	(b) For previous financial years of the subsidiaries' since these became subsidiaries of Gammon Infrastructure Projects Ltd.	141,563,247	14,389,230	****	(617)	–	–	–	****	–	153,728,129	–	–

* Gammon Infrastructure Projects Ltd (GIPL) has acquired controlling interest and voting rights in respect of 12,905,000 equity shares, each in Andhra Expressway Ltd and Rajahmundry Expressway Limited.

** GIPL has acquired controlling and voting rights in respect of 9,596,923 equity shares in Gorakhpur Infrastructure Company Limited and 6,284,146 equity shares in respect of Kosi Bridge Infrastructure Company Limited respectively.

*** Since the Company is in the Project implementation stage, no Profit & Loss account is being prepared.

**** Company was incorporated in the Financial year 2007-08.

For and on behalf of the Board of Directors of
Gammon Infrastructure Projects Limited

Abhijit Rajan	Chairman & Managing Director
Parvez Umrigar	Managing Director
Himanshu Parikh C. C. Dayal Naresh Chandra S. C. Tripathi	Directors
Sathis Chandran	Company Secretary

Mumbai
Date : May 21, 2008

DETAILS OF SUBSIDIARIES OF GAMMON INFRASTRUCTURE PROJECTS LIMITED

(Pursuant to the Central Government Order under Section 212 (8) of the Companies Act, 1956

Sr. No.	Particulars	Andhra Expressway Ltd.	Cochin Bridge Infrastructure Company Ltd.	Gammon Logistics Ltd.	Gammon Projects Developers Ltd.	Gorakhpur Infrastructure Company Limited	Haryana Biomass Power Ltd.	Kosi Bridge Infrastructure Company Limited	Marine Projects Services Ltd.	Mumbai Nasik Expressway Ltd.	Rajahmundry Expressway Ltd.	Sikkim Hydro Power Ventures Ltd.	Tidong Hydro Power Ltd.
a.	Capital	290,000,000	64,000,700	500,000	500,000	368,970,500	500,000	241,605,000	500,000	520,000,000	290,000,000	500,000	500,000
b.	Reserves	556,883,478	29,905,908	***	**	*	*	*	****	*	558,720,494	*	*
c.	Total Assets	2,592,027,870	343,103,303	860,509	2,225,603	1,609,511,404	6,767,065	852,842,543	486,611	3,907,916,588	2,503,922,564	25,492,428	505,618
d.	Total Liabilities	2,046,826,621	249,196,695	1,005,710	2,121,450	1,240,540,904	6,267,065	611,237,543	5,618	3,387,916,588	2,276,975,410	24,992,428	5,618
e.	Investments (except in case of investment in subsidiaries)	301,682,229	–	–	–	–	–	–	–	–	621,773,340	–	–
f.	Turnover	558,240,000	53,515,840	–	–	–	–	–	–	–	592,380,000	–	–
g.	Profit/(Loss) before Taxation	179,892,199	15,940,800	(645,201)	(389,618)	–	–	–	(19,007)	–	188,412,356	–	–
h.	Provision For Taxation including Deferred Tax	24,809,632	7,971,904	–	–	–	–	–	–	–	24,807,837	–	–
i.	Profit/(Loss) After Taxation	155,082,567	7,968,896	(645,201)	(389,618)	–	–	–	(19,007)	–	163,604,519	–	–
j.	Proposed Dividend	–	–	–	–	–	–	–	–	–	–	–	–
	Details on Investments :												
	(i) Mutual Funds												
	HDFC Mutual Fund	–	–	–	–	–	–	–	–	–	200,348,694	–	–
	Franklin Templeton Mutual Fund	8,025,277	–	–	–	–	–	–	–	–	8,924,646	–	–
	ICICI Prudential Mutual Fund	–	–	–	–	–	–	–	–	–	277,500,000	–	–
	Reliance Mutual Fund	293,656,952	–	–	–	–	–	–	–	–	135,000,000	–	–

* Since the Company is in the Project implementation stage, no Profit & Loss account is being prepared.

** Profit and Loss Account Debit Balance as on March 31, 2008 Rs. 389,618.

*** Profit and Loss Account Debit Balance as on March 31, 2008 Rs. 645,201.

**** Profit and Loss Account Debit Balance as on March 31, 2008 Rs. 19,007.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 131728 State Code 11

Balance Sheet Date 31 03 2008
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Right Issue
140745	NIL
Bonus Issue	**Private Placement**
NIL	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
5024879	5024879

Source of Funds

Paid-up Capital	Deferred Tax (Liability)
1420745	24246
Reserves & Surplus	**Unsecured Loans**
3275534	293000
Employee Stock Options	
11353	

Application of Funds

Net Fixed Assets	Investment
223205	2461693
Net Current Assets	**Misc. Expenditure**
2339979	NIL

IV. Performance of Company (Amount in Rs. Thousands)

Total Income	Total Expenditure
275168	157006
+ – Profit/Loss before tax	**+ – Profit/Loss after tax**
+ 118161	+ 69750
Earning Per Share in Rs.	**Dividend rate %**
0.54	NIL

V. Generic Names of Three Principal Products/Services of Company – Construction of:

Product Description BOT PROJECTS
Product Description
Product Description

For and on behalf of the Board of Directors of
Gammon Infrastructure Projects Limited

Abhijit Rajan	Chairman & Managing Director
Parvez Umrigar	Managing Director
Himanshu Parikh	Directors
C. C. Dayal	Directors
Naresh Chandra	Directors
S. C. Tripathi	Directors
Sathis Chandran	Company Secretary

Place : Mumbai
Date : May 21, 2008