



Sowing...  
what future will reap





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## From the desk of MD

Till about a decade back, Infrastructure Development was largely a neglected area in the Indian scenario. Over the last decade, to develop Infrastructure, the Government at Central and State level has initiated different programs to promote Infrastructure Development at an accelerated pace. While the Infrastructure Development approach has evolved over the last ten years, the primary thrust now has shifted towards Public Private Partnership (PPP). Having been in the project business as a contractor for several decades, Gammon Group was able to recognize the opportunity due to changes taking place in the Government's policies; and ventured into the

Infrastructure Development Business which led to the formation of Gammon Infrastructure Projects Limited (GIPL) in 2001.

GIPL is a corporate arm of Gammon Group which is responsible for projects where private investment is required. GIPL identifies project opportunities and also forms consortium partnership with other developers and investors in selective projects. Upon successful qualification, GIPL, along with the consortium partners (if any), participates in the competitive bid for such projects, and incorporates a Special Project Company that develops, maintains and operates such projects for a period ranging from 20 years to 45 years.

The decision to bid for projects is based solely on the financial returns. The synergies of having a Group Contractor Company is of additional help to GIPL in terms of assistance during the pre bid stage and cost estimation.

Presently, GIPL has 13 projects under various stages of development. The current projects are mainly in the areas of road, power and ports. In GIPL's brief tenure of 6 years, the Company has quite a few unique features to its credit namely:

(i) GIPL is the largest owner of Annuity stream (in Rupee value) expected from NHAI over the next 15 – 20 years.

(ii) Vadape Gonde (Mumbai Nasik Road) project which GIPL secured in 2005 was then one of the largest valued project awarded by NHAI on BOT Toll basis.

(iii) GIPL is the largest shareholder in the development of Vizag bulk port privatization at Visakhapatnam Port, which is India's largest major Port.

(iv) GIPL is credited with the first road privatization program in the State of Kerala.

(iv) GIPL has committed the single largest investment infusion in the Container Port Development at Mumbai Port, in its history of 125 years.

Over the next 1-to-2 years, we see ourselves enlarging our sectoral reach to cover other areas of core Infrastructure Development such as airports, water/ waste-water/ sewage management, railways while continuing to further strengthen the existing Sectoral areas of dominance i.e. roads, power and ports.

We are confident of GIPL's growth, given its strong all round functional strengths in

Infrastructure Development arena, comprising (to name a few)

- a) GIPL's excellent track record of forming JV partnerships, both with Indian and International players;
- b) an in-house project financing and development capability; and
- c) an in-house infrastructure legal team.

In my view, all of the above critical skill sets are considered necessary to be able to handle long term Concession Agreements. Finally, GIPL's Infrastructure Development capabilities are further strengthened with the available support and the execution skill from our Group Company, Gammon India Limited.

Considering the present thrust & emphasis placed by the Government to develop Infrastructure through PPP, coupled with India's huge infrastructure requirements in the coming years, we are witnessing an unprecedented opportunity in the country. GIPL, given its all round performance in the last six years, is well positioned to emerge as one of the top Infrastructure Development Companies in India.

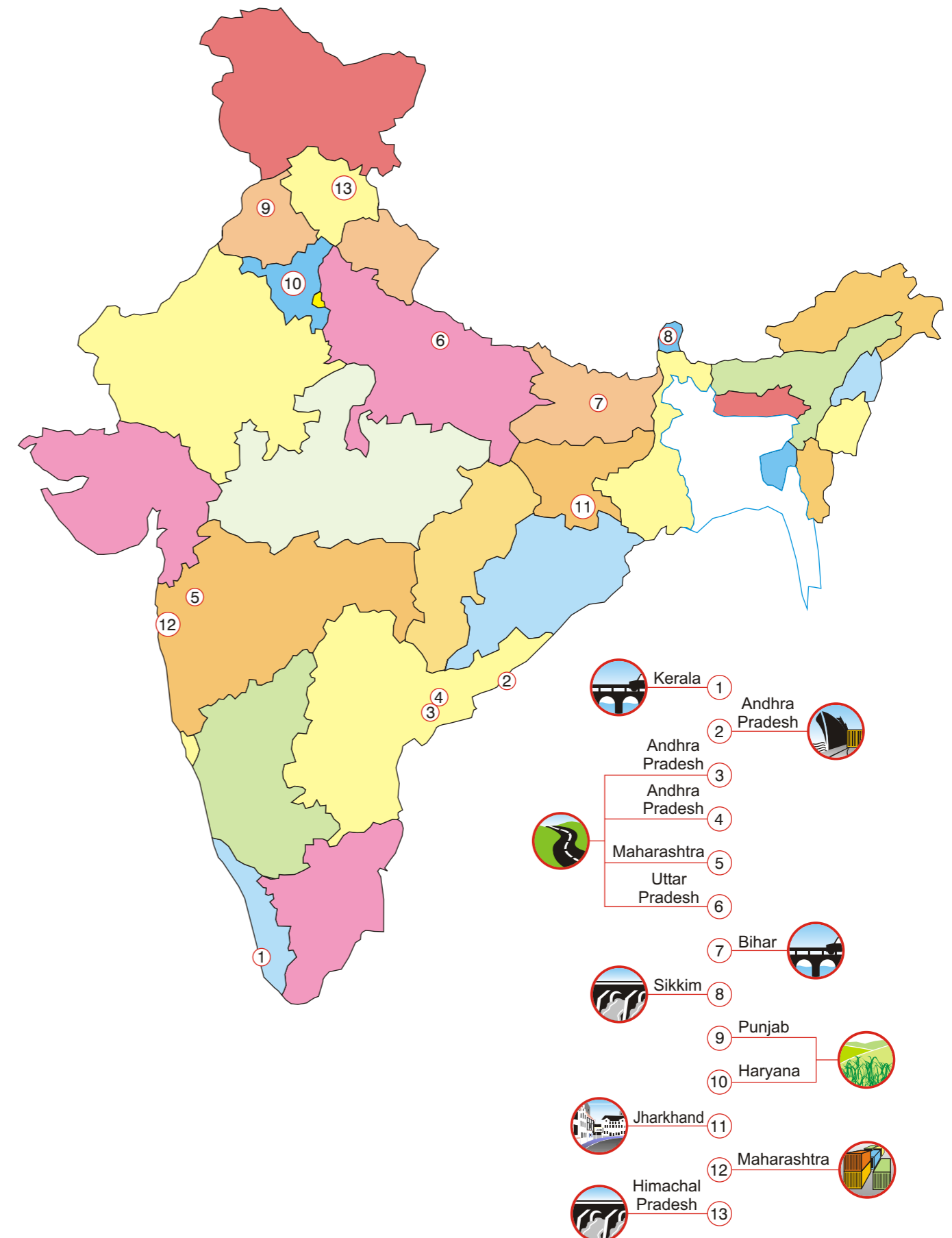


**Parvez Umrigar**  
Managing Director

## Projects at a glance

Sr. no.	Project	Estimated Cost (Rs in Crores)	Status of the Project	Facilitator	JV / Equity Partner	Bankers to the Project
1	Two multipurpose Berths at Visakhapatnam Port	325	Commissioned	Visakhapatnam Port Trust (VPT)	Portia Management Services (Subsidiary of MerseyDocks & Harbour Company Limited, U.K), Lastin Holdings Limited	Punjab National Bank State Bank of Patiala
2	Rajahmundry Dharmavaram Annuity Road Project	256	Commissioned	National Highways Authority of India (NHAI)	Punj Lloyd Limited	Canara Bank Federal Bank Industrial Development Bank of India
3	Dharmavaram – Tuni Annuity Road Project	248	Commissioned	NHAI	Punj Lloyd Limited	Canara Bank Federal Bank Industrial Development Bank of India
4	New Mattancherry Bridge Project,	26	Commissioned	Greater Cochin Development Authority (GCDA) and Government of Kerala (GOK)	Cochin Port Trust	Sponsor Funded
5	Four Laning of Vadape-Gonde section of on National Highway 3 Mumbai Nasik Expressway Project	753	Financial Closure Achieved. Project Under Implementation	NHAI	Sadbhav Engineering Limited and B.E Billimoria and Company Limited	Bank of Rajasthan Canara Bank Central Bank of India Small Industries Development Bank of India State Bank of Patiala UCO Bank Union Bank
6	Gorakhpur Bypass Project	650	Financial Closure Achieved. Project Under Implementation	NHAI	Associated Transrail Structures Limited	Bank of India Canara Bank Central Bank of India Punjab National Bank
7	Kosi River Bridge	440	Financial Closure Achieved. Project Under Implementation	NHAI	NA	Canara Bank Central Bank
8	Rangit HydroElectric Project, Sikkim (66 MW)	430	Letter of Intent received. Implementation agreement signed	Government of Sikkim	NA	—
9	Punjab Biomass Power Project (9 projects)	50 per project	Implementation agreement and Power Purchase Agreement signed for 2 projects which are under Financial Closure	Punjab State Electricity Board	Bermaco Energy Systems Ltd	—
10	Adityapur SEZ	100	Letter of Intent received. License agreement to be signed	Adityapur Industrial Area Development Authority	Adityapur Industrial Area Development Authority, Jamshedpur Utilies & Services (Subsidiary of TISCO)	—
11	Biomass Based power projects in Haryana ( 8 Projects)	50 per project	Signed MOU, Implementation agreement and Power Purchase Agreement yet to be signed	Haryana Renewable Energy Development Agency	Bermaco Energy Systems Ltd	—
12	Mumbai Offshore Container Terminal	1200	Letter of Intent received. License agreement to be signed	Mumbai Port Trust (MbPT)	Dragados S.PL ( ACS Group, Spain )	—
13	Tidong Hydropower Generation Project	330	Letter of Intent received. License agreement to be signed	Himachal Pradesh State Electricity Board	Torrent Power Limited	—

## Project locations



## Board of Directors

**Abhijit Rajan**

Chairman & Managing Director

**Sanjay Sachdev**

Non Executive Independent Director

**Himanshu Parikh**

Non Executive Director

**S. K. Guha Thakurta**

Non Executive Independent Director

**C. C. Dayal**

Non Executive Independent Director

**Parvez Umrigar**

Managing Director

## Statutory Auditors

**Natvarlal Vepari & Company**

**S. R. Batliboi & Associates**

## Projects commissioned

### Vizag Seaport Private Limited



#### Two multipurpose berths at Visakhapatnam Port

We have been awarded the concession by Visakhapatnam Port Trust. We are in a joint venture with an International port operator, Portia Management Services, UK (subsidiary of MerseyDocks & Harbour Ltd, U.K) and Lastin Holdings Ltd for developing, constructing, operating and managing two multi purpose berths in the Northern arm of the inner harbour at Visakhapatnam Port on a Build Operate and Transfer (BOT) basis.

The total project cost is about Rs. 325 Crore .The concession has been awarded for a period of 30 years including construction period of 24 months. A special purpose vehicle company - Vizag Seaport Private Limited

(VSPL) has been formed to implement the project. VSPL is presently the only private bulk operator in India's largest major port at Visakhapatnam. VSPL has developed the berths and terminal as a fully mechanized integrated handling system incorporating state-of-the-art technologies comparable to international standards, with a capacity to handle cargo up to 9 Million Tons Per Annum. We are the single largest shareholder and presently hold 42.22% of the equity shareholding in the SPV.

The commercial operations have commenced since three years.

## Projects commissioned

### Rajahmundry Expressway Limited



#### Rajahmundry- Dharmavaram Annuity Road Project in Andhra Pradesh

The project includes strengthening of a 53 km existing two lane and widening thereof to a four lane dual carriageway. The project cost is Rs 256 crores .We along with Punj Lloyd Limited have been awarded the concession for this annuity project by National Highways Authority of India (NHA). The project has a concession period of 17.5 years which includes 2.5 years of construction period.

A Special Purpose Vehicle 'Rajahmundry Expressway Limited' (REL) has been set up for development and maintenance of this project. We presently hold a controlling equity stake of 93.5 % in REL. The project achieved the commercial operations date 70 days ahead of schedule. The project since then has been operational for the last 3 years. The project was financially restructured in March 2006.

## Projects commissioned

### Andhra Expressway Limited



#### Dharmavaram – Tuni Annuity Road Project in Andhra Pradesh

The project includes strengthening of 47 km existing two lane and widening thereof to a four lane dual carriageway. Total cost of this project is Rs 248 crores. We along with Punj Lloyd Limited have been awarded the concession for this annuity project by National Highways Authority of India (NHA). The project has concession period of 17.5 years which includes 2.5 years of construction period.

A Special Purpose Vehicle (SPV) 'Andhra Expressway Limited' has been set up for development and maintenance of this project. We presently hold a controlling equity stake of 93.5 % in the SPV. The project achieved commercial Operations 30 days ahead of schedule. The project has since then been operational for the last 3 years.

## Projects commissioned

### Cochin Bridge Infrastructure Company Limited



#### New Mattancherry Bridge Project, Cochin, Kerala

The New Mattancherry Bridge Project was our first privatization project and was also the first transportation BOT project in the State of Kerala, has now completed 5 years of stable operations. The bridge connects Fort Kochi (the heritage town and a famous tourist place) to Willingdon Island in Cochin Port Trust area.

This 700 meter long bridge provides a two-lane link across the Mattancherry Channel. The project originally had a concession period of 13 years and nine months, including 28 months of construction period. We have formed a SPV for this project- "Cochin Bridge Infrastructure Company

Limited (CBICL)". We completed the construction in 18 months, i.e. 10 months ahead of schedule, which has resulted in early commencement of toll revenues. Under a revised government order it is proposed by the government to reduce the tolls and introduce monthly passes which was not envisaged. In return the government has proposed to increase the concession period and provide a stream of annuity. At present the bridge witnesses daily traffic of approximately 18,000 Passenger Car Units (PCU). We presently own 97.65% equity stake in CBICL.

## Projects under advanced implementation

### Mumbai - Nasik Expressway Limited



#### Four Laning of Vadape-Gonde section of on National Highway 3 Mumbai Nasik Expressway Project

We hold the concession for the four laning of the Mumbai Nasik section of National Highway 3 under the National Highways Development Project Phase III. When awarded it was the largest value road project under the BOT model of NHAI. The total project cost under the financing documents is estimated at Rs 753 crores. The concession period for the project is 20 years including 3 years of construction. The project has achieved its Financial Closure and is currently

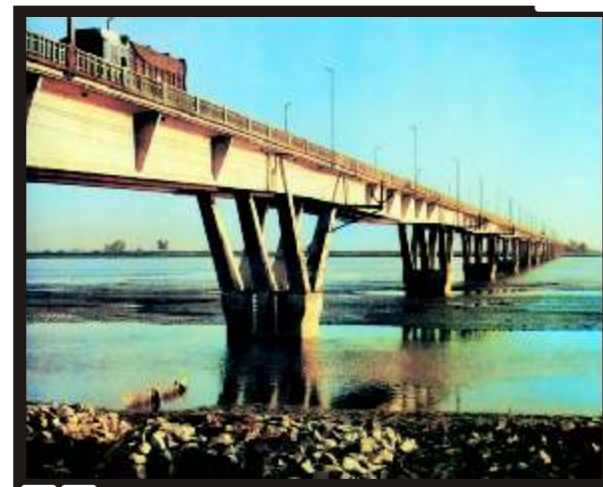
under implementation. We presently own 79.9 % equity in the SPV. The estimated Passenger Car Units (PCU) range between 28000-33000 on a daily basis. Additionally, the project has a positive capital grant of Rs 51 crores in the construction phase. This is among the most important gateways connecting Mumbai to northern (Agra), central (Nagpur) & eastern (Kolkatta) parts of India.

## Projects under initial implementation



### Gorakhpur By-pass Road Project

The scope of the project involves design, construction, finance, operation and maintenance of 32.27 km of Gorakhpur Bypass on NH-28 in the State of Uttar Pradesh, India on "Annuity Basis". The client is National Highways Authority of India (AAA rated Gol undertaking). The concession period is 20 years (including Construction Period of 30 months). We have incorporated an SPV "Gorakhpur Infrastructure Company Limited (GICL)". The concession agreement has been signed and the project has achieved its Financial Closure. We presently hold a controlling equity stake of 94.9% in the SPV. The estimated Project Cost is Rs 649.2 crore. The project is presently under implementation. This is the third annuity project secured by us.



Old Kosi River Bridge constructed by Gammon India Limited

### Kosi River Bridge

The project involves design, construction, finance, operation and maintenance of 4-lane bridge across river Kosi including its approaches on NH-57 in the State of Bihar, India on Annuity Basis. The total length of the project stretch is 10.635 Km. The client is National Highways Authority of India (AAA rated Gol undertaking). The concession period is 20 years (including Construction Period of 3 years). We have formed an SPV "Kosi Bridge Infrastructure Company Limited (KBICL)". The concession agreement has been signed and the project has achieved its Financial Closure. We hold a controlling equity stake of 100% in the SPV. The estimated project cost is Rs. 439.6 crore. The project is presently under implementation and is the fourth annuity project secured by us.

## Projects under initial implementation



### Rangit II Hydroelectric project (66 MW), Sikkim

This is a 41 year concession wherein the SPV company "Sikkim Hydro Power Ventures Limited (SHPVL)" is developing a 66 MW hydro-power project in the north eastern state of Sikkim. The estimated project cost is about Rs 430 crores and we hold 100% equity stake in the SPV.

The pre-feasibility and detailed feasibility studies are over and currently considerable progress has been made in obtaining various statutory clearances. The project is expected to achieve financial closure by March 2008 and commence active work on site by June 2008.



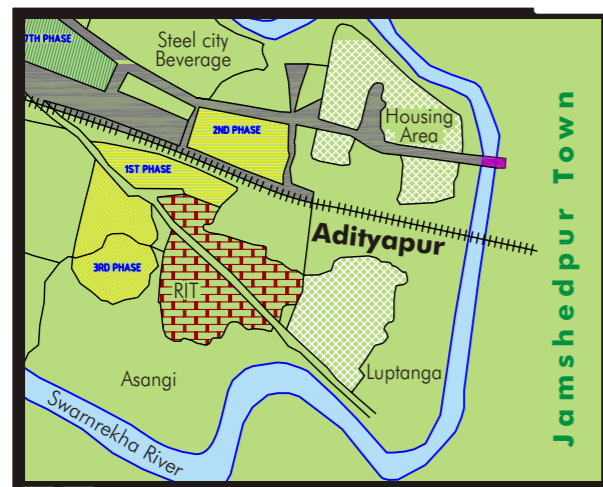
### Punjab Biomass Power Project

Gammon in equal partnership with Bermaco Energy Systems Ltd has the right to set up 9 biomass fuel based power projects in the state of Punjab. Each of the projects would be in the range of 10-15 MW. We are currently in the process of setting up the first 2 such projects through an SPV company "Punjab Biomass Power Limited." Each of the projects is expected to cost about Rs 50 crores

The detailed feasibility studies of both the projects are over and tenders are floated for procurement of mechanical works. Land acquisition has already been completed & Financial Closure is underway. We expect the first two projects to be implemented within 18 months.



## Projects recently awarded



### Adityapur SEZ Project

In a consortium with Jamshedpur Utilities & Services Company Limited (JUSCO) (a subsidiary of TISCO), we have received Letter of Intent for Development of Adityapur SEZ in Jharkhand from Adityapur Industrial Area Development Authority. The project involves design, construction, finance, operation and maintenance of Adityapur SEZ Limited. The project involves development of 90 Acres land. The concession/lease period is 90 years. We own 38% equity in the Project.



### Bio-mass based Power projects in Haryana

In an equal partnership with Bermaco Energy Systems, we have been awarded 8 biomass based Power Projects in various districts in Haryana state. Each of these projects involve the development of a 10 MW power project based on biomass fuel, essentially rice straw and rice husk. Each project is estimated to cost approximately Rs. 50 crore.

## Projects recently awarded



### Mumbai Offshore Container Terminal in Mumbai Harbour

Mumbai Port Trust (MbPT) had invited proposals for an offshore container terminal project involving operations and management of the existing Mumbai Port container terminal for initial 5 years and development, including construction, equipping, operations and management of an Offshore Container Terminal, comprising at least two berths. In a consortium with Dragados S.P.L. (ACS Group, Spain), we have been awarded the project. The estimated Project cost is about Rs. 800 crores in the initial phase of 3 years and approximately Rs. 400 crores subsequently, aggregating to Rs. 1200 crores. The Project is on a BOT basis for 30 years, including 3 years of construction & equipping period. We expect to handle about 1.2 million Total Equivalent Units (TEUs) at the offshore container facility that we will develop. This is the first container privatization at the Mumbai Port. We have received the LOI for the project, and we expect to sign the Concession Agreement shortly.



### Tidong II (60 MW) Hydropower generation project in Himachal Pradesh

This is a 45 year concession wherein the LOI has been received for developing a 60MW hydro-power project in the state of Himachal Pradesh. The estimated project cost is about Rs 350 crores. The project is an equal partnership with Torrent Power Limited. We are in the process of signing the MoU with the client.



Rajahmundry  
Expressway  
Project



Vizag Seaport Project

## DIRECTORS' REPORT

To  
The Shareholders of  
**Gammon Infrastructure Projects Limited**

Your Directors have pleasure in submitting their Sixth Annual Report, together with the Audited Accounts of the Company, for the period 1<sup>st</sup> April, 2006 to 31<sup>st</sup> March, 2007 (the "Period").

### 1. FINANCIAL HIGHLIGHTS

Your Company is in the business of infrastructure development. The business, by its very nature, requires your Company to form 'Special Purpose Vehicles' (SPVs), which are companies incorporated under the Companies Act 1956, to undertake the various infrastructural projects which are awarded to it. Consequently, the Company owns substantial equity stakes in the concerned SPVs, in accordance 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.1,58,90,16,772/- and the Profit before Depreciation / Amortisation & Taxation (PBT) was Rs.84,17,44,133/-. After providing Rs.40,22,87,940/- towards Depreciation / Amortisation and Rs.11,15,95,628/- towards Tax, the Company has a Net Profit of Rs. 32,12,79,722/- for the Period.

On a 'Stand-Alone Basis', the Income of the Company for the Period was Rs.23,70,94,939/- and the Profit before Depreciation / Amortisation & Taxation (PBT) was Rs.16,44,72,038/-. After providing Rs.1,88,15,619/- towards Depreciation / Amortisation and Rs. 5,08,82,933/- towards Tax, the Company has a Net Profit of Rs.9,47,73,486/- for the Period.

### 2. DIVIDEND

The Company has recently won several projects, details whereof are provided herein below. With a view to enable the Company to invest in those projects, the Directors find it necessary to conserve the Company resources and have accordingly decided to plough back the Profit and have not recommended any Dividend for the Period.

### 3. OPERATIONS AND PERFORMANCE

As you know, the Company was incorporated in the year 2001 as an 'Infrastructure Development Company' with the objective of focusing on infrastructure projects on Public Private Partnership (PPP) basis. Your Company's business currently comprises thirteen infrastructure projects, of which four are already in operations, five are under implementation and the remaining four are in pre-implementation stage.

- **Projects already in Operation:**

**Rajahmundry-Dharmavaram Annuity Road Project** - a 53 kilometer stretch of road in Andhra Pradesh, being a part of 'National Highway - 5', which connects Chennai and Kolkata. The project has been developed and is being operated by an SPV named Rajahmundry Expressway Limited (REL - a joint venture with Punj Lloyd Limited), in which your Company holds a majority controlling interest. The construction of the project is complete and it has commenced commercial operations since September, 2004.



**Dharmavaram-Tuni Annuity Road Project** - a 47 kilometre stretch of road in Andhra Pradesh, being a part of 'National Highway - 5', which connects Chennai and Kolkata. The project has been developed and is being operated by an SPV named Andhra Expressway Limited (**AEL** - a joint venture with Punj Lloyd Limited), in which your Company holds a majority controlling interest. The construction of the project is complete and it has commenced commercial operations since October, 2004.

**New Mattancherry Bridge Project** - a 700 metre bridge across the Mattancherry Channel in Cochin, Kerala, which has been developed and is being operated by an SPV named Cochin Bridge Infrastructure Company Limited (**CBICL**), in which your Company holds an equity stake of 97.65%. The construction of the project is complete and it has commenced commercial operations since September, 2001.

**Visakhapatnam Port Project** - two multipurpose berths in the northern arm of the inner harbor at Visakhapatnam Port, Andhra Pradesh, which have been developed and are being operated by a SPV named Vizag Seaport Private Limited (VSPL - a joint venture with International Port Services Limited, a subsidiary of Portia Management Services Limited of UK), in which your Company holds an equity stake of 42.22%. The construction of the project is complete and it has commenced commercial operations since July, 2004.

- **Projects under implementation:**

These are the projects for which the concession / license agreements have been signed with the client and the projects are at various stages of development. These are:

**Vadape-Gonde Toll Road Project** - a 100 kilometre stretch of road, being a part of 'National Highway - 3', which connects Mumbai and Nasik. The project is being executed by an SPV named Mumbai Nasik Expressway Limited (with Sadbhav Engineering Ltd. as the other major equity holder). The project has a concession period of 20 years, including a construction period of 3 years. The project has already achieved financial closure. As on March 31, 2007 the project was 30% complete.

**Rangit II Hydroelectric Project** - a 66 MW run-of-the-river hydroelectric project on the Rimbi river in west Sikkim. The project is to be developed and maintained by an SPV named Sikkim Hydro Power Ventures Limited (**SHPVL**). Your Company holds the entire equity stake in SHPVL. SHPVL has prepared the 'Detailed Project Report' for the project and has submitted the same to the concerned State Government Authority. The process of obtaining the 'environmental clearance' and 'land acquisition' for the project is underway. The project has a concession period of 41 years, including a construction period of 5 years.

**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 Limited (**PBPL**) has been incorporated to undertake the first two projects at villages Bhaghaura and Bhunerheri. Your Company holds a controlling stake of 50% in PBPL.

**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 to be developed and operated by an SPV named Kosi Bridge Infrastructure Company Limited (**KBICL**). KBICL has recently 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 the State of Uttar Pradesh. The project is to be developed and operated by an SPV named Gorakhpur Infrastructure Company Limited (**GICL**). GICL has recently achieved financial closure. The concession period for the project is 20 years, including a construction period of 2½ years.

- **Projects in pre-implementation stage:**

These are the projects which have been awarded recently or wherein your Company is the preferred bidder. These are:

**Adityapur Special Economic Zone Project** - a product specific SEZ, focused on auto ancillary involving development of 90 acres land in the State of Jharkhand. The project is to be developed and operated by an SPV named SEZ Adityapur Limited, a joint venture with Jamshedpur Utilities and Services Company Limited (a 100% subsidiary of Tata Steel Limited), in which your Company will hold 38% controlling interest. The concession period for the project is 90 years, including a construction period of 5 years.

**Mumbai Container Terminal Project** - a container terminal project at the Mumbai Port, wherein your Company's consortium is the preferred bidder. The project is to be developed and operated by an SPV named Indira Container Terminal Private Limited – which is under incorporation. The concession period for the project is 30 years, including a construction period of 3 years.

**Tidong Hydroelectric Power Project** - a 60 MW hydroelectric project in Kinnaur district of Himachal Pradesh, for which your Company's consortium has received the 'Letter of Intent'. The project is to be developed and operated by an SPV named Tidong Hydro Power Limited, which is under incorporation. The concession period for the project is 40 years.

**Biomass Power Projects in Haryana** - your Company 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 Limited, which is under incorporation.

- **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; and (iii) the Vadape-Gonde Toll Road Project. While the contracts for the first two projects are operational, the contract for the third project is expected to be operational by March, 2009. Further, your Company will also pursue the upcoming O&M contracts for the Kosi Bridge Annuity Project and Gorakhpur Bypass Annuity Project.

#### 4. FUTURE PROSPECTS

Your Company sees tremendous potential in the PPP Infrastructure sector and is favorably poised to secure many more projects in this sector. Today, as India is rapidly progressing ahead in creation of infrastructure across various sectors, PPP is increasingly becoming the choice of infrastructure development, due to its inherent advantages of better risk allocation and efficiencies of operation. This, 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, Hydro Power, 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 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. 300 billion.



**5. EQUITY CAPITAL**

To address the ongoing long term funds requirement to fuel the increasing number and sizes of PPP projects won by your Company, it is in the process of exploring various sources of equity capital, including coming out with an initial public offering (IPO), through the book building route, a private equity placement, private issue of a convertible instrument etc., to name a few.

The Members, at the Extra-ordinary General Meeting held on 4<sup>th</sup> May, 2007, approved of an Employees Stock Option Scheme for the employees, which *inter alia* provides for issue of options to the beneficiaries carrying underlying rights to subscribe upto 2% of the issued capital of the Company from time to time. The Company has not issued any options under the Scheme so far.

**6. 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.17,48,230/- during the Period.

**7. SUBSIDIARIES**

Andhra Expressway Limited, Cochin Bridge Infrastructure Company Limited, Mumbai Nasik Expressway Limited, Rajahmundry Expressway Limited, Sikkim Hydro Power Ventures Limited and Gammon Project Developers Limited, continue to be the subsidiaries of the Company. In March, 2007 the Company has incorporated Marine Project Services Limited, in which the Company has undertaken to hold 100% stake.

**8. PARTICULARS OF EMPLOYEES**

Particulars of employees required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is annexed to and forms a part of this Report.

**9. 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.

**10. BOARD OF DIRECTORS**

As per Article 169 of the Articles of Association of your Company, Mr. C. C. Dayal, Director is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment. Your Directors recommend his re-appointment.

**11. PUBLIC DEPOSITS**

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

**12. AUDITORS**

M/s. S. R. Batliboi & Associates, Chartered Accountants, Mumbai, were appointed as Auditors of the Company at the Extra-Ordinary General Meeting held on 11<sup>th</sup> June, 2007, to jointly audit the Accounts of the Company for the Period with M/s. Natvarlal Vepari & Co., Chartered Accountants, Mumbai.

Both the Auditors, M/s. Natvarlal Vepari & Co. and M/s. S. R. Batliboi & Associates, Chartered Accountants, 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.

**13. AUDIT COMMITTEE**

The Audit Committee of the Board oversees and reviews the financial reporting system and disclosures of its financial results. This Committee reviews the adequacy of internal audit procedures, systems and quality of audits, recommends the appointment of statutory auditors and discusses with them the internal control system. The composition of the Audit Committee is as follows:

Mr. C. C. Dayal, Chairman

Mr. Parvez Umrigar  
Mr. S. K. Guha Thakurta

The Audit Committee deliberated on the Audited Accounts of the Company for the Period and its recommendations were placed before the Board.

**14. 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 and which are self explanatory and do not need any further clarifications.

**15. 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  
Chairman & Managing Director

Parvez Umrigar  
Managing Director

Place: Mumbai  
Date: 29.06.07



## ANNEXURE

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2007

Sr. No	Name of Employee	Age (Yrs)	Designation/ Nature of Duties	Gross Remuneration (in Rs.)	Qualification & Experience	Date of Employment	Last Employment Held
1	Mr.Parvez Umrigar	44	Managing Director	38,45,659/-	B.Com., AICWA, FCA (16 Years)	1st January 2006	Gammon India Limited*
2	Mr.Vijay Agarwal	36	Chief Financial Officer	40,71,281/-	B.Com., AICWA, ACS and MMS (14 Years)	5th January 2002	Bovis Lend Lease

\* was on deputation from Gammon India Ltd. to the services of the Company with effect from 1st September, 2002; initially as the Chief Executive Officer of the Company and later, with effect from 21st July 2005, as the Managing Director of the Company.

### Notes:

Nature of employment of the Managing Director is contractual.

None of the above employees is a relative of any Director of the Company.

No employee of the Company, other than Mr. Abhijit Rajan, the Chairman and Managing Director (who is not drawing any remuneration from the Company) holds 2% or more of the Equity Shares of the Company.



## AUDITORS' REPORT

To  
The members of  
**Gammon Infrastructure Projects Limited**

We have audited the attached Balance Sheet of **Gammon Infrastructure Projects Limited** as at 31st March, 2007 and the Profit and Loss Account and the Cash Flow Statement of the Company 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 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 & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- iv) In our opinion, the Balance Sheet, Profit 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 representation 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, 2007 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 explanation 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, 2007 and
  - (b) in the case of Profit and Loss Account of the Profit for the year ended on March 31, 2007.
  - (c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For **NATVARLAL VEPARI & CO.**  
CHARTERED ACCOUNTANTS

**N Jayendran**  
M. No. 40441  
(Partner)

Place : Mumbai  
Date : 29.06.07

For **S.R. BATLIBOI & ASSOCIATES**  
CHARTERED ACCOUNTANTS

**Amit Majmudar**  
M. No. 36656  
(Partner)

Place : Mumbai  
Date : 29.06.07



## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date)

- (i) (a) The Company is maintaining 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 any material discrepancies noticed on such verification have been properly dealt with in the books of account;
- (c) The Company has not disposed off any substantial part of fixed assets.
- (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 not taken any loans from any parties listed under Section 301 of the Companies Act 1956.
- (b) The company has not granted any loans to any party covered 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 procedure commensurate with the size of the company and the nature of its business, for the purchase of fixed assets and for the rendering of services. We have not come across any continuing failure to correct major weaknesses in internal control.
- (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 has been properly entered.
- (b) All such transactions exceeding Rs. Five lacs during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time and the nature of services rendered by such parties.
- (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) *In the absence of a separate internal audit system we are unable to comment whether the same is commensurate with the size and nature of the business.* However the Company has a system of internal checks for its processes and controls.
- (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 for the products of the Company.
- (ix) (a) The Company is generally regular in depositing Provident Fund, Income tax and service tax dues with the appropriate authorities. The delays during the year were not significant and 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.
- (b) There are no disputed demands relating to Sales tax, Income Tax, Service tax, wealth tax, excise duty and cess as at the end of the year.

## ANNEXURE TO THE AUDITORS' REPORT

- (ix) The Company does not have any accumulated losses and has not incurred cash losses in current year and the previous year.
- (x) 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.
- (xi) On the basis of the audit procedures followed, the test checks of the transactions during and the representations from the management, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xii) The Company is not a nidhi/ mutual benefit fund/societies and accordingly clause (xiii) of para 4 of the order is not applicable.
- (xiii) 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 1** to the notes to account.
- (xiv) According to the information and explanations the company has not given guarantee for loans taken by others from bank or financial institutions.
- (xv) The company has not taken any term loans and therefore clause (xvi) of para 4 of the Order is not applicable.
- (xvi) According to the information and explanation 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 not applied any short term funds towards long term purposes.
- (xvii) 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.
- (xviii) The Company has not raised any debenture and accordingly clause (xix) of the said Order is not applicable.
- (xix) The Company has not raised any money by public issues during the year and accordingly clause (xx) of the said Order is not applicable;
- (xx) Based on the audit procedures performed and the information and explanation 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**  
M. No. 40441  
(Partner)

Place : Mumbai  
Date : 29.06.07

For **S.R. BATLIBOI & ASSOCIATES**  
CHARTERED ACCOUNTANTS

**Amit Majmudar**  
M. No. 36656  
(Partner)

Place : Mumbai  
Date : 29.06.07

**BALANCE SHEET AS AT MARCH 31, 2007**

(All Amounts in Indian Rupees)

	Schedule	As At March 31, 2007		As At March 31, 2006	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	1,280,000,000		1,280,000,000	
Reserves & Surplus	2	1,139,992,133		1,073,572,825	
			2,419,992,133		2,353,572,825
<b>Loans</b>			-		-
<b>Deferred Tax Liability</b>			15,056,479		66,399
			<b>2,435,048,612</b>		<b>2,353,639,224</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	3	260,148,131		1,864,239	
Depreciation / Ammortisation		18,875,018		59,399	
Net Block		241,273,113		1,804,840	
Add: Capital WIP (Including Capital Advances)		-		1,149,197	
			241,273,113		2,954,037
<b>Investments</b>	4		1,719,817,661		1,650,004,553
<b>Current Assets, Loans and Advances</b>					
Inventories - Stock of Materials at Site	5	2,750,225		-	
Sundry Debtors	6	47,222,641		34,833,099	
Cash and Bank Balances	7	291,144,373		682,749,288	
Loans and Advances	8	202,351,517		33,143,141	
(A)		543,468,756		750,725,528	
<b>Current Liabilities and Provisions</b>					
Current Liabilities	9	40,567,168		49,762,867	
Provision	10	28,943,750		282,027	
(B)		69,510,918		50,044,894	
<b>Net Current Assets</b>	(A-B)		473,957,838		700,680,634
			<b>2,435,048,612</b>		<b>2,353,639,224</b>
<b>NOTES TO ACCOUNTS</b>					
	16				

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

As per our report of even date

For Natvarlal Vepari and Co.  
Chartered AccountantsFor S.R. Batliboi & Associates  
Chartered AccountantsFor and on behalf of Board of Directors of  
Gammon Infrastructure Projects LimitedAbhijit Rajan  
Chairman &  
Managing DirectorParvez Umrigar  
Managing DirectorHimnashu Parikh  
DirectorS.K. Guha Thakurta  
DirectorC.C. Dayal  
DirectorN. Jayendran  
Partner  
Membership No: 40441per Amit Majmudar  
Partner  
Membership No: 36656Rajiv Daru  
Company SecretaryPlace : Mumbai  
Date : 29.06.07

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

(All Amounts in Indian Rupees)

	Schedule	April 1, 2006 to March 31, 2007		January 1, 2005 to March 31, 2006	
<b>INCOME</b>					
Turnover	11	193,159,472		146,489,718	
Other Income	12	43,935,467		26,699,280	
			<b>237,094,939</b>		<b>173,188,998</b>
<b>EXPENDITURE</b>					
Operating & Maintenance Expenses	13	25,569,900		46,941,242	
Administrative Expenses	14	46,774,758		35,260,603	
Financial Costs (Gross)	15	278,243		5,633,984	
Depreciation	3	532,710		35,521	
Amortisation	3	18,282,909		-	
Preliminary and Shares Issue Expenses W/off		-		1,107,300	
			91,438,520		88,978,650
<b>PROFIT BEFORE TAX</b>			<b>145,656,419</b>		<b>84,210,348</b>
Less: Provision for Taxation					
Current Tax		35,500,000		13,000,000	
Deferred Tax		14,990,080		44,242	
Fringe Benefit Tax		392,853		66,474	
			50,882,933		13,110,716
<b>PROFIT AFTER TAX</b>			<b>94,773,486</b>		<b>71,099,632</b>
Less: Short Provision for Tax of earlier years			25,891,194		3,155,364
<b>NET PROFIT FOR THE YEAR</b>			<b>68,882,292</b>		<b>67,944,268</b>
Add: Balance brought forward from the last year			73,328,618		5,384,350
<b>BALANCE CARRIED TO THE BALANCE SHEET</b>			<b>142,210,910</b>		<b>73,328,618</b>
<b>Earnings Per Share :</b>					
Before Prior Year Tax Changes					
Basic and Diluted Earnings Per Share (Not Annualised)			<b>0.74</b>		<b>1.00</b>
After Prior Year Tax Changes					
Basic and Diluted Earnings Per Share (Not Annualised)			<b>0.54</b>		<b>1.00</b>
Weighted Average No. of Equity Shares Outstanding			128,000,000		68,192,110
Nominal Value of Equity Shares in Rupees			10		10
<b>NOTES TO ACCOUNTS</b>	<b>16</b>				

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

As per our report of even date

For Natvarlal Vepari and Co.  
Chartered AccountantsFor S.R. Batliboi & Associates  
Chartered AccountantsFor and on behalf of Board of Directors of  
Gammon Infrastructure Projects LimitedAbhijit Rajan  
Chairman &  
Managing DirectorParvez Umrigar  
Managing DirectorHimnashu Parikh  
DirectorS.K. Guha Thakurta  
DirectorC.C. Dayal  
DirectorN. Jayendran  
Partner  
Membership No: 40441per Amit Majmudar  
Partner  
Membership No: 36656Rajiv Daru  
Company SecretaryPlace : Mumbai  
Date : 29.06.07



## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

(All Amounts in Indian Rupees)

	April 1, 2006 to March 31, 2007	January 1, 2005 to March 31, 2006	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>			
Net Profit before Tax and extraordinary items	145,656,419		84,210,348
Adjustments for :			
Depreciation & Ammortisation	18,815,619	35,521	
Dividend Income	(1,133,082)	(456,345)	
Interest (Net)	(39,537,000)	(20,083,951)	
Provision dues from joint ventures	938,441	-	
Preliminary and Share Issue Expenses written off	-	685,190	
	(20,916,022)		(19,819,585)
Operating Profit before Working Capital Changes	124,740,397		64,390,763
Adjustments for :			
Trade and Other Receivables	(22,229,029)	(37,642,436)	
Inventories	(2,750,225)	-	
Trade Payables & Working Capital Finance	(8,887,335)	47,763,897	
	(33,866,589)		10,121,461
Cash Generated from the Operations	90,873,808		74,512,224
Direct Taxes paid	(33,430,688)		(17,273,916)
Cash flow before extraordinary items	57,443,120		57,238,308
Extraordinary items	-		-
Net Cash from Operating Activities	57,443,120		57,238,308
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES:</b>			
Purchase of Fixed Assets	(257,134,695)	(2,807,155)	
Investments :			
- Purchase of Investments :			
- Subsidiary Companies	(415,600,700)	(231,947,900)	
- Trade Investments (incl Associates & Joint Ventures)	(41,849,810)	(269,083,160)	
- Market Investments	-	(2,632,276)	
- Mutual Fund Units	(50,514,348)	-	
- Sale of Investments :			
- Subsidiary / Associate Companies	-	150,000	
- Trade Investments	-	66,000,000	
- Mutual Fund Units	40,000,000	-	
Deposit with Joint Stock Companies	(173,892,000)	(5,000)	
Advances to Subsidiaries	8,345,820	(16,725,223)	
Deposit for acquisition of controlling interest in SPV's	-	(328,380,000)	
Share Application Money Pending Allotment	398,151,750	(455,227,956)	
Interest received	45,054,093	15,090,281	
Dividend received	1,133,082	456,345	
Net Cash from Investment activities	(446,306,808)		(1,225,112,044)

Note : Figures in brackets denote outflows.

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

(All Amounts in Indian Rupees)

	April 1, 2006 to March 31, 2007	January 1, 2005 to March 31, 2006	
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Increase in Share Capital and Reserves	-	1,929,851,000	
Proceeds from borrowings	-	(25,384,750)	
Finance Costs	(278,243)	(6,286,058)	
Share Issue Expenses	(2,462,984)	(50,206,173)	
	(2,741,227)		1,847,974,019
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(391,604,915)</b>		<b>680,100,283</b>
Closing Balances	291,144,373		682,749,288
Opening Balances	682,749,288		2,649,005
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(391,604,915)</b>		<b>680,100,283</b>
<b>Components of Cash and Cash Equivalents</b>			
Cash and Cheques on hand	15,577		66,248
With Banks :			
- On Current Account	20,824,812		82,682,943
- On Deposit Account	270,303,984		600,000,097
	<b>291,144,373</b>		<b>682,749,288</b>
Note : Figures in brackets denote outflows.			

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

As per our report of even date

For Natvarlal Vepari and Co.  
Chartered Accountants

For S.R. Batliboi & Associates  
Chartered Accountants

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

Abhijit Rajan  
Chairman &  
Managing Director

Parvez Umrigar  
Managing Director

Himnashu Parikh  
Director

S.K. Guha Thakurta  
Director

C.C. Dayal  
Director

N. Jayendran  
Partner  
Membership No: 40441

per Amit Majmudar  
Partner  
Membership No: 36656

Rajiv Daru  
Company Secretary

Place : Mumbai  
Date : 29.06.07



## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007

(All Amounts in Indian Rupees)

	As At March 31, 2007		As At March 31, 2006	
<b>Schedule '1': Share Capital</b>				
<b>Authorised :</b>				
200,000,000 (Previous year: 200,000,000)				
Equity shares of Rs 10/- each		2,000,000,000		2,000,000,000
		<u>2,000,000,000</u>		<u>2,000,000,000</u>
Issued ,Subscribed and Paid - up:				
128,000,000 (Previous Year : 128,000,000)				
Equity Shares of Rs. 10/- each		1,280,000,000		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]				
		<u>1,280,000,000</u>		<u>1,280,000,000</u>
<b>Schedule '2': Reserves and Surplus</b>				
Security Premium	1,054,080,000		1,054,080,000	
Less : Expenses relating to issue of shares (Refer Note No. B(i))	56,298,777		53,835,793	
		997,781,223		1,000,244,207
Profit & Loss Account		142,210,910		73,328,618
		<u>1,139,992,133</u>		<u>1,073,572,825</u>
<b>Schedule '4' : Investments (Valued at Cost)</b>				
<b>Long term Investments unless otherwise stated :</b>				
Trade Investments, in Subsidiary Companies: (Fully paid-up unless otherwise stated)				
Ordinary Shares: (Unquoted) of Rs 10/- each				
6,250,070 (Previous Year: 6,250,070)				
Cochin Bridge Infrastructure Company Limited	62,500,700		62,500,700	
14,210,000 (Previous Year: 14,210,000)				
Andhra Expressway Limited	177,032,800		177,032,800	
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	
50,000 (Previous Year: 49,930) Gammon Projects Developers Limited	500,000		499,300	
41,595,000 (Previous year 35,000) Mumbai Nasik Expressway Limited	415,950,000		350,000	
		834,658,700		419,058,000



## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007

(All Amounts in Indian Rupees)

	As At March 31, 2007		As At March 31, 2006	
Acquisition of Controlling Interest in Equity Shares with Gammon India Limited (Refer Note No. C : 1)				
- Equity Shares of Rajahmundry Expressway Ltd	163,618,800		163,618,800	
- Equity Shares of Andhra Expressway Ltd	164,761,200		164,761,200	
		328,380,000		328,380,000
<b>Investments in Jointly Controlled Entities/Associates: (Fully paid-up unless otherwise stated)</b>				
<b>Ordinary Shares: (Unquoted) of Rs 10/- each, unless otherwise stated</b>				
33,436,347 (Previous Year: 33,436,347)				
Vizag Seaport Private Limited	334,831,837		334,831,837	
750,000 (Previous Year: 249,940)				
Punjab Biomass Power Limited of Re 1/- each	30,750,000		249,940	
19,500 (Previous year : Nil )				
Gorakhpur Infrastructure Company Limited	195,000		-	
24,500 (Previous year : Nil )				
Kosi Bridge Infrastructure Company Limited	245,000		-	
2,143,950 (Previous year : Nil )				
Eversun Sparkle Maritimes Services Pvt Ltd	21,439,500		10,719,750	
19,000 (Previous year : Nil) SEZ Adityapur Ltd	190,000		-	
5,000 (Previous Year: 5,000) Gammon L & T Infrastructure MRTS Limited of Rs 100/- each	500,000		500,000	
		388,151,337		346,301,527
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: 580) Tata Consultancy Services Limited (Re 1 per share paid up)	493,000		493,000	
		5,890,076		5,890,076



**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT MARCH 31, 2007**

(All Amounts in Indian Rupees)

	As At March 31, 2007		As At March 31, 2006	
Investment in Mutual Fund Units (Current Investments)				
Canbank Mutual Fund (1,047,141.4748 units @ Rs 10.0410 per unit)		10,514,348		-
Share application money pending allotment (Current Investments)		152,223,200		550,374,950
		<b>1,719,817,661</b>		<b>1,650,004,553</b>
Aggregate Book Value of Unquoted Investments		1,233,324,385		765,359,527
Aggregate Book Value of Quoted Investments		5,890,076		5,890,076
Aggregate Book Value of Other Investments		480,603,200		878,754,950
Aggregate Market Value of Quoted Investments		<b>38,155,265</b>		<b>26,108,185</b>
<b>Schedule '5': Inventories</b>				
Stores and Materials at or below costs as verified by Site Auditors		2,750,225		-
		<b>2,750,225</b>		<b>-</b>
<b>Schedule '6': Sundry Debtors</b> (Unsecured - Considered Good)				
Outstanding for more than six months		196,300		196,300
Other Debts		47,026,341		34,636,799
		<b>47,222,641</b>		<b>34,833,099</b>
<b>Schedule '7': Cash and Bank Balances</b>				
Cash on Hand		15,577		66,248
Balances with Scheduled Banks in Current Accounts		20,824,812		79,882,943
Fixed Deposits With Banks		270,303,984		600,000,097
Funds in transit		-		2,800,000
		<b>291,144,373</b>		<b>682,749,288</b>
<b>Schedule '8': Loans and Advances</b> (Unsecured - Considered Good)				
Advances recoverable in cash or in kind or for value to be received		2,141,666		2,101,740
Interest Accrued Receivable		5,457,089		10,695,939
Dues from Subsidiary / Joint Venture Companies :				
- Andhra Expressway Ltd	23,000		6,981,774	
- Gammon L & T Infrastructure MRTS	938,441		599,701	
- Gammon Project Developers Ltd	29,600		24,800	
- Gorakhpur Infrastructure Projects Ltd	3,198,767		-	
- Kosi Bridge Infrastructure Company Ltd	2,690,772		-	
- Mumbai Nasik Expressway Ltd	396,827		4,303,373	
- Punjab Biomass Power Ltd	140,542		1,330	
- Rajahmundry Expressway Ltd	2,000		4,248,195	
- Sikkim Hydro Power Ventures Ltd	959,454		566,050	
		<b>8,379,403</b>		<b>16,725,223</b>

## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007

(All Amounts in Indian Rupees)

	As At March 31, 2007		As At March 31, 2006	
Deposit with Joint Stock Companies :				
- Subsidiary Companies :				
Gammon Projects Developers Limited	100,005,000		5,000	
- Associate Companies :				
Associated Transrail Structures Limited	70,000,000		-	
- Others	3,892,000		-	
		173,897,000		5,000
Prepaid Expenses		13,064,900		3,271,839
Deposits		349,900		343,400
		203,289,958		33,143,141
Less : Provision made for Dues receivable from subsidiaries		938,441		-
		<b>202,351,517</b>		<b>33,143,141</b>
<b>Schedule '9': Current Liabilities</b>				
Dues to Holding Company, Gammon India Limited		23,911,762		23,695,177
Dues to Subsidiaries / Joint Venture		200,940		10,140
Sundry Creditors for expenses		8,940,748		24,083,679
Other Liabilities		7,513,718		1,973,871
		<b>40,567,168</b>		<b>49,762,867</b>
<b>Schedule '10': Provisions</b>				
Provisions for Taxation	78,207,169		16,815,975	
Less : Prepaid Taxes	50,505,425		17,074,737	
		27,701,744		(258,762)
Provision for Fringe Benefit Tax		459,327		66,474
Provision for Leave Encashment		334,770		224,441
Provision for Gratuity		447,909		249,874
		<b>28,943,750</b>		<b>282,027</b>



**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT MARCH 31, 2007**

**SCHEDULE '3':**

(All Amounts in Indian Rupees)

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	As on 01.4.2006	Additions during the period	Transfers during the period	As on 31.03.2007	Upto 31.03.2006	For the period	Upto 31.03.2007	As on 31.03.2007	As on 31.03.2006
<b>TANGIBLE ASSETS :</b>									
Office Equipments	381,625	442,936	-	824,561	23,005	32,044	55,049	769,512	358,620
Furniture & Fixtures	126,568	4,256,583	-	4,383,151	19,808	186,592	206,400	4,176,751	106,760
Computers	153,423	1,038,450	-	1,191,873	15,334	127,187	142,521	1,049,352	138,089
Motor Cars	1,202,623	2,545,923	-	3,748,546	1,252	186,887	188,139	3,560,407	1,201,371
	<b>1,864,239</b>	<b>8,283,892</b>	<b>-</b>	<b>10,148,131</b>	<b>59,399</b>	<b>532,710</b>	<b>592,109</b>	<b>9,556,022</b>	<b>1,804,840</b>
<b>INTANGIBLE ASSET :</b>									
Purchase of O & M Rights	-	250,000,000	-	250,000,000	-	18,282,909	18,282,909	231,717,091	-
	<b>-</b>	<b>250,000,000</b>	<b>-</b>	<b>250,000,000</b>	<b>-</b>	<b>18,282,909</b>	<b>18,282,909</b>	<b>231,717,091</b>	<b>-</b>
Advance for Capital Expenditure	1,149,197	3,114,172	4,238,369	-				-	-
<b>GRAND TOTAL</b>	<b>3,013,436</b>	<b>261,398,064</b>	<b>4,238,369</b>	<b>260,148,131</b>	<b>59,399</b>	<b>18,815,619</b>	<b>18,875,018</b>	<b>241,273,113</b>	<b>1,804,840</b>
Previous Year	(206,281)	(2,807,155)	-	(3,013,436)	(23,878)	(35,521)	(59,399)	(2,954,037)	

## SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2007

(All Amounts in Indian Rupees)

	As At March 31, 2007		As At March 31, 2006	
<b>SCHEDULE '11': Income</b>				
Income from Professional services rendered				
Developer's Fees (TDS Rs 3,132,176/-; Previous year Nil)	49,743,408		-	
Consultancy Fees	-		1,814,884	
Financial Closure Fees	-		35,000	
Pre-bid Advisory Income	-		5,810,000	
Retainer Fees	-		3,800,000	
		49,743,408		11,459,884
Operating & Maintenance Income (TDS Rs.1,609,128/-; Previous year Rs 1,173,790/-)		143,416,064		135,029,834
		<b>193,159,472</b>		<b>146,489,718</b>
<b>SCHEDULE '12': Other Incomes</b>				
Dividend Income	1,133,082		456,345	
Other Income	2,987,142		525,000	
		4,120,224		981,345
Interest Income :				
Intercorporate Deposits given (TDS Rs.1,784,310/-; Previous Year: Rs 4,608,768/-)	7,951,465		20,529,568	
Fixed Deposits with Banks (TDS Rs 7,150,232/- Previous year Rs 1,190,137/-)	31,863,778		5,188,367	
		39,815,243		25,717,935
		<b>43,935,467</b>		<b>26,699,280</b>
<b>SCHEDULE '13': Operating and Maintenance Expenses</b>				
Administration Expenses	1,497,644		1,348,733	
Electricity Charges	9,740,060		15,066,218	
Fuel Charges	1,991,072		1,710,429	
Hire Charges	416,611		4,248,179	
Professional Fees	1,099,121		-	
Cleaning & Sweeping of Road	3,019,448		1,702,960	
Maintenance Charges	8,589,441		22,123,346	
Motor Car and Conveyance Expenses	705,369		80,238	
Office Rent	82,567		34,869	
VAT Paid	59,484		-	
Security Charges	1,119,308		626,270	
		28,320,125		46,941,242
Less : Closing Stock of Materials		2,750,225		-
		<b>25,569,900</b>		<b>46,941,242</b>



## SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2007

(All Amounts in Indian Rupees)

	As At March 31, 2007		As At March 31, 2006	
<b>SCHEDULE '14': Administrative Expenses</b>				
Staff Salaries & Bonus		22,169,993		15,052,770
Staff Welfare Expenses		1,051,714		884,328
Conveyance Expenses		261,810		185,900
Advertisement Expenses		524,762		1,095,198
Bank Charges		92,148		40,875
Books & Periodicals		105,831		173,334
Membership & Subscription		88,450		26,295
Insurance Charges		2,557,096		31,487
Repairs & Maintenance		310,723		206,079
Motor Car Expenses		732,879		445,451
Printing & Stationery		546,682		302,089
Professional Charges		9,665,697		11,928,445
Rent		1,200,000		1,500,000
ROC Fees		13,800		40,400
Telephone Expenses		432,811		236,783
Tender Document Expenses		1,154,478		1,501,120
Travelling Expenses		3,501,550		606,750
Miscellaneous Expenses		335,704		388,722
Directors' Sitting Fees		45,000		-
Auditors' Remuneration :				
- Audit Fees	1,000,000		561,000	
- Certification Charges	45,189		53,577	
		1,045,189		614,577
Provision made for dues from joint ventures		938,441		-
		-		-
		<b>46,774,758</b>		<b>35,260,603</b>
<b>SCHEDULE '15': Finance Cost</b>				
Interest Paid On :				
Intercorporate Deposits from Gammon India Limited	-		5,633,783	
Others	-		201	
		-		5,633,984
Guarantee Bond Commission		278,243		-
		<b>278,243</b>		<b>5,633,984</b>

## **GAMMON INFRASTRUCTURE PROJECTS LIMITED**

**Schedules Annexed To And Forming Part Of The Balance Sheet As At March 31, 2007 And The Profit And Loss Account For The Year Ended On March 31, 2007.**

(All amounts in Indian Rupees)

### **SCHEDULE 16 : NOTES TO ACCOUNTS**

#### **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 are prepared under the historical cost convention, on an accrual basis of accounting, to comply in all material respects with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and Section 211(3C) of the Companies Act, 1956 ('the Act'). The accounting policies discussed more fully below, are consistent with those used in the previous year.

##### **a) Revenue Recognition**

Revenue on Operation and Maintenance contracts are recognized proportionately over the period of the contract.

Revenue on Developer Fees are 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.

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

Intangible assets being rights of Operations and Maintenance are amortised over the period of the subsistence of its rights.

##### **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 the investments.

**e) Inventories**

Stores and materials are valued at lower of cost or net realizable value. 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.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year 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 attributed to equity shareholders by the weighted average number of equity share outstanding during the year.

**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

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

#### k) Employee Benefits

Provision for gratuity liability to eligible employees is actuarially valued and accounted for during the accounting period in which the same accrues. Leave encashable on retirement has been provided on the basis of actuarial valuation. The Company has been covered under the Employees Provident Fund Act from Sept, 2006.

### C. OTHER NOTES :

- The Company had during the previous year entered into an agreement with Gammon India Limited by which it had acquired the controlling interest and voting rights in respect of 12,905,000 equity shares each of Rajahmundry Expressway Limited and Andhra Expressway Limited which continues to be in the name of the sponsors of the SPVs. By virtue of this agreement and the equity share holding in these companies Andhra Expressway Limited and Rajahmundry Expressway Limited, have become subsidiaries of the Company. The amount of Rs. 32,83,80,000 paid to Gammon India Limited has been shown under Investments.
- During the year the Company has revised its terms of sub-contract for operations and maintenance of two stretches of National Highways in the state of Andhra Pradesh with the holding company and foreclosed its earlier sub-contract. Pursuant to revision and as per the terms of revised sub-contract the Company has paid an upfront consideration of Rs 25 crores for award of the sub-contract effective from April 1, 2006. This amount has been considered as an intangible asset in the books of accounts and is being amortized over the life of the sub-contract.
- During the year pursuant to the retrospective amendment of proviso to section 80IA, the Company has reviewed its claim in respect of section 80IA and has decided to provide for income-tax of the earlier years without considering the benefits available u/s 80IA. On account of this an amount of Rs 24,692,502/- is included in the "Provision for Tax of earlier years" and is debited to profit and loss account.
- Sundry Debtors as at March 31,2007, represents amounts due from Holding Company M/s. Gammon India Limited.
- Investments**

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

	Purchase		Sale		Dividend
	Nos. of Units	Value Rs.	Nos. of Units	Value Rs.	Value Rs.
Canbank Mutual	4,979,584	50,000,000	3,983,667	40,000,000	514,348
Fund	(-)	(-)	(-)	(-)	(-)

(Previous year's figures in brackets)



## 6. Deferred Tax Liability

	As at March 31, 2007	As at March 31, 2006
Deferred Tax Liability on account of :		
- Depreciation	15,319,929	66,399
Deferred Tax Asset on account of :		
- Gratuity / Leave Encashment	263,450	-
Net Difference (Deferred Tax Liability)	15,056,479	66,399

## 7. Earnings per Share

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

	As at March 31, 2007	As at March 31, 2006
Equity holding at the beginning of the period (Nos)	128,000,000	40,422,900
Equity Shares allotted during the period (Nos)	-	87,577,100
Weighted Number of Shares during the period	128,000,000	68,192,110
Net Profit Before Short Provision of Tax	94,773,486	71,099,632
Net Profit After Short Provision of Tax	68,882,292	67,944,268
EPS Basic & Diluted :		
- Before Short Provision of Tax	0.74	1.00
- After Short Provision of Tax	0.54	1.00

## 8. Managerial Remuneration

Remuneration paid to the Managing director, has since been ratified by shareholders consent in the ensuing Extra Ordinary General Meeting held on May 4, 2007.

Particulars	Year ended March 31, 2007	Period ended March 31, 2006
Managerial Remuneration for Directors included in the Profit and Loss Account comprises :		
<b>Total</b>	<b>3,845,659</b>	<b>1,423,315</b>
Computation of remuneration payable to Managing Director as per Schedule XIII of the Companies Act, 1956		
Profit before taxation as per the Profit & Loss A/c	145,656,419	84,210,348
<b>Add :</b>		
Directors Fees	45,000	-
Directors Remuneration	3,845,659	1,423,315
Depreciation and Amortisation	18,815,619	35,521
<b>Less :</b>		
Depreciation u/s 350 of the Companies Act, 1956	18,815,619	35,521
Net Profit u/s 349 of the Companies Act, 1956	149,547,078	85,633,663
Managerial Remuneration @ 5% thereof	7,477,354	4,281,683

## 9. Disclosure relating to Provisions

Sr. No.	Particulars	Balance as on April 1, 2006	Additions during the period	Amount paid / reversed during the year	Balance as on March 31, 2007
a.	Leave Encashment	224,441 (-)	724,329 (224,441)	614,000 (-)	334,770 (224,441)
b.	Gratuity	249,874 (-)	198,035 (249,874)	- (-)	447,909 (249,874)
c.	Taxation	16,815,975 (1,650,000)	61,391,194 (13,000,000)	- (-)	78,207,169 (16,815,975)

(Previous year's figures in brackets)

## 10. Expenses in Foreign Currency

	Year ended March 31, 2007	Year ended March 31, 2006
Traveling Expenses	235,301	120,899
Professional Fees	1,512,929	960,191
<b>Total</b>	<b>1,748,230</b>	<b>1,081,090</b>

## 11. 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

	Amount Outstanding as on March 31, 2007	Maximum Amount Outstanding during the year
<b>Subsidiaries :</b>		
Andhra Expressway Limited	23,000	6,981,774
Rajahmundry Expressway Limited	2,000	4,906,195
Sikkim Hydro Power Ventures Limited	959,454	959,454
Gammon Projects Developers Limited	100,876,073	100,876,073
<b>Associates and Joint Venture Companies :</b>		
Associated Transrail Structures Limited	70,000,000	70,000,000
Gorakhpur Infrastructure Company Limited	3,198,767	3,198,767
Kosi Bridge Infrastructure Company Limited	2,690,772	2,690,772
Mumbai Nasik Expressway Limited	396,827	27,336,853
Punjab Biomass Power Limited	140,542	160,872



## **12. SEGMENT REPORTING**

Hitherto the Company was reporting its segment wise results into Infrastructure Development, Infrastructure Advisory and Operations and Maintenance activities. On a detailed review of the primary business segments, the Company's management is of the view that all the revenue streams and operations arise out of its role as an Infrastructure developer. Accordingly, the Company's activities, constitutes a single business segment of Infrastructure developer under AS-17 Segment Reporting. Further, the Company presently operates under single geographical segment i.e. India.

## **13. Related Party Disclosure**

a) Relationships :

Entities where control exists :

1. Gammon India Limited - Holding Company

Subsidiaries :

1. Cochin Bridge Infrastructure Company Limited
2. Sikkim Hydro Power Ventures Limited
3. Andhra Expressway Limited
4. Rajahmundry Expressway Limited
5. Gammon Projects Developers Limited
6. Mumbai Nasik Expressway Limited

b) Associates and Joint Ventures :

1. Vizag Seaport Private Limited
2. Gammon L & T Infra MRTS Limited
3. Punjab Biomass Power Limited
4. Associated Transrail Structures Limited
5. Gorakhpur Infrastructure Company Limited
6. Kosi Bridge Infrastructure Company Limited
7. Eversun Sparkle Maritime Services Pvt. Limited
8. SEZ Adityapur Limited

c) Key Management Personnel :

1. Abhijit Rajan
2. Parvez Umrigar

d) Details of related parties transactions for the year ended on March 31, 2007 are enclosed as per Annexure-1

## 14. Details of Joint Ventures

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

Sr. No	Name of the Joint Venture	Description of Interest	% of Involvement as at March 31, 2007
1.	Vizag Seaport Private Ltd	Jointly Controlled Entity	42.22
2.	Gammon L & T Infra MRTS Ltd	Jointly Controlled Entity	50
3.	Punjab Biomass Power Ltd	Jointly Controlled Entity	50
4.	SEZ Adityapur Ltd	Jointly Controlled Entity	38

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

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	1,282,883,432 (1,116,384,657)	971,066,736 (759,066,867)	128,656,064 (71,982,912)	173,946,047 (127,391,250)	55,877,416 (145,431,109)	28,301,163 (49,828,310)
Gammon L & T Infra MRTS Ltd	521,551 (1,081,399)	922,644 (581,399)	- (N.A)	885,243 (N.A)	- (-)	- (-)
Punjab Biomass Power Ltd	23,705,650 (10,699,857)	7,968,860 (449,857)	N.A (N.A)	N.A (N.A)	265,052,374 (36,273,098)	- (-)
SEZ Adityapur Ltd	242,719 (-)	52,719 (-)	N.A (N.A)	N.A (N.A)	- (-)	- (-)

(Previous year's figures in brackets)

The above figures pertaining to the Joint Venture Companies, are based on the audited accounts upto March 31, 2007.

15. The total capital commitment of the Company as on March 31, 2007 is Rs. 1,394,519,960/- (inclusive of share of capital commitment in joint ventures)



16. The Company has pledged the following shares in favour of the lenders to the projects as part of the terms of financial closure of the respective companies :

<b>Company Name</b>	<b>No. of Equity shares pledged</b>	<b>Rate (Rs.)</b>
Andhra Expressway Limited	3,697,560 (8,262,000)	10/-
Rajahmundry Expressway Limited	3,697,560 (8,058,000)	10/-
Mumbai Nasik Expressway Limited	16,120,000 (-)	10/-

(Previous year's figures in brackets)

17. Pursuant to the amendment of Schedule VI of the Companies Act, 1956, in March, 1999, regarding disclosure amount due to creditors which are small scale industries, the Company has not received any intimation regarding the SSI status from the creditors. Further, the Company has not received any intimation from the creditors regarding registration under Micro, Medium and Small Enterprises Development Act, 2006 and therefore no disclosure of the said Act is made.
18. Since 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 furnished.
19. The accounts for the previous period were prepared for a period of 15 months from January 1, 2005 to March 31, 2006. These accounts are prepared for 12 months period from April 1, 2006 to March 31, 2007. Since the two periods are different, the previous period figures are not strictly comparable with those of the current period. The previous period figures are however regrouped/reclassified to facilitate limited comparability.
20. 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.

As per our report of even date

For **Natvarlal Vepari & Co.**  
Chartered Accountants

For **S.R. Batliboi & Associates**  
Chartered Accountants

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

**Abhijit Rajan**  
Chairman & Managing Director

**N. Jayendran**  
Partner  
Membership No. : 40441  
Mumbai.  
Dated :

Per **Amit Majmudar**  
Partner  
Membership No. :36656

**Parvez Umrigar**  
Managing Director

**Himanshu Parikh**  
Director

**C.C. Dayal**  
Director

**S.K. Guha Thakurta**  
Director

**Rajiv Daru**  
Company Secretary

**SCHEDULE 16 : NOTES TO ACCOUNTS****ANNEXURE - 1****RELATED PARTY TRANSACTIONS :****(All Amounts in Indian Rupees)**

Transactions	Holding Company	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Total
Operations & Maintenance Income :					
- Gammon India Ltd	143,416,064 (135,029,835)	- (-)	- (-)	- (-)	143,416,064 (135,029,835)
Purchase of Intangible Asset					
- Gammon India Ltd	250,000,000 (-)	- (-)	- (-)	- (-)	250,000,000 (-)
Advisory Income :					
- Gammon India Ltd	- (6,610,000)	- (-)	- (-)	- (-)	- (6,610,000)
- Mumbai Nasik Expressway Ltd	- (-)	49,743,408 (-)	- (-)	- (-)	49,743,408 (-)
- Vizag Seaport Private Ltd	- (-)	- (-)	- (3,035,000)	- (-)	- (3,035,000)
Rent Paid :					
- Gammon India Ltd	1,200,000 (1,500,000)	- (-)	- (-)	- (-)	1,200,000 (1,500,000)
Share Application Money Paid :					
- Andhra Expressway Ltd	- (-)	- (50,608,006)	- (-)	- (-)	- (50,608,006)
- Gorakhpur Infrastructure Co. Ltd	- (-)	- (-)	400,000 (-)	- (-)	400,000 (-)
- Mumbai Nasik Expressway Ltd	- (-)	52,940,000 (389,130,000)	- (-)	- (-)	52,940,000 (389,130,000)
- Punjab Biomass Power Ltd	- (-)	- (-)	- (20,000,000)	- (-)	- (20,000,000)
- Rajahmundry Expressway Ltd	- (-)	- (540,000)	- (-)	- (-)	- (540,000)
- SEZ Adityapur Ltd	- (-)	- (-)	189,990 (-)	- (-)	189,990 (-)
- Sikkim Hydro Power Ventures Ltd	- (-)	10,578,000 (1,000,000)	- (-)	- (-)	10,578,000 (1,000,000)
- Vizag Seaport Private Ltd	- (-)	- (-)	- (140,245,200)	- (-)	- (140,245,200)

(Previous period's figures are shown in brackets)

## SCHEDULE 16 : NOTES TO ACCOUNTS

### ANNEXURE - 1

**RELATED PARTY TRANSACTIONS :**
**(All Amounts in Indian Rupees)**

Transactions	Holding Company	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Total
Refund received against Share Application Money Paid / Conversion into equity :					
- Andhra Expressway Ltd	-	-	-	-	-
	-	(88,616,400)	(-)	(-)	(88,616,400)
- Mumbai Nasik Expressway Ltd	-	442,070,000	-	-	442,070,000
	(-)	(-)	(-)	(-)	(-)
- Rajahmundry Expressway Ltd	-	-	-	-	-
	(-)	(57,678,600)	(-)	(-)	(57,678,600)
- Punjab Biomass Power Ltd	-	-	20,000,000	-	20,000,000
	(-)	(-)	(-)	(-)	(-)
Purchase of Investments :					
- Gammon India Ltd	-	-	-	-	-
	(175,390,600)	(-)	(-)	(-)	(175,390,600)
Sale of Investments :					
- Gammon India Ltd	-	-	-	-	-
	(66,000,000)	(-)	(-)	(-)	(66,000,000)
Share Application Money Received :					
- Gammon India Ltd	-	-	-	-	-
	(792,289,100)	(-)	(-)	(-)	(792,289,100)
- Abhijit Rajan	-	-	-	-	-
	(-)	(-)	(-)	(100,000,000)	(100,000,000)
Refund of Share Application Money Received					
- Gammon India Ltd	-	-	-	-	-
	(140,518,100)	(-)	(-)	(-)	(140,518,100)
- Abhijit Rajan	-	-	-	-	-
	(-)	(-)	(-)	(43,111,110)	(43,111,110)
Sundry Balances written back :					
- Andhra Expressway Ltd	-	-	-	-	-
	(-)	(262,500)	(-)	(-)	(262,500)
- Rajahmundry Expressway Ltd	-	-	-	-	-
	(-)	(262,500)	(-)	(-)	(262,500)
Insurance Claims received					
- Gammon India Ltd	2,987,142	-	-	-	2,987,142
	(-)	(-)	(-)	(-)	(-)
Managerial Remuneration :					
- Parvez Umrigar	-	-	-	3,845,659	3,845,659
	(-)	(-)	(-)	(1,423,315)	(1,423,315)

(Previous period's figures are shown in brackets)



**SCHEDULE 16 : NOTES TO ACCOUNTS****ANNEXURE - 1****RELATED PARTY TRANSACTIONS :****(All Amounts in Indian Rupees)**

Transactions	Holding Company	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Total
Finance provided (including Loans and Equity contribution in cash or in kind) :					
- Andhra Expressway Ltd	- (-)	- (429,911,300)	- (-)	- (-)	- (429,911,300)
- Associated Transrail Structures Ltd	- (-)	- (-)	80,000,000 (38,800,000)	- (-)	80,000,000 (38,800,000)
- Cochin Bridge Infrastructure Co. Ltd	- (-)	- (262,200,000)	- (-)	- (-)	- (262,200,000)
- Gammon Projects Developers Ltd	- (-)	100,000,000 (504,300)	- (-)	- (-)	100,000,000 (504,300)
- Gorakhpur Infrastructure Co. Ltd	- (-)	- (-)	194,950 (-)	- (-)	194,950 (-)
- Kosi Bridge Infrastructure Co. Ltd	- (-)	- (-)	244,940 (-)	- (-)	244,940 (-)
- Mumbai Nasik Expressway Ltd	- (-)	8,500,000 (505,000)	- (-)	- (-)	8,500,000 (505,000)
- Punjab Biomass Power Ltd	- (-)	- (-)	10,500,000 (499,940)	- (-)	10,500,000 (499,940)
- Rajahmundry Expressway Ltd	- (-)	- (396,063,525)	- (-)	- (-)	- (396,063,525)
- Sikkim Hydro Power Ventures Ltd	- (-)	10,573,000 (504,940)	- (-)	- (-)	10,573,000 (504,940)
- Vizag Seaport Private Ltd	- (-)	- (-)	- (48,863,470)	- (-)	- (48,863,470)
Finance provided for expenses and on account payments :					
- Andhra Expressway Ltd	- (-)	6,824,500 (9,579,988)	- (-)	- (-)	6,824,500 (9,579,988)
- Cochin Bridge Infrastructure Co. Ltd	- (-)	5,500 (-)	- (-)	- (-)	5,500 (-)
- Gammon India Ltd	- (4,413,733)	- (-)	- (-)	- (-)	- (4,413,733)
- Gammon Projects Developers Ltd	- (-)	4,800 (24,800)	- (-)	- (-)	4,800 (24,800)
- Gammon L & T Infra MRTS Ltd	- (-)	- (-)	338,740 (599,701)	- (-)	338,740 (599,701)
- Gorakhpur Infrastructure Co. Ltd	- (-)	- (-)	3,198,767 (-)	- (-)	3,198,767 (-)

(Previous period's figures are shown in brackets)

## SCHEDULE 16 : NOTES TO ACCOUNTS

### ANNEXURE - 1

**RELATED PARTY TRANSACTIONS :**
**(All Amounts in Indian Rupees)**

Transactions	Holding Company	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Total
- Kosi Bridge Infrastructure Co. Ltd	-	-	2,690,772	-	2,690,772
	(-)	(-)	(-)	(-)	-
- Mumbai Nasik Expressway Ltd	-	28,145,777	-	-	28,145,777
	(-)	(4,303,373)	(-)	(-)	(4,303,373)
- Punjab Biomass Power Ltd	-	-	300,723	-	300,723
	(-)	(-)	(27,750)	(-)	27,750
- Rajahmundry Expressway Ltd	-	7,465,000	-	-	7,465,000
	(-)	(6,832,834)	(-)	(-)	(6,832,834)
- Sikkim Hydro Power Ventures Ltd	-	398,404	-	-	398,404
	(-)	(561,050)	(-)	(-)	(561,050)
- Vizag Seaport Private Ltd	-	-	10,500	-	10,500
	(-)	(-)	(-)	(-)	-
Amount liquidated towards the above finance :					
- Andhra Expressway Ltd	-	13,783,274	-	-	13,783,274
	(-)	(432,509,514)	(-)	(-)	(432,509,514)
- Associated Transrail Structures Ltd	-	-	10,000,000	-	10,000,000
	(-)	(-)	(38,800,000)	(-)	(38,800,000)
- Cochin Bridge Infrastructure Co. Ltd	-	-	-	-	-
	(-)	(262,200,000)	(-)	(-)	(262,200,000)
- Gammon India Ltd	3,769,628	-	-	-	3,769,628
	(22,649,795)	(-)	(-)	(-)	(22,649,795)
- Mumbai Nasik Expressway Ltd	-	40,552,323	-	-	40,552,323
	(-)	(5,700)	(-)	(-)	(5,700)
- Punjab Biomass Power Ltd	-	-	161,511	-	161,511
	(-)	(-)	(26,420)	(-)	(26,420)
- Rajahmundry Expressway Ltd	-	11,711,195	-	-	11,711,195
	(-)	(400,242,064)	(-)	(-)	(400,242,064)
- Sikkim Hydro Power Ventures Ltd	-	10,578,000	-	-	10,578,000
	(-)	(-)	(-)	(-)	(-)
Interest income during the period :					
- Andhra Expressway Ltd	-	-	-	-	-
	(-)	(6,945,078)	(-)	(-)	(6,945,078)
- Associated Transrail Structures Ltd	-	-	3,097,808	-	3,097,808
	(-)	(-)	(1,031,425)	(-)	(1,031,425)
- Cochin Bridge Infrastructure Co. Ltd	-	-	-	-	-
	(-)	(5,845,623)	(-)	(-)	(5,845,623)
- Gammon Projects Developers Ltd	-	1,084,932	-	-	1,084,932
	(-)	(-)	(-)	(-)	-
- Mumbai Nasik Expressway Ltd	-	44,138	-	-	44,138
	(-)	(302)	(-)	(-)	(302)

(Previous period's figures are shown in brackets)

**SCHEDULE 16 : NOTES TO ACCOUNTS****ANNEXURE - 1****RELATED PARTY TRANSACTIONS :****(All Amounts in Indian Rupees)**

Transactions	Holding Company	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Total
- Rajahmundry Expressway Ltd	- (-)	- (6,707,140)	- (-)	- (-)	- (6,707,140)
Finance received (including Loans and Equity contribution in cash or in kind) :					
- Abhijit Rajan	- (-)	- (-)	- (-)	- (56,888,890)	- (56,888,890)
- Gammon India Ltd	- (903,348,133)	- (-)	- (-)	- (-)	- (903,348,133)
Finance received for expenses & on account payments :					
- Cochin Bridge Infrastructure Co. Ltd	- (-)	- (10,140)	- (-)	- (-)	- (10,140)
- Gammon India Ltd	11,266,554 (45,420,195)	- (-)	- (-)	- (-)	11,266,554 (45,420,195)
- Vizag Seaport Private Ltd	- (-)	- (-)	206,800 (-)	- (-)	206,800 (-)
Amount liquidated towards the above finance :					
- Gammon India Ltd	30,216,751 (318,802,763)	- (-)	- (-)	- (-)	30,216,751 (318,802,763)
- Cochin Bridge Infrastructure Co. Ltd	- (-)	5,500 (-)	- (-)	- (-)	5,500 (-)
- Vizag Seaport Private Ltd	- (-)	- (-)	- (7,500)	- (-)	- (7,500)
Interest paid during the period :					
- Gammon India Ltd	- (5,633,782)	- (-)	- (-)	- (-)	- (5,633,782)
Deposit towards purchase of Beneficial Interest of equity shares :					
- Gammon India Ltd	- (328,380,000)	- (-)	- (-)	- (-)	- (328,380,000)
Purchase of Beneficial interest of equity shares					
- Mr. Abhijit Rajan	- (-)	- (-)	- (-)	10 (-)	10 (-)
Mr. Parvez Umrigar	- (-)	- (-)	- (-)	20 (-)	20 (-)

(Previous period's figures are shown in brackets)

## SCHEDULE 16 : NOTES TO ACCOUNTS

### ANNEXURE - 1

**RELATED PARTY TRANSACTIONS :**
**(All Amounts in Indian Rupees)**

Transactions	Holding Company	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Total
Ousting Balances Receivable :					
- Andhra Expressway Ltd	-	23,000	-	-	23,000
	(-)	(12,368,376)	(-)	(-)	(12,368,376)
- Associated Transrail Structures Ltd	-	-	70,000,000	-	70,000,000
	(-)	(-)	(-)	(-)	(-)
- Gammon India Ltd	375,602,641	-	-	-	375,602,641
	(34,833,099)	(-)	(-)	(-)	(34,833,099)
- Gammon Projects Developers Ltd	-	100,876,073	-	-	100,876,073
	(-)	(29,800)	(-)	(-)	(29,800)
- Gammon L & T Infra MRTS Ltd	-	-	938,441	-	938,441
	(-)	(-)	((599,701)	(-)	(599,701)
- Gorakhpur Infrastructure Co. Ltd	-	-	3,198,767	-	3,198,767
	(-)	(-)	(-)	(-)	(-)
- Kosi Bridge Infrastructure Co. Ltd	-	-	2,690,772	-	2,690,772
	(-)	(-)	(-)	(-)	(-)
- Mumbai Nasik Expressway Ltd	-	396,827	-	-	396,827
	(-)	(4,303,373)	(-)	(-)	(4,303,373)
- Punjab Biomass Power Ltd	-	-	140,542	-	140,542
	(-)	(-)	(1,330)	(-)	(1,330)
- Rajahmundry Expressway Ltd	-	2,000	-	-	2,000
	(-)	(9,450,253)	(-)	(-)	(9,450,253)
- Sikkim Hydro Power Ventures Ltd	-	959,454	-	-	959,454
	(-)	(566,050)	(-)	(-)	(566,050)
- Vizag Seaport Pvt Ltd	-	-	10,500	-	10,500
	(-)	(-)	(-)	(-)	(-)
Ousting Balances Payable :					
- Cochin Bridge Infrastructure Co. Ltd	-	4,640	-	-	4,640
	(-)	(10,140)	(-)	(-)	(10,140)
- Gammon India Ltd	23,911,762	-	-	-	23,911,762
	(23,695,177)	(-)	(-)	(-)	(23,695,177)
- Vizag Seaport Pvt Ltd	-	-	206,800	-	206,800
	(-)	(-)	(-)	(-)	(-)

(Previous period's figures are shown in brackets)

## GAMMON INFRASTRUCTURE PROJECTS LIMITED

Statement pursuant to Section 212 of the companies act, 1956, relating to the subsidiary companies

(Amount in Rs.)

	Name of Subsidiaries	Cochin Bridge Infrastructure Co. Ltd.	Andhra Expressway Ltd.	Rajahmundry Expressway Ltd.	Mumbai Nasik Expressway Ltd.	Sikkim Hydro Power Ventures Ltd.	Gammon Projects Developers Ltd.
1	The Financial Year of the Subsidiaries ended	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007
2	Shares of the Subsidiary Companies held by Gammon Infrastructure Projects Ltd						
			*	*			
	(i) Number	6,250,070	14,210,000	14,210,000	41,595,000	50,000	50,000
	(ii) Extent of Holding	97.66%	93.50%	93.50%	79.90%	100%	100.00%
3	The net aggregate amount of Profit / Losses of the Subsidiaries Companies so far as they concern the members of Gammon Infrastructure Projects Ltd.						
	(i) Dealt with in the accounts of Gammon Infrastructure Projects Ltd amounted to :						
	(a) For subsidiaries' financial year ended on 31st March, 2007						
	(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 amount to :						
	(a) For subsidiaries' financial year ended on 31st March, 2007	14,389,779	141,563,247	153,728,129	**	**	(617)
	(b) For previous financial years of the subsidiaries' since these became subsidiaries of Gammon Infrastructure Projects Ltd	3,267,636	57,730,373	59,086,172	**	**	(5,612)

\*The Company has acquired controlling interest and voting rights in respect of 12,905,000 in Andhra Expressway Ltd and Rajahmundry Expressway Ltd

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

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

**Abhijit Rajan**  
Chairman & Managing Director

**Parvez Umrigar**  
Managing Director

**Himnashu Parikh**  
Director

**S.K. Guha Thakurta**  
Director

**C.C. Dayal**  
Director

**Rajeev Daru**  
Company Secretary

Place : Mumbai  
Date : 29.06.07



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS

Registration No.      State Code   
 Balance Sheet Date --

### II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN Rs.THOUSANDS)

Public Issue  Right Issue   
 Bonus Issue  Private Placement

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN Rs.THOUSANDS)

Total Liabilities  Total Assets

#### SOURCES OF FUNDS

Paid-up Capital   
 Reserves & Surplus   
 Secured Loans   
 Unsecured Loans   
 Deferred Tax Liability

#### APPLICATION OF FUNDS

Net Fixed Assets   
 Investments   
 Net Current Assets   
 Misc. Expenditure   
 Accumulated Losses

### IV. PERFORMANCE OF COMPANY (AMOUNT IN Rs.THOUSANDS)

Turnover   
 Profit/Loss Before Tax   
 Earning per share in Rs. .   
 Total Expenditure   
 Profit/Loss After Tax   
 Dividend Rate %

### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY - CONSTRUCTION OF :

Product Description   
 Product Description   
 Product Description

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS

Registration No.      State Code        
 Balance Sheet Date

### II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN Rs.THOUSANDS)

Public Issue       Right Issue        
 Bonus Issue       Private Placement

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN Rs.THOUSANDS)

Total Liabilities                        
 Total Assets

#### SOURCES OF FUNDS

Paid-up Capital                        
 Reserves & Surplus                        
 Secured Loans                        
 Unsecured Loans

#### APPLICATION OF FUNDS

Net Fixed Assets                        
 Investments                        
 Net Current Assets                        
 Misc. Expenditure                        
 Accumulated Losses

### IV. PERFORMANCE OF COMPANY (AMOUNT IN Rs.THOUSANDS)

Turnover                        
 Profit/Loss Before Tax                        
 Earning per share in Rs.                        
 Total Expenditure                        
 Profit/Loss After Tax                        
 Dividend Rate %

### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY - CONSTRUCTION OF :

Product Description                         
 Product Description                         
 Product Description



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. REGISTRATION DETAILS**

Registration No.      State Code   
 Balance Sheet Date --

**II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN Rs.THOUSANDS)**

Public Issue  Right Issue   
 Bonus Issue  Private Placement

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN Rs.THOUSANDS)**

Total Liabilities   
 Total Assets

**SOURCES OF FUNDS**

Paid-up Capital   
 Reserves & Surplus   
 Secured Loans   
 Unsecured Loans

**APPLICATION OF FUNDS**

Net Fixed Assets   
 Investments   
 Net Current Assets   
 Misc. Expenditure   
 Accumulated Losses

**IV. PERFORMANCE OF COMPANY (AMOUNT IN Rs.THOUSANDS)**

Turnover   
 Profit/Loss Before Tax   
 Earning per share in Rs.   
 Total Expenditure   
 Profit/Loss After Tax   
 Dividend Rate %

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY - CONSTRUCTION OF :**

Product Description   
 Product Description   
 Product Description



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS

Registration No.      State Code     
 Balance Sheet Date      -

### II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN Rs.THOUSANDS)

Public Issue     Right Issue      
 Bonus Issue     Private Placement

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN Rs.THOUSANDS)

Total Liabilities           Total Assets

#### SOURCES OF FUNDS

Paid-up Capital            
 Reserves & Surplus      
 Secured Loans            
 Unsecured Loans

#### APPLICATION OF FUNDS

Net Fixed Assets            
 Investments      
 Net Current Assets            
 Misc. Expenditure            
 Accumulated Losses

### IV. PERFORMANCE OF COMPANY (AMOUNT IN Rs.THOUSANDS)

Turnover     Total Expenditure      
 Profit/Loss Before Tax     Profit/Loss After Tax      
 Earning per share in Rs.     Dividend Rate %

### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY - CONSTRUCTION OF :

Product Description                  
 Product Description                  
 Product Description



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS

Registration No.      State Code     
 Balance Sheet Date    -    -

### II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN Rs.THOUSANDS)

Public Issue     Right Issue      
 Bonus Issue     Private Placement

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN Rs.THOUSANDS)

Total Liabilities           Total Assets

#### SOURCES OF FUNDS

Paid-up Capital            
 Reserves & Surplus            
 Secured Loans            
 Unsecured Loans

#### APPLICATION OF FUNDS

Net Fixed Assets            
 Investments            
 Net Current Assets            
 Misc. Expenditure            
 Accumulated Losses

### IV. PERFORMANCE OF COMPANY (AMOUNT IN Rs.THOUSANDS)

Turnover     Total Expenditure      
 Profit/Loss Before Tax     Profit/Loss After Tax      
 Earning per share in Rs.     Dividend Rate %

### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY - CONSTRUCTION OF :

Product Description                  
 Product Description                  
 Product Description

## AUDITOR'S REPORT

The Board of Directors

### Gammon Infrastructure Projects Limited

1. We have audited the attached consolidated balance sheet of **Gammon Infrastructure Projects Limited** ('GIPL') Group, as at 31st March 2007, 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of
  - a. certain subsidiaries whose financial statements reflect total assets of Rs. 359,189,098 as at March 31, 2007, total revenue of Rs. 54,404,847 and cash flows of Rs 4,461,794 for the year then ended; and,
  - b. certain joint venture Companies whose financial statements reflect total assets of Rs. 3,087,498,041 as at March 31, 2007, the total revenue of Rs. 304,583,662 and cash flows amounting to Rs. 36,073,570 for the year then ended, the Company's share of such assets, revenues and cash flows being Rs 1,307,353,352, Rs 128,602,127 and Rs. 16,228,471 respectively.

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.

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.

4. 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.
5. Without qualifying our report, we draw attention to Note B3(l) of Schedule 16 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, 2007. The outcome of the matter cannot be presently determined and hence no provision for any liability has been made in the financial statements.
6. 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 31st March 2007;
  - (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

For **S.R. BATLIBOI & ASSOCIATES**  
CHARTERED ACCOUNTANTS

**N Jayendran**  
M. No. 40441  
(Partner)  
Place : Mumbai  
Date : 29.06.07

**Amit Majmudar**  
M. No. 36656  
(Partner)  
Place : Mumbai  
Date : 29.06.07

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007**

(All Amount in Indian Rupees)

	Schedule	As At March 31, 2007		As At March 31, 2006	
<b>SOURCES OF FUNDS :</b>					
Shareholders' Funds :					
Share Capital	1	1,280,000,000		1,280,000,000	
Warrant Issued		100,000		100,000	
Reserves & Surplus	2	1,541,307,222		1,272,926,780	
			2,821,407,222		2,553,026,780
Minority Interest			195,563,218		174,690,912
Loan Funds :					
Secured Loans	3		6,678,316,489		5,117,775,865
Deferred Tax (Liability)			46,146,326		13,016,185
<b>TOTAL</b>			<b>9,741,433,255</b>		<b>7,858,509,742</b>
<b>APPLICATION OF FUNDS :</b>					
Fixed Assets :					
- Gross Block	4	6,773,163,638		6,231,215,138	
Less : Depreciation & Impairment		996,287,264		594,081,883	
- Net Block		5,776,876,374		5,637,133,255	
Add : Capital Work-in-progress		2,002,567,227		193,282,056	
			7,779,443,601		5,830,415,311
Goodwill on Consolidation (Refer Note B : 6)		11,327,964		-	
Less : Amortisation		2,265,592		-	
			9,062,372		-
Investments	5		53,918,772		48,425,267
Current Assets, Loans and Advances :					
Inventories		3,794,249		623,959	
Sundry Debtors	6	740,978,946		607,071,201	
Cash & Bank Balances	7	1,291,450,683		1,521,102,775	
Loans & Advances	8	284,200,896		98,844,175	
		2,320,424,774		2,227,642,110	
Less: Current Liabilities and Provisions :					
Current Liabilities	9	427,975,933		251,229,516	
Provisions		782,679		474,315	
		428,758,612		251,703,831	
			1,891,666,162		1,975,938,279
Miscellaneous Expenses not written off	10		7,342,348		3,730,885
<b>TOTAL</b>			<b>9,741,433,255</b>		<b>7,858,509,742</b>
Notes to Accounts	16				

Schedules 1 to 16 annexed hereto form part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account  
As per our report of even date

**For Natvarlal Vepari and Co.**  
Chartered Accountants

**For S.R. Batliboi & Associates**  
Chartered Accountants

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

**Abhijit Rajan**  
Chairman &  
Managing Director

**Parvez Umrigar**  
Managing Director

**N. Jayendran**  
Partner  
Membership No: 40441  
Place : Mumbai  
Date : 29.06.07

**per Amit Majmudar**  
Partner  
Membership No: 36656

**Rajiv Daru**  
Company Secretary

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

(All Amount in Indian Rupees)

	Schedule	April 1, 2006 to March 31, 2007		January 1, 2005 to March 31, 2006	
<b>INCOME</b>					
Turnover and Operating Income	11	1,477,043,037		778,114,439	
Other Income	12	111,973,735		17,003,874	
			1,589,016,772		795,118,313
<b>EXPENDITURE</b>					
Operational Expenses	13	224,103,467		131,236,728	
Establishment Expenses	14	70,280,551		54,287,665	
Financial Costs	15	449,742,637		231,078,297	
Depreciation		384,005,031		193,461,835	
Amortisation of Intangible Asset		18,282,909		-	
Amortisation of Goodwill (Refer Note B : 6)		2,265,592			
Preliminary/Deferred Revenue Expenses written off		880,392		2,750,660	
			1,149,560,579		612,815,185
<b>PROFIT BEFORE TAX &amp; BEFORE SHARE OF PROFITS OF ASSOCIATES</b>			439,456,193		182,303,128
Add : Share of Profits/(Loss) in Associates			(6,580,843)		101,686,611
<b>PROFIT BEFORE TAX AND AFTER SHARE OF PROFIT FROM ASSOCIATES</b>			<b>432,875,350</b>		<b>283,989,739</b>
Provision for Taxation :					
- Current		77,900,000		26,069,998	-
Deferred		33,130,142		15,498,254	-
Fringe Benefit tax		565,486		214,982	
			111,595,628		41,783,234
<b>PROFIT AFTER TAX</b>			<b>321,279,722</b>		<b>242,206,505</b>
Less : Transferred to Minority Interest			20,873,066		23,130,084
<b>PROFIT AFTER MINORITY INTEREST</b>			<b>300,406,656</b>		<b>219,076,421</b>
Less : Short Provision for Taxation for earlier years			25,891,194		3,155,364
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			<b>274,515,462</b>		<b>215,921,057</b>
Add : Retained Earnings			235,810,537		28,199,548
Less : Minority Interest for prior years			-		8,310,068
Balance carried to Balance Sheet			<b>510,325,999</b>		<b>235,810,537</b>
<b>Earnings Per Share :</b>					
Before Prior Year Tax Changes					
Basic and Diluted Earnings per share (Not annualised)			<b>2.35</b>		<b>3.21</b>
After Prior Year Tax Changes					
Basic and Diluted Earnings per share (Not annualised)			<b>2.14</b>		<b>3.17</b>
Weighted Average No. of Equity Shares outstanding			128,000,000		68,192,110
Nominal Value of Equity Shares			10		10
Notes to Accounts	16				

Schedules 1 to 16 annexed hereto form part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account  
As per our report of even date

For Natvarlal Vepari and Co.  
Chartered Accountants

For S.R. Batliboi & Associates  
Chartered Accountants

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

Abhijit Rajan  
Chairman &  
Managing Director

Parvez Umrigar  
Managing Director

N. Jayendran  
Partner  
Membership No: 40441  
Place : Mumbai  
Date : 29.06.07

per Amit Majmudar  
Partner  
Membership No: 36656

Rajiv Daru  
Company Secretary

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

(All Amounts in Indian Rupees)

	As At March 31, 2006	As At March 31, 2007
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Profit before Tax and extraordinary items		432,875,350
Adjustments for :		
Depreciation & Ammortisation	402,287,940	
Dividend Income	(2,346,392)	
Profit on sale of Investments	(17,613,739)	
Interest (Net)	365,040,639	
Goodwill amortised	2,265,592	
Capital WIP written off	885,243	
Preliminary and Share Issue Expenses written off	880,392	
		751,399,675
Operating Profit before Working Capital Changes		1,184,275,025
Adjustments for :		
Trade and Other Receivables	(132,192,826)	
Trade Payables & Working Capital Finance	177,054,781	
Inventories	(3,170,290)	
		41,691,665
Cash Generated from the Operations		1,225,966,690
Direct Taxes paid		(105,093,507)
Cash flow before extraordinary items		1,120,873,183
Extraordinary items		-
Net Cash from Operating Activities		1,120,873,183
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES :</b>		
Purchase of Fixed Assets	(2,351,316,230)	
Purchase of Investments :		
- Joint Venture / Group Companies	(15,298,657)	
- Mutual Funds	(1,788,172,298)	
Sale of Investments :		
- Mutual Funds	1,777,657,950	
Deposit with Joint Stock Companies	(174,356,000)	
Advances to Joint Venture / Group Companies	(6,315,763)	
Goodwill on acquisition of stake in Joint Venture	(30,000,000)	
Share Application Money Pending Allotment	20,319,500	
Capital WIP written off	(885,243)	
Interest received	79,038,947	
Profit on sale of Investments	17,613,739	
Dividend received	2,346,392	
Net Cash from Investment activities		(2,469,367,663)

Note : Figures in brackets denote outflows.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007**

(All Amounts in Indian Rupees)

	As At March 31, 2006	As At March 31, 2007
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Increase in Share Capital	15,000,000	
Proceeds from borrowings	1,554,258,697	
Minority Interest Contribution	(760)	
Interest Paid	(443,460,710)	
Preliminary Expenses	(4,491,855)	
Share Issue Expenses	(2,462,984)	
Net Cash from Financing Activities		1,118,842,388
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(229,652,092)</b>
Closing Balances		1,291,450,683
Opening Balances		1,521,102,775
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(229,652,092)</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS :</b>		
Cash and Cheques on hand		1,504,891
With Banks :		
- On Current Account		83,016,808
- On Deposit Account		1,206,928,984
		<b>1,291,450,683</b>

Note : Figures in brackets denote outflows.

As per our report of even date

For Natvarlal Vepari and Co.  
Chartered AccountantsFor S.R. Batliboi & Associates  
Chartered AccountantsFor and on behalf of Board of Directors of  
Gammon Infrastructure Projects LimitedAbhijit Rajan  
Chairman &  
Managing DirectorParvez Umrigar  
Managing DirectorN. Jayendran  
Partner  
Membership No: 40441per Amit Majmudar  
Partner  
Membership No: 36656Rajiv Daru  
Company SecretaryPlace : Mumbai  
Date : 29.06.07



**SCHEDULES 1 TO 16 ATTACHED TO AND FORMING PART OF THE  
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007 AND CONSOLIDATED  
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

(All Amounts in Indian Rupees)

	As At March 31, 2007		As At March 31, 2006	
<b>SCHEDULE 1</b>				
<b>SHARE CAPITAL:</b>				
AUTHORISED :				
200,000,000 Equity Shares of Rs 10/- each.		<b>2,000,000,000</b>		<b>2,000,000,000</b>
ISSUED, SUBSCRIBED AND PAID-UP :				
128,000,000 Equity shares of Rs 10/- each (Out of the above 105,600,000 Equity shares of Rs 10/- each are held by Gammon India Limited - Group's Holding Company)		1,280,000,000		1,280,000,000
		<b>1,280,000,000</b>		<b>1,280,000,000</b>
<b>SCHEDULE 2</b>				
<b>RESERVES AND SURPLUS:</b>				
General Reserve		18,200,000		18,200,000
Security Premium A/c	1,069,080,000		1,054,080,000	
Less : Share Issue Expenses	56,298,777		53,835,793	
		1,012,781,223		1,000,244,207
Capital Reserve (Net of Goodwill) on Consolidation Profit and Loss Account		-		18,672,036
		510,325,999		235,810,537
		<b>1,541,307,222</b>		<b>1,272,926,780</b>
<b>SCHEDULE 3</b>				
<b>SECURED LOANS</b>				
Term Loans from the Banks (Refer Note B : 12)		6,671,978,703		5,117,720,006
Interest accrued and due on loans		6,337,786		55,859
		<b>6,678,316,489</b>		<b>5,117,775,865</b>
<b>SCHEDULE 5</b>				
<b>INVESTMENTS</b>				
<b>INVESTMENTS (AT BOOK VALUE)</b>				
Trade Investments (Fully paid up equity shares)				
2,143,950 (Previous year Nil) Eversun Sparkle Maritime Services Pvt Ltd	14,858,657		-	
19,500 (Previous year Nil) Gorakhpur Infrastructure Project Ltd	195,000		-	
\24,500 (Previous year Nil) Kosi Bridge Infrastructure Co. Ltd	245,000		-	
		15,298,657		-



Non Trade (Fully paid up equity shares)				
76,800 Canara Bank Ltd	2,688,000		2,688,000	
3,200 Vijaya Bank Ltd	76,800		76,800	
580 Tata Consultancy Services Ltd	493,000		493,000	
10,530 Allahabad Bank Ltd	863,460		863,460	
52,024 Infrastructure Development Finance Co. Ltd	1,768,816		1,768,816	
		5,890,076		5,890,076
Mutual Funds		10,514,348		-
Share Application Money Pending Allotment		22,215,691		42,535,191
		<b>53,918,772</b>		<b>48,425,267</b>
<b>SUMMARY OF INVESTMENTS :</b>				
Aggregate Market Value of Quoted Investments		<b>38,155,265</b>		<b>26,108,185</b>
<b>SCHEDULE 6</b>				
<b>SUNDRY DEBTORS</b>				
(Unsecured Considered Good)				
Outstanding for over six months		268,645,934		182,284,286
Other Debts		472,333,012		424,786,915
		<b>740,978,946</b>		<b>607,071,201</b>
<b>SCHEDULE 7</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on Hand		642,518		217,311
Funds in Transit		862,373		2,800,000
Balances with Scheduled Banks in Current Accounts		83,016,808		768,085,367
Fixed Deposits with Banks		1,206,928,984		750,000,097
		<b>1,291,450,683</b>		<b>1,521,102,775</b>
<b>SCHEDULE 8</b>				
<b>LOANS AND ADVANCES :</b>				
(Unsecured, considered good, unless otherwise stated)				
Advances recoverable in cash or in kind for value to be received		13,786,576		15,638,790
Interest Accrued Receivable		8,671,213		3,008,162
Dues from Joint Venture Companies		6,315,763		-
Loan to Vizag Seaport Private Ltd,		46,222,186		46,222,186
Deposit with Joint Stock Companies		174,356,000		-
Advance Taxes Paid	175,815,532		71,864,456	
Less : Provision for Taxation	165,827,749		62,613,500	
		9,987,783		9,250,956
Other Deposits		4,436,855		13,272,568
Service Tax Recoverable		4,671,580		-
Prepaid Expenses		15,752,940		11,451,513
		<b>284,200,896</b>		<b>98,844,175</b>



<b>SCHEDULE 9</b>			
<b>CURRENT LIABILITIES</b>			
Sundry Creditors		73,112,333	77,635,187
Dues to Holding Company - Gammon India Limited		272,353,158	92,732,919
Advance received from Client		28,500,000	-
Equity Obligations		-	70,341,675
Dues to Lenders		6,911,768	-
Other Liabilities		47,098,674	10,519,735
		<b>427,975,933</b>	<b>251,229,516</b>
<b>PROVISIONS :</b>			
Provision for Staff Benefits		782,679	474,315
		<b>782,679</b>	<b>474,315</b>
<b>SCHEDULE 10</b>			
<b>MISCELLANEOUS EXPENSES</b>			
Preliminary Expenses		2,879,553	3,044,773
Share Issue Expenses		4,462,795	686,112
		<b>7,342,348</b>	<b>3,730,885</b>
<b>SCHEDULE 11</b>			
<b>TURNOVER AND OPERATING INCOME :</b>			
Income from Advisory Services		-	10,710,922
Operation & Maintenance Revenues		143,416,064	135,029,834
Income from Port Operations		128,602,126	56,188,942
Annuity Revenues		1,166,020,000	554,521,670
Toll Proceeds		36,508,405	20,390,015
Miscellaneous Receipts		2,496,442	1,273,056
		<b>1,477,043,037</b>	<b>778,114,439</b>
<b>SCHEDULE 12</b>			
<b>OTHER INCOME</b>			
<b>Interest Income :</b>			
Deposits with Joint Stock Companies	19,863,753		3,346,892
Others	64,838,245		5,363,763
		84,701,998	8,710,655
<b>Miscellaneous Income :</b>			
Dividend Income	2,346,392		1,871,057
Profit on Sale of Investments	17,613,739		2,287,482
Miscellaneous Income	7,311,606		4,134,680
		27,271,737	8,293,219
		<b>111,973,735</b>	<b>17,003,874</b>
<b>SCHEDULE 13</b>			
<b>OPERATIONAL EXPENSES :</b>			
Road Operation & Maintenance Expenses		160,366,760	106,188,570
Bridge Operations Expenses		3,371,591	1,928,436
Port Operational Expenses		60,365,116	23,119,722
		<b>224,103,467</b>	<b>131,236,728</b>

<b>SCHEDULE 14</b>				
<b>ESTABLISHMENT EXPENSES :</b>				
Electricity Charges		460,840		1,345,622
Rent		1,222,500		1,612,716
Salaries incl. Provision for Commission and Bonus		27,422,770		18,776,626
Administration Expenses		524,762		775,324
Staff welfare expenses		1,051,714		884,328
Insurance		9,142,134		4,473,325
Communication Expenses		4,237,619		1,443,545
Travelling, Leave Passage and Motor Car Expenses		1,038,718		2,189,238
Professional Fees		16,458,159		19,625,555
Miscellaneous Expenses		3,498,712		2,448,431
Repairs & Maintenance		310,723		1,466,894
Auditors Remuneration :				
- Audit Fees including Tax Audit Fees & Consolidation		1,632,722		620,189
Directors' Remuneration		-		1,002,841
Directors' Fees		45,000		-
Printing & Stationary		797,861		446,678
Security Charges		1,551,074		1,159,035
Provision for dues from joint ventures		-		-
Capital WIP Written off		885,243		
		<b>70,280,551</b>		<b>58,270,347</b>
Less: Transferred to CWIP		-		3,982,682
		<b>70,280,551</b>		<b>54,287,665</b>
<b>SCHEDULE 15</b>				
<b>FINANCIAL COSTS</b>				
<b>INTEREST PAID ON :</b>				
On Fixed Period Loans	463,946,004		225,847,068	
Interest Paid (Others)	178		201	
		463,946,182		225,847,269
Other Finance Charges		2,358,052		29,695,850
Less : Transferred to CWIP		16,561,597		24,464,822
		<b>449,742,637</b>		<b>231,078,297</b>



**SCHEDULES 1 TO 16 ATTACHED TO AND FORMING PART OF THE  
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007 AND  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED MARCH 31, 2007**

**SCHEDULE '4':**

**FIXED ASSETS**

**TANGIBLE ASSETS :**

(All Amounts in Indian Rupees)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET	
	As At 01.04.2006	For the year	Deductions/ Adjustments	As At 31.03.2007	Upto 31.03.2006	For the year	Deductions/ Adjustments	As At 31.03.2007	As At 31.03.2007	As At 31.03.2006
<b>TANGIBLE ASSETS :</b>										
Buildings	451,526	-	-	451,526	33,040	7,360	-	40,400	411,126	418,486
Freehold Property	5,697,198	2,286,515	-	7,983,713	-	-	-	-	7,983,713	5,697,198
Plant and Machinery	141,696,293	193,678,399	953,906	334,420,786	9,861,163	6,834,380	-	16,695,543	317,725,243	131,835,130
Furniture & Fixtures	565,552	4,729,283	-	5,294,835	77,113	220,695	-	297,808	4,997,027	488,439
Motor Vehicles	2,865,681	2,967,253	262,048	5,570,886	402,525	389,095	128,635	662,985	4,907,901	2,463,156
Office Equipments	1,284,387	813,904	-	2,098,291	96,690	85,343	-	182,033	1,916,258	1,187,697
Computers	745,697	1,316,513	-	2,062,210	147,888	238,404	-	386,292	1,675,918	597,809
Project Berths	775,487,809	87,372,587	-	862,860,396	30,327,756	29,475,642	-	59,803,398	803,056,998	745,160,053
Project Bridge	257,438,683	-	-	257,438,683	62,020,168	13,768,456	-	75,788,624	181,650,059	195,418,515
Project Road	5,044,982,312	-	-	5,044,982,312	491,115,540	333,031,732	-	824,147,272	4,220,835,040	4,553,866,772
<b>Total</b>	<b>6,231,215,138</b>	<b>293,164,454</b>	<b>1,215,954</b>	<b>6,523,163,638</b>	<b>594,081,883</b>	<b>384,051,107</b>	<b>128,635</b>	<b>978,004,355</b>	<b>5,545,159,283</b>	<b>5,637,133,255</b>
<b>INTANGIBLE ASSETS :</b>										
Purchase of O & M Rights	-	250,000,000	-	250,000,000	-	18,282,909	-	18,282,909	231,717,091	-
<b>Total</b>	<b>-</b>	<b>250,000,000</b>	<b>-</b>	<b>250,000,000</b>	<b>-</b>	<b>18,282,909</b>	<b>-</b>	<b>18,282,909</b>	<b>231,717,091</b>	<b>-</b>
Capital Work in Progress									2,002,567,227	193,282,056
Less : Depreciation capitalised						46,076				
<b>GRAND TOTAL</b>	<b>6,231,215,138</b>	<b>543,164,454</b>	<b>1,215,954</b>	<b>6,773,163,638</b>	<b>594,081,883</b>	<b>402,287,940</b>	<b>128,635</b>	<b>996,287,264</b>	<b>7,779,443,601</b>	<b>5,830,415,311</b>

## **GAMMON INFRASTRUCTURE PROJECTS LIMITED**

Schedules annexed to and forming part of the Balance Sheet as at March 31, 2007 and Profit and Loss Account for the year ended March 31, 2007

### **SCHEDULE 16 : NOTES TO THE CONSOLIDATED ACCOUNTS**

#### **A. ACCOUNTING POLICIES :**

##### **1) PRINCIPLES OF CONSOLIDATION**

The Consolidated Financial Statement relates to GAMMON INFRASTRUCTURE PROJECTS LTD. ("The Company") and Subsidiary Companies, 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 together 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 Statement 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 over share of equity of the Subsidiary/Joint Venture is recognised as goodwill and excess of share of equity of Subsidiary/Joint Venture over the cost of investments is recognised as capital reserve.

The Interests in Joint Ventures which are in the nature of jointly controlled entities have been consolidated by 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').

Investments in Associates 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'). The Company's share of pre-acquisition losses/gains is reflected as goodwill/capital reserve in the carrying value of the Investments.

##### **2) REVENUE RECOGNITION**

###### **Infrastructure Development Business :**

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

The cash compensation due to the company 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 the Company.

The Company earns an annuity income from some of its Build, Own, 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.

**Operations and Maintenance Revenues :**

Revenue on Operations & Maintenance (O & M) contracts are recognised proportionately over the period for which the contract is received.

**Interest Revenue :**

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

**Dividend Revenue :**

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.

**3) FIXED ASSETS AND DEPRECIATION**

Fixed Assets are stated at cost of acquisition less accumulated depreciation thereon. Expenditure incurred up to the date of commencement of commercial operations are capitalized as part of Fixed Assets.

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 other Fixed Assets is provided on Straight Line Method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956. Depreciation on Assets purchased / installed and sold during the year is calculated on a pro-rata basis from the date of such purchase / installation and upto the date of sale respectively.

Intangible assets being rights of Operations and Maintenance are amortised over the period of the subsistence of its rights.

**4) 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 recognised 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.

**5) 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 the investments.

#### **6) INVENTORIES**

Stores and materials are valued at lower of cost or net realizable value. The FIFO method of inventory valuation is used to determine the cost.

#### **7) FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions are recorded at the exchange rates prevailing on the date of transaction. Outstanding Current Assets and Current Liabilities, denominated in foreign currency are translated at the exchange rate prevailing as at the date of the Balance Sheet. Exchange gain or loss arising on such foreign currency translation is recognised as income or expenses in the Profit and Loss Account. Foreign Currency variation relating to liabilities for acquisition of fixed assets from outside India is adjusted to the cost of such fixed assets.

#### **8) 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 timing differences between taxable income and accounting income for the year 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.

#### **9) PRELIMINARY AND SHARE ISSUE EXPENSES**

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

#### **10) 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 recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

#### **11) 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 share outstanding during the year.

## 12) EMPLOYEE BENEFITS

Provision for gratuity liability to eligible employees is actuarially valued and accounted for during the accounting period in which the same accrues. Leave encashable on retirement has been provided on the basis of actuarial valuation. The Company has been covered under the Employees Provident Fund Act from Sept, 2006.

## 13) AMORTISATION OF GOODWILL

Excess of Goodwill over Capital Reserve on consolidation after adjustment of Capital Reserve arising out of consolidation is amortised over five years

## 14) 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.

## B. OTHER NOTES :

1. 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. Further, in the opinion of the management, the accounting policies and notes could be better viewed when referred from the individual financial statements.
2. During the year pursuant to the retrospective amendment of proviso to section 80IA, the Company has reviewed its claim on revenue from operations and maintenance in respect of section 80IA and has decided to provide for income-tax of the earlier years without considering the benefits available u/s 80IA. On account of this an amount of Rs 24,692,502/- is included in the "Provision for Tax of earlier years" and is debited to profit and loss account.
3. SUBSIDIARIES

The following Subsidiary Companies (incorporated in India) have been consolidated in the Financial Statement applying Accounting Standard - 21 :

Name of the Subsidiary	Proportionate of Ownership either directly or through subsidiaries (%)	Voting power (%)
Cochin Bridge Infrastructure Company Ltd (MNEL)	97.66	97.66
Andhra Expressway Ltd (AEL)	49.00	93.50
Rajahmundry Expressway Ltd (REL)	49.00	93.50
Sikkim Hydro Power Ventures Ltd (SHVPL)	100.00	100.00
Mumbai Nasik Expressway Ltd (MNEL)	79.90	79.90
Gammon Projects Developers Ltd (GPD)	100.00	100.00

- a) During the year, the Company was allotted 41,560,000 equity shares of Rs 10/- each at par by MNEL. The construction of the road project road has commenced and is progressing according to the estimates.



- b) As part of the obligation in the concession agreement between MNEL and NHAI, MNEL has to shift certain utility lines for which it gets paid by NHAI. The amount received for the shifting of utilities net of the expenditure thereon is adjusted in the carrying amount of the Assets/Work in progress.
- c) Preliminary & Share Issue Expenses :  
The share issue expenses will be charged to the profit and loss account in the first year when MNEL draws up the profit and loss account. The preliminary expenses shall be amortised over five years from the date of incorporation. In the first year when MNEL draws up its profit and loss account, the cumulative amortised portion of the preliminary expenses shall be charged to the profit and loss account.
- d) The Company had during the previous year entered into an agreement with Gammon India Limited by which it had acquired the controlling interest and voting rights in respect of 12,905,000 equity shares each of AEL and REL which continues to be in the name of the sponsors of the SPVs. 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. 32,83,80,000 paid to Gammon India Limited has been shown under Investments.
- e) The Company had revised its terms of sub-contract for operations and maintenance of two stretches of National Highways in the state of Andhra Pradesh with the holding company, Gammon India Limited, and fore-closed its earlier sub-contract. Pursuant to revision and as per the terms of revised sub-contract the Company has paid an upfront consideration of Rs 25 crores for award of the sub-contract effective from April 1, 2006. This amount has been considered as an intangible asset in the books of accounts and is being amortized over the life of the sub-contract.
- f) As per the original agreement with AEL's lenders, the sponsors (being the shareholders/joint venture partners of AEL) had contributed Equity Obligations by way of subscription to equity shares of AEL or by way of advances towards such subscription.  
Under the new refinancing done by the lenders, there is no requirement of Equity Obligation. Therefore AEL has refunded the amount of 20,236,200 lying as on 31st March 2006 during the current financial year.
- g) As per original agreement with REL's lenders, the sponsors (being the shareholders/joint venture partners of REL) had contributed Equity Obligations by way of subscription to equity shares of REL or by way of advances towards such subscription.  
Under the new refinancing done by the lenders, there is no requirement of Equity Obligation. Therefore REL has refunded the amount of Rs 50,105,475 outstanding at March 31, 2006 during the current financial year.
- h) Under the Concession Agreement dated 27<sup>th</sup> October, 1999, executed between CBICL, Government of Kerala (GOK), Greater Cochin Development Authority (GCDA) and Gammon India Limited dated January 6<sup>th</sup>, 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.
- i) 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 24<sup>th</sup> January, 2005 and G.O. (M.S) No. 16/2005/PWD dated 1<sup>st</sup> March, 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 Sundry debtors. CBICL has not made any provision against the said receivables.
- j) CBICL has extended a Term Loan of Rs 8,00,00,000/- (Rs Eight Crores only) to Vizag Seaport Private Limited, which is convertible at par into Equity Shares of Rs 10/- each on 1<sup>st</sup> April, 2008.

k) **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 30<sup>th</sup> November, 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 1<sup>st</sup> January, 2011 but before 31<sup>st</sup> March, 2011, by paying the CBICL fair value therefor.

l) **Sundry Debtors**

**Recovery of VAT from annuity payments**

On the basis of an interim order of the Honorable Andhra Pradesh High Court, the NHAI recovered from the annuities, VAT @ 4% from AEL amounting to Rs 44,659,200/- and REL amounting to Rs 47,390,401 (including all annuities of all past years which had been fully paid by NHAI to the Company). This amount is included in sundry debtors.

The interim order has directed the NHAI to transfer this amount as a Fixed Deposit in any nationalised bank pending the final order of the Honorable High Court. The Honorable High Court on 12th April, 2007 passed the final order accepting AEL's and REL's position, and directed the NHAI to refund the said VAT recovered from the annuities to the respective companies.

**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 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.

**4. JOINTLY CONTROLLED ENTITIES**

The following Jointly Controlled Entities have been considered applying AS-27 on the basis of audited accounts for the year ended March 31, 2007 except for VSPL whose accounts for the period April 1, 2006 to March 31, 2007 are prepared on the basis of the audited accounts for fifteen months from January 1, 2006 to March 31, 2007.

<b>Name of the Jointly Controlled Entity</b>	<b>Proportion of Ownership Interest ( % )</b>
Gammon L&T Infra MRTS Limited (GLIML)	50.00
Punjab Biomass Power Limited (PBPL)	50.00
Vizag Seaport Private Limited (VSPL)	42.22
SEZ Adityapur Limited (SAL)	38.00

- a) GLIML did not bid for the Mass Rapid Transit System and hence all expenses incurred for the same and capitalized earlier has been written off by charging to the profit and loss account.
- b) The Company was allotted 500,000 equity shares of Re 1/- each at a premium of Rs 30,000,000/- of PBPL. The construction work of the project has commenced.
- c) The Company has subscribed to the equity shares of SAL.
- d) The proportionate share of assets, liabilities, income and expenditure of the Joint Ventures consolidated in the accounts is tabulated hereunder.

BALANCE SHEET ITEMS	Rs.	Rs.
<b>Assets</b>		
Fixed Assets	1,208,606,093	
Less : Depreciation	77,117,708	
		1,131,488,385
Capital WIP		96,751,778
<b>Current Assets :</b>		
Inventories	1,044,024	
Sundry Debtors	11,111,629	
Cash & Bank Balances	21,094,260	
Loan & Advances	25,418,575	
Total Current Assets (A)	58,668,488	
Current Liabilities (B)	65,333,283	
Net Current Assets (A-B)		(6,664,795)
Preliminary & Share Issue Exp		240,173
<b>Total Assets</b>		<b>1,221,815,541</b>
<b>Liabilities</b>		
<b>Loan Funds :</b>		
Secured Loans	842,904,489	
Unsecured Loans	-	842,904,489
Deferred Tax Liability		36,731,441
Reserves & Surplus		
Opening balance of retained earnings	(94,697,884)	
Less : Loss for the period	(42,129,601)	
		(136,827,485)
<b>Total Liabilities</b>		<b>742,808,445</b>
<b>REVENUE ITEMS</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Turnover</b>		<b>128,656,063</b>
Less :		
Port Operation Expenses	60,365,116	
Administration Expenses	3,498,552	
Finance Cost	53,475,876	
Depreciation	36,590,077	
Preliminary/Share Expenses Written Off	492,615	
Capital WIP written off	885,243	
Total Expenses		155,307,479
Profit / (Loss) Before Tax		(26,651,416)
Provision for Tax		15,478,185
<b>Profit / (Loss) After Tax</b>		<b>(42,129,601)</b>

## 5. 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 Profit/(Loss) for the year ended March 31, 2007	Dividend / Prior Period adjustment	Profit/ (Loss) for the year ended March 31, 2007	Carrying amount of Investments as on March 31, 2007
Eversun Sparkle Maritime Services Pvt. Ltd	33.30	21,439,500	5,552,678	-	-	6,580,843	14,858,657
Gorakhpur Infrastructure Company Ltd	39	195,000	-	-	-	-	195,000
Kosi Bridge Infrastructure Company Ltd	49	245,000	-	-	-	-	245,000

The Company has purchased 1,071,975 equity shares of Rs 10/- each at par on and has further been allotted 1,071,975 equity shares of Eversun Sparkle Maritime Services Limited (ESMSL). The said company is engaged in the literage activities at Haldia and Vizag ports.

During the year, the Company was allotted 19,500 equity shares of Gorakhpur Infrastructure Company Limited, a SPV formed for undertaking the design, construction, financing, operating and maintenance of Gorakhpur bypass on NH-28 in Uttar Pradesh on annuity basis.

Further, the Company was allotted 24,500 equity shares of Kosi Bridge Infrastructure Company Limited, a SPV formed for undertaking the design, construction, financing, operating and maintenance of 4 lane bridge across river Kosi on NH-57 in Bihar on annuity basis.

## 6. CAPITAL RESERVE AND GOODWILL

Goodwill on consolidation is adjusted with the Capital Reserve on consolidation and the balance of excess of Capital Reserve over Goodwill is shown under the Reserves and Surplus Account in the consolidated accounts.

Particulars	Rs.	Rs.
Goodwill :		
- CBICL	13,425,584	-
- PBPL	30,000,000	-
- VSPL	24,673,807	-
		<b>68,099,391</b>
Capital Reserve :		
- AEL	37,894,737	-
- REL	18,876,690	-
		<b>56,771,427</b>
Net of Goodwill over Capital Reserve	-	11,327,964
<b>Goodwill amortised</b>	-	<b>2,265,592</b>
<b>Net</b>	-	<b>9,062,372</b>

7. Remuneration to Auditors of the subsidiaries is grouped with Professional Fees.
8. Remuneration paid to the Managing director, has since been ratified by shareholders consent in the ensuing Extra Ordinary General Meeting held on May 4, 2007.

#### 9. DEFERRED TAXATION

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

Particulars	March 31, 2007
<b>Deferred Tax Liability :-</b>	
On Account of Depreciation	51,787,920
<b>Deferred Tax Asset :-</b>	
On Account of Unabsorbed Losses and Depreciation	(5,641,594)
Net Deferred Tax Liability	46,146,326

10. AEL, REL, VSPL and CBICL 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 hence has 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.

#### 11. EARNINGS PER SHARE

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

	As at March 31, 2007	As at March 31, 2006
Equity holding at the beginning of the period (Nos.)	128,000,000	40,422,900
Equity Shares allotted during the period (Nos.)	-	87,577,100
Weighted Number of Shares during the period	128,000,000	68,192,110
Net Profit Before Short Provision of Tax	300,406,656	219,076,421
<b>Net Profit After Short Provision of Tax</b>	<b>274,515,462</b>	<b>215,921,057</b>
<b>EPS Basic &amp; Diluted :</b>		
- Before Short Provision of Tax	2.35	3.21
- After Short Provision of Tax	2.14	3.17

#### 12. SECURITY FOR LOANS AVAILED BY REL, AEL VSPL AND MNEL

**AEL AND REL :**

**Term Loans availed from Banks are :**

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

**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 :**

Secured by first charge on the fixed assets and moveable assets of the company

Secured by hypothecation of moveable assets and receivables of the company.

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 equity shares aggregating to 51% of paid up and voting equity share capital.

### 13. PLEDGE OF SHARES

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

Company Name	No. of Equity shares pledged	Rate (Rs.)
AEL	3,697,560 (8,262,000)	10/-
REL	3,697,560 (8,058,000)	10/-
MNEL	16,120,000 (-)	10/-

(Previous period's figures in brackets)

### 14. CONTINGENT LIABILITIES NOT PROVIDED FOR

a) Group's share in Contingent Liability not provided for in the respect of Jointly Controlled Entity.

Particulars	March 31, 2007	March 31, 2006
VSPL :		
Bank Guarantees	11,412,257	32,939,404
Disputed Liquidated Damages	8,444,453	8,444,453
Others	8,444,453	8,444,453
<b>TOTAL</b>	<b>28,301,163</b>	<b>49,828,310</b>

b) Disputed liquidated damages pertain to amounts paid by VSPL under dispute to Vizag Port Trust (VPT). VSPL during the previous period received a claim from VPT for liquidated damages aggregating to Rs 20,000,000 (Rs 8,444,453 **proportionate share of the Company in** Joint Venture in the form of jointly controlled entity), on account of 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 in kind or for value to be received' under 'loans and advances'.

Discussions between VSPL and VPT are ongoing. The management expects to resolve the dispute amicably and obtain a refund of the amount paid. Pending the outcome of the dispute, significant uncertainties exist 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 the same under advances recoverable in these financial statements.

c) Contingent Liability also 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.

**15. DISCLOSURE RELATING TO PROVISIONS**

Sr. No.	Particulars	Balance as on April 1, 2006	Additions during the period	Short Provision of earlier years now provided for	Amount paid / eversed during the year	Balance as on March 31, 2007
a.	Leave Encashment	224,441 (-)	724,329 (224,441)	- (-)	614,000 (-)	334,770 (224,441)
b.	Gratuity	249,874 (-)	198,035 (249,874)	- (-)	- (-)	447,909 (249,874)
c.	Taxation	62,613,500 (12,857,591)	78,303,707 (50,588,397)	25,891,194 (-)	(-)980,652 (-)(832,488)	165,827,749 (62,613,500)

(Previous period's figures in brackets)

**16. (a) CAPITAL COMMITMENT**

Contracts, (net of advances) remaining to be executed on capital account and not provided for:	March 31, 2007
MNEL	5,590,000,000
SHVPL	4,500,000,000
PBPL	280,000,000
VSPL	55,877,416
<b>TOTAL</b>	<b>10,425,877,416</b>

**(b) Export Commitments :**

Particulars	March 31, 2007	March 31, 2006
VSPL Under EPCG Scheme	72,028,191	238,913,590

**17. SEGMENT REPORTING**

Hitherto the Company was reporting its segment wise results into Infrastructure Development, Infrastructure Advisory and Operations and Maintenance activities. On a detailed review of the primary business segments, the Company's management is of the view that all the revenue streams and operations arise out of its role as an Infrastructure developer. Accordingly, the Company's activities, constitutes a single business segment of Infrastructure developer under AS-17 Segment Reporting. Further, the Company presently operates under single geographical segment i.e. India.



**18. RELATED PARTY TRANSACTIONS****a) Relationships:****Entities Where Control Exists : Holding Company of the Group:**

Gammon India Limited

**Associates:**

Eversun Sparkle Maritimes Services Pvt. Limited

Associated Transrail Structures Limited

Gorakhpur Infrastructure Company Limited

Kosi Bridge Infrastructure Company 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)

19. The accounts for the previous period were prepared for a period of 15 months from January 1, 2005 to March 31, 2006. These accounts are prepared for 12 months period from April 1, 2006 to March 31, 2007. Since the two periods are different, the previous period figures are not strictly comparable with those of the current period. The previous period figures are however regrouped/reclassified to facilitate limited comparability.

As per our report of even date attached.

**For Natvarlal Vepari & Co.**

Chartered Accountants

**For S.R. Batliboi & Associates**

Chartered Accountants

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

Chairman &amp; Managing Director

**Parvez Umrigar**

Managing Director

**N. Jayendran**

Partner

**Per Amit Majmudar**

Partner

**Rajiv Daru**

Company Secretary

Membership No. : 40441

Membership No. : 36656

Mumbai

Dated :

## SCHEDULE 16 : NOTES TO ACCOUNTS

### ANNEXURE - 1

**RELATED PARTY TRANSACTIONS :**
**(All Amounts in Indian Rupees)**

Transactions	Holding Company	Associates	Key Management Personnel	Total
Operations & Maintenance Income :				
- Gammon India Ltd	143,416,064 (135,029,835)	- (-)	- (-)	143,416,064 (135,029,835)
Operations & Maintenance Expenses :				
- Gammon India Ltd	136,126,874 (105,827,929)	- (-)	- (-)	136,126,874 (105,827,929)
Contract Expenditure :				
- Gammon India Ltd	1,498,323,466 (17,578,916)	- (-)	- (-)	1,498,323,466 (17,578,916)
Purchase of Intangible Asset				
- Gammon India Ltd	250,000,000 (-)	- (-)	- (-)	250,000,000 (-)
Rendering of services :				
- Gammon India Ltd	- (6,610,000)	- (-)	- (-)	- (6,610,000)
Rent Paid :				
- Gammon India Ltd	1,200,000 (1,500,000)	- (-)	- (-)	1,200,000 (1,500,000)
Share Application Money paid :				
- Gorakhpur Infrastructure Co. Ltd	- (-)	400,000 (-)	- (-)	400,000 (-)
Purchase of Investments :				
- Gammon India Ltd	- (175,390,600)	- (-)	- (-)	- (175,390,600)
Sale of Investments :				
- Gammon India Ltd	(66,000,000)	(-)	(-)	(66,000,000)
Share Application Money Received :				
- Gammon India Ltd	- (1,065,159,100)	- (-)	- (-)	- (1,065,159,100)
- Mr. Abhijit Rajan	- (-)	- (-)	(100,000,000)	- (100,000,000)
Refund of Share Application Money Received :				
- Gammon India Ltd	- (674,618,841)	- (-)	- (-)	- (674,618,841)
- Mr. Abhijit Rajan	- (-)	- (-)	(43,111,110)	- (43,111,110)
Insurance Claims received				
- Gammon India Ltd	2,987,142 (-)	- (-)	- (-)	2,987,142 (-)

**(Previous period's figures are shown in brackets)**

**SCHEDULE 16 : NOTES TO ACCOUNTS****ANNEXURE - 1****RELATED PARTY TRANSACTIONS :****(All Amounts in Indian Rupees)**

Transactions	Holding Company	Associates	Key Management Personnel	Total
Managerial Remuneration :				
- Mr. Parvez Umrigar	- (-)	- (-)	3,845,659 (1,423,315)	3,845,659 (1,423,315)
Finance provided (including Loans and Equity contribution in cash or in kind) :				
- Gammon India Ltd	- (50,790,000)	- (-)	- (-)	- (50,790,000)
- Gorakhpur Infrastructure Co. Ltd	- (-)	194,950 (-)	- (-)	194,950 (-)
- Kosi Bridge Infrastructure Co. Ltd	- (-)	244,940 (-)	- (-)	244,940 (-)
- Associated Transrail Structures Ltd	- (-)	382,500,000 (38,800,000)	- (-)	382,500,000 (38,800,000)
Finance provided for expenses and on account payments:				
- Gammon India Ltd	828,249 (8,568,697)	- (-)	- (-)	828,249 (8,568,697)
- Gorakhpur Infrastructure Co. Ltd	- (-)	3,198,767 (-)	- (-)	3,198,767 (-)
- Kosi Bridge Infrastructure Co. Ltd	- (-)	2,690,772 (-)	- (-)	2,690,772 (-)
Amount liquidated towards the above finance :				
- Gammon India Ltd	9,750 (76,538,912)	- (-)	- (-)	9,750 (76,538,912)
- Associated Transrail Structures Ltd	- (-)	212,500,000 (38,800,000)	- (-)	212,500,000 (38,800,000)
Interest income during the period :				
- Gammon India Ltd	- (2,042,955)	- (-)	- (-)	- (2,042,955)
- Associated Transrail Structures Ltd	- (-)	4,476,988 (1,031,425)	- (-)	4,476,988 (1,031,425)
Finance received (including Loans and Equity contribution in cash or in kind) :				
- Mr. Abhijit Rajan	- (-)	- (-)	- (56,888,890)	- (56,888,890)
- Gammon India Ltd	- (2,762,332,606)	- (-)	- (-)	- (2,762,332,606)
Finance received for expenses & on account payments :				
- Gammon India Ltd	43,602,113 (62,475,563)	- (-)	- (-)	43,602,113 (62,475,563)
- Associated Transrail Structures Ltd	- (-)	173,394 (-)	- (-)	173,394 (-)

(Previous period's figures are shown in brackets)

**SCHEDULE 16 : NOTES TO ACCOUNTS****ANNEXURE - 1****RELATED PARTY TRANSACTIONS :****(All Amounts in Indian Rupees)**

Transactions	Holding Company	Associates	Key Management Personnel	Total
Amount liquidated towards the above finance :				
- Gammon India Ltd	61,630,683	-	-	61,630,683
	(2,463,950,232)	(-)	(-)	(2,463,950,232)
- Associated Transrail Structures Ltd	-	173,394	-	173,394
	(-)	(-)	(-)	(-)
Interest paid during the period :				
- Gammon India Ltd	-	-	-	-
	(23,858,733)	(-)	(-)	(23,858,733)
Deposit towards purchase of Beneficial Interest of equity shares :				
- Gammon India Ltd	-	-	-	-
	(328,380,000)	(-)	(-)	(328,380,000)
Purchase of Beneficial Interest of equity shares :				
- Mr. Abhijit Rajan	-	-	10	10
	(-)	(-)	(-)	(-)
- Parvez Umrigar	-	-	20	20
	(-)	(-)	(-)	(-)
Advances paid against Contracts :				
- Gammon India Ltd	545,944,750	-	-	545,944,750
	(-)	(-)	(-)	(-)
Recovery of Advances paid :				
- Gammon India Ltd	182,474,640	-	-	182,474,640
	(-)	(-)	(-)	(-)
Guarantee Commission Paid :				
- Gammon India Ltd	1,610,578	-	-	1,610,578
	(10,309,438)	(-)	(-)	(10,309,438)
Underwriting/Subscription Fees Paid :				
- Gammon India Ltd	-	-	-	-
	(1,331,827)	(-)	(-)	(1,331,827)
Refund received of Margin Money Deposit kept :				
- Gammon India Ltd	9,438,488	-	-	9,438,488
	(-)	(-)	(-)	(-)
Guarantees and Collaterals Outstanding:				
- Gammon India Ltd	-	-	-	-
	(412,813,141)	(-)	(-)	(412,813,141)
Oustanding Balances Receivable :				
- Gammon India Ltd	741,316,409	-	-	741,316,409
	(47,492,622)	(-)	(-)	(47,492,622)
- Gorakhpur Infrastructure Co. Ltd	-	3,198,767	-	3,198,767
	(-)	(-)	(-)	(-)
- Kosi Bridge Infrastructure Co. Ltd	-	2,690,772	-	2,690,772
	(-)	(-)	(-)	(-)
- Associated Transrail Structures Ltd	-	170,000,000	-	170,000,000
	(-)	(-)	(-)	(-)
Oustanding Balances Payable :				
- Gammon India Ltd	280,944,012	-	-	280,944,012
	(99,676,206)	(-)	(-)	(99,676,206)

**(Previous period's figures are shown in brackets)**



Bulk material handling system at Vizag Seaport Project

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