

AFCONS INFRASTRUCTURE LIMITED

BOARD OF DIRECTORS

C. P. Mistry, Chairman
P. S. Mistry
S. P. Mistry
N. J. Jhaveri*
J. J. Parakh*
B. D. Narang
R. M. Premkumar
A. H. Divanji
P. N. Kapadia*
N. D. Khurody*
K. Subrahmanian - Managing Director
S. Paramasivan - Executive Director (Finance & Commercial)
A. N. Jangle - Executive Director (Business Development)

Audit Committee Members*

COMPANY SECRETARY

P. R. Rajendran

AUDITORS

C. C. Chokshi & Co., Chartered Accountants
J. C. Bhatt, Chartered Accountant

BANKERS

State Bank of India
UCO Bank
Oriental Bank of Commerce
Axis Bank Ltd.
Bank of India
Dena Bank
BNP Paribas
ING Vysya Bank Limited
ICICI Bank Ltd.
Union Bank of India

REGISTERED OFFICE

"AFCONS HOUSE"
16, Shah Industrial Estate,
Veera Desai Road,
Azad Nagar P.O.
Andheri (West)
Mumbai- 400 053

Thirty First Annual General Meeting on
27th September, 2007 at 4.00 p.m.
at "Afcons House", 16, Shah Industrial
Estate, Veera Desai Road, Andheri (West),
Mumbai- 400 053

REGISTRARS & SHARE TRANSFER AGENT

Cameo Corporate Service Limited
Subramanian Building,
1 Club House Road,
Chennai-600002
Tel.no.: 044-28460390
Fax no.: 044-28460129
Email id.: afcons@cameoindia.com

AFCONS INFRASTRUCTURE LIMITED

DIRECTORS' REPORT

To the Members of
AFCONS INFRASTRUCTURE LIMITED
 Mumbai

Your Directors are pleased to present the Thirty First Annual Report and the audited statement of accounts for the year ended 31st March, 2007.

1. FINANCIAL RESULTS

Particular	31.3.2007 Rs. In Lacs	31.3.2006 Rs. In Lacs
Total Income	107,411	68,629
Profit/(Loss) before Tax	2,516	1,490
Provision for Taxation	(1,128)	(917)
Excess/(short) provision for tax in respect of earlier years	67	8
Profit/(Loss) after Tax	1,455	581
Amount Transferred for Investment Allowance Reserve	95	-
Balance brought forwards from previous years	(3,471)	(1,750)
Debit Balance in Profit & Loss account of APIL takeover on Amalgamation	-	(2,302)
	(1,921)	(3,471)
Deduction from General Reserve per Contra	1,921	3,471

2. OPERATIONS

The total income for the year under review has increased from Rs.68,629 Lacs to Rs.1,07,411 Lacs, which represent 57% increase over the previous year. The net profit for the year under review has increased from Rs.581 Lacs to Rs.1,455 Lacs.

During the year, Company has finalized a strategic plan whereby the Company would like to be a "Billion Dollar" company in the year 2011-2012. The Company would also like to have 25% of its turnover coming from overseas markets. In fact with a view to strengthen the overseas presence, the Company has appointed Mr. Jim Sample, a British National with extensive experience in overseas job. The Company has been accorded the status of Two Star Export House by the Ministry of Commerce and Industry, Director General of Foreign Trade.

During the year under review, the Company could complete most of the projects on or ahead of schedule. One of the projects Moolchand underpass was completed ahead of schedule thereby entitling the Company to earn a bonus.

The Company's project at Mauritius which was progressing at least 3 months ahead of schedule got affected due to cyclone "Gamede". There was loss to the property and equipment but fortunately no loss to human being. The loss is fully covered under various insurance policies. Now the project is back on rail.

Operational challenges will continue to remain with the kind of galloping growth projections the Company has made. The Company is confident of achieving the same.

During the year under review, the following major works were completed:

1. Additional Alteration and Special repairs to existing sea wall at Fort, Kochi for Naval Base Kochi.
2. Construction of underpass at Moolchand intersection on Ring Road, New Delhi for Delhi Tourism and Transport Development Corporation (DTDC), New Delhi.

During the year under review, the Company has secured the following major contracts:

1. Civil and Structural Construction of Green Field Cement Plant for Rs. 8,122 Lacs for M/s. National Cement Company at Wadi, Faltah, Yemen in Joint Venture with Al Saeed Company of Yemen.
2. Construction of New Mooring facility in Shannah, Al WUSTA Region for Rs.11,351 Lacs for Ministry of Transport & Communication, Sultanate of Oman in Joint Venture with Oman Shapoorji Construction Company L.L.C.
3. Construction of Jetty for Rs.4,000 Lacs at Kakinada in Gujarat for Reliance Industries Ltd.
4. Design & Construction of Viaduct of length 4.682 km including structural work of three elevated stations Laxmi Nagar, Scope Tower and Preet Vihar on Yamuna Bank - Anand Vihar Corridor of Phase - II of Delhi MRTS for Rs.14,095 Lacs for Delhi Metro Railways Corporation (DMRC).
5. Construction of Four lane road between Ulundurpet to Padalur section, Tamil Nadu for Rs.31,450 Lacs for Trichy Tollyways Pvt. Ltd.
6. Design & Construction of Flyover Interchange at the Junction of NH-7 & ROB across Central Railway Track in MIHAN Project area, Nagpur, Maharashtra for Rs. 6,864 Lacs for Maharashtra Airport Development Co.Ltd.
7. Construction of Grade Separator at Mukarba Chowk at G T Karnal Road-Outer Ring Road Junction New Delhi for Rs.17,062 Lacs for PWD, New Delhi.
8. Construction of Jetty Modifications-Zero Point to New Riser Platform pertaining to Export Refinery Project for Rs. 12,700 Lacs for Reliance Ports & Terminals Limited at Jamnagar, Gujarat.
9. Design & Construction of 4 Lane Bridge at Usgaon - Pale, Goa, Maharashtra for Rs. 2,220 Lacs for Goa Infrastructural Development Company Pvt.Ltd.
10. Construction of Break Water and Associated Work for Rs. 12,500 Lacs for Finolex Industries Ltd, Ratanagiri, Maharashtra.
11. Design and Construction of a Marine Terminal Facility for PVC project at Cuddalore, Tamil Nadu for Rs.6,600 Lacs for Chemplast Sanmar Limited.
12. Construction of Rail Connectivity from Idapalli to ICTT Vallarpadam for works of Elevated Structures, Major Minor Bridges & Earth Works for Rs.16,781 Lacs for RVNL.
13. Construction of Oil Jetty at Louis Harbour, Mauritius for Rs.8,228 Lacs for Mauritius Port Authority.
14. Operation and Maintenance of Dewatering System Phase II for Rs.228 Lacs for Qatar Petroleum
15. Protection works to the slope on the right hand side of the outlet of diversion tunnels for Rs.135 Lacs for NTPC, Koldam.
16. Construction of Grade Separator at Rajaram Kohli Marg and Shastri Nagar Intersection for Rs.21,489 Lacs for PWD New Delhi.

3. DIVIDEND

In order to plough back the profits for the growth, the directors are not proposing dividend on shares.

4. SHARE CAPITAL

- I. At the Extraordinary General Meeting of the Company held on 22nd December 2006 the members had approved increase in Authorised capital of the Company from Rs.17,500 Lacs to Rs.22,500 Lacs.
- II. At the Extraordinary General Meeting of the Company held on 22nd December 2006 the members had approved conversion of 2,00,00,000 7.5% Redeemable Cumulative Convertible Preference Shares into 2,00,00,000 equity shares of Rs.10/- each at par. The paid-up Equity capital of the Company was increased from Rs.5,140 Lacs to Rs.7,140 Lacs.
- III. At the Extraordinary General Meeting held on 22nd December 2006 the shareholders approved the variation of rights by amending the terms and condition of
 - A. 5,00,00,000 7.5% Redeemable Non-Cumulative Convertible Preference Shares of Rs.10/- each of the face value of Rs.5,000 Lacs held by Floreat Investments Limited to the following effect:
 - i. The Preference shares shall so issued will be redeemable, non-convertible and cumulative Preference Share;
 - ii. The Preference shares shall be redeemable at any time after 3 years but not later than 20 years from the date of variation of such rights by either the Company or the shareholders by exercising call and put option by giving 21 days notice;
 - iii. The holder of Redeemable Preference shares shall be entitled to a fixed cumulative preference dividend @ 7.25% per annum on the paid-up preference capital in preference to the equity shares.

Further the Board vide circular Resolution dated 29th March 2007, with the prior consent of the aforesaid Preference Shareholder, approved the variation of existing terms of redemption mentioned in (ii) above by amending the redemption option so as to make it exercisable by call option (by company) and put option (by shareholder) after 13 years but before 20 years from the date of its allotment i.e. 30th March 2005.

- B.** 5,00,00,000 7.5% Redeemable Non Cumulative Optionally Convertible Preference Shares of Rs.10/- each of the face value of Rs.5,000 Lacs held by Floreat Investments Limited to the following effect:

- The Preference shares shall so issued will be redeemable, non-convertible and cumulative Preference Share;
- The Preference shares shall be redeemable at any time after 5 years but not later than 20 years from the date of variation of such rights by either the Company or the shareholders by exercising call and put option by giving 21 days notice;
- The holder of Redeemable Preference shares shall be entitled to a fixed cumulative preference dividend @ 7.50% per annum on the paid-up preference capital in preference to the equity shares.

Further the Board vide circular Resolution dated 29th March 2007, with the prior consent of the aforesaid Preference Shareholder, approved the variation of existing terms of redemption mentioned in (ii) above by amending the redemption option so as to make it exercisable by call option (by company) and put option (by shareholder) after 13 years but before 20 years from the date of its allotment i.e.31st March 2006.

5. EMPLOYEES STOCK OPTION PLAN 2006 (ESOP 2006)

The Company has instituted ESOP-2006 to reward and help retain its employees and to enable them to participate in its future growth and financial success. The following table set forth the particulars of options granted under the ESOP- 2006 as approved by the shareholders at the Extraordinary General Meeting of the Company held on 22nd December 2006.

Particulars	Details
Options granted	7,21,150
Pricing Formula	Fair Market Value of the shares as determined by the Independent Valuer.
Exercise price of options	Rs. 17 per option
Total options vested	Nil
Options exercised	Nil
Total number of equity shares that would arise as a result of full exercise of options already granted	7,21,150
Options forfeited/ lapsed/ cancelled	19,280
Variations in terms of options	Nil
Money realised by exercise of options	Nil
Total number of Options in force at the end of the year.	7,01,870
Person wise details of options granted to	
i) Directors and Senior Managerial Personnel	As detailed below

Details regarding options granted to the Directors and the Senior managerial employees are set forth below:

Name of director/ Senior Managerial Personnel	No. of options granted under ESOP 2006	No. of options exercised under ESOP 2006	No. of options outstanding under ESOP 2006
K. Subrahmanian	35,040	Nil	35,040
S. Paramasivan	26,280	Nil	26,280
A. N. Jangle	14,460	Nil	14,460
N. Selvaraj	21,900	Nil	21,900
N.S. Iyer	10,510	Nil	10,510
W Kabir	10,510	Nil	10,510
P. R. Rajendran	13,140	Nil	13,140
M. Jayaram	13,140	Nil	13,140
S.Sankar	17,520	Nil	17,520
K.Ramesh	13,140	Nil	13,140
V.K.Bhat	13,140	Nil	13,140
R.Kalyanakrishnan	8,760	Nil	8,760
J.D.Bakshi	8,760	Nil	8,760
V.Prasad Rao	13,140	Nil	13,140

ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Nil
Fully diluted EPS on a pre-Issue basis	0.85
Difference, if any, between the employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost recognized if the fair value of the options had been used and the impact of this difference on profits and EPS of the Company.	The Company has followed the intrinsic value-based method of accounting for stock options granted based on Guidance Note on Accounting on Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The exercise price of the option granted is based on the fair value of the Company's share as on the date of the Grant. The Fair Value of the Share has been calculated by an independent valuer by applying Rule 1D of the Wealth Tax Rules, 1957. As the exercise price of the option granted is based on the fair value as on the date of the Grant, the intrinsic value of the option is NIL.
Method and significant assumption used to estimate the Fair Value of the options are as under	The Fair Value of the options has been calculated by an Independent Valuer. The Valuation has been done using Black-Scholes model based on the Assumptions which are as under: <ol style="list-style-type: none"> Risk Free Interest Rate 8% Expected Life (Years) 4 yrs. Expected Volatility 0.63 Expected Dividend Yield NIL Price of the underlying share in Market at the time of Option Grant. N.A.

AFCONS INFRASTRUCTURE LIMITED

The Securities and Exchange Board of India (SEBI) has issued Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. This is effective for all stock Options Schemes established after June 19, 1999. In accordance with these guidelines had the company followed Fair Value method for accounting the Stock Option, Compensation expenses would have been higher by Rs.66,04,597/-. Consequently Profit After Tax would have been lower by like amount and Basic Earnings per Share would have lower by Rs.0.11 per share and Diluted Earnings Per Shares would have been lower by Rs. 0.04 per share.

6. FURTHER ISSUE OF SHARES

At the Extraordinary General Meeting of the Company held on 22nd December 2006 the members approved issue of further shares vide Private Placement or Initial Public Offering of Shares. The Company thereafter on 8th January 2007 filed Draft Red Herring Prospectus (DRHP) with SEBI for Issue of 1,60,65,000 Equity Shares of the Company through Book Building process. The Company had obtained in-principle approval of the BSE and NSE for listing of the said Equity shares. SEBI has vide its letter dated 26th April 2007 given their observation to the DRHP filed with them which are required to be complied with before filing Red Herring Prospectus with the Registrar of Companies. The Company is presently looking at various alternatives for raising funds including Initial Public Offering of Shares.

7. SUBSIDIARIES

- i) As required under Section 212 of the Companies Act, 1956, the audited Statement of Accounts, the Report of the Board of Directors and Auditors' Report of the subsidiary companies for the year ended 31st March, 2007 are annexed, except the accounts of Kier Afcons (India) Pvt. Ltd. as it is under Members Voluntary Winding up.
- ii) The Company has sold its entire investment in Afcons Dredging & Marine Services Limited on 7th December 2006, and in Afcons BOT Constructions Private Limited and Afcons (Overseas) Constructions and Investments Private Limited on 15th December 2006. Therefore Afcons Dredging & Marine Services Limited, Afcons BOT Constructions Private Limited, and Afcons (Overseas) Constructions and Investments Private Limited ceased to be the subsidiaries of the Company with effect from the above respective dates.

8. CORPORATE GOVERNANCE

Your Company, being a value driven organization, believes in coherent and self-regulatory approach in the conduct of its business to achieve the highest levels of good corporate governance practices. Therefore the Company in the interest of the Stakeholders voluntarily complies with the requirements of Corporate Governance. A Report on Corporate Governance is attached separately to this Annual report.

9. DIRECTORS

Mr.H.J.Tavaria, Mr.S.Kuppuswamy, Mr.K.C.Mehra, Mr.P.Sampath and Mr.M.S.Hingorani resigned on 28th November 2006. The Board places on record its sincere appreciation for the valuable contribution made by them during their tenure as Director.

Mr.P.N.Kapadia was appointed as Director to fill the casual vacancy caused by the resignation of Mr.P.Sampath with effect from 28th November 2006.

Mr.N.D.Khurody was appointed as Director to fill the casual vacancy caused by the resignation of Mr.M.S.Hingorani with effect from 22nd December 2006.

Mr.J.J.Parakh resigned as Director with effect from 28th November 2006. Mr.J.J.Parakh was again appointed as Director to fill the casual vacancy caused by the resignation of Mr.H.J.Tavaria with effect from 22nd December 2006. He holds office upto the date of the ensuing Annual General Meeting of the Company being the date on which Mr.H.J.Tavaria would have retired by rotation. A notice in writing along with a deposit of Rs.500/- as required under section 257 of the Companies Act, 1956 has been received from a member signifying intention to propose Mr.J.J.Parakh as a candidate for the office of a Director.

Mr.R.M.Premkumar and Mr.B.D.Narang have been appointed as additional directors of the Company with effect from 29th June 2007. As per the provision of Section 260 of the Companies Act, 1956 the said directors hold office upto the ensuing Annual General Meeting. A notice in writing along with a deposit of Rs.500/- each as required under section 257 of the Companies Act, 1956 has been received from a member signifying intention to propose Mr.R.M.Premkumar and Mr.B.D.Narang as a candidate for the office of a Director.

Mr.C.P.Mistry, Mr.S.P.Mistry and Mr.N.J.Jhaveri directors of the Company retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

Brief profile of the Mr.C.P.Mistry, Mr.S.P.Mistry, Mr.N.J.Jhaveri, Mr.J.J.Parakh, Mr.B.D.Narang and Mr.R.M.Premkumar who are appointed / reappointed is provided in the annexure to the Notice of the Meeting.

10. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors Responsibility Statement, it is hereby confirmed that:

- (i) in preparation of the annual accounts, the applicable accounting standards have been followed along with a proper explanation relating to any material departures from the same;
- (ii) the Directors have selected such accounting policies, applied them consistently, and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2007 and of the profit or loss of the Company for the year ended on that date;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the asset of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts on a going concern basis.

11. QUALITY, HEALTH SAFETY & ENVIRONMENT

The Company firmly believes that the pursuit of excellence is one of most critical component for a competitive success. With Quality, Health and Safety Environment being an essential part of the Company's policy, it strives to deliver services by maintaining the highest level of Quality, Health and Safe working environment.

The policy of the Company is to conduct our construction business through an established Quality Management System, which aims to achieve Customer Satisfaction by providing goods and services to the stated expectation of our customers and in the process improving company's competencies and competitiveness.

BUREAU VERITAS (BV), has renewed our certificate for ISO 9001:2000 for Quality Management System. BV has also certified the Company's Indian operations for ISO:14001 for Environment and OHSAS:18001 for Occupation, Health & Safety.

All our sites have safety officers and that safety is given top-most priority in all operations and strict adherence is observed in relation to company's Manuals/ standards issued for Safety, Health and Environment.

12. AUDITORS

M/s.C.C.Chokshi & Co. Chartered Accountants have expressed their unwillingness to be re-appointed as the auditor of the Company at the Annual General Meeting.

A special notice under section 225(1) read with section 190 of the Companies Act, 1956 has been received from a member of the Company, seeking the appointment of M/s.Deloitte Haskins & Sells, Chartered Accountants in place of M/s.C.C.Chokshi & Co.Chartered Accountants, as Statutory Auditors of the Company jointly with Mr.J.C.Bhatt, Chartered Accountant, the retiring Auditor of the Company.

M/s.Deloitte Haskins & Sells and Mr.J.C.Bhatt have confirmed that they are eligible for appointment in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

13. AUDITORS' OBSERVATION

The observations in the Auditors' Report have been adequately explained in the notes no. B(7)(i)(b),B(7)(ii),B(8),B(11) B(24),B(25) of Schedule 20 to the Audited Accounts.

14. TRANSFER OF UNPAID / UNCLAIMED AMOUNT TO IEPF

Pursuant to the provision of section 205(A)(5) and Section 205C of the Companies Act, 1956, dividend for year 1998-1999 and Interest on fixed deposits accepted for the year 1999-2000 which remained unclaimed have been transferred during the year on their due dates to the Investor Education and Protection Fund (IEPF) established by the Central Government on the due dates.

15. PARTICULARS OF EMPLOYEES

In terms of the provision of section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Director's Report.

16. PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

This information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 is given below:

A. CONSERVATION OF ENERGY

The Company has replaced more than 50% of the conventional Piling Equipment into high efficiency and fuel conservative Integrated Piling Rigs which has brought the fuel consumption to almost 40% of earlier consumption. The Company has replaced all old generation diesel engine fitted in generator sets with new generation engines.

B. RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

The Company has designed and fabricated fully mechanized single span launching truss at Delhi Metro Railways Project.

C. FUTURE ACTION PLAN

1. Introduction of Bentonite regeneration plants at all Piling sites.
2. Introduction of fully automated CMC controlled fabrications shop equipments.

D. FOREIGN EXCHANGE EARNING AND OUTGO.

Earnings Rs. 7,510.87 Lacs
Outgo Rs. 8,692.44 Lacs

17. ACKNOWLEDGEMENT

The Directors express their appreciation for the continued support and co-operation received by the Company from its Clients, Bankers, Financial Institution and Employees.

For and on behalf of the Board

C.P. MISTRY
CHAIRMAN

Mumbai,

Dated: 29th June, 2007

AFCONS INFRASTRUCTURE LIMITED

REPORT ON CORPORATE GOVERNANCE

I. CORPORATE GOVERNANCE PHILOSOPHY

The Company subscribes fully to the principles and spirit of sound Corporate Governance and embodies the principles of fairness, transparency, accountability and responsibility into the value systems driving the Company. It has been the constant endeavor of the company to create an environment for efficient conduct of the business and to enable management to meet its obligation to all its stakeholders, including amongst other, shareholders, customer, employees and the community in which the Company operates.

II. BOARD OF DIRECTORS

(a) Composition

As on March 31, 2007 the Board of Directors of the Company comprised of 11 Directors out of which 3 are Executive Directors and the remaining 8 are Non-Executive Directors. The Chairman of the Board is the Non Executive Director and the Board consists of 4 Independent Directors. As on the date of Directors Report, the total strength of the Board is 13, out of which 10 are Non-Executive Directors and 3 are Executive Directors. Out of the 10 Non-Executive Directors, 6 are Independent Directors.

The Non-Executive Directors are eminent professionals with experience in industry, management, finance, research and law who bring in a wide range of skills and experience to the Board.

(b) Board Meetings and Attendance:

During the year 2006-07, Five Board Meeting were held on the following dates 30th June 2006, 30th August 2006, 28th November 2006, 22nd December 2006 and 27th February 2007. The maximum time gap between any two consecutive meetings did not exceed 4 months. The notice for the Board Meeting and the detailed agenda papers are circulated to all the Directors well in advance to enable them to attend and take an informed decision at the Meetings.

The minutes of the proceedings of each Board and committee meeting are properly recorded and entered into minutes book. There is effective post meeting follow up, review and reporting process for decision taken by the Board.

None of the Directors are members of more than ten Board level committees nor are they chairman of more than five committees in which they are members. Table below give details of Directors attendance record and directorship help in other companies.

Name of the director	Category	Total no. of Board Meetings during the year 2006-2007		No. of Directorships in other Public Company		No of Committee # position held in other public co.		Whether attended last AGM held on 28.09.2006
		Held	Attended	Chairman	Member	Chairman	Member	
Mr.C.P.Mistry	Chairman	5	5	-	11	-	5	Y
Mr.P. S. Mistry	Non Executive Director	5	4	1	9	-	1	N
Mr. S.P. Mistry	Non Executive Director	5	2	1	11	-	4	N
Mr.K.Subrahmanian	Managing Director	5	4	-	-	-	-	Y
Mr. J.J.Parakh ##	Non Executive Director	5	4	-	7	-	-	N
Mr.A.N.Jangle	Executive Director	5	5	-	1	-	-	Y
Mr.S.Paramasivan	Executive Director	5	5	-	1	-	-	Y
Mr.A.H.Divanji	Independent Director	5	4	-	-	-	-	N
Mr. N.J.Jhaveri	Independent Director	5	2	-	12	3	7	N
Mr.P.N.Kapadia *	Independent Director	5	3	-	4	-	-	N
Mr.N.D.Khurody *	Independent Director	5	1	1	8	-	2	N
Mr.H.J.Tavaria **	Non Executive Director	5	1	-	4	-	-	N
Mr.S.Kuppuswamy **	Non Executive Director	5	2	-	-	-	-	N
Mr.K.C.Mehra **	Non Executive Director	5	1	7	14	2	5	N
Mr.P.Sampath **	Non Executive Director	5	1	-	-	-	-	N
Mr.M.S.Hingorani **	Non Executive Director	5	2	-	1	-	1	N
Mr.B.D.Narang ***	Independent Director	-	-	-	4	-	-	N
Mr.R.M.Premkumar ***	Independent Director	-	-	1	1	-	-	N

Note:

Mr.J.J.Parakh resigned from the Board on 28th November 2006. He was again appointed as a Director on 22nd December 2006 to fill the casual vacancy caused by the resignation of Mr.H.J.Tavaria.

* Mr.P.N.Kapadia and Mr.N.D.Khurody were appointed as Director on 28th November 2006 and 22nd December 2006 respectively to fill the casual vacancy caused by the resignation of Mr.P.Sampath and Mr.M.S.Hingorani.

**Mr.H.J.Tavaria, Mr.S.Kuppuswamy, Mr.K.C.Mehra, Mr.P.Sampath and Mr.M.S.Hingorani resigned on 28th November 2006.

*** Mr.R.M.Premkumar and Mr.B.D.Narang were appointed as additional directors of the Company with effect from 29th June 2007.

Committee means, Audit Committee and Shareholder's Grievance Committee.

III. AUDIT COMMITTEE

a. The Audit Committee of the Company is constituted in accordance with the provision of Section 292A of the Companies Act, 1956.

b. Terms of Reference of the Audit Committee are broadly as under:

- * Overseeing the Company's financial reporting process and the disclosure of financial information.
- * Recommending the appointment and removal of external auditors and fixing of audit fees.
- * Review with management the annual financial statements before submission to the Board.
- * Review with management, external and internal auditors, the adequacy of internal controls.
- * All other powers and duties as per Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement.

c. Four Meeting were held during the year. The dates on which the said meetings were held are as follows:
30th August 2006, 22nd December 2006, 9th February 2007 and 27th February 2007.

d. Composition of Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

Name of Director	Category	No. of Meetings Attended	
		Held	Attended
Mr.N.J.Jhaveri	Independent Director - Chairman	4	3
Mr.N.D.Khurody *	Independent Director	4	1
Mr. P.N.Kapadia**	Independent Director	4	1
Mr.J.J.Parakh***	Non Executive Director	4	3

Note:

* Mr.N.D.Khurody was appointed as member of the Committee with effect from 22nd December 2006.

** Mr.P.N.Kapadia was appointed as member of the Committee with effect from 28th November 2006.He ceased to be member of the committee with effect from 22nd December 2006 and was re-appointed as a member with effect from 27th February 2007.

*** Mr.J.J.Parakh was a member of the Committee upto 28th November 2006.He was re-appointed as a member of the committee with effect from 22nd December 2006.

IV. REMUNERATION COMMITTEE:

- The broad terms of reference of the remuneration committee are as under:
The Remuneration Committee shall have powers and authorities as provided under the provisions of Schedule XIII of the Companies Act, 1956 and any amendment thereof, if any, granting the approval of remuneration to the Wholetime Directors and the Managing Director of the Company.
- One meeting of the remuneration committee was held during the year i.e. 14th November 2006.
- The Composition of remuneration committee as on 14th November 2006 was as under:

Name of Director	Category
Mr.P.Sampath	Chairman - Non Executive Director
Mr.H.J.Tavaria	Non Executive Director
Mr. S.Kuppuswamy	Non Executive Director
All the members attended the said meeting.	

All the said members have ceased to be Directors of the Company w.e.f. 28th November 2006 and as a result the remuneration committee was reconstituted w.e.f. 28th November 2006.

The members of the reconstituted remuneration committee are as under.

Name of Director	Category
Mr.N.J.Jhaveri	Independent Director - Chairman
Mr.N.D.Khurody *	Independent Director
Mr. P.N.Kapadia *	Independent Director

Note:

- * Mr.P.N.Kapadia and Mr.N.D.Khurody were appointed as a member with effect from 22nd December 2006.

d. Remuneration Policy

Remuneration to executive directors has been decided based on the years of experience and contribution made by the respective executive directors and is consistent with the industry practice. As regards payment of sitting fees to non-executive directors, the same has been within the limit allowed in terms of the Companies Act, 1956.

e. Details of Remuneration paid to Directors during the financial year 2006-07:

- Remuneration paid/payable to the executive directors for the financial year ended 31st March 2007:

(Rs. p.a.)

Name of Directors	Basic Salary	PF / SA	Perquisites	Total Remuneration
Mr.K.Subrahmanian	10,76,250	2,90,588	27,24,936	40,91,774
Mr. S.Paramasivan	7,06,500	1,90,755	18,47,390	27,44,645
Mr.A.N.Jangle	6,66,000	1,79,820	22,48,250	30,94,070
TOTAL REMUNERATION				99,30,489

- Remuneration paid/payable to the non-executive directors for the financial year ended 31st March 2007 is as under:

The non-executive directors were not paid any remuneration except sitting fees for attending the meetings of the board of directors and /or committees thereof. The details of the sitting fees paid to the non-executive directors are as under:

Name of the Director	Sitting Fees	Shareholding in the Company (No. of Shares)
Mr.C.P.Mistry	25,000	-
Mr.P. S. Mistry	20,000	-
Mr. S.P. Mistry	10,000	-
Mr. J.J.Parakh	65,000	6,619
Mr.A.H.Divanji	20,000	21,720
Mr. N.J.Jhaveri	35,000	17,749
Mr.P.N.Kapadia **	50,000	-
Mr.N.D.Khurody**	10,000	-
Mr.K.C.Mehra *	5,000	-
Mr.H.J.Tavaria *	20,000	9,929
Mr.P.Sampath *	15,000	9,929
Mr.S.Kuppuswamy *	25,000	9,929
Mr.M.S.Hingorani *	15,000	9,929
Total	3,15,000	

The Company does not have any pecuniary relation or transactions with its non-executive directors.

V. SHAREHOLDERS/ INVESTOR'S GREIVANCES CUM SHARE TRANSFER COMMITTEE

- Shareholders / Investor's Grievance Cum Share Transfer Committee was constituted on 28th November 2006 in place of Share Transfer Committee.
- The broad terms of reference of Shareholders / Investor's Grievance Cum Share Transfer Committee are as under:
 - * To look into matters pertaining to the redressal of shareholders and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
 - * To approve transfer of the Equity and Preference Shares of the Company and further delegate such powers to the Registrar for the Transfer of Shares of the Company.
 - * To investigate into any matter in relation to areas specified above or referred to it by the Board of Directors and for this purpose will have full access to information contained in the records of the Company.
- Three meetings were held during the year on the following dates:
3rd October 2006, 21st December 2006 and 28th December 2006.
- Composition, Meetings and Attendance.
The members of the erstwhile Share Transfer Committee upto 28th November 2006 were as under:

Name of Director	Category
Mr.J.J.Parakh	Non Executive Director - Chairman
Mr.H.J.Tavaria	Non Executive Director
Mr.S.Paramasivan	Executive Director

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The Share Transfer Committee was renamed as Shareholders / Investor's Grievance Cum Share Transfer Committee with effect from 28th November 2006 and the members of the reconstituted committee were as under:

Name of Director	Category
Mr.P.N.Kapadia	Independent Director - Chairman
Mr.S.Paramasivan	Executive Director
Mr. A.N.Jangle	Executive Director

The Composition and attendance of members at the meetings of the Shareholders / Investor's Grievance Cum Share Transfer Committee with effect from 22nd December 2006 was as under:

Name of Director	Category	No. of Meetings Attended	
		Held	Attended
Mr. P.N.Kapadia *	Independent Director - Chairman	3	2
Mr. J.J.Parakh	Non Executive Director	3	2
Mr. S.Paramasivan	Executive Director	3	3

Note:

* Mr.P.N.Kapadia was appointed as member of the Company with effect from 22nd December 2006.
Mr.J.J.Parakh ceased to be a member on 28th November 2006. He was re-appointed as member with effect from 22nd December 2006.

e. Name and Designation of the Compliance Officer
Mr.P.R.Rajendran, Company Secretary is the Compliance officer of the Company.

f. Status of Investor's Complaints

During the financial year all the letter/complaints received by the Registrar and Share Transfer Agent have been redressed and there were no complaints pending with the Company/Registrar and Share Transfer Agent.

All the valid share transfers requests received during the year were duly attended to and processed in time. There were no valid request pending for share transfer as on 31st March 2007.

VI. OTHER COMMITTEES OF THE BOARD

A. IPO COMMITTEE

i. The broad terms of reference of IPO Committee are as under:

- * To make applications to such authorities as may be required and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required;
- * To decide on the timing, pricing and all the terms and conditions of the issue of the shares for the Public Issue, including the price, and to accept any amendments, modifications, variations or alterations thereto;
- * To appoint and enter into arrangements with the book running lead managers, underwriters to the Public Issue, syndicate members to the Public Issue, brokers to the Public Issue, escrow collection bankers to the Public Issue, registrars, legal advisors and any other agencies or persons or intermediaries to the Public Issue and to negotiate and finalise the terms of their appointment, including but not limited to execution of the Book Running Lead Managers ("BRLMs") mandate letter, negotiation, finalisation and execution of the memorandum of understanding with the BRLM etc.;
- * To finalise and settle and to execute and deliver or arrange the delivery of the draft red herring prospectus, the red herring prospectus, the final prospectus, syndicate agreement, underwriting agreement, escrow agreement, stabilization agreement and all other documents, deeds, agreements and instruments as may be required or desirable in relation to the Public Issue;
- * To open with the bankers to the Public Issue such accounts as are required by the regulations issued by SEBI;
- * To authorize and approve the incurring of expenditure and payment of fees in connection with the Public Issue;
- * To do all such acts, deeds, matters and things and execute all such other documents, etc. as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of share certificates in accordance with the relevant rules;
- * To do all such acts, deeds and things as may be required to dematerialise the equity shares of the Company and to sign agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) limited and such other agencies, authorities or bodies as may be required in this connection;
- * To make applications for listing of the shares in one or more stock exchange(s) for listing of the equity shares of the Company and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s); and
- * To settle all questions, difficulties or doubts that may arise in regard to such issues or allotment and matters incidental thereto as it may, in its absolute discretion deem fit.

ii. ~~Three~~ meetings were held during the year on the following dates:

6th January.2007, 8th January 2007 and 8th February.2007.

iii. Composition, Meetings and Attendance

Name of Director	Category	No. of Meetings Attended	
		Held	Attended
Mr. P.N.Kapadia *	Independent Director - Chairman	3	3
Mr.J.J.Parakh	Non Executive Director	3	3
Mr. K.Subrahmanian	Managing Director	3	2
Mr. S. Paramasivan	Executive Director	3	2
Mr. A.N.Jangle	Executive Director	3	2

Note:

* Mr.P.N.Kapadia was appointed as member with effect from 28th November 2006.
Mr.J.J.Parakh was appointed as a member with effect from 22nd December 2006.

B. COMPENSATION (ESOP) COMMITTEE

i. The Compensation (ESOP) Committee was constituted for implementation, administration and superintendence of the ESOP Schemes and formulate the detailed terms and conditions of the ESOP Scheme including but not limited to -

- * The quantum of options to be granted under an ESOP Scheme per employee and in aggregate.
- * The conditions under which options vested in employees may lapse in case of termination of employment for misconduct.
- * The exercise period within which the employee should exercise the option and that the option would lapse on failure to exercise the option within the exercise period.
- * The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee.
- * The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period.
- * The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others.
- * The grant, vest and exercise of option in case of employees who are on long leave; and
- * The procedure for cashless exercise of options.

ii. One meeting was held during the year on 22nd December 2006.

iii. Composition, Meetings and Attendance

Name of Director	Category	No. of Meetings Attended	
		Held	Attended
Mr.N.J.Jhaveri	Independent Director -Chairman	1	1
Mr. P.N.Kapadia *	Independent Director	1	1
Mr. K.Subrahmanian	Managing Director	1	1

Note:

* Mr.PN.Kapadia was appointed as member with effect from 28th November 2006.

C. COMMITTEE OF DIRECTORS

i. The broad terms of reference of Committee of Directors are as under:

- * to open banking account with any scheduled bank and authorise such persons as may be deemed fit by the Committee of Directors to operate the same.
- * to approve and execute Power of Attorney in favour of any employee of the Company in respect of matters as may be deemed necessary from time to time.
- * to execute or direct execution of any contract document and Power of Attorney related to the day to day business of the Company under the Common Seal of the Company which may be required to be executed between Board Meetings.
- * to draw, endorse and negotiate promissory notes, hundies, bills of exchange, letters of credit, railway receipts, bills of lading and other negotiable and mercantile documents.

ii. One meeting was held during the year on 30th October 2006.

iii. Composition, Meetings and Attendance

Name of Director	Category	No. of Meetings Attended	
		Held	Attended
Mr.N.J.Jhaveri	Independent Director -Chairman	1	1
Mr.J.J.Parakh	Non-Executive Director	1	1
Mr. K.Subrahmanian	Managing Director	1	1
Mr. S. Paramasivan	Executive Director	1	1
Mr. A.N.Jangle	Executive Director	1	0

Notes:

Mr.J.J.Parakh ceased to be a member with effect from 28th November 2006 and was re-appointed as member with effect from 22nd December 2006.

VII GENERAL BODY MEETINGS

a. The details of the Annual General Meetings (AGMs) held in the last 3 years:

AGM	Location	Date of AGM	Time
30th	Registered Office of the Company	28.09.2006	4.p.m.
29th	Registered Office of the Company	30.09.2005	4.p.m.
28th	Registered Office of the Company	21.12.2004	4.p.m.

b. The details of the Extra Ordinary General Meetings (EGMs) held in the last 3 years:

EGM	Location	Time
22.12.2006	Registered Office of the Company	4.p.m.
31.03.2006	Registered Office of the Company	4.p.m.
30.03.2005	Registered Office of the Company	4.p.m.

c. Details of the special resolutions passed during the last 3 years:

AGM:	
30th AGM dt.28.09.2006	Nil
29th AGM dt.30.09.2005	a. Reappointment and Terms of Remuneration of Mr.K.Subrahmanian-Managing Director of the Company with effect from 1st July 2005. b. Reappointment and Terms of Remuneration of Mr.A.N.Jangle-Executive Director (Business Development) of the Company with effect from 1st July 2005. c. Reappointment and Terms of Remuneration of Mr.S.Paramasivan-Executive Director (Finance &Commercial) of the Company with effect from 10th June 2005.
28th AGM dt.21.12.2004	a. Appointment and Terms of Remuneration of Mr.K.Subrahmanian-Managing Director of the Company with effect from 15.11.2004 to 14.11.2006. b. Remuneration payable to Mr.S.Paramasivan-Executive Director (Finance & Commercial) of the Company with effect from 1st December 2004.
EGM:	
EGM dt. 22.12.2006	a. Amending the Articles of Association of the Company. b. To Issue and allot 2,00,00,000 Equity Shares of the Company of the face value of Rs.10/- each at par to the holders of 2,00,00,000 7.5% Redeemable Convertible Non-Cumulative Preference Shares of Rs.10/- each of the Company. c. Variation of terms and condition of 5,00,00,000 7.5% Redeemable Non-Cumulative Convertible Preference Shares of Rs.10/- each allotted on 30th March 2005. d. Variation of terms and condition of 5,00,00,000 7.5% Redeemable optionally Convertible Preference Shares of Rs.10/- each allotted on 31st March 2006. e. Further Issue of 16065000 Equity Shares as per the provision of section 81 (IA) of the Companies Act,1956. f. To create, offer, issue and allot Equity Shares to existing permanent employees of the Company under the ESOP Scheme.
EGM dt. 31.03.2006	To create, offer for subscription, issue and allot to Floreat Investments Ltd., 5,00,00,000 7.5% Redeemable Non-Cumulative Optionally Convertible Preference Shares of Rs.10/- each as per the provision of section 81 (IA) of the Companies Act,1956.
EGM dt. 30.03.2005	To create, offer for subscription, issue and allot to Sterling Investments Corporations Private Ltd., 5,00,00,000 7.5% Redeemable Non-Cumulative Convertible Preference Shares of Rs.10/- each as per the provision of section 81 (IA) of the Companies Act,1956.

d. Court convened meeting.

A court convened meeting of the Company was held on 10th March 2006 at 4.p.m. at the registered office of the Company in terms of the order dated 27th January 2006 of the Hon'ble High Court of Judicature at Bombay, for obtaining the requisite approval of the members for Amalgamation of Afcons-Pauling (India) Limited with the Company.

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e. During the year no resolution was passed through Postal Ballot.

VIII. DISCLOSURES

- There were no materially significant related party transactions during the financial year 2006-07 that may have potential conflict with the interests of the Company at large. The detail of the related party transactions as per AS-18 are included in the notes to accounts forming part of the Annual Report.
- The Company affirms that no person is denied access to the Audit Committee.
- Although the Company is not listed with any stock Exchange, it voluntarily complies with Corporate Governance requirement of the listing agreement.

IX. MEANS OF COMMUNICATION:

- The Company has its own website and all the vital information relating to the Company and its products is displayed on the website. Address of the website is www.afcons.com.
- Annual Report containing inter alia, Audited Annual Report, Financial Statements, Directors Report, Auditors Report and other important information is circulated to the members and others entitled thereto.

X. GENERAL SHAREHOLDERS INFORMATION

- AGM date : Thursday, 27th September 2007
- Time : At 4p.m.
- Venue : "Afcons House", 16, Shah Industrial Estate, Veera Desai Road, AzadNagar P.O., Andheri (West), Mumbai-400 053
- Financial Year : March 31st
- Date of Book Closure : 22nd September 2007 to 27th September 2007
- ISIN No. : INE101101011
- Registrar & Share Transfer Agent : Cameo Corporate Service Limited
Subramanian Building,
1 Club House Road,
Chennai-600002
Tel. no.: 044-28460390
Fax no.: 044-28460129
Email id.: afcons@cameoindia.com

XI. SHAREHOLDING PATTERN AS ON MARCH 31, 2007:

Sr.No.	Category	No. of Shares	% of total
1	Promoter's holding		
a.	Indian Promoters -Bodies Corporate	69199207	96.92
b.	Foreign Promoters	0	0
c.	Person Acting in Concert	0	0
	Sub total (1)	69199207	96.92
2	Non Promoters Holding		
A	Institutional Investor		
	Mutual Funds and UTI	0	0
	Financial Institution / Banks	0	0
	Foreign Institutional Investors	0	0
	Sub total (2A)	0	0
B	Non Institutional Investors		
	NRIs / OCBs	0	0
	Companies / Bodies Corporate	50000	0.06
	General Public	726139	1.02
	Clearing Member	0	0
	Director Non-Promoters category	233284	0.33
	Employee Trust/Trustee	1191370	1.67
	Sub total (2B)	2200793	3.08
	Total (1+2A+2B)	71400000	100.00

XII. Distribution of Shareholding as on March 31st , 2007

No. of Shares	No. of Shareholders	% of Shareholders	Total No. of Shares	% of Shareholding
1 to 100	63	10.0800	5860	0.0082
101 to 500	366	58.5600	97088	0.1359
501 to 1000	46	7.3600	36474	0.0510
1001 to 2000	37	5.9200	57380	0.0809
2001 to 3000	18	2.8800	45699	0.0640
3001 to 4000	14	2.2400	50778	0.0711
4001 to 5000	5	0.8000	22940	0.0321
5001 to 10000	26	4.1600	200079	0.2802
10001 & above	50	8.0000	70883252	99.2762
Total	625	100.0000	71400000	100.0000

XIII. Address for Correspondence: Afcons Infrastructure Limited

Afcons House, 16 Shah Industrial Estate,
Veera Desai Road, Andheri (W), Mumbai - 400053
Tel.no.: 66773100
Fax.no.: 26730047/26731031
Website: www.afcons.com

AUDITOR'S REPORT

To,
The Members of Afcons Infrastructure Limited

1. We have audited the attached Balance Sheet of Afcons Infrastructure Limited ("the Company") as at 31st March, 2007, the Profit and Loss account and also the Cash-flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure, a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further 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 purposes of our audit;
 - ii. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. the Balance sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, *subject to Note no 7(i)(b) of Schedule 20, regarding non-provision for diminution in the value of investment as per Accounting Standard 13 'Accounting for Investments'*, 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 written representations received from the directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 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. Our audit report of previous year was modified for the non-provision for diminution in the value of investments and dues from a subsidiary company. The matter relating to investments in subsidiaries has been resolved during the year on the company disposing off its investments in subsidiaries having negative networth.
 - vii. *Attention is invited to the following in Schedule 20, all of which were also the subject matter of our report similarly modified in the previous year:*
 - (a) *Non-provision for probable non-recovery of dues from a Partnership firm; (Note no. B(7)(ii))*
 - (b) *Non-provision for certain debts and advances; (Note no. B(8))*
 - (c) *Non-provision for diminution in value of investment in the capital of a partnership firm; (Note no. B(7)(i)(b))*
 - (d) *The manner of determination of projected losses in respect of contracts in progress, for which we have relied upon the management's current estimates of costs to completion owing to their technical nature and due to uncertainties of future; (Note no. B(11))*
 - (e) *Non-provision for unbilled revenue; (Note no. B(24))*
 - (f) *The manner of accounting for outstanding arbitration awards and interest accrued thereon; (Note no. B(25))*

In view of the fact that in respect of items mentioned under clauses (a) to (f) above, the probable loss on account of non-recovery or partial recovery of debts, loans and advances, other receivables, fall in the value of investments, contracts in progress, Arbitration awards in appeal etc. are not capable of being estimated and quantified with reasonable accuracy owing to insufficient evidence and information available which includes, inter alia, a review of events occurring after the Balance Sheet date, management's experience of similar transactions and in some cases reports from independent experts, the overall effect of the aforesaid matters on the financial statements for the year ended 31st March, 2007 and on the figures for the previous year ended 31st March, 2006, could not be determined.

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the significant accounting policies and other notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

 - (i) in the case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (ii) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash-flow statement, of the cash-flows for the year ended on that date.

**FOR C.C.CHOKSHI & CO.,
CHARTERED ACCOUNTANTS**

**R.LAXMINARAYAN
PARTNER**
Membership No.33023

**J. C. BHATT
CHARTERED ACCOUNTANT**
Membership No.10977

Mumbai,
Dated: 29th June, 2007

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph 3 of our report of even date on the accounts for the year ended 31st March, 2007 of Afcons Infrastructure Limited.

- (i) The nature of the Company's activities during the year has been such that clauses (xiii) and (xiv) of paragraph 4 of the order are not applicable to the Company for the year.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
 - (b) All the fixed assets have not been physically verified by the management during the year but there is a regular program of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Accordingly, the management during the year has conducted a physical verification of certain fixed assets. We are informed that no material discrepancies were noticed by the management on such verification;
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventories:
 - (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals;
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
 - (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of its inventories and discrepancies noticed on physical verification have been properly dealt with in the books of account.
- (iv) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956, according to the information and explanations given to us:
 - (a) The company has granted loans to four parties. The maximum amounts involved during the year were Rs. 6.85 Lacs and the year end outstanding balances of loans granted to such parties were Rs. 3.06 Lacs.
 - (b) In our opinion, the rates of interest and other terms and conditions on which loans have been given to parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
 - (c) The principal amounts are receivable on demand in respect of the loans given. *The receipt of interest in respect thereof is not regular.* However, amount involved is not material.

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- (d) In view of what is stated in item (c) above, the question of commenting on overdue amounts in respect of principal amounts of loans given does not arise. The Company has taken reasonable steps for recovery of overdue interest.
- (e) The Company has taken loan from one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 90 Lacs and the year end outstanding balance of loan taken from such party was Rs. 90 Lacs.
- (f) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from the party listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company;
- (g) The principal amounts are payable on demand in respect of the loans taken. *Payment of interest in respect thereof, however, is not regular.*
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- (vi) In respect of contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
- (a) In our opinion and according to the information and explanations given to us, the particulars of contracts/ arrangements that need to be entered into the Register maintained under section 301 of the Companies Act, 1956 have been so entered;
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lacs each in respect of each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vii) In our opinion and according to information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the Rules framed thereunder with regard to deposits accepted from the public. We are informed that no Order has been passed by the Company Law Board or Reserve Bank of India or any Court or any other Tribunal.
- (viii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (ix) The Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.
- (x) In respect of statutory dues :
- (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed material statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues applicable to it with the appropriate authorities during the year.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth tax, Service Tax, Custom duty, Excise duty, Cess, or any other statutory dues were outstanding as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (c) Disputed amounts payable on account of Sales Tax and Excise Duty as detailed below have not been deposited since the matters are pending with the relevant forum.

Name of the Statute	Nature of Dues	Amount in (Rs.)	Amounts Paid / Adjusted (Rs. in Lacs)	Net Balance (Rs. in Lacs)	Forum where the dispute is pending
Sales Tax Act	Sales tax	6.07	2.85	3.22	Dy. commissioner of Taxes (Appeals), Tinsukia.
Sales Tax Act	Sales tax	37.66	-	37.66	Sales Tax Appellate Tribunal, Hyderabad
Sales Tax Act	Sales tax	2.22	-	2.22	Appellate Dy. Commissioner of Commercial taxes, Hyderabad.
Sales Tax Act	Sales tax	698.05	528.56	169.49	Addn. Commissioner (Appeals), New Delhi
Sales Tax Act	Sales tax	15.09	5.18	9.91	Dy. Commissioner, Madhya Pradesh.
Sales Tax Act	Sales tax	15.48	2.00	13.48	Addn. Commissioner (Appeals), Madhya Pradesh.
Sales Tax Act	Sales tax	26.31	12.32	13.99	Asst. Commissioner of Sales tax, Mumbai.
Sales Tax Act	Sales tax	206.74	183.96	22.78	Appellate Tribunal of Sales Tax, Cuttack.
Sales Tax Act	Sales tax	194.75	151.63	43.12	Addn. Commissioner of Sales Tax, Cuttack.
Sales Tax Act	Sales tax	184.07	153.44	30.63	High Court, Orissa
Sales Tax Act	Sales tax	109.84	107.74	2.10	Addn. Commissioner of Sales Tax, Behrampur.
Sales Tax Act	Sales tax	13.46	12.46	1.00	Dy. Commissioner of Commercial taxes, Chennai.
Sales Tax Act	Sales tax	11.24	5.32	5.92	Sales Tax Appellate Tribunal, Kolkata.
Sales Tax Act	Sales tax	126.93	22.43	104.50	Dy. Commissioner of Commercial taxes, Durgapur.
Central Excise Act	Excise Duty	164.99	52.00	112.99	Supreme Court

- (xi) The accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred cash losses during the current and the immediately preceding financial year (without considering the effect for qualifications that are not capable of being quantified).
- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks / financial institutions. There are no dues payable to debenture holders,
- (xiii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xv) In our opinion and according to the information and explanations given to us, the term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xvi) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xvii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xviii) The company has not borrowed any monies through issue of debentures. Hence, the requirement of reporting on creation of security in respect of debentures issued under clause (xix) of the order does not arise.
- (xix) The Company has not raised any money by public issue during the year.
- (xx) According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

**FOR C.C.CHOKSHI & CO.,
CHARTERED ACCOUNTANTS**

R. LAXMINARAYAN
PARTNER
Membership No. 33023

J.C. BHATT
CHARTERED ACCOUNTANT
Membership No. 10977

Mumbai
Dated: 29th June, 2007

AFCONS INFRASTRUCTURE LIMITED



BALANCE SHEET AS AT 31ST MARCH,2007

(Rupees in Lacs)
AS AT
31st March, 2006
RUPEES

	SCHEDULE	RUPEES	RUPEES	
I. SOURCES OF FUNDS				
(1) Share Holders' Funds				
(a) Share Capital	1	17,152.50		17,140.00
(b) Share Capital Suspense		-		12.50
(c) Reserves and Surplus	2	6,615.66		5,251.12
			23,768.16	22,403.62
(2) Loan Funds				
(a) Secured Loans	3	19,516.94		10,543.46
(b) Unsecured Loans	4	37,627.47		24,294.52
			57,144.41	34,837.98
(3) Deferred Tax Liability (net)			1,867.75	949.26
Total			82,780.32	58,190.86
II. APPLICATION OF FUNDS				
(1) Fixed Assets:	5			
(a) Gross Block		36,784.57		26,489.58
(b) Less : Depreciation		16,660.89		14,810.97
(c) Net Block		20,123.68		11,678.61
(d) Capital Work-in-Progress		2,400.39		510.61
			22,524.07	12,189.22
(2) Investments	6		683.13	659.46
(3) Current Assets, Loans and Advances:				
(a) Inventories	7	7,817.47		5,155.49
(b) Unbilled Revenue (Net of advance Rs.10,249.62 Lacs (Previous year Rs. 3,185.01 Lacs))		51,561.30		28,572.97
(c) Sundry Debtors	8	23,301.23		18,871.82
(d) Cash and Bank Balances	9	4,290.89		2,144.52
(e) Other Current Assets	10	9.71		9.12
(f) Loans and Advances	11	12,517.34		11,061.17
		99,497.94		65,815.09
Less :				
Current Liabilities and Provisions:				
(a) Liabilities	12	39,435.57		20,061.51
(b) Provisions	13	1,031.28		1,072.09
		40,466.85		21,133.60
Net Current Assets			59,031.09	44,681.49
(4) Miscellaneous Expenditure: (to the extent not written off or adjusted)				
Deferred Revenue Expenditure			542.03	660.69
Total			82,780.32	58,190.86

Significant Accounting Policies and Notes on Accounts 20

As per our attached report of even date

For and on Behalf of the Board of Directors

For C.C.CHOKSHI & CO.
CHARTERED ACCOUNTANTS

R.LAXMINARAYAN
Partner

J.C.BHATT
Chartered Accountant

C.P.MISTRY
Chairman

K.SUBRAHMANIAN
Managing Director

J.J.PARAKH
Director

S.PARAMASIVAN
Executive Director
(Finance & Commercial)

P.R.RAJENDRAN
Company Secretary

Place: Mumbai
Dated: 29th June 2007

AFCONS INFRASTRUCTURE LIMITED

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

(Rupees in Lacs)
PREVIOUS
YEAR
RUPEES

	SCHEDULE	RUPEES	RUPEES	RUPEES
I. INCOME :				
Income from Operations {Including Tax deducted at Source Rs.548.84 Lacs (Previous year Rs.194.76 Lacs)}	14	1,04,050.89		64,903.76
Company's Share of Income from operations in Jointly controlled entity added (per contra)		2,994.44		3,252.89
		<u>1,07,045.33</u>		<u>68,156.65</u>
Company's Share of Income from operations in Jointly controlled entity deducted (per contra)		(2,994.44)		(3,252.89)
Net Income from Operations			1,04,050.89	64,903.76
Other Income	15		3,360.16	3,725.12
TOTAL			<u>1,07,411.05</u>	<u>68,628.88</u>
II. EXPENDITURE :				
Cost of Construction	16		79,159.43	45,143.17
Payments to and Provisions for employees	17		7,835.94	6,107.22
Operational & Other Expenses	18		10,698.96	10,057.51
Financial Lease Rentals			196.88	430.89
Interest and Financial charges	19		5,195.22	3,813.29
Depreciation / Amortisations		1,899.04		1,581.49
Less : Depreciation on the amount added on Revaluation transferred from Revaluation Reserve		90.57		90.73
			<u>1,808.47</u>	<u>1,490.76</u>
TOTAL			<u>1,04,894.90</u>	<u>67,042.84</u>
			2,516.15	1,586.04
Less :Company's Share of Loss in jointly controlled entity (Subject to Audit)			-	96.09
Profit Before Tax			<u>2,516.15</u>	<u>1,489.95</u>
Provision For Tax :				
- Current Tax		(251.60)		(143.00)
{Including Rs.0.60 Lacs for Wealth Tax (Previous Year Rs. 0.20 Lacs)}				
- MAT Credit Entitlement		251.00		-
-Deferred Tax		(918.49)		(602.90)
-Fringe Benefit Tax		(91.50)		(104.00)
-Foreign Taxes		(117.00)		(66.82)
Excess provision for Income tax in respect of earlier years		66.55		8.11
			<u>(1,061.04)</u>	<u>(908.61)</u>
Profit After Tax			1,455.11	581.34
Amount transferred from Investment Allowance Reserve			95.00	-
Balance Brought Forward From Previous Year			(3,470.92)	(1,750.47)
Debit Balance in Profit and Loss account of APIL taken over on Amalgamation			-	(2,301.79)
			<u>(1,920.81)</u>	<u>(3,470.92)</u>
Less : Deducted from General reserve Per Contra			1,920.81	3,470.92
Balance carried to Balance Sheet			-	-
Earnings Per Share				
-Basic (Rs.)			2.15	1.85
-Diluted (Rs.)			0.85	0.48
(Refer Note 32 of Schedule 20)				

Significant Accounting Policies and Notes on Accounts 20

As per our attached report of even date

For and on Behalf of the Board of Directors

For C.C.CHOKSHI & CO.
CHARTERED ACCOUNTANTS

C.P.MISTRY
Chairman

K.SUBRAHMANNIAN
Managing Director

R.LAXMINARAYAN
Partner

J.C.BHATT
Chartered Accountant

J.J.PARAKH
Director

S.PARAMASIVAN
Executive Director
(Finance & Commercial)

P.R.RAJENDRAN
Company Secretary

Place: Mumbai
Dated: 29th June 2007

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

	2006-07 Rs. in lacs	2005-06 Rs. in lacs
A. Cash flow from operating activities		
Profit before tax	2,516.15	1,489.95
adjustments for,		
Depreciation	1,808.47	1,490.76
(Profit) / Loss on sale / discard of fixed assets (<i>net</i>)	(12.50)	(15.08)
Dividend income	(1.35)	(1.81)
Interest income	(1,116.63)	(2,150.96)
Interest expense	5,195.22	3,813.29
Lease rentals expense	196.88	430.89
Bad/irrecoverable Debtors /Unbilled Revenue /Advances w/off	406.70	1,653.05
Share of Loss/ (Profit) in a firm in which the Company is a partner	13.01	18.28
Share of Loss in Jointly controlled entity (subject to audit)	-	96.09
Excess Provision for expenses of earlier years written back	(372.27)	(194.74)
(Profit) on sale / disposal of short term investments- Others	(4.62)	(8.76)
(Profit) on sale / disposal of long term investments- Others	-	(75.79)
Amount received on transfer of tenancy rights	(600.00)	(600.00)
Deferred revenue expenditure written off	118.66	118.65
Provision for Projected Losses	(167.20)	277.44
Operating profit before working capital changes	7,980.52	6,341.26
(Increase) in trade receivables	(3,834.32)	(156.41)
(Increase)/Decrease in inventories	(2,661.98)	(1,284.63)
Decrease in leave encashment and gratuity provision	(230.63)	-
(Increase) in unbilled revenue	(22,988.33)	(11,873.82)
(Increase) in loans and advances	(2,132.59)	(476.71)
Increase / (Decrease) in trade,other payables and provisions	19,804.80	4,317.64
Adjustment on account of Amalgamation for net current assets	-	732.89
Adjustment on account of Amalgamation in respect of loans given to Subsidiary Company	-	(2,768.09)
Cash (used in) Operations	(4,062.53)	(5,167.87)
Direct taxes (paid)	638.19	(219.72)
Net cash (used in) operating activities	(3,424.34)	(5,387.59)
B. Cash flow from investing activities		
Purchase of fixed assets	(12,236.08)	(2,988.13)
Sale of fixed assets	8.41	68.28
Purchase of Investments	(34.04)	(2,806.09)
Sale of investments	-	2,879.85
Sale of Subsidiary	14.99	6.00
(Loss)/ Profit in a firm in which the Company is a partner	(13.01)	(18.28)
Share of (Loss) in Jointly controlled entity (subject to audit)	-	(96.09)
Dividend received	1.35	1.81
Interest received	162.20	236.44
Amount received on transfer of tenancy rights	600.00	600.00
Net cash (used in) investing activities	(11,496.18)	(2,116.21)

AFCONS INFRASTRUCTURE LIMITED

C. Cash flow from financing activities		
Proceeds from issue of Preference share	12.50	5,000.00
Proceeds from long-term borrowings	21,458.58	22,151.18
Repayment of long-term borrowings	(10,659.87)	(15,260.75)
Proceeds from short term borrowings - net	11,403.21	(50.17)
Interest paid	(5,147.51)	(3,762.96)
Lease rentals paid	-	(132.30)
Net cash generated from financing activities	17,066.91	7,945.00
Net increase in cash and cash equivalents	2,146.39	441.20
Cash and cash equivalents at the beginning of the year	2,143.91	1,693.11
Cash and cash equivalents taken over on amalgamation	-	9.60
Cash and cash equivalents at the end of the year	4,290.30	2,143.91
Reconciliation of cash and cash equivalents		
As per Balance sheet - schedule 9	4290.89	2,144.52
less, interest accrued on bank deposits	(0.59)	(0.61)
As per Cash flow statement	4,290.30	2,143.91

As per our attached report of even date

For and on Behalf of the Board of Directors

FOR C.C.CHOKSHI & CO.
CHARTERED ACCOUNTANTS

R.LAXMINARAYAN
Partner

J.C.BHATT
Chartered Accountant

C. P. MISTRY
Chairman

J. J. PARAKH
Director

K. SUBRAHMANIAN
Managing Director

S. PARAMASIVAN
Executive Director
(Finance & Commercial)

P. R. RAJENDRAN
Company Secretary

Place: Mumbai
Dated: 29th June 2007

AFCONS INFRASTRUCTURE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007



(Rupees in Lacs)
AS AT
31st March, 2006
RUPEES

	RUPEES	
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED :		
12,40,00,000 Equity Shares of Rs.10 each	12,400.00	
10,10,00,000 Preference Shares of Rs. 10 each	10,100.00	
(Previous year 17,50,00,000 Shares of Rs.10 each)		17,500.00
TOTAL	22,500.00	17,500.00
ISSUED AND PAID-UP :		
7,14,00,000 (Previous Year 5,14,00,000) Equity Shares of Rs.10 each	7,140.00	5,140.00
5,00,00,000 7.25% Redeemable Cumulative Non-Convertible Preference Shares of Rs.10 each (Refer 1(h) and Note 2 below)	5,000.00	7,000.00
5,00,00,000 7.5% Redeemable Cumulative Non-Convertible Preference Shares of Rs.10 each (Refer Note 3 below)	5,000.00	5,000.00
1,25,000 (Previous Year Nil) Zero coupon Redeemable preference shares of Rs.10 each (Refer Note 4 below)	12.50	-
TOTAL	17,152.50	17,140.00
1. Of the above Equity Shares :-		
(a) 2,00,000 Shares of Rs.10/- each have been issued as Fully paid for Consideration other than Cash.		
(b) 35,00,000 Shares of Rs.10/- each are issued as Fully Paid Bonus Shares by Capitalisation of Rs. 3,50,00,000 out of General Reserve.		
(c) 2,40,75,389 (Previous Year 2,54,33,820) Equity Shares are held by Cyrus Investments Limited(CIL) - (which ceased to be the holding Company w.e.f 31-03-06), which is a subsidiary of Shapoorji Pallonji & Company Limited (SPCL)		
(d) 2,40,75,389 (Previous Year 40,75,389) Shares are held by Sterling Investment Corporation Private Limited (SICPL), a subsidiary of SPCL.		
(e) 1,30,15,929 (Previous year 2,00,00,000) shares are held by Floreat Investments Limited (FIL) , a subsidiary of SPCL.		
(f) 40,16,250 (Previous Year Nil) shares are held by Afcons BOT Constructions Pvt. Ltd. a subsidiary of Shapoorji Pallonji Infrastructure Capital Co. Ltd (SPICCL), which is the subsidiary of SPCL.		
(g) 40,16,250 (Previous Year Nil) shares are held by Afcons Dredging & Marine Services Ltd a subsidiary of Shapoorji Pallonji Infrastructure Capital Co. Ltd (SPICCL), which is the subsidiary of SPCL.		
(h) 2,00,00,000 Equity shares allotted to SICPL, a subsidiary of SPCL on 22-12-06 pursuant to conversion of 7.5% Redeemable Non-cumulative convertible Preference Shares (initially allotted to CIL, but transferred to SICPL on 22nd December 2006) into equity shares at par.		
2. The 7.25% Redeemable, Cumulative Non-Convertible Preference Shares of Rs.10/- each are held by Floreat Investment Ltd (Previously held by SICPL)(Previous Year 7.5% Redeemable, Non-Cumulative, Convertible Preference shares.) As per the resolution passed at the extra ordinary general meeting held on 22nd December 2006. The terms and conditions of the preference shares were varied as under:		
(a) The Preference Shares shall be redeemable, non-convertible and cumulative.		
(b) The preference shares shall be redeemable at any time after 3 years but not later than 20 years from the date of variation of such rights by either the company or the shareholders by exercising call and put option, respectively by giving 21 days notice; [Further the Board vide circular resolution dates 29th March 2007, (with the prior consent of the Preference shareholder), approved the variation of the above mentioned terms of redemption by exercising call option (by company) and put option (by shareholder) after 13 years but before 20 years from the date of allotment i.e. 30th March 2005]		
(c) The holders of the Redeemable Preference Shares shall be entitled to a fixed cumulative preferential dividend @ 7.25% per annum on the paid up preference capital in preference to the equity shares.		
3. The 7.5% Redeemable, Cumulative Non-Convertible Preference Shares of Rs.10/- each are held by Floreat Investment Ltd (Previous Year 7.5% Redeemable, Non-Cumulative, Convertible Preference Shares.) As per the resolution passed at the extra ordinary general meeting held on 22nd December 2006. The terms and conditions of the preference shares were varied as under:		
(a) The Preference Shares shall be redeemable, non-convertible and cumulative.		
(b) The preference shares shall be redeemable at any time after 5 years but not later than 20 years from the date of variation of such rights by either the company or the shareholders by exercising call and put option, respectively by giving 21 days notice; [Further the Board vide circular resolution dates 29th March 2007, (with the prior consent of the Preference shareholder), approved the variation of the above mentioned terms of redemption by exercising call option (by company) and put option (by shareholder) after 13 years but before 20 years from the date of allotment i.e. 30th March 2006]		
(c) The holders of the Redeemable Preference Shares shall be entitled to a fixed cumulative preferential dividend @ 7.50% per annum on the paid up preference capital in preference to the equity shares.		
4. Zero coupon Redeemable shares are allotted to the shareholders of Afcons Pauling (India) Ltd pursuant to the scheme of amalgamation approved by High Court of Bombay.These shares are redeemable on 29th June 2008 at a premium of 10%. Of the Above Preference Shares 1,24,000 shares are held by Sterling Investment Pvt. Ltd and 1,000 Shares are held by Pauling PLC		
5. Particulars of Option on Unissued Share Capital (Refer Note 31 of Schedule 20)		

AFCONS INFRASTRUCTURE LIMITED

(Rupees in Lacs)
AS AT
31st March, 2006
RUPEES

SCHEDULE 2

RESERVES AND SURPLUS :

CAPITAL RESERVE

Balance as per Last Balance Sheet

19.13 19.13

SHARE PREMIUM ACCOUNT

Balance as per last Balance Sheet

1,615.00 1,615.00

REVALUATION RESERVE

Balance as per Last Balance Sheet

640.75 1,129.32

Cost of Investment of the Company in Afcons Pauling (India) Limited (APIL) written off on Amalgamation of APIL with the Company

- (396.73)

Adjustment on account of revalued assets sold /discarded during the year.

- (1.11)

Difference between depreciation on Revalued cost of Plant and Machinery and original cost thereof for the year transferred to Profit and Loss account

(90.57) (90.73)

550.18 640.75

INVESTMENT ALLOWANCE RESERVE (UTILISED)

Balance as per Last Balance Sheet

95.00 95.00

Less : Transferred to Profit and Loss account

(95.00) -

95.00

FOREIGN PROJECTS RESERVE

Balance as per Last Balance Sheet

- 506.51

Amount transferred to General Reserve

- (506.51)

-

CONTINGENCIES RESERVE

Balance as per Last Balance Sheet

800.00 800.00

GENERAL RESERVE

Balance as per Last Balance Sheet

5,552.16 4,559.15

Amount transferred from Foreign Projects Reserve

- 506.51

Adjustment for Excess of Liabilities over Assets taken over on Amalgamation of APIL with the Company.

- 486.50

Debit balance in Profit and Loss Account deducted per contra

(1,920.81) (3,470.92)

3,631.35 2,081.24

TOTAL

6,615.66 5,251.12

SCHEDULE 3

SECURED LOANS :

(a) Loans and Advances from Banks :

i) Cash Credit Accounts and Working Capital Demand Loans

1 10,696.55 5,303.95

(Interest accrued and due Rs. 38.86 Lacs (Previous year Rs. 13.66 Lacs))

ii) Equipment/ Car Loan

2 8,771.71 2,903.25

(Amount due within one year Rs.3,306.10 lacs (Previous year Rs. 883.34 Lacs))

(Interest accrued and due Rs. 15.34 Lacs (Previous year Rs.8.40 Lacs))

iii) Term Loan from Export Import Bank of India

3 - 1,449.83

(Amount due within one year Rs. Nil Lacs (Previous year Rs.1,449.83 Lacs))

iv) Term Loan from IDBI Bank Limited

4 - 600.00

(Amount due within one year Rs.Nil Lacs (Previous year Rs.600.00 Lacs))

Sub-Total

19,468.26 10,257.03

(b) Other loans and Advances :

i) Equipment / Car Loan

2 48.68 248.51

(Amount due within one year Rs. 21.33 lacs (Previous year Rs. 199.83 lacs))

ii) Due under hire purchase agreements

5 - 37.92

(Amount due within one year Rs. Nil (Previous year Rs.37.92 lacs))

Sub-Total

48.68 286.43

TOTAL

19,516.94 10,543.46

NOTES:

- 1 Secured by a first charge on the immovable properties of the Company situated in Andheri, Mumbai and Nagpur and mortgage of the Company's premises in Band Box House, Worli, Mumbai on a pari-passu basis. Further secured by hypothecation of the Company's stocks of raw materials, stores and work in progress, all other movable properties, plant and machinery, book debts and by pledge of 3,80,100 Bonds of the Unit Trust of India on a pari-passu basis.
- 2 Secured by first charge by way of hypothecation of the equipment / car(s) financed.
- 3 Secured by first and exclusive charge on current assets (including receivables) pertaining to Qatar Petroleum Project.
- 4 Secured by first charge by way of hypothecation of specific equipment purchased out of this loan.
- 5 Secured by lien on fixed assets purchased under hire purchase agreements.

SCHEDULE 4

UNSECURED LOANS :

Fixed Deposits

194.98 548.80

[Amount repayable within one year Rs. 202.41 Lacs (Previous Year Rs. 364.45 Lacs)]

Short term Loans and advances

(a) From Banks :

22,602.64 9,893.22

(Interest accrued and due Rs. 92.26 Lacs (Previous year Rs.18.22 Lacs))

(b) From Others :

-Afcons (Mideast) Constructions and Investments Private Limited

90.00 90.00

22,692.64 9,983.22

Other loans and advances from others

From Banks

14,739.85 13,762.50

TOTAL

37,627.47 24,294.52

AFCONS INFRASTRUCTURE LIMITED

SCHEDULE 5 FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION/AMORTISATIONS			NET BLOCK			
	As at 1.04.2006	Additions	Deductions Adjustments	As at 31.03.2007	Upto 31.03.2006	For the Year	Deductions Adjustments	Upto 31.03.2007	As at 31.03.2007	As at 31.03.06
TANGIBLE ASSETS										
a) Owned Assets										
Land - Freehold	1.58	-	-	1.58	-	-	-	-	-	1.58
Land - Leasehold	16.58	-	-	16.58	2.53	0.16	-	2.69	13.89	14.05
Buildings	1,296.50	-	-	1,296.50	673.37	42.68	-	716.05	580.45	623.13
Workshop and Godown	501.69	-	-	501.69	261.26	16.76	-	278.02	223.67	240.43
Plant and Machinery	19,722.90	9,614.91	51.31	29,286.50	10,792.06	1,516.10	49.12	12,259.04	17,027.46	8,930.84
Leasehold Improvements	279.22	-	-	279.22	279.22	-	-	279.22	-	-
Floating Equipments etc.	2,105.12	348.58	-	2,453.70	1,687.69	130.72	-	1,818.41	635.29	417.43
Laboratory Equipments	403.12	37.02	-	440.14	245.26	14.89	-	260.15	179.99	157.86
Office Equipments	857.64	249.00	-	1,106.64	407.79	76.77	-	484.56	622.08	449.85
Furniture and Fixtures	270.12	42.37	-	312.49	180.90	22.46	-	203.36	109.13	89.22
Motor Vehicles	222.84	54.42	-	277.26	98.78	18.17	-	116.95	160.31	124.06
b) Assets acquired under Hire Purchase										
Plant and Machinery	783.32	-	-	783.32	180.55	54.54	-	235.09	548.23	602.77
Sub Total	26,460.63	10,346.30	51.31	36,755.62	14,809.41	1,893.25	49.12	16,653.54	20,102.08	11,651.22
INTANGIBLE ASSETS										
Software	28.95	-	-	28.95	1.56	5.79	-	7.35	21.60	27.39
Sub Total	28.95	-	-	28.95	1.56	5.79	-	7.35	21.60	27.39
Total	26,489.58	10,346.30	51.31	36,784.57	14,810.97	1,899.04	49.12	16,660.89	20,123.68	11,678.61
Previous Year	21,953.70	2,660.53	818.92	26,489.58	11,521.88	1,581.49	764.61	2,472.21	24,000.39	510.61
Capital Work in Progress (Including advances)										
Total									22,524.07	12,189.22

NOTES :

- (1) Gross Block is partly at cost and partly at book value and includes amount added on revaluation on 1st April, 1990. Revalued amounts substituted for Historical Cost of Fixed Assets and method adopted to compute revalued amounts are as per Note 2 below.
- (2) (a) Some of the Fixed assets viz., Plant & Machinery, (including certain items fully written off in previous years) Laboratory Equipment, Barges (floating equipments), New & Old Workshop and Office Building as on 1st April, 1990 were revalued on the basis of the valuation made by the external valuers resulting in net increase of Rs.4551.21 lacs being surplus on revaluation.
(b) Revalued amounts substituted for Historical Cost as at 1st April, 1990 are as under :
 - i) Plant & Machinery Rs.4261.48 lacs (Gross)
 - ii) Laboratory Equipments Rs. 124.45 lacs (Gross)
 - iii) Workshop & Godown Rs. 466.02 lacs (Gross)
 - iv) Buildings Rs. 1260.00 lacs (Gross)
 - v) Barges (Floating Equipments) Rs. 899.78 lacs (Gross)
- (3) Depreciation for the year includes depreciation provided on revalued cost of assets.
- (4) Gross Block as at 31st March, 2007 includes assets of Rs. 45.82 Lacs (previous year Rs.45.82 Lacs) where the title is yet to be transferred in the name of the Company.
- (5) Additions to Plant & Machinery includes Rs.4.78 lacs (Previous year Rs. Nil) due to decrease in rupee liability consequent to fluctuations in exchange rates.
- (6) The Vendors have lien on Assets acquired under Hire Purchase Arrangements.



AFCONS INFRASTRUCTURE LIMITED

(Rupees in Lacs)
AS AT
31st March, 2006
RUPEES

SCHEDULE 6

INVESTMENTS (Long Term - Non - Trade, fully paid, at cost)

(A) Investments in Government Securities (Unquoted) :

- (i) National Savings Certificates of Face Value of Rs.0.55 Lac
(Previous year Rs.0.55 lac) (matured)

0.55

0.55

[Out of the above Securities of the face value of Rs. 0.54 Lac have been lodged with Government Authorities and Clients.]

(B) Investment in Equity Shares of Subsidiary Companies (Unquoted) :

- (i) Nil (Previous Year 1,000) Shares of AFCONS (OVERSEAS) CONSTRUCTIONS AND INVESTMENTS PRIVATE LIMITED of Rs. 100 each. - 1.00
(ii) 2,02,610 Shares of HAZARAT & COMPANY PRIVATE LIMITED of Rs. 10 each 20.26 20.26
(iii) Nil (Previous Year 10,000) Shares of AFCONS DREDGING & MARINE SERVICES LIMITED of Rs.100 each - 6.00
(iv) 60,000 Shares of AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED of Rs.10 each 6.00 6.00
(v) 48,000 Shares of SSS ELECTRICALS (INDIA) PRIVATE LIMITED of Rs.10 each 4.80 4.80
(vi) Nil (Previous Year 40,000) Shares of AFCONS BOT CONSTRUCTIONS PRIVATE LIMITED of Rs. 10 each - 3.37

31.06

41.43

(C) Other Investments :

(a) Quoted :

- (i) 1,79,134 (Previous year 1,34,351) Equity Shares of Rs.10 each in HINDUSTAN OIL EXPLORATION COMPANY LIMITED. 54.19 20.15
(ii) 1000 (Previous year 1000) Equity Shares of Re.1/- each in HINDUSTAN CONSTRUCTION CO. LTD 0.03 0.03
(iii) 500 (Previous year 100) Equity Shares of Rs.2/- each in SIMPLEX CONCRETE PILES LTD. 0.04 0.04
(iv) 50 (Previous year 50) Equity Shares of Rs.10 each in ITD CEMENTATION INDIA LIMITED 0.21 0.21
(v) 250 (Previous Year 250) Equity Shares of Rs.2/- each in GAMMON INDIA LTD. 0.06 0.06

54.53

20.49

(b) Unquoted :

- (i) 1 Equity Share of Rs.100 each in Afcons (Mideast) Constructions and Investments Private Limited. - -
(ii) 147 Shares of AED 1000 each 17.65 17.65
(iii) 4,05,337 6.75% Tax free bonds of Rs. 100 each of the Unit Trust of India [3,80,100 Units are pledged with banks] 405.34 405.34

422.99

422.99

(D) Investment in the Capital of Partnership Firm :

AFCONS PAULING JOINT VENTURE

174.00

174.00

TOTAL

683.13

659.46

Notes :

1. Aggregate Value of Investment

Unquoted - cost

628.60

638.97

Quoted - cost

54.53

20.49

Market value

755.54

619.43

2. Details of Investments purchased and sold during the year

Particulars

- 44,783 (previous year Nil) Shares of Hindustan Oil Exploration Company Ltd. @Rs.76/- per share against rights issue. 34.04
10,000 (Previous year Nil) shares of Afcons (Overseas) Constructions & Investments Pvt. Ltd. @Rs. 100/- per share. 1.00
10,000 (Previous year Nil) shares of Afcons Dredging & Marine Services Ltd. @ Rs. 100/- per share. 10.00
40,000 (Previous year Nil) shares of Afcons (BOT) Constructions Pvt. Ltd. @ Rs. 10/- per share. 4.00

Cost

3. Details of Investments purchased & sold during the previous year

Particulars

- 1,15,375 shares of Oriental Bank of Commerce (Face value of Rs. 10/- each)
27,85,850.254 Units of Standard Chartered Liquidity Manager-Growth

Cost

288.44

2,500.00

AFCONS INFRASTRUCTURE LIMITED



(Rupees in Lacs)
AS AT
31st March, 2006
RUPEES

SCHEDULE 7

INVENTORIES :

Stores and Spare Parts

STOCK IN TRADE

Construction Materials

TOTAL

RUPEES

RUPEES

1,917.81

1,025.99

5,899.66

4,129.50

7,817.47

5,155.49

SCHEDULE 8

SUNDRY DEBTORS:

(Unsecured)

Debts Outstanding for a period exceeding Six Months

a) Arbitration Awards (Refer note 25 of schedule 20)

b) Others

5,997.42

4,575.24

8,652.92

7,948.88

14,650.34

12,524.12

Other Debts

a) Arbitration Awards (Refer note 25 of schedule 20)

b) Others

2,005.51

1,064.99

6,645.38

5,282.71

8,650.89

6,347.70

TOTAL

23,301.23

18,871.82

NOTES:

1. Considered Good

Considered Doubtful*

23,301.23

17,316.93

-

1,554.89

TOTAL

23,301.23

18,871.82

* Does not includes debts referred to note 7 (ii) and 25 of schedule 20).

2. Includes Retention Money / Security Deposit aggregating to Rs.3,107.78 Lacs (Previous Year Rs.4,036.34 Lacs), of which Rs. 2,039.56 Lacs (Previous Year Rs.2,471.28 Lacs) is outstanding for more than six months.

SCHEDULE 9

CASH AND BANK BALANCES :

(a) Cash on hand

64.00

21.66

(b) Balances with Scheduled Banks:

(i) In Current Accounts

4,015.07

1,637.67

(ii) In Deposit Accounts

94.67

243.74

4,109.74

1,881.41

[Including Rs.64.67 Lacs (Previous Year Rs.33.74 Lacs) over which Banks and Clients have lien] including interest accrued Rs.0.59 Lacs (Previous Year Rs.0.61 Lacs)]

With Others

(i) In Current Account with the Rafidian Bank, Iraq (see note below)

(Maximum Balance During the Year Rs.16.08 Lacs ; Previous Year Rs. 16.08 Lacs)

16.08

16.08

(ii) In Current Account with Commercial Bank of Ethiopia (see note below)

(Maximum Balance During the Year Rs.1.43 Lacs ; Previous Year Rs. 1.43 Lacs)

1.43

1.43

(iii) In Current Account with BNP Paribas

(Maximum Balance During the Year Rs.982.73 Lacs ; Previous Year Rs.1160.44)

22.96

241.45

(iv) In Current Account with Indian Ocean International Bank

(Maximum Balance During the Year Rs.550.64 Lacs ; Previous Year Rs.Nil)

94.19

-

134.66

258.96

Less : Provision

17.51

17.51

TOTAL

117.15

241.45

4,290.89

2,144.52

Note:

The balances in these bank accounts are subjects to exchange control restrictions for repatriation.

AFCONS INFRASTRUCTURE LIMITED

(Rupees in Lacs)

AS AT

31st March, 2006

RUPEES

	RUPEES	RUPEES	RUPEES
SCHEDULE 10			
OTHER CURRENT ASSETS:			
Interest Accrued on Investments		9.71	9.12
TOTAL		9.71	9.12
SCHEDULE 11			
LOANS AND ADVANCES:			
(Unsecured)			
Advances and Loans:			
To Subsidiary Companies	2.09		6.44
To Partnership Firm in which Company is a Partner	701.69		702.75
		703.78	709.19
Deposit with a company		10.81	10.21
{including interest accrued Rs.0.60 Lacs (Previous year Rs.0.21 Lacs)}			
Advances to Jointly Controlled entity		154.28	247.15
Advances recoverable in cash or in kind or for value to be received		10,187.95	8,202.28
Advance Tax (net of provision)		1,209.52	1,892.34
MAT Credit entitlement		251.00	-
TOTAL		12,517.34	11,061.17
Note:			
Considered Good		12,517.34	10,777.80
Considered Doubtful*		-	283.37
		12,517.34	11,061.17
* Does not include Loans and Advances referred to in notes 7(ii) of Schedule 20.			
SCHEDULE 12			
LIABILITIES :			
Acceptances		884.34	466.26
Sundry Creditors			
(i)Total outstanding dues to small scale industrial undertakings	32.17		10.50
(ii)Total outstanding dues to creditors other than small scale industrial undertakings	24,347.48		14,117.20
		24,379.65	14,127.70
Other Liabilities		2,532.45	2,185.45
Advances from Clients		11,578.17	2,856.62
Temporary Book overdraft		-	310.02
Interest accrued but not due on Loans		46.46	104.93
Unpaid Matured Fixed Deposits*		14.50	10.53
TOTAL		39,435.57	20,061.51
* This figure do not include any amounts, due and outstanding, to be credited to Investor Education and Protection Fund			
SCHEDULE 13			
PROVISIONS :			
Provision for Fringe Benefit Tax (Net of Advance Tax)		11.58	30.00
Provision for Tax (Net of Advance Tax)		490.39	114.95
Provision for Leave Encashment		211.13	217.88
Provision for Gratuity		189.37	413.25
Provision for Projected losses		128.81	296.01
TOTAL		1,031.28	1,072.09
SCHEDULE 14			
INCOME FROM OPERATIONS:			
Contract Revenue		103,698.40	64,377.46
Sale of Scrap		352.49	526.30
TOTAL		104,050.89	64,903.76

AFCONS INFRASTRUCTURE LIMITED



SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rupees in Lacs)
Previous Year
RUPEES

	RUPEES	RUPEES	
SCHEDULE 15			
OTHER INCOME :			
Interest Income:			
On Arbitration awards (Refer Note 27 of Schedule 20)	953.47		1,916.33
On Other Investments (Long Term Investments)	28.13		27.36
On Deposit with Banks	10.14		4.88
{Tax deducted at source Rs. 0.97 Lacs (Previous year Rs.0.16 Lacs)}			
On Income Tax Refund	118.33		139.42
On Others	6.56		62.97
		1,116.63	2,150.96
Dividend Income			
On Long Term Investments - Others		1.35	1.81
Service Charges		0.90	1.80
Excess provision for expenses in respect of earlier years written back		372.27	194.74
Profit on Sale of Fixed Assets (Net)		12.50	15.08
Profit on Sale of Current Investments (Non trade)		4.62	8.76
Profit on Sale of Long term Investments (Non trade)		-	75.79
Amount received on transfer of tenancy rights		600.00	600.00
Insurance Claim		323.34	188.40
Gain on Exchange (net)		133.39	48.86
Miscellaneous Income		795.16	430.92
{Tax deducted at source Rs.3.31 Lacs (Previous year Rs.0.38 Lacs)}			
TOTAL		3,360.16	3,725.12
SCHEDULE 16			
COST OF CONSTRUCTION			
Construction Materials Consumed		50,475.94	22,783.40
{Net of sales Rs.1,181.01 Lacs (previous year Rs.364.00 Lacs)}			
Sub-Contract and Hire Charges		20,035.03	16,612.89
Stores and Spares Consumed		965.70	874.86
{Net of sales Rs.1.71 Lacs (previous year Rs.40.49 Lacs)}			
Power and Fuel		5,166.31	3,692.09
Site Installation expenses		1,524.96	722.10
Freight, Packing, Forwarding and Transport expenses		991.49	457.83
TOTAL		79,159.43	45,143.17
SCHEDULE 17			
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES			
Salaries, Wages, Bonus and Allowances		6,778.54	4,840.44
Contribution to Provident and Other Funds		515.91	843.70
Welfare Expenses		541.49	423.08
TOTAL		7,835.94	6,107.22
SCHEDULE 18			
OPERATIONAL AND OTHER EXPENSES			
Electricity		94.42	74.95
Rent		679.36	451.51
Rates and Taxes		3,184.46	1,869.37
Insurance		950.01	724.50
Repairs:			
To Plant and Machinery	239.88		154.45
To Building	26.98		31.09
To others	403.42		266.55
		670.28	452.09
Travelling and Conveyance expenses		1,470.72	1,050.06
Communication Costs		222.24	159.21
Legal and Professional Fees		1,850.13	2,074.68
Directors' Fees		3.15	4.95
Loss in a firm in which the company is a partner		13.01	18.28
Provision for projected Loss		-	277.44
Donations		16.68	2.82
Bad/Irrecoverable Debtors/ Unbilled Revenue/ Advances written off		406.70	1,653.05
Brokerage		-	10.42
Deferred revenue expenditure written off		118.66	118.65
Miscellaneous Expenses		1,019.14	1,115.53
TOTAL		10,698.96	10,057.51
SCHEDULE 19			
INTEREST AND FINANCIAL CHARGES			
On Fixed Loans		3,292.33	2,204.73
On Fixed Deposits		21.96	74.28
On Bank Cash Credit, Working Capital Demand Loans, etc.		667.95	416.60
On Income tax		12.28	151.44
Bank Charges including Bank Guarantee Commission		782.92	627.16
Other Interest		417.78	339.08
TOTAL		5,195.22	3,813.29

AFCONS INFRASTRUCTURE LIMITED

SCHEDULE 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES:

Fixed assets

Fixed assets are stated at cost of acquisition/ construction or book value and include amounts added on revaluation less accumulated depreciation (refer note 2(a) of schedule 5) and impairment loss, if any. Leasehold improvements have been capitalized and are written off over the lease term from the date(s) of installation.

Impairment loss

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Depreciation

Depreciation on fixed assets (including revalued assets) is provided on the straight-line basis in accordance with the provisions of the Companies Act, 1956, at the rates and in the manner specified in schedule XIV to the Act. The difference between depreciation on revalued cost and original cost has been withdrawn from Revaluation Reserve and credited to the Profit and Loss Account. Cost of the Intangible Asset viz. computer software is amortized under straight-line method over a period of five years.

Investments

Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognize the decline.

Inventories

Construction materials, stores and spare parts are valued at lower of cost and net realizable value. Cost is determined on the basis of weighted average method. Cost of shuttering materials (included in construction materials), issued to jobs, is charged off equally over a period of four years.

Unbilled Revenue

Work done remaining to be certified/ billed is treated as Unbilled Revenue in the accounts. The same is valued at the contract rates.

Retention monies

Amounts retained by the clients until satisfactory completion of the contract(s) are recognised in the financial statements as receivables. Where such retention monies have been released by the clients against submission of bank guarantees, the amounts so released are adjusted against receivables from these clients.

Foreign currency transactions

Transactions in foreign currency, including in respect of branch operations integral in nature, are recorded at the original rates of exchange in force at the time the transactions are effected. At the year end, monetary items, including those of branch operations integral in nature, denominated in foreign currency are reported using the closing rates of exchange. Exchange differences arising thereon and on realization/ payment of foreign exchange are accounted for in the relevant year as income or expense except in the case of fixed assets acquired from outside India, in which case, these are adjusted in the carrying amounts of such assets.

Revenue recognition on contracts

- a. Contract revenue and expenses are recognized, when outcome can be estimated reliably, on the basis of percentage completion method. Percentage of completion is determined based on the nature of contracts, either in proportion of contract costs incurred up to the reporting date to the estimated total cost or on the basis of physical proportion of the contract work completed.
- b. Variations (in contracts) and amounts in respect thereof are recognized only when it is probable that the customer(s) will approve them and amounts can be measured reliably.
- c. Claims and amounts in respect thereof are recognized only when negotiations have advanced to a stage where it is probable that the customer(s) will accept them and amounts can be reliably measured.

Retirement benefits

i) Gratuity

The trustees of Afcons Infrastructure Limited Employees Group Gratuity-cum-Life Assurance Scheme Trust have taken a Group Gratuity-cum-Life Assurance Policy from the Life Insurance Corporation of India (LIC). Provision for gratuity is made on the basis of premium payable in respect of the aforesaid policy and actuarial valuation carried out by the independent actuarial valuer as at the year end.

ii) Superannuation

The trustees of Afcons Infrastructure Limited Superannuation Scheme Trust have taken a Group Superannuation policy from the LIC. Provision for superannuation is made on the basis of premium payable in respect of the aforesaid policy.

iii) Provident fund

Contribution as required under the statute/ rules is made to the Company's Provident Fund/ Government Provident Fund.

iv) Leave encashment

Provision for leave encashment benefits on retirement is made on the basis of year-end actuarial valuation.

Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

Deferred revenue expenditure

The expenditure on voluntary retirement compensation is treated as 'Deferred Revenue Expenditure' and amortized over a period of ten years.

Finance lease rentals

These are accounted over the life of the asset determined on the basis of technical evaluation made by an independent valuer/ surveyor.

Doubtful debts and advances

Provision is made in the accounts for debts and advances which in the opinion of the management are considered doubtful of recovery.

Taxes on income

Tax expense comprises both current and deferred tax at the applicable enacted/ substantively enacted rates. Current tax represents the amount of income-tax payable/ recoverable in respect of the taxable income/ loss for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods. Provision for Fringe benefits Tax is made in accordance with Chapter XII-H of the Income tax Act, 1961.

Provisions and Contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

B. NOTES ON ACCOUNTS

- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 3,180.07 lacs (Previous year, Rs. 807.36 lacs).
- Contingent liabilities

Sr.No.	Particulars	Previous Year	
		Rs. In Lacs	Rs. In Lacs
1.	Claims against the Company not acknowledged as debts a) Liquidated damages against the company b) Differences with sub-contractors in regard to rates and quantity of materials. c) Proposed Recovery by the Government of Andhra Pradesh towards Sales Tax on B.T. escalation. d) Labour and other matters. The above claims are pending before various authorities. The Company is confident that the cases will be successfully contested.	764.69 782.78 218.19 2.00	490.00 206.82 218.19 25.08
2.	A petition to wind up the Company pursuant to the provisions of the Companies Act, 1956 has been filed in the Hon. High Court at Bombay by an erstwhile sub-contractor. The petitioner has alleged that the Company has not paid its dues. Against this, the Company has filed a suit and made a counter claim for the liquidated damages. The claims of the sub-contractor are frivolous and the Company does not expect any outflow on this count.	Nil	132.31
3.	Bank Guarantees given on behalf of Subsidiaries.	25.19	13.72
4.	Service Tax Matter in respect of non-registration and non-payment of Service Tax in dispute.	Nil	2.75
5.	Sales Tax Represents demands raised by Sales Tax Authorities in matters of disallowance of labour and service charges, consumables etc. for which appeal is pending before various appellate authorities. The Company is confident that the cases will be successfully contested.	1387.89	913.45
6.	Income Tax Represents demands raised by Income tax authorities, in matters of disallowance of Interest free loan given to subsidiaries, for which appeals are pending before various appellate authorities. The Company has been advised that no further provision for tax is required over and above the existing provision.	596.45	513.64
7.	Excise Duty Represents demands raised by Central Excise Department for Excisability of girders. The Company is confident that the cases will be successfully contested	112.99	Nil
8.	Bills discounted with banks	Nil	108.33
9.	Sundry claims against the Company by employees and others not admitted (amount indeterminate)		

- Arrears of Preference Dividend.
 - Arrears of fixed cumulative dividend on 12% Redeemable Cumulative Convertible Preference shares of Rs. 10/- each fully paid-up amount to Rs. Nil (previous year, Rs. 240 Lacs) from the date of allotment - 27th March, 2002 to the date of conversion, 27th March, 2003.
 - Arrears of fixed cumulative dividend on 7.25% Redeemable Cumulative Non-Convertible Preference Shares of Rs.10/- each fully paid -up amount to Rs.99.31 lacs (previous year, NIL), from December 22, 2006 the date of allotment\conversion- to March 31, 2007.
 - Arrears of fixed cumulative dividend on 7.5% Redeemable Cumulative Non-Convertible Preference Shares of Rs.10/- each fully-paid up amount to Rs.102.74 lacs (previous year NIL) from December 22, 2006 the date of allotment\conversion-to March 31, 2007.
- The difference of Rs.90.57 lacs (Previous year, Rs. 90.73 lacs) between depreciation provided for the year on revalued cost of assets and that calculated on original cost of assets for the year has been withdrawn from Revaluation reserve and credited to the Profit and Loss account.
- Managerial remuneration for the year under section 198 of the Companies Act, 1956

Particulars	Previous year	
	Rupees(in lacs)	Rupees(in lacs)
To Managing and Whole-time Directors		
Salaries	24.48	17.13
Contribution to Provident and other funds	6.28	4.62
Perquisites/ Allowances	68.22	47.64
Total	98.98	69.39

Notes :

The above remuneration excludes contribution for gratuity and provision for leave encashment as the incremental liability in respect thereof has been accounted for Company as a whole.

- Payments to auditors

	Previous year	
	Rupees(in lacs)	Rupees(in lacs)
i) As auditors	19.00	13.50
ii) As adviser, or in any other capacity, in respect of:		
a) Taxation matters	7.01	8.75
iii) For tax audit	3.00	-
iv) In any other manner (certification work, etc.)	3.25	6.31
v) For expenses	4.56	0.12
vi) For Prospectus matters as per SEBI	55.00	-
vii) For service tax	10.77	2.25
Total	102.59	30.93

AFCONS INFRASTRUCTURE LIMITED

7. i) (a) The Company is a partner in a partnership firm 'Afcons Pauling Joint Venture'. The balance in capital account as on 31st March, 2007 is **Rs. 174.00 lacs**. (As at 31st March, 2006, Rs. 174.00 lacs). The profit/ loss sharing ratio is as follows:

	Previous year			
	Profit	Loss	Profit	Loss
Afcons Infrastructure Limited	95%	100%	95%	100%
Pauling P.L.C., UK.	5%	-	5%	-

- (b) The Company's investment in the above firm has diminished in value. However, no provision has been made in the accounts, by reason of this investment being in the nature of strategic/ long-term investment and the decline in the value being on account of temporary factors.
- ii) An amount of **Rs. 1463.26 lacs** (as at 31st March, 2006 Rs. 1,465.33 lacs) is due from this Firm. The Firm has made claims aggregating to Rs. 1798.00 lacs (as at 31st March, 2006 Rs. 1,666.23 lacs) against its clients that are subject matters of arbitration where the Firm has obtained awards in favour in some cases amounting to Rs.1037.05 lacs (As at 31st March, 2006 Rs. Nil) and expects favourable results in other pending cases. No provision has been made for the amount, if any, that would ultimately become irrecoverable, as it cannot be quantified with reasonable accuracy at this stage.
8. No provision has been made for debts and advances, aggregating to **Rs.1488.11 lacs**(as at 31st March, 2006 Rs. 1838.26 lacs) outstanding for a long time. Out of these, substantial amounts are due from various Government departments/agencies and are subject matters of arbitration/ litigation where the Company has obtained awards in favour in some cases and expects favorable results in other cases (including a party confirming to pay an amount of Rs.825.00 lacs within a short span of time in a phased manner), and hence, the amounts, if any, that would ultimately become irrecoverable cannot be quantified with reasonable accuracy at this stage.
9. Shareholder's of the Company have approved at the Extra- Ordinary General meeting held as on 22nd December, 2006, issue of up to 1,60,65,000 equity shares of face value of Rs. 10/- each by public offer at a price to be determined by the book building process. The Company has filed with Securities Exchange Board of India the Draft Red Herring Prospectus on 8th January, 2007 in connection of the Initial Public Offer, the company has incurred the following expenditure during the year which has been charged to the Profit & Loss account:

Particulars of Expenses	Rs. In lacs
Filing Fees with ROC	35.00
Lead managers fees	78.56
Auditors Fees	61.79
Filing fees with SEBI	12.50
Total	187.85

10. Confirmation letters have not been obtained from the debtors, creditors and advances. Hence, their balances are subject to confirmation, reconciliation and consequent adjustments if any.
11. Projected losses, if any, in respect of contracts in progress are provided for based upon current estimates of cost to completion.
12. Cost of fixed assets taken on operating lease till 31st March, 2001 and future lease rental obligations there against are as follows:

	Previous Year	
	Rupees(in lacs)	Rupees(in lacs)
Plant and machinery (cost)	618.03	949.76
Future lease rental obligations	5.55	16.09

13. For the assets acquired on hire purchase basis after 1st April, 2001, they have been treated as assets acquired on finance lease as per Accounting Standard on 'Leases' (AS-19) issued by the Institute of Chartered Accountants of India. Minimum lease rentals outstanding as at 31st March, 2007 in respect of these assets are as under:

Due	(Rupees in lacs)		
	Total minimum lease payments outstanding as at 31 st March 2007	Interest not due	Present value of the minimum lease payments
Not later than 1 year	-	-	-
	(39.34)	(1.42)	(37.92)
Total	-	-	-
	(39.34)	(1.42)	(37.92)

Note : The tenure of hire purchase agreement range from forty eight to fifty four month with an option of prepayment / foreclosure. Figures in parenthesis are those of the previous year.

14. The Company has entered into a Co-operation Agreement with Dyckerhoff & Widmann Aktiengesellschaft, Germany (DYWIDAG) for the execution of the Worli-Bandra Outfalls project of the Municipal Corporation of Greater Mumbai. The relationship of the Company with DYWIDAG is that of a sub-contractor. Nevertheless, in terms of the Agreement that envisages supplementing the resources of each other on mutually agreed basis, both DYWIDAG and the Company had raised debit notes on each other. Accordingly, in earlier years, debit notes for expenses were raised by the Company on DYWIDAG, aggregating to **Rs. 175.15 lacs** (as at 31st March, 2006 Rs. 175.15 lacs) and by DYWIDAG on the Company, aggregating to **Rs. 160.99 lacs** (as at 31st March, 2006 Rs. 160.99 lacs). Adjustments, if any, in respect of these debit notes will be made on completion of the project.
15. The net amount of exchange (loss) /gain included in the Profit and Loss account for the year **Rs.133.40 lacs** (previous year Rs.(31.95) lacs).
16. Expenditure in foreign currency

	(Previous year)	
	Rupees(in lacs)	Rupees(in lacs)
Construction materials consumed	877.46	638.28
Sub - Contract and Hire Charges	638.29	5933.69
Technical consultancy fees	77.00	54.35
Professional Fees	2.79	551.37
Rent	82.60	101.01
Salaries, Wages & Bonus	588.45	444.65
Interest	6.04	93.54
Sales Tax	289.59	-
Freight & Transportation	429.08	8.07
Travelling Expenses	107.10	80.15
Staff Welfare Expenses	98.21	83.72
Insurance	149.96	128.70
Cleaning Charges for imported spares	80.64	32.30
Others	349.81	234.85

17. C.I.F. value of imports

		Previous year
	Rupees(in lacs)	Rupees(in lacs)
Capital goods	4633.11	133.30
Consumables	282.31	97.19

18. Earnings in foreign currency

		Previous year
	Rupees(in lacs)	Rupees(in lacs)
Value of work executed (Refer Note below)	4460.79	10383.57
Interest	4.41	0.18
Hire Charges & Others	51.23	1.64

Note: Company's share of contract revenue in respect of Jointly Controlled Entities, aggregating to **Rs. 2994.44 lacs** (previous year Rs.3532.89 lacs) (subject to audit) has not been included.

19. The Company has not received any intimation from the "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence the disclosure relating to the amount unpaid as at the end of the year together with the interest paid / payable as required under the said Act has not been furnished and provision for the interest, if any, on delayed payments, is not ascertainable at this stage.

20. Segment information:

a. Segment information for Primary reporting (by business segment)

The Company has only one reportable business segment of construction business; hence information for primary business segment is not given.

b. Segment information for Secondary segment reporting (by geographical segment)

The Company has two reportable geographical segments based on location of customers.

i. Revenue from customers within India- Local projects

ii. Revenue from customers outside India- Foreign projects

-Secondary: Geographical (Location of customers)

	(Rupees in Lacs)		
	Local projects	Foreign projects	Total
A Income from Operations	99,589.92 (54,520.19)	4,460.97 (10,383.57)	104,050.89 (64,903.76)
B Carrying amount of assets	118,418.28 (72,147.03)	3,603.73 (3,712.76)	122,022.01 (75,859.79)
C Addition to fixed assets	9389.89 (3017.02)	2,846.19 (154.12)	12,236.08 (3,171.14)

Figures in parenthesis are those of previous year.

21. Related Party Disclosures

(a) Related Party where Control exists

Holding Company(s)

Shapoorji Pallonji & Company Limited (Ultimate Holding Company)

Subsidiaries of the Company

Afcons (Overseas) Constructions and Investments Private Limited #

Hazarat & Company Private Limited

Afcons BOT Constructions Private Limited #

SSS Electricals (India) Private Limited

Afcons Dredging & Marine Services Limited # #

Afcons Arethusa Offshore Services Private Limited

Fellow Subsidiary(s)

Sterling Investments Corporation Private Limited

Floreast Investments Limited

Associate of the Company

Cyrus Investments Limited (Directly)

Afcons (Mideast) Construction and Investments Private Limited

Partnership firm in which the Company is a Partner

Afcons Pauling Joint Venture

Jointly Controlled Entity

Afcons Aarsleff Joint Venture

Afcons SMCC Joint Venture

Key Management Personnel to be added

Mr. C.P. Mistry - Chairman

Mr. K. Subrahmanian - Managing Director

Mr. S. Paramasivan - Executive Director (Finance & Commercial)

Mr. A. N. Jangle - Executive Director (Business Development)

Ceased to be a subsidiary w.e.f. 15-12-06

Ceased to be a subsidiary w.e.f. 7-12-06

AFCONS INFRASTRUCTURE LIMITED

b) Details of transactions with related parties during the year

(Rupees in lacs)

Nature of Transaction	Holding company(s)		Subsidiary companies		Fellow subsidiary(s)		Partnership firm in which Company is a partner		Associate company		Jointly Contolled Entity		Key management personnel		Total	
	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY
Issue of Zero coupon Redeemable Preference Shares																
Sterling Investments Corporation Private Limited					12.40	-									12.40	-
Issue Of 7.50% Redeemable Cumulative Preference Shares																
Floreat Investment Limited					5,000.00	-									5,000.00	-
Issue Of 7.25% Redeemable Cumulative Preference Shares																
Floreat Investment Limited					5,000.00	-									5,000.00	-
Managerial Remuneration paid																
K.Subrahmanian													40.92	26.44	40.92	26.44
S.Paramasivan													27.45	19.46	27.45	19.46
A.N.Jangle													30.94	23.49	30.94	23.49
Sitting Fees paid																
C.P. Mistry													0.25	0.30	0.25	0.30
Finance Lease Charges																
Afcons (Mideast) Constructions and Investments Private Limited									0.74	0.74					0.74	0.74
Service Charges																
Afcons Dredging & Marine Services Limited			0.30	0.60											0.30	0.60
SSS Electricals (India) Private Limited			0.60	0.60											0.60	0.60
Tensacciai (India) Private Limited			-	0.60											-	0.60
Afcons Aarsleff Joint Venture															-	429.64
Current Account (net) outflow/ (inflow)																
Hazarat & Company Private Limited			(0.46)	(1.19)											(0.46)	(1.19)
Afcons Arethusa Offshore Services Private Limited			(0.25)	(0.25)											(0.25)	(0.25)
Afcons (Overseas) Constructions and Investments Private Limited			(1.19)	-											(1.19)	-
SSS Electricals (India) Private Limited			(1.45)	(5.07)											(1.45)	(5.07)
Afcons Dredging & Marine Services Limited			(0.90)	(1.47)											(0.90)	(1.47)
Tensacciai (India) Private Limited			-	(2.02)											-	(2.02)
Afcons BOT Constructions Private Limited			(0.01)	(0.05)											(0.01)	(0.05)
Afcons Employees Health Care and Welfare Co. Pvt. Ltd.			-	0.03											-	0.03
Afcons Pauling Joint Venture							11.95	17.36							11.95	17.36
Afcons (Mideast) Constructions and Investments Private Limited									-	0.01					-	0.01
Afcons Aarsleff Joint Venture											(73.03)	257.76			(73.03)	257.76

AFCONS INFRASTRUCTURE LIMITED

(Rupees in lacs)

Nature of Transaction	Holding company		Subsidiary companies		Fellow subsidiary		Partnership firm in which Company is a partner		Associate company		Jointly Contoller Entity		Key management personnel		Total	
	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY
Interest Income - Current Account																
Hazarat & Company Private Limited			0.04	0.05											0.04	0.05
Afcons Arethusa Offshore Services Private Limited			-	0.03											-	0.03
Afcons (Overseas) Constructions and Investments Private Limited			0.01	0.02											0.01	0.02
SSS Electricals (India) Private Limited			0.18	0.33											0.18	0.33
Afcons Dredging & Marine Services Limited			0.04	0.06											0.04	0.06
Tensacciai (India) Private Limited			-	0.07											-	0.07
Afcons BOT Constructions Private Limited			-	0.01											-	0.01
Profit/(Loss) of share in partnership firm																
Afcons Pauling Joint Venture							(13.01)	(18.29)							(13.01)	(18.29)
Rent Income																
Hazarat & Co. Private Limited			1.20	1.20											1.20	1.20
Repayment /Conversion of loan																
Afcons BOT Constructions Private Limited			-	0.01											-	0.01
Tensacciai (India) Private Limited			-	2.05											-	2.05
Interest paid on loan																
Afcons (Mideast) Construction and Investments Private Limited									4.54						4.54	4.54
Guarantees Given for/ (Released)																
SSS Electricals (India) Private Limited			13.12	8.43											13.12	8.43
Outstanding amount of guarantee given/ (taken)																
Cyrus Investments Limited	(6,500.00)	(8,000.00)													(6,500.00)	(8,000.00)
SSS Electricals (India) Private Limited			25.19	15.27											25.19	15.27
Outstanding Amount Dr/ (Cr)																
Afcons (Overseas) Constructions and Investments Private Limited			-	1.19											-	1.19
Hazarat & Company Private Limited			1.56	2.02											1.56	2.02
Afcons BOT Constructions Private Limited			-	0.01											-	0.01
SSS Electricals (India) Private Limited			0.48	1.93											0.48	1.93
Tensacciai (India) Private Limited			-	-											-	-
Afcons Dredging & Marine Services Limited			-	0.90											-	0.90
Afcons Arethusa Offshore Services Pvt. Limited			0.04	0.04											0.04	0.04
Afcons Empl. H.Care & Welfare Co. P. Ltd			-	0.08											-	0.08
Afcons (Mideast) Construction and Investments Private Limited									(111.13)						(111.13)	(105.85)
Afcons Pauling Joint Venture							1,464.27	1,465.33							1,464.27	1,465.33
Afcons Aarsleff Joint Venture											151.66	1,003.36			151.66	1,003.36

Note:

There are no provisions for doubtful debts or amounts written off or written back during the year for debts due from/to related parties.
 Afcons (Overseas) Constructions & Investments Private Limited ceased to be fellow subsidiary w.e.f. 15.12.2006
 Afcons BOT Constructions Private Limited ceased to be fellow subsidiary w.e.f. 15.12.2006
 Afcons Dredging & Marine Services Limited ceased to be fellow subsidiary w.e.f. 7.12.2006



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22. Expenses capitalized during the year on fabrication/ improvement of equipment that has resulted in increased future benefits beyond their previously assessed standard of performance are as under:

		Previous Year
	Rupees in Lacs	Rupees in Lacs
Construction materials consumed	0.00	73.51
Sub-contract charges	0.00	24.83
Site installation expenses	0.00	7.76
Stores and spares consumed	302.46	107.67
Repairs	154.15	40.41
Others	0.42	29.65
Total	457.03	283.83

23. Major components of deferred tax assets and (liabilities) are as under:

		Previous Year
	Rupees in Lacs	Rupees in Lacs
Differences between books and tax written down value of depreciable assets	(1120.66)	(985.31)
Financial lease rentals	(7.80)	(74.07)
Deferred revenue expenditure	(180.77)	(158.92)
Unabsorbed losses and depreciation	1517.04	1,328.62
Arbitration Awards	(2,314.12)	(1,410.10)
Others	238.56	350.52
Net deferred tax liability	(1,867.75)	(949.26)

24. Current Assets, Loans and Advances includes unbilled revenue (net of advances) of **Rs.51,561.30 lacs** (as at 31st March, 2006 Rs. 28,572.97 lacs). Of this, **Rs. 519.69 lacs** (as at 31st March, 2006 Rs. 519.69 lacs) are outstanding for a long period. These pertain to variations in contracts, which are subject matter of arbitration; in view thereof no provision is considered necessary for the said amount of Rs. 519.69 lacs (Previous year Rs. 519.69 lacs).

25. Debtors include outstanding arbitration awards of **Rs. 6508.70 lacs** (as at 31st March, 2006 Rs. 4,574.92 lacs) unanimously decided in the Company's favour and interest accrued on these awards aggregating to **Rs. 1,494.23 lacs** (as at 31st March, 2006 Rs. 1,065.31), calculated from the date of awards till the year end/date of payment at the rate mentioned in the award. Though these awards are subject matters of appeal, the Company considers them to be good as it is hopeful of succeeding in the appeals.

26. The Company has recognized Minimum Alternate Tax (MAT) credit as per the provisions of Section 115JB of the Income Tax Act, 1961 in the current year, which can be carried forward for seven years and can be, set off against the tax payable when the Company will fall under the normal tax rate. The convincing evidence of obtaining tax credit is supported by confirmed job orders, stage of completion of various cost plus contracts and the fact that the Company has already entered into or is in the process of securing several overseas contracts which will ensure availability of sufficient future taxable income against which the above MAT credit will be adjusted.

27. Interest on arbitration awards (awards) includes interest of:

- Rs. 453.42 lacs** (as at 31st March, 2006 Rs. 1,065.31) in respect of unpaid awards decided in favour of the Company, at the rates mentioned in the awards from the dates of awards till the dates of payment or year end as the case may be.
- Rs. Nil lacs** (as at 31st March, 2006 Rs. 302.12 lacs) in respect of awards decided in the favour of the Company in respect of earlier years.
- Rs. 500.05 lacs** (as at 31st March, 2006 Rs 459.44 lacs) in respect of awards decided in favour of the Company during the year.

28. Derivative instruments:

Payables and Receivables in foreign currency as at the balance sheet date not covered by forward contracts are **Rs. 2,769.86 lacs** (Previous year Rs.2,392.45 lacs) and **Rs. 3,636.20 lacs** (Previous year Rs,3,625.77) respectively as given below :

				Previous Year			
Receivable		Payable		Receivable		Payable	
Rs. in (lacs)	Foreign Currency	Rs.in (lacs)	Foreign Currency	Rs. in (lacs)	Foreign Currency	Rs. in (lacs)	Foreign Currency
602.47	QR* 50,44,174.90	167.59	QR* 14,03,108.84	2424.38	QR* 1,97,62,797.00	942.62	QR* 76,83,952
1441.08	OMR# 12,73,464.31	1408.27	OMR# 12,44,468.55	-	-	-	-
716.89	MAUR\$ 5,33,84,067.31	1165.72	MAUR\$ 8,68,06,477.29	-	-	-	-
689.48	USD@ 15,87,203.67	28.28	USD@ 65,112.01	1154.63	USD@ 26,02,738.86	1449.83	USD@ 32,50,000
186.28	EURO 3,21,554.14	-	-	46.76	EURO 91,444	-	-

* QR- Qatari Riyal, # OMR - Omani Riyal, \$Maur - Mauritian Rupee, @USD - United States Dollars,

29. Information relating to Jointly Controlled Entity:

Name of the Joint Venture	Name of the Joint Venture Partner	Share of ownership interest	Country of Operation
Afcons Aarsleff Joint Venture	Per Aarsleff A/S	50%	Yemen
SMCC Afcons Joint Venture	SMCC	50%	Yemen

(Rs. in lacs)

Sr.No.	Company's share in Assets	Company's share in Liabilities	Company's share of Income	Company's share of Expenses
1	156.19 (594.61)	4.53 (23.50)	31.18 (3,252.89)	2.47 (3,348.98)
2	2243.83 (Nil)	2232.10 (Nil)	2963.26 (Nil)	2951.53 (Nil)
Total CY	2400.02	2236.63	2994.44	2954.00
Total PY	(594.61)	(23.50)	(3,252.89)	(3,348.98)

Figures in parenthesis are those of previous year

The above figures are based on the un-audited financial statements of the Joint Venture prepared by the management.

30. Disclosure in accordance with Accounting Standard – 7 (Revised):

Particulars	(Previous year)	
	Rupees in Lacs	Rupees in Lacs
a) Contract Revenue (Refer Schedule 14)	1,03,698.40	64,377.46
b) Disclosure for contracts in progress:		
(i) Aggregate amount of costs incurred	1,65,699.87	76,945.62
(ii) Recognized profits (less recognized losses)	18,153.99	8,661.05
(iii) Advances Received	20,045.80	2,643.22
(iv) Retention Money	1,717.10	1,465.03
c) Gross amount due from customers for contract work	34,522.37	10,219.26
d) Gross amount due to customers for contract work	97.64	2,190.02

31. Employee Stock Option Plan

On December 22nd, 2006, the Company has granted 7,21,150 Stock options to its eligible employees at a price of Rs.17/- per option in terms of Employees Stock Option Scheme 2006 of the Company as approved by the Share holders at the Extra Ordinary General meeting held on December 22nd, 2006.

(a) The particulars of the Options distributed under ESOP 2006 are as follows:

Particulars	ESOP 2006
Eligibility	Employees and Directors of the Company and its subsidiaries and its holding Company.
Vesting period for options granted during the year	Not less than One year and not more than Five years from the date of grant.
Exercise Period	Three years beginning from date of vesting
Method of Settlement	Equity Shares
Exercise Price	The Exercise price shall be equal to the fair market value of the shares as determined by the independent valuer.
No. of Options Granted	7,21,150

(b) The particulars of number of options granted , exercised and lapsed and the Price of Stock Options for ESOP 2006 is as follows:

Particulars	Quantity
Authorised to be Granted	17,85,000
Granted and outstanding at the beginning of the year	Nil
Granted during the year	7,21,150
Forfeited during the year	Nil
Exercised during the year	Nil
Lapsed during the year	19,280
Granted and outstanding at the end of the year	7,01,870
Fair value of the ESOP on the date of Grant	Rs. 9.41

(c) The Company has followed the intrinsic value-based method of accounting for stock options granted based on Guidance Note on Accounting on Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The exercise price of the option granted is based on the fair value of the Company's share as on the date of the Grant. The Fair Value of the Share has been calculated by an independent valuer by applying Rule 1D of the Wealth Tax Rules, 1957. As the exercise price of the option granted is based on the fair value as on the date of the Grant, the intrinsic value of the option is NIL.

Fair value of Options calculated by external valuer using Black Scholes Model is lower than the exercise price and hence this options are considered to be anti-dilutive in nature and the effect of this is ignored in calculating diluted earnings per share in accordance with Accounting Standard 20 viz. Earnings Per share issued by the Institute of Chartered Accountants of India.

Had the company followed fair value method for accounting the stock option, compensation expenses would have been higher by Rs. 66,04,597. Consequently profit after tax would have been lower by like amount and Basic Earnings per share would have been lower by Rs. 0.11 per share and Diluted Earnings per share would have been lower by Rs. 0.04 per share.

d) Method and significant assumptions used to estimate the Fair Value of the Options are as under:

The Fair value of Options has been calculated by an independent valuer. The valuation has been done using the Black-Scholes model based on the assumptions given by the management, which are as under:

- (i) Expected Life of the Options:
These stock options will vest in the following proportion from the date of grant and can be exercised during a period of four years from the date of vesting.
Year 1 from the date of Grant - 20% of the Options Granted;
Year 2 from the date of Grant - 25% of the Options Granted;
Year 3 from the date of Grant - 25% of the Options Granted;
Year 4 from the date of Grant - 30% of the Options Granted
- (ii) Risk free interest rate:
This rate has been assumed at 8%.
- (iii) Share price:
Share price of Rs. 17 is treated as fair value as 22nd December, 2006 the date of grant.
- (iv) Volatility:
Volatility is calculated based on historical volatility in the stock of similar comparable companies over the previous 4 years at 0.63.
- (v) Expected dividend yield:
No dividend payout on shares for next four years from 31st March, 2007, the Balance Sheet Date.

AFCONS INFRASTRUCTURE LIMITED

32. Earnings per share (EPS) is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year, as under.

	Previous year	
	Rupees (in lacs)	Rupees (in lacs)
Profit after tax	1455.11	581.34
Less: Dividend on 7.25% Redeemable Cumulative Non- Convertible Preference shares (including dividend distribution tax)	113.24	-
Less: Dividend on 7.25% Redeemable Cumulative Non- Convertible Preference shares (including dividend distribution tax)	117.15	-
Profit for the year attributable to equity shareholders	1224.72	581.34
Weighted average number of shares outstanding during the year	Numbers	Numbers
For basic EPS	56,933,333	31,454,795
For diluted EPS (refer note below)	143,733,334	121,536,986
Earnings per share	Rupees	Rupees
Basic	2.15	1.85
Diluted	0.85	0.48
Nominal value per share	10.00	10.00

Note:

Weighted average number of shares outstanding during the year- for Diluted EPS:

	Previous year	
	Numbers	Numbers
Weighted average number of shares outstanding during the year – for calculating basic EPS (numbers)	56,933,333	31,454,795
Add: Diluted effect of potential equity shares allotted on conversion of 9.5% redeemable Non-cumulative Convertible Preference shares.	-	54,795
Add: Potential equity shares that could arise on conversion of entire 9.5% Redeemable Non-cumulative Convertible Preference shares at par (converted during the year)	-	199,45,205
Add: Potential equity shares that could arise on conversion of 7.5% Redeemable Non-cumulative Convertible Preference shares at par (converted into equity shares during the period)	14,466,667	-
Add: Potential equity shares that could arise on conversion of 7.5% Redeemable Non-cumulative Convertible Preference shares at par (converted into Cumulative Non-convertible during the period)	36,166,667	70,000,000
Add: Potential equity shares that could arise on conversion of entire 7.5% Redeemable Non-Cumulative Optionally Convertible Preference Shares of Rs.10 each at par (converted into Cumulative Non-convertible during the period)	36,166,667	136,986
Total	143,733,334	121,536,986

33. The previous year's figures have been regrouped/ rearranged wherever necessary to correspond with the figures of the current year.

Signatures to schedules 1 to 20

As per our attached report of even date

For and on Behalf of the Board of Directors

FOR C.C.CHOKSHI & CO.
CHARTERED ACCOUNTANTS

C. P. MISTRY
Chairman

K. SUBRAHMANIAN
Managing Director

R.LAXMINARAYAN
Partner

J.C.BHATT
Chartered Accountant

J. J. PARAKH
Director

S. PARAMASIVAN
Executive Director
(Finance & Commercial)

P. R. RAJENDRAN
Company Secretary

Place: Mumbai
Dated: 29th June 2007

Additional Information Pursuant to Part IV of Schedule VI to the Companies Act, 1956

Registration Details	
Registration no.	19335
State code	11
Balance sheet date	31-03-2007
	(Amounts in Rupees '000s)
Capital raised during the year	
Public issue	Nil
Rights issue	Nil
Bonus issue	Nil
Private placement - in terms of High Court Order relating to merger of Afcons Pauling (India) Limited.	1,250
Position of mobilization and deployment of funds	
Total liabilities	12,324,717
Total assets	12,324,717
Sources of funds	
Paid-up capital	1,715,250
Reserves and surplus	661,566
Secured loans	1,951,694
Unsecured loans	3,762,747
Deferred Tax Liability (Net)	186,775
Application of funds	
Net fixed assets	2,252,407
Investments	68,313
Net current assets	5,903,109
Deferred revenue expenditure	54,203
Accumulated losses	Nil
Performance of Company	
Turnover	10,741,105
Total expenditure	10,489,490
Profit before tax	251,615
Profit after tax	145,511
Earnings per share	Refer note 32 of schedule 20
Dividend rate %	Nil
Generic names of three principal services of Company	Not applicable

For and on Behalf of the Board of Directors

C. P. Mistry
Chairman

K. Subrahmanian
Managing Director

J. J. Parakh
Director

S. Paramasivan
Executive Director
(Finance & Commercial)

P. R. Rajendran
Company Secretary

Place: Mumbai
Dated: 29th June 2007

AFCONS INFRASTRUCTURE LIMITED

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

(Rupees in Lacs)

Name of the Subsidiary Company	The Financial Year of the Company ended on	Number of equity shares fully paid held by Afcons Infrastructure Ltd. (Holding Company) at the end of the Financial year of the subsidiary	Extent of interest of the Holding Company at the end of the Financial year of the subsidiary	The net aggregate profit/losses of the subsidiary so far as it concerns the members of the Holding Company not dealt with the Holding Company's accounts		Dealt with the Holding Company's accounts	
				For the Financial year of the subsidiary	For the previous Financial year of the subsidiary since it became the Holding Company's subsidiary	For the Financial year of the subsidiary	For the previous Financial year of the subsidiary since it became the Holding Company's subsidiary
Hazarat & Company Private Limited	31st March 2007	2,02,610 Nos. of Rs.10/- each.	100 Percent	Profit 0.18	Loss 1.85	Nil	Nil
SSS Electricals (India) Pvt. Limited	31st March 2007	48,000 Nos. of Rs.10/- each.	60 Percent	Profit 4.00	Profit 44.98	Nil	Profit 17.28
Afcons Aretghusa Offshore Services Limited	31st March 2007	60,000 Nos. of Rs.10/- each.	60 Percent	Loss 1.70	Profit 40.27	Nil	Profit 6.07

Note :

1. Kier Afcons (India) Pvt. Limited is in the process of Members Voluntary winding up and therefore the accounts of the said Company is not attached.
2. Afcons (Overseas) Constructions & Investments Private Limited has ceased to be subsidiary w.e.f. 15th December 2006, hence the accounts of the the said Company is not attached.
3. Afcons BOT Constructions Private Limited has ceased to be subsidiary w.e.f. 15th December 2006, hence the accounts of the the said Company is not attached.
4. Afcons Dredging & Marine Services Limited has ceased to be subsidiary w.e.f. 7th December 2006, hence the accounts of the the said Company is not attached.

AFCONS INFRASTRUCTURE LIMITED

FINANCIAL HIGHLIGHTS

(Rupees in Lacs)

YEAR	REVENUE ACCOUNTS							CAPITAL ACCOUNTS							EARNINGS & PAYOUT		
	TOTAL INCOME	DEPRECIATION	PROFIT/(LOSS) BEFORE TAXES & RESERVES	TAX	SHARE CAPITAL	RESERVES	BORROWINGS	GROSS BLOCK	CUM. DEPRECIATION	NET BLOCK	EARNING PER SHARE OF Rs. 100	DIVIDEND PER EQUITY SHARE OF Rs. 100	DIVIDEND PAY OUT EQUITY SHARE OF Rs. 100				
1997-98	25275	360	1012	200	1140	7963=	5391	10681	5611	5070	9.82#*	1.50#	124x**				
1998-99	29700	399	1089	260	1140	8331=	5215	10823	6223	4600	7.27#	1.50#	171**				
1999-00	29643	425	926	412	1140	8708=	5332	12016	6689	5327	4.51#	1.00#	114**				
2000-01	31676	571	354	36	1140	8951=	6199	13111	7328	5783	2.79#	0.60#	68**				
2001-02	41201	694	-3557	-	3140	5394=	6538	15538	8125	7413	(31.23)#	-	-				
2002-03	44087	881	258	115	5140	5520=	14908	17513	9087	8426	(0.95)#	-	-				
2003-04	45631	1099	281	159	7140	5642=	20555	19874	10133	9741	.39#	-	-				
2004-05	55391	1318	342	140	12140	5845=	27975	21954	11522	10432	.64#	-	-				
2005-06	68629	1491	1490	917	17153	4610=	34838	26490	14811	11679	1.85#	-	-				
2006-07	104711	1808	2516	1128	17153	6065=	57144	36785	16661	20124	2.15#	-	-				

x On increased Capital base due to issue of bonus as well as additional shares

= Excluding Revaluation Reserve

* On average Capital

** Excludes Tax on Dividend

Dividend & Earning per Share is on per Equity Share of Rs.10/- each



HAZARAT AND COMPANY PRIVATE LIMITED

DIRECTORS REPORT

TO,
The Members of
HAZARAT & COMPANY PRIVATE LIMITED
Mumbai.

Your Directors have pleasure in presenting the Twenty-fifth Annual Report of the Company and the audited statements of accounts for the year ended 31st March, 2007.

1. REVIEW OF WORKING

During the year under review, the Income was Rs.1,20,000/-. After meeting the office expenses and other related expenses, the net profit during the year was Rs.17,500/-. The accumulated loss of Rs.1,67,410/- has been carried forward.

2. DIRECTORS

Mr.H.J.Tavaria will retire by rotation, and being eligible, offers himself for reappointment.

3. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) that in the preparation of the annual accounts, for the financial year ended 31st March, 2007, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgements 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 financial year and the profit and loss of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the annual accounts for the financial year ended 31st March, 2007 on a going concern basis.

4. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo does not apply to the Company.

5. PARTICULARS OF EMPLOYEES

None of the employees of the Company is covered under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

6. SECRETARIAL COMPLIANCE CERTIFICATE

According to the provision of Section 383A(1) of the Companies Act, 1956, as amended, the Board of Directors of the Company appointed M/s. Anant B. Khamankar & Co., Company Secretaries for issuance Secretarial Compliance Certificate. The Certificate received from the Company Secretaries is attached and the same shall be placed before the ensuing Annual General Meeting.

The members are requested to appoint M/s.Anant B. Khamankar & Co., Company Secretaries at the ensuing Annual General Meeting to hold the Office until conclusion of the next Annual General Meeting and authorize the Board to fix his remuneration.

7. AUDITORS

Mr. J.C.Bhatt, Chartered Accountant, the retiring auditor is eligible for reappointment. He has expressed his willingness to continue in office and has furnished certificate, pursuant to Section 224(1B) of the Companies Act, 1956.

The members are requested to appoint the Auditor for the financial year 2007-2008 and authorize the Board to fix his remuneration.

On behalf of the Board

Regd Office :
"Warden House"
Sir P.M.Road,
Fort,
Mumbai 400 023.
Date : 29th June 2007

A.H. DIVANJI
DIRECTOR

TO THE MEMBERS,

M/S. HAZARAT AND COMPANY PRIVATE LIMITED

' Warden House'
Sir P. M. Road,
Fort,
Mumbai : 400 023.

We have examined the registers, records, books and papers of **M/s. Hazarat and Company Private Limited** [the Company] as required to be maintained under the Companies Act, 1956, [the Act] and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2007 [financial year]. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company and its officers, we certify that in respect of the aforesaid financial year :

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company, being a private limited Company, has the minimum prescribed paid up capital and its maximum number of members during the said financial year was 7 (Seven) excluding its present and past employees and the Company during the financial year ;
 - a. has not invited public to subscribe for its shares or debentures; and
 - b. has not invited or accepted any deposits from persons other than its members, directors or their relatives.
4. The Board of directors duly met 5 (five) times respectively on 5th day June 2006, 14th day of July, 2006, 30th day of August, 2006, 14th day of December, 2006 and 2nd day of March, 2007 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose
5. The Company has not closed its Register of Members or Debenture holders during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2006 was held on 29th September, 2006 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for that purpose.
7. No extraordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.

HAZARAT AND COMPANY PRIVATE LIMITED



9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of directors, members or Central Government, as the case may be.
12. The Company has not issued any duplicate certificates during the financial year.
13. The Company has:
 - i. not allotted / transferred / transmitted any securities during the financial year.
 - ii. not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - iii. not posted warrants to any member of the Company as no dividend was declared during the financial year.
 - iv. duly complied with the requirements of section 217 of the Act.
14. The Board of directors of the Company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
15. The Company has not appointed any managing director / whole-time director / manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and / or such authorities prescribed under the various provisions of the Act.
18. The directors have disclosed their interest in other firms / companies to the Board of directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year ended 31st March, 2007.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one state to another during the financial year.
27. The Company has not altered the provisions of the Memorandum of Association with respect to objects of the Company during the financial year.
28. The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the financial year.
29. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the Company during the financial year.
30. The Company has not altered its Articles of Association during the financial year.
31. There were no prosecutions initiated against or show cause notices received by the Company, during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company was not required to deduct any contribution towards Provident Fund during the financial year.

Place : Mumbai
Date : 29th June 2007

FOR ANANT B.KHAMANKAR & CO.
ANANT B. KHAMANKAR
FCS No. : 3198
C.P. No. : 1860

ANNEXURE 'A' TO THE COMPLIANCE CERTIFICATE OF M/S.HAZARAT AND COMPANY PRIVATE LIMITED FOR THE YEAR ENDED 31ST MARCH, 2007.

REGISTERS AS MAINTAINED BY THE COMPANY :

Statutory Registers:

1. Register of Members under Section 150 of the Act.
2. Minute Book of meetings of the Board of directors under Section 193 of the Act.
3. Minute Book of general meetings under Section 193 of the Act.
4. Register of Directors under Section 303 of the Act.
5. Register of Directors shareholdings under Section 307 of the Act.
6. Books of Accounts under Section 209 of the Act.

Other Registers:

1. Share Transfer Register.
2. Register of Director's Attendance.

HAZARAT AND COMPANY PRIVATE LIMITED

ANNEXURE 'B' TO THE COMPLIANCE CERTIFICATE OF M/S.HAZARAT AND COMPANY PRIVATE LIMITED DATED FOR THE YEAR ENDED 31ST MARCH, 2007.

forms and returns as filed by the company with registrar of companies, regional director, central government or other authorities during the financial year ended 31st march, 2007.

Sr.No.	Form No./ Return	Filed Under Section	For/Purpose	Date of filing	Whether filed within the prescribed time	If delay in filing whether requisite additional fees paid
1.	A/R	159	Pursuant to the provisions of the Companies Act, 1956.	24.11.2006	Yes	Not Applicable
2.	B/S	220	Pursuant to the provisions of the Companies Act, 1956.	20.10.2006	Yes	Not Applicable
3.	CCOM	383A(1)	Pursuant to the provisions of the Companies Act, 1956.	24.11.2006	No	Yes
4.	DIN 3	-	Filed for the following Directors: 1) Mr. Abhimanyu Divanji 2) Mr. Firoz Bhatena 3) Mr. Homeyar J. Tavaría.	20.03.2007	Yes	Not Applicable

AUDITOR'S REPORT

TO THE MEMBERS OF

HAZARAT & COMPANY PRIVATE LIMITED

I have audited the attached Balance Sheet of **Hazarat & Company Private Limited** as at 31st March 2007 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with the auditing standards generally accepted in India. These standards require that I 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 the 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. I believe that my audit provides a reasonable basis for my opinion.

Clause 1(2) (iv) of the Companies (Auditors Report) Order 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 specifically exempts certain private limited companies satisfying the conditions as specified in the order and since, this Company satisfies those conditions, the Order is not applicable and therefore not commented upon.

Further to my comments above, I report that:

- i) I have obtained all information and explanations, which to the best of my knowledge and belief was necessary for the purposes of the audit.
- ii) In my opinion, proper books of accounts as required by law, have been kept by the Company, so far as appears from my examination of those books.
- iii) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement, dealt with by this Report, are in agreement with the books of accounts.
- iv) In my opinion, the Balance Sheet, Profit and Loss Account & the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v) In my opinion and based on information and explanations given to me, none of the directors are disqualified as on 31st March, 2007 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi) In my opinion and to the best of my information and according to the explanations given to me, the accounts, read in conjunction with, and subject to notes, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007; and
 - b. in the case of the Profit and Loss account, of the Profit for the year ended on that date.
 - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Mumbai

Date: 29th June 2007

J.C.Bhatt
Chartered Accountant

HAZARAT AND COMPANY PRIVATE LIMITED



BALANCE SHEET AS AT 31ST MARCH 2007

	RUPEES	AS AT 31.03.2007 RUPEES	RUPEES	AS AT 31.03.2006 RUPEES
SOURCES OF FUNDS				
SHARE CAPITAL				
AUTHORISED				
2,50,000 Equity Shares of Rs. 10/- each		25,00,000		25,00,000
ISSUED, SUBSCRIBED & PAID UP				
2,02,610 Equity Shares of Rs.10/- each fully paid (See Notes to Accounts No.2 & 3)		2,026,100		2,026,100
UNSECURED LOANS				
From Afcons Infrastructure Limited the Holding Co.		156,045		202,354
CURRENT LIABILITIES				
Liabilities for Expenses		8,884		7,884
Advance Rent		-		-
		<u>2,191,029</u>		<u>2,236,338</u>
APPLICATION OF FUNDS :				
FIXED ASSETS				
Goodwill (See Notes to the Accounts No.2)		2,000,000		2,000,000
Furniture (See Notes to the Accounts No.2)	20,000		20,000	
Less : Depreciation	18,405	1,595	18,228	1,772
		<u>2,001,595</u>		<u>2,001,772</u>
CURRENT ASSETS, LOANS AND ADVANCES				
CURRENT ASSETS				
Deposits (See Notes to the Accounts No.2)	4,590		4,590	
Balance with Scheduled Banks in Current Accounts	17,425		45,057	
Cash in Hand	9	22,024	9	49,656
MISCELLANEOUS EXPENDITURE & LOSSES				
Loss as per Profit & Loss Account annexed		167,410		184,910
		<u>2,191,029</u>		<u>2,236,338</u>

Notes to the Accounts (Refer Schedule 'A')

As per my report of even date,

For and behalf of the Board of Directors

J.C. BHATT
Chartered Accountant
Mumbai,
Dated : 29th June 2007

A.H. DIVANJI **F.K. BHATHENA** **H. J. TAVARIA**
Director Director Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	FOR THE YEAR ENDED 2006-07	FOR THE YEAR ENDED 2005-06
INCOME	<u>120,000</u>	120,000
	<u>120,000</u>	<u>120,000</u>
EXPENDITURE		
Office Rent	88,248	88,248
Professional Charges	6,884	6,884
Audit Fees	1,000	1,000
Filing Fees	-	1,500
Profession Tax	2,500	1,700
Other Expenses	-	550
Depreciation	177	197
Interest	3,691	5,098
	<u>102,500</u>	<u>105,177</u>
Profit/(Loss) for the year	17,500	14,823
Add: (Loss) b/f from previous year	(184,910)	(199,733)
(Loss) carried to Balance Sheet	(167,410)	(184,910)
Net Profit after tax as per P & L a/c	17,500	14,823
Weighted average no. of equity shares	202610	202610
Earnings per Share (basic & diluted)	0.09	0.07

As per my report of even date,

For and behalf of the Board of Directors

J.C. BHATT
Chartered Accountant
Mumbai,
Dated : 29th June 2007

A.H. DIVANJI **F.K. BHATHENA** **H. J. TAVARIA**
Director Director Director

HAZARAT AND COMPANY PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

	Current Year Rupees	Previous Year Rupees
A. Cash flow from operating activities		
Profit before tax	17,500	14,823
adjustments for,		
Interest on S.T. Loan	3,691	
Depreciation	177	197
Operating Profit before working capital changes	<u>21,368</u>	15,020
Increase /(Decrease) in trade and other payables	1,000	(12,878)
Cash (used in) Operations	<u>22,368</u>	2,142
Net cash (used in) operating activities	<u>22,368</u>	2,142
B. Cash flow from investing activities	-	-
C. Cash flow from financing activities		
Net Proceeds from Short Term Borrowings	(46,309)	6,598
Interest on S.T. Loan	(3,691)	
Net cash generated from financing activities	<u>(50,000)</u>	6,598
Net increase/ (decrease) in cash and cash equivalents	<u>(27,632)</u>	8,740
Cash and cash equivalents at the beginning of the year	49,656	40,916
Cash and cash equivalents at the end of the year	<u>22,024</u>	49,656

As per my report of even date,

For and behalf of the Board of Directors

J.C. BHATT
Chartered Accountant
Mumbai,
Dated : 29th June 2007

A.H. DIVANJI F.K. BHATHENA H. J. TAVARIA
Director Director Director

HAZARAT AND COMPANY PRIVATE LIMITED



SCHEDULE 'A'

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007.

1. Significant Accounting Policies

- The financial statement have been prepared on accrual basis and under historical cost convention to comply in all material respects with mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- Basic Earning per Share is calculated by dividing the net profit or loss for the year attributable to the equity shareholders (after deducting attributable taxes) by the weighted average number of shares outstanding during the year.

2. Notes on Accounts

- The assets have been taken over from Hazarat & Company in terms of an agreement dated 26th July, 1983.
- All the Equity Shares are held by Afcons Infrastructure Limited and its nominees.
- There has been no Income, Expenditure, Receipts or Payments in Foreign Currency during the Current or Previous year.
- Related Party disclosure:

Related party where control exists:

Holding company(s)

Afcons Infrastructure Limited (directly)

Shapoorji Pallonji & Company Limited (indirectly)

Fellow Subsidiary

Afcons (Overseas) Constructions & Investments Private Limited (ceased to be a subsidiary of Afcons Infrastructure Ltd. w.e.f 15.12.2006)

Afcons BOT Constructions Private Limited (ceased to be a subsidiary of Afcons Infrastructure Ltd. w.e.f 15.12.2006)

Cyrus Investments Limited

SSS Electricals (India) Private Limited

Afcons Dredging & Marine Services Limited (ceased to be a subsidiary of Afcons Infrastructure Limited w.e.f 7.12.2006)

Afcons Arethusa Offshore Services Private Limited

Sterling Investments Corporation Limited

Floreat Investments Limited

Name of Related Party where transactions have taken place during the year :

Afcons Infrastructure Limited

Details of transactions with related party during the year

Particulars of transactions with Afcons Infrastructure Limited	Rupees
Income :	
Rent	1,20,000
Expenditure :	
Interest expense incurred for the year	3,691

5) Earnings per share:

Earning per share is calculated by dividing the (loss)/profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as under:-

	Current Year	Previous Year
Profit (Loss) attributable to equity shareholders (in Rupees)	17,500	14,823
Weighted average number of shares outstanding during the year	202610	202610
Basic / diluted Earnings per share (in Rupees)	0.09	0.07
Nominal value per share (in Rupees)	10	10

6) Deferred Tax:

Following the principle of conservatism and in view of current year's and carried forward losses under the Income Tax Act; the management does not deem necessary to provide for deferred tax.

7) Previous year's figures have been re-arranged wherever necessary.

8) Additional information as required under Part IV of Schedule VI of the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile :

I. Registration Details :

Registration No. 28701
State Code 11
Balance Sheet Date 31.03.2007

II. Capital Raised during the Year

Public Issue Amt. in Rupees Nil
Rights Issue Nil
Bonus Issue Nil
Private Placement Nil

III. Position of Mobilisation and Deployment of Funds

Amt. in Rupees

Total Liabilities 21,91,029

Total Assets 21,91,029

Sources of Funds : Amt. in Rupees

Paid-up Capital 20,26,100

Reserves & Surplus Nil

Secured Loan Nil

Unsecured Loan 1,56,045

Application of Funds : Amt. in Rupees

Net Fixed Assets 20,01,595

Investments Nil

Net Current Assets 13,140

Misc. Expenses Nil

Accumulated Losses 1,67,410

IV. Performance of Company :

Amt.in Rupees

Total Income 1,20,000

Total Expenditure 1,02,500

Profit for the year 17,500

Earning Per Share (Rs.) 0.09

Dividend Rate % Nil

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

Not Applicable

Signatures to Schedule 'A'

As per my report of even date,

For and behalf of the Board of Directors

J.C. BHATT
Chartered Accountant
Mumbai,
Dated : 29th June 2007

A.H. DIVANJI F.K. BHATHENA H. J. TAVARIA
Director Director Director

SSS ELECTRICALS (INDIA) PRIVATE LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF SSS ELECTRICALS (INDIA) PRIVATE LIMITED MUMBAI

Your Directors are pleased to present the Twenty First Annual Report of the Company together with the audited statements of Accounts for the year 31st March, 2007.

1. BUSINESS REVIEW

The Company was successful in securing repeat orders from the existing clients and also obtained jobs from some new clients. The turnover increased from Rs.1,21,17,983/- to Rs.1,60,61,206/- and the Net Profit for the year is Rs.6,67,409/-. The Company continues efforts to secure more jobs by making its offers more competitive without compromising with quality and its corporate policies.

2. DIVIDEND

In order to plough back the profits for the growth, Directors have not proposed dividend for the financial year under review.

3. DIRECTORS

Mr.Stephan Possekel and Mr.Hans Koch have been appointed as an Additional Directors of the Company with effect from 15th May 2007. They holds office only upto the date of ensuing Annual General Meeting of the Company. A notice in writing under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- each has been received from a member signifying his intention to propose Mr. Stephan Possekel and Mr.Hans Koch as a candidate for the office of a Director of the Company at the ensuing Annual General Meeting of the Company.

Mr.Gerd Zimmerman resigned as a director of the Company with effect from 15th May 2007.Mr.Ramesh Nagar who was an Alternate Director to Mr.Gerd Zimmerman also ceased to be a Director from the same date.

Mr. Ramesh Nagar has been appointed as Alternate Director to Mr.Stephan Possekel with effect from 21st May 2007.

Mr.S.Paramasivan retires by rotation and being eligible, offers himself for reappointment.

4. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i. that in the preparation of the annual accounts for the year ended 31st March, 2007, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgements 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 financial year and the profit and loss of the Company for the year under review;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the directors had prepared the annual accounts for the year ended 31st March, 2007 on a going concern basis.

5. CONSERVATION OF ENERGY, TECHNOLOGY ADOPTION, FOREIGN EXCHANGE EARNING AND OUTGO:

The information in accordance with the provision of section 217(1)(e) of the Companies Act,1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules 1988, the relative regarding conservation of energy , technology absorption and foreign exchange earnings are given in Annexure 1 forming part of this report.

6. PARTICULARS OF EMPLOYEES

None of the employees of the Company is covered under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

7. AUDITORS

Mr.J.C.Bhatt, the retiring, auditor is eligible for reappointment. He has expressed his willingness to continue in office and have furnished a certificate of eligibility under section 224(1)(B) of the Companies Act,1956.

The members are requested to appoint the Auditor for the financial year 2007-2008 and authorize the Board to fix his remuneration.

On behalf of the Board of Directors

Regd. Office:

"AFCONS HOUSE"
16, Shah Industrial Estate,
Veera Desai Road,
Azadnagar P.O.,
Mumbai 400 053.

A.H.DIVANJI
DIRECTOR

Dated :- 29th June 2007

Additional Information as required under the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

The Company is rendering Cathodic/ Corrosion Protection services in which energy consumption is extremely insignificant.

B. TECHNOLOGY ABSORPTION

The Company as an ongoing process, always aims to update the technology with respect to the methods and designs for Cathodic/ corrosion Protection Systems with the help of the collaborators Starkstorm Und Signal Baugesellschaft GmbH, Germany (SSS).

C. RESEARCH & DEVELOPMENT

Development of expertise for remote monitoring and control of CP systems, current mapping and direct current voltage gradient surveys and investigation and mitigation of EHV Transmission System Interferences for expansion of business activities.

D. FUTURE PLAN OF ACTION

The company plans to computerise its operations to improve efficiency and business turnover. The company continues to make efforts to develop technology and relationships for the application of Cathodic Protection for RCC structures and other type of installations.

E. FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings : Nil

Outgo : Nil

**Auditor's Report
To the Members of
SSS ELECTRICALS (INDIA) PRIVATE LTD.**

1. I have audited the attached Balance Sheet of **SSS Electricals (India) Private Limited** as at March 31, 2007, the Profit and Loss Account and the Cash flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I have conducted my audit in accordance with the auditing standards generally accepted in India. These standards require that I 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 the 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. I believe that my audit provides a reasonable basis for my opinion.
3. As required by clause 1(2) (iv) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to my comments in the Annexure referred to in para 3 above, I report that:
 - i) I have obtained all information and explanations, which to the best of my knowledge and belief were necessary for the purposes of the audit;
 - ii) In my opinion, proper books of accounts as required by law have been kept by the Company so far as appears from my examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In my opinion, the Balance Sheet, Profit and Loss Account and 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 written representations received from the directors of the Company as at March 31, 2007 and taken on record by the Board of Directors, I report that, none of the directors is disqualified as on March 31, 2007 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In my opinion, and to the best of my information and according to the explanations given to me, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2007;
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - c. in the case of the Cash flow Statement, of the cash flows for the year ended on that date.

**J.C.BHATT
CHARTERED ACCOUNTANT**

Place: Mumbai
Dated : 29th June 2007

Annexure referred to in paragraph 3 of the audit report of even date to the members of SSS Electricals (India) Private Limited on the accounts for the year ended March 31, 2007.

1. Fixed Assets :

- a. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. As explained, a major portion of the fixed assets have been physically verified by the management during the year. In my opinion, the frequency of verification of the fixed assets by the management is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification.
- c. In my opinion and according to the information and explanations given to me, no substantial part of fixed assets has been disposed off by the Company during the year and therefore do not affect the going concern assumption.

2. Inventory :

As per the information and explanations provided;

- a. the inventories have been physically verified at the end of the year by the management, and in my opinion, the frequency of verification is reasonable.
- b. the procedures of physical verification 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 the material discrepancies noted or reported have been properly dealt with in the books of accounts.

3. Loans and Advances:

- a. As per the information and explanations given to me, the Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- b. As per the information and explanations given to me, the Company has not taken any loan secured or unsecured from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.

4. Internal Control System:

In my opinion, and according to the information and explanations given, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of goods and services. During the course of audit, I have not observed any continuing failure to correct major weaknesses in the internal control system.

SSS ELECTRICALS (INDIA) PRIVATE LIMITED

5. Related Party Transactions:

Based on the records verified and the audit procedures applied, and according to the information and explanations provided by the management, there are no contracts or arrangements referred to in section 301 of the Companies Act, 1956, that need to be entered in the Register required to be maintained under that section.

6. Public Deposits:

The company has not accepted any deposits from the public to which the provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under are applicable.

7. Internal Audit System:

In my opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business

8. Maintenance of Cost Records:

The Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956

9. Statutory Dues:

- a. In my opinion, based on the records verified and the information and explanations given by the management, the Company is generally regular in depositing with the appropriate authorities, undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Service Tax, Cess, Value Added Tax, Fringe Benefit Tax and any other material dues applicable to it during the year.
- b. According to the information and explanation given to me, there are no such statutory dues, which have not been deposited on account of any dispute with any appropriate authority.

10. Accumulated Losses:

The Company has no accumulated losses as at March 31, 2007 and has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.

11. Based on the records verified, and according to the information and explanations given by the management, the Company has not taken any loan from banks or financial institutions and has neither issued any debentures during the year and hence, the question of default in repayment of dues does not arise.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. According to the information and explanations given, the Company has not given any guarantee for loans taken by others from banks and financial institutions.

14. As per the records verified and the information and explanations provided, the Company has not taken any term loan during the year.

15. In my opinion and according to the information and explanations given by the management, and on an overall examination of the Balance Sheet of the Company, funds raised on short-term basis have, prima facie, not been utilised during the year for long-term investments.

16. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.

17. During the year, there are no debentures issued and outstanding as on March 31, 2007

18. During the year, the Company has not raised money by public issue(s).

19. During the course of my examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations provided by the management, I have neither come across any instance of fraud on or by the Company noticed or reported during the year nor have I been informed of such a case by the management.

20. As per information and explanations given to me & taking into consideration, the nature of the Company's business, clauses (xiii) and (xiv), of the paragraph 4 of 'the Order' are not applicable and therefore not commented upon.

Place: Mumbai

Dated : 29th June 2007

J.C.BHATT
CHARTERED ACCOUNTANT

SSS ELECTRICALS (INDIA) PRIVATE LIMITED



BALANCE SHEET AS AT 31ST MARCH, 2007

	SCHEDULE	RUPEES	AS AT 31.3.2007 RUPEES	AS AT 31.3.2006 RUPEES
SOURCES OF FUNDS :				
SHAREHOLDERS' FUNDS				
Share Capital	1	8,00,000		8,00,000
Reserves & Surplus	2	<u>8,164,656</u>	8,964,656	<u>7,497,248</u>
				8,297,248
LOAN FUNDS :				
Unsecured Loan	3		48,313	194,487
Deferred tax liability			-	-
T O T A L			<u><u>9,012,969</u></u>	<u><u>8,491,735</u></u>
APPLICATION OF FUNDS :				
FIXED ASSETS				
Gross Block	4	6,087,211		5,361,022
Less : Depreciation		<u>3,287,879</u>		<u>2,854,022</u>
Net Block			2,799,332	2,507,000
Deferred Tax - Asset (Refer Note 6 of Schedule 11)			16,854	10,517
CURRENT ASSETS, LOANS AND ADVANCES				
Survey Work in Progress	5	-		195,000
Sundry Debtors		5,939,164		2,991,442
Inventory		289,458		62,661
Cash and Bank Balances		3,019,293		3,581,223
Loans & Advances		<u>1,476,456</u>		<u>829,650</u>
		10,724,371		7,659,976
LESS : CURRENT LIABILITIES & PROVISIONS				
Current Liabilities	6	3,554,098		1,221,132
Provisions		<u>973,490</u>		<u>464,626</u>
		4,527,588		1,685,758
Net Current Assets			6,196,783	5,974,218
T O T A L			<u><u>9,012,969</u></u>	<u><u>8,491,735</u></u>
Notes To Accounts	11			

As per my Report of even date

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

For and on Behalf of the Board of Directors

J.C.BHATT
Chartered Accountant

A.H.DIVANJI
DIRECTOR

S.PARAMASIVAN
DIRECTOR

R.P.NAGAR
DIRECTOR

Mumbai
Dated : 29th June 2007

SSS ELECTRICALS (INDIA) PRIVATE LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	SCHEDULE	FOR THE YEAR ENDED 31.3.2007 Rupees	FOR THE YEAR ENDED 31.3.2006 Rupees
INCOME :			
Sale of Services		10,881,205	6,579,131
Sale of Goods		5,375,001	5,343,852
Survey - WIP		(195,000)	195,000
Total Turnover		16,061,206	12,117,983
Other Income	7	97,488	376,337
		<u>16,158,693</u>	<u>12,494,320</u>
EXPENDITURE :			
Consumption of Materials		2,610,922	2,774,853
Direct Expenses	8	7,703,250	4,567,134
Other Expenses	9	4,324,285	3,613,981
Interest and Finance Costs	10	80,077	66,979
Depreciation	4	433,857	395,673
		<u>15,152,391</u>	<u>11,418,620</u>
Profit Before Tax		1,006,303	1,075,700
Less : Provision for tax			
Current tax		356,000	179,268
Deferred tax		(6,337)	(14,753)
Fringe Benefit tax		86,300	195,732
Profit Before extra-ordinary items and prior period expenses		570,340	715,453
Add : Excess provision of earlier year's written back		100,438	-
Less : Short provision of earlier years' written off		3,369	-
Net Profit After Tax		667,409	715,453
Profit Brought Forward From Previous Year		6,697,211	5,981,758
		<u>7,364,619</u>	<u>6,697,211</u>
APPROPRIATIONS RECOMMENDED :			
Proposed Dividend		-	-
General Reserve		-	-
Profit Carried forward in Balance Sheet		<u>7,364,619</u>	<u>6,697,211</u>
Notes To Accounts	11		
Net Profit as per Profit and Loss Account		667,409	715,453
Earning Per Share (Basic & Diluted)		8.34	8.94
Weighted Average number of equity shares		80,000	80,000

As per my Report of even date

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

For and on Behalf of the Board of Directors

J.C.BHATT
Chartered Accountant

A.H.DIVANJI
DIRECTOR

S.PARAMASIVAN
DIRECTOR

R.PNAGAR
DIRECTOR

Mumbai
Dated : 29th June 2007

SSS ELECTRICALS (INDIA) PRIVATE LIMITED



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

	Current Year Rupees	Previous Year Rupees
A. Cash Flow from Operating Activities :		
(Loss) / Profit before Tax and Extraordinary Items	1,006,303	1,075,700
Adjustments for :		
Depreciation	433,857	395,673
Interest income	(97,488)	(91,155)
Bank Charges and BG Commission	62,212	-
Interest expense	17,865	-
Bad Debts Recovered	-	(253,507)
Operating Profits before working capital changes	1,422,749	1,126,711
(Increase)/Decrease in trade receivables	(2,947,722)	(536,873)
(Increase) / decrease in inventories	(226,797)	(62,661)
(Increase) / Decrease in WIP	195,000	(195,000)
(Increase) in Loans & Advances	(987,247)	(235,398)
Increase / (decrease) in trade, other payables & Provisions	2,841,830	817,498
Cash used in Operations	297,813	914,277
Income Tax (Paid) / Refund	(53,990)	(325,641)
Income Tax Refund	151,247	-
Fringe Benefit Tax	(125,733)	(170,000)
Bad Debts Recovered	-	253,507
Cash From Operations	269,337	672,143
B. Cash flow from investing activities		
Purchase of Fixed Assets	(726,189)	(1,237,338)
Interest Received	121,172	91,155
Net Cash (used in) investing activities	(605,017)	(1,146,183)
C. Cash flow from financing activities		
Proceeds / (Repayments) from short - term borrowings	(113,379)	(412,502)
Bank Charges and commission	(62,212)	-
Interest paid	(50,660)	-
Net Cash generated from financing activities	(226,251)	(412,502)
Net Increase in cash and cash equivalents	(561,931)	(886,542)
Cash and cash equivalents as at 1st April 2006	3,581,223	4,467,765
Cash and cash equivalents as at 31 March 2007	3,019,292	3,581,223

As per my attached report of even date

For and on Behalf of the Board of Directors

J.C.BHATT
Chartered Accountant

A.H.DIVANJI
DIRECTOR

S.PARAMASIVAN
DIRECTOR

R.P.NAGAR
DIRECTOR

Mumbai
Dated : 29th June 2007

SSS ELECTRICALS (INDIA) PRIVATE LIMITED

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

AS AT
31.3.2007
Rupees

AS AT
31.3.2006
Rupees

SCHEDULE 1 SHARE CAPITAL

AUTHORISED :

2,00,000 Equity Shares of Rs.10/- each

20,00,000

20,00,000

20,00,000

20,00,000

ISSUED, SUBSCRIBED AND PAID-UP

80,000 Equity Shares of Rs.10/- each (Of the above, 48000 Equity Shares are held by the Holding Company - Afcons Infrastructure Limited, and its nominees)

8,00,000

8,00,000

T O T A L

8,00,000

8,00,000

SCHEDULE 2

RESERVES & SURPLUS :

General Reserve

Balance as per last years Balance Sheet

8,00,037

10,37,185

Add : Appropriations from Profit & Loss Account

-

-

Less : Deferred tax liability

-

2,37,148

8,00,037

8,00,037

Profit & Loss Account

Balance in Profit and Loss Account

7,364,619

6,697,211

T O T A L

8,164,656

7,497,248

SCHEDULE 3

UNSECURED LOANS

Amount due to Holding Company - Afcons Infrastructure Ltd

48,023

161,402

Interest accrued and due

290

33,085

T O T A L

48,313

194,487

SCHEDULE 4

FIXED ASSETS

Description of Assets	Gross Block				Depreciation				Net Block	
	As at 01.04.06 Rupees	Additions During the Year Rupees	Deductions During the Year Rupees	As at 31.03.07 Rupees	Upto 01.04.06 Rupees	For the Year Rupees	Deductions During the Year Rupees	Upto 31.03.07 Rupees	As at 31.03.07 Rupees	As at 31.03.06 Rupees
Motor Vehicle	91,098	118,166	-	209,264	84,843	15,113	-	99,956	109,308	6,255
Furniture	26,730	14,200	-	40,930	15,742	2,865	-	18,607	22,323	10,988
Survey Equipments	4,853,062	508,025	-	5,361,087	2,429,054	367,121	-	2,796,175	2,564,912	2,424,008
Office Equipment	56,403	7,450	-	63,853	44,429	8,972	-	53,401	10,452	11,974
Computers	333,729	78,348	-	412,077	279,954	39,786	-	319,740	92,337	53,775
Total	5,361,022	726,189	-	6,087,211	2,854,022	433,857	-	3,287,879	2,799,332	2,507,000
Previous Year	4,123,684	1,237,338	-	5,361,022	2,458,349	395,673	-	2,854,022	2,507,000	1,665,335

SSS ELECTRICALS (INDIA) PRIVATE LIMITED



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

	AS AT 31.3.2007 Rupees	AS AT 31.3.2006 Rupees
SCHEDULE 5		
CURRENT ASSETS, LOANS AND ADVANCES :		
Work in Progress	-	195,000
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	450,906	412,100
Considered doubtful	-	-
Includes retention amount of Rs.2,79,992/- (Previous year Rs.2,14,313/-)	<u>450,906</u>	<u>412,100</u>
Other Debts		
Unsecured, considered good	5,488,258	2,579,342
(Includes retention amount of Rs.2,05,312/- (Previous year Rs.2,05,894/-)	<u>5,488,258</u>	<u>2,579,342</u>
	<u>5,939,164</u>	<u>2,991,442</u>
Less : Provision for Doubtful Debts	-	-
	<u>5,939,164</u>	<u>29,91,442</u>
CASH AND BANK BALANCES		
Cash in Hand	84,549	12,064
Balance with Scheduled Banks		
In Current Accounts	1,134,744	1,769,159
In Term Deposits Accounts	<u>1,800,000</u>	<u>1,800,000</u>
	<u>3,019,293</u>	<u>3,581,223</u>
LOANS AND ADVANCES		
(Unsecured and Considered Good)		
Advance recoverable in cash or in kind for value to be received	809,186	314,700
Deposits	324,168	198,709
Advance Income Tax (Net of Provision)	<u>343,102</u>	<u>316,241</u>
	<u>1,476,456</u>	<u>829,650</u>
INVENTORY		
Closing Stock - Consumables		62,661
T O T A L	<u><u>10,724,371</u></u>	<u><u>7,597,316</u></u>
SCHEDULE 6		
CURRENT LIABILITIES & PROVISIONS :		
CURRENT LIABILITIES :		
Sundry Creditors	3,116,594	1,097,184
Other Liabilities	81,644	23,948
Advance from Clients	<u>355,860</u>	<u>100,000</u>
	<u>3,554,098</u>	<u>1,221,132</u>
PROVISIONS :		
Provision for Service Tax	558,204	170,766
Provision for VAT Payable	121,426	-
Provision for Sales Tax	<u>293,860</u>	<u>293,860</u>
	<u>973,490</u>	<u>464,626</u>
T O T A L	<u><u>4,527,588</u></u>	<u><u>1,685,758</u></u>
SCHEDULE 7		
OTHER INCOME :		
Interest on		
Fixed Deposits	86,148	91,155
Income tax refund	11,340	-
Other Income	-	31,675
Doubtful Debts Recovered	-	253,507
	<u>97,488</u>	<u>376,337</u>
T O T A L	<u><u>97,488</u></u>	<u><u>376,337</u></u>
SCHEDULE 8		
DIRECT EXPENSES :		
Salaries, Wages & Allowances	3,912,975	2,986,028
Employer's Contribution to Provident Fund	85,074	73,371
Staff Welfare Expenses	668,519	580,697
Repairs & Maintenance - Plant & Machinery	19,334	100,077
Repairs & Maintenance - Others	30,875	32,172
Subcontractors Charges	2,823,245	608,017
Freight & Forwarding	<u>163,228</u>	<u>186,772</u>
	<u>7,703,250</u>	<u>4,567,134</u>
T O T A L	<u><u>7,703,250</u></u>	<u><u>4,567,134</u></u>
SCHEDULE 9		
OTHER EXPENSES :		
Rent (refer note 3, schedule 11)	170,126	130,920
Insurance	-	348
Printing & Stationery	23,477	24,519
Travelling & Conveyance	2,514,765	2,119,700
Consultancy Fees	45,000	50,000
Rates & Taxes	502,147	584,968
Audit Fees	137,750	137,750
Establishment Expenses (refer note 3, schedule 11)	18,000	18,000
Miscellaneous Expenses (refer note 3, schedule 11)	<u>913,020</u>	<u>547,776</u>
T O T A L	<u><u>4,324,285</u></u>	<u><u>3,613,981</u></u>

SSS ELECTRICALS (INDIA) PRIVATE LIMITED

	AS AT 31.3.2007 Rupees	AS AT 31.3.2006 Rupees
SCHEDULE 10		
INTEREST AND FINANCE COSTS :		
Bank Charges including Bank Guarantee Commission	62,212	33,894
Interest	17,865	33,085
T O T A L	80,077	66,979

SCHEDULE 11:

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007.

A. Statement of Significant Accounting Policies

1. Nature of Operations

The Company is engaged in the business of design, survey, process and assembly, supply, testing, commissioning, monitoring and maintenance of cathode protection system.

2. Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on a going concern and accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

The presentation of financial statements requires the management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions of the company in future, actual results may ultimately differ from the estimates.

i) Revenue Recognition

Revenue from survey activity is recognized as per the terms of the contract. Revenue from annual maintenance contracts is recognized in the ratio of the period expired to the total period of the contract. Revenue from repairs work carried out under such contracts is recognized at contractual rates for materials used in such repair works.

ii) Fixed Assets

Fixed Assets (including intangible assets) are stated at cost of acquisition less accumulated depreciation. Cost includes all expenses related to acquisition and installation of the concerned asset.

iii) Impairment of Assets

The carrying amount of assets is reviewed at each balance sheet date to check whether there is any indication of impairment loss. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. At each balance sheet date the management reviews the carrying amount of assets, an impairment loss is charged to the Profit & Loss in the year in which an asset is identified as impaired, and if there is a change in the estimate of the recoverable amount, the loss recognized in the previous year is reversed.

iv) Depreciation

Depreciation is provided using the written down value method, prorata for the number of days used, in the manner specified in Schedule-XIV of the Companies Act, 1956, at the rates prescribed therein or based on the useful life of the assets, whichever is higher, as follows:

Asset Head	Depreciation rate
a) Furniture & Fixtures	18.10%
b) Motor Vehicles	25.89%
c) Office Equipment	13.91%
d) Computer	40.00%
e) Survey Equipments	13.91%

v) Inventories

Consumables, Wires, Cables, stores, spares are valued at cost.

vi) Retirement benefits

The Company's contribution to Provident Fund is provided at actuals.

The Company contends that its employees include the ones deputed from the holding Company- Afcons Infrastructure Limited and other paid workers who, being local workers, Gratuity is not provided for the same.

vii) Earning Per Share

Basic Earning per share is calculated by dividing the net profit or loss for the period attributable to the equity shareholders (after deducting attributable taxes) by the weighted average number of shares outstanding during the period.

viii) Taxation

Tax expense comprises both current tax and deferred tax at the applicable enacted rates. Current tax represents the amount of income-tax payable/recoverable in respect of the taxable income/loss for the reporting period. Deferred Income tax reflects the impact of current years timing difference between taxable and accounting income for the year and reversal of timing difference of earlier years. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable profits will be available against which such deferred tax assets can be realized.

ix) Provisions and Contingencies

A provision is recognized when there is a legal and constructive obligation as a result of a past event, for which a probable cash outflow will be required and a reliable estimate of the amount can be made. Provision is made in the accounts for those contingencies, which are likely to materialize into liabilities after the year-end till the adoption of accounts by the Board of Directors and which have a material effect on the Balance Sheet. Contingent Liabilities, if any, are disclosed by way of notes on accounts. They are disclosed when the company has a possible or a present obligation where it is not probable to reliably estimate the outflow of resources.

x) Work In Progress

Work in Progress includes work commenced during the year but not completed as the year end and is valued at contract rates.

xi) Doubtful debts and advances:

Provision is made in the accounts for debts and advances which in the opinion of the management are considered doubtful for recovery

B. Notes to Accounts

3. Other Expenses include amounts paid / payable to the holding Company as follows:

- a) Rs.36,000 (P.Y.Rs.36,000) towards rent.
- b) Rs.18,000 (P.Y.Rs.18,000) towards establishment expenses
- c) Rs. 6,000 (P.Y. Rs. 6,000) towards communication costs.

4. Balance Confirmation from Debtors and Creditors is not available from any party. Therefore, their balances are subject to confirmation, reconciliation and consequent adjustments, if any.

5. Payment to Auditors:

	31.03.2007	31.03.2006
	Rupees	Rupees
Audit Fees	1,37,750	1,37,750

6. Deferred Taxation

The tax provision for the current year ended March 31, 2007 has been computed in accordance with Accounting Standard 22- " Accounting For Taxes on Income" issued by the Institute of Chartered Accountants of India. Due to this accounting policy the profit for the year is higher by Rs 6,393/-

Break-up of deferred tax assets and liabilities is as follows:

	Year Ended	
	31.03.2007	31.03.2006
Deferred Tax Asset/(Liability) recognized for timing differences due to:	Rs.	Rs.
a. Depreciation	16,854	10,517
Net deferred tax.	16,854	10,517

7. There are no outstanding dues to Small Scale Industrial Undertakings. Further, as the company does not have information as to which of its creditors are registered under the Micro, Small and Medium Enterprises Development Act, 2006, no disclosure as required by the said Act is provided.

8. The Company has only one business segment of survey, monitoring and maintenance, hence information for primary business segment is not given. There is no secondary reportable segment.

9. Related Party Disclosures

1. Holding Company:

- i. AFCONS Infrastructure Limited (Directly)
- ii. Shapoorji Pallonji & Company Limited (Indirectly)

2. Fellow Subsidiary

- a) Afcons (Overseas) Constructions & Investments Private Limited (ceased to be a subsidiary of Afcons Infrastructure Ltd. w.e.f 15.12.2006)
- b) Afcons BOT Constructions Private Limited (ceased to be a subsidiary of Afcons Infrastructure Ltd. w.e.f 15.12.2006)
- c) Cyrus Investments Limited
- d) Hazarat and Company Private Limited
- e) Afcons Dredging & Marine Services Limited (ceased to be a subsidiary of Afcons Infrastructure Limited w.e.f 7.12.2006)
- f) Afcons Arethusa Offshore Services Private Limited
- g) Sterling Investments Corporation Private Limited
- h) Floreat Investments Limited
- i) Shapoorji Pallonji Infrastructure Company Limited

Name of Related Party Where Transactions have taken place during the year:

AFCONS Infrastructures Limited

Details of transactions with related party during the year:

Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
Rent	36,000	36,000
Establishment Expenses	18,000	18,000
Communication Costs	6,000	6,000
Interest on Loan	10,685	33,085
Repayment of Temporary Loan	3,25,614	6,00,000
Outstanding Amount as on March 31, 2007	48,313	1,94,487

Previous year's figures have been regrouped wherever necessary.

Signatures to Schedules 1 to 11

A.H.DIVANJI
Director

S.PARAMASIVAN
Director

R.P.NAGAR
Director

Mumbai,

Dated : 29th June 2007

SSS ELECTRICALS (INDIA) PRIVATE LIMITED

Balance Sheet Abstract and Company's General Business Profile :

I. Registration Details :

Registration No.	36876
State Code	11
Balance Sheet Date	31.03.2007

II. Capital Raised during the year

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds

Total Liabilities

Total Assets

Sources of Funds:

Paid-up Capital	800,000
Reserves & Surplus	8,164,656
Secured Loans	Nil
Unsecured Loans	48,313
Deferred Tax Liability	Nil

Application of Funds:

Net Fixed Assets	2,799,332
Investments	Nil
Deferred Tax Asset	16,854
Net Current Assets	6,196,783
Miscellaneous Expenditure	Nil
Accumulated Losses	Nil

IV. Performance of Company

Turnover	16,061,206
Other Income	97,488
Total Expenditure	15,152,391
Profit/(Loss) before tax	1,006,303
Profit/(Loss) after tax	667,409
Earning Per Share (Rs.)	8.34
Dividend Rate %	NIL

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms) Not Applicable

Signatures to Schedules 1 to 11

For and on Behalf of the Board of Directors

A.H. DIVANJI
DIRECTOR

S.PARAMASIVAN
DIRECTOR

R.P. NAGAR
DIRECTOR

Mumbai,
Dated : 29th June 2007

DIRECTOR' REPORT

To the Members of

AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LTD.

Mumbai

1 Your Directors have pleasure in presenting the Twenty-third Annual Report and the Audited Statement of accounts for the year ended 31st March, 2007.

2 BUSINESS OPERATIONS

- a. During the year under review Company did not generate any Income. However the net loss of the Company was reduced from Rs. 5.25 Lacs to Rs.2.82 Lacs which was mainly attributable to reduction in expenditure during the year.
- b. The contract with Oil and Natural Gas Corporation Limited (ONGC), has expired on September 7, 1997. The Company's obligations under this contract have been discharged as at November 28, 1997 and the Company has not entered into any new contracts during the year ended 31st March 2007.

The Company's holding company Afcons Infrastructure Limited and Diamond Offshore Drilling Inc. U.S.A. (DIAMOND), the holding company of the Company's shareholder Z North Sea Ltd. have confirmed that they will endeavor to ensure that the Company complies with all regulations and continue as a going concern. Further Diamond has also confirmed that they will provide the necessary level of financial support as may be required to meet the Company's liabilities in future as they become due.

3. SECRETARIAL COMPLIANCE CERTIFICATE

According to the provision of Section 383A(1) of the Companies Act, 1956, as amended, the Board of Directors of the Company appointed M/s. Anant B. Khamankar & Co., Company Secretaries for issuance of Secretarial Compliance Certificate. The Certificate received from the Company Secretaries is attached and the same shall be placed before the ensuing Annual General Meeting.

The members are requested to appoint M/s.Anant B. Khamankar & Co., Company Secretaries at the ensuing Annual General Meeting to hold the Office until conclusion of the next Annual General Meeting and authorize the Board to fix his remuneration.

4. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i. that in the preparation of the annual accounts for the year ended 31st March 2007, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgements 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 financial year ended 31st March 2007 and the profit and loss of the Company for the year under review;
- iii. that the Directors had taken proper and sufficient records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company;
- iv. that the Directors had prepared the annual accounts for the financial year ended 31st March, 2007 on a going concern basis.

5. CONSERVATION OF ENERGY, TECHNOLOGY ADOPTION, FOREIGN EXCHANGE EARNING AND OUTGO:

The information in accordance with the provision of section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules 1988, the relative information regarding conservation of energy , technology absorption and foreign exchange earnings and outgo does not apply to the Company.

6. PARTICULARS OF EMPLOYEE

None of the employees of the Company is covered under section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975.

7. DIRECTORS

Mr.William Long and Mr.A.H.Divanji, retire by rotation and being eligible, offers themselves for reappointment

8. AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, the retiring auditors, are eligible for re-appointment. They have expressed their willingness to continue in office and have furnished a certificate of eligibility under section 224(1B) of the Companies Act, 1956.

The members are requested to appoint the Auditor for the financial year 2007-2008 and authorize the Board to fix his remuneration.

For and on behalf of the Board

MARK BAUDOIN
DIRECTOR

A.H.DIVANJI
DIRECTOR

Dated: 29th June 2007

AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED

TO THE MEMBERS,
AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED
'AFCONS HOUSE'
16, Shah Industrial Estate
Veera Desai Road, Azad Nagar P.O.
Andheri [West]
Mumbai : 400 053

We have examined the registers, records, books and papers of Afcons Arethusa Offshore Services Private Limited [the Company] as required to be maintained under the Companies Act, 1956, [the Act] and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2007 [financial year]. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company and its officers, we certify that in respect of the aforesaid financial year :

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company, being a private limited Company, has the minimum prescribed paid up capital and its maximum number of members during the said financial year was 7 (Seven) excluding its present and past employees and the Company during the financial year ;
 - a. has not invited public to subscribe for its shares or debentures; and
 - b. has not invited or accepted any deposits from persons other than its members, directors or their relatives.
4. The Board of directors duly met 5 [five] times respectively on 30th June 2006, 14th July, 2006, 30th August, 2006, 22nd December 2006 and 27th February, 2007 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members or Debenture holders during the financial year.
6. The annual general meeting for the financial year ended on 31st March, 2006 was held on 29th September, 2006 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for that purpose.
7. No extra ordinary meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of directors, members or Central Government, as the case may be.
12. The Company has not issued any duplicate certificates during the financial year.
13. The Company has:
 - i. not allotted / transferred / transmitted any securities during the financial year.
 - ii. not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - iii. not posted warrants to any member of the Company as no dividend was declared during the financial year.
 - iv. duly complied with the requirements of section 217 of the Act.
14. The Board of directors of the Company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
15. The Company has not appointed any managing director / whole-time director / manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and / or such authorities prescribed under the various provisions of the Act.
18. The directors have disclosed their interest in other firms / companies to the Board of directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to divided, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year ended 31st March, 2007.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. There were no prosecutions initiated against or show cause notices received by the Company, during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not deducted any contribution towards Provident Fund during the financial year.

FOR ANANT B.KHAMANKAR & CO.
ANANT B.KHAMANKAR

Place : Mumbai
Date : 29th June 2007

FCS No. : 3198
C.P. No. : 1860

AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED



ANNEXURE 'A' TO THE COMPLIANCE CERTIFICATE OF M/S.AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED FOR THE YEAR ENDED 31ST MARCH, 2007

REGISTERS AS MAINTAINED BY THE COMPANY :

Statutory Registers:

1. Register of Members under Section 150 of the Act.
2. Minute Book of meetings of the Board of directors under Section 193 of the Act.
3. Minute Book of general meetings under Section 193 of the Act.
4. Register of Directors under Section 303 of the Act.
5. Register of Directors shareholdings under Section 307 of the Act.
6. Books of Accounts under Section 209 of the Act.

Other Registers:

1. Share Transfer Register.
2. Register of Director's Attendance.

ANNEXURE 'B' TO THE COMPLIANCE CERTIFICATE OF M/S.AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED FOR THE YEAR ENDED 31ST MARCH, 2007.

FORMS AND RETURNS AS FILED BY THE COMPANY WITH REGISTRAR OF COMPANIES, REGIONAL DIRECTOR, CENTRAL GOVERNMENT OR OTHER AUTHORITIES DURING THE FINANCIAL YEAR ENDED 31ST MARCH, 2007.

DOCUMENTS FILED WITH THE REGISTRAR OF COMPANIES, MAHARASHTRA, MUMBAI

Sr.No.	Form No./ Return	Filed Under Section	For/Purpose	Date of filing	Whether filed within the prescribed time	If delay in filing whether requisite additional fees paid
1.	A/R	159	As per the provisions of the Act.	24.11.2006	Yes	Not Applicable
2.	B/S	220	As per the provisions of the Act.	26.10.2006	Yes	Not Applicable
3.	CCOM	383A(1)	As per the provisions of the Act.	14.11.2006	No	Yes
4.	DIN 3	-	Filed for the following Directors: 1) Mr. P. R. Rajendran 2) Mr.Abhimanyu Divanji	20.03.2007	Yes	Not Applicable

AUDITOR'S REPORT

To, the shareholders

We have audited the attached Balance Sheet of **Afcons Arethusa Off-shore Services Private Limited** as at 31st March, 2007 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 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 purposes of our audit;
 - (ii.) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii.) the Balance sheet, Profit and Loss account and Cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv.) in our opinion, the Balance sheet, Profit and Loss account and 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 written representations received from the directors, as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 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 explanations given to us, the said accounts read with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2007;
 - b. in the case of the profit and loss Account, of the loss for the year ended on that date; and
 - c. in the case of the Cash flow statement, of the cash flows for the year ended on that date.

FOR DELOITTE HASKINS & SELLS.
CHARTERED ACCOUNTANTS

R.LAXMINARAYAN
PARTNER

Membership No.33023
Mumbai,
Dated: 29th June 2007

AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED

Annexure to the Auditor's report

Re: Afcons Arethusa Off-shore Services Private Limited

(referred to in paragraph 1 of our report of even date)

- (i) The requirements of clauses (i), (ii), (iv), (xiii) and (xiv) of paragraph 4 of the Order are not applicable for the year.
- (ii) The Company has not granted or taken any loans to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently, requirements of clauses (iii.a) to (iii.g) of paragraph 4 of the Order are not applicable.
- (iii) In our opinion and according to the information and explanations given to us, there were no contracts or arrangements during the year that need to be entered in the Register maintained in pursuance of section 301 of the Companies Act, 1956. Consequently, the question of commenting on reasonableness of prices does not arise.
- (iv) The Company has not accepted deposits from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, and the Rules framed thereunder. We are informed that no Order has been passed by the Company Law Board or Reserve Bank of India or any Court or any other Tribunal
- (v) *The Company did not have an internal audit system during the year.*
- (vi) In our opinion and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
- (vii) (a) In our opinion and according to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income-tax, Sales-tax, Wealth-tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues with appropriate authorities where applicable. There are no arrears of outstanding dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable;
(b) According to the information and explanations given to us, there are no cases of non-deposit with the appropriate authorities of disputed dues in respect of Income-tax/ Excise duty / Customs duty/ Sales tax / Wealth tax/ Service tax/ and cess on account of any dispute.
- (viii) There are no accumulated losses as at the end of the year. *The Company has incurred cash losses during the current and in the immediately preceding financial year.*
- (ix) The company has not taken loans from financial institutions, banks and has not issued debentures and hence the question of commenting on defaults in repayment of dues does not arise.
- (x) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xi) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xii) The Company has not obtained any term loan during the year and hence the question of commenting on default in application thereof does not arise.
- (xiii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investments.
- (xiv) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xv) There are no debentures issued and outstanding during the year and hence the question of creating security / charge in respect thereof does not arise.
- (xvi) During the year, the Company has not raised money by public issue(s).
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**FOR DELOITTE HASKINS & SELLS,
CHARTERED ACCOUNTANTS**

(R.LAXMINARAYAN)

PARTNER

Membership no. 33023

Mumbai, Dated: 29th June 2007

AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007



As At
31st March 2006
RUPEES

	SCHEDULE	RUPEES	RUPEES
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,000,000	1,000,000
Reserves and surplus			
Surplus in Profit and Loss account		6,428,606	6,711,538
	T O T A L	7,428,606	7,711,538
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances			
Balance with a scheduled bank - in current account		6,295,581	6,627,650
Loans and advances	2	9,971,772	9,971,772
		16,267,353	16,599,422
less, Current liabilities and provisions			
Current liabilities	3	8,838,747	8,887,884
		8,838,747	8,887,884
Net current assets		7,428,606	7,711,538
	T O T A L	7,428,606	7,711,538
Significant accounting policies and notes on accounts	4		

As per our attached report of even date

For and on behalf of the Board of Directors

FOR DELOITTE HASKINS & SELLS,
CHARTERED ACCOUNTANTS

(R.LAXMINARAYAN)
PARTNER
Mumbai, Dated: 29th June 2007

MARK BAUDOIN
DIRECTOR

A.H.DIVANJI
DIRECTOR

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

		RUPEES	PREVIOUS YEAR RUPEES
INCOME			
	T O T A L	-	-
EXPENDITURE			
Payment to auditors		-	-
As auditors		200,000	200,000
For service-tax		24,780	24,480
		224,780	224,480
Legal and professional fees		58,152	287,687
Miscellaneous expenses		-	1,500
Advances Written off		-	11,692
	T O T A L	282,932	525,359
(Loss) for the year		(282,932)	(525,359)
Surplus brought forward from previous year		6,711,538	7,236,897
Surplus carried to Balance sheet		6,428,606	6,711,538
Earnings per share (refer note B1 of schedule 4) Basic/ diluted - Rupees		(2.83)	(5.25)

As per our attached report of even date

For and on behalf of the Board of Directors

Significant accounting policies and notes on account

FOR DELOITTE HASKINS & SELLS,
CHARTERED ACCOUNTANTS

(R.LAXMINARAYAN)
PARTNER
Mumbai,
Dated: 29th June 2007

MARK BAUDOIN
DIRECTOR

A.H.DIVANJI
DIRECTOR

AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

	RUPEES	Previous Year RUPEES
Cash flow from operating activities		
Loss before tax	(282,932)	(525,359)
Operating profit before working capital changes	<u>(282,932)</u>	<u>(525,359)</u>
(Decrease)/Increase in trade payables	(49,137)	(10,478,420)
Net cash (used in) operating activities	<u>(332,069)</u>	<u>(11,003,779)</u>
Net (decrease) in cash and cash equivalents	(332,069)	(11,003,779)
Cash and cash equivalent at the beginning of the year	6,627,650	17,631,429
Cash and cash equivalent at the end of the year	6,295,581	6,627,650

As per our attached report of even date

For and on behalf of the Board of Directors

FOR DELOITTE HASKINS & SELLS,
CHARTERED ACCOUNTANTS

(R.LAXMINARAYAN)
PARTNER

MARK BAUDOIN
DIRECTOR

A.H.DIVANJI
DIRECTOR

Mumbai, Dated: 29th June 2007

Schedules forming part of the accounts

As at 31st
March, 2006
RUPEES

SCHEDULE 1

SHARE CAPITAL

Authorized

10,00,000 equity shares of Rs. 10/- each
Issued, subscribed and paid-up

10,000,000

10,000,000

1,00,000 equity shares of Rs. 10/- each

1,000,000

1,000,000

T O T A L

1,000,000

1,000,000

Note,

Of the above, 60,000 shares are held by Afcons Infrastructure Limited, the holding company and its nominee.

SCHEDULE 2

LOANS AND ADVANCES

(unsecured and considered good)

Advances recoverable in cash or in kind or for
value to be received

9,741,457

9,741,457

Advance payment of tax (net of Provision for tax)

230,315

230,315

T O T A L

9,971,772

9,971,772

SCHEDULE 3

CURRENT LIABILITIES

Sundry creditors

- total outstanding dues to small scale industrial undertakings

-

-

- total outstanding dues to creditors other than small scale
industrial undertakings

8,826,153

8,872,517

Other Liabilities

12,594

15,367

T O T A L

8,838,747

8,887,884

AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED



SCHEDULE 4 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

- Day rate charges for hire of the off-shore drilling rig under the drilling agreement with ONGC Limited are recognized over the period of the agreement. Claims by the Company are recognized upon realization.
- Other revenue (income) is recognized when no significant uncertainty as to determination or realization exists.

Charter hire costs

Charter hire costs comprise day rate charges for the hire of the off-shore drilling rig under the charter hire agreement with Diamond Off-shore Drilling, Inc. (Diamond). Claims by Diamond against the Company are recognized upon realization of corresponding claims by the Company on ONGC Limited.

Taxes on income

Tax expense comprises both current and deferred tax at the applicable enacted/ substantively enacted rates. Current tax represents the amount of income tax payable/ recoverable in respect of the taxable income/ loss for the reporting period. Deferred-tax represents the effect of timing differences between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

Foreign currency transactions

Transactions in foreign currencies are recorded at the average exchange rates prevailing for the month in which the transactions occurred. At the year end, monetary items denominated in foreign currency are reported using the closing rates of exchange. Exchange differences arising thereon and on realization/ payment of foreign exchange are recognized in the relevant year in the Profit and Loss account.

Provisions and Contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

B. NOTES ON ACCOUNTS

1. Earnings per share

Earnings per share (negative) is calculated by dividing the loss attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as under:

	Current year	Previous year
(Loss) attributable to the equity shareholders	(282,932)	(525,359)
Weighted average number of shares outstanding during the year (<i>numbers</i>)	100,000	100,000
Basic / diluted Earnings per share (in Rupees)	(2.83)	(5.25)
Nominal value per share (in Rupees)	10.00	10.00

- The company operates solely in the construction business segment and hence segment wise information required under accounting standard on "Segment Reporting" (AS 17) Issued by the Institute of Chartered Accountants of India is not given.

3. Related Parties

Related party where control exists:

Holding company(s)

Afcons Infrastructure Limited (directly)
Shapoorji Pallonji & Company Limited (the ultimate holding company)

Fellow Subsidiary

Afcons (Overseas) Constructions & Investments Private Limited*
Hazarat & Company Private Limited
Afcons BOT Constructions Private Limited*
SSS Electricals (India) Private Limited
Afcons Dredging & Marine Services Limited#
Sterling Investments Corporation Private Limited
Cyrus Investments Limited
Floreast Investments Limited
*ceased to be fellow subsidiary w.e.f 15-12-2006.
#ceased to be fellow subsidiary w.e.f 7-12-2006.

Name of Related party where transactions have been taken place during the year:
None (Previous year Afcons Infrastructure Limited)

Details of transactions with related party during the year

Particulars of transactions	Rupees
Reimbursement of Expenses	- (1,000)
Outstanding Amount	4,217 (4,217)

Figures in parenthesis are those of the previous year.

AFCONS ARETHUSA OFFSHORE SERVICES PRIVATE LIMITED

4. Expenditure in Foreign Currency:

	(Previous Year)	
	Rupees	Rupees
Professional Fees	51,268	43,080

5. The previous year's figures have been regrouped/ rearranged, wherever necessary, to correspond with those of the current year.

Signatures to schedules 1 to 4

As per our attached report of even date

For and on behalf of the Board of Directors

**FOR DELOITTE HASKINS & SELLS,
CHARTERED ACCOUNTANTS**

**(R.LAXMINARAYAN)
PARTNER**

**MARK BAUDOIN
DIRECTOR**

**A.H.DIVANJI
DIRECTOR**

Mumbai, Dated: 29th June 2007

5. Balance Sheet Abstract and Company's general business profile

Registration details

Registration no.	32807
State code	11
Balance sheet date	31-3-2007

Capital raised during the year

Public issue	Nil
Rights issue	Nil
Bonus issue	Nil
Private placement	Nil

Position of mobilization and deployment of funds

(amounts in Rupees '000s)

Total liabilities	16,267
Total assets	16,267

Sources of funds

Paid-up capital	1,000
Reserves and surplus	6,429
Secured loans	Nil
Unsecured loans	Nil

Application of funds

Net fixed assets	Nil
Investments	Nil
Net current assets	7,429
Miscellaneous expenditure	Nil
Accumulated losses	Nil

Performance of Company

Turnover	Nil
Total expenditure	283
(Loss) before tax	(283)
(Loss) after tax	(283)
Earnings per share	Refer note B2 of schedule 4
Dividend rate %	Nil

Generic names of three principal services of Company

Not applicable

For and on behalf of the Board of Directors

**MARK BAUDOIN
DIRECTOR**

**A.H.DIVANJI
DIRECTOR**

Mumbai, Dated: 29th June 2007