

WEST GUJARAT EXPRESSWAY LIMITED

ANNUAL REPORT

2010-11

DIRECTORS' REPORT

The Shareholders

WEST GUJARAT EXPRESSWAY LIMITED

Your Directors have pleasure in presenting the Sixth Annual Report along with the Audited Statements of Accounts for the financial year ended March 31, 2011

FINANCIAL RESULTS

The financial results of the Company are as under:

	(Amount in ₹)	
	Year ended March 31, 2011	Year ended March 31, 2010
Total Income	348,974,786	387,132,210
Total Expenses	539,695,742	553,191,319
Profit/(Loss) Before Tax	(190,720,956)	(166,059,109)
Less: Provision for Tax (written back)	35,222	-
Net Profit/(Loss) After Tax	(190,685,734)	(166,059,109)
Balance carried forward	(396,860,018)	(206,174,284)

DIVIDEND:

Due to inadequacy of profits, your Directors have not recommended any dividend for the year under review

OPERATIONS:

Your Company continued to maintain the Jetpur- Gondal- Rajkot road section and Rajkot Bypass project road to quality standards and in accordance with the contractual requirements

REDEMPTION OF NON – CONVERTIBLE DEBENTURES:

The Company had issued 360 Unsecured Subordinate Non-Convertible Debentures (NCDs) with a face value of ₹ 10,00,000 each to Infrastructure Leasing & Financial Services Limited (IL&FS), on April 30, 2007. Out of the aforesaid NCDs your Company has redeemed 36 NCDs of ₹ 10,00,000 each (first installment) to IL&FS on March 31, 2011

DIRECTORS:

During the year under review, Mr R C Bawa and Mr M K Mohan resigned as Directors of the Company with effect from June 14, 2010 and February 8, 2011, respectively. The Directors

placed on record their sincere appreciation for the valuable guidance and support rendered by them

Mr Pradeep Puri, Director of the Company is liable to retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible offers himself for re-appointment. Your Directors recommend his re-appointment

AUDITORS:

M/s A F Ferguson & Co., Chartered Accountants, Statutory Auditors, retires at the ensuing Annual General Meeting and have expressed their willingness to continue as Statutory Auditors, if re-appointed

DEPOSITS:

Your Company has not accepted any Fixed Deposits during the year under review

CORPORATE GOVERNANCE:

Four Board Meetings were held during the year under review on May 10, 2010, July 23, 2010, October 26, 2010 and January 24, 2011. The numbers of meetings attended by the Directors are as under:

Sr. No.	Name of Directors	No. of Board Meetings held during tenure	Meetings attended
1	Mr. Pradeep Puri	4	0
2	Mr. R C Bawa (upto June 14, 2010)	1	1
3	Mr. Cherian George	4	4
4	Mr. Avinash Bagul	4	4
5	Mr. M K Mohan (upto February 8, 2011)	4	3
6	Mr Harish Mathur	4	4

The Audit Committee has been constituted by the Company for observing good corporate governance and has focused attention on the affairs of the Company

The Audit Committee is comprised of Mr Pradeep Puri, Mr Cherian George and Mr Harish Mathur. The Audit Committee met four times during the year under review on May 10, 2010, July 23, 2010, October 26, 2010 and January 24, 2011

PARTICULARS OF EMPLOYEES:

There was no employee in respect of whom the statement is required to be prepared pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 ("the Act") the Directors based on the representations received from the Operating Management, confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Loss of the Company for that period;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis

FOREIGN EXCHANGE EARNINGS AND OUTGO:

There was no earning or outgo of foreign exchange during the year under review.

Since your Company does not have any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable

ACKNOWLEDGMENTS:

The Directors place on record their appreciation for the continued support and co-operation received from various Government Authorities including National Highway Authority of India and other Regulatory Authorities, Banks, Financial Institutions and Shareholders of the Company

By the order of the Board



(Chairman)

Date : April 15, 2011
Place : Mumbai

A. F. Ferguson & Co.

Chartered Accountants
12, Dr. Annie Besant Road
Opp. Shiv Sagar Estate
Worli, Mumbai - 400 018
India

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AUDITORS' REPORT TO THE MEMBERS OF WEST GUJARAT EXPRESSWAY LIMITED

1. We have audited the attached Balance Sheet of **WEST GUJARAT EXPRESSWAY LIMITED** ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 misstatements. 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 the significant estimates made by the 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 (CARO) 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.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

2

A. F. Ferguson & Co.

- (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For A.F.FERGUSON & CO.
Chartered Accountants
(Registration No. 112066W)



U.M. Neogi
Partner
(Membership No. 30235)

MUMBAI, April 5, 2011

2

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the activities of the Company and the nature of the business of the Company, clauses 4(i)(c), 4(ii), 4(iii), 4(v), 4(vi), 4(viii), 4(xii), 4(xiii), 4(xiv), 4(xv), 4(xvi), 4(xviii), 4(xix) and 4(xx) of paragraph 4 of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (iii) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for purchase of fixed assets and for the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (iv) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (v) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has been regular in depositing undisputed dues, including Tax Deducted at Source, Tax Collected at Source, and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts in respect of the material statutory dues referred to above in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.

22

A. F. Ferguson & Co.

- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2011 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved
The Income Tax Act, 1961	Income Tax (Tax/Interest)	Income Tax Appellate Tribunal	A.Y. 2007-08	2,342,963
The Income Tax Act, 1961	Income Tax (Tax/Interest)	Commissioner of Income-tax (Appeals)	A.Y. 2008-09	8,498,010

- (vi) The accumulated losses of the Company at the end of the financial year are more than fifty percent of its net worth, however the Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (vii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to a bank and debenture holders.
- (viii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that the funds raised on Short Term basis aggregating Rs. 306,549,644/- have been used during the year for long term investment.
- (ix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **A.F.FERGUSON & CO.**
Chartered Accountants
(Registration No.112066W)



U.M. Neogi
Partner
(Membership No. 30235)


MUMBAI, April 5, 2011

WEST GUJARAT EXPRESSWAY LIMITED

BALANCE SHEET AS AT MARCH 31, 2011

	Schedule	AS AT 31-Mar-11 Rupees	AS AT 31-Mar-11 Rupees	AS AT 31-Mar-10 Rupees	AS AT 31-Mar-10 Rupees
I. SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	A	400,000,000		400,000,000	
Reserves and Surplus	B	182,000,000		182,000,000	
			582,000,000		582,000,000
LOAN FUNDS					
(a) Secured Loans	C	1,345,993,000		1,578,833,000	
(b) Unsecured Loans	D	526,500,000		395,000,000	
			1,872,493,000		1,973,833,000
DEFERRED TAX					
Deferred Tax Liability		154,854,578		136,723,507	
Less: Deferred Tax Assets		154,854,578	-	136,723,507	-
(Refer Note 9 of Schedule K to the accounts)					
TOTAL			2,454,493,000		2,555,833,000
II. APPLICATION OF FUNDS					
FIXED ASSETS					
(a) Gross Block	E	2,773,001,489		2,765,941,893	
(b) Less: Depreciation		611,559,453		417,729,725	
(c) Net Block			2,161,442,036		2,348,212,168
CURRENT ASSETS, LOANS AND ADVANCES					
(a) Sundry Debtors	F	1,838,143		2,208,866	
(b) Cash and Bank balances		195,506,275		193,574,846	
(c) Other Current Assets		3,916,744		4,452,769	
(d) Loans and advances		29,084,245		56,894,071	
			230,345,407		257,130,552
LESS: CURRENT LIABILITIES AND PROVISIONS					
(a) Current Liabilities	G	334,154,461		258,301,535	
(b) Provisions		-		50,000	
			334,154,461		258,351,535
NET CURRENT ASSETS			(103,809,054)		(1,220,983)
MISCELLANEOUS EXPENDITURE					
(To the extent not written off or adjusted)					
Preliminary Expenses		-		74,331	
Share issue related expenses		-		2,593,200	
(Refer Note 13 of Schedule K to the accounts)					
					2,667,531
Debit Balance in Profit and Loss Account			396,860,018		206,174,284
TOTAL			2,454,493,000		2,555,833,000

Notes to the Accounts

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In terms of our report attached

For and on behalf of the Board

For A. F. Ferguson & Co.
Chartered Accountants

E. M. Neogi *C. George*

Director

Director

U. M. Neogi
Partner
Membership No. 30235

Khushboo

Company Secretary

Mumbai :

Mumbai :

Dated : *April 15, 2011*

Dated : *April 15, 2011*

21

WEST GUJARAT EXPRESSWAY LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	Schedule	For the Year ended 31-Mar-11 Rupees	For the Year ended 31-Mar-10 Rupees
INCOME			
Toll Revenue		337,387,681	311,693,427
Other Income	H	11,587,105	75,438,783
Total Revenue		348,974,786	387,132,210
EXPENSES			
Routine and Maintenance Charges		24,333,060	24,200,472
Toll Operation Charges		45,626,914	43,872,048
Administrative and General Expenses	I	25,459,292	32,670,633
Depreciation on Fixed Assets	E	193,829,728	193,435,141
Interest and Finance Charges	J	247,779,217	258,123,848
Preliminary Expenses / Share issue expenses written off / amortised (Refer Note 13 of Schedule K to the accounts)		2,667,531	889,177
Total Expenses		539,695,742	553,191,319
Loss before tax		(190,720,956)	(166,059,109)
Provision for Taxation			
Current Tax		-	-
Deferred Tax		-	-
Excess Provision for Fringe Benefit Tax for the an earlier year written back		35,222	-
Loss after tax		(190,685,734)	(166,059,109)
Balance Brought Forward		(206,174,284)	(40,115,175)
Balance loss carried forward to the balance sheet		(396,860,018)	(206,174,284)

	₹	₹
Earnings per share (Basic and Diluted)	(9.77)	(8.54)
Nominal value of share (Note 8 of Schedule K to the accounts)	10.00	10.00

Notes to the Accounts

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In terms of our report attached

For and on behalf of the Board

For A . F. Ferguson & Co.
Chartered Accountants


Director

Director

U. M. Neogi
Partner
Membership No. 30235


Company Secretary

Mumbai :
Dated : April 15, 2011

Mumbai :
Dated : April 15, 2011

2

WEST GUJARAT EXPRESSWAY LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Amount in Rupees)

	31-MAR-11		31-MAR-10	
CASH FLOW FROM OPERATING ACTIVITIES				
Net Loss for the period before tax		(190,720,956)		(166,059,109)
Adjustment for :				
Depreciation	193,829,728		193,435,141	
Interest and Other Finance Charges	244,378,329		257,928,190	
Preliminary Expenses / Share issue expenses written off / amortised	2,667,531		889,177	
Interest income	(11,408,384)		(12,531,115)	
Operating profit before changes in working capital		429,467,204		439,721,393
		238,746,248		273,662,284
Adjustment for changes in Working Capital :				
Decrease in Trade and other receivables		29,690,346		121,474,731
Increase in Current Liabilities and Provisions		79,686,468		24,483,347
Cash generated from operations		348,123,062		419,620,362
Income tax paid (Net of refund)		(1,103,757)		327,034
Net cash from operating activities (A)		347,019,305		419,947,396
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets (after adjustments of increase/decrease in Creditors for Capital Expenditure)	(8,117,493)		(66,351,470)	
Interest Received	11,573,591		14,436,699	
Net cash used in investing activities (B)		3,456,098		(51,914,771)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Short Term Borrowings from Others	202,500,000		-	
Repayment of Short Term Borrowings from Others	(35,000,000)		-	
Repayment of Long Term Borrowings from Banks	(232,840,000)		(83,160,000)	
Redemption / Repayment of Non-convertible Debentures	(36,000,000)		-	
Interest and Other Finance Charges paid	(247,203,974)		(274,170,264)	
Net cash used in financing activities (C)		(348,543,974)		(357,330,264)
Net change in cash and cash equivalents (A+B+C)		1,931,429		10,702,361
Cash or cash equivalents (Opening balance) (Note 2)		193,574,846		182,872,485
Cash or cash equivalents (Closing balance) (Note 2)		195,506,275		193,574,846
Net change in cash and cash equivalents		1,931,429		10,702,361

Notes :

1. Interest on refund of income tax / fringe benefit tax ₹ 370,818/- adjusted against the income tax demand, being a non cash item not included above.

2. Cash and Cash equivalents comprise of :

Amount in Rupees

31-MAR-11 31-MAR-10

Cash on hand	1,525	21,639
With scheduled banks on :		
Current accounts	13,803,211	13,819,358
Deposit accounts (Refer Foot note below)	181,701,539	179,733,849
	<u>195,506,275</u>	<u>193,574,846</u>

Footnote:

Excludes ₹ 17,800,040/- [Previous year ₹ 16,020,000/-] referred to in Note 12 of Schedule K

3. Previous year figures have been regrouped wherever necessary to conform to the current year classifications.

In terms of our report attached

For A. F. Ferguson & Co.
Chartered Accountants

U.M.Neogi
Partner
Membership No. 30235

Mumbai :
Dated : April 15, 2011

For and on behalf of the Board


Director


Director


Company Secretary

Mumbai :
Dated : April 15, 2011

WEST GUJARAT EXPRESSWAY LIMITED

Schedules forming Part of the Accounts

SCHEDULE A : SHARE CAPITAL

	As at 31-Mar-11 Rupees	As at 31-Mar-10 Rupees
Authorised :		
20,000,000 Equity Shares of ₹ 10/- each	200,000,000	200,000,000
20,000,000 Redeemable Optionally Convertible Cumulative Participating Preference Shares of ₹ 10/- each	200,000,000	200,000,000
	400,000,000	400,000,000
Issued, Subscribed and Paid - up :		
20,000,000 Equity Shares of ₹ 10/- each fully paid up (Note 1)	200,000,000	200,000,000
20,000,000, 2 % Redeemable Optionally Convertible Cumulative Participating Preference Shares of ₹ 10/- each (Note 2)	200,000,000	200,000,000
Total	400,000,000	400,000,000
Notes:		
1) Of the above 10,200,000 shares are held by Infrastructure Leasing & Financial Services Limited, holding company and 9,800,000 shares are held by IL&FS Transportation Networks Limited, holding company by virtue of the right to control the composition of the board of directors w.e.f. June 10, 2009.		
2) Each preference share shall be convertible at par at the option of the Investors or the registered holder of such Preference shares into one fully paid Equity Share of the Company on September 22, 2025 or, after obtaining permission of National Highways Authority of India ("NHAI") to change the shareholding structure of the Company, whichever is earlier. The Preference shares if not converted as stated above, shall be redeemable at par in a single tranche on September 22, 2025.		

SCHEDULE B : RESERVES AND SURPLUS

	As at 31-Mar-11 Rupees	As at 31-Mar-10 Rupees
Capital Reserve:		
Grant from National Highways Authority of India	180,000,000	180,000,000
Debenture Redemption Reserve (Refer Note 11 of Schedule K to the accounts)	2,000,000	2,000,000
Total	182,000,000	182,000,000

20

4

27

WEST GUJARAT EXPRESSWAY LIMITED

Schedules forming Part of the Accounts

SCHEDULE C : SECURED LOANS

	As at 31-Mar-11 Rupees	As at 31-Mar-10 Rupees
<p>- From Banks (Secured by hypothecation of:</p> <p>(i) All tangible and intangible moveable assets, both present and future and all right, title, interest, property, claims and demands whatsoever unto and upon the same</p> <p>(ii) All right, title, interest, benefits, claims and demands whatsoever in respect of all moneys including Fees (toll collections), insurance proceeds under Insurance Contracts, Termination payments and investments lying to the credit of or liable to be credited to their Escrow account and other accounts including balances in Debt Service Reserve together with interest thereon</p> <p>(iii) All rights, title and interest pursuant to and in accordance with the Substitution Agreement providing for step in rights of the lenders in accordance with the Concession Agreement)</p>	1,345,993,000	1,578,833,000
Total	1,345,993,000	1,578,833,000

SCHEDULE D : UNSECURED LOANS

	As at 31-Mar-11 Rupees	As at 31-Mar-10 Rupees
<p>- Debentures:</p> <p>324 (Previous year 360) , 12.5% Sub-ordinate Non-convertible Debentures of ₹ 1,000,000/- each</p> <p>(These shall be redeemed / repaid as under:</p> <p>a) The first installment of redemption/ repayment of ₹ 36,000,000 repaid on 31st March 2011.</p> <p>b) Balance outstanding Sub-ordinate Non- Convertible Debentures of ₹ 324,000,000 shall be repaid in 36 equated quarterly installments of ₹ 9,000,000 each with the first quarterly repayment installment comencing on 30th June 2011.)</p>	324,000,000	360,000,000
<p>- Short Term from Others: H. & FS Transportation Networks Limited</p>	202,500,000	35,000,000
Total	526,500,000	395,000,000

201.

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21

WEST GUJARAT EXPRESSWAY LIMITED

Schedules forming Part of the Accounts

Schedule E : FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01-Apr-10	Additions	Deductions	As at 31-03-2011	For the year	Deductions	As at 31-03-2011	As at 31-Mar-10
Road	2,752,783,630	6,236,040	-	2,759,019,670	192,925,287	-	2,155,634,218	2,342,323,465
Office Premises	2,947,555	-	-	2,947,555	48,046	-	2,678,787	2,726,833
Computers	868,610	-	-	868,610	80,313	-	78,989	159,302
Furniture & Fixtures	1,610,311	-	-	1,610,311	115,527	-	522,737	638,264
Office Equipment	1,493,074	-	-	1,493,074	110,611	-	684,592	795,203
Vehicles	6,238,713	823,556	-	7,062,269	549,944	-	1,842,713	1,569,101
Grand Total	2,765,941,893	7,059,596	-	2,773,001,489	193,829,728	-	2,161,442,036	
Previous Year	2,758,508,439	7,512,237	78,783	2,765,941,893	193,435,141	38,216	417,729,725	2,348,212,168





WEST GUJARAT EXPRESSWAY LIMITED

Schedules forming Part of the Accounts

SCHEDULE F : CURRENT ASSETS AND LOANS AND ADVANCES

	As at 31-Mar-11 Rupees	As at 31-Mar-10 Rupees
(A) Sundry Debtors (Unsecured, Considered Good)		
Debts outstanding for a period more than six months	-	-
Other Debts	1,838,143	2,208,866
	1,838,143	2,208,866
(B) Cash and Bank Balances		
(a) Cash on hand	1,525	21,639
	1,525	21,639
(b) Balances with Scheduled Banks :		
- In Current Accounts	13,803,211	13,819,358
- In Deposit Account	181,701,539	179,733,849
[excludes ₹ 17,800,040/- (Previous year ended March 31, 2010 ₹ 16,020,000/-) referred to in Note 10 of Schedule K]		
	195,504,750	193,553,207
	195,506,275	193,574,846
(C) Other Current Assets		
Interest Receivable	3,916,744	4,452,769
	3,916,744	4,452,769
(D) Loans and Advances : (Unsecured, Considered Good)		
(a) Advances recoverable in cash or in kind or for value to be received	16,948,875	16,659,878
(b) Security Deposits	910,715	519,335
(c) Operation and Maintenance Grant Receivable from NHAI	-	30,000,000
(d) Income Tax Payments less provisions	11,141,655	9,531,858
(e) FBT Payments less provisions	83,000	183,000
	29,084,245	56,894,071

SCHEDULE G : CURRENT LIABILITIES AND PROVISIONS

	As at 31-Mar-11 Rupees	As at 31-Mar-10 Rupees
(A) Current Liabilities : (Refer Note 3 of Schedule K to the accounts)		
(a) Total outstanding dues of Micro and Small Enterprises	-	-
(b) Total outstanding dues of sundry creditors other than (a) above	327,213,942	248,381,842
(c) Other Liabilities	3,040,837	3,194,366
(d) Interest Accrued but not due	3,899,682	6,725,327
	334,154,461	258,301,535
(B) Provisions:		
(a) Provision for Wealth Tax	-	50,000
	-	50,000

22

4

29

WEST GUJARAT EXPRESSWAY LIMITED

Schedule forming part of Profit and Loss account

SCHEDULE H : OTHER INCOME

	For the Year ended 31-Mar-11 Rupees	For the Year ended 31-Mar-10 Rupees
Operation and Maintenance Grant from NHAI (Refer Note 2(v)(ii) of Schedule K)	-	60,000,000
Interest on Bank Deposits (Tax Deducted at Source ₹ 1,103,757/- Previous year ₹ 2,117,865/-)	11,037,566	12,531,115
Insurance claim	108,721	2,867,668
Interest on income tax / fringe benefit tax refund	370,818	-
Miscellaneous Income	70,000	40,000
	11,587,105	75,438,783

SCHEDULE I : ADMINSTRATIVE AND GENERAL EXPENSES

	For the Year ended 31-Mar-11 Rupees	For the Year ended 31-Mar-11 Rupees	For the Year ended 31-Mar-10 Rupees	For the Year ended 31-Mar-10 Rupees
Staff welfare expenses		8,221		40,113
Deputed Staff Salaries		2,267,702		7,409,041
Director Sitting Fees		80,000		100,000
Electricity and Water Charges		48,019		34,131
Insurance Premium		11,030,000		11,030,000
Auditors' Remuneration (including service tax)				
Audit Fees	551,500		551,500	
Tax Audit Fees	110,300		110,300	
For Other Services (Certification work, etc.)	1,047,850		1,930,250	
Out of Pocket Expenses	18,251		23,401	
Internal Audit Fees		1,727,901		2,615,451
Security Charges		110,300		110,300
Repairs and Maintenance - Road		256,870		850,657
Rates and Taxes		974,363		1,145,569
Vehicle Operation Charges		82,650		88,173
Communication Expenses		445,571		674,583
Travelling and Conveyance		64,719		61,337
Legal and Professional Fees		51,442		118,361
Miscellaneous Expenses		7,483,591		7,448,056
		827,943		944,861
		25,459,292		32,670,633

SCHEDULE J : INTEREST AND FINANCE CHARGES

	For the Year ended 31-Mar-11 Rupees	For the Year ended 31-Mar-10 Rupees
Interest on loans for Fixed Period	244,378,329	257,928,190
Bank and Other Finance Charges	3,400,888	195,658
	247,779,217	258,123,848

West Gujarat Expressway Limited

Schedule K : Notes to the Accounts

1. Nature of Operations

The Company is a Special Purpose Vehicle promoted by Infrastructure Leasing & Financial Services Limited. The Company has entered into a Concession Agreement (CA) with the National Highways Authority of India on March 22, 2005. Under the terms of CA, the Company has obtained a concession to develop, design, engineer, finance, procure, construct, operate, and maintain the Jetpur-Gondal-Rajkot Project (the Project Highway) for a period of 20 years ending on September 17, 2025. The CA permits the Company to levy, demand, collect and appropriate the Fees from vehicles and persons liable to payment of Fees for using the Project Highway or any part thereof over the period of the CA referred to above.

2. Significant Accounting Policies:

(I) Basis of Accounting:

The Financial Statements have been prepared under the historical cost convention in accordance with the Accounting Standards specified in The Companies (Accounting Standard) Rules, 2006 notified by the Central Government in terms of Section 211(3C) of the Companies Act, 1956. The Company follows the accrual basis of accounting.

(II) Fixed Assets and Depreciation :

- (a) Fixed assets (including Roads) are stated at cost less accumulated depreciation. The Company capitalises all costs relating to acquisition and installation of fixed assets. Expenses incurred on the Jetpur-Gondal-Rajkot Road include direct and attributable/allocated indirect expenses incurred including for procurement of land / cost of construction of toll plazas, bridges, culverts, equipment and other related expenses incurred prior to the commissioning of the project. Estimated value of components removed or not reused are reduced from the gross block and the cost of overlay and renewal expenses incurred to increase serviceability and throughput or which are in the nature of preservation costs and which extend the original useful life of the road are capitalised on a component basis. Assessment of indication of impairment of an asset is made at the year end and impairment loss, if any, is recognised.

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(b) **Depreciation:**

Depreciation is provided on the straight line method on computers over the management's estimate of its useful life of 4 years and on office premises at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

All categories of assets costing less than ₹ 5,000 each, mobile phones and items of soft furnishing are depreciated fully in the year of capitalization.

Depreciation on the components of the Jetpur-Gondal-Rajkot Road is charged to the Profit & Loss Account on a straight-line basis over the period over which the respective component is expected to be overlaid or renewed (5 years). Depreciation on the remaining cost of the Road is provided from the date of commencement of commercial operation over the remaining concession period ending on September 17, 2025.

Depreciation on fixed assets, other than those specified above, has been provided on the Written Down Value method using the rates and the manner specified in Schedule XIV to the Companies Act, 1956

(III) **Borrowing Cost:**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance charges in the income statement in the period in which they are incurred.

(IV) **Revenue recognition**

Toll Revenue is recognised on collections, which coincides with the usage of the toll roads. Where the toll collection activity is auctioned, the toll revenue is recognized on accrual basis. Interest Income is recognised on a time proportion basis.

(V) **Grant:**

- (i) Grant received as Equity Support from the National Highway Authority of India under the CA referred to in Note 1 above is treated as Capital Reserve.
- (ii) Grant receivable as Operation and Maintenance Support from National Highways Authority of India under the CA referred to in Note 1 above is accounted in the period to which it relates in terms of the CA.
- (iii) Grant payable by the Company to National Highways Authority of India in terms of the CA during the 'Operations Period' of the CA will be accounted in the period for which it is payable in the terms of the CA.

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(VI) Foreign Currency Transactions :

Foreign Currency transactions during the year are recorded at the rate of exchange prevailing at the date of transaction. All foreign currency monetary items outstanding at the year end are translated at the year end exchange rates. Exchange gains or losses realised and arising due to translation of monetary items outstanding as at the year end are accounted for in the Profit and Loss Account. In respect of transactions covered by forward exchange contracts, premium or discounts are amortised as expense or income over the life of the contracts. Exchange differences on such forward contracts are recognised in the profit and loss account in the year in which the exchange rate changes. Profit or loss arising on cancellation or renewal of such a forward exchange contracts are recognised as income or expense for the year.

(VII) Employee Benefits:

Employee Benefits are dealt with in the following manner:

- (i) Contributions for Provident and Family Pension Fund are made to the recognized fund and charged to the Profit and Loss Account.
- (ii) a) In respect of post employment defined benefit plans, the liability is ascertained and accounted for based on independent actuarial valuation done by an independent actuary as at the end of the year
b) Provision for Compensatory absence is made based on independent actuarial valuation as at the end of the year.
c) Actuarial gains and losses determined by the actuary in respect of (ii)(a) and (ii)(b) above are recognized immediately in the Profit and Loss Account as income or expense

(VIII) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

The tax effect of the timing differences between taxable income and accounting income which are capable of reversal in one or more subsequent periods are recorded as deferred tax asset subject to the consideration of prudence or deferred tax liability. Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses only to the extent that there are timing differences, the reversal of which will result in sufficient income or there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liability are measured using the substantively enacted tax rates and tax regulations as of the Balance Sheet date.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

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3. There is no supplier covered under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). This information and that given in Schedule G (A) "Current Liabilities" has been determined based on the details regarding the status of the suppliers obtained by the Company. This has been relied upon by the auditors.

4. (a) **Capital Commitment**

Estimated amount of contracts remaining to be executed on capital amount and not provided for (net of capital advances): Rs. Nil;
Previous Year Ended March 31, 2010: ₹ Nil.

(b) **Contingent Liabilities**

(I) Arrears of dividend on 2% Redeemable Optionally Convertible Cumulative Participating preference shares including dividend tax thereon: ₹ 17,465,129/-; Previous Year Ended March 31, 2010: ₹ 12,901,415/-.

(II) Claims against the Company not acknowledge as debts:

* In respect of Income tax matters:

(I) Demand for Assessment Year 2007-08 (including interest) after considering the order giving effect to CIT(A) order for which Company's appeal is pending with appellate authority ₹ 3,581,216/-; Previous Year Ended March 31, 2010 ₹ 7,285,931/- .

(II) Demand for Assessment Year 2008-09 (including interest) for which the Company's appeal is pending with appellate authority ₹ 9,665,266/-; Previous Year Ended March 31, 2010 ₹ Nil.

* Future ultimate outflow of resources embodying economic benefits in respect of these matters is uncertain as it depends on final outcome of judgments / decisions on the matters involved

5. **Directors' Remuneration**

The Directors have been paid sitting fees for the Board and Committee meetings attended by them. Further, no remuneration has been paid by the Company to the Manager appointed under section 269 of the Companies Act, 1956.

6. **Segment Reporting**

The Company is engaged in the business detailed in Note 1 above and thus operates in a single business segment. Also it operates in a single geographical segment. In the absence of separate reportable business or geographical segments, the disclosures required under Accounting Standard (AS)-17 on "Segment Reporting" specified by the Central Government are not applicable.

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7. Related Party disclosures as required under AS-18:

Related Party disclosures in accordance with the Accounting Standard 18 – “Related Party Disclosure” specified by the Central Government are given below:

I. Name and nature of relationship of the Related Parties where Control exists:

Holding company:

Infrastructure Leasing & Financial Services Limited (Holds more than half of the paid up equity capital)

IL&FS Transportation Networks Limited (w.e.f June 10, 2009 by virtue of the right to control the composition of the board of directors)

II. Related Party with whom transactions have taken place:

March 31, 2011	March 31, 2010
<p><u>Holding Company</u> Infrastructure Leasing & Financial Services Limited (IL&FS) IL&FS Transportation Networks Limited (ITNL)</p> <p><u>Fellow subsidiary companies</u> IL&FS Trust Company Limited (ITCL) Gujarat Road And Infrastructure Company Limited (GRICL)</p>	<p><u>Holding Company</u> Infrastructure Leasing & Financial Services Limited (IL&FS) IL&FS Transportation Networks Limited (ITNL) (w.e.f June 10, 2009)</p> <p><u>Fellow subsidiary companies</u> IL&FS Trust Company Limited (ITCL) Gujarat Road And Infrastructure Company Limited (GRICL)</p> <p><u>Party having significant influence</u> IL&FS Transportation Networks Limited (ITNL) (upto June 9, 2009)</p>

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III. Transactions with Related Party :

(Amount in ₹)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Party having significant influence	Total
Toll Operation Charges (ITNL)	45,626,914 (35,481,219)		- (8,390,829)	45,626,914 (43,872,048)
Routine Maintenance Charges (ITNL)	24,333,060 (19,418,329)		- (4,782,143)	24,333,060 (24,200,472)
Insurance Charges (ITNL)	11,030,000 (8,920,437)		- (2,109,563)	11,030,000 (11,030,000)
Independent Auditors & Engineer Fees (ITNL)	6,618,000 (5,352,262)		- (1,265,738)	6,618,000 (6,618,000)
Short Term Loan Taken (ITNL)	202,500,000 (-)			202,500,000 (-)
Refund of Short Term Loan Taken (ITNL)	35,000,000 (-)			35,000,000 (-)
Security Trusteeship Fees (ITCL)		110,300 (110,300)		110,300 (110,300)
Redemption of NCD (IL&FS)	36,000,000 (-)			36,000,000 (-)
Interest Expenses on NCD (IL&FS)	45,000,001 (45,000,001)			45,000,001 (45,000,001)
Interest On Short Term Loan (ITNL)	9,179,280 (3,960,274)		- (939,726)	9,179,280 (4,900,000)
Salary of staff deputed by the related party (ITNL)	2,267,702 (6,246,047)		- (1,162,994)	2,267,702 (7,409,041)
Payments made by related party on behalf of the Company - GRICL - ITNL	 14,794 (2,560,449)	 130,478 (66,765)		 130,478 (66,765) 14,794 (2,560,449)
Credit note in respect of expenses reimbursed in an earlier year (IL&FS)	223 (-)			223 (-)

Notes:

- Short term loan of ₹ 35,000,000/- taken from ITNL in an earlier year had been extended for a further period of six months on 21st August, 2009 and 21st February, 2010
- Figures in Brackets represent figures for the year ended March 31, 2010.

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IV. Balances outstanding as at March 31, 2011

			(Amount in ₹)
	Holding Company	Fellow subsidiaries	Total
Loan taken			
- IL&FS	324,000,000 (360,000,000)		324,000,000 (360,000,000)
-ITNL	202,500,000 (35,000,000)		202,500,000 (35,000,000)
Preference Share Capital			
-ITNL	200,000,000 (200,000,000)		200,000,000 (200,000,000)
Creditors			
- ITNL *	298,426,563 (220,433,868)		298,426,563 (220,433,868)
-GRICL		- (48,015)	- (48,015)
Receivable			
-IL&FS	223 (-)		223 (-)

Notes:

- (1) * Includes interest accrued but not due of ₹ 3,899,682/- (March 31, 2010; ₹ 6,725,327/-)
- (2) Figures in Brackets represent figures as at March 31, 2010.

V. No amounts have been written off / provided for or written back in respect of amounts receivable from or payable to the related party.

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8. Earnings Per Share (EPS)

Earnings per share as disclosed in the Profit and Loss account is computed based on the following figures:

	Unit	Year ended March 31, 2011	Year ended March 31, 2010
Loss after tax as per Profit and Loss Account	₹	(190,685,734)	(166,059,109)
Less: Preference Dividend on 2% Redeemable Optionally Convertible Cumulative Participating Preference Shares (including tax on distributed profits ₹ 648,900 ; previous year ₹ 679,800)	₹	4,648,900	4,679,800
Loss after tax attributed to equity shareholders	₹	(195,334,634)	(170,738,909)
Weighted average number of equity shares of ₹ 10 each outstanding as at the year end	Nos.	20,000,000	20,000,000
Nominal value of share	₹	10/-	10/-
Earning per share (Basic and diluted)	₹	(9.77)	(8.54)

Note: Potential Equity Shares are anti-dilutive as the conversion of Redeemable Optionally Convertible Cumulative Participating Preference Shares to Equity Shares would decrease loss per share. Accordingly the effect of anti-dilutive potential Equity Shares is ignored in calculation of Diluted Earning per Share.

< 9. The Component of Deferred tax Liability and Deferred Tax Assets are as under:-

		Year Ended March 31, 2011 ₹	Year Ended March 31, 2010 ₹
<u>Deferred Tax Liability</u>			
Depreciation		154,854,578	136,723,507
Total Deferred Tax Liability (Gross)	(A)	154,854,578	136,723,507
<u>Deferred Tax Assets</u>			
Unabsorbed Depreciation (Refer Note below)		154,854,578	136,723,507
Total Deferred Tax Assets (Gross)	(B)	154,854,578	136,723,507
Closing Deferred Tax (Liability) / Assets (Net)	(A-B)	-	-

Note : In the absence of virtual certainty regarding availability of sufficient future taxable income, the recognition of Deferred Tax Assets on carry forward of unabsorbed depreciation is restricted to the amount of closing Deferred Tax Liability.

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10. The company has not taken any derivative instrument during the year and there is no derivative instrument outstanding as at the year end. Further, at the year end there is no outstanding foreign currency exposure in respect of receivables and payables.

11. Debenture Redemption Reserve

In terms of Section 117C of the Companies Act, 1956 the Company being an Infrastructure Company is required to create Debenture Redemption Reserve to the extent of 25% of the value of privately placed Debentures until such debentures are redeemed, to which amount shall be credited from out of its profits every year. Since the Company has not made profit for the year no amount has been transferred to Debenture Redemption Reserve.

12. During the year, on completion of the period of agreement entered into in the previous year for toll collection, the Company invited bids from interested toll contractors and accordingly, auctioned/awarded the toll collection activities for the entire project toll road to the highest price bidder (the Agent) from February 16, 2011 under an agreement for a period of one year. Under the arrangement, the Company is to receive the total contracted amount of toll for the year in 104 installments payable over a period of one year, these toll installments are payable twice in a week. Pursuant to the agreement, Bank Fixed Deposit Receipt (FDR) for ₹ 17,800,040/- and Bank Guarantee for ₹ 17,800,040/- in favour of the Company have been obtained from the Agent as security for observance and performance of the terms and conditions contained in the said agreement. The interest on this FDR does not accrue to the Company. Hence, this FDR is not shown as part of the Company's assets and liabilities
13. Until the previous year ended March 31, 2010, the Company followed the policy of amortisation of preliminary expenses / share issue related expenses over a period of five years on commissioning of entire project and commencement of commercial activities. During the year, the Company has changed the accounting policy in this respect to charge the entire amount preliminary expenses / share issue expenses to Profit & Loss account as and when incurred. Accordingly the balance unamortised amount of ₹ 2,667,531/- as at April 1, 2010 has been fully amortised during the year. As a result, the loss after tax for the year is higher by ₹ 1,778,354/- and debit balance in Profit & Loss account carried forward as at the year end is higher by an equivalent amount.

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14. Previous year's figures have been regrouped where necessary to conform with those of the current year.

For and behalf of the Board


Director


Director



Company Secretary

Mumbai:

Date: April 15, 2011

