

**NORTH KARNATAKA EXPRESSWAY
LIMITED**

ANNUAL REPORT

2009 - 10

DIRECTORS' REPORT

The Shareholders,
NORTH KARNATAKA EXPRESSWAY LIMITED

Your Directors have pleasure in presenting the Eighth Annual Report along with the Audited Accounts for the year ended on March 31, 2010

FINANCIAL RESULTS:

	(Amount. in Rs.)	
	For the financial period ended on March 31, 2010	For the financial period ended on March 31, 2009
Total Income	1,129,311,901	1,036,992,114
Total Expenses	1,004,277,369	978,695,058
Profit for the year	125,034,532	58,297,056
Profit Before Tax	125,034,532	58,297,056
<u>Less: Provision for Tax</u>	(21,161,509)	24,605,380
Profit After Tax	146,196,041	33,691,676
Balance carried forward	201,606,628	55,410,578

DIVIDEND:

Your Directors do not recommend dividend for the period under review

OPERATIONS:

Your company continued to maintain the Belgaum Maharashtra Boarder project road to high quality standards and in accordance with the contractual requirements. The company has received all the annuity payments of Rs 101.03 crore during the year

DIRECTORS:

During the period under review, Mr Harish Mathur appointed as an Additional Director with effect from August 1, 2009 on the Board as nominee of IL&FS Transportation Networks Limited

Mr Arun Datta, Mr R C Bawa and Mr Mukund Sapre, Directors resigned with effect from May 13, 2009, July 29, 2009 and December 2, 2009 respectively

Mr B S Kapur was appointed as Additional Director with effect from March 22, 2010 on the Board as nominees of Punj Lloyd Limited. Mr V K Kaushik, Director, nominee of Punj Lloyd Limited on the Board of the Company resigned with effect from December 16, 2009

The Board wishes to place on record its appreciation for the valuable contribution made by Mr Arun Datta, Mr R C Bawa, Mr Mukund Sapre and Mr V K Kaushik during their association with the Company

In terms of the provisions of Section 260 of the Companies Act, 1956 (the Act) Mr Harish Mathur and Mr B S Kapur will retire at the forthcoming Annual General Meeting

In accordance with the provisions of the Companies Act, 1956, resolution seeking approval of the Members for appointment have been incorporated in the Notice of the forthcoming Annual General Meeting of the Company

In terms of the provisions of Section 256 of the Companies Act, 1956, (the Act) Mr Pradeep Puri, Director of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible offer himself for re-appointment

Mr Cherian George was re-appointed as Managing Director of the Company pursuant Section 269 of the Companies Act, 1956 for the further period of two years with effect from August 9, 2009

AUDITORS:

Messrs Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and have expressed their willingness to continue as Statutory Auditors, if re-appointed

DEPOSITS:

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

CORPORATE GOVERNANCE:

Four Board Meetings were held during the period under review on May 5, 2009, August 1, 2009, November 23, 2009 and March 22, 2010. The numbers of meetings attended by the Directors are as under:

Sr. No.	Name of Directors	No. of Board Meeting held	No. of Board Meetings Attended
1	Mr Pradeep Puri	4	2
2	Mr R C Bawa (Upto July 29, 2009)	1	1
3	Mr Arun Datta (Upto May 13, 2009)	1	1

4	Mr Mukund Sapre (Upto December 2, 2009)	3	3
5	Mr Cherian George	4	4
6	Mr V K Kaushik (Upto December 16, 2009)	3	1
7	Mr Harish Mathur (From August 1, 2009)	3	3
8	Mr B S Kapur (From March 22, 2010)	1	1

The Audit Committee and Allotment & Transfer Committee has been constituted for good corporate governance and focused attention on the affairs of the Company

The Audit Committee is comprised of Mr Pradeep Puri, Chairman, Mr Cherian George and Mr Harish Mathur. The Audit Committee met three times during the year under review on May 5, 2009, August 1, 2009 and November 23, 2009

PARTICULARS OF EMPLOYEES:

There was no employees 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

DIRECTORS RESPONSIBILITY STATEMENT:

Section 217(2AA) of the Companies Act, 1956 requires the Board of Directors to provide a statement to the members of the Company in connection with the maintenance of books, records, preparation of Annual Accounts in conformity with accepted accounting standards and past practices followed by the Company. Pursuant to the foregoing and on the basis of representations received from the Operating Management, and after due enquiry, it is confirmed 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) the Directors 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 profit of the company for that period;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the annual accounts on a going concern basis

FOREIGN EXCHANGE EARNINGS AND OUTGO:

There was no income/earning or outgo of foreign exchange during the period 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:

Relationships with Shareholders, Central and State Government/Agencies, Bankers and Regulatory Authorities remained excellent during the period under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement.

For and on behalf of the Board

Sd/-

Sd/-

(Managing Director)

(Director)

Date : May 10, 2010

Place : Mumbai

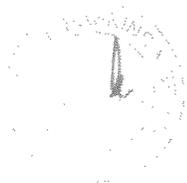
Deloitte Haskins & Sells

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 NORTH KARNATAKA EXPRESSWAY LIMITED

1. We have audited the attached Balance Sheet of **NORTH KARNATAKA EXPRESSWAY LIMITED** (the "Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for 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 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 Paragraph 4 and 5 of CARO.
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 the 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; and
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 1956, in the manner so required and 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, 2010;



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- (ii) in the case of the Profit and Loss Account, of the profit of the Company for year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for year ended on that date.
5. On the basis of the written representations from the directors taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)



A handwritten signature in black ink, appearing to read "Sanjiv V. Pilgaonkar".

Sanjiv V. Pilgaonkar
Partner
(Membership No. 39826)

Place: Mumbai
Date: May 10, 2010

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ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph (3) of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, clause (xiii) of paragraph 4 of CARO is 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 in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed 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) According to the information and explanations given to us, the nature of the activities of the Company did not require it to hold inventories during the year. Accordingly, the provisions of paragraph 4(ii) of CARO are not applicable to the Company.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of paragraph 4(iii) (a) to (g) of CARO are not applicable to the Company.
- (v) 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 the purchase of fixed assets and for sale of services. The nature of the Company's business is such that, it does not involve purchase or sale of goods. During the course of our audit, we have not observed any major weaknesses in such internal control system.
- (vi) According to the information and explanations given to us, there were no contracts or arrangements that were required to be entered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of paragraph 4(v) (a) and (b) of CARO are not applicable to the Company.



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- (vii) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year and no order has been passed in this respect, by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal, in this respect.
- (viii) 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.
- (ix) According to the information and explanation given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, for the nature of services rendered by the Company. Accordingly, the provisions of paragraph 4(viii) of CARO are not applicable to the Company.
- (x) According to the information and explanation given to us in respect of statutory dues:
 - a. The Company has generally been regular in depositing undisputed statutory dues relating to Income Tax, Cess and other material statutory dues applicable to it to the appropriate authorities during the year. According to the information and explanation given to us, there were no dues payable on account of Investor Education and Protection Fund, Employee's State Insurance, Provident Fund, Service Tax, Sales Tax, Work Contract Tax, Wealth Tax, Customs Duty, Excise Duty and Cess during the year.
 - b. There were no undisputed amounts payable in respect of Provident Fund, Employees State Insurance, Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty, Investors Education and Protection Fund, Cess and other material statutory dues applicable to it, in arrears, as at 31st March, 2010 for a period of more than six months from the date they became payable.
 - c. There were no disputed dues as regards Sales Tax, Income Tax, Wealth Tax, Customs Duty, Service Tax, Excise Duty and Cess which have not been deposited as at the year end.
- (xi) The Company does not have any accumulated losses as at the year end. The Company has not incurred cash losses during the financial year covered by our audit and in immediately preceding financial year.
- (xii) According to the information and explanations given to us, the Company has not borrowed any sum from financial institutions nor has any sum been raised by issue of debentures.

As regards amounts borrowed from banks, according to the information and explanations given to us, on the basis of the revised repayment schedules, there were no defaults in repayment of the principal amounts and interest thereon.

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- (xiii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of paragraph 4(xii) of CARO are not applicable to the Company.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures or other investments. Accordingly, the provisions of paragraph 4(xiv) of CARO are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of paragraph 4(xv) of CARO are not applicable to the Company.
- (xvi) In our opinion and according to the information and explanation given to us, the term loans have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
- (xviii) According to the information and explanation 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. Accordingly, the provisions of paragraph 4(xviii) of CARO are not applicable to the Company.
- (xix) According to the information and explanations given to us, the Company has not issued any debentures. Accordingly, the provisions of paragraph 4(xix) of CARO are not applicable to the Company.
- (xx) According to the information and explanations given to us, the Company has not raised any money by public issue. Accordingly, the provisions of paragraph 4(xx) of CARO are not applicable to the Company.



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(xxi) 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 year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)



Sanjiv V. Pilgaonkar
Partner
(Membership No. 39826)

Place: Mumbai
Date: May 10, 2010

NORTH KARNATAKA EXPRESSWAY LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2010

SOURCES OF FUNDS	Schedule	As at	
		Rupees	Rupees
		31st March 2010	31st March 2009
		Rupees	Rupees
SHAREHOLDERS' FUNDS			
Capital	A	593,911,000	593,911,000
Reserve and Surplus			
- Surplus in Profit and Loss Account		201,606,628	55,410,587
Advance towards Capital		795,517,628	649,321,587
		412,002,450	412,002,450
LOAN FUNDS			
- Secured Loans	B	4,850,930,000	5,151,650,000
- Unsecured Loans		-	-
DEFERRED TAX LIABILITY (Net) (Refer Schedule "J" Note No. 13)			
		-	42,411,485
		6,058,450,078	6,255,385,522
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	C	5,935,093,564	5,998,415,216
Less: Depreciation		2,194,940,965	1,869,760,435
Net Block		3,740,152,599	4,128,654,781
Add: Capital Work In Progress		139,488,304	-
		3,879,640,903	4,128,654,781
CURRENT ASSETS, LOANS AND ADVANCES			
(A) Inventories	D	-	-
(B) Sundry Debtors		286,263,000	336,607,539
(C) Cash and Bank balances		1,135,550,089	221,398,912
(D) Other Current Assets		2,358,694	29,941,513
(E) Loans and Advances		782,052,991	1,605,769,288
		2,206,224,774	2,193,717,252
LESS: CURRENT LIABILITIES AND PROVISIONS			
(A) Current Liabilities	E	27,415,599	66,986,511
(B) Provisions		-	-
		27,415,599	66,986,511
NET CURRENT ASSETS		2,178,809,175	2,126,730,741
		6,058,450,078	6,255,385,522

Significant accounting policies

I

Notes forming part of the Financial Statements

J

Schedules A to J annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report of even date attached.

For and on behalf of the Board

For DELOITTE HASKINS & SELLS
Chartered Accountants

Director

Managing Director

Sanjiv V Pitgaonkar
Partner
Mumbai,
Date: May 10, 2010

Company Secretary

NORTH KARNATAKA EXPRESSWAY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	For the year ended 31st March 2010 Rupees	For the year ended 31st March 2009 Rupees
Income			
Annuity (Refer Schedule "J" Note No.1)	F	1,010,340,000	1,010,340,000
Other Income		118,971,901	26,652,114
		1,129,311,901	1,036,992,114
Expenses			
Operation and Maintenance	G H	86,067,273	88,139,320
Administrative and General Expenses		67,131,802	24,703,496
Interest and Finance Charges		462,545,049	468,394,089
Depreciation		388,533,245	397,458,153
		1,004,277,369	978,695,058
Profit before tax		125,034,532	58,297,056
Provision for Taxation			
Current Tax		(21,950,000)	(6,606,000)
MAT Credit for earlier years		700,024	-
Fringe Benefit Tax		-	(95,392)
Deferred Tax Credit / (Charge) (Net) (Refer Schedule "J" Note No.13)		42,411,485	(17,903,988)
Net Profit after Tax		146,196,041	33,691,676
Balance of Profit brought forward		55,410,587	21,718,911
Balance of Profit carried to Balance Sheet		201,606,628	55,410,587

Basic and Diluted Earnings Per Share (Refer Schedule "J" Note No.9)	2.46	0.57
Face Value	10.00	10.00

Significant accounting policies

I

Notes forming part of the Financial Statements

J

Schedules A to J annexed hereto form part of the
Balance Sheet and Profit and Loss Account

In terms of our report of even date attached.

For and on behalf of the Board

For DELOITTE HASKINS & SELLS
Chartered Accountants

Director

Managing Director

Sanjiv V. Pilgaonkar
Partner
Mumbai,
Date: May 10, 2010

Company Secretary

NORTH KARNATAKA EXPRESSWAY LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	For the year ended 31st March, 2010 Rupees	For the year ended 31st March, 2009 Rupees
<u>Cash Flow from Operating Activities</u>		
Net Profit Before Tax	125,034,532	58,297,056
Adjustments for :-		
Depreciation	388,533,245	397,458,153
Interest and Finance charges	462,545,049	468,394,089
Interest on fixed deposits	(13,137,467)	(9,213,049)
Interest on loan given	(39,840,000)	(17,400,000)
Interest on Tax Refunds	(11,599,300)	-
Bad debts written off	50,344,539	-
Balances written back	(54,347,910)	-
(Profit) / Loss in sale of fixed assets (Net)	(343)	(25,873)
Operating Cash Flow before Working Capital Changes	907,532,345	897,510,376
Adjustments for :-		
Trade and other receivables	(3,476)	6,497,593
Trade payables and others	3,839,083	(3,230,191)
Operating Cash Flows after Working Capital Changes	911,367,952	900,777,778
Direct Taxes (Paid) / Refund received (including interest on refund received)	72,492,022	(28,864,210)
Net Cash from Operations (A)	983,859,974	871,913,568
<u>Cash flow from Investing Activities</u>		
Fixed Assets additions during the year	(129,406,179)	(6,000)
Sale of Fixed Assets	8,216	35,000
Fixed Deposit (placed) / encashed with original maturity of more than 3 months	(106,962,456)	(134,331,827)
Interest on Fixed Deposits	13,362,282	8,898,892
Recovery of Short Term loan given	740,000,000	-
Interest on Loans Given	67,198,004	3,942,840
Net Cash Outflow from Investing Activities (B)	584,199,867	(121,461,095)
<u>Cash flow from Financing Activities</u>		
Repayment of Term Loans	(300,720,000)	(289,140,000)
Interest & Finance charges paid	(460,151,120)	(463,346,244)
Net Cash Outflow from Financing Activities (C)	(760,871,120)	(752,486,244)
Net Increase in Cash & Cash Equivalents (A+B+C)	807,188,721	(2,033,771)
Cash and Cash Equivalents at the beginning of the year	7,062,085	9,095,856
Cash and Cash Equivalents at the end of the year	814,250,806	7,062,085
Net change in Cash & Cash Equivalents during the year	807,188,721	(2,033,771)

NORTH KARNATAKA EXPRESSWAY LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	For the year ended 31st March, 2010 Rupees	For the year ended 31st March, 2009 Rupees
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Date: May 10, 2010	54,711	26,330
Balances with Scheduled Bank :		
- In Current Account	814,196,095	7,035,755
	814,250,806	7,062,085
Add: Term deposits with scheduled banks with original maturity of more than three months	321,299,283	214,336,827
Cash and Bank Balances (See Schedule D)	1,135,550,089	221,398,912

Significant accounting policies

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Notes forming part of the Financial Statements

J

Schedules A to J annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report of even date attached.

For and on behalf of the Board

For DELOITTE HASKINS & SELLS
Chartered Accountants

Director

Managing Director

Sanjiv V. Pilgaonkar
Partner
Mumbai.
Date: May 10, 2010

Company Secretary

NORTH KARNATAKA EXPRESSWAY LIMITED

Schedule forming part of the Accounts

SCHEDULE A : CAPITAL

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
Authorised 100,581,000 Equity Shares of Rs. 10/- each	1,005,810,000	1,005,810,000
Issued, Subscribed and Paid - up : 59,391,100 (March 31, 2009: 59,391,100) Equity Shares of Rs. 10/- each fully paid up (Refer Schedule "J" Note No.2)	593,911,000	593,911,000
Total	593,911,000	593,911,000

SCHEDULE B : SECURED LOANS

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
- Term Loan from Banks (Refer Schedule "J" Note No. 4) (Amounts repayable within one year Rs. 421,750,000/-; (March 31, 2009 : Rs 300,720,000/-)	4,850,930,000	5,151,650,000
Total	4,850,930,000	5,151,650,000

NORTH KARNATAKA EXPRESSWAY LIMITED

Schedule forming part of the Accounts

SCHEDULE C : FIXED ASSETS

Description of Assets	Gross Block (at cost)				Depreciation				Net Block	
	Opening as at	Additions	Deductions	Closing as at	Accumulated upto	For the year ended	Deductions	Accumulated upto	As at	As at
Furniture & Fixtures	01,04.09	-	-	31,03.10	31,3.09	31,03.10	-	31,03.10	31,03.10	31,03.09
Office Equipments	121,616	6,299	-	121,616	110,874	1,944	-	112,818	8,798	10,742
Data Processing Equipments	193,823	32,637	23,600	176,522	146,519	6,679	15,727	137,471	39,651	47,304
Vehicles	370,631	-	24,995	378,273	326,716	26,166	24,995	327,887	50,386	43,915
Road	2,877,910	-	-	2,877,910	2,091,496	203,603	-	2,295,099	582,811	786,414
Total	5,998,415,216	38,936	63,360,588	5,935,093,564	1,869,760,435	388,533,245	63,352,715	2,194,940,965	3,740,152,599	4,127,766,406
Previous Year	5,998,537,216	6,000	128,000	5,998,415,216	1,472,421,155	397,458,153	118,873	1,869,760,435	4,128,654,781	4,128,654,781

(Rupees)

NORTH KARNATAKA EXPRESSWAY LIMITED

Schedule forming part of the Accounts

SCHEDULE D : CURRENT ASSETS AND LOANS AND ADVANCES

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
(A) Inventories	-	-
(B) Sundry Debtors		
Outstanding for more than six months		
- Considered Good	-	50,344,539
- Considered Doubtful	-	4,220,017
	-	54,564,556
Date: May 10, 2010		
Others (Secured, Considered Good)	286,263,000	286,263,000
Less: Provision for doubtful debts	-	4,220,017
Sub Total (B)	286,263,000	336,607,539
(C) Cash and Bank Balance		
- Cash in hand	54,711	26,330
- Balances with Scheduled Bank :		
- In Current Accounts	814,196,095	7,035,755
- In Deposits with Banks	321,299,283	214,336,827
(includes deposits of Rs. Nil as margin against bank guarantee (March 31, 2009 : Rs. 5,000))		
Sub Total (C)	1,135,550,089	221,398,912
(D) Other Current Assets		
- Interest accrued on bank deposits and loans given	2,358,694	29,941,513
Sub Total (D)	2,358,694	29,941,513
(E) Loans and Advances (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received		
(a) Deposits	750,045,326	750,035,326
(b) Advance towards investment	-	450,000,000
(c) Prepaid expenses	32,969	29,542
(d) Advance payment of taxes (net of provision)	31,933,317	114,018,215
(e) Fringe benefit tax (net of provision)	38,000	95,800
(f) Other advances	3,379	13,330
(g) Interest paid in excess recoverable	-	1,577,075
(h) Short term loans	-	290,000,000
Sub Total (E)	782,052,991	1,605,769,288

NORTH KARNATAKA EXPRESSWAY LIMITED

Schedule forming part of the Accounts

SCHEDULE E : CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
(A) Current Liabilities :		
(a) Sundry Creditors (Refer Schedule "J" Note No. 5)	25,727,504	65,800,763
(b) Other Liabilities	1,688,095	1,185,748
	27,415,599	66,986,511
(B) Provisions	-	-

NORTH KARNATAKA EXPRESSWAY LIMITED

Schedule forming part of the Accounts

SCHEDULE F: OTHER INCOME

	For the year ended 31st March, 2010 Rupees	For the year ended 31st March, 2009 Rupees
Interest on loans given (gross) (Tax deducted at source Rs. 3,984,000/-; previous year Rs. 3,942,840/-)	39,840,000	17,400,000
Interest on bank deposits (gross) (Tax deducted at source Rs. 2,104,622/-; previous year Rs. 1,903,874/-)	13,137,467	9,213,049
Interest on Tax Refunds	11,599,300	-
Balances written back	54,347,910	-
Profit on sale of assets (Net)	343	25,873
Miscellaneous Income	46,881	13,192
Total	118,971,901	26,652,114

NORTH KARNATAKA EXPRESSWAY LIMITED

Schedule forming part of the Accounts

SCHEDULE G: ADMINISTRATIVE AND GENERAL EXPENSES

	Rupees	For the year ended	For the year ended
		31st March, 2010	31st March, 2009
		Rupees	Rupees
Deputation Cost (Refer Schedule "J" Note No. 7)		3,330,906	3,238,057
Rent		52,800	48,000
Rates and Taxes		890,872	6,750
Electricity		17,037	21,643
Repairs and Maintenance - Others		481,599	591,207
Bad debts written off	54,564,556		
Less : Provision for Doubtful Debt provided earlier	4,220,017		
		50,344,539	-
Travelling Expenses		321,958	465,331
Directors Sitting Fees		160,000	180,000
Project Management Fees		4,720,108	3,826,918
Insurance Premium		89,463	110,902
Legal and Professional Fees		3,659,022	14,793,119
Auditors' Remuneration (Refer Schedule "J" Note No. 8)		1,387,870	712,842
Miscellaneous Expenses		1,675,628	708,727
Total		67,131,802	24,703,496

NORTH KARNATAKA EXPRESSWAY LIMITED

Schedule forming part of the Accounts

SCHEDULE H: INTEREST AND FINANCE CHARGES

	For the year ended 31st March, 2010 Rupees	For the year ended 31st March, 2009 Rupees
Interest on long term loans taken for fixed period	426,631,128	447,404,879
Bank charges	48,303	179,622
Guarantee Commission	18,865,618	19,809,588
Trust and Retention Charges	1,000,000	1,000,000
Management Fees	16,000,000	-
Total	462,545,049	468,394,089

NORTH KARNATAKA EXPRESSWAY LIMITED

SCHEDULE '1': SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of Financial Statements

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles (GAAP) in India, the provisions of the Companies Act, 1956, and applicable accounting standards referred to in Section 211(3C) of Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognised on an accrual basis.

2. Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including current liabilities) as of the date of the financial statements, the reported income and expenses during the reporting period and disclosure of contingent liabilities. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

3. Fixed Assets and Depreciation

- a. Fixed assets other than project assets (Belgaum-Maharashtra Border Project) are reported at acquisition cost, with deductions for accumulated depreciation and impairment losses, if any.

The acquisition cost includes the purchase price (excluding refundable taxes) and expenses directly attributable to the asset to bring the asset to the site and in the working condition for its intended use. Such as, delivery and handling costs, installation, legal services and consultancy services.

- b. Expenses incurred on the North Karnataka Expressway Road include direct and attributable / allocated indirect expenses incurred for the construction of the same.

Estimated value of components removed or not reused are reduced from the gross block and the cost of overlay or 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.

- c. For depreciation on fixed assets other than Belgaum-Maharashtra border project the Company has adopted the Straight Line Method of depreciation so as to depreciate 100% of the cost of the following type of assets at rates higher than those prescribed under Schedule XIV to the Companies Act, 1956, based on the Management's estimate of useful life of such assets:

Asset Type	Useful Life
Computers	4 years
Specialised Office Equipment	3 years
Assets Provided to Employees	3 Years
Licensed Software	Over the license period

- d. Depreciation on the components of Belgaum-Maharashtra border road is charged to the profit and loss account on a straight line basis over the period over which the respective component is expected to be overlaid or renewed.
- e. Depreciation on fixed assets other than on assets specified in Notes 3(c) and (d) is provided on the Written Down Value method using the rates prescribed by Schedule XIV of the Companies Act, 1956.

NORTH KARNATAKA EXPRESSWAY LIMITED

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

4. Impairment of Assets

The carrying values of assets of the Company's cash-generating unit are reviewed for impairment annually or more often if there is an indication of decline in value. If any indication of such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognised, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor.

5. Financial Income and Borrowing Cost

Financial income includes interest income on bank deposits and other deposits. Interest income is accrued evenly over the period of the instrument.

Borrowing costs incurred in respect of borrowings specifically made towards construction of North Karnataka Expressway Road were capitalised till the date of commencement of commercial operations. Borrowing costs incurred subsequent to the capitalisation date are charged to the Profit and Loss Account.

6. Taxes on Income

Taxes include taxes on the Company's taxable profits, adjustment attributable to earlier periods and changes in deferred taxes. Valuation of all tax liabilities / receivables is conducted at nominal amounts and in accordance with enacted tax regulations and tax rates or in the case of deferred taxes those that have been substantially enacted.

Deferred tax is calculated to correspond to the tax effect arising when final tax is determined. Deferred tax corresponds to the net effect of tax on all timing differences, which occur as a result of items being allowed for income tax purposes during a period different from when they were recognised in the financial statements.

Deferred tax assets are recognised with regard to all deductible timing differences to the extent that it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the aggregate deferred tax asset to be utilised.

7. Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement. A contingent asset is neither recognised nor disclosed.

NORTH KARNATAKA EXPRESSWAY LIMITED

8. Revenue Recognition

Annuity receivable under the Concession Agreement as detailed in Note No. 1 in Schedule "J" is recognised on a straight line basis over the period of the annuity. Income from hoardings, pipelines and toll plaza recoverable from the National Highway Authority of India (NHAI) is recognised upon certification of the corresponding contractors' claims by an independent engineer appointed by the NHAI.

9. Earnings per Share

Basic earnings per share is calculated by dividing the net profit after tax for the year attributable to equity shareholders of the Company by the weighted average number of equity shares in issue during the year.

Diluted earnings per share is calculated by dividing the net profit after tax for the year attributable to equity shareholders of the company by the weighted number of equity shares determined by assuming conversion on exercise of conversion rights for all potential dilutive securities.

10. Cash and Cash Equivalents

Cash and bank balances, and current investments that have insignificant risk of change in value, which have duration of up to three months, are included in the Company's cash and cash equivalents in the Cash Flow Statement.

11. Cash Flow Statements

The Cash Flow Statement is prepared in accordance with "indirect method" as explained in the Accounting Standard (AS) 3 on "Cash Flow Statements".

NORTH KARNATAKA EXPRESSWAY LIMITED

SCHEDULE 'J': NOTES FORMING PART OF THE FINANCIAL STATEMENTS

- (1) The Company has been set up with the main object of promoting, developing, financing, building / constructing, modifying, operating and maintaining the Belgaum Maharashtra Border Road on NH4 and its ancillary facilities. Towards this end, the Company entered into a Concession Agreement with the National Highways Authority of India (NHAI) on 20th November, 2001 under the terms of which, the Company obtained a concession to investigate, study, design, engineer, procure, finance, construct, operate and maintain the project / project facilities for a period of 17 years and 6 months commencing on 20th June, 2002 and ending on 19th December, 2019. The concession agreement entitles the Company to earn an annuity of 30 equal instalments of Rs. 505,170,000 each at half yearly rests; the first instalment payable on 20th June, 2005 and the final instalment payable on 20th December, 2019.
- (2) Of the issued, subscribed and paid up capital of 59,391,100 equity shares, IL&FS Transportation Networks Limited ("ITNL"), the immediate holding company, holds 44,246,285 equity shares (including 29,101,639 equity shares held by ITNL Road Investment Trust ("IRIT") where ITNL holds the entire issued units). Infrastructure Leasing & Financial Services Limited ("IL&FS"), the ultimate holding company, holds 7,572,365 equity shares in the Company.
- (3) (a) Contingent Liabilities:
Claims against the Company not acknowledged as debt - Rs. 3,889,507 (previous year Rs. 3,587,679).
The Company does not expect any liability to devolve on it in respect of the above and therefore no provision is held.
- (b) Capital Commitment:
Estimated amount of contracts to be executed on capital account not provided for Rs. 62,091,696/- (previous year Rs. Nil)
- (4) Secured Loans:
Term loans from banks are secured by hypothecation of all movable tangible and intangible assets, annuities received to the credit of the Trust and Retention Account, rights and interest, claims and demands of the Company in respect of concession agreement.
- (5) According to the records available with the Company, there were no dues to Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006. Hence disclosures, if any, relating to amounts unpaid as at the end of the year with the interest paid / payable as required under the said Act have not been given.
- (6) During the current year, the Company converted the advance towards capital of Rs 450,000,000/- given to ITNL into an interest bearing short term loan. As the conversion of advance towards equity into a short term loan did not involve any cash flow, the same has not been reflected in the Cash Flow Statement of year ended March 31, 2010. However, the repayment of short term loan using cash and cash equivalents has been reflected in the Cash Flow Statement.

NORTH KARNATAKA EXPRESSWAY LIMITED

(7) Deputation Costs:

The Company does not have any employee on its payroll. Deputation costs are recognised based on amounts charged to the Company by the employers of the respective employees for the period for which resources have provided services to the Company. The cost of deputed personnel for the year ended 31st March 2010 was Rs. 3,330,906/- (previous year Rs. 3,238,057/-). The disclosure required to be made in accordance with the revised Accounting Standard (AS) 15 – “Employee Benefits” have not been made, as such costs are determined by the respective employers for the respective entity as a whole and separate figures in respect of resources on deputation are not available.

(8) Auditors’ Remuneration:

Rs.

Particulars	For the year ended 31 st March, 2010	For the year ended 31 st March, 2009
Audit Fees	350,000	350,000
Tax Audit Fees	50,000	50,000
For Other Assurance Services	850,000	235,000
Out of pocket expenses	8,268	4,927
Service tax on above	129,602	72,915
Total	1,387,870	712,842

(9) Earnings per share:

Particulars	Unit	As at 31 st March, 2010	As at 31 st March, 2009
Net Profit after tax	Rs.	146,196,041	33,691,676
Equity Shares outstanding	No.	59,391,100	59,391,100
Nominal Value of Equity Shares	Rs.	10.00	10.00
Basic / Diluted Earnings per Share	Rs.	2.46	0.57

Note: “Advance towards Capital” has not been considered for computing diluted earning per share in view of significant uncertainty relating to nature of instrument and terms of issue in respect thereof.

- (10) The Company is engaged in infrastructure business and is a Special Purpose Entity formed for the specific purpose detailed in note no.1 above and thus operates in a single business segment. Also it operates in a single geographic segment. In the absence of separate reportable business or geographic segments the disclosures required under the Accounting Standard (AS) 17 – “Segment Reporting” have not been made.

(11) Related Party Disclosures:

Disclosures as required by the Accounting Standard (AS) 18 – “Related Party Disclosures” are made below:

(A) Name of the related parties and description of relationship:

Ultimate Holding Company:	Infrastructure Leasing & Financial Services Limited (IL&FS)
Holding Company:	IL&FS Transportation Networks Limited (ITNL)
Fellow Subsidiaries:	IL&FS Trust Company Limited (ITCL)

NORTH KARNATAKA EXPRESSWAY LIMITED

(with whom there have been transactions during the year)	Gujarat Road and Infrastructure Company Limited (GRICL)
Other Enterprises which have significant influence:	ITNL Road Investment Trust (IRIT)
Key Management Personnel:	Mr. Cherian George (Managing Director)

(B) Transactions for the year ended 31st March, 2010:

Nature of Transaction	Rs.		
	IL&FS	ITNL	ITCL
Guarantee Commission	18,865,618 (19,809,588)	- (-)	- (-)
Interest earned on loans given	- (-)	39,840,000 (17,400,000)	- (-)
Operation, maintenance and supervision expenses	- (-)	86,067,273 (88,139,320)	- (-)
Advance towards investments converted in to Short Term Loan	- (-)	450,000,000 (-)	- (-)
Repayment of Short Term Loan given	- (-)	740,000,000 (-)	- (-)
Security Agent Fees	- (-)	- (-)	330,900 (337,080)

Note: Reimbursement of cost is not included above

(C) Balances outstanding as at 31st March, 2010:

Particulars	Rs		
	IL&FS	ITNL	GRICL
Current Liability Payable (Net)	3,864,699 (4,047,845)	7,031,010 (9,171,719)	- (2,000)
Deposits Given	- (-)	750,000,000 (750,000,000)	- (-)
Advance received towards Capital	- (-)	412,002,450 (412,002,450)	- (-)
Advance given towards Investment	- (-)	- (450,000,000)	- (-)
Guarantees given to the lenders of the Company (Counter guaranteed by ITNL)	729,000,000 (775,000,000)	- (-)	- (-)
Interest accrued on loans given	- (-)	- (27,358,004)	- (-)
Short term loan given	- (-)	- (29,000,000)	- (-)

Note: Figures in the brackets relate to previous year.

NORTH KARNATAKA EXPRESSWAY LIMITED

- (12) Advances recoverable in cash or in kind includes amounts due from companies under the same management:

Name of the Company	As at 31st March, 2010	
	Closing Balance	Maximum amount outstanding during the year
IL&FS Transportation Networks Limited (Deposit)	750,000,000 (750,000,000)	750,000,000 (750,000,000)
IL&FS Transportation Networks Limited (Loan Given)	- (290,000,000)	740,000,000 (290,000,000)
IL&FS Transportation Networks Limited (Advance towards investments)	- (450,000,000)	450,000,000 (450,000,000)

Note: Figures in the brackets relate to previous year.

- (13) Deferred tax:

As at March 31, 2009, the Company had recognised deferred tax asset in respect of unabsorbed depreciation having regard to the quantum of deferred tax liability arising from timing difference in respect of depreciation; the reversal of which was virtually certain.

Consequent to the change in the claim of allowance in respect of the cost of construction of the road project in the Company's income tax return, the deferred tax liability as at 31st March, 2009 arising on account of depreciation had to be reversed. As a result the deferred tax assets recognised were also reversed and no deferred tax asset has been recognised as at 31st March, 2010 in the absence of virtual certainty of sufficient future taxable income against which such assets can be realised.

The components of deferred tax liabilities and asset are tabulated below:

	As at 31st March, 2010	As at 31st March, 2009
<i>Deferred Tax Liability</i>		
Depreciation	-	200,138,780
<i>Deferred Tax Asset</i>		
Unabsorbed Depreciation	-	(156,292,911)
Provision for doubtful debts	-	(1,434,384)
Net Deferred Tax Liability / (Assets)	-	42,411,485

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

NORTH KARNATAKA EXPRESSWAY LIMITED

(15) Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the classification of the current year.

For and on behalf of the Board

Director

Managing Director

Place: Mumbai
Dated: May 10, 2010

Company Secretary

North Karnataka Expressway Limited

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

1 6 3 9 9 2

State Code 1 1

Balance Sheet Date

3 1
Date

0 3
Month

2 0 1 0
Year

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

Public Issue

N A

Bonus Issue

N A

Rights Issue

N A

Private Placement

N A

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

Total Liabilities

6 0 5 8 4 5 0

Sources of Funds

Paid-Up Capital

1 0 0 5 9 1 3

Secured Loans

4 8 5 0 9 3 0

Deferred Tax Liability

N I L

Application of Funds

Net Fixed Assets

3 8 7 9 6 4 1

Net Current Assets

2 1 7 8 8 0 9

Accumulated Losses

N I L

Total Assets

6 0 5 8 4 5 0

Reserve and Surplus

2 0 1 6 0 7

Unsecured Loans

N I L

Investments

N I L

Misc. Expenditure

N I L

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

Turnover

1 1 2 9 3 1 2

+ - Profit / Loss before Tax

✓ 1 2 5 0 3 5

(Please tick Appropriate box + for Profit - for Loss)

Earning Per Share in Rs.

2 . 4 6

Total Expenditure

1 0 0 4 2 7 7

+ - Profit / Loss after Tax

✓ 1 4 6 1 9 6

Dividend Rate %

1 0 . 0 0

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

Items Code No. (ITC Code)

N.A.

Product Description

N.A.

Managing Director

Director

Place : Mumbai

Date : 10-May-2010

Company Secretary