

**NORTH KARNATAKA EXPRESSWAY LIMITED**

**ANNUAL REPORT**

**2010-11**

## **DIRECTORS' REPORT**

The Shareholders

### **NORTH KARNATAKA EXPRESSWAY LIMITED**

Your Directors have pleasure in presenting the Ninth Annual Report along with the Audited Statements of Accounts for the 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	1,055,377,130	1,129,311,901
Total Expenses	1,059,174,282	1,004,277,369
Profit Before Tax	(3,797,152)	125,034,532
<u>Less: Provision for Tax</u>	(14,919,000)	(21,161,509)
Profit After Tax	(18,716,152)	146,196,041
Balance carried forward	182,890,476	201,606,628

### **DIVIDEND:**

Your Directors do not recommend dividend for the year under review

### **OPERATIONS:**

Your Company continued to maintain the Belgaum Maharashtra Border project road to high quality standards and in accordance with the contractual requirements. The Company has received all the annuity payments of ₹ 101.03 Crores during the year 2010-11

### **ISSUE OF SECURED LISTED NON – CONVERTIBLE DEBENTURES:**

Your Company had issued 4636 Secured, Rated, Listed, Taxable, Redeemable, Zero-Coupon, Non-Convertible Debentures of Face Value of ₹ 1,000,000/- each (the "Debentures"), aggregating upto ₹ 4,636,000,000 on a Private Placement basis on December 9, 2010. Out of the 19 Separately Transferable Principal Parts (STRPPS), 17 STRPPS were listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) on December 22, 2010 and the first 2 STRPPS are unlisted

The total proceeds of the issue aggregating ₹ 4,636,000,000 were used for refinancing for existing debt. The net proceeds received from the issue have been utilized to date as follows:

(₹ in Million)

Particulars	To be financed through the Issue Proceeds	Funds Deployed upto March 31, 2011
Issue Proceeds received	4,489.07	-
<u>Utilisation</u>		
Repayment of Debt	3,896.20	3,896.20
Interest Paid	118.75	118.75
Prepayment Interest Paid	74.12	74.12
Transfer to Debt Reserve	400.00	400.00
General Corporate Purposes	146.93	146.93
<b>Total</b>	<b>4,636.00</b>	<b>4,636.00</b>

The first STRPP of the Series has been redeemed on March 11, 2011. There are no variations in respect of utilization of net proceeds as against those stated in the offer document for the Issue

#### **DIRECTORS:**

In terms of the provisions of Section 260 of the Companies Act, 1956 (the Act) Mr. Harish Mathur is liable to retire by rotation at the forthcoming Annual General Meeting (AGM) of the Company and being eligible offer himself for re-appointment. Your Directors recommend his re-appointment

During the year under review, Mr S S Raju was appointed as Additional Director with effect from July 23, 2010 on the Board as nominee of Punj Lloyd Limited. In accordance with the provisions of the Companies Act, 1956, a resolution seeking approval of the members for his appointment has been incorporated in the Notice of the forthcoming AGM and the Explanatory Statement thereto

Mr B S Kapur, nominee of Punj Lloyd Limited on the Board of the Company resigned with effect from July 19, 2010. The Board wishes to place on record its appreciation for the valuable contribution made by Mr B S Kapur during their association with the Company

#### **AUDITORS:**

Messrs Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors, retire 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 Meeting held	No. of Board Meetings Attended
1	Mr Pradeep Puri	4	0
2	Mr Cherian George	4	4
3	Mr Harish Mathur	4	4
4	Mr B S Kapur (Upto July 19, 2010)	1	1
5	Mr S S Raju (from July 23, 2010)	3	3

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 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 are 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:**

Pursuant to Section 217(2AA) of the Companies Act, 1956, 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 profit 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:**

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

By the order of the Board



Chairman

Date : April 15, 2011  
Place : Mumbai

# Deloitte Haskins & Sells

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

Tel: +91 (22) 6667 9000  
Fax: +91 (22) 6667 9100

## 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 March 31, 2011, 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" / "the Order") 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; 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 give a true and fair view in conformity with the accounting principles generally accepted in India;



# Deloitte Haskins & Sells

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
  - (ii) in the case of the Profit and Loss Account, of the loss 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 received from the Directors as on March 31, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 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)

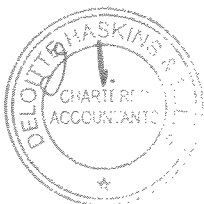
Place: Mumbai  
Date: April 15, 2011

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# Deloitte Haskins & Sells

## 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 is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of 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.





# Deloitte Haskins & Sells

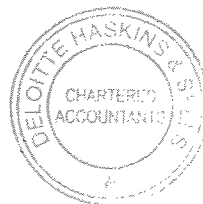
- (vii) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year and no order has been passed in this respect, by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (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:
- The Company has been regular in depositing undisputed statutory dues relating to Income Tax, Cess and other material statutory dues applicable to it with 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, Works Contract Tax, Wealth Tax, Custom Duty, Excise Duty and Cess during the year.
  - There were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, Service Tax, Excise Duty, Cess and other material statutory dues applicable to it, in arrears, as at 31<sup>st</sup> March, 2011 for a period of more than six months from the date they became payable.
  - There were no disputed dues as regards Sales Tax, Income Tax, Wealth Tax, Custom 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 defaulted in repayment of dues to banks and debenture holders.
- (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.



# Deloitte Haskins & Sells

- (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, during the current year, the Company had issued 4,636 Secured, Rated, Taxable, Zero-Coupon, Redeemable Non-Convertible Debentures ("NCD") of ₹ 1,000,000/- each fully paid. The first charge in favour of the Debenture Trustee has been created and registered during the year.
- (xx) According to the information and explanation 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.
- (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)



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

Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 39826)

Place: Mumbai  
Date: April 15, 2011

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# NORTH KARNATAKA EXPRESSWAY LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule		As at 31st March 2011		As at 31st March 2010
		₹	₹	₹	₹
<b>SOURCES OF FUNDS</b>					
<b>SHARE HOLDERS' FUNDS</b>					
Capital	A	593,911,000		593,911,000	
Reserve and Surplus	B	182,890,476		201,606,628	
			776,801,476		795,517,628
<b>ADVANCE TOWARDS CAPITAL</b>					
			-		412,002,450
<b>LOAN FUNDS</b>					
- Secured Loans	C	4,255,000,000		4,850,930,000	
- Unsecured Loans		-	4,255,000,000	-	4,850,930,000
<b>DEFERRED TAX LIABILITY (Net)</b>					
			-		-
			<b>5,031,801,476</b>		<b>6,058,450,078</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	D	6,134,400,912		5,935,093,564	
Less: Depreciation		2,605,135,737		2,194,940,965	
Net Block		3,529,265,175		3,740,152,599	
Add: Capital Work In Progress		-	3,529,265,175	139,488,304	3,879,640,903
<b>INVESTMENTS</b>					
			-		-
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>					
(A) Inventories	E	-		-	
(B) Sundry Debtors		-		-	
(C) Cash and Bank balances		502,156,500		1,135,550,089	
(D) Other Current Assets		306,134,547		288,621,694	
(E) Loans and Advances		753,839,330		782,052,991	
		1,562,130,377		2,206,224,774	
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>					
- Current Liabilities	F	143,075,013		27,415,599	
- Provisions		-		-	
		143,075,013		27,415,599	
<b>NET CURRENT ASSETS</b>					
			1,419,055,364		2,178,809,175
<b>MISCELLANEOUS EXPENDITURE</b>					
(Debtore issue expenses to the extent not written off or adjusted) (Refer Schedule "K" Note No. 4)			83,480,937		-
			<b>5,031,801,476</b>		<b>6,058,450,078</b>

Significant accounting policies

J

Notes forming part of the Financial Statements

K

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

In terms of our report attached

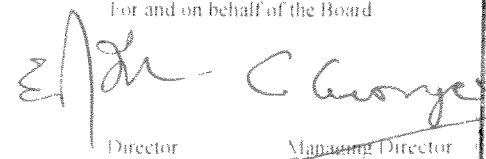
For DELOITTE HASKINS & SELLS  
Chartered Accountants



Sanjiv V. Pilgaonkar  
Partner  
Mumbai,  
Date: April 14, 2011



For and on behalf of the Board

  
Director

Managing Director

  
Company Secretary

# NORTH KARNATAKA EXPRESSWAY LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule	For the year ended 31st March 2011 ₹	For the year ended 31st March 2010 ₹
<b>Income</b>			
Annuity (Refer Schedule "K" Note No.1) (gross: tax deducted at source ₹ 20,206,800/- previous year ₹ 21,550,552/-)		1,010,340,000	1,010,340,000
Other Income	G	45,037,130	118,971,901
		1,055,377,130	1,129,311,901
<b>Expenses</b>			
Operation and Maintenance		88,278,751	86,067,273
Administrative and Other Expenses	H	21,376,569	67,131,802
Interest and Finance Charges	I	537,311,471	462,545,049
Depreciation		412,207,491	388,533,245
		1,059,174,282	1,004,277,369
Profit Before Tax		(3,797,152)	125,034,532
Provision for Taxation		(14,919,000)	(21,950,000)
Current Tax		-	700,024
MAT Credit for earlier years		-	42,411,485
Deferred Tax Credit / (Charge) (Net)		-	-
Profit After Tax		(18,716,152)	146,196,041
Balance of Profit brought forward		201,606,628	55,410,587
Balance of profit carried forward to Balance Sheet		182,890,476	201,606,628

Basic and Diluted Earnings Per Share (Refer Schedule "K" Note No. 9)	(0.32)	2.46
Face Value	10.00	10.00

Significant accounting policies J

Notes forming part of the Financial Statements K

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

In terms of our report attached.

For DELOITTE HASKINS & SELLS  
Chartered Accountants

*Sanjiv V. Pilgaonkar*  
Sanjiv V. Pilgaonkar  
Partner  
Mumbai,  
Date: April 15, 2011



For and on behalf of the Board

*Edgar*  
Director

*C. George*  
Managing Director

*Anandh*  
Company Secretary

# NORTH KARNATAKA EXPRESSWAY LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
	(₹)	(₹)
<b>Cash Flow from Operating Activities</b>		
Net Profit Before Tax and Extraordinary Items	(3,797,152)	125,034,532
<b>Adjustments for :-</b>		
Depreciation	412,207,491	388,533,245
Interest and Finance Charges	537,311,471	462,545,049
Interest on fixed deposits	(15,762,399)	(12,186,787)
TDS on Interest on fixed deposits with original maturity of less than three months	(1,162,539)	(358,731)
Interest on loan given	(17,451,370)	(39,840,000)
Interest on Income Tax Refund	-	(11,599,300)
Bad debts written off	-	50,344,539
Balances written back	-	(54,347,910)
(Profit) / Loss in sale of fixed assets (Net)	(123,832)	(343)
Operating Cash Flow before Working Capital Changes	911,221,670	908,124,294
<b>Adjustments for :-</b>		
Trade and other receivables	(67,031)	(3,476)
Trade payables and others	(6,580,689)	3,839,083
Operating Cash Flows after Working Capital Changes	904,573,950	911,959,901
Advances payment of Taxes (Net of Interest and Refund Received)	(33,617,714)	74,596,644
<b>Net Cash from Operations (A)</b>	<b>870,956,236</b>	<b>986,556,545</b>
<b>Cash flow from Investing Activities</b>		
Fixed Assets additions during the period	(72,308,992)	(129,406,179)
Sale of Fixed Assets	480,000	8,216
Fixed Deposit placed with original maturity of more than three months	(989,723,610)	(604,988,737)
Fixed Deposit encashed with original maturity of more than three months	715,022,893	615,526,281
Interest on fixed deposits	13,007,080	12,411,602
TDS on Interest on fixed deposits with original maturity of more than three months	(1,583,684)	(1,745,891)
Recovery of Short Term loan given	50,000,000	740,000,000
Interest on loan given	2,693,836	67,198,004
<b>Net Cash Inflow / (Outflow) from Investing Activities (B)</b>	<b>(282,412,477)</b>	<b>699,003,296</b>
<b>Cash flow from Financing Activities</b>		
Term Loan Repayment	(4,850,930,000)	(800,720,000)
Proceeds from Non Convertible Debentures	4,636,000,000	-
Redemption of Non Convertible Debentures	(381,000,000)	-
Interest and Finance Charges paid	(199,664,513)	(460,151,120)
Debentures issue expenses	(89,041,102)	-
Repayments of Advance towards equity	(412,002,450)	-
<b>Net Cash Outflow from Financing Activities (C)</b>	<b>(1,496,638,065)</b>	<b>(760,871,120)</b>
<b>Net (Decrease) / Increase in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(908,094,306)</b>	<b>924,688,721</b>
Cash and Cash Equivalents at the beginning of the year	931,750,806	7,062,085
Cash and Cash Equivalents at the end of the year	23,656,500	931,750,806
<b>Net change in Cash &amp; Cash Equivalents during the year</b>	<b>(908,094,306)</b>	<b>924,688,721</b>



**NORTH KARNATAKA EXPRESSWAY LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

	For the year ended	For the year ended
	31st March, 2011	31st March, 2010
	(₹)	(₹)
<b>COMPONENT OF CASH AND CASH EQUIVALENTS</b>		
Cash in hand	35,811	54,711
Balances with Scheduled Bank :		
- In Current Account	23,620,689	814,196,095
Term deposits with scheduled banks with original maturity of less than three months	-	117,500,000
	23,656,500	931,750,806
Add: Term deposits with scheduled banks with original maturity of more than three months	478,500,000	203,799,283
Cash and Bank Balances (See Schedule E)	<b>502,156,500</b>	<b>1,135,550,089</b>

Significant accounting policies

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Notes forming part of the Financial Statements

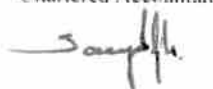
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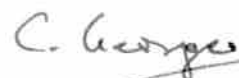
Schedules A to K annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached.

For DELOITTE HASKINS & SELLS  
Chartered Accountants

For and on behalf of the Board





Sanjiv V. Pilgaonkar  
Partner  
Mumbai,  
Date: April 16, 2011



Director

Managing Director

  
Company Secretary



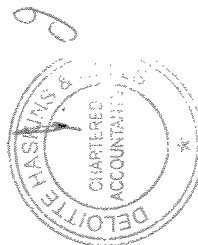


**NORTH KARNATAKA EXPRESSWAY LTD**

**SCHEDULE FORMING PART OF THE ACCOUNTS**

**Schedule D : FINED ASSETS**

Description of Assets	Gross Block (at cost)				Depreciation			Net Block		
	Opening as at 01.04.10	Additions	Deductions	Closing as at 31.03.2011	Accumulated upto 31.03.10	For the year ended 31.03.2011	Deductions	Accumulated upto 31.03.2011	As at 31.03.10	As at 31.03.2011
Furniture and Fixtures	121,616	-	-	121,616	112,818	1,593	-	114,411	7,205	8,798
Office Equipments	176,522	11,495	-	188,017	137,471	16,927	-	154,398	33,619	39,051
Data Processing Equipments	378,273	49,750	-	428,023	327,887	29,372	-	357,259	70,764	50,386
Vehicles	2,877,910	34,990	2,368,887	544,013	2,295,099	124,345	2,012,719	406,725	137,288	582,811
Bejjanur-Marasatnra Bolder Project	5,951,539,243	201,580,060	-	6,133,119,243	2,192,067,690	412,035,254	-	2,604,102,944	3,529,016,299	3,739,471,553
Total	5,955,093,504	201,676,255	2,368,887	6,134,400,912	2,194,940,965	412,207,491	2,012,719	2,605,135,737	3,529,765,175	3,740,152,599
As at year ended 2010	5,998,415,216	38,936	63,360,588	5,935,093,504	1,869,760,435	388,533,245	63,352,715	2,194,940,965	3,740,152,599	



NORTH KARNATAKA EXPRESSWAY LIMITED

SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE A : CAPITAL

	As at 31st March, 2011 ₹	As at 31st March, 2010 ₹
<b>Authorised</b> 100,581,000 Equity Shares of ₹ 10/- each	1,005,810,000	1,005,810,000
<b>Issued, Subscribed and Paid-up :</b> 59,391,100 ( 31st March 2010: 59,391,100) Equity Shares of ₹ 10/- each fully paid up (Refer Schedule "K" Note No.2)	593,911,000	593,911,000
<b>Total</b>	593,911,000	593,911,000

SCHEDULE B : RESERVES AND SURPLUS

	As at 31st March, 2011 ₹	As at 31st March, 2010 ₹
<b>Surplus in Profit and Loss Account</b>	182,890,476	201,606,628
<b>Total</b>	182,890,476	201,606,628

SCHEDULE C : LOAN FUNDS

	As at 31st March, 2011 ₹	As at 31st March, 2010 ₹
<b>Secured Loans ( Refer Schedule "K" Note No. 4)</b>		
- Term Loans from Banks (Amounts repayable within one year ₹ Nil ; 31st March 2010 : ₹ 421,750,000/-)	-	4,850,930,000
- Non Convertible Debentures (Amounts repayable within one year ₹ 704,000,000/- ; 31st March 2010 : ₹ Nil )	4,255,000,000	-
<b>Total</b>	4,255,000,000	4,850,930,000



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NORTH KARNATAKA EXPRESSWAY LIMITED

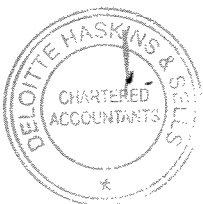
SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE E : CURRENT ASSETS AND LOANS AND ADVANCES

	As at 31st March, 2011 ₹	As at 31st March, 2010 ₹
<b>(A) Inventories</b>	-	-
<b>(B) Sundry Debtors</b>	-	-
<b>(C) Cash and Bank Balance</b>		
- Cash in hand	35,811	54,711
- Balances with Scheduled Bank :		
- In Current Accounts	23,620,689	814,196,095
- In Deposits with Banks	478,500,000	321,299,283
<b>Total</b>	<b>502,156,500</b>	<b>1,135,550,089</b>
<b>(D) Other Current Assets</b>		
- Interest accrued on bank deposits and loans given	19,871,547	2,358,694
- Income accrued but not due	286,263,000	286,263,000
<b>Total</b>	<b>306,134,547</b>	<b>288,621,694</b>
<b>(E) Loans and Advances : (Unsecured, Considered Good)</b>		
<b>Advances recoverable in cash or in kind or for value to be received</b>		
- Deposits	45,326	750,045,326
- Prepaid expenses	274,371	32,969
- Advance payment of taxes (net of provision)	53,381,633	31,936,696
- Fringe benefit tax (net of provision)	38,000	38,000
- Other advance	100,000	-
- Short Term Loan	700,000,000	-
<b>Total</b>	<b>753,839,330</b>	<b>782,052,991</b>

SCHEDULE F : CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2011 ₹	As at 31st March, 2010 ₹
<b>(A) Current Liabilities :</b>		
(a) - Sundry Creditors (Refer Schedule "K" Note No 5)	3,412,887	25,727,504
(b) - Other Liabilities	1,506,263	1,688,095
(c) - Interest accrued but not due	138,225,863	-
<b>Total</b>	<b>143,075,013</b>	<b>27,415,599</b>
<b>(B) Provisions</b>	-	-



NORTH KARNATAKA EXPRESSWAY LIMITED

SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE G: OTHER INCOME

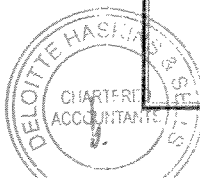
	For the year ended 31st March, 2011 ₹	For the year ended 31st March, 2010 ₹
Interest on loans given (gross; tax deducted at source ₹ 1,745,137/- previous year ₹ 3,984,000/-)	17,451,370	39,840,000
Interest on bank deposits (gross; tax deducted at source ₹ 2,746,223/- previous year ₹ 2,104,622/-)	27,461,928	13,137,467
Interest on income tax refund	-	11,599,300
Balances written back	-	54,347,910
Profit on sale of assets (Net)	123,832	343
Miscellaneous income	-	46,881
<b>Total</b>	<b>45,037,130</b>	<b>118,971,901</b>

SCHEDULE H: ADMINISTRATIVE AND OTHER EXPENSES

	For the year ended 31st March, 2011 ₹	For the year ended 31st March, 2010 ₹
Deputation cost (Refer Schedule "K" Note No.7)	1,367,719	3,330,906
Rent	59,452	52,800
Rates and taxes	1,152,242	890,872
Electricity	21,797	17,037
Repairs and maintenance - others	920,592	481,599
Bad debts written off	-	50,344,539
Travelling expenses	584,203	321,958
Directors sitting fees	120,000	160,000
Project management fees	4,998,851	4,720,108
Insurance premium	97,913	89,163
Legal and professional fees	9,501,418	3,660,322
Auditors remuneration (Refer Schedule "K" Note No 8)	1,540,063	1,387,870
Miscellaneous expenses	1,012,319	1,674,328
<b>Total</b>	<b>21,376,569</b>	<b>67,131,802</b>

SCHEDULE I: INTEREST AND FINANCE CHARGES

	For the year ended 31st March, 2011 ₹	For the year ended 31st March, 2010 ₹
Interest on long term loans taken for fixed period	368,045,357	126,631,128
Interest on debentures	116,775,863	-
Guarantee commission	15,287,086	18,865,618
Debenture issue expenses	2,560,165	-
Trust and retention charges	1,391,725	1,000,000
Other finance charges	251,275	18,303
Management fees	-	16,000,000
<b>Total</b>	<b>537,311,471</b>	<b>462,545,049</b>



# NORTH KARNATAKA EXPRESSWAY LIMITED

## SCHEDULE 'J': 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.

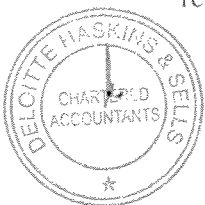
- b. Expenses incurred on the North Karnataka Expressway Road include direct and attributable / allocated indirect expenses incurred for the construction of the same.

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

- d. Depreciation on the components of Belgaum-Maharashtra Border Project 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.



## NORTH KARNATAKA EXPRESSWAY LIMITED

- 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.
- f. All categories of assets costing less than ₹ 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. Debenture issue expenditure

Incremental costs directly attributable to the issue of debentures are being charged to the Profit and Loss Account over the period of redemption of debentures using the effective interest rate method.

### 7. 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.



## NORTH KARNATAKA EXPRESSWAY LIMITED

### 8. 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.

### 9. Revenue Recognition

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

### 10. 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.

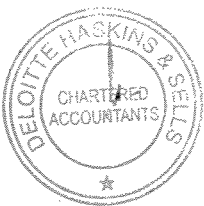
Diluted earnings per share is calculated by dividing the net profit after tax for the year attributable to equity shareholders of the company by the weighted number of equity shares determined by assuming conversion on exercise of conversion rights for all potential dilutive securities.

### 11. 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.

### 12. 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 'K': 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 NH - 4 and its ancillary facilities. Towards this end, the Company entered into a Concession Agreement with the National Highways Authority of India (NHAI) on 20<sup>th</sup> 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 20<sup>th</sup> June, 2002 and ending on 19<sup>th</sup> December, 2019. The concession agreement entitles the Company to earn an annuity of 30 equal instalments of ₹ 505,170,000 each at half yearly rests; the first instalment payable on 20th June, 2005 and the final instalment payable on 20<sup>th</sup> December, 2019.

(2) Of the issued, subscribed and paid up capital of 59,391,100 (31<sup>st</sup> March 2010: 59,391,100) equity shares, IL&FS Transportation Networks Limited ("ITNL"), the immediate holding company, holds 51,670,203 (31<sup>st</sup> March 2010: 44,246,285) equity shares (including 43,949,380 (31<sup>st</sup> March 2010: 29,101,639) equity shares held by a fund of ITNL Road Investment Trust ("IRIT") which has issued the entire issued units in the fund to ITNL). Infrastructure Leasing & Financial Services Limited ("IL&FS"), the ultimate holding company, holds 3,860,441 (31<sup>st</sup> March 2010: 7,572,365) equity shares in the Company.

(3) (a) Contingent Liabilities:

(i) Claims against the Company not acknowledged as debt – ₹ Nil (previous year ₹ 3,889,507).

(ii) Income tax demands contested by Company ₹ 9,598,830 for Assessment Year 2005-06 and ₹ 66,947 for Assessment year 2008-09 (previous year ₹ Nil).

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:

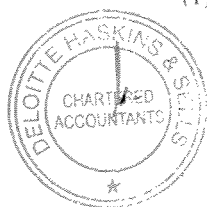
Estimated amount of contracts to be executed on capital account not provided for ₹ Nil (previous year ₹ 62,091,696)

(4) Non-Convertible Debentures

During the current year, the Company had issued 4,636 Secured, Rated, Taxable, Zero-Coupon, Redeemable Non-Convertible Debentures ("NCDs") of ₹ 1,000,000/- each fully paid carrying a yield to maturity of 9.00% p.a. (calculated semi-annually) on private placement basis (to Deutsche Bank International Asia – Debt Fund and Deutsche Investments India Private Limited (the "Investors")). These NCDs are redeemable in nineteen semi-annual installments commencing from 11th March, 2011 and ending on 15th January, 2020. NCDs aggregating to ₹ 381,000,000 were redeemed on 11th March, 2011.

The outstanding NCDs are secured against the following assets of the Company (other than project site):

(i) all bank accounts of the Company;



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## NORTH KARNATAKA EXPRESSWAY LIMITED

- (ii) all rights, title and interests of the Company in, to and under all movable properties and assets of the Company;
- (iii) all rights, title and interests of the Company in, to and under all Project Agreements, clearances, Insurance Contracts, incorporeal rights;
- (iv) all amounts/receivables due to or received by the Company, including those from NHAI under the terms of the Concession Agreement.

The first charge in favour of the Debenture Trustee acting for the benefit of the investors has been created and charge is registered as on 31<sup>st</sup> March, 2011.

Out of the proceeds aggregating ₹ 4,636,000,000, a sum of ₹ 400,000,000 has been placed in term deposits accounts with a designated bank in accordance with the terms of issue and borrowings, aggregating ₹ 3,896,200,000 were repaid along with interest amounting to ₹ 192,866,042. The balance has been used for the general corporate purposes.

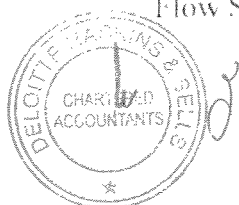
A sum of ₹ 152,336,028 has been charged to the Profit and Loss Account towards the cost of borrowing on these debentures including ₹ 5,560,165 on account of incremental costs of issue thereof. The unamortised incremental costs aggregating ₹ 83,480,937 have been carried forward to Balance Sheet as Miscellaneous Expenditure (to the extent not written off).

Details of debenture issue expenses are:

Particulars	Amortised for the year ended 31 <sup>st</sup> March , 2011	Unamortised as at 31 <sup>st</sup> March, 2011
Debt syndication fees	2,891,200	43,408,800
Debt structuring fees	2,292,170	34,414,898
Legal fees	151,806	2,279,228
Stamp duty and registration fees	156,113	2,343,887
Acceptance fees	68,876	1,034,124
<b>Total</b>	<b>5,560,165</b>	<b>83,480,937</b>

Additionally, ₹ 368,045,357 have been charged to the Profit and Loss Account towards the borrowing costs of the repaid debt including ₹ 74,121,265 on account of premature repayment thereof.

- (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 interest free deposit of ₹ 750,000,000/- given to ITNL into an interest bearing short term loan. As the conversion of interest free deposit 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 31<sup>st</sup> March, 2011.  
During the previous year, the Company converted the advance towards capital of ₹ 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 31<sup>st</sup> March, 2010. However, the repayment of short term loan using cash and cash equivalents has been reflected in the Cash Flow Statement.



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## 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 31<sup>st</sup> March, 2011 was ₹ 1,367,719/- (previous year ₹ 3,330,906/-). 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:

Particulars	( ₹ )	
	For the year ended 31 <sup>st</sup> March, 2011	For the year ended 31 <sup>st</sup> March, 2010
Audit Fees	750,000	350,000
Tax Audit Fees	140,000	50,000
For Other Assurance Services	500,000	850,000
Out of pocket expenses	6,249	8,268
Service tax on above	143,814	129,602
<b>Total</b>	<b>1,540,063</b>	<b>1,387,870</b>

(9) Earnings per share:

Particulars	Unit	As at	
		31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2010
Net Profit after tax	₹	(18,716,152)	146,196,041
Equity Shares outstanding	No.	59,391,100	59,391,100
Nominal Value of Equity Shares	₹	10.00	10.00
Basic / Diluted Earnings per Share	₹	(0.32)	2.46

Note: For the previous year, “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) 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

(12) Related Party Disclosures:

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



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## NORTH KARNATAKA EXPRESSWAY LIMITED

(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: (with whom there have been transactions during the year)	IL&FS Trust Company Limited (ITCL) IL&FS Financial Services (IFIN)
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 31<sup>st</sup> March, 2011:

Nature of Transaction	IL&FS	ITNL	ITCL
Guarantee commission	15,287,086 (18,865,618)	- (-)	- (-)
Interest earned on loan given	- (-)	17,451,370 (39,840,000)	- (-)
Operation, maintenance and supervision expenses	- (-)	88,278,751 (86,067,273)	- (-)
Debt syndication fees	- (-)	46,300,000 (-)	- (-)
Advance towards investments converted in to short term loan	- (-)	- (450,000,000)	- (-)
Deposit given converted in to short term loan	- (-)	750,000,000 (-)	- (-)
Advance towards capital refunded	- (-)	412,002,450 (-)	- (-)
Repayment of short term loan given	- (-)	50,000,000 (740,000,000)	- (-)
Deputation charges	- (-)	1,367,719 (3,330,906)	- (-)
Security agent fees	- (-)	- (-)	330,900 (330,900)

Notes: 1) Reimbursement of cost is not included above.

2) Figures in the brackets relate to previous year.

3) No deputation charges have been claimed by the holding company in respect of Mr. Cherian George, Managing Director. Therefore, the computation of net profit in accordance with section 349 of the Companies Act 1956, in respect of remuneration payable to managerial personnel has not been furnished.



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## NORTH KARNATAKA EXPRESSWAY LIMITED

(C) Balances outstanding as at 31<sup>st</sup> March, 2011:

Particulars	IL&FS	ITNL
Current Liability Payable (Net)	-	1,355,409
	(3,864,699)	(7,031,010)
Deposits Given	-	-
	(-)	(750,000,000)
Advance received towards Capital	-	-
	(-)	(412,002,450)
Interest accrued on loans given	-	14,757,534
	-	(-)
Short term loan given	-	700,000,000
	-	(-)
Guarantees given to the lenders of the Company (Counter guaranteed by ITNL)	-	-
	(729,000,000)	(-)

Note: Figures in the brackets relate to previous year.

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

Name of the Company	As at 31 <sup>st</sup> March, 2011	
	Closing Balance	Maximum amount outstanding during the year
IL&FS Transportation Networks Limited (Deposit)	-	750,000,000
	(750,000,000)	(750,000,000)
IL&FS Transportation Networks Limited (Loan Given)	700,000,000	750,000,000
	(-)	(740,000,000)
IL&FS Transportation Networks Limited (Advance towards investments)	-	-
	(-)	(450,000,000)

Note: Figures in the brackets relate to previous year.

(14) 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: April 15, 2011



  
Company Secretary