

NORTH KARNATAKA EXPRESSWAY LIMITED

ANNUAL REPORT

2011-12

DIRECTORS' REPORT

The Shareholders

NORTH KARNATAKA EXPRESSWAY LIMITED

Your Directors have pleasure in presenting the Tenth Annual Report along with the Audited Statements of Accounts for the year ended March 31, 2012

FINANCIAL RESULTS

The financial results of the Company are as under:

(Amount. in ₹)

	Year ended March 31, 2012	Year ended March 31, 2011
Total Income	1,119,352,881	1,055,377,130
Total Expenses	947,768,078	1,059,174,282
Profit Before Tax	171,584,803	(3,797,152)
<u>Less: Provision for Tax</u>	<u>(35,370,000)</u>	<u>(14,919,000)</u>
Profit After Tax	136,214,803	(18,716,152)
Balance carried forward	319,105,279	182,890,476

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 the annuity payments of ₹101.03 Crores during the year 2011-12.

DIVIDEND:

Your Directors do not recommend dividend for the year under review

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. During the year under review, 704 debentures were redeemed on due dates

DIRECTORS:

In terms of the provisions of Section 260 of the Companies Act, 1956 (the Act) Mr. Pradeep Puri 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 Rajiv Dubey and Mr Hari Easwaran, nominee of Punj Lloyd Limited were appointed as Additional Director with effect from January 19, 2012 on the Board. 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 S S Raju, nominee of Punj Lloyd Limited on the Board of the Company resigned with effect from January 17, 2012. The Board wishes to place on record its appreciation for the valuable contribution made by Mr S S Raju during his 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 April 15, 2011, July 20, 2011, October 18, 2011 and January 19, 2012. The numbers of meetings attended by the Directors are as under:

Sr. N	Name of Directors	No. of Board Meeting held	No. of Board Meetings Attended
1	Mr Pradeep Puri	4	3
2	Mr George Cherian	4	4
3	Mr Harish Mathur	4	3
4	Mr S S Raju (Upto January 19, 2012)	4	0
5	Mr Rajiv Dubey (from January 19, 2012)	1	1
6	Mr Hari Easwaran (from January 19, 2012)	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 George Cherian and Mr Harish Mathur. The Audit Committee met four times during the year under review on April 15, 2011, July 20, 2011, October 18, 2011 and January 19, 2012

PARTICULARS OF EMPLOYEES:

There were no employees in respect of whom the information is required to be provided pursuant to Section 217(2A) of the Companies Act, 1956

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 and hence not provided

ACKNOWLEDGMENTS:

The Directors place on record their appreciation for the support and co-operation received from various Government Authorities including National Highway Authority of India, Central and State Government/Agencies, Bankers, Regulatory Authorities and Shareholders of the Company

By the Order of the Board

Sd/-
Director

Sd/-
Director

Date : April 19, 2012
Place : Mumbai

**AUDITORS' REPORT
TO THE MEMBERS OF
NORTH KARNATAKA EXPRESSWAY LIMITED**

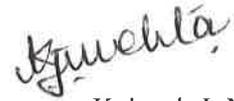
1. We have audited the attached Balance Sheet of **NORTH KARNATAKA EXPRESSWAY LIMITED** ("the Company") as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give 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 that:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss 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;

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- (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2012 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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



Kalpesh J. Mehta
Partner
(Membership No. 48791)

MUMBAI, April 19, 2012
KJM / NDU

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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, clauses (i(c)), (ii), (x), (xii), (xiii), (xiv), (xv), (xvi), (xviii) and (xx) of paragraph 4 of CARO are not applicable to the Company.
- (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.
- (iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:-
 - (a) The Company has granted loan aggregating Rs.Nil to one party during the year. At the year-end, the outstanding balances of such loans aggregated Rs.700,000,000 and the maximum amount involved during the year was Rs.700,000,000.
 - (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie*, not prejudicial to the interests of the Company.
 - (c) The receipts of interest have been regular during the year.
 - (d) There are no overdue amounts over Rs.1,00,000/- remaining outstanding as at March 31, 2012.

The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly sub-clauses (e) to (g) of clause (iii) of paragraph 4 of CARO are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets

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and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.

- (v) To the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that needed to be entered in the register maintained under the said Section. Accordingly, sub-clause (b) of clause (v) of paragraph 4 of CARO is not applicable to the Company.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year within the meaning of Sections 58A & 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) 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.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has been regular in depositing undisputed dues relating to Income-tax and other material statutory dues applicable to it with the appropriate authorities during the year.
 - (b) There were no undisputed amounts payable in respect of Income-tax and other material statutory dues in arrears as at March 31, 2012 for a period of more than six months from the date they became payable.
 - (c) Details of dues of Income-tax which have not been deposited as on March 31, 2012 on account of disputes are given below:

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Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates (Assessment Year)	Amount involved (Rupees)
Income Tax Act, 1961	Income Tax (including Interest)	Commissioner (Appeals)	2005-06	206,458,939

- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to debenture holders.
- (xi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xii) According to the information and explanations given to us, the Company has created security / charge in respect of the debentures issued.
- (xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

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



Kalpesh J. Mehta
Partner
(Membership No. 48791)

MUMBAI, April 19, 2012
KJM / NDU

North Karnataka Expressway Limited
Balance sheet As At March 31, 2012

Amount in Rupees

	Particulars	Note	As At		As At	
			March 31, 2012		March 31, 2011	
I	EQUITY AND LIABILITIES					
1	SHAREHOLDERS' FUNDS					
	(a) Share capital	2	593,911,000		593,911,000	
	(b) Reserves and surplus	3	319,105,279	913,016,279	182,890,476	776,801,476
2	NON-CURRENT LIABILITIES					
	(a) Long-term borrowings	4	2,916,000,000		3,551,000,000	
	(b) Other long term liabilities	5	357,110,000	3,273,110,000	98,130,000	3,649,130,000
3	CURRENT LIABILITIES					
	(a) Current maturities of long-term debt	6	712,760,000		723,450,000	
	(b) Trade payables	7	2,037,371		3,342,886	
	(c) Other current liabilities	8	317,925	715,115,296	22,152,127	748,945,013
	TOTAL			4,901,241,575		5,174,876,489
II	ASSETS					
1	NON CURRENT ASSETS					
	(a) Fixed assets	9				
	-- Tangible assets		3,090,871,364		3,529,265,175	
	(b) Long-term loans and advances	10	52,356,566	3,143,227,930	67,136,716	3,596,401,891
2	CURRENT ASSETS					
	(a) Cash and Cash Equivalents	13	617,748,531		502,156,500	
	(b) Short-term loans and advances	11	806,182,964		770,183,551	
	(c) Other current assets	12	334,082,150	1,758,013,645	306,134,547	1,578,474,598
	TOTAL			4,901,241,575		5,174,876,489

Notes 1 to 23 form part of the financial statements.

In terms of our report attached.
For DELOITTE HASKINS & SELLS
Chartered Accountants

Kalpesh J. Mehta
Kalpesh J. Mehta
Partner
Date : April 9, 2012.
Mumbai

For and on behalf of the Board

C. George *Sejan*
Managing Director Director

[Signature]
Company Secretary

Date : April 9, 2012.
Mumbai

North Karnataka Expressway Limited
Statement of Profit and Loss for the Year Ended March 31, 2012.

Amount in Rupees

	Particulars	Note	Year ended March 31, 2012	Year ended March 31, 2011
I	Revenue from operations	14	1,010,340,000	1,010,340,000
II	Other income	15	109,012,881	45,037,130
III	Total revenue (I + II)		1,119,352,881	1,055,377,130
IV	Expenses			
	Operating expenses	16	93,575,473	88,278,751
	Finance costs	17	401,532,708	537,642,371
	Depreciation	9	438,416,381	412,207,491
	Other expenses (Administrative and general expenses)	18	14,243,516	21,045,669
	Total expenses		947,768,078	1,059,174,282
V	Profit / (Loss) before taxation (III-IV)		171,584,803	(3,797,152)
VI	Tax expense:			
	(1) Current tax		35,370,000	14,919,000
	(2) Deferred tax		-	-
	Total tax expenses (VI)		35,370,000	14,919,000
VII	Profit for the year (V-VI)		136,214,803	(18,716,152)
	Earnings per share (Face value per share Rupees 10/-):	19		
	(1) Basic		2.29	(0.32)
	(2) Diluted		2.29	(0.32)

Notes 1 to 23 form part of the financial statements.

In terms of our report attached.
For DELOITTE HASKINS & SELLS
Chartered Accountants'

Kalpesh J. Mehta

Kalpesh J. Mehta
Partner
Date : April 19, 2012.
Mumbai

For and on behalf of the Board

C. George

Managing Director

G. J. S.

Director

Amabadeh
Company Secretary
Date : April 19, 2012.
Mumbai

North Karnataka Expressway Limited
Cash Flow Statement for the year ended March 31, 2012

Amount in Rupees

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Cash Flow from Operating Activities		
Profit / (Loss) before taxation	171,584,803	(3,797,152)
Adjustments for :-		
Depreciation	438,416,381	412,207,491
Finance costs	401,532,708	537,642,371
Interest Income	(105,678,322)	(44,913,298)
Profit on sale of fixed assets (net)	-	(123,832)
Operating Cash Flow before Working Capital Changes	905,855,570	901,015,580
Adjustments for :-		
Loans and advances	(410,566)	(67,031)
Other current liabilities and trade payables	(2,493,854)	(6,580,689)
Operating Cash Flows after Working Capital Changes	902,951,150	894,367,860
Advances payment of Taxes (Net of Refund Received)	(72,568,245)	(33,617,714)
Net Cash from Operations (A)	830,382,905	860,750,146
Cash flow from Investing Activities		
Fixed Assets additions during the year	(22,570)	(72,308,992)
Sale of Fixed Assets	-	480,000
Fixed Deposit encashed / (placed) with original maturity of more than three months	78,500,000	(274,700,717)
Interest received (net of taxes paid)	77,730,719	24,654,222
Recovery of Short Term loan given	-	50,000,000
Net Cash from / (used in) from Investing Activities (B)	156,208,149	(271,875,487)
Cash flow from Financing Activities		
Term Loan Repayment	-	(4,850,930,000)
Proceeds from issue of Non Convertible Debentures	-	4,636,000,000
Redemption of Non Convertible Debentures (principal repayment)	(704,000,000)	(381,000,000)
Finance cost paid	(88,499,023)	(399,664,513)
Debentures issue expenses	-	(89,372,002)
Repayments of Advance towards equity	-	(412,002,450)
Net Cash (used in) Financing Activities (C)	(792,499,023)	(1,496,968,965)
Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	194,092,031	(908,094,306)
Cash and Cash Equivalents at the beginning of the year	23,656,500	931,750,806
Cash and Cash Equivalents at the end of the year (As per note no- 13 (a))	217,748,531	23,656,500
Net change in Cash & Cash Equivalents during the year	194,092,031	(908,094,306)

Notes 1 to 23 form part of the financial statements.

In terms of our report attached.
For DELOITTE HASKINS & SELLS
Chartered Accountants

Kalpesh J. Mehta
Kalpesh J. Mehta
Partner
Date : April 19, 2012.
Mumbai

For and on behalf of the Board

C George
Managing Director

S. J. Man
Director

A. Matondh
Company Secretary
Date : April 19, 2012.
Mumbai

Note No. 1 - Significant Accounting Policies

(A) I 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 notified under the Companies (Accounting Standards) Rules, 2006. All income and expenditure having a material bearing on the financial statements are recognised on an accrual basis.

II 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 contingent 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.

III Fixed Assets and Depreciation

- a Fixed assets other than project assets (Belgaum-Maharashtra Border Road 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 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 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	Estimated Useful Life
Data Processing Equipments	4 years
Specialised Office Equipments	3 years
Assets Provided to Employees	3 Years

- d Depreciation on the components of Belgaum-Maharashtra Border Project is charged to the Statement of Profit and Loss 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 III (c) and (d) is provided on the Written Down Value method using the rates prescribed by Schedule XIV to the Companies Act, 1956.

- 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.

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IV 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.

V Borrowing Costs

Borrowing costs are charged to the Statement of Profit and Loss in the year of its incurrence. 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.

VI Debenture issue expenditure

These are being charged to Statement of Profit and Loss over the period of redemption of debentures.

VII Taxes on Income

Taxes include taxes on the Company's taxable profits, adjustment attributable to earlier periods and changes in deferred taxes. Current tax is provided based on the amount of tax payable in respect of taxable income for the year as per the Income-tax Act, 1961. Currently, there is no deferred tax applicable since all timing differences between accounting income and taxable income are estimated to arise as well as reverse in the tax holiday period.

VIII 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 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

IX Revenue Recognition

Annuity receivable under the Concession Agreement is recognised on a straight line basis over the period of the annuity.
Interest Income is recognised on an accrual basis.

X Earnings Per Share

Basic earnings per share is calculated by dividing the profit 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 profit 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.

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XI Cash and Bank Balances

Cash and bank balances comprises of cash and cash Equivalents and other bank balances. Cash and Cash Equivalents comprised of Cash on Hand, Cheques in Hand, Balance with Banks, Demand and Term Deposits with original maturity of less than 3 months.

XII Cash Flow Statement

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

XIII Current /Non Current Assets and Liabilities

Assets are classified as current when it satisfies any of the following criteria :-

- 1) It is Expected to be realised within 12 months after reporting date,
- 2) It is held for trading purpose.

All other assets are classified as Non Current.

Liabilities are classified as current when it satisfies any of following criteria :-

- 1) It is expected to be settled within 12 months after the reporting date
- 2) It is held for trading purpose.

All other liabilities are classified as Non-Current

- (B) 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 November 20, 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 June 20, 2002 and ending on December 19, 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 June 20, 2005 and the final instalment payable on December 20, 2019.

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Note 2: Share capital

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number of shares	Amount in Rupees	Number of shares	Amount in Rupees
Authorised Equity Shares of Rupees 10/- each	100,581,000	1,005,810,000	100,581,000	1,005,810,000
Issued Equity Shares of Rupees 10/- each	59,391,100	593,911,000	59,391,100	593,911,000
Subscribed and Paid up Equity Shares of Rupees 10/- each fully paid (refer foot note no. i, ii, and iii)				
Total	59,391,100	593,911,000	59,391,100	593,911,000

Foot Notes:

i. Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	As at March 31, 2012		As at March 31, 2011	
	Equity Shares		Equity Shares	
	Number of Shares	Amount in Rupees	Number of Shares	Amount in Rupees
Shares outstanding at the beginning of the year	59,391,100	593,911,000	59,391,100	593,911,000
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	59,391,100	593,911,000	59,391,100	593,911,000

ii. Details of Shareholding of more than 5% shares

Name of Shareholder	As at March 31, 2012		As at March 31, 2011	
	Number of Shares held	% of total holding	Number of Shares held	% of total holding
IL&FS Trust Company Limited - ITNL Road Investment Trust (IRIT)	43,949,380	74.00%	43,949,380	74.00%
IL&FS Transportation Networks Limited	7,720,823	13.00%	7,720,823	13.00%
Punj Lloyd Limited	3,860,456	6.50%	3,860,456	6.50%
Infrastructure Leasing & Financial Services Limited	3,860,441	6.50%	3,860,441	6.50%
Total	59,391,100	100.00%	59,391,100	100.00%

iii. Of the issued, subscribed and paid up capital of 59,391,100 (as at March 31, 2011: 59,391,100) equity shares, IL&FS Transportation Networks Limited ("ITNL"), the immediate holding company, holds 51,670,203 equity shares including 43,949,380 (as at March 31, 2011: 43,949,380) 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 (as at March 31, 2011: 3,860,441) equity shares in the Company.

Note 3: Reserves and surplus

Particulars	Amount in Rupees			
	As at March 31, 2012		As at March 31, 2011	
(a) Debenture Redemption Reserve				
Opening balance			-	-
(+) Transferred from the Surplus in Statement in Profit and Loss	136,214,803	136,214,803	-	-
(b) Surplus (Balance in Statement of Profit and Loss)				
Opening balance	182,890,476		201,606,628	
(+) Profit / (Loss) for the year	136,214,803		(18,716,152)	
(-) Transfer to Debenture Redemption Reserve	(136,214,803)	182,890,476	-	182,890,476
Total		319,105,279		182,890,476

Footnote:

(a) Debenture Redemption Reserve:

Since the company had issued non convertible debentures in the year ended March 31, 2011, in terms of Section 117C of the Companies Act, 1956 read with the General circular No. 9/2002 (General Clarification No. 6/3/2001-CL.V dated April 18, 2002) ("the General Circular") issued by the Ministry of Corporate Affairs, the Company being an Infrastructure Company is required to create Debenture Redemption Reserve to the extent of 25% of the value of privately placed Debentures until such debentures are redeemed, to which adequate amounts shall be credited from out of its profits every year. Since the Company had not made profit for the year ended March 31, 2011, no amount was transferred to Debenture Redemption Reserve. For the year ended March 31, 2012, the transfer to Debenture Redemption Reserve has been made at lower of the amount to be transferred in accordance with above provisions of the Companies Act, 1956 read with the General Circular and the profit available for appropriation since the reserve is required to be created out of profits.

Note 4: Long-term borrowings

Particulars	Amount in Rupees	
	As at March 31, 2012	As at March 31, 2011
Secured Non-convertible Debentures (refer foot note no.(i) (ii) and (iii) below)	2,916,000,000	3,551,000,000
(Secured By: (i) all bank accounts of the Company; (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 and (iv) all amounts/receivables due to or received by the Company, including those from NHAI under the terms of the Concession Agreement).		
Total	2,916,000,000	3,551,000,000

Foot Notes:

- (i) On December 9, 2010, the Company had issued 4,636 Secured, Rated, Taxable, Zero-Coupon, Redeemable Non-Convertible Debentures ("NCDs") of Rs.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 March 11, 2011 and ending on January 15, 2020. The Company has the right to purchase such debentures at any time at the price available in the Debt market in accordance with the applicable laws.

The first charge in favour of the Debenture Trustee acting for the benefit of the Investors has been created and has also been registered.

- (ii) The Details of Redemption of the debentures as at March 31, 2012 are as follows

REDEMPTION DATE OF DEBENTURES	SERIES OF DEBENTURE	FACE VALUE PER DEBENTURE (Amount in Rupees)	VALUE AT ISSUE DATE (Amount in Rupees)	REDEMPTION VALUE PER DEBENTURE (Amount in Rupees)	REDEMPTION VALUE (Amount in Rupees)
15-Jan-20	Series 19	1,000,000	141,000,000	2,229,350	314,340,000
15-Jul-19	Series 18	1,000,000	148,000,000	2,132,578	315,620,000
15-Jan-19	Series 17	1,000,000	156,000,000	2,041,483	318,470,000
16-Jul-18	Series 16	1,000,000	166,000,000	1,953,337	324,250,000
15-Jan-18	Series 15	1,000,000	176,000,000	1,869,447	329,020,000
15-Jul-17	Series 14	1,000,000	186,000,000	1,788,298	332,620,000
16-Jan-17	Series 13	1,000,000	196,000,000	1,712,322	335,620,000
15-Jul-16	Series 12	1,000,000	207,000,000	1,637,598	338,980,000
15-Jan-16	Series 11	1,000,000	215,000,000	1,567,268	336,960,000
15-Jul-15	Series 10	1,000,000	238,000,000	1,499,236	356,820,000
15-Jan-15	Series 9	1,000,000	252,000,000	1,435,194	361,670,000
15-Jul-14	Series 8	1,000,000	264,000,000	1,372,895	362,440,000
15-Jan-14	Series 7	1,000,000	278,000,000	1,314,250	365,360,000
15-Jul-13	Series 6	1,000,000	293,000,000	1,257,201	368,360,000
Total			2,916,000,000		4,760,530,000

The Details of Redemption of the debentures as at March 31, 2011 are as follows

REDEMPTION DATE OF DEBENTURES	SERIES OF DEBENTURE	FACE VALUE PER DEBENTURE (Amount in Rupees)	VALUE AT ISSUE DATE (Amount in Rupees)	REDEMPTION VALUE PER DEBENTURE (Amount in Rupees)	REDEMPTION VALUE (Amount in Rupees)
15-Jan-20	Series 19	1,000,000	141,000,000	2,229,350	314,340,000
15-Jul-19	Series 18	1,000,000	148,000,000	2,132,578	315,620,000
15-Jan-19	Series 17	1,000,000	156,000,000	2,041,483	318,470,000
16-Jul-18	Series 16	1,000,000	166,000,000	1,953,337	324,250,000
15-Jan-18	Series 15	1,000,000	176,000,000	1,869,447	329,020,000
15-Jul-17	Series 14	1,000,000	186,000,000	1,788,298	332,620,000
16-Jan-17	Series 13	1,000,000	196,000,000	1,712,322	335,620,000
15-Jul-16	Series 12	1,000,000	207,000,000	1,637,598	338,980,000
15-Jan-16	Series 11	1,000,000	215,000,000	1,567,268	336,960,000
15-Jul-15	Series 10	1,000,000	238,000,000	1,499,236	356,820,000
15-Jan-15	Series 9	1,000,000	252,000,000	1,435,194	361,670,000
15-Jul-14	Series 8	1,000,000	264,000,000	1,372,895	362,440,000
15-Jan-14	Series 7	1,000,000	278,000,000	1,314,250	365,360,000
15-Jul-13	Series 6	1,000,000	293,000,000	1,257,201	368,360,000
15-Jan-13	Series 5	1,000,000	309,000,000	1,203,498	371,880,000
16-Jul-12	Series 4	1,000,000	326,000,000	1,151,534	375,400,000
Total			3,551,000,000		5,507,810,000

- (iii) There were no defaults in redemptions of Non convertible debentures (including payments of redemption premia along with the redemption of face value of debentures) during the years ended March 31, 2012 and March 31, 2011.

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North Karnataka Expressway Limited
Notes forming part of Financial Statements for the year ended March 31, 2012

Note 5: Other long term liabilities

Particulars	Amount in Rupees	
	As at March 31, 2012	As at March 31, 2011
(a) Trade Payables		
(b) Others Redemption Premium Accrued but not due on debentures	357,110,000	98,130,000
Total	357,110,000	98,130,000

Note 6: Current maturities of long term debt

Particulars	Amount in Rupees	
	As at March 31, 2012	As at March 31, 2011
(a) Secured Non-convertible Debentures (refer foot note no.(i) (ii) and (iii) below)	635,000,000	704,000,000.00
(Secured By: (i) all bank accounts of the Company; (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 and (iv) all amounts/receivables due to or received by the Company, including those from NHAI under the terms of the Concession Agreement).		
(b) Redemption Premium Accrued but not due (on the above)	77,760,000	19,450,000
Total	712,760,000	723,450,000

Foot Notes:

- (i) On December 9, 2010, the Company had issued 4,636 Secured, Rated, Taxable, Zero-Coupon, Redeemable Non-Convertible Debentures ("NCDs") of Rs.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 March 11, 2011 and ending on January 15, 2020. The Company has the right to purchase such debentures at any time at the price available in the Debt market in accordance with the applicable laws.

The first charge in favour of the Debenture Trustee acting for the benefit of the Investors has been created and has also been registered.

- (ii) The Details of Redemption of the debentures as at March 31, 2012 are as follows

REDEMPTION DATE OF DEBENTURES	SERIES OF DEBENTURE	FACE VALUE PER DEBENTURE (Amount in Rupees)	VALUE AT ISSUE DATE (Amount in Rupees)	REDEMPTION VALUE PER DEBENTURE (Amount in Rupees)	REDEMPTION VALUE (Amount in Rupees)
15-Jan-13	Series 5	1,000,000	309,000,000	1,203,498	371,880,000
16-Jul-12	Series 4	1,000,000	326,000,000	1,151,534	375,400,000
Total			635,000,000		747,280,000

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The Details of Redemption of the debentures as at March 31, 2011 are as follows

REDEMPTION DATE OF DEBENTURES	SERIES OF DEBENTURE	FACE VALUE PER DEBENTURE (Amount in Rupees)	VALUE AT ISSUE DATE (Amount in Rupees)	REDEMPTION VALUE PER DEBENTURE (Amount in Rupees)	REDEMPTION VALUE (Amount in Rupees)
16-Jan-12	Series 3	1,000,000	343,000,000	1,102,080	378,010,000
15-Jul-11	Series 2	1,000,000	361,000,000	1,053,986	380,490,000
Total			704,000,000		758,500,000

(iii) There were no defaults in redemptions of Non convertible debentures (including payments of redemption premia along with the redemption of face value of debentures) during the years ended March 31, 2012 and March 31, 2011.

Note 7: Trade Payables :

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, no disclosures are to be given in respect thereof.

Note 8: Other current liabilities

Particulars	Amount in Rupees	
	As at March 31, 2012	As at March 31, 2011
(a) Interest and finance charges accrued but not due on borrowings Additional Interest on Debentures Accrued but not due	-	20,645,863
(b) Other payables Statutory dues	317,925	1,506,264
Total	317,925	22,152,127

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North Karnataka Expressway Limited
Notes forming part of Financial Statements for the year ended March 31, 2012

Note 9: Fixed assets

Particulars	Gross block (at cost)				Accumulated depreciation			Amount in Rupees	
	Balance as at April 1, 2011	Additions	Disposals	Balance as at March 31, 2012	Balance as at April 1, 2011	Depreciation charge for the year	On disposals	Balance as at March 31, 2012	Net block Balance as at March 31, 2011
Tangible assets									
Belgaum-Maharashtra Border Road Project	6,133,119,243	-	-	6,133,119,243	2,604,102,944	438,347,997	-	3,042,450,941	3,529,016,299
Furniture and fixtures	121,616	-	-	121,616	114,411	1,308	-	115,719	7,205
Vehicles	544,013	-	-	544,013	406,725	35,641	-	442,366	137,288
Office equipments	188,017	10,570	-	198,587	154,398	4,702	-	159,100	33,619
Data processing equipments	428,023	12,000	-	440,023	357,259	26,733	-	383,992	70,764
Total	6,134,400,912	22,570	-	6,134,423,482	2,605,135,737	438,416,381	-	3,043,552,118	3,529,871,364
Previous Year	5,935,093,564	201,676,235	2,368,887	6,134,400,912	2,194,940,965	412,207,491	2,012,719	2,605,135,737	3,529,265,175

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North Karnataka Expressway Limited
Notes forming part of Financial Statements for the year ended March 31, 2012

Note 10: Long-term loans and advances

Particulars	Amount in Rupees	
	As at March 31, 2012	As at March 31, 2011
Unsecured, considered good		
Security Deposits	64,656	45,326
Prepaid expenses	52,291,910	67,091,390
Total	52,356,566	67,136,716

Note 11: Short-term loans and advances

Particulars	Amount in Rupees			
	As at March 31, 2012		As at March 31, 2011	
(a) Loans given to related parties (Unsecured, considered good) Short term loan given to IL&FS Transportation Networks Limited (Refer Note 21)		700,000,000		700,000,000
(b) Other loans and advances (Unsecured, considered good)				
- Sundry Advances	75,704		100,000	
- Advance payment of taxes (net of provision)	90,617,877		53,419,633	
- Prepaid expenses	15,489,383	106,182,964	16,663,918	70,183,551
Total		806,182,964		770,183,551

Note 12: Other current assets

Particulars	Amount in Rupees	
	As at March 31, 2012	As at March 31, 2011
(a) Interest accrued but not due on short term loan and Fixed deposit with banks	47,819,150	19,871,547
(b) Income accrued but not due	286,263,000	286,263,000
Total	334,082,150	306,134,547

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North Karnataka Expressway Limited

Notes forming part of Financial Statements for the year ended March 31, 2012

Note 13: Cash and Cash Equivalents

Amount in Rupees

Particulars	As at March 31, 2012		As at March 31, 2011	
	(a) Cash and cash equivalents			
Cash on hand	27,449		35,811	
Balances with banks in current accounts	217,721,082	217,748,531	23,620,689	23,656,500
(b) Other bank balances				
In Fixed Deposits placed for a period exceeding 3 months but not more than 12 months (Restricted)		400,000,000		478,500,000
Total		617,748,531		502,156,500

Of the above, the balances that meet the definition of Cash and Cash equivalents as per AS 3 Cash Flow Statements is :-	217,748,531		23,656,500
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Note 14: Revenue from operations

Amount in Rupees

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
(a) Other Operating Revenues Annuity Income for Belgaum-Maharashtra Border Road	1,010,340,000	1,010,340,000
	1,010,340,000	1,010,340,000

Note 15: Other income

Amount in Rupees

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
(a) Interest Income Interest on loans granted Interest on fixed deposits with banks	66,682,189 38,996,133	105,678,322	17,451,370 27,461,928	44,913,298
(b) Other non-operating income Profit on sale of fixed assets (net) Miscellaneous income		- 3,334,559		123,832 -
		109,012,881		45,037,130

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North Karnataka Expressway Limited
Notes forming part of Financial Statements for the year ended March 31, 2012

Note 16: Operating expenses

Particulars	Amount in Rupees	
	Year ended March 31, 2012	Year ended March 31, 2011
Operation and maintenance expenses for Belgaum Maharashtra Border Road	93,575,473	88,278,751
	93,575,473	88,278,751

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Note 17: Finance costs

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
(a) Interest expenses				
Interest on loans for fixed period			368,045,357	
Interest on debentures (Additional Interest on Debentures)	12,123,836	12,123,836	20,645,863	388,691,220
(b) Other borrowing costs				
Redemption premium on debentures	371,790,000		126,130,000	
Guarantee commission			15,287,086	
Amortisation of borrowing costs	16,389,547		5,560,165	
Other Finance charges	1,229,325	389,408,872	1,973,900	148,951,151
		401,532,708		537,642,371

Note 18: Other expenses (Administrative and general expenses)

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
Legal and consultation fees		3,690,795		9,501,418
Auditors' remuneration (Refer footnote (a) below)		1,976,262		1,540,063
Deputation cost (Refer footnote (b) below)		1,637,107		1,367,719
Travelling and conveyance		381,296		584,203
Rent		63,028		59,452
Rates and taxes		391,195		1,152,242
Repairs and maintenance		210,120		920,592
Insurance		96,321		97,913
Printing and stationery		52,062		96,345
Electricity charges		17,948		21,797
Directors' sitting fees		220,000		200,000
Independent Engineer Fees		4,801,645		4,667,951
Miscellaneous expenses		705,737		835,974
		14,243,516		21,045,669

Footnote:

(a) Auditors' remuneration

Payments to the auditor as:	Amount in Rupees	
	Year ended March 31, 2012	Year ended March 31, 2011
a. audit fees	900,000	750,000
b. tax audit fees	200,000	140,000
c. for other assurances services	675,000	500,000
d. for reimbursement of expenses		6,249
e. service tax on above	201,262	143,814
	1,976,262	1,540,063

(b) Deputation Cost:

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 March 31, 2012 is Rs.1,637,107/- (For the year ended March 31, 2011 was Rs.1,367,719/-). 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.

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Note 19: Earnings per share

Particulars	Unit	Year ended March 31, 2012	Year ended March 31, 2011
Profit / (Loss) for the year attributable to Equity Shareholders	Rupees	136,214,803	(18,716,152)
Weighted number of Equity Shares outstanding for calculating Basic and Diluted Earnings Per Share	Number	59,391,100	59,391,100
Nominal Value per equity share	Rupees	10	10
Basic and Diluted Earnings per share	Rupees	2.29	(0.32)

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North Karnataka Expressway Limited
Notes forming part of Financial Statements for the year ended March 31, 2012

Note 20: Contingent liabilities and commitments

A) Contingent liabilities :

Particulars	Amount in Rupees	
	As at March 31, 2012	As at March 31, 2011
Claims against the company not acknowledged as debt (Income tax demands contested by the Company and other Income Tax matters)	324,038,805	17,479,866

B) Commitments :

Particulars	Amount in Rupees	
	As at March 31, 2012	As at March 31, 2011
Estimated amount of contracts remaining to be executed on capital account (Overlay Construction Cost)	635,006,056	635,006,056

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Note 21: Related Party Disclosures

Current Year

a Name of related parties and description of relationship:	
Ultimate Holding Company:	Infrastructure Leasing & Financial Services Limited ("IL&FS")
Immediate Holding Company:	IL&FS Transportation Networks Limited ("ITNL")
Entities having Control :	ITNL Road Investment Trust ("IRIT")
Fellow Subsidiaries (only with whom there have been transactions during the year / closing balances at the year end) :	None
Key Management Personnel:	Mr. Cherian George (Managing Director)

b Transactions / Balances with related parties as mentioned in (a) above

	Amount in Rupees
Transactions :-	ITNL
Interest on loans granted	66,682,189
Operation and maintenance expenses	93,575,473
Deputation cost	1,637,107
Balances :-	
Interest accrued but not due on short term loan given	24,771,505
Short term loan given	700,000,000
Trade Payable	47,362

Previous Year

c Name of related parties and description of relationship:	
Ultimate Holding Company:	Infrastructure Leasing & Financial Services Limited ("IL&FS")
Intermediate Holding Company:	IL&FS Transportation Networks Limited ("ITNL")
Immediate Holding Company:	ITNL Road Investment Trust ("IRIT")
Fellow Subsidiaries (only with whom there have been transactions during the year / closing balances at the year end) :	IL&FS Trust Company Limited ("ITCL")
Key Management Personnel:	Mr. Cherian George (Managing Director)

d Transactions / Balances with related parties as mentioned in (c) above

	Amount in Rupees		
Particulars	IL&FS	ITNL	ITCL
Transactions :-			
Guarantee commission	15,287,086	-	-
Interest on loans granted	-	17,451,370	-
Operation and maintenance expenses	-	88,278,751	-
Debt syndication fees paid (Debenture Issue Expenses)	-	46,300,000	-
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	-
Deputation cost	-	1,367,719	-
Other Finance Charges (Security agent fees)	-	-	330,900
Balances :-			
Interest accrued but not due on short term loan given	-	14,757,534	-
Short term loan given	-	700,000,000	-
Trade Payable	-	1,355,409	-

Footnotes:

- (1) Reimbursement of costs is not included above.
- (2) No deputation charges have been claimed by the holding company in respect of Mr. Cherian George, Managing Director.

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North Karnataka Expressway Limited

Notes forming part of Financial Statements for the year ended March 31, 2012

Note 22: Segment Reporting

The Company is engaged in infrastructure business and is a Special Purpose Entity formed for the specific purpose detailed in Note No.1 (B) 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.

Note 23: Previous year figures

Consequent to the NOTIFICATION NO. S.O. 447(E), DATED 28-2-2011 [AS AMENDED BYNOTIFICATION NO. F.NO. 2/6/2008-CL-V, DATED 30-3-2011] the above financial statements have been presented in accordance with the Revised Schedule VI. As required under the said notification corresponding figures for the previous year have been reclassified and presented in accordance with the current year presentation.

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For and on behalf of the Board

C George

Managing Director

[Signature]

Director

[Signature]
Company Secretary
Date : April 9, 2012.
Mumbai