

**NORTH KARNATAKA EXPRESSWAY LIMITED**

**ANNUAL REPORT**

**2012-13**

## DIRECTORS' REPORT

The Shareholders

### **NORTH KARNATAKA EXPRESSWAY LIMITED**

Your Directors have pleasure in presenting the Eleventh Annual Report along with the Audited Statements of Accounts for the year ended March 31, 2013

#### **FINANCIAL RESULTS**

The financial results of the Company are as under:

	Year ended March 31, 2013	Year ended March 31, 2012
Total Income	1,132,579,051	1,119,352,881
Total Expenses	903,299,751	947,768,078
Profit Before Tax	229,279,301	171,584,803
<u>Less:</u> Provision for Tax	(45,900,000)	(35,370,000)
Profit After Tax	183,379,301	136,214,803
Balance carried forward	502,484,580	319,105,279

(Amount. in ₹)

#### **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 2012-13.

#### **DIVIDEND:**

During the year under review, your Directors recommend a dividend of ₹ 1 per share on 5,93,91,100 Equity Shares of ₹ 10/- each. The proposed dividend, if approved at the Annual General Meeting will absorb a sum of ₹6,90,25,821/- including a tax on dividend of ₹ 96,34,721/-

#### **REDEMPTION OF 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 aforementioned Debentures the Company had redeemed 1,720 debentures as of date including 635 debentures redeemed during the year under review

#### **DIRECTORS:**

During the year under review, Mr Hari Easwaran, Nominee Director of Punj Lloyd Limited resigned as Directors of the Company and in his place Mr S K Goyal was appointed as Nominee Director of Punj Lloyd Limited effective February 22, 2013. The Directors placed on record their sincere appreciation for the valuable guidance and support rendered by Mr Easwaran

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

#### **AUDITORS:**

During the year, M/s. Deloitte Haskins & Sells, Chartered Accountants, has intimated their unwillingness for being re-appointed as the Statutory Auditors of the Company. In the view of the foregoing, M/s. M. P. Chitale & Co., Chartered Accountants, were appointed as the Statutory Auditors of the Company at the Annual General Meeting (AGM) held on September 28, 2012 for the financial year 2012-2013

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

#### **DEPOSITS:**

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

#### **CORPORATE GOVERNANCE:**

Four Board Meetings were held during the year under review on April 19, 2012, July 19, 2012, October 18, 2012 and January 18, 2013. 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	1
2	Mr George Cherian	4	4
3	Mr Harish Mathur	4	4
4	Mr Rajiv Dubey	4	2
5	Mr Hari Easwaran (upto February 22, 2013)	4	2
6	Mr S K Goyal (w.e.f. February 22, 2013)	0	0

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 19, 2012, July 19, 2012, October 18, 2012 and January 18, 2013.

#### **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/-  
Chairman

Date : April 18, 2013  
Place : Mumbai

# **M. P. Chitale & Co.**

**Chartered Accountants**

Hamam House, Ambalal Doshi Marg, Fort, Mumbai - 400 001 • Tel. : 2265 1186 / 2265 3023 / 24 • Fax : 2265 5334 • E-mail : office@mpchitale.com

## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of North Karnataka Expressway Limited**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **North Karnataka Expressway Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2013;
- (b) in the case of the Profit and Loss Account, of the profit/ loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

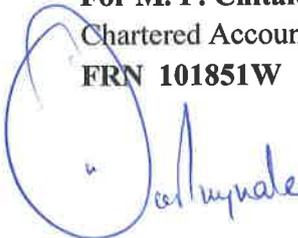
1. As required by section 227(3) of the Companies Act 1956, we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement complies with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.



2. As required by the Companies(Auditor's Report) Order,2003("the Order") issued by the Central Government of India in terms of sub-section(4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

**For M. P. Chitale & Co.**  
Chartered Accountants  
FRN 101851W


**Murtuza Vajih**  
Partner  
Membership Number: 112555

Place: Mumbai  
Date: April 18, 2013

**Annexure referred to in paragraph (4) of our report of even date**

1. a. The Company has maintained proper records for fixed assets showing full particulars, including quantitative details and situation of fixed assets.
- b. The Management has during the year conducted physical verification of the major fixed assets. We are informed that no major discrepancies were noticed on such verification
- c. Based on our examination of the records of the company, we find that no substantial part of the fixed assets has been disposed off during the year.
2. (a), (b) & (c) Since, the Company does not have any inventory, these clauses do not apply to the Company.
3. a. The Company has not granted/taken any unsecured loans to company covered in the register maintained under Section 301 of the Act. hence, paras 3 (a) to (d) are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of services. Further on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weakness in the aforesaid internal control procedures.
5. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956,
  - (a) 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 According, sub-clause (b) of clause (vi) of Paragraph 4 of CARO is not applicable to the company
6. As per the information and explanations given to us the Company has not accepted any deposits from public. Consequently the directives issued by Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under are not applicable.



7. In our opinion, the Company's Internal Audit System is commensurate with its size and nature of its business.
8. As required by the Companies (Cost Accounting Records) Rules, 2011, the Company has obtained a compliance report of the cost accountant in respect of the accuracy and completeness of the cost records maintained by the Company relating to activities of the company
9. a According to the information and explanations given to us and on the basis of books and records produced and examined by us, undisputed statutory dues have generally been regularly deposited with the appropriate authorities and that there are no statutory dues that are outstanding for more than six months at the end of the year.
- b. As at the year-end, according to the records of the Company and information and explanations given to us, there are no disputed dues on account of income tax, sales tax, customs duty, excise duty, cess, wealth tax, service tax which have not been deposited with respective authorities.
- c. Details of dues of Income-tax which have not been deposited as on March 31, 2013 on account of disputes are given below

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates (Assessment year)	Amount involved (Rupees in crores)
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal	2005-06	19.09
			2006-07	18.15
		Commissioner of Income Tax	2008-09	0.81
			2009-10	0.90

10. The Company does not have any accumulated losses as at March 31, 2013 and has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
11. As per books and records maintained by the Company and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to debenture holders.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The Company is not a chit fund / nidhi /mutual benefit fund / society. Hence, the provisions of any special statute as specified under clause (xiii) of Paragraph 4 of the Order are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
15. According to the information and explanations given to us , the Company has not given guarantees for loans taken by others from banks or financial institutions
16. Based on the information and explanations given to us, we find that the Company has utilized the term loans for the purpose they were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, there have been no funds raised by the company during the year on a short-term basis hence, this para is not applicable
18. The Company has not made any preferential allotment of shares during the year to parties/companies hence, this para is not applicable
19. According to the information and explanations given to us, the Company has created a charge in respect of debentures issued in earlier financial years
20. The Company has not raised any money through a public issue during the year.
21. Based on information and explanations furnished by the management, which have been relied upon by us, no frauds on or by the Company were noticed or reported during the year.

For M. P. Chitale & Co.  
Chartered Accountants  
ICAI FR No.101851W

Murtuza Vajihi  
Partner  
ICAI M. No. 112555



Place: Mumbai  
Date: April 18, 2013

**NORTH KARNATAKA EXPRESSWAY LIMITED**

**Balance Sheet as at March 31, 2013**

Amount in Rupees

Particulars	Note	As At	
		March 31, 2013	March 31, 2012
<b>I EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
(a) Share capital	2	59,39,11,000	59,39,11,000
(b) Reserves and surplus	3	43,34,58,758	31,91,05,279
		1,02,73,69,758	91,30,16,279
<b>NON-CURRENT LIABILITIES</b>			
(a) Long-term borrowings	4	2,34,50,00,000	2,91,60,00,000
(b) Other long term liabilities	5	52,93,99,034	35,71,10,000
		2,87,43,99,034	3,27,31,10,000
<b>CURRENT LIABILITIES</b>			
(a) Current maturities of long-term debt	6	69,99,10,000	71,27,60,000
(b) Trade payables	7	10,07,771	20,37,371
(c) Other current liabilities	8	31,087	3,17,925
(d) Short-term provisions	9	6,90,25,821	-
		76,99,74,679	71,51,15,296
<b>TOTAL</b>		<b>4,67,17,43,472</b>	<b>4,90,12,41,575</b>
<b>II ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
(a) Fixed assets	10		
(i) Tangible assets		1,93,542	2,03,062
(ii) Intangible assets		2,65,35,17,978	3,09,06,68,302
(b) Long-term loans and advances	11	3,75,57,085	5,23,56,566
		2,69,12,68,605	3,14,32,27,930
<b>CURRENT ASSETS</b>			
(a) Cash and Cash Equivalents	14	82,96,90,168	61,77,48,531
(b) Short-term loans and advances	12	78,56,25,457	80,61,82,964
(c) Other current assets	13	36,51,59,243	33,40,82,150
		1,98,04,74,868	1,75,80,13,645
<b>TOTAL</b>		<b>4,67,17,43,472</b>	<b>4,90,12,41,575</b>

Notes 1 to 24 form part of the financial statements.

In terms of our report attached.  
For **M P Chitale & Co.**  
Chartered Accountants

For and on behalf of the Board

**Murtuza Vajih**  
Partner  
Date : April 18, 2013.  
Mumbai



**C. George**  
Managing Director

**Amabandh**  
Company Secretary  
Date : April 18, 2013.  
Mumbai

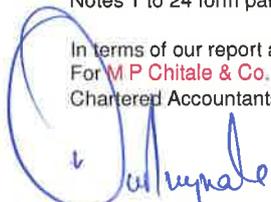
**Director**

**Statement of Profit and Loss** for the Year Ended March 31, 2013

Particulars	Note	Amount in Rupees	
		Year ended March 31, 2013	Year ended March 31, 2012
<b>I REVENUE FROM OPERATIONS</b>	<b>15</b>	1,01,03,40,000	1,01,03,40,000
<b>II OTHER INCOME</b>	<b>16</b>	12,22,39,051	10,90,12,881
<b>III TOTAL REVENUE (I + II)</b>		<b>1,13,25,79,051</b>	<b>1,11,93,52,881</b>
<b>IV EXPENSES</b>			
Operating expenses	<b>17</b>	10,56,04,994	9,83,77,118
Finance costs	<b>18</b>	35,15,29,066	40,15,32,708
Depreciation / Amortisation	<b>10</b>	43,72,14,885	43,84,16,381
Other expenses (Administrative and general expenses)	<b>19</b>	89,50,806	94,41,871
<b>TOTAL EXPENSES</b>		<b>90,32,99,751</b>	<b>94,77,68,078</b>
<b>V Profit / (Loss) before taxation (III-IV)</b>		<b>22,92,79,300</b>	<b>17,15,84,803</b>
<b>VI TAX EXPENSE:</b>			
(1) Current tax		4,59,00,000	3,53,70,000
(2) Deferred tax		-	-
<b>TOTAL TAX EXPENSES (VI)</b>		<b>4,59,00,000</b>	<b>3,53,70,000</b>
<b>VII PROFIT/(LOSS) FOR THE YEAR (V-VI)</b>		<b>18,33,79,300</b>	<b>13,62,14,803</b>
Earnings per share (Face value per share Rupees 10/-):	<b>20</b>		
(1) Basic		3.09	2.29
(2) Diluted		3.09	2.29

Notes 1 to 24 form part of the financial statements.

In terms of our report attached.  
For **M P Chitale & Co.**  
Chartered Accountants



**Murtuza Vajih**  
Partner  
Date : April 18, 2013.  
Mumbai



For and on behalf of the Board

  
**C. George**  
Managing Director

  
**Anandh**  
Director

**Company Secretary**  
Date : April 18, 2013.  
Mumbai

**Cash Flow Statement** for the Year Ended March 31, 2013

Particulars	Amount in Rupees	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	22,92,79,300	17,15,84,803
<b>Adjustments for :-</b>		
Depreciation	43,72,14,885	43,84,16,381
Finance costs	35,15,29,066	40,15,32,708
Interest Income	-11,99,43,886	-10,56,78,322
Profit on sale of fixed assets (net)	-	-
Operating Cash Flow before Working Capital Changes	89,80,79,365	90,58,55,570
<b>Adjustments for :-</b>		
Loans and advances	51,60,318	-4,10,566
Other current liabilities and trade payables	-13,16,438	-24,93,854
Operating Cash Flows after Working Capital Changes	90,19,23,245	90,29,51,150
Advances payment of Taxes (Net of Refund Received)	-2,47,77,550	-7,25,68,244
<b>Net Cash from Operations (A)</b>	<b>87,71,45,695</b>	<b>83,03,82,906</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Assets additions during the year	-55,040	-22,570
Sale of Fixed Assets	-	-
Fixed Deposit encashed / (placed) with original maturity of more than three months	40,00,00,000	7,85,00,000
Interest received (net of taxes paid)	8,31,41,533	7,77,30,719
Recovery of Short Term loan given	-	-
<b>Net Cash from / ( used in ) from Investing Activities (B)</b>	<b>48,30,86,493</b>	<b>15,62,08,149</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Term Loan Repayment	-	-
Proceeds from issue of Non Convertible Debentures	-	-
Redemption of Non Convertible Debentures (principal repayment)	-63,50,00,000	-70,40,00,000.00
Finance cost paid	-11,32,90,550	-8,84,99,023.23
Debentures issue expenses	-	-
Repayments of Advance towards equity	-	-
<b>Net Cash (used in) Financing Activities (C)</b>	<b>-74,82,90,550</b>	<b>-79,24,99,023</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>61,19,41,637</b>	<b>19,40,92,031</b>
Cash and Cash Equivalents at the beginning of the year	21,77,48,531	2,36,56,500
Cash and Cash Equivalents at the end of the year (As per note no- 13 (a))	82,96,90,168	21,77,48,531
<b>Net change in Cash &amp; Cash Equivalents during the year</b>	<b>61,19,41,637</b>	<b>19,40,92,031</b>

Notes 1 to 24 form part of the financial statements.

In terms of our report attached.  
For M P Chitale & Co.  
Chartered Accountants

Murtuza Vajih  
Partner  
Date : April 18, 2013.  
Mumbai



For and on behalf of the Board

C. George  
Managing Director

Director

Company Secretary  
Date : April 18, 2013.  
Mumbai

## NORTH KARNATAKA EXPRESSWAY LIMITED

### Notes forming part of the financial statements for the year ended March 31, 2013

#### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

##### (A) Company Background

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.

##### (B) 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 Amortisation 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.



**Notes forming part of the financial statements for the year ended March 31, 2013**

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

- 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.

**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**

(a) **Debenture issue expenditure**

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

(b) **Debenture Redemption Premium**

Debenture Redemption Premium is charged to P & L account @ 9.00% p.a. (calculated semi-annually)

(c) **Creation of Debenture Redemption Reserve (DRR)**

Debenture Redemption Reserve created out of profit of the year

**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.



## NORTH KARNATAKA EXPRESSWAY LIMITED

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**Notes** forming part of the financial statements for the year ended March 31, 2013

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### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

#### 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.

#### 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".



**NORTH KARNATAKA EXPRESSWAY LIMITED**

**Notes** forming part of the financial statements for the year ended March 31, 2013

**NOTE 2: SHARE CAPITAL**

Particulars	As at March 31, 2013		As at March 31, 2012	
	Number of shares	Amount In Rupees	Number of shares	Amount in Rupees
<b>Authorised</b> Equity Shares of Rupees 10/- each	10,05,81,000	1,00,58,10,000	10,05,81,000	1,00,58,10,000
<b>Issued</b> Equity Shares of Rupees 10/- each	5,93,91,100	59,39,11,000	5,93,91,100	59,39,11,000
<b>Subscribed and Paid up</b> Equity Shares of Rupees 10/- each fully paid (refer foot note no. i, ii, and iii)				
<b>TOTAL</b>	<b>5,93,91,100</b>	<b>59,39,11,000</b>	<b>5,93,91,100</b>	<b>59,39,11,000</b>

**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, 2013		As at March 31, 2012	
	Equity Shares		Equity Shares	
	Number of Shares	Amount In Rupees	Number of Shares	Amount in Rupees
Shares outstanding at the beginning of the year	5,93,91,100	59,39,11,000	5,93,91,100	59,39,11,000
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	5,93,91,100	59,39,11,000	5,93,91,100	59,39,11,000

ii. Details of Shareholding of more than 5% shares

Name of Shareholder	As at March 31, 2013		As at March 31, 2012	
	Number of Shares held	% of total holding	Number of Shares held	% of total holding
IL&FS Trust Company Limited - ITNL Road Investment Trust (IRIT)	4,39,49,380	74.00%	4,39,49,380	74.00%
IL&FS Transportation Networks Limited	77,20,823	13.00%	77,20,823	13.00%
Punj Lloyd Limited	38,60,456	6.50%	38,60,456	6.50%
Infrastructure Leasing & Financial Services Limited	38,60,441	6.50%	38,60,441	6.50%
<b>TOTAL</b>	<b>5,93,91,100</b>	<b>100.00%</b>	<b>5,93,91,100</b>	<b>100.00%</b>

iii. Of the issued, subscribed and paid up capital of 59,391,100 (as at March 31, 2012: 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, 2012: 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, 2012: 3,860,441) equity shares in the Company.

**NOTE 3: RESERVES AND SURPLUS**

Particulars	Amount in Rupees			
	As at March 31, 2013		As at March 31, 2012	
<b>(a) Debenture Redemption Reserve</b>				
Opening balance	13,62,14,803		-	
(+) Transferred from the Surplus in Statement in Profit and Loss	11,43,53,480	25,05,68,283	13,62,14,803	13,62,14,803
<b>(b) Profit / (Loss) Surplus</b>				
Opening balance	18,28,90,476		18,28,90,476	
(+) Profit for the current period / year	18,33,79,300		13,62,14,803	
(-) Transfer to debenture redemption reserve	-11,43,53,480		-13,62,14,803	
(-) Proposed Dividends (including dividend tax)	-6,90,25,821	18,28,90,476	-	18,28,90,476
<b>TOTAL</b>		<b>43,34,58,758</b>		<b>31,91,05,279</b>

**FOOT NOTES:**

**(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) and Circular No 11/02/2012-CL-V dated February 11, 2013 ("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, 2013, 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, after declaring dividend @ 10% of face value since the reserve is required to be created out of profits.



**NORTH KARNATAKA EXPRESSWAY LIMITED**

**Notes** forming part of the financial statements for the year ended March 31, 2013

**Note 4: LONG-TERM BORROWINGS**

Particulars	Amount in Rupees	
	As at March 31, 2013	As at March 31, 2012
<b>Secured Non-convertible Debentures</b> (refer foot note no.(i) (ii) and (iii) below)	2,34,50,00,000	2,91,60,00,000
(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).		
<b>TOTAL</b>	<b>2,34,50,00,000</b>	<b>2,91,60,00,000</b>

**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, 2013 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	10,00,000	14,10,00,000	22,29,350	31,43,40,000
15-Jul-19	Series 18	10,00,000	14,80,00,000	21,32,578	31,56,20,000
15-Jan-19	Series 17	10,00,000	15,60,00,000	20,41,483	31,84,70,000
16-Jul-18	Series 16	10,00,000	16,60,00,000	19,53,337	32,42,50,000
15-Jan-18	Series 15	10,00,000	17,60,00,000	18,69,447	32,90,20,000
15-Jul-17	Series 14	10,00,000	18,60,00,000	17,88,298	33,26,20,000
16-Jan-17	Series 13	10,00,000	19,60,00,000	17,12,322	33,56,20,000
15-Jul-16	Series 12	10,00,000	20,70,00,000	16,37,598	33,89,80,000
15-Jan-16	Series 11	10,00,000	21,50,00,000	15,67,268	33,69,60,000
15-Jul-15	Series 10	10,00,000	23,80,00,000	14,99,236	35,68,20,000
15-Jan-15	Series 9	10,00,000	25,20,00,000	14,35,194	36,16,70,000
15-Jul-14	Series 8	10,00,000	26,40,00,000	13,72,895	36,24,40,000
<b>TOTAL</b>			<b>2,34,50,00,000</b>		<b>4,02,68,10,000</b>

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	10,00,000	14,10,00,000	22,29,350	31,43,40,000
15-Jul-19	Series 18	10,00,000	14,80,00,000	21,32,578	31,56,20,000
15-Jan-19	Series 17	10,00,000	15,60,00,000	20,41,483	31,84,70,000
16-Jul-18	Series 16	10,00,000	16,60,00,000	19,53,337	32,42,50,000
15-Jan-18	Series 15	10,00,000	17,60,00,000	18,69,447	32,90,20,000
15-Jul-17	Series 14	10,00,000	18,60,00,000	17,88,298	33,26,20,000
16-Jan-17	Series 13	10,00,000	19,60,00,000	17,12,322	33,56,20,000
15-Jul-16	Series 12	10,00,000	20,70,00,000	16,37,598	33,89,80,000
15-Jan-16	Series 11	10,00,000	21,50,00,000	15,67,268	33,69,60,000
15-Jul-15	Series 10	10,00,000	23,80,00,000	14,99,236	35,68,20,000
15-Jan-15	Series 9	10,00,000	25,20,00,000	14,35,194	36,16,70,000
15-Jul-14	Series 8	10,00,000	26,40,00,000	13,72,895	36,24,40,000
15-Jan-14	Series 7	10,00,000	27,80,00,000	13,14,250	36,53,60,000
15-Jul-13	Series 6	10,00,000	29,30,00,000	12,57,201	36,83,60,000
<b>TOTAL</b>			<b>2,91,60,00,000</b>		<b>4,76,05,30,000</b>

- (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, 2013 and March 31, 2012.



**NORTH KARNATAKA EXPRESSWAY LIMITED**

**Notes forming part of the financial statements for the year ended March 31, 2013**

**NOTE 5: OTHER LONG TERM LIABILITIES**

Particulars	Amount in Rupees	
	As at March 31, 2013	As at March 31, 2012
(a) Trade Payables	-	-
(b) Others Redemption Premium Accrued but not due on debentures	52,93,99,034	35,71,10,000
<b>TOTAL</b>	<b>52,93,99,034</b>	<b>35,71,10,000</b>

**NOTE 6: CURRENT MATURITIES OF LONG TERM DEBT**

Particulars	Amount in Rupees	
	As at March 31, 2013	As at March 31, 2012
(a) Secured Non-convertible Debentures (refer foot note no.(i) (ii) and (iii) below)  (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).	57,10,00,000	63,50,00,000.00
(b) Redemption Premium Accrued but not due (on the above)	12,89,10,000	7,77,60,000
<b>TOTAL</b>	<b>69,99,10,000</b>	<b>71,27,60,000</b>

**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, 2013 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-14	Series 7	10,00,000	27,80,00,000	13,14,250	36,53,61,500
15-Jul-13	Series 6	10,00,000	29,30,00,000	12,57,201	36,83,59,893
<b>TOAL</b>			<b>57,10,00,000</b>		<b>73,37,21,393</b>

The Details of Redemption of the debentures as at March 31, 2012 are as follows



## NORTH KARNATAKA EXPRESSWAY LIMITED

**Notes** forming part of the financial statements for the year ended March 31, 2013

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	10,00,000	30,90,00,000	12,03,498	37,18,80,882
16-Jul-12	Series 4	10,00,000	32,60,00,000	11,51,534	37,54,00,084
<b>TOAL</b>			<b>63,50,00,000</b>		<b>74,72,80,966</b>

(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, 2013 and March 31, 2012.

### 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, 2013	As at March 31, 2012
<b>Other payables</b>		
- Statutory dues	31,087	3,17,925
<b>TOTAL</b>	<b>31,087</b>	<b>3,17,925</b>

### NOTE 9: SHORT TERM PROVISION

Particulars	Amount in Rupees	
	As at March 31, 2013	As at March 31, 2012
(a) Proposed dividend on equity shares	5,93,91,100	-
(b) Provision for tax on proposed dividend on equity shares	96,34,721	-
<b>TOTAL</b>	<b>6,90,25,821</b>	<b>-</b>



**NORTH KARNATAKA EXPRESSWAY LIMITED**

**Notes** forming part of Financial Statements for the year ended March 31, 2013

**NOTE 10: FIXED ASSETS**

	Gross block (at cost)				Accumulated depreciation			Amount in Rupees	
	Balance as at April 1, 2012	Additions during the year	Disposals	Balance as at March 31, 2013	Balance as at April 1, 2012	Depreciation charge for the year	On disposals	Balance as at March 31, 2013	Net block Balance as at March 31, 2012
<b>Tangible assets</b>									
Furniture and fixtures	1,21,616	-	-	1,21,616	1,15,719	1,067	-	4,830	5,897
Vehicles	5,44,013	-	-	5,44,013	4,42,366	26,316	-	75,331	1,01,647
Office equipments	1,98,587	7,990	-	2,06,577	1,59,100	6,464	-	41,013	39,487
Data processing equipments	4,40,023	47,050	-	4,87,073	3,83,992	30,714	-	72,368	56,031
<b>Total - Tangible assets (A)</b>	<b>13,04,239</b>	<b>55,040</b>	<b>-</b>	<b>13,59,279</b>	<b>11,01,177</b>	<b>64,561</b>	<b>-</b>	<b>1,93,542</b>	<b>2,03,062</b>
<b>Intangible assets</b>									
Belgaum-Maharashtra Border Road Project	6,13,31,19,243	-	-	6,13,31,19,243	3,04,24,50,941	43,71,50,324	-	3,47,96,01,265	3,09,06,68,302
<b>Total - Intangible assets (B)</b>	<b>6,13,31,19,243</b>	<b>-</b>	<b>-</b>	<b>6,13,31,19,243</b>	<b>3,04,24,50,941</b>	<b>43,71,50,324</b>	<b>-</b>	<b>2,65,35,17,978</b>	<b>3,09,06,68,302</b>
<b>GRAND TOTAL -(A) + (B)</b>	<b>6,13,44,23,482</b>	<b>55,040</b>	<b>-</b>	<b>6,13,44,78,522</b>	<b>3,04,35,52,118</b>	<b>43,72,14,885</b>	<b>-</b>	<b>2,65,37,11,520</b>	<b>3,09,08,71,364</b>
<b>As at March 31, 2012</b>	<b>6,13,44,00,912</b>	<b>22,570</b>	<b>-</b>	<b>6,13,44,23,482</b>	<b>2,60,51,35,737</b>	<b>43,84,16,381</b>	<b>-</b>	<b>3,09,08,71,364</b>	



**NORTH KARNATAKA EXPRESSWAY LIMITED**

**Notes** forming part of the financial statements for the year ended March 31, 2013

**NOTE 11: LONG-TERM LOANS AND ADVANCES**

Particulars	Amount in Rupees	
	As at March 31, 2013	As at March 31, 2012
Unsecured, considered good		
Security Deposits	64,656	64,656
Prepaid expenses	3,74,92,429	5,22,91,910
<b>TOTAL</b>	<b>3,75,57,085</b>	<b>5,23,56,566</b>

**NOTE 12: SHORT-TERM LOANS AND ADVANCES**

Particulars	Amount in Rupees	
	As at March 31, 2013	As at March 31, 2012
(a) Loans given to related parties (Unsecured, considered good)		
Short term loan given to IL&FS Transportation Networks Limited (Refer Note 21)	70,00,00,000	70,00,00,000
(b) Other loans and advances (Unsecured, considered good)		
- Sundry Advances	6,27,044	75,704
- Advance payment of taxes (net of provision)	6,94,95,427	9,06,17,877
- Prepaid expenses	1,55,02,986	1,54,89,383
<b>TOTAL</b>	<b>78,56,25,457</b>	<b>80,61,82,964</b>

**FOOT NOTES:**

(a) Prepaid Expenses (Details of debenture issue expenses - Unamortised expenses) are:

Particulars	Amount in Rupees				
	Unamortised as at March 31, 2012 (Estimated to be Amortised within 12 months)	Unamortised as at March 31, 2012 (Estimated to be Amortised after 12 months)	Amortised for the year ended March 31, 2013	Unamortised as at March 31, 2013 (Estimated to be Amortised within 12 months)	Unamortised as at March 31, 2013 (Estimated to be Amortised after 12 months)
Debt syndication fees	85,22,312	3,48,86,488	76,95,501	76,95,501	1,94,95,485
Debt structuring fees	67,56,568	2,76,58,330	61,01,065	61,01,065	1,54,56,201
Legal fees	4,47,473	18,31,755	4,04,062	4,04,062	10,23,632
Stamp duty and registration fees	4,60,167	18,83,720	4,15,524	4,15,524	10,52,672
Acceptance fees	2,03,027	8,31,097	1,83,329	1,83,329	4,64,430
<b>TOTAL</b>	<b>1,63,89,547</b>	<b>6,70,91,390</b>	<b>1,47,99,481</b>	<b>1,47,99,481</b>	<b>3,74,92,420</b>

**NOTE 13: OTHER CURRENT ASSETS**

Particulars	Amount in Rupees	
	As at March 31, 2013	As at March 31, 2012
(a) Interest accrued but not due on short term loan and Fixed deposit with banks	8,46,21,503	4,78,19,150
(b) Income accrued but not due	28,05,37,740	28,62,63,000
<b>TOTAL</b>	<b>36,51,59,243</b>	<b>33,40,82,150</b>



**NORTH KARNATAKA EXPRESSWAY LIMITED****Notes** forming part of the financial statements for the year ended March 31, 2013**NOTE 14: CASH AND CASH EQUIVALENTS**

Particulars	As at March 31, 2013		As at March 31, 2012	
<b>(a) Cash and cash equivalents</b>				
Cash on hand	14,356		27,449	
Balances with banks in current accounts	82,96,75,812	82,96,90,168	21,77,21,082	21,77,48,531
<b>(b) Other bank balances</b>				
In Fixed Deposits placed for a period exceeding 3 months but not more than 12 months (Restricted)				40,00,00,000
<b>TOTAL</b>		<b>82,96,90,168</b>		<b>61,77,48,531</b>
Of the above, the balances that meet the definition of Cash and Cash equivalents as per AS 3 Cash Flow Statements is :-		82,96,90,168		21,77,48,531



**NORTH KARNATAKA EXPRESSWAY LIMITED****Notes** forming part of the financial statements for the year ended March 31, 2013**NOTE 15: REVENUE FROM OPERATIONS**

Amount in Rupees

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>(a) Other Operating Revenues</b>		
Annuity Income for Belgaum-Maharashtra Border Road	1,01,03,40,000	1,01,03,40,000
<b>TOTAL</b>	<b>1,01,03,40,000</b>	<b>1,01,03,40,000</b>

**NOTE 16: OTHER INCOME**

Amount in Rupees

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
<b>(a) Interest Income</b>				
Interest on loans granted	6,64,99,997		6,66,82,189	
Interest on fixed deposits with banks	5,34,43,889	11,99,43,886	3,89,96,133	10,56,78,322
<b>(b) Other non-operating income</b>				
Profit on sale of fixed assets (net)		-		-
Miscellaneous income- Interest Income- Income Tax		22,95,165		33,34,559
<b>TOTAL</b>		<b>12,22,39,051</b>		<b>10,90,12,881</b>



**NORTH KARNATAKA EXPRESSWAY LIMITED****Notes** forming part of the financial statements for the year ended March 31, 2013**NOTE 17: OPERATING EXPENSES**

Particulars	Amount in Rupees	
	Year ended March 31, 2013	Year ended March 31, 2012
Operation and maintenance expenses for Belgaum Maharashtra Border Road	9,91,90,002	9,35,75,473
Independent Engineer Fees	64,14,992	48,01,645
<b>TOTAL</b>	<b>10,56,04,994</b>	<b>9,83,77,118</b>



**Notes** forming part of the financial statements for the year ended March 31, 2013**NOTE 18: FINANCE COSTS**

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
<b>(a) Interest expenses</b>				
Interest on loans for fixed period	-	-	-	-
Interest on debentures (Additional Interest on Debentures)	-	-	1,21,23,836	1,21,23,836
<b>(b) Other borrowing costs</b>				
Redemption premium on debentures	33,57,20,000		37,17,90,000	
Guarantee commission	-		-	
Amortisation of borrowing costs	1,47,99,481		1,63,89,547	
Other Finance charges	10,09,585	35,15,29,066	12,29,325	38,94,08,872
<b>TOTAL</b>		<b>35,15,29,066</b>		<b>40,15,32,708</b>

**NOTE 19: OTHER EXPENSES (ADMINISTRATIVE AND GENERAL EXPENSES)**

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
Legal and consultation fees	46,64,696		36,90,795	
Auditors' remuneration (Refer footnote (a) below)	7,36,473		19,76,262	
Deputation cost (Refer footnote (b) below)	18,51,134		16,37,107	
Travelling and conveyance	91,362		3,81,296	
Rent	70,272		63,028	
Rates and taxes	3,45,575		3,91,195	
Repairs and maintenance	2,02,295		2,10,120	
Insurance	14,835		96,321	
Printing and stationery	59,348		52,062	
Electricity charges	21,264		17,948	
Directors' sitting fees	2,20,000		2,20,000	
Miscellaneous expenses	6,73,552		7,05,737	
<b>TOTAL</b>		<b>89,50,806</b>		<b>94,41,871</b>

**FOOT NOTES:****(a) Auditors' remuneration**

Payments to the auditor as:	Year ended March 31, 2013		Year ended March 31, 2012	
a. audit fees	2,00,000		9,00,000	
b. tax audit fees	-		2,00,000	
c. for other assurances services	3,75,000		6,75,000	
d. for reimbursement of expenses	80,458		-	
e. service tax on above	81,015		2,01,262	
		<b>7,36,473</b>		<b>19,76,262</b>

**(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, 2013 is Rs.1,851,134/- (For the year ended March 31, 2012 was Rs.1,637,107/-). 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.



**NORTH KARNATAKA EXPRESSWAY LIMITED****Notes** forming part of the financial statements for the year ended March 31, 2013**NOTE 20: EARNINGS PER SHARE**

Particulars	Unit	Year ended March 31, 2013	Year ended March 31, 2012
Profit after tax and minority interest	Rupees	18,33,79,300	13,62,14,803
Premium on preference shares	Rupees	-	-
Tax on premium on preference shares	Rupees	-	-
Profit / (Loss) for the year attributable to Equity Shareholders	Rupees	18,33,79,300	13,62,14,803
Weighted number of Equity Shares outstanding for calculating Basic and Diluted Earnings Per Share	Number	5,93,91,100	5,93,91,100
Nominal Value per equity share	Rupees	10	10
Basic and Diluted Earnings per share	Rupees	3.09	2.29



**Notes** forming part of the financial statements for the year ended March 31, 2013

**NOTE 21: CONTINGENT LIABILITIES AND COMMITMENTS**

**A) Contingent liabilities :**

Particulars	Amount in Rupees	
	As at March 31, 2013	As at March 31, 2012
Claims against the company not acknowledged as debt (Income tax demands contested by the Company and other Income Tax matters)	38,94,05,419	32,40,38,805

**B) Commitments :**

Particulars	Amount in Rupees	
	As at March 31, 2013	As at March 31, 2012
Estimated amount of contracts remaining to be executed on capital account (Overlay Construction Cost)	63,50,06,056	63,50,06,056



**Notes** forming part of the financial statements for the year ended March 31, 2013

**NOTE 22: 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 :-	IL&FS	ITNL
Interest on loans granted	-	6,64,99,997
Operation and maintenance expenses	-	9,91,90,002
Deputation cost	-	18,51,134
<b>Balances :-</b>		
Interest accrued but not due on short term loan given	-	8,46,21,503
Short term loan given	-	70,00,00,000
Trade Payable	-	-

**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
<b>Transactions :-</b>		
Interest on loans granted	-	6,66,82,189.00
Operation and maintenance expenses	-	9,35,75,473.00
Deputation cost	-	16,37,107.00
<b>Balances :-</b>		
Interest accrued but not due on short term loan given	-	2,47,71,505.00
Short term loan given	-	70,00,00,000.00
Trade Payable	-	47,362.00

**FOOT NOTES:**

- (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.



## NORTH KARNATAKA EXPRESSWAY LIMITED

**Notes** forming part of the financial statements for the year ended March 31, 2013

### NOTE 23: 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 24: PREVIOUS YEAR FIGURES

Corresponding figures for the previous year have been reclassified and presented in accordance with the current year presentation.

For and on behalf of the Board



*C. George*  
Managing Director

*[Signature]*  
Director

*Anandh*  
Company Secretary  
Date : April 18, 2013.  
Mumbai