

NORTH KARNATAKA EXPRESSWAY LIMITED

ANNUAL REPORT

2013-14

DRAFT

DIRECTORS' REPORT

The Shareholders

NORTH KARNATAKA EXPRESSWAY LIMITED

Your Directors have pleasure in presenting the Twelfth Annual Report along with the Audited Statements of Accounts for the year ended March 31, 2014

FINANCIAL RESULTS

The financial results of the Company are as under:

(Amount. in ₹)

| | Year ended March 31, 2014 | Year ended March 31, 2013 |
|-------------------------|------------------------------|------------------------------|
| Total Income | 1,140,964,310 | 1,132,579,051 |
| Total Expenses | (873,140,342) | (903,299,751) |
| Profit Before Tax | 267,823,968 | 229,279,301 |
| Less: Provision for Tax | (53,600,000) | (45,900,000) |
| Profit After Tax | 214,223,968 | 183,379,301 |
| Balance carried forward | 578,198,109 | 433,458,758 |

OPERATIONS:

Your Company continued to maintain and operate the Belgaum Maharashtra Border Road project to the quality standards in accordance with the contractual requirements. During the year under review, the Company received annuity payment of ₹101.03 Crores from National Highways Authority of India

DIVIDEND:

Your Directors have recommended payment of dividend of ₹1/- per share (Previous Year: ₹1/- per share) for the year under review. The proposed dividend, if approved at the Annual General Meeting, will absorb a sum of ₹6,94,84,618/- including tax on dividend of ₹1,00,93,518/- (Previous Year: ₹6,90,25,821/- including 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 2,291 debentures as of date including 571 debentures redeemed during the year under review

DIRECTORS:

During the year under review, Mr. Harish Mathur resigned as a Director effective July 17, 2013. The Directors placed on record their sincere appreciation for the valuable guidance and support

rendered by Mr. Mathur. In terms of the provisions of the Companies Act, 2013, Mr. Pradeep Puri, Director retire by rotation at the forthcoming Annual General Meeting and being eligible has offered himself for re-appointment

AUDITORS:

M/s. M. P. Chitale & Co., Chartered Accountants, Statutory Auditors, retires at the ensuing Annual General Meeting

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 18, 2013, July 18, 2013, October 18, 2013 and January 21, 2014. 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 | 3 |
| 2 | Mr George Cherian | 4 | 4 |
| 3 | Mr Rajiv Dubey | 4 | 3 |
| 4 | Mr. S. K. Goyal | 4 | 2 |
| 5 | Mr. Harish Mathur (upto July 17, 2013) | 2 | 2 |

The Audit Committee is comprised of Mr. Pradeep Puri, Chairman, Mr. George Cherian and Mr. S. K. Goyal. The Audit Committee met four times during the year under review on April 18, 2013, July 18, 2013, October 18, 2013 and January 21, 2014. The numbers of meetings attended by the Members are as under:

| Sr. No. | Name of Directors | No. of Board Meeting held | No. of Board Meetings Attended |
|---------|---|---------------------------|--------------------------------|
| 1 | Mr Pradeep Puri | 4 | 4 |
| 2 | Mr George Cherian | 4 | 4 |
| 3 | Mr Rajiv Dubey | 2 | 2 |
| 4 | Mr. Harish Mathur (upto July 17, 2013) | 2 | 1 |

The Chairman of the Audit Committee was present at the AGM

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

Mumbai, April 23, 2014

Sd/-
Managing Director

Sd/-
Director

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
NORTH KARNATAKA EXPRESSWAY LIMITED**

Report on the Financial Statements

1. We have audited the accompanying financial statements of **North Karnataka Expressway Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, 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

2. 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 notified under the Companies (Accounting Standards) Rules, 2006 which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act, 2013. 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

3. 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.
4. 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.



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

Opinion

6. 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, 2014;
 - (b) in the case of the Profit and Loss Account, of the profit 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.

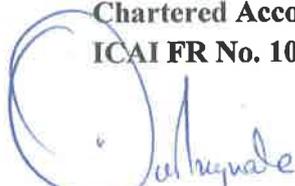
Report on Other Legal and Regulatory Requirements

7. 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 notified under the Companies (Accounting Standards) Rules, 2006 which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act, 2013.
 - e. on the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.



8. 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
ICAI FR No. 101851W



Murtuza Vajih
Partner

ICAI M No. 112555



Place: Mumbai,

Date : April 23, 2014

Annexure referred to in paragraph (8) 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) 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, 2014 on account of disputes are given below

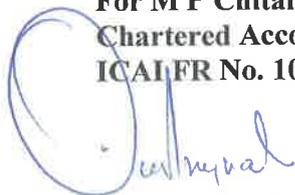
| Statute | Nature of Dues | Forum where Dispute is pending | Period to which the amount relates (Assessment year) | Amount involved (Rupees in crores) |
|----------------------|----------------|--------------------------------|--|------------------------------------|
| Income Tax Act, 1961 | Income Tax | Income Tax Appellate Tribunal | 2005-06 | 10.61 |
| | | Commissioner of Income Tax | 2008-09 | 0.77 |
| Total | | | | 11.38 |

10. The Company does not have any accumulated losses as at March 31, 2014 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. The company has not availed any term loans.
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 23, 2014

NORTH KARNATAKA EXPRESSWAY LIMITED

Balance Sheet as at March 31, 2014

| Particulars | Note | Amount in Rupees | |
|--|------|-------------------------|-------------------------|
| | | As At March 31, 2014 | As At March 31, 2013 |
| I EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' FUNDS | | | |
| (a) Share capital | 2 | 59,39,11,000 | 59,39,11,000 |
| (b) Reserves and surplus | 3 | 57,81,98,109 | 43,34,58,758 |
| | | 1,17,21,09,109 | 1,02,73,69,758 |
| NON-CURRENT LIABILITIES | | | |
| (a) Long-term borrowings | 4 | 1,82,90,00,000 | 2,34,50,00,000 |
| (b) Other long term liabilities | 5 | 61,92,37,641 | 52,93,99,034 |
| | | 2,44,82,37,641 | 2,87,43,99,034 |
| CURRENT LIABILITIES | | | |
| (a) Current maturities of long-term debt | 6 | 69,07,00,000 | 69,99,10,000 |
| (b) Trade payables | 7 | 21,73,402 | 10,07,771 |
| (c) Other current liabilities | 8 | 3,32,397 | 31,087 |
| (d) Short-term provisions | 9 | 8,26,58,480 | 8,21,99,683 |
| | | 77,58,64,279 | 88,29,97,541 |
| TOTAL | | 4,39,62,11,029 | 4,68,49,17,334 |
| II ASSETS | | | |
| NON CURRENT ASSETS | | | |
| (a) Fixed assets | 10 | | |
| (i) Tangible assets | | 1,36,918 | 1,93,542 |
| (ii) Intangible assets | | 2,21,63,67,654 | 2,65,35,17,978 |
| | | 2,23,00,64,572 | 2,67,28,71,520 |
| (b) Long-term loans and advances | 11 | 2,77,99,795 | 3,75,57,085 |
| | | 2,24,43,04,367 | 2,71,03,71,605 |
| CURRENT ASSETS | | | |
| (a) Cash and Cash Equivalents | 12 | 92,84,85,708 | 82,96,90,168 |
| (b) Short-term loans and advances | 13 | 79,84,11,715 | 79,87,99,319 |
| (c) Other current assets | 14 | 42,50,09,239 | 36,51,59,243 |
| | | 2,15,19,06,662 | 1,99,36,48,730 |
| TOTAL | | 4,39,62,11,029 | 4,68,49,17,334 |

Notes 1 to 24 form part of the financial statements.

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


Murtuza Vajhi
Partner
Date : April 23, 2014
Mumbai



For and on behalf of the Board


Managing Director


Director


Company Secretary

Date : April 23, 2014
Mumbai

Statement of Profit and Loss for the Year Ended March 31, 2014

| Particulars | Note | Amount in Rupees | |
|--|-----------|---------------------------|---------------------------|
| | | Year ended March 31, 2014 | Year ended March 31, 2013 |
| I REVENUE FROM OPERATIONS | 15 | 1,01,03,40,000 | 1,01,03,40,000 |
| II OTHER INCOME | 16 | 13,06,24,310 | 12,22,39,051 |
| III TOTAL REVENUE (I + II) | | 1,14,09,64,310 | 1,13,25,79,051 |
| IV EXPENSES | | | |
| Operating expenses | 17 | 11,29,58,686 | 10,56,04,994 |
| Finance costs | 18 | 31,25,17,637 | 35,15,29,066 |
| Depreciation / Amortisation | | 43,72,06,946 | 43,72,14,885 |
| Other expenses (Administrative and general expenses) | 19 | 1,04,57,073 | 89,50,806 |
| TOTAL EXPENSES | | 87,31,40,342 | 90,32,99,751 |
| V Profit / (Loss) before taxation (III-IV) | | 26,78,23,968 | 22,92,79,300 |
| VI TAX EXPENSE: | | | |
| (1) Current tax | | 5,36,00,000 | 4,59,00,000 |
| (2) Deferred tax | | - | - |
| TOTAL TAX EXPENSES (VI) | | 5,36,00,000 | 4,59,00,000 |
| VII PROFIT/(LOSS) FOR THE YEAR (V-VI) | | 21,42,23,968 | 18,33,79,300 |
| Earnings per share (Face value per share Rupees 10/-): | 20 | | |
| (1) Basic | | 3.61 | 3.09 |
| (2) Diluted | | 3.61 | 3.09 |

Notes 1 to 24 form part of the financial statements.

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



Murtuza Vajhi
Partner
Date : April 23, 2014
Mumbai



For and on behalf of the Board


Managing Director


Director


Company Secretary
Date : April 23, 2014
Mumbai

NORTH KARNATAKA EXPRESSWAY LIMITED

Cash Flow Statement for the Year Ended March 31, 2014

| Particulars | Amount in Rupees | |
|--|--------------------------------------|--------------------------------------|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit / (Loss) before taxation | 26,78,23,968 | 22,92,79,300 |
| Adjustments for :- | | |
| Depreciation | 43,72,06,946 | 43,72,14,885 |
| Finance costs | 31,25,17,637 | 35,15,29,066 |
| Interest Income | -13,06,08,311 | -11,99,43,886 |
| Profit on sale of fixed assets (net) | -15,999 | - |
| Operating Cash Flow before Working Capital Changes | 88,69,24,241 | 89,80,79,365 |
| Adjustments for :- | | |
| Loans and advances | 4,64,184 | 51,60,318 |
| Other current liabilities and trade payables | 14,66,941 | -13,16,438 |
| Operating Cash Flows after Working Capital Changes | 88,88,55,366 | 90,19,23,245 |
| Advances payment of Taxes (Net of Refund Received) | -4,38,97,534 | -2,47,77,550 |
| Net Cash from Operations (A) | 84,49,57,832 | 87,71,45,695 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed Assets additions during the year | - | -55,040 |
| Sale of Fixed Assets | 15,999 | - |
| Fixed Deposit encashed / (placed) with original maturity of more than three months | - | 40,00,00,000 |
| Interest received (net of taxes deducted) | 7,07,58,315 | 8,31,41,533 |
| Net Cash from / (used in) from Investing Activities (B) | 7,07,74,314 | 48,30,86,493 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Redemption of Non Convertible Debentures (principal repayment) | -57,10,00,000 | -63,50,00,000 |
| Finance cost paid | -16,37,36,922 | -11,32,90,550 |
| Payment of Dividend along with Taxes | -8,21,99,683 | - |
| Net Cash (used in) Financing Activities (C) | -81,69,36,605 | -74,82,90,550 |
| Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C) | 9,87,95,541 | 61,19,41,637 |
| Cash and Cash Equivalents at the beginning of the year | 82,96,90,168 | 21,77,48,531 |
| Cash and Cash Equivalents at the end of the year (As per note no- 12) | 92,84,85,708 | 82,96,90,168 |
| Net change in Cash & Cash Equivalents during the year | 9,87,95,541 | 61,19,41,637 |

Notes 1 to 24 form part of the financial statements.

In terms of our report attached.

For **MP Chitale & Co.**
Chartered Accountants

Murtuza Vajih

Partner

Date : April 23, 2014

Mumbai



For and on behalf of the Board

Managing Director

Director

Company Secretary

Date : April 23, 2014

Mumbai

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 and comply with the Accounting Standards ('AS') specified in the Companies (Accounting Standard) Rules, 2006 notified by the Central Government in terms of Section 211(3C) of the Companies Act, 1956 read with general circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act 2013, to the extent applicable. The Company generally follows the mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties or otherwise accounted for on cash basis.

II Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires the Management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosures of an item or information in the financial statements have been made relying on these estimates to a greater extent.

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.

- 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.

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 issued during the year / period.

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, 2014

NOTE 2: SHARE CAPITAL

| Particulars | As at March 31, 2014 | | As at March 31, 2013 | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | Number of shares | Amount in Rupees | Number of shares | Amount in Rupees |
| Authorised Equity Shares of Rupees 10/- each | 10,05,81,000 | 1,00,58,10,000 | 10,05,81,000 | 1,00,58,10,000 |
| Issued Equity Shares of Rupees 10/- each | 5,93,91,100 | 59,39,11,000 | 5,93,91,100 | 59,39,11,000 |
| Subscribed and Paid up Equity Shares of Rupees 10/- each fully paid (refer foot note no. i, ii, and iii) | | | | |
| TOTAL | 5,93,91,100 | 59,39,11,000 | 5,93,91,100 | 59,39,11,000 |

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, 2014 | | As at March 31, 2013 | |
|---|----------------------|------------------|----------------------|------------------|
| | 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, 2014 | | As at March 31, 2013 | |
|---|-----------------------|--------------------|-----------------------|--------------------|
| | 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% |
| TOTAL | 5,93,91,100 | 100.00% | 5,93,91,100 | 100.00% |

iii. Of the issued, subscribed and paid up capital of 59,391,100 (as at March 31, 2013: 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, 2013: 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, 2013: 3,860,441) equity shares in the Company.

NOTE 3: RESERVES AND SURPLUS

| Particulars | Amount in Rupees | | | |
|--|----------------------|---------------------|----------------------|---------------------|
| | As at March 31, 2014 | | As at March 31, 2013 | |
| (a) Debenture Redemption Reserve | | | | |
| Opening balance | 25,05,68,283 | | 13,62,14,803 | |
| (+) Transferred from the Surplus in Statement in Profit and Loss | 21,42,23,968 | 46,47,92,251 | 11,43,53,480 | 25,05,68,283 |
| (b) Profit / (Loss) Surplus | | | | |
| Opening balance | 18,28,90,476 | | 18,28,90,476 | |
| (+) Profit for the current period / year | 21,42,23,968 | | 18,33,79,300 | |
| (-) Transfer to debenture redemption reserve | -21,42,23,968 | | -11,43,53,480 | |
| (-) Proposed Dividends (including dividend tax) | -6,94,84,618 | 11,34,05,858 | -6,90,25,821 | 18,28,90,476 |
| TOTAL | | 57,81,98,109 | | 43,34,58,758 |

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. For the year ended March 31, 2014, entire amount at profit for the year has transferred to Debenture Redemption Reserve.



NORTH KARNATAKA EXPRESSWAY LIMITED

Notes forming part of the financial statements for the year ended March 31, 2014

Note 4: LONG-TERM BORROWINGS

| Particulars | Amount in Rupees | |
|---|-----------------------|-----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| Secured Non-convertible Debentures (refer foot note no. (i) (ii) and (iii) below) | 1,82,90,00,000 | 2,34,50,00,000 |
| (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). | | |
| TOTAL | 1,82,90,00,000 | 2,34,50,00,000 |

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, 2014 are as follow:

| 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 |
| TOTAL | | | 1,82,90,00,000 | | 3,30,27,00,000 |

The Details of Redemption of the debentures as at March 31, 2013 are as follow:

| 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 |
| TOTAL | | | 2,34,50,00,000 | | 4,02,68,10,000 |

- (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) for years ended March 31, 2014 and March 31, 2013.



NORTH KARNATAKA EXPRESSWAY LIMITED

Notes forming part of the financial statements for the year ended March 31, 2014

NOTE 5: OTHER LONG TERM LIABILITIES

| Particulars | Amount in Rupees | |
|--|----------------------|----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| (a) Trade Payables | - | - |
| (b) Others Redemption Premium Accrued but not due on debentures | 61,92,37,641 | 52,93,99,034 |
| TOTAL | 61,92,37,641 | 52,93,99,034 |

NOTE 6: CURRENT MATURITIES OF LONG TERM DEBT

| Particulars | Amount in Rupees | |
|---|----------------------|----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| (a) Secured Non-convertible Debentures (refer foot note no. (i) (ii) and (iii) below) | 51,60,00,000 | 57,10,00,000 |
| (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) Redemption Premium Accrued but not due (on the above) | 17,47,00,000 | 12,89,10,000 |
| TOTAL | 69,07,00,000 | 69,99,10,000 |

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, 2014 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-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 |
| TOAL | | | 51,60,00,000 | | 72,41,10,000 |



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 |
| TOTAL | | | 57,10,00,000 | | 73,37,21,393 |

(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) for the years ended March 31, 2014 and March 31, 2013.

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.

Amount In Rupees

| Particulars | As at March 31, 2014 | | As at March 31, 2013 | |
|---|----------------------|------------------|----------------------|------------------|
| (a) Trade Payables (Refer foot note above) | | | | |
| Related parties | 4,02,015 | | - | |
| sundry creditors (For Expenses) | 17,71,387 | 21,73,402 | 10,07,771 | 10,07,771 |
| TOTAL | | 21,73,402 | | 10,07,771 |

NOTE 8: OTHER CURRENT LIABILITIES

Amount in Rupees

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|----------------------|----------------------|
| (a) Dividend on equity shares (Declared) | - | - |
| (b) Other payables | | |
| Tax on dividend on equity shares | - | |
| Statutory dues | 3,32,397 | 31,087 |
| TOTAL | 3,32,397 | 31,087 |

NOTE 9: SHORT TERM PROVISION

Amount in Rupees

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|----------------------|----------------------|
| (a) Provision for tax (net of advance) | 1,31,73,862 | 1,31,73,862 |
| (b) Proposed dividend on equity shares | 5,93,91,100 | 5,93,91,100 |
| (c) Provision for tax on proposed dividend on equity shares | 1,00,93,518 | 96,34,721 |
| TOTAL | 8,26,58,480 | 8,21,99,683 |



NORTH KARNATAKA EXPRESSWAY LIMITED

Notes forming part of Financial Statements for the year ended March 31, 2014

NOTE 10: FIXED ASSETS

| | Gross block (at cost) | | | | | Accumulated depreciation | | | Amount in Rupees | |
|---|-----------------------------|---------------------------|---------------|------------------------------|-----------------------------|----------------------------------|---------------|------------------------------|--|--|
| | Balance as at April 1, 2013 | Additions during the year | Disposals | Balance as at March 31, 2014 | Balance as at April 1, 2013 | Depreciation charge for the year | On disposals | Balance as at March 31, 2014 | Net block Balance as at March 31, 2014 | Net block Balance as at March 31, 2013 |
| Tangible assets | | | | | | | | | | |
| Furniture and fixtures | 1,21,616 | - | - | 1,21,616 | 1,16,786 | 857 | - | 1,17,643 | 3,973 | 4,830 |
| Vehicles | 5,44,013 | - | - | 5,44,013 | 4,68,682 | 19,503 | - | 4,88,185 | 55,828 | 75,331 |
| Office equipments | 2,06,577 | - | - | 2,06,577 | 1,65,564 | 5,689 | - | 1,71,253 | 35,324 | 41,013 |
| Data processing equipments | 4,87,073 | - | 35,568 | 4,51,505 | 4,14,705 | 30,574 | 35,567 | 4,09,712 | 41,793 | 72,368 |
| Total - Tangible assets (A) | 13,59,279 | - | 35,568 | 13,23,711 | 11,65,737 | 56,623 | 35,567 | 11,86,793 | 1,36,918 | 1,93,542 |
| Intangible assets | | | | | | | | | | |
| Belgaum-Maharashtra Border Road Project | 6,13,31,19,243 | - | - | 6,13,31,19,243 | 3,47,96,01,265 | 43,71,50,324 | - | 3,91,67,51,589 | 2,21,63,67,654 | 2,65,35,17,978 |
| Total - Intangible assets (B) | 6,13,31,19,243 | - | - | 6,13,31,19,243 | 3,47,96,01,265 | 43,71,50,324 | - | 3,91,67,51,589 | 2,21,63,67,654 | 2,65,35,17,978 |
| GRAND TOTAL -(A) + (B) | 6,13,44,78,522 | - | 35,568 | 6,13,44,42,954 | 3,48,07,67,002 | 43,72,06,947 | 35,567 | 3,91,79,38,382 | 2,21,65,04,572 | 2,65,37,11,520 |
| As at March 31, 2013 | 6,13,44,23,482 | 55,040 | - | 6,13,44,78,522 | 3,04,35,52,118 | 43,72,14,885 | - | 3,48,07,67,002 | 2,65,37,11,520 | |



NORTH KARNATAKA EXPRESSWAY LIMITED

Notes forming part of the financial statements for the year ended March 31, 2014

NOTE 11: LONG-TERM LOANS AND ADVANCES

| Particulars | Amount in Rupees | |
|---|----------------------|----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| Unsecured, considered good | | |
| Securily Deposits | 64,656 | 64,656 |
| Prepaid expenses (Refer footnote no. a below) | 2,77,35,139 | 3,74,92,429 |
| TOTAL | 2,77,99,795 | 3,75,57,085 |

NOTE 13: SHORT-TERM LOANS AND ADVANCES

| Particulars | Amount in Rupees | |
|---|----------------------|----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| (a) Loans given to related parties (Unsecured, considered good) | | |
| Short term loan given to IL&FS Transportation Networks Limited | 70,00,00,000 | 70,00,00,000 |
| (b) Other loans and advances (Unsecured, considered good) | | |
| - Sundry Advances | 1,64,855 | 6,27,044 |
| - Advance payment of taxes (net of provision) | 8,61,40,688 | 8,26,69,289 |
| - Prepaid expenses (Refer footnote no. a below) | 1,21,06,172 | 1,55,02,986 |
| TOTAL | 79,84,11,715 | 79,87,99,319 |

FOOT NOTES:

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

| Particulars | Amount in Rupees | | | | |
|----------------------------------|---|--|---|---|--|
| | 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) | Amortised for the year ended March 31, 2014 | Unamortised as at March 31, 2014 (Estimated to be Amortised within 12 months) | Unamortised as at March 31, 2014 (Estimated to be Amortised after 12 months) |
| Debt syndication fees | 76,95,501 | 1,94,95,485 | 68,38,892 | 59,30,249 | 1,44,21,845 |
| Debt structuring fees | 61,01,065 | 1,54,56,201 | 54,21,938 | 47,01,556 | 1,14,33,772 |
| Legal fees | 4,04,062 | 10,23,632 | 3,59,085 | 3,11,374 | 7,57,235 |
| Stamp duty and registration fees | 4,15,524 | 10,52,672 | 3,69,271 | 3,20,208 | 7,78,717 |
| Acceptance fees | 1,83,329 | 4,64,430 | 1,62,923 | 1,41,275 | 3,43,570 |
| TOTAL | 1,47,99,481 | 3,74,92,420 | 1,31,52,108 | 1,14,04,662 | 2,77,35,139 |

NOTE 14: OTHER CURRENT ASSETS

| Particulars | Amount in Rupees | |
|--|----------------------|----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| (a) Interest accrued but not due on short term loan | | |
| Interest receivable from IL&FS Transportation Networks Limited | 14,44,71,499 | 8,46,21,503 |
| (b) Income accrued but not due | 28,05,37,740 | 28,05,37,740 |
| TOTAL | 42,50,09,239 | 36,51,59,243 |



NORTH KARNATAKA EXPRESSWAY LIMITED

Notes forming part of the financial statements for the year ended March 31, 2014

NOTE 12: CASH AND CASH EQUIVALENTS

Amount in Rupees

| Particulars | As at March 31, 2014 | | As at March 31, 2013 | |
|---|--|------------------------|----------------------|------------------------|
| | (a) Cash and cash equivalents Cash on hand Balances with banks in current accounts (Including Restricted DSRA balance of Rs 40,00,00,000/-) | 23,712 92,84,61,996 | 92,84,85,708 | 14,356 82,96,75,812 |
| (b) Other bank balances In Fixed Deposits placed for a period exceeding 3 months but not more than 12 months (Restricted) | | - | | - |
| TOTAL | | 92,84,85,708 | | 82,96,90,168 |
| Of the above, the balances that meet the definition of Cash and Cash equivalents as per AS 3 Cash Flow Statements is :- | | 92,84,85,708 | | 82,96,90,168 |



NORTH KARNATAKA EXPRESSWAY LIMITED**Notes** forming part of the financial statements for the year ended March 31, 2014**NOTE 15: REVENUE FROM OPERATIONS**

Amount in Rupees

| Particulars | Year ended March 31, 2014 | | Year ended March 31, 2013 | |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| | | | | |
| (a) Other Operating Revenues Annuity Income for Belgaum-Maharashtra Border Road | | 1,01,03,40,000 | | 1,01,03,40,000 |
| TOTAL | | 1,01,03,40,000 | | 1,01,03,40,000 |

NOTE 16: OTHER INCOME

Amount in Rupees

| Particulars | Year ended March 31, 2014 | | Year ended March 31, 2013 | |
|---|---------------------------|---------------------|---------------------------|---------------------|
| | | | | |
| (a) Interest Income Interest on loans granted | 6,64,99,997 | | 6,64,99,997 | |
| Interest on fixed deposits with banks | 6,41,08,314 | 13,06,08,311 | 5,34,43,889 | 11,99,43,886 |
| (b) Other non-operating income Profit on sale of fixed assets (net) | | 15,999 | | - |
| Miscellaneous income- Interest Income- Income Tax | | - | | 22,95,165 |
| TOTAL | | 13,06,24,310 | | 12,22,39,051 |



NORTH KARNATAKA EXPRESSWAY LIMITED

Notes forming part of the financial statements for the year ended March 31, 2014

NOTE 17: OPERATING EXPENSES

| Particulars | Amount in Rupees | |
|---|---------------------------|---------------------------|
| | Year ended March 31, 2014 | Year ended March 31, 2013 |
| Operation and maintenance expenses for Belgaum Maharashtra Border Road | 10,69,99,314 | 9,91,90,002 |
| Independent Engineer Fees | 59,59,372 | 64,14,992 |
| TOTAL | 11,29,58,686 | 10,56,04,994 |



Notes forming part of the financial statements for the year ended March 31, 2014**NOTE 18: FINANCE COSTS**

| Particulars | Year ended March 31, 2014 | | Year ended March 31, 2013 | |
|----------------------------------|---------------------------|---------------------|---------------------------|---------------------|
| | | | | |
| (a) Other borrowing costs | | | | |
| Redemption premium on debentures | 29,83,50,000 | | 33,57,20,000 | |
| Guarantee commission | - | | - | |
| Amortisation of borrowing costs | 1,31,52,108 | | 1,47,99,481 | |
| Other Finance charges | 10,15,528 | 31,25,17,637 | 10,09,585 | 35,15,29,066 |
| TOTAL | | 31,25,17,637 | | 35,15,29,066 |

NOTE 19: OTHER EXPENSES (ADMINISTRATIVE AND GENERAL EXPENSES)

| Particulars | Year ended March 31, 2014 | | Year ended March 31, 2013 | |
|---|---------------------------|--------------------|---------------------------|------------------|
| | | | | |
| Legal and consultation fees | | 53,67,352 | | 45,80,426 |
| Auditors' remuneration (Refer footnote (a) below) | | 9,41,583 | | 8,20,743 |
| Deputation cost (Refer footnote (b) below) | | 15,87,910 | | 18,51,134 |
| Travelling and conveyance | | 3,11,407 | | 91,362 |
| Rent | | 81,182 | | 70,272 |
| Rates and taxes | | 3,76,171 | | 3,45,575 |
| Repairs and maintenance | | 6,35,490 | | 2,02,295 |
| Communication expenses | | 59,718 | | 50,889 |
| Insurance | | 8,106 | | 14,835 |
| Printing and stationery | | 59,247 | | 59,348 |
| Electricity charges | | 27,710 | | 21,264 |
| Directors' sitting fees | | 2,43,596 | | 2,20,000 |
| Miscellaneous expenses | | 7,57,601 | | 6,22,663 |
| TOTAL | | 1,04,57,073 | | 89,50,806 |

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

| Payments to the auditor as: | Year ended March 31, 2014 | | Year ended March 31, 2013 | |
|----------------------------------|---------------------------|-----------------|---------------------------|-----------------|
| | | | | |
| a. audit fees | | 2,00,000 | | 2,00,000 |
| b. tax audit fees | | 2,00,000 | | 75,000 |
| c. for other assurances services | | 4,35,000 | | 3,75,000 |
| d. for reimbursement of expenses | | 3,377 | | 80,458 |
| e. service tax on above | | 1,03,206 | | 90,285 |
| | | 9,41,583 | | 8,20,743 |

(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, 2014 is Rs.15,87,910/- (For the year ended March 31, 2013 was Rs.1,851,134/-). 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, 2014**NOTE 20: EARNINGS PER SHARE**

| Particulars | Unit | Year ended March 31, 2014 | Year ended March 31, 2013 |
|---|-------------|----------------------------------|----------------------------------|
| Profit after tax and minority Interest | Rupees | 21,42,23,968 | 18,33,79,300 |
| Premium on preference shares | Rupees | - | - |
| Tax on premium on preference shares | Rupees | - | - |
| Profit / (Loss) for the year attributable to Equity Shareholders | Rupees | 21,42,23,968 | 18,33,79,300 |
| 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 | 3.61 | 3.09 |



NORTH KARNATAKA EXPRESSWAY LIMITED

Notes forming part of the financial statements for the year ended March 31, 2014

NOTE 21: CONTINGENT LIABILITIES AND COMMITMENTS

A) Contingent liabilities :

| Particulars | Amount in Rupees | |
|--|----------------------|----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| Claims against the company not acknowledged as debt (Income tax demands contested by the Company and other Income Tax matters) | 11,37,90,962 | 38,94,05,419 |

B) Commitments :

| Particulars | Amount in Rupees | |
|---|----------------------|----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| Estimated amount of contracts remaining to be executed on capital account (Overlay Construction Cost) | 1,37,01,29,000 | 1,47,71,28,314 |



NORTH KARNATAKA EXPRESSWAY LIMITED

Notes forming part of the financial statements for the year ended March 31, 2014

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): | IL&FS Securities Services Limited ("ISSL") |
| Key Management Personnel: | Mr. Cherian George (Managing Director) |

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

Amount in Rupees

| Account head | Name of Entity/ Person | AS at March 31, 2014 | AS at March 31, 2013 |
|---|---------------------------|----------------------|----------------------|
| Balances: | | | |
| Interest accrued but not due on short term loan given | ITNL | 14,44,71,499 | 8,46,21,503 |
| Short term loan given | ITNL | 70,00,00,000 | 70,00,00,000 |
| Trade Payable - Debit balance | ITNL | 4,02,015 | - |

| Transactions :- | | Year Ended March 31, 2014 | Year Ended March 31, 2014 |
|------------------------------------|------|------------------------------|------------------------------|
| Interest on loans granted | ITNL | 6,64,99,997 | 6,64,99,997 |
| Operation and maintenance expenses | ITNL | 10,51,41,402 | 9,91,90,002 |
| Deputation cost | ITNL | 15,87,910 | 18,51,134 |
| Professional Fees | ISSL | 22,972 | |
| Director Sitting Fees | | | |
| Mr. Pradeep Puri | | 62,472 | 20,000 |
| Mr. George Cherian | | 84,944 | 80,000 |
| Mr. S. K. Goyal | | 21,236 | - |
| Mr. Rajiv Dubey | | 54,944 | 20,000 |
| Mr Harish Mathur | | 20,000 | 80,000 |
| Mr Hari Easwaran | | - | 20,000 |

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.



NORTH KARNATAKA EXPRESSWAY LIMITED

Notes forming part of the financial statements for the year ended March 31, 2014

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




Managing Director


Director


Company Secretary
Date : April 23, 2014
Mumbai