

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report and the Accounts for the Second year ended March 31, 2012.

I. FINANCIAL RESULTS

The key financial parameters for the period ended March 31 2012 are submitted below:

Sl. No	Particulars	2011-12	2010-11
		Rs. Lacs	Rs. Lacs
1	Income for the year	1.36	0.79
2	Less: Expenditure	2.37	47.42
3	Profit Before Depreciation & Tax (PBDT)	(1.01)	(46.63)
4	Less: Depreciation	0.00	0.00
5	Profit / (Loss) before tax (PBT)	(1.01)	(46.63)
6	Less: Provision for tax	(0.33)	0.00
7	Profit / (Loss) after tax (PAT)	(1.34)	(46.63)
8	Balance brought forward from previous year	(46.63)	0.00
9	Balance carried to Balance Sheet	(47.97)	(46.63)

II. PERFORMANCE OF THE COMPANY

1. Connecting the coastal city of Mangalore with Bangalore – two major cities of Karnataka state, this highway is an important link for the transport of goods from Mangalore Port to the city of Bangalore.
2. Milestone-II has been achieved on March 31, 2012.

III. APPROPRIATION

The Directors wish to inform that there were no appropriations to any kind of specific Reserves of the Company during the year.

IV. DIVIDENDS:

The Directors of your Company express their inability to consider any dividend to be paid to the Shareholders of the Company for the year.

V. CAPITAL EXPENDITURE

As at March 31, 2012, the Gross Fixed Assets (Tangible and Intangible) stood at Rs. 21.84 lakhs and the net fixed assets are Rs. 16.34 lakhs, the capital work in progress and pre-operative expenses stood at Rs. 13,922.87 lakhs.

VI. AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications.

VII. DEPOSITS

The Company has not accepted any deposits from the public.

VIII. MATERIAL CHANGES, IF ANY BETWEEN DATE OF THE BALANCE SHEET AND DATE OF THE DIRECTORS' REPORT

There are no material changes that have taken place in the Company between the Date of the Balance Sheet and the Date of the Directors' Report.

IX. PARTICULARS OF EMPLOYEES

There are no employees covered by the provisions of the Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

X. SUBSIDIARY COMPANIES

Your Company does not have any subsidiary Company.

XI. DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors of the Company confirms:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
2. That the selected accounting policies were applied consistently and the directors 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 as at March 31, 2012 and of the profit/loss of the Company for the year ended on that date;
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. That the annual accounts have been prepared on a going concern basis.
5. That proper systems are in place to ensure compliance of all laws applicable to the Company

XII. DIRECTORS:

Mr. T. S. Venkatesan, Director of the Company retires at the forthcoming Annual General Meeting and offers themselves for reappointment
The Board of Directors as on 31.03.2012 is as follows:

- Mr. T. S. Venkatesan
- Mr. R. Chandrasekaran
- Mr. A Soundararajan

XIII. COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009.

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. Our compliance with the said guidelines is given below–

A) Separation of Offices of Chairman & Chief Executive

The Chairman is elected during each Board Meeting by the Directors from amongst those present. All the Directors are Non-Executive and the role of Chairman is confined to the proper conduct of the Board Meeting. The Manager of the Company, as per the Companies Act 1956, handles the responsibilities envisaged for a Chief Executive and the occupant of the position is not a Board Member and attends the Board Meetings only as invitee. In this manner the separation of offices of Chairman & Manager is ensured as per the requirement of guidelines.

B) REMUNERATION OF DIRECTORS

The Directors are not paid any remuneration by way of sitting fees, etc.

C) INDEPENDENT DIRECTORS

None of the Directors is involved in the day to day affairs of the Company.

Number of Companies in which an Individual may become a Director

The Company has apprised its board members about the restriction on number of other directorships and the same is being complied with.

D) RESPONSIBILITIES OF THE BOARD

Presentations to the Board in areas such as financial results, budgets, business prospects etc. give the Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal/ informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable/ discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

E) STATUTORY AUDITORS

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company.

F) INTERNAL AUDITORS

The Corporate Audit Services department of L&T Infrastructure Development Projects Limited provides internal audit services to the Company.

G) INTERNAL CONTROL

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

H) SECRETARIAL AUDIT

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

XIV. AUDIT COMMITTEE

The Audit Committee consists of three non-executive Directors. The present members of the Committee are:

- Mr. T. S. Venkatesan
- Mr. R. Chandrasekaran
- Mr. A Soundararajan

The role, terms of reference, the authority and power of Chairman are in conformity with the requirements of the Companies act, 1956.

The Committee met periodically during the year and held discussions with the auditors on internal control systems.

XV. AUDITORS:

The Auditors, M/s Sharp & Tannan, Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for reappointment.

Certificate from Auditors have been received to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

XVI. DISCLOSURE OF PARTICULARS RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER THE COMPANIES' (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

- CONSERVATION OF ENERGY

Since the Company is in Infrastructure business, conservation of energy, research and development, technology absorption does not apply.

- TECHNOLOGY ABSORPTION

There was no Technology Absorption during the year.

- FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no earnings or outgo in terms of Foreign Exchange during the year 2011- 2012.

XVII. ACKNOWLEDGEMENTS:

The Directors acknowledge the valuable support extended to the Company by the employees of the Company, staff and management of the parent Company.

For and on behalf of the Board

L&T DEVIHALLI HASSAN TOLLWAY LIMITED

Place : Chennai
Date : April 25, 2012

T. S. VENKATESAN
Director

R. CHANDRASEKARAN
Director

AUDITORS' REPORT

TO THE MEMBERS OF L&T DEVIHALLI HASSAN TOLLWAY LIMITED

We have audited the attached Balance Sheet of L&T Devihalli Hassan Tollway Limited as at March 31, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to above, 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 purposes of our audit;
 - (b) in our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of those books;
 - (c) the Balance sheet, the Statement of Profit and Loss and the Cash Flow statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
 - (e) on the basis of the written representations received from the directors of the Company as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the notes forming part of financial statement including Significant Accounting Policies, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
- (ii) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

SHARP & TANNAN
Chartered Accountants
(ICAI Registration No. 003792S)
by the hand of

L. VAIDYANATHAN
Partner
Membership No. 16368

Place : Chennai
Date : May 7, 2012

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the report of the Auditors' to the members of L&T Devihalli Hassan Tollway Limited on the accounts for the year ended March 31, 2012, we report that:

- (i)
 - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off any substantial part of its fixed assets during the year and hence does not affect the going concern assumption.
- (ii) The Company is engaged in the business of development of toll road and has not commenced commercial operations, hence reporting under clause 4(ii) (a), (b) and (c) of the Order does not arise.
- (iii)
 - (a) According to the information and the explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii)

- (b), (c) and (d) of the Order are not applicable.
- (b) According to the information and the explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (f) and (g) of the Order are not applicable.
- (iv) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of fixed assets. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system. The Company is engaged in the business of development of toll road, and has not commenced commercial operations, hence reporting for purchase of inventory and for sale of goods and services does not arise.
- (v) In our opinion, according to the information and explanations given to us, there are no contract arrangements that needs to be entered into the register maintained under section 301 of the Companies Act, 1956 and hence reporting under clause 4 (v) (b) of the Order does not arise.
- (vi) The Company has not accepted any deposit from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder. Hence reporting under clause 4(vi) of the Order does not arise.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Company has not commenced its operations during the year and hence maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 is not applicable. Accordingly reporting under clause 4(viii) of the Order does not arise.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company is regular in depositing undisputed statutory dues including provident fund, investor education protection fund, income-tax, service tax, customs duty, excise duty, cess, sales tax and other statutory dues as applicable with appropriate authorities. According to the information and explanation given to us, there were no arrears of outstanding statutory dues as at March 31 2012 for a period more than six months from the date they become payable.
- (b) According to the information and explanations given to us, there are no statutory liabilities in respect sales tax, excise duty, service tax, customs duty and income tax which have not been deposited on account of a dispute.
- (x) The Company has been registered for a period less than five years and is yet to commence its commercial operations and hence reporting under clause 4(x) of the Companies (Auditor's Report) Order, 2003, regarding accumulated losses and cash losses does not arise.
- (xi) In our opinion and according to the explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has not issued any debentures during the year.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Hence reporting under clause 4(xiv) of the Order does not arise.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures or other investments. However, the Company has invested surplus funds in mutual funds. According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The said investments in mutual funds have been held by the Company in its own name.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us, the Company has not raised funds on short term basis during the year. Accordingly reporting under clause 4(xvi) of the Order does not arise.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly reporting under clause 4(xviii) of the Order does not arise.
- (xix) The Company has not issued debentures during the year. Hence reporting under clause 4(xix) of the Order does not arise.
- (xx) The Company has not raised any money by way of public issue during the year. Accordingly reporting under clause 4(xx) of the Order does not arise.
- (xxi) During the course of our examination of the books and the records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by management.

SHARP & TANNAN
Chartered Accountants
 (ICAI Registration No. 003792S)
by the hand of

Place : Chennai
Date : May 7, 2012

L. VAIDYANATHAN
Partner
 Membership No. 16368

BALANCE SHEET AS AT MARCH 31, 2012

	Note	As at 31.03.2012		As at 31.03.2011	
		Rupees	Rupees	Rupees	Rupees
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	A	900,000,000		21,100,000	
Reserves and Surplus	B	678,921,456	1,578,921,456	(4,662,808)	16,437,192
Share application money pending allotment			–		311,000,000
Non-current liabilities					
Long-term borrowings	C	850,000,000		–	
			850,000,000		–
Current liabilities					
Other current liabilities	D(I)	22,550,630		1,368,048	
Short-term provisions	D(II)	245,337	22,795,967	72,274	1,440,322
TOTAL			2,451,717,423		328,877,514
ASSETS					
Non-current assets					
Fixed Assets					
Tangible Assets	E(I)	1,634,213		674,199	
Intangible Assets under Development	E(II)	1,392,286,957		65,069,558	
		1,393,921,170		65,743,757	
Long-term loans and advances	F	368,854,009		262,639,730	
			1,762,775,179		328,383,487
Current Assets					
Cash and cash equivalents	G(I)	2,177,913		494,027	
Short-term loans and advances	G(II)	686,764,331		–	
			688,942,244		494,027
TOTAL			2,451,717,423		328,877,514
CONTINGENT LIABILITIES AND COMMITMENTS	H				
SIGNIFICANT ACCOUNTING POLICIES	L				

See accompanying notes to the financial statements

As per our report attached

For and on behalf of the Board

SHARP & TANNANChartered Accountants
(ICAI Registration No. 003792S)**L. VAIDYANATHAN**Partner
Membership No. 16368Place : Chennai
Date : May 7, 2012**P. RAVINDRANATH**
ManagerPlace : Chennai
Date : May 7, 2012**T. S. VENKATESAN**
Director**R. CHANDRASEKARAN**
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

		2011-12	For the period April 27, 2010 to March 31, 2011
	Note	Rupees	Rupees
INCOME			
Other income	I	136,261	79,326
TOTAL REVENUE		136,261	79,326
EXPENDITURE			
Administration expenses	J	236,979	4,378,139
Preliminary expenses written off		–	363,995
		236,979	4,742,134
Profit / (Loss) before tax		(100,718)	(4,662,808)
Tax Expense:			
Current tax	M(5)	33,768	–
Deferred tax		–	–
Profit / (Loss) for the year		(134,486)	(4,662,808)
Earnings per share (Basic and Diluted)	M(3)	(0.00)	(5.92)
Face value per equity share		10.00	10.00
SIGNIFICANT ACCOUNTING POLICIES	L		

See accompanying notes to the financial statements

As per our report attached

For and on behalf of the Board

SHARP & TANNANChartered Accountants
(ICAI Registration No. 003792S)**L. VAIDYANATHAN**Partner
Membership No. 16368Place : Chennai
Date : May 7, 2012**P. RAVINDRANATH**
ManagerPlace : Chennai
Date : May 7, 2012**T. S. VENKATESAN**
Director**R. CHANDRASEKARAN**
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	2011-12	For the period April 27, 2010 to March 31, 2011
	Rupees	Rupees
A Net profit / (loss) before tax		
Adjustment for	(134,486)	(4,662,808)
Prior period item		
Gain on sale of current investments	(26,981)	(79,326)
Operating profit/(loss) before working capital changes	(109,280)	—
	(270,747)	(4,742,134)
Adjustments for:		
(Increase) / decrease in loans and advances	(3,455,585)	—
Increase / (decrease) in current liabilities and provisions	21,355,645	1,440,322
Net cash generated from/(used in) operating activities	17,629,313	(3,301,812)
Direct Taxes paid	410,004	—
Net Cash(used in)/generated from Operating Activities (A)	18,039,317	(3,301,812)
B Cash flow from investing activities		
Purchase of fixed assets (including pre-operative expenses)	(1,435,035,861)	(328,383,487)
Purchase of current investments	(141,400,000)	(10,800,000)
Sale of current investments	142,180,266	10,879,326
Interest income from bank	164	—
Net cash (used in)/generated from investing activities (B)	(1,434,255,431)	(328,304,161)
C Cash flow from financing activities		
Proceeds from issue of share capital including advance against share capital	567,900,000	332,100,000
Proceeds from long term borrowings	850,000,000	—
Net cash (used in)/generated from financing activities (C)	1,417,900,000	332,100,000
Net increase / (decrease) in cash and cash equivalents (A+B+C)	1,683,886	494,027
Cash and Cash Equivalents as at the beginning	494,027	—
Cash and Cash Equivalents as at the end	2,177,913	494,027

Notes:

- Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 "Cash flow Statement" as specified in the Companies (Accounting Standards) Rules 2600.
- Cash and cash equivalents represent cash and bank balances.
- Previous period figures are regrouped/reclassified wherever necessary.

As per our report attached

For and on behalf of the Board

SHARP & TANNANChartered Accountants
(ICAI Registration No. 003792S)**L. VAIDYANATHAN**Partner
Membership No. 16368Place : Chennai
Date : May 7, 2012**P. RAVINDRANATH**

Manager

Place : Chennai
Date : May 7, 2012**T. S. VENKATESAN**

Director

R. CHANDRASEKARAN

Director

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	As at 31.03.2012		As at 31.03.2011	
	No of Shares	Rupees	No of Shares	Rupees
A SHARE CAPITAL				
Authorized				
Equity shares of Rs. 10 each	90,000,000	900,000,000	90,000,000	900,000,000
Issued, Subscribed and Paid up				
Equity shares of Rs. 10 each fully paid up	90,000,000	900,000,000	2,110,000	21,100,000
		900,000,000		21,100,000

a. Reconciliation of the Shares outstanding at the beginning and at the end of the year:**Equity Shares:**

At the beginning of the year	2,110,000	21,100,000	–	–
Issued during the year as fully paid	87,890,000	878,900,000	2,110,000	21,100,000
Outstanding at the end of the year	90,000,000	900,000,000	2,110,000	21,100,000

b. Terms / Rights attached to Equity Shares

The Company has only one class of equity shares having a par value of Rs. 10/- per share.

Each holder of the equity shares is entitled to one vote per share.

No securities have been issued with the right/option to convert the same into equity shares at a later date.

No shares have been reserved for issue under options and contracts/commitments for the shares/disinvestment.

The shares issued carry equal rights of dividend declared by the company and no restrictions are attached to any specific shareholder.

c. Shares held by Holding / Ultimate holding company and/or their subsidiaries/associates:

	Relationship	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
L&T Infrastructure Development Projects Limited and their nominees			
8,99,99,000 equity shares of Rs. 10 each fully paid up (previous period : 21,09,900 Equity Shares of Rs. 10 each)	Holding Company	899,999,000	21,099,000
Larsen and Toubro Limited	Ultimate Holding Company		
100 equity shares of Rs.10 each fully paid up (previous period : 100 Equity Shares of Rs. 10 each)		1,000	1,000

d. Details of Shareholders holding more than 5% shares in the company:

	As at 31.03.2012		As at 31.03.2011	
	No. of shares	%	No. of shares	%
Equity Shares of Rs. 10/- each fully paid				
L&T Infrastructure Development Projects Limited, Holding Company	89,999,900	100%	2,109,900	100%

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		As at 31.03.2012		As at 31.03.2011	
		Rupees	Rupees	Rupees	Rupees
B	RESERVES AND SURPLUS				
	Capital Reserve:				
	Equity support from NHAI (Refer Note B1 below)				
	Balance as at the beginning of the year	—			
	Add: Amount to be received from NHAI	683,718,750		—	
	Balance as at the end of the year		683,718,750		—
	Surplus				
	Balance as at the beginning of the year	(4,662,808)		—	
	Add: Loss for the year	(134,486)		(4,662,808)	
	Balance as at the end of the year		(4,797,294)		(4,662,808)
	Total of Reserves and Surplus		678,921,456		(4,662,808)

Note B1:

The Company has been awarded concession by National Highways Authority of India (NHAI) for four-laning of Devihalli Section from KM 110 to KM 189.50 of NH-48 under the Concession Agreement dated 17th June 2010. The Company is eligible for cash support in the form outright grant of Rs.180,18,00,000 and shall be disbursed by NHAI as Equity Support towards the Project.

Equity Support will become due and payable to the Company after it has expended the Equity and shall be disbursed proportionately along with the term loans thereafter remaining to be disbursed by the senior lenders under the financing agreements.

As on March 31 2012, the Company has expended full Equity and has drawn Rs.85,00,00,000/- from senior lenders under the financing agreements. Accordingly the Company is eligible for Rs.68,37,18,750/- Grant from NHAI as Equity Support, for which the Company has since made an application to NHAI for disbursement.

C LONG TERM BORROWINGS

Term loans from banks - Secured (Refer note C2 below)

Punjab National Bank	470,500,000		—
Union Bank of India	379,500,000		—
		850,000,000	—
		850,000,000	—

C1 DETAILS OF TERM LOANS:

	Rate of Interest	Amount (Rs.)	Terms of Repayment
1. Punjab National Bank	10.25% p.a till Commercial Operations Date	470,500,000	Repayable in 48 Quarterly unequal installments beginning from March 31, 2015
2. Union Bank of India		379,500,000	
TOTAL		850,000,000	

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

C2 SECURITY FOR THE TERM LOANS:

- A first charge by way of hypothecation of all fixed assets / movable assets of the Company, present and future, excluding the project assets as defined in the Concession Agreement.
- First charge on the project book debts, operating cash flows, receivables, commissions, insurance proceeds, revenues of whatsoever nature and wherever arising, present and future.
- Assignment of all the rights, title, interest, benefits, claims and demands whatsoever of the Company.
- Escrow account to the extent of waterfall of priorities of payment as permitted to the lenders under Escrow Agreement.
- Debt Service Coverage Ratio Support Amount.
- First charge of all the Company's rights, interests related to the proposed project under letter of credit (if any) guarantee or performance bond provided by any party.

D(I) OTHER CURRENT LIABILITIES

Particulars	As at 31.03.2012		As at 31.03.2011	
	Rupees	Rupees	Rupees	Rupees
Other payables				
- Due to ultimate holding company		15,032,655		90,628
- Due to others		6,769,718		1,277,420
- Interest accrued but not due on term loans		743,965		—
- Interest accrued and due on term loans		4,292		—
		22,550,630		1,368,048

D(I).1 There has been no transaction during the year with micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006. Hence, disclosures under the said Act does not arise.

D(II) SHORT TERM PROVISIONS

Provisions for Employee Benefits

Provision for Gratuity	83,167	21,695
Provision for Compensated absences	128,402	50,579
Provision for Current tax	33,768	—
	245,337	72,274

D(II).1 Provision for Current tax has been made on Other Income as per the provisions of Income Tax Act, 1961.

The Company does not have taxable wealth under the provisions of the Wealth Tax Act, 1957 and hence no provision for wealth-tax has been made for the year.

There are no timing difference between accounting income and taxable income during the period. Accordingly no deferred tax asset / deferred tax liability has been recognized in these accounts.

E(1) - FIXED ASSETS

Amount in Rs.

Particulars	COST				DEPRECIATION				BOOK VALUE	
	As at 01.04.2011	Additions	Deductions	As at 31.03.2012	Up to 31.03.2011	For the year	Deductions	Up to 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible Assets										
Plant and Equipment										
Computers	471,021	345,580	51,000	765,601	36,660	145,602	15,525	166,737	598,864	434,361
Office Equipment	65,153	481,040	–	546,193	9,011	106,547	–	115,558	430,635	56,142
Furniture and Fixtures	301,961	570,440	–	872,401	118,265	149,422		267,687	604,714	183,696
TOTAL	838,135	1,397,060	51,000	2,184,195	163,936	401,571	15,525	549,982	1,634,213	
Previous period	–	838,135	–	838,135	–	163,936	–	163,936		674,199

E(I).1 Based on a review of the future discounted cash flows, the recoverable amount of the project facility is more than its carrying amount. Accordingly, no provision for impairment is made for in the accounts.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012**E(II) INTANGIBLE ASSETS UNDER DEVELOPMENT**

Particulars	Upto 31.03.2011 Rupees	For the year Rupees	Upto 31.03.2012 Rupees
i. Construction Cost	–	1,275,971,560	1,275,971,560
	–	1,275,971,560	1,275,971,560
ii. Pre-operative expenses pending allocation			
Salaries and wages	1,818,239	5,565,007	7,383,246
Contribution to Provident fund	98,602	300,383	398,985
Gratuity	21,695	61,472	83,167
Leave encashment	50,579	77,823	128,402
Staff welfare expenses	74,238	180,560	254,798
Power and fuel	5,324	56,328	61,652
Rent	54,000	362,154	416,154
Rates and taxes	5,125	–	5,125
Travelling and conveyance	786,166	2,741,876	3,528,042
Communication expenses	25,890	222,824	248,714
Printing and stationery	83,882	226,208	310,090
Insurance	1,633,973	322,187	1,956,160
Professional fees	49,866,746	35,077,993	84,944,739
Bank charges	278,437	885,318	1,163,755
Repair and maintenance	102,947	438,290	541,237
Depreciation	163,936	401,571	565,507
Miscellaneous expenses	116,899	622,393	739,292
Interest on term loans	–	4,347,621	4,347,621
Finance charges - Upfront fees to lender	9,882,880	–	9,882,880
Less:			
Income from current investments	–	644,005	644,005
Interest on bank deposit	–	164	164
Total Pre-operative expenses pending allocation	65,069,558	51,245,839	116,315,397
Grand Total - (i+ii)	65,069,558	1,327,217,399	1,392,286,957

E(II).1. The Company has taken office premises and guest house on cancellable operating lease. Lease rentals paid during the year amounting to Rs. 3,62,154/- (Previous period: Rs. 54,000/-) has been included in pre-operative expenses

	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
F LONG TERM LOANS AND ADVANCES		
Unsecured, considered good		
Capital advances to ultimate holding company	368,428,559	262,448,980
Security Deposit - Rent Deposit and others	425,450	190,750
TOTAL	368,854,009	262,639,730

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		As at 31.03.2012		As at 31.03.2011	
		Rupees	Rupees	Rupees	Rupees
G(I)	CASH AND BANK BALANCES				
	Balances with banks				
	on Current account	671,697		494,027	
	on term deposit including interest accrued thereon	1,500,164	2,171,861	–	494,027
	Cash on hand		6,052		–
	TOTAL		2,177,913		494,027
G(II)	SHORT TERM LOANS AND ADVANCES				
	Unsecured, Considered good				
	Other loans and advances				
	Grant Receivable from NHAI (Ref Note B1 supra)		683,718,750		–
	Prepaid Expenses		544,448		–
	Utility shifting charges - recoverable		1,161,650		–
	Tax deducted at source receivable		410,004		–
	Works contract tax receivable		929,479		–
	TOTAL		686,764,331		–
H	CONTINGENT LIABILITIES AND COMMITMENTS				
	Contingent liabilities		–		–
	Estimated amount of contracts remaining to be executed on capital account		3,082,491,877		4,359,200,000
	TOTAL		3,082,491,877		4,359,200,000
		2011-12		For the period April 27, 2010 to March 31, 2011	
		Rupees	Rupees	Rupees	Rupees
I	OTHER INCOME				
	Dividend Income				
	- from current investments		26,981		79,326
	Gain on sale of current investments		109,280		–
	TOTAL		136,261		79,326
J	ADMINISTRATION EXPENSES				
	Rates and taxes		53,020		4,253,500
	Payment to Auditor				
	- Audit fees	112,360		110,300	
	- Other services *	36,124	148,484	14,339	124,639
	Loss on fixed asset		35,475		–
	TOTAL		236,979		4,378,139

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

K CORPORATE INFORMATION

L&T Devihalli Hassan Tollway Limited is a Special Purpose Vehicle (SPV) incorporated for the purpose of the four laning of Devihalli - Hassan Section from KM 110 to KM 189.50 of NH-48 including a new 2-lane with paved shoulder bypass for Channarayapatna town and widening of existing Hassan bypass to 2-lane with paved shoulder on Design, Build, Finance, Operate and Transfer (DBFOT) basis in the State of Karnataka under National Highways Development Programme (NHDP) Phase III A under the Concession Agreement dated 17th June 2010. The concession period including the construction period commencing from 27th April 2010 is 30 years.

L SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by the Central Government. However, certain escalation and other claims, which are not ascertainable or acknowledged by customers, are not taken into account.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include useful life of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans etc. Actual results could differ from these estimates.

2. Income:

- i) Interest Income on deposits is recognized at the agreed rates on time proportion basis.
- ii) Other items of income are accounted as and when the right to receive arises.

3. Employee Benefits

(i) Short Term Employee Benefits

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

(ii) Post-Employment Benefits

- a. Defined Contribution Plans: the Company's obligation to employees provident fund is a defined contribution plan. The contribution paid/payable is recognized in the period in which the employee renders the related service.
- b. Defined Benefit Plans: The company's obligation towards gratuity is a defined benefit plan.

The present value of the obligation under such Defined Benefit Plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognized immediately in the Statement of profit and loss.

(iii) Long Term Employee Benefits

The obligation for long term employee benefits such as long term compensated absences is recognized in the same manner as in the case of defined benefit plans as mentioned in (ii) (b) above.

4. Fixed Assets

Fixed Assets are stated at original cost less accumulated depreciation.

5. Depreciation

Depreciation on tangible assets has been provided on straight-line basis at the rates specified in the Schedule XIV of the Companies Act, 1956. In respect of the following asset categories the Depreciation is provided at higher rates in line with their revised estimated useful life.

Category of Asset	Depreciation Rate (% per annum)
Office Equipment	25.00
Computers – Desktop	16.67
Computers – Laptop	25.00
Furniture and Fixtures	10.00
Air conditioners	8.33

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the assets revised carrying amount over its remaining useful life.

Depreciation on additions/deductions is calculated pro-rata from/to the month of additions/deductions.

6. Intangible Assets and Amortization

Intangible assets are recognized as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" as specified in the Companies (Accounting Standards) Rule, 2006 and are amortized as follows:

Carriageway representing toll collection rights are obtained in consideration for rendering construction, operation and maintenance services in relation to building and maintenance of the project on Build, Operate and Transfer basis. The cost of such carriageway comprises of construction cost and other preoperative costs incurred during the construction phase. Such Carriageway on completion are capitalized as Intangible Asset and are amortized over the period of rights given under the Concession Agreement on a straight line basis as they represent right to collect toll revenue during the concession period.

Pre-operative expenses including administrative and other general overhead expenses, net of interest income and dividend income from temporary investments out of specific borrowings, incurred up to the date of commencement of commercial operations and which are specifically attributable to construction of the carriageway are capitalized as a part of the cost of the asset. Other expenses have been written in the year of incurrence of such expenditure.

7. Government Grants

Where the government grant is in the nature of promoter's contribution, i.e., they are given by way of contribution towards its capital outlay and no repayment is ordinarily expected in respect thereof, the grant is treated as a capital reserve.

8. Investments

Current Investments are stated at lower of cost or net realizable value.

9. Leases

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Statement of profit and loss on accrual basis. Lease rentals specifically attributable to the project are accounted under pre-operative expenses pending allocation to fixed assets

10. Borrowing Cost

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

11. Taxes on Income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

12. Impairment of Assets

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a. The provision for impairment loss, if any required; or
- b. The reversal, if any, required of impairment loss recognized in previous period

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

- a. In the case of an individual asset, at the higher of the net selling price and the value in use;
- b. In the cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of cash generating unit's net selling price and the value in use;

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life)

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

13. Provisions, Contingent Liabilities and Contingent Assets

- a) Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if
 - (i) the Company has a present obligation as a result of a past event.
 - (ii) a probable outflow of resources is expected to settle the obligation, and
 - (iii) the amount of the obligation can be reliably estimated.
- b) Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.
- c) Contingent Liability is disclosed in the case of
 - a. a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation.
 - b. a present obligation when no reliable estimate is possible, and
 - c. a possible obligation arising from past events where the probability of outflow of resources is not remote.
- d) Contingent Assets are neither recognized, nor disclosed.
- e) Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

M(1) DISCLOSURE AS REQUIRED UNDER AS 15 - EMPLOYEE BENEFITS

		March 31, 2012 As per rule of the Company	<i>March 31, 2011</i> <i>As per rule of the Company</i>
1.	Gratuity		
	A. Results of Actuarial Valuation		
	1. Valuation as on		
	2. Retirement Age		
	3. No of Employees	8	5
	4. Present Value of Benefit Obligations	83,167	21,695
	B. Principal rules to compute Benefit Obligations		
	1. Salary reckoned for calculating Benefit Obligations	As per rule of the Company	<i>As per rule of the Company</i>
	2. Vesting Period	5 years of Gratuity	<i>5 years of Gratuity</i>
	3. Benefit formula for Gratuity for all exits except death	B1 X Completed year of Service X 15/26 subject to benefit having vested	
	4. Benefit formula for Gratuity on death	Same as B3 but no vesting condition	
2.	Leave Salary		
	A. Summary of Staff		
	1. No of Employees	8	5
	2. Projected actuarial value of benefit obligation in Rupees	128,402	50,579
	B. Principal rules to compute Benefit Obligations		
	1. Salary reckoned for calculating Benefit Obligations	As per rule of the Company	<i>As per rule of the Company</i>
	2. Benefit formula for all exits	B1 X Leave Balance / 30	
3.	Summary of Actuarial Assumptions		
	A. Mean Financial Assumptions		
	1. Discount Rate per unit per annum	8.50%	8.00%
	2. Salary escalation rate per unit per annum	6.00%	6.00%
	3. Expected rate of return on Plan Assets per unit per annum	N.A	N.A

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		March 31, 2012 As per rule of the Company	March 31, 2011 As per rule of the Company
	B. Mean Demographic Assumptions		
	1. Mortality Rate	LIC 94 - 96 Rates	
	2. Withdrawal / Attrition Rate	5% for all age	5% for all age
	3. Disability / Ill health retirement	No Explicit Assumption	
	Contribution to the Provident Fund is made to regional provident fund office		

M(2) RELATED PARTY TRANSACTIONS	
A. List of Related Parties	
Holding Company	L&T Infrastructure Development Projects Limited
Ultimate Holding Company	Larsen & Toubro Limited
Fellow Subsidiaries	L&T Urban Infrastructure Limited
	L&T Infrastructure Finance Company Limited
	L&T Chennai Tada Tollway Limited
	L&T Transportation Infrastructure Limited
	L&T Vadodara Bharuch Tollways Limited
	PNG Tollway Limited
	L&T Krishnagiri Walajahpet Tollway Limited

B. Transactions with related parties:

Amount in Rupees

Name / Relationship/ Nature of transaction	2011-12			For the period April 27, 2010 to March 31, 2011		
	Amount of transaction	Due to	Due from	Amount of transaction	Due to	Due from
L&T Infrastructure Development Projects Limited						
\$ Equity Subscription	567,900,000	Nil	Nil	332,099,000	Nil	Nil
\$ Purchase of goods & services (incl. service tax)	1,810,948	Nil	Nil	49,000,000	Nil	Nil
\$ Reimbursement of Expenses to	876,800	Nil	Nil	15,089,395	Nil	Nil
Larsen & Toubro Limited						
\$ Equity Subscription	Nil	Nil	Nil	1,000	Nil	Nil
\$ Mobilization Advance Paid	105,979,579	Nil	Nil	262,448,980	Nil	Nil
\$ Reimbursement of Expenses	Nil	Nil	Nil	1,486,736	nil	nil
\$ Purchase of Goods and Services (Including Stax)	1,277,024,065	15,032,655	Nil	99,270	90,628	nil
L&T Urban Infrastructure Ltd						
\$ Reimbursement of Expenses	Nil	Nil	Nil	1,500	Nil	Nil
L & T Infrastructure Finance Company Ltd						
Reimbursement of Expenses to	Nil	Nil	Nil	39,578	Nil	Nil
L&T Chennai Tada Tollway Ltd.						
Reimbursement of Expense from	8,798	Nil	Nil	Nil	Nil	Nil

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Amount in Rupees

Name / Relationship/ Nature of transaction	2011-12			For the period April 27, 2010 to March 31, 2011		
	Amount of transaction	Due to	Due from	Amount of transaction	Due to	Due from
L&T Transportation Infrastructure Ltd						
Reimbursement of Expenses to	750	Nil	Nil	Nil	Nil	Nil
L&T Vadodra Bharuch Tollway Ltd						
Reimbursement of Expenses to	6,509	Nil	Nil	Nil	Nil	Nil
PNG Tollway Ltd						
Reimbursement of Exp from	14,452	Nil	Nil	Nil	Nil	Nil
L&T Krishnagiri Walajahpet Tollway Ltd						
Reimbursement of Expenses from	20,214	Nil	Nil	Nil	Nil	Nil

No amount due to / from has been written off or written back for the year. (Previous period - NIL)

M(3) EARNINGS PER SHARE

Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS 20) "Earning per Share"

Particulars	2011-12 Rupees	April 27, 2010 to March 31, 2011 Rupees
Basic / Diluted		
Profit after tax as per accounts	(134,486)	(4,662,808)
Profit available to equity shareholders	(134,486)	(4,662,808)
Weighted average number of shares	38,613,644	787,515
Basic / Diluted Earnings Per Equity Share	(0.00)	(5.92)

M(4) Hitherto the Company had adopted the old Schedule VI to the Companies Act 1956 for the preparation and presentation of its financial statements. However, from the current year the Company has adopted the Revised Schedule VI to comply with the notification made under the Companies Act 1956. Accordingly the Company has reclassified / regrouped the previous year figures to confirm to this year's classification.

The previous reporting period was for less than twelve months and hence are not comparable with the current year figures.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

(ICAI Registration No. 003792S)

L. VAIDYANATHAN

Partner

Membership No. 16368

Place : Chennai

Date : May 7, 2012

P. RAVINDRANATH

Manager

Place : Chennai

Date : May 7, 2012

T. S. VENKATESAN

Director

R. CHANDRASEKARAN

Director