

SCHEME OF ITNL ROAD INVESTMENT TRUST

ANNUAL REPORT

2011-12

Lakhani & Co. (Regd.)

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

TO THE TRUSTEES OF

ITNL ROAD INVESTMENT TRUST SCHEME I

Report on the Financial Statements for the year ended

We have audited the accompanying financial statements of ITNL Road Investment Trust Scheme I ("the Trust"), which comprise the Balance Sheet as at March 31, 2012, and the Statement Profit and Loss and the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information. These financial statements have been prepared by the Management of the Trust based on Group Referral Instructions emailed dated March 21, 2012 issued by the auditors of IL&FS Transportation Networks Limited (ITNL) ("Parent Company").

Management's Responsibility for the Financial Statements

The Trust's Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Trust in accordance with the accounting policies as mentioned in the Group Referral Instructions. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on auditing generally accepted in India and the Group Referral Instructions. 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 controls relevant to the Trust'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 the Management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Trust give a true and fair view in conformity with the accounting principles generally accepted in India and Group Referral Instructions:

- (a) in the case of the Balance Sheet, of the state of affairs of the Trust as at March 31, 2012;
- (b) in the case of the Statement of Income and Expenditure, of the Surplus of the Trust for the year ended on that date and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Trust for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following elements of the reporting package determined on the basis of management estimates (which in turn are based on technical evaluations by independent experts): Not Applicable

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note No. 1, to the financial statements which describes that the financial statements have been prepared in accordance with the recognition and measurement criteria as given in the Group Referral Instructions for inclusion in the consolidated financial information of Parent Company. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Trust and the Parent Company and should not to be distributed to or used by parties other than the Trust or the Parent Company.

For **Lakhani & Co.**
Chartered Accountants
[Firm Registration Number - 105524W]



hundi
[Parag Modi]
Partner
[Membership no: 114105]

Date: April 12, 2012

ITNL Road Investment Trust Scheme I

(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)

Balance Sheet As At March 31, 2012

(Amount in Rs.)

	Particulars	Note	As At		As At	
			March 31, 2012		March 31, 2011	
I	UNIT CAPITAL AND LIABILITIES					
1	UNIT HOLDERS' FUNDS					
	(a) Unit Capital	2	1,038,761,800		1,038,541,200	
	(b) Reserves and surplus	3	-127,638,025	911,123,775	-129,346,259	909,194,941
2	CURRENT LIABILITIES					
	(a) Trade payables	4	358,005	358,005	199,850	199,850
	TOTAL			911,481,780		909,394,791
II	ASSETS					
1	NON CURRENT ASSETS					
	(a) Non-current investments	5	698,092,469		698,092,469	
	(b) Other non-current assets	6	58,570,237	756,662,706	99,852,738	797,945,207
2	CURRENT ASSETS					
	(a) Current Investments	7	32,314,844		29,060,408	
	(b) Cash and bank balances	8	308,030		1,475,476	
	(c) Other current assets	9	122,196,200	154,819,074	80,913,700	82,389,176
	TOTAL			911,481,780		880,334,383

Significant Accounting Policies 1

Notes 1 to 21 form part of the consolidated financial statements.

In terms of our report attached.
For M/s Lakhani & Co.
Chartered Accountants
Firm Reg No: 105524W


Parag Modi
Partner
Membership No 114105



For IL&FS Trust Company Ltd
(Trustee - ITNL Road Investment Trust - I)


Authorised Signatory

Place : Mumbai
Date : April 12,2012

ITNL Road Investment Trust Scheme I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)
Statement of Profit and Loss for the Year Ended March 31, 2012

(Amount in Rs.)

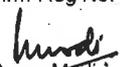
Particulars	Note	Year ended March 31, 2012	Year ended March 31, 2011
I Revenue from operations		-	-
II Other income	10	2,087,257	1,455,639
III Total revenue (I + II)		2,087,257	1,455,639
IV Expenses			
Administrative and general expenses	11	379,023	328,111
Total expenses		379,023	328,111
V Surplus before exceptional and extraordinary items and tax (III-IV)		1,708,234	1,127,528
VI Add / (Less) : Exceptional items		-	-
VII Surplus before extraordinary items and tax (V-VI)		1,708,234	1,127,528
VIII Add / (Less) : Extraordinary items		-	-
IX Surplus before taxation (VII-VIII)		1,708,234	1,127,528
X Tax expense: (1) Current tax (2) Tax relating to earlier period (3) Deferred tax Total tax expenses (X)		-	-
XI Surplus from continuing operations before consolidation adjustment (IX-X) Less: Share of surplus transferred to minority interest Add / Less : Share of Surplus / (Deficit) of associates (net)		1,708,234	1,127,528
XII Surplus from Continuing operation after consolidation adjustment		1,708,234	1,127,528
XIII Surplus / (Deficit) from discontinuing operations		-	-
XIV Tax expense of discontinuing operations		-	-
XV Surplus / (Deficit) from Discontinuing operations (after tax) (XIII-XIV)		-	-
XVI Surplus for the period (XII-XV)		1,708,234	1,127,528
Earnings per Unit (Face value per Unit Rupees 1000/-):	12		
(1) Basic (Not Annualised)		1.64	1.09
(2) Diluted (Not Annualised)		1.64	1.09

Significant Accounting Policies

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Notes 1 to 21 form part of the consolidated financial statements.

In terms of our report attached.
For M/s Lakhani & Co.
Chartered Accountants
Firm Reg No: 105524W


Parag Modi
Partner
Membership No 114105

For IL&FS Trust Company Ltd
(Trustee - ITNL Road Investment Trust - I)


Authorised Signatory

Place : Mumbai
Date : April 12, 2012

ITNL ROAD INVESTMENTS TRUST - SCHEME I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)

31st March, 2012.

Note 1 : Significant accounting policies

a. Basis of Accounting:

The financial statements are prepared on Historical cost basis and are in conformity with the generally accepted accounting principles.

b. Investments:

(i) Long Term Investments are stated at cost. Cost of Investments includes all incidental expenses such as stamp duty etc. These investments are held by the Trust as strategic non-trade capital asset and not as a stock in trade or current investment.

Long term investments are individually valued at cost, less provision for diminution that is other than temporary.

(ii) Current Investments are valued at cost or market value whichever is lower.

c. Revenue:

Revenue is accounted for on accrual basis. Revenue is recognised when no significant uncertainty on measurability and collectability exists.



ITNL Road Investment Trust Scheme I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)
Year Ended March 31, 2012

Note 2: Unit Capital

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number	Rs.	Number	Rs.
Authorised		N.A.		N.A.
Unit Capital of Rs 1000/- each 1038761.8 units (Previous year 1038541.2) Units of Rs.1000/ (Refer footnote)	1,038,761.800	1,038,761,800	1,038,541.200	1,038,541,200
Total		1,038,761,800		1,038,541,200

Foot Notes:

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

Particulars	As at March 31, 2012		As at March 31, 2011	
	Units		Units	
	No. of Units	Rs.	No. of Units	Rs.
Units outstanding at the beginning of the period / year	1,038,541.200	1,038,541,200	1,031,320.600	1,031,320,600
Units issued during the period / year	220.600	220,600	7,220.600	7,220,600
Units redeemed during the period / year			-	-
Units outstanding at the end of the period / year	1,038,761.800	1,038,761,800	1,038,541.200	1,038,541,200

ii. Unitholding more than 5% units

Name of Unitholder	As at March 31, 2012		As at March 31, 2011	
	No. of Unit held	% of total holding	No. of Unit held	% of total holding
IL&FS Transporation Networks Limited	1,038,541.800	100.00%	1,038,541.200	100.00%
Total	1,038,542	100%	1,038,541	100%

ITNL Road Investment Trust Scheme I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)
Year Ended March 31, 2012

Note 3: Reserves and surplus

Particulars	As at March 31, 2012		As at March 31, 2011	
	Income & Expenditure Account			
Opening balance	(129,346,259)		(130,473,787)	
(+) Surplus for the current period / year	1,708,234	(127,638,025)	1,127,528	(129,346,259)
Total		(127,638,025)		(129,346,259)

Note 4 : Trade payables

Particulars	As at March 31, 2012		As at March 31, 2011	
	Sundry Creditors (Refer footnote)		358,005	
Total		358,005		199,850

Footnote :

- (a) The Company has no outstanding dues to any small scale industrial undertakings.
(b) The Company has no outstanding dues to any micro, small and medium enterprise.
Neither principal nor any interest thereon is remaining unpaid or is outstanding to any micro, small and medium enterprise.

ITNL Road Investment Trust Scheme I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)
Year Ended March 31, 2012

Note 5: Non-current investments

(Amount in Rs.)

Particulars	As at March 31, 2012		As at March 31, 2011	
(a) Investment in Unquoted Equity Instruments - Subsidiary Investment in Subsidiary		698,092,469		698,092,469
Total		698,092,469		698,092,469

The details are as under:

Particulars	Face Value	Number of shares	
		As at March 31, 2012	As at March 31, 2011
North Karnataka Expressway Limited (74% Holding)	10.00	43,949,380	43,949,380

Note 6: Other non-current assets

Particulars	As at March 31, 2012		As at March 31, 2011	
(a) Call Option Premium for Equity Shares (Refer note : 16)				
Unsecured considered good	58,570,237		99,852,738	
Unsecured considered doubtful	20,555,652		59,310,652	
	79,125,889		159,163,390	
Less: (b) Allowance for bad and doubtful Debts	(20,555,652)	58,570,237	(59,310,652)	99,852,738
Total		58,570,237.00		99,852,738

Note 7: Current investments

Particulars	As at March 31, 2012		As at March 31, 2011	
	No. of Units		No. of Units	
(a) Investment in Units Mutual Funds				
DWS Ultra Short term fund IPDDR	1,778,301.22	17,814,844	2,900,848.28	29,060,408
Baroda Pionior Treasury Advantage fund IPDDR (NAV 31.03.2012 3,231,484 (P. V. 29,060,408))	14,486.82	14,500,000		
Total		32,314,844		29,060,408

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ITNL Road Investment Trust Scheme I
 (FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)
 Year Ended March 31, 2012

Note 8: Cash and bank balances

(Amount in Rs.)

Particulars	As at March 31, 2012		As at March 31, 2011	
(a) Cash and cash equivalents				
Balance in current account with Schedule Bank	308,030		1,475,476	
		308,030		1,475,476
Total		308,030		1,475,476

Note 9: Other current assets

Particulars	As at March 31, 2012		As at March 31, 2011	
(a) Call Option Premium for Equity Shares (Refer note : 16)				
Unsecured, Considered Good	122,196,200			
Unsecured, Considered doubtful	114,714,800		156,873,500	
	236,911,000		156,873,500	
Less : (b) Allowance for bad and doubtful Debts	(114,714,800)	122,196,200	(75,959,800)	80,913,700
Total		122,196,200		80,913,700

**ITNL Road Investment Trust Scheme I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)**

Note 10: Other income

(Amount in Rs.)

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
(a) Dividend (from Mutual Fund)		2,087,257		1,455,639
		<u>2,087,257</u>		<u>1,455,639</u>



**ITNL Road Investment Trust Scheme I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)**

Note 11: Administrative and general expenses

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
<u>Remuneration to Auditors</u>				
Auditor's Remuneration (Refer footnote)	158,156		102,028	
Trusteeship fees	220,600		220,600	
D.P. Charges	267		4,958	
Call Option Written off (NKEL)	-	379,023	525	328,111
		379,023		328,111

Footnote :

Auditor's Remuneration include

a. Audit fees		32,500		32,500
b. Other services		110,000		60,000
c. Service tax on above		15,656		9,528
Total		158,156		102,028

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ITNL Road Investment Trust Scheme I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)
Year Ended March 31, 2012

Note 12: Earnings per Unit

Particulars	Unit	Year ended March 31, 2012	Year ended March 31, 2011
Profit after tax and minority interest	Rupees	1,708,233.67	1,127,527.74
Profit available for Unit holders	Rupees	-	-
Weighted number of Units outstanding	Numbers	1,038,731.66	1,031,694.30
Nominal Value of Unit	Rupees	1,000.00	1,000.00
Basic Earnings per Unit	Rupees	1.64	1.09
Unit used to compute diluted earnings per Unit	Numbers	1,038,731.66	1,031,694.30
Diluted Earnings per Unit	Rupees	1.64	1.09

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**ITNL ROAD INVESTMENT TRUST SCHEME I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)**

Note 13: Related Party Statement

The Trust has no control over fellow subsidiaries hence only fellow subsidiaries with whom the Trust has transacted are disclosed.

1. Name of the related parties and description of relationship:

Nature of Relationship	Name of Entity	Acronym used
Holding Company :	IL&FS Transportation Network Limited	ITNL
Ultimate Holding Company	Infrastructure Leasing & Financial Services Ltd	IL&FS
Subsidiary	North Karnataka Expressway Limited	NKEL
Associates :		
Entity having Significant Control :	IL&FS Trust Company Ltd	ITCL
Key Management personnel :		

2. Details of balances and transactions during the period with related parties

Account head	Name of Entity	31st March, 2012	31st March, 2011
Balances as on 31.12.2012:			
Unit Capital	IL&FS Transportation Network Limited	1,038,761,800	1,038,541,200
Call Option Premium (APEL)	IL&FS Transportation Network Limited	116,086,390	116,086,390
Call Option Premium (APEL)	Infrastructure Leasing & Financial Services Limited	163,276,500	163,276,500
Call Option Premium (NKEL)	Infrastructure Leasing & Financial Services Limited	36,673,999	36,673,999
Transactions:			
Contribution received during period	IL&FS Transportation Network Limited	220,600	7,220,600
Trusteeship Fees	IL&FS Trust Company Limited	200,000	200,000
Service tax on Trusteeship Fees		20,600	20,600

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ITNL ROAD INVESTMENTS TRUST - SCHEME I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)

31st March, 2012.

Note 14. "The ITNL Road Investments Trust" (Trust) has been settled on February 22, 2007 by IL&FS Transportation Network Limited. ITNL Road Investments Trust – Scheme I (Scheme) has been established as a unit scheme of the "The ITNL Road Investments Trust".

Note 15. Unit means one unit of such par value, of such Class representing such rights and interest, including such right to distribution from the Net Assets, accretions and / or income of Scheme as may be specified in the Indenture of the Trust, the Scheme Terms, Private Placement Memorandum and the Contribution Agreement

Note 16. (A) The Trust has, vide 3 separate Share Purchase Agreements dated March, 14 2007 between itself (on behalf of the Scheme, being the Purchaser) and Infrastructure Leasing & Financial Services Limited (IL&FS), IL&FS Infrastructure Equity Fund (IIEF) and IL&FS Transportation Networks Limited (ITNL) (collectively known as the Vendors) respectively, invested in the below mentioned shares of North Karnataka Expressway Limited(NKEL):

Sr. No.	Name of Vendor	Total No. of Shares	Total Cost (Rs.)
1	IL&FS	93,57,635	18,52,81,173
2	IIEF	1,73,63,600	26,73,99,441
3	ITNL	23,80,404	3,66,58,221
	Total	2,91,01,639	48,93,38,835

(B) Call Option has been exercised for the equity shares of North Karnataka Expressway Limited (NKEL) during the Financial Year 2010-11 as given below :

Sr.No.	Name of Vendor	Total No. of Shares	Total Cost (Rs.)
1	IL&FS	37,11,944	3,71,19,440
2	IIEF	37,11,944	5,73,06,858
3	ITNL	74,23,853	11,43,27,336
	Total	1,48,47,741	20,87,53,634




ITNL ROAD INVESTMENTS TRUST - SCHEME I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)

31st March, 2012.

Note 17. Call Option Premium:

Option Premium paid amounting to Rs 31,60,36,889/- is accounted as Loans and Advances. The details are as under:

(A) Details of Call Option Premium paid for Equity Shares of North Karnataka Expressway Limited(NKEL)

Option grantor	No. of Options	Call Option Premium (Rs.)	Expiry Date
Infrastructure Leasing & Financial Services Limited	38,60,421	3,66,73,999	Till the expiry of Concession Period as specified in Concession Agreement of NKEL i.e. December 31, 2019
Total		3,66,73,999	

Total amount payable on exercise of the above Call Options by the Trust on behalf of the Scheme on Exercise Date is Rs. 19,30,211/-

(B) Details of Call Option Premium paid for Equity Shares of Andhra Pradesh Expressway Limited(APEL)

Option grantor	No. of Options	Call Option Premium (Rs.)	Expiry Date
Infrastructure Leasing & Financial Services Limited	42,96,750	4,08,19,125	90 th Day after 3 years from Commercial Operation Date of APEL i.e. 29 th December, 2012
Infrastructure Leasing & Financial Services Limited	84,21,630	8,00,05,485	March 31,2013
Infrastructure Leasing & Financial Services Limited	44,68,620	4,24,51,890	Till the expiry of Concession Period as specified in Concession Agreement of APEL.

ITNL ROAD INVESTMENTS TRUST - SCHEME I
(FOR CONSOLIDATION INTO THE FINANCIAL INFORMATION OF IL&FS TRANSPORTATION NETWORKS LIMITED)

31st March, 2012.

IL&FS Transportation Networks Limited	41,28,250	3,92,18,375	90 th Day after 3 years from Commercial Operation Date of APEL i.e. 29 th December, 2012
IL&FS Transportation Networks Limited	80,91,370	7,68,68,015	March 31,2013
Total		27,93,62,890	

Total amount payable on exercise of the above Call Options by the Trust on behalf of the Scheme is Rs.1,47,03,310/-

Note 18. As per Call Option Agreements dated March 14,2007, in the event of Material Breach committed by the Trust, the Call Option Premium paid by the Scheme is non – refundable. Further, If the Call Option is not exercised by the Trust , then the Rights in call Option shall lapse and the call option premium will have to be written off.

Note 19. The sole beneficiary of the Scheme is IL&FS Transportation Network Ltd., Scheme is a definite (non-discretionary) private trust under Income Tax Act, 1961. As per the Trustee the income will be taxable in the hands of beneficiary, hence no provision for Income Tax and no provision for or recognition of deferred tax is made.

Note 20. Segment Reporting:

The Trust is engaged in Investment activity 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 21. Previous year’s figure are regrouped and rearranged whenever necessary.

As per our report of even date.

For M/S Lakhani & Co.

Chartered Accountants


Parag Modi

Partner



For and on behalf of the Trustees


Authorised Signatory

Place: Mumbai

Date: April 12, 2012