

Elsamex Portugal S.A.

Annual Report

2010

## AUDIT OF THE COMPONENT'S FINANCIAL INFORMATION CLEARANCE MEMORANDUM

**From:** PATRÍCIO, MOREIRA, VALENTE & ASSOCIADOS, S.R.O.C.  
**Date:** May 31, 2011  
**Subject:** Audit of ELSAMEX PORTUGAL - Engenharia e Sistemas de Gestão, S.A.  
Financial Information for the year ended December 31, 2010.


We have audited the financial information comprising the Balance Sheet as at December 31, 2010, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date included in the accompanying reporting package of ELSAMEX PORTUGAL - Engenharia e Sistemas de Gestão, S.A. for the year ended December 31, 2010 using the Accounting Policies stipulated by the holding company, IL&FS Transportation Networks Limited, and in accordance with auditing standards generally accepted in India.

The preparation of the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement is the responsibility of ELSAMEX PORTUGAL - Engenharia e Sistemas de Gestão, S.A. management. As stated therein, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement has been prepared in accordance with the recognition and measurement criteria as adopted by the Group for inclusion in the consolidated financial information of IL&FS Transportation Networks Limited (ITNL) and are intended solely for that purpose.

Based on our audit of ELSAMEX PORTUGAL - Engenharia e Sistemas de Gestão, S.A., and read together with our comments above, in our opinion and according to the information and explanations given to us, we report that the Financial Statements comprising of the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement as at / for the year ended 31 December 2010 has been prepared, in all material respects, in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, other recognised accounting practices and policies stipulated by the Holding Company, IL&FS Transportation Networks Limited (ITNL) and that the amounts contained in the Financial Statements are appropriate for inclusion in the consolidated financial ITNL as at / for the year ended 31 March 2011.

This communication is provided to you solely for the information and use in the consolidated financial statements of ITNL Group for the year ended March 31, 2011. It should not be distributed to anyone in the Group, any of its components, or any other third party.

Oporto, May 31, 2011



PATRÍCIO, MOREIRA, VALENTE & ASSOCIADOS, S.R.O.C.  
Represented by Carlos de Jesus Pinto de Carvalho (roc nº 622)

**Elsamex Portugal, S.A.**  
 (FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)  
 BALANCE SHEET AS AT December 31, 2010

	Euros	As at December 31, 2010 Euros
<b>SOURCES OF FUNDS</b>		
Shareholders' funds		
Capital	350.000	
Reserves and surplus	673.962	1.023.962
Minority interest		-
Preference shares issued by subsidiary to Minority		
Advance towards capital of subsidiary		
Loan funds		
Secured	334.797	
Unsecured	382.900	717.697
Deferred tax liability		-
		<u>1.741.659</u>
<b>APPLICATION OF FUNDS</b>		
Fixed assets		
Gross block	1.314.524	
Less: Depreciation	387.340	
Net fixed assets		
Capital work in progress		427.184
Goodwill on consolidation		-
Investments		74.346
Receivable under Service Concession Arrangement		-
Deferred Tax Asset		
Current assets, loans & advances		
Inventories	-	
Sundry debtors	2.271.068	
Cash and bank balances	176.553	
Other current assets	16.543	
Loans and advances		
	2.464.164	
Less: Current liabilities & provisions		
Current liabilities	1.174.225	
Provisions		
	1.174.225	
Net current assets		1.239.939
		<u>1.741.659</u>

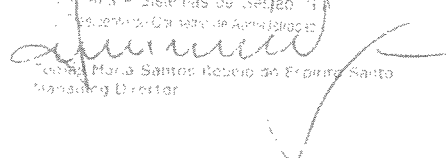
Significant accounting policies  
 notes to account

In terms of our clearance memorandum attached,  
 for RSM Patricio, Moreira & Valente  
 Chartered Accountants

\_\_\_\_\_  
 Carlos de Jesus Pinto de Carvalho  
 Auditor

Place: \_\_\_\_\_  
 Date: \_\_\_\_\_

**ELSAMEX PORTUGAL**  
 Sociedade por Quotas de Responsabilidade Limitada  
 Rua Maria Santos Ribeiro do Espírito Santo  
 Managing Director



**Eisamex Portugal, S.A.**  
**(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)**  
**PROFIT AND LOSS ACCOUNT THE YEAR ENDED DECEMBER 31, 2010**

	Year ended December 31, 2010 Euro
<b>INCOME</b>	
Income from operations	2.947.573
Other Income	17.099
Foreign exchange fluctuation (Net)	-
	<u>2.964.622</u>
<b>EXPENSES</b>	
Increase / decrease in stock in trade and work in progress	-
Consumption of raw materials	-
Operating Expenses	-
Employee Cost	-
Administrative and general expenses	1.358.284
Interest and finance charges	1.257.871
Preliminary expenses written off	15.569
	<u>2.641.744</u>
<b>PROFIT BEFORE DEPRECIATION AND TAX</b>	<u>322.879</u>
Depreciation	162.912
<b>PROFIT BEFORE DIMINUTION AND TAX</b>	<u>159.966</u>
Provision for Diminution in value of investments	-
<b>PROFIT BEFORE TAX</b>	<u>159.966</u>
Provision for tax	(40.829)
<b>PROFIT AFTER TAX (BEFORE ADJUSTMENT OF MINORITY INTEREST)</b>	<u>119.138</u>
Less: Share of profit transferred to minority interest	-
Add: Own share in Associate included as Minority interest of a Jointly Controlled Entity	-
<b>PROFIT AFTER TAX (AFTER ADJUSTMENT OF MINORITY INTEREST)</b>	<u>119.138</u>
Add / Less : Share of Profit / (Loss) of associates	-
<b>PROFIT AFTER TAX</b>	<u>119.138</u>
Balance of profit brought forward	-
Profit available for appropriation	119.138
Appropriations:	-
Transfer to general reserve	-
Transfer to debenture redemption reserve	-
Proposed dividend on equity shares	-
Tax on dividend on equity shares	-
Premium on preference shares of subsidiary	-
Tax on dividend and premium on preference shares of subsidiary	-
<b>Balance carried forward</b>	<u>119.138</u>

Basic / Diluted earnings per share (Face value per share (Rs. ...))

Significant accounting policies  
Notes to account

In terms of our Clearance memorandums attached,  
For RSM Patricio, Moreira & Valente  
Chartered Accountants

Carlos de Jesus Pinto de Carvalho  
Partner

Place: Lisboa

Date: 13/01/2011

For and in behalf of the Board  
**EISAMEX - PORTUGAL**

Empresa e Sistemas de Gestão, S.A.  
Presidência da Direção Administrativa

Três Músicas Santos Rebelo do Espírito Santo  
Managing Director

## AUDIT OF THE COMPONENT'S FINANCIAL INFORMATION CLEARANCE MEMORANDUM

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Based on our audit of ELSAMEX PORTUGAL - Engenharia e Sistemas de Gestão, S.A., and read together with our comments above, in our opinion and according to the information and explanations given to us, we report that the Financial Statements comprising of the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement as at / for the year ended 31 December 2010 has been prepared, in all material respects, in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, other recognised accounting practices and policies stipulated by the Holding Company, IL&FS Transportation Networks Limited (ITNL) and that the amounts contained in the Financial Statements are appropriate for inclusion in the consolidated financial ITNL as at / for the year ended 31 March 2011.

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Oporto, May 31, 2011



PATRÍCIO, MOREIRA, VALENTE & ASSOCIADOS, S.R.O.C.  
Represented by Carlos de Jesus Pinto de Carvalho (roc nº 622)

*ITNL Group*

## **Elsamex Portugal S.A.**

**(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)**  
**SCHEDULES TO BALANCE SHEET AS AT December 31, 2010**

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### **SCHEDULE A : CAPITAL**

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	As at December 31, 2010 Eur
<b>AUTHORISED</b>	
Issued equity shares	350,00
	<u><u>350,00</u></u>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>	
Suscribed and paid up equity shares	350,00
	<u><u>350,00</u></u>

**Elsamex Portugal S.A.**

(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)  
SCHEDULES TO BALANCE SHEET AS AT December 31, 2010

**SCHEDULE B : RESERVES AND SURPLUS**

	Rupees	As at December 31, 2010 Euro
Securities premium account		
Balance as per last Balance Sheet	-	
Addition during the period	-	
Capital reserve		
Opening balance	-	
Transfer during the period	-	
Capital reserve on consolidation		
Opening balance	-	
Transfer during the period	-	
Other statutory reserves (created through transfer of profits)		
Opening balance	-	
Transfer during the period	-	
Debenture redemption reserve		77,594
Opening balance	-	
Addition during the period (post acquisition)	-	
General reserve		
Opening balance	-	
Add : Transfer during the period	-	
Foreign Exchange Fluctuation Reserve (Net of deferred tax asset of Rs. _____ )		
Opening balance	-	
Add/(Less): Adjustment during the period (Net)	-	
Cash Flow Hedge Reserve		
Opening balance	-	
Add/(Less): Adjustment during the period (Net)	-	
Balance in Profit and loss account		596,368
<b>Total reserves and surplus</b>		<b>673,962</b>

**Elsamex Portugal S.A.**

(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)  
SCHEDULES TO BALANCE SHEET AS AT December 31, 2010

**SCHEDULE C : LOAN FUNDS**

	As at December 31, 2010 Euros
<b>SECURED</b>	
From banks	-
From financial institutions	-
From others	-
Non convertible debentures	-
Deep discount bonds	-
Zero Coupon Bonds	-
Lease Finance	334,797
Interest accrued and due	-
Total secured loans	<u><u>334,797</u></u>
<b>UNSECURED</b>	
From Bank	
Short term loans	382,900
Other than short term loans	-
From Others	
Short term loans	-
Other than short term loans	-
Non-Covertible Debentures	-
Interest accrued and due	-
Total unsecured loans	<u><u>382,900</u></u>
<b>Total loan funds</b>	<u><u>717,697</u></u>



**ELSAMEX PORTUGAL SA**  
**(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)**  
**SCHEDULES TO BALANCE SHEET AS AT December 31, 2010**

**Schedule D : FIXED ASSETS**

Particulars	Gross Block				Depreciation				Net Block		Euros
	Opening as at 31.12.09	Opening adjustments	Additions	Closing as at 31.12.10	Deletions Reclassifications	For the period	Opening adjustments	Upto 31.12.09	Upto 31.12.10	As at 31.12.10	
<b>Tangible Assets</b>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building & Structures	-	-	-	-	-	-	-	-	-	-	-
Roads and bridges	-	-	-	-	-	-	-	-	-	-	-
Vehicles	124,598	-	-	125,020	322	9,329	-	116,087	122,487	2,533	8,611
Data Processing Equipments	-	-	-	-	-	-	-	-	-	-	-
Office Premises	-	-	-	-	-	-	-	-	-	-	-
Office Equipments	126,192	-	6,046	138,530	6,293	7,004	-	113,486	123,243	15,287	12,706
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures	-	-	-	-	-	-	-	-	-	-	-
Electrical Installations	-	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	439,058	-	14,838	510,767	56,870	34,039	-	356,356	421,034	89,733	82,702
Advertisement Structure	-	-	-	-	-	-	-	-	-	-	-
Sub total	689,948	-	20,884	774,317	63,485	50,372	-	585,929	666,764	107,553	104,019
<b>Leased Assets</b>											
Plant & Machinery	366,979	-	-	310,109	(56,870)	62,022	-	83,293	114,676	195,433	263,686
Electrical Installations	-	-	-	-	-	-	-	-	-	-	-
Vehicles	232,818	-	42,333	230,099	(45,052)	50,518	-	97,182	105,899	124,199	135,635
Office Equipments	6,293	-	-	-	(6,293)	-	-	2,753	-	-	3,540
Building & Structures	-	-	-	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-	-	-
Sub Total	606,089	-	42,333	540,208	(109,215)	112,540	-	183,228	220,576	319,632	422,861
<b>Intangible Assets</b>											
Softwares / licenses	-	-	-	-	-	-	-	-	-	-	-
Commercial Rights Acquired	-	-	-	-	-	-	-	-	-	-	-
Right Under Service Concession Arrangements	-	-	-	-	-	-	-	-	-	-	-
Trademarks and Licenses	-	-	-	-	-	-	-	-	-	-	-
Others and R&D Expenses	-	-	-	-	-	-	-	-	-	-	-
Sub Total	-	-	-	-	-	-	-	-	-	-	-
<b>Total fixed assets</b>	1,296,038	-	63,217	1,314,524	(44,730)	162,912	-	769,158	887,340	427,184	526,880
<b>Previous year</b>	1,295,038	-	63,217	1,314,524	(44,730)	162,912	-	769,158	887,340	427,184	526,880

## ELSAMEX PORTUGAL SA

(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)  
SCHEDULES TO BALANCE SHEET AS AT December 31, 2010

### SCHEDULE E : INVESTMENTS

	As at December 31, 2010 Euro
Investments in associates	
Less: Unrealised gain on transactions between the Company and its associates	
Add: Post-acquisition share of profit/ (loss) of associates	
Add: Post-acquisition share of movement in the capital reserves of an associate	
Less: Cash flow Hedge Reserve	
	-
<u>Long term investments</u>	
Unquoted equity shares (fully paid up)	
Other investments	74,546
Sub total	<u>74,546</u>
<u>Current investments</u>	
In units of mutual funds (Market value as June 30, 2010 Rs. _____)	-
Sub total	-
Less: Provision for diminution	-
<b>Total investments</b>	<u><u>74,546</u></u>

**ELSAMEX PORTUGAL SA**

(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)  
SCHEDULES TO BALANCE SHEET AS AT December 31, 2010

**SCHEDULE F : CURRENT ASSETS AND LOANS & ADVANCES**

	As at December 31, 2010 Euros
<b>CURRENT ASSETS</b>	
<b>INVENTORIES (at lower of cost and market value)</b>	
Raw Material	-
Finished Goods	-
Stores and Spares	-
<b>Total inventories</b>	<b>-</b>
<b>SUNDRY DEBTORS (Unsecured, considered good unless otherwise stated)</b>	
Considered good	2,271,068
Considered doubtful	-
	<u>2,271,068</u>
Less: Provision for doubtful debts	-
<b>Total sundry debtors</b>	<b><u>2,271,068</u></b>
<b>CASH AND BANK BALANCES</b>	
Cash in hand	
Balance with scheduled banks	
In current accounts	126,553
In fixed deposits	
Balance with non-scheduled banks	
In current accounts	-
In fixed deposits	-
<b>Total cash and bank balances</b>	<b><u>126,553</u></b>
<b>OTHER CURRENT ASSETS</b>	
Interest accrued	-
Option premium assets	-
Receivable against sale of investments	-
Other current assets	16,543
<b>Total other current assets</b>	<b><u>16,543</u></b>
<b>LOANS AND ADVANCES</b>	
Advances recoverable in cash or in kind or for value to be received	-
Deposits	-
Advance payment of taxes (net of provision)	-
Advance Fringe benefit tax (net of provision)	-
Long term loans	-
Short term loans	-
Advance towards Capital / Share Application Money	-
Investment in Call Money	-
Grant receivable from National Highway Authorities of India	-
<b>Total loans and advances</b>	<b><u>-</u></b>
<b>Total current assets and loans &amp; advances</b>	<b><u><u>2,414,164</u></u></b>

**ELSAMEX PORTUGAL SA**

(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)  
SCHEDULES TO BALANCE SHEET AS AT December 31, 2010

**SCHEDULE G : CURRENT LIABILITIES AND PROVISIONS**

	As at December 31, 2010 Euros
<b>CURRENT LIABILITIES</b>	
Sundry creditors	632,810
Advance received	-
Interest accrued but not due	-
Other liabilities (Derivatives)	-
Unearned revenue	-
Income received in advance	358,484
<b>Total current liabilities</b>	<b>991,294</b>
<b>PROVISIONS</b>	
Provision for fringe benefit tax (net of advance)	-
Provision for Tax (net of advance)	182,941
Provision for employee benefits	-
Proposed dividend on equity shares	-
Provision for tax on proposed dividend on equity shares	-
Provision for dividend on preference shares of subsidiary	-
Provision for premium on preference shares of subsidiary	-
Provision for tax on preference dividend of subsidiary	-
Provision for tax on preference share premium of subsidiary	-
Provision for overlay	-
Provision for contingency	-
Total provisions	<b>182,941</b>
<b>Total current liabilities &amp; provisions</b>	<b>1,174,235</b>

**ELSAMEX PORTUGAL SA**

(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)  
SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED December 31, 2010

**SCHEDULE H : INCOME FROM OPERATIONS**

		Year ended December 31, 2010 Euros
<b>Income from services</b>		
Advisory and project management fees		-
Lenders' engineer and supervision fees		-
Operation and maintenance income		2,947,523
Toll revenue		-
Periodic Maintenance Income		-
Finance Income		-
Licence Fee		-
<b>Total</b>	<b>(a)</b>	<u><u>2,947,523</u></u>
<b>Traded products</b>		
Sales (net of sales tax)		-
<b>Total</b>	<b>(b)</b>	<u><u>-</u></u>
Construction Income		-
<b>Total</b>	<b>(c)</b>	<u><u>-</u></u>
<b>Total income from operations (a+b+c)</b>		<u><u>2,947,523</u></u>

## ELSAMEX PORTUGAL SA

(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)  
SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED December 31, 2010

### SCHEDULE I : OTHER INCOME

	Year ended December 31, 2010 Euros
Interest on loans granted	-
Interest on debenture	-
Interest on call money	-
Interest on bank deposits	-
Interest on Short Term Deposit	-
Interest on advance towards property	-
Profit on sale of investment (net)	-
Profit on sale of fixed assets (net)	-
Advertisement income	-
Income from Material Testing	-
Excess provisions written back	-
Operation and Maintainace Grant from National Highways Authority of India	-
Miscellaneous income	17,099
<b>Total other income</b>	<b>17,099</b>

## **ELSAMEX PORTUGAL SA**

**(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION)  
SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED December 31, 2010**

### **SCHEDULE K : EMPLOYEE COST**

	<b>Three Months ended December 31, 2010 Euros</b>
Salaries and allowances	1,170,730
Contribution of provident and other funds	187,555
Staff welfare expenses	-
<b>Total employee cost</b>	<b><u>1,358,284</u></b>