

Grusamar Ingenieria Y Consulting

Annual Report

2010

Audit of the Component's Financial Information Clearance Memorandum

From: BERNARDO TAHOCES ACEBO
Date: May 31, 2011
Subject: Audit of Grusamar Ingeniería y Consulting S.R.L's Financial Information for the year ended December 31, 2010

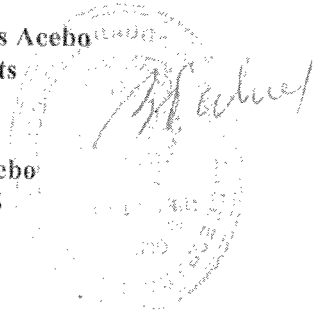
We have audited the financial information comprising the Balance Sheet as at December 31, 2010, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date included in the accompanying reporting package of Grusamar ingeniería y Consulting S.R.L. for the year ended December 31, 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 Grusamar Ingeniería y Consulting S.R.L's 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 Grusamar Ingeniería y Consulting S.R.L, 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 December 2010..

This communication is provided to you solely for the information and use in the consolidated financial statements of ITNL Group for the year ended December 31, 2010. It should not be distributed to anyone in the Group, any of its components, or any other third party.

For Bernardo Tahoces Acebo
Chartered Accountants
Nº 5625 del R.O.A.C



Bernardo Tahoces Acebo
Membership no: 5625
Date: May 31, 2011

Grusamar Ingeniería y Consulting, S.L.
 (FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)
 BALANCE SHEET AS AT December 31, 2011

	Schedule	Euros	As at December 31, 2010 Euros
SOURCES OF FUNDS			
Shareholders' funds			
Capital	A	3,494,897	
Reserves and surplus	B	123,107	3,618,004
Minority interest	Q		-
Preference shares issued by subsidiary to Minority			-
Advance towards capital of subsidiary			-
Loan funds			
Secured			
Unsecured	C	109,066	109,066
Deferred tax liability	R		2,096
			<u>3,729,165</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block		932,760	
Less: Depreciation	D	49,133	
Net fixed assets		883,627	883,627
Capital work in progress			
Goodwill on consolidation			-
Investments	E		244,332
Receivable under Service Concession Arrangement			-
Deffered Tax Asset	S		1,128
Current assets, loans & advances	F		
Inventories	F1	-	
Sundry debtors	F2	3,469,683	
Cash and bank balances	F3	477,016	
Other current assets	F4	56,176	
Loans and advances	F5	7,767,217	
		11,770,093	
Less : Current liabilities & provisions			
Current liabilities	G1	8,834,222	
Provisions	G2	335,793	
		9,170,015	
Net current assets			2,600,078
			<u>3,729,165</u>
Significant accounting policies	O		
Notes to account	P		0

In terms of our clearance memorandum attached.

For [Name of audit firm] *B.T.A. Mores Acc 13.0*
 Chartered Accountants

[Name of partner]
 Partner

Place: *Madrid, May 31, 2011*
 Date:

For and on behalf of the Board

[Signature]
 Managing Director

Director

Company Secretary

Grusamar Ingeniería y Consulting, S.L.
(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)
PROFIT AND LOSS ACCOUNT THE YEAR ENDED DECEMBER 31, 2010

	Schedule	Year ended December 31, 2010 Euros
INCOME		
Income from operations	H	9,765,033
Other Income	I	331,715
Foreign exchange fluctuation (Net)	T	1,089
		<u>10,097,837</u>
EXPENSES		
Increase / decrease in stock in trade and work in progress		
Consumption of raw materials		
Operating Expenses	J	3,990,352
Employee Cost	K	4,974,607
Administrative and general expenses	L	1,112,399
Interest and finance charges	M	-
Preliminary expenses written off		-
		<u>10,077,357</u>
PROFIT BEFORE DEPRECIATION AND TAX		20,480
Depreciation	W	8,858
PROFIT BEFORE DIMINUTION AND TAX		<u>11,622</u>
Provision for Diminution in value of Investments		-
PROFIT BEFORE TAX		<u>11,622</u>
Provision for tax	N	12,663
PROFIT AFTER TAX (BEFORE ADJUSTMENT OF MINORITY INTREST)		<u>24,285</u>
Less: Share of profit transferred to minority interest	V	-
Add: Own share in Associate included as Minority Interest of a Jointly Controlled Entity		-
PROFIT AFTER TAX (AFTER ADJUSTMENT OF MINORITY INTREST)		<u>24,285</u>
Add / Less : Share of Profit / (Loss) of associates		-
PROFIT AFTER TAX		<u>24,285</u>
Balance of profit brought forward		-
Profit available for appropriation		24,285
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		-
Balance carried forward		<u>24,285</u>

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

Significant accounting policies
Notes to account

O
P (0)

In terms of our clearance memorandum attached.
For [Name of audit firm]
Chartered Accountants

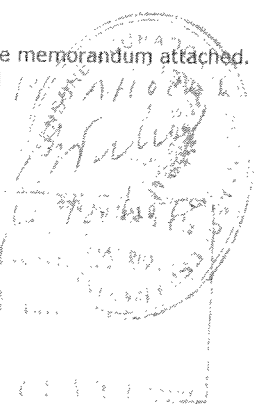
For and on behalf of the Board

[Name of partner]
Partner

Managing Director

Place:
Date:

Company Secretary



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Grusamar Ingeniería y Consulting, S.L.

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

SCHEDULE A : CAPITAL

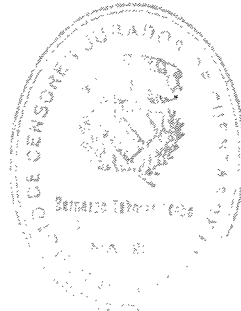
	As at December 31, 2010 Euros
AUTHORISED	
Issued 29,246 equity shares of Euros 119.5 each	3,494,897
	<u>3,494,897</u>
ISSUED, SUBSCRIBED AND PAID-UP	
Suscribed and paid up 29,246 equity shares of Euros 119.5 each fully paid up	3,494,897
	<u>3,494,897</u>



Grusamar Ingeniería y Consulting, S.L.
(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

	Euros	As at December 31, 2010 Euros
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	5,872	
Transfer during the period	6,578	
Debenture redemption reserve		12,450
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		110,657
Total reserves and surplus		123,107



Grusamar Ingeniería y Consulting, S.L.
 (FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS
 SCHEDULES TO BALANCE SHEET AS AT December 31, 2010)

SCHEDULE C : LOAN FUNDS

	As at December 31, 2010 Euros
SECURED	
From banks	-
From financial institutions	-
From others	-
Non convertible debentures	-
Deep discount bonds	-
Zero Coupon Bonds	-
Lease Finance	8,052
Interest accrued and due	-
Total secured loans	<u>8,052</u>
UNSECURED	
From Bank	
Short term loans	1,013
Other than short term loans	100,000
From Others	
Short term loans	-
Other than short term loans	-
Non-Covertible Debentures	-
Interest accrued and due	-
Total unsecured loans	<u>101,013</u>
Total loan funds	<u>109,065</u>



Grusamar Ingeniería y Consulting, S.L.
(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED)
SCHEDULES TO BALANCE SHEET AS AT DECEMBER 31, 2010

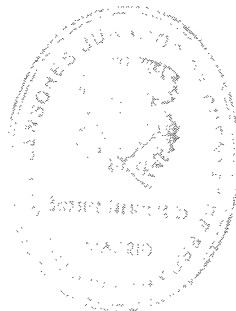
Schedule D : FIXED ASSETS

Particulars	Gross Block				Depreciation		Net Block	
	Opening as at 31.12.09	Opening adjustments	Additions	Closing as at 31.12.10	Upto 31.12.09	For the period 31.12.10	Upto 31.12.10	As at 31.12.09
Tangible Assets								
Land								
Building & Structures								
Roads and bridges								
Vehicles								
Data Processing Equipments	1,630	(80)	9,970	11,520	(351)	80	(2,141)	9,379
Office Premises								
Leasehold Improvements								
Furniture & Fixtures	8,734	(15,366)	15,644	8,734	(8,554)	(2,368)	(6,554)	180
Electrical Installations	20,532			20,610	(8,869)		(12,300)	11,653
Plant & Machinery	13,365			13,385	(11,663)		(13,313)	72
Advertisement Structure								
Sub total	44,281	(15,646)	25,614	54,249	(29,437)	(2,288)	(36,308)	17,942
Leased Assets								
Plant & Machinery								
Electrical Installations	28,500			28,500	(8,550)		(12,825)	15,675
Vehicles								
Furniture & fixtures								
Building & Structures								
Land								
Sub Total	28,500			28,500	(8,550)		(12,825)	15,675
Intangible Assets								
Softwares / licenses								
Commercial Rights Acquired								
Goodwill								
Right Under Service Concession Arrangements	850,010			850,010				850,010
Trademarks and Licenses								
Others and R&D Expenses								
Sub total	850,010			850,010				850,010
Total fixed assets	922,792	(15,646)	25,614	932,760	(37,987)	(2,288)	(49,133)	883,627



Grusamar Ingeniería y Consulting, S.L.**(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 Euros
Investments in associates	145,774
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>145,774</u>
<u>Long term investments</u>	
Unquoted equity shares (fully paid up)	145,774
Other investments	98,558
Sub total	<u>244,332</u>
<u>Current investments</u>	
In units of mutual funds	-
(Market value as June 30, 2010 Rs. _____)	
Sub total	-
Less: Provision for diminution	-
Total investments	<u><u>244,332</u></u>



Grusamar Ingeniería y Consulting, S.L.(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
CURRENT ASSETS	
INVENTORIES (at lower of cost and market value)	
Raw Material	-
Finished Goods	-
Stores and Spares	-
Total inventories	<u>-</u>
SUNDRY DEBTORS (Unsecured, considered good unless otherwise stated)	
Considered good	3,469,683
Considered doubtful	317,252
	<u>3,786,935</u>
Less: Provision for doubtful debts	317,252
Total sundry debtors	<u>3,469,683</u>
CASH AND BANK BALANCES	
Cash in hand	
Balance with scheduled banks	
In current accounts	477,016
In fixed deposits	150,000
Balance with non-scheduled banks	
In current accounts	-
In fixed deposits	-
Total cash and bank balances	<u>627,016</u>
OTHER CURRENT ASSETS	
Interest accrued	-
Option premium assets	-
Receivable against sale of investments	-
Other current assets	56,176
Total other current assets	<u>56,176</u>
LOANS AND ADVANCES	
Advances recoverable in cash or in kind or for value to be received	7,160,752
Deposits	-
Advance payment of taxes (net of provision)	-
Advance Fringe benefit tax (net of provision)	-
Long term loans	456,465
Short term loans	-
Advance towards Capital / Share Application Money	-
Investment in Call Money	-
Grant receivable from National Highway Authorities of India	-
Total loans and advances	<u>7,617,217</u>
Total current assets and loans & advances	<u>11,770,093</u>

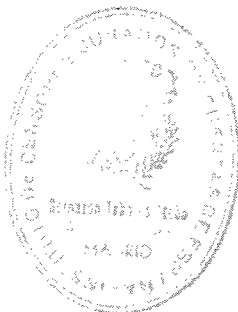


Grusamar Ingeniería y Consulting, S.L.

(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

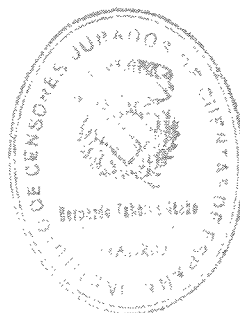
	As at December 31, 2010 Euros
CURRENT LIABILITIES	
Sundry creditors	8,111,565
Advance received	722,657
Interest accrued but not due	-
Other liabilities (Derivatives)	-
Unearned revenue	-
Income received in advance	-
Total current liabilities	<u><u>8,834,222</u></u>
PROVISIONS	
Provision for fringe benefit tax (net of advance)	-
Provision for Tax (net of advance)	-
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	335,793
Total provisions	<u><u>335,793</u></u>
Total current liabilities & provisions	<u><u>9,170,015</u></u>



Grusamar Ingeniería y Consulting, S.L.
 (FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS)
 SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED December 31, 2010

SCHEDULE H : INCOME FROM OPERATIONS

		Year ended December 31, 2010 Euros
Income from services		
		-
		-
		9,765,033
		-
		-
		-
Total	(a)	<u>9,765,033</u>
Traded products		
		-
Total	(b)	<u>-</u>
		-
Total	(c)	<u>-</u>
Total income from operations (a+b+c)		<u>9,765,033</u>

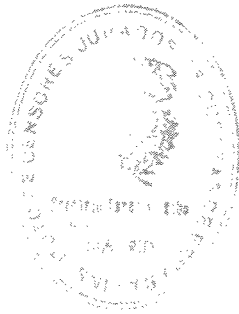


Grusamar Ingeniería y Consulting, S.L.

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

SCHEDULE I : OTHER INCOME

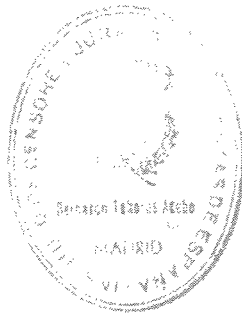
	Year ended December 31, 2010 Euros
Interest on loans granted	-
Interest on debenture	-
Interest on call money	-
Interest on bank deposits	1,179
Interest on Short Term Deposit	-
Interest on advance towards property	-
Profit on sale of investment (net)	-
Profit on sale of fixed assets (net)	-
Advertisement income	-
Income from Material Testing	-
Excess provisions written back	-
Operation and Maintainace Grant from National Highways Authority of India	-
Miscellaneous income	330,535
Total other income	331,715



Grusamar Ingeniería y Consulting, S.L.
 (FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS
 SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED December 31, 2010)

SCHEDULE J : OPERATING EXPENSES

	Three Months ended December 31, 2010 Euros
Material Consumption	131,150
Cost of traded products	-
Construction Contract Costs	-
Fees for technical services / design and drawings	-
Diesel and Fuel Expenses	-
Operation and maintainance expenses	3,859,201
Provision for overlay expenses	-
Periodic maintainance expenses	-
Total operating expenses	<u>3,990,352</u>



Grusamar Ingeniería y Consulting, S.L.
(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS
SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED December 31, 2010)

SCHEDULE K : EMPLOYEE COST

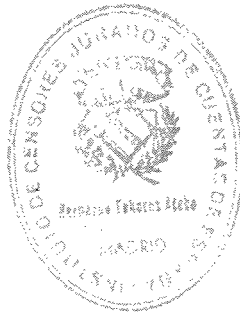
	<u>Three Months ended December 31, 2010 Euros</u>
Salaries and allowances	3,934,061
Contribution of provident and other funds	1,040,546
Staff welfare expenses	-
Total employee cost	<u><u>4,974,607</u></u>



Grusamar Ingeniería y Consulting, S.L.
 (FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORK)
 SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED December 31, 2010

SCHEDULE L : ADMINISTRATIVE & GENERAL EXPENSES

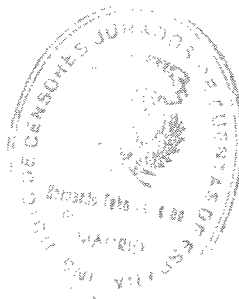
	Three Months ended December 31, 2010 Euros
Services Various	
Legal and consultation fees	
ECR Operating and Administrative Expenses	100,762
Agency fees	
Travelling and conveyance	
Rent	
Rates and taxes	371,036
Repairs and maintenance	11,144
Bank commission	3,765
Registration expenses	10,486
Communication expenses	
Insurance	293
Exchange rate fluctuation	93,167
Printing and stationery	
Electricity charges	
Cost of shared services	7,685
Directors' fees	
Bad debts and provision for doubtful debts	
Project management fees	53,443
Loss on sale of assets (net)	
Royalty	
Miscellaneous expenses	460,618
Total administrative & general expenses	<u>1,112,399</u>



Grusamar Ingeniería y Consulting, S.L.
 (FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORK)
 SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED December 31, 2010

SCHEDULE M : INTEREST & FINANCE CHARGES

	Three Months ended December 31, 2010 Euros
Interest on loans for fixed period	-
Interest on debentures	-
Guarantee commission	-
Finance charges	-
Upfront fees on performance guarantee	-
Intrest on Deep Discount bonds	-
Other interest	-
Total interest and finance charges	-



Grusamar Ingeniería y Consulting, S.L.
 (FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF I&FS TRANSPORTATION NETWORK)
 SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED December 31, 2010

SCHEDULE N : PROVISION FOR TAXATION

	Three Months ended December 31, 2010 Euros
Current tax	(12,633)
Tax related to earlier years	-
Fringe benefit tax	-
Deferred tax charge (net)	-
Total provision for taxation	(12,663)

