

Sánchez Marcos Señalización e
Imagen

Annual Report

2010

Audit of the Component's Financial Information Clearance Memorandum

From: BERNARDO TAHOCES ACEBO

Date: May 31, 2011

Subject: Sanchez Marcos Señalización e Imagen S.A'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 Sanchez Marcos Señalización e Imagen 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.

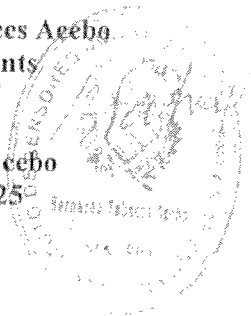
The preparation of the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement is the responsibility Sanchez Marcos Señalización e Imagen S.A's management. As stated therein, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement has been prepared *in accordance with the 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 Sanchez Marcos Señalización e Imagen 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 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



Sánchez Marcos Señalización e Imagen, S.A.
 (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	150,000	
Reserves and surplus	B	(142,411)	7,589
Minority interest	Q		-
Preference shares issued by subsidiary to Minority			-
Advance towards capital of subsidiary			-
Loan funds			
Secured			
Unsecured	C		-
Deferred tax liability	R		-
			<u>7,589</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block		13,568	
Less: Depreciation	D	<u>13,568</u>	
Net fixed assets			-
Capital work in progress			-
Goodwill on consolidation			-
Investments	E		3,000
Receivable under Service Concession Arrangement			-
Deffered Tax Asset	S		9,591
Current assets, loans & advances			
Inventories	F1	-	
Sundry debtors	F2	6,303	
Cash and bank balances	F3	6,331	
Other current assets	F4	-	
Loans and advances	F5	<u>714,290</u>	
		726,924	
Less : Current liabilities & provisions			
Current liabilities	G1	710,441	
Provisions	G2	<u>21,486</u>	
		731,927	
Net current assets			(5,002)
			<u>7,589</u>
Significant accounting policies	O		
Notes to account	P		0

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

[Name of partner]
 Partner

Place: _____
 Date: _____

For and on behalf of the Board

Managing Director

Director

Company Secretary

Sánchez Marcos Señalización e Imagen, S.A.
 (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	-
Other Income	I	(38)
Foreign exchange fluctuation (Net)	T	-
		<u>(38)</u>
EXPENSES		
Increase / decrease in stock in trade and work in progress		-
Consumption of raw materials		-
Operating Expenses	J	4,658
Employee Cost	K	-
Administrative and general expenses	L	25,857
Interest and finance charges	M	1,117
Preliminary expenses written off		-
		<u>31,632</u>
PROFIT BEFORE DEPRECIATION AND TAX		<u>(31,671)</u>
Depreciation	W	300
PROFIT BEFORE DIMINUTION AND TAX		<u>(31,971)</u>
Provision for Dimiuation in value of investments		-
PROFIT BEFORE TAX		<u>(31,971)</u>
Provision for tax	N	9,591
PROFIT AFTER TAX (BEFORE ADJUSTMENT OF MINORITY INTREST)		<u>(22,380)</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>(22,380)</u>
Add / Less : Share of Profit / (Loss) of associates		-
PROFIT AFTER TAX		<u>(22,380)</u>
Balance of profit brought forward		-
Profit available for appropriation		(22,380)
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>(22,380)</u>
Basic / Diluted earnings per share (Face value per share Rs. ____)		(0)
Significant accounting policies	O	
Notes to account	P	

In terms of our clearance memorandum attached.

For [Name of audit firm]
Chartered Accountants

B. BARRIOS ALCAZAR

For and on behalf of the Board

[Signature]
Managing Director

[Name of partner]

Partner

[Signature]

Place:

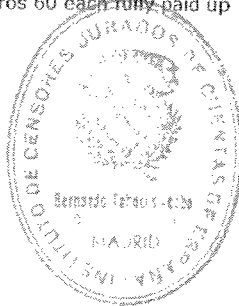
Date:

Company Secretary

Sánchez Marcos Señalización e Imagen, S.A.
 (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 2500 equity shares of Euros 60 each	150,000
	<u>150,000</u>
ISSUED, SUBSCRIBED AND PAID-UP	
Suscribed and paid up 2,500 equity shares of Euros 60 each fully paid up	150,000
	<u>150,000</u>

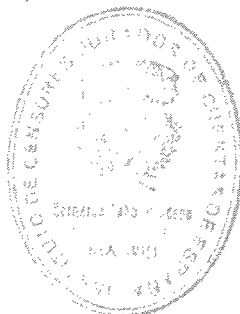


Sánchez Marcos Señalización e Imagen, S.A.

(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

	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	538	
Transfer during the period	-	
Debenture redemption reserve		538
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		(142,950)
Total reserves and surplus		(142,411)



Sánchez Marcos Señalización e Imagen, S.A.

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

SCHEDULE C : LOAN FUNDS

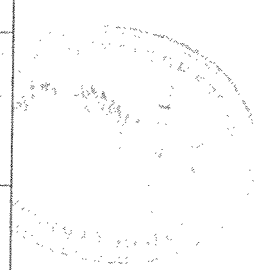
	As at December 31, 2010 Euros
SECURED	
From banks	-
From financial institutions	-
From others	-
Non convertible debentures	-
Deep discount bonds	-
Zero Coupon Bonds	-
Lease Finance	-
Interest accrued and due	-
Total secured loans	-
UNSECURED	
From Bank	
Short term loans	-
Other than short term loans	-
From Others	
Short term loans	-
Other than short term loans	-
Non-Convertible Debentures	-
Interest accrued and due	-
Total unsecured loans	-
Total loan funds	-



Sánchez Marcos Señalización e Imagen, S.A.
(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			Euros		
	Opening as at 31.12.09	Opening adjustments	Additions	Closing as at 31.12.10	Upto 31.12.09	Opening adjustments	For the period	Upto 31.12.10	As at 31.12.10	As at 31.12.09
Tangible Assets										
Land										
Building & Structures										
Roads and bridges										
Vehicles										
Data Processing Equipments										
Office Premises										
Office Equipments										
Leasehold Improvements										
Furniture & Fixtures	13,568			13,568	(13,267)		(300)	(13,568)		300
Electrical Installations										
Plant & Machinery										
Advertisement Structure										
Sub total	13,568			13,568	(13,267)		(300)	(13,568)		300
Leased Assets										
Plant & Machinery										
Electrical Installations										
Vehicles										
Furniture & fixtures										
Building & Structures										
Land										
Sub Total										
Intangible Assets										
Softwares / licenses										
Commercial Rights Acquired										
Right Under Service Concession Arrangements										
Trademarks and Licenses										
Others and R&D Expenses										
Sub Total										
Total fixed assets				13,568	(13,267)		(300)	(13,568)		300
Previous year ended December 31, 2010										

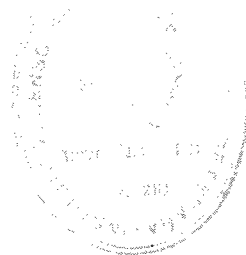


Sánchez Marcos Señalización e Imagen, S.A.

(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	
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)	3,000
Other investments	-
Sub total	<u>3,000</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>3,000</u></u>



Sánchez Marcos Señalización e Imagen, S.A.

(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	6,303
Considered doubtful	31,240
	<u>37,543</u>
Less: Provision for doubtful debts	31,240
Total sundry debtors	<u>6,303</u>
CASH AND BANK BALANCES	
Cash in hand	
Balance with scheduled banks	
In current accounts	
In fixed deposits	6,331
Balance with non-scheduled banks	
In current accounts	-
In fixed deposits	-
Total cash and bank balances	<u>6,331</u>
OTHER CURRENT ASSETS	
Interest accrued	-
Option premium assets	-
Receivable against sale of investments	-
Other current assets	-
Total other current assets	<u>-</u>
LOANS AND ADVANCES	
Advances recoverable in cash or in kind or for value to be received	714,290
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	-
Total loans and advances	<u>714,290</u>
Total current assets and loans & advances	<u>726,924</u>



Sánchez Marcos Señalización e Imagen, S.A.
 (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

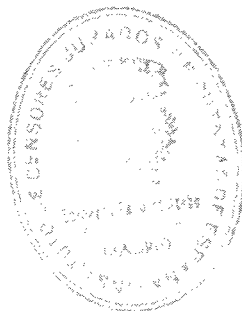
	As at December 31, 2010 Euros
CURRENT LIABILITIES	
Sundry creditors	710,441
Advance received	-
Interest accrued but not due	-
Other liabilities (Derivatives)	-
Unearned revenue	-
Income received in advance	-
Total current liabilities	<u><u>710,441</u></u>
PROVISIONS	
Provision for fringe benefit tax (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	21,486
Total provisions	<u><u>21,486</u></u>
Total current liabilities & provisions	<u><u>731,927</u></u>



Sánchez Marcos Señalización e Imagen, S.A.
 (FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWO
 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		
		-
		-
		-
		-
		-
		-
		-
Total	(a)	<u>-</u>
Traded products		
		-
Total	(b)	<u>-</u>
		-
Total	(c)	<u>-</u>
Total income from operations (a+b+c)		<u>-</u>

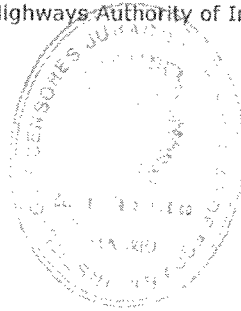


Sánchez Marcos Señalización e Imagen, S.A.

(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&FS TRANSPORTATION NETWORKS LJ
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	(38)
Total other income	(38)

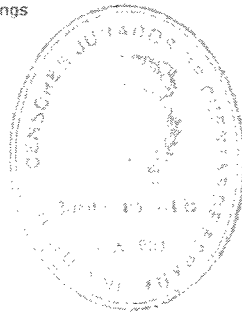


Sánchez Marcos Señalización e Imagen, S.A.

(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

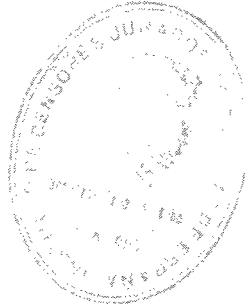
	Three Months ended December 31, 2010 Euros
Material Consumption	-
Cost of traded products	-
Construction Contract Costs	-
Fees for technical services / design and drawings	-
Diesel and Fuel Expenses	-
Operation and maintenance expenses	4,658
Provision for overlay expenses	-
Periodic maintenance expenses	-
Total operating expenses	4,658



Sánchez Marcos Señalización e Imagen, S.A.
(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

	Three Months ended December 31, 2010 Euros
Salaries and allowances	-
Contribution of provident and other funds	-
Staff welfare expenses	-
Total employee cost	-

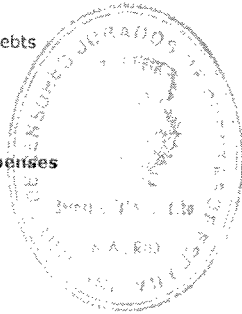


Sánchez Marcos Señalización e Imagen, S.A.

(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	3,917
ECR Operating and Administrative Expenses	
Agency fees	
Travelling and conveyance	
Rent	
Rates and taxes	
Repairs and maintenance	
Bank commission	169
Registration expenses	
Communication expenses	
Insurance	
Exchange rate fluctuation	
Printing and stationery	
Electricity charges	
Cost of shared services	
Directors' fees	
Bad debts and provision for doubtful debts	
Project management fees	
Loss on sale of assets (net)	21,486
Royalty	
Miscellaneous expenses	285
Total administrative & general expenses	<u><u>25,857</u></u>

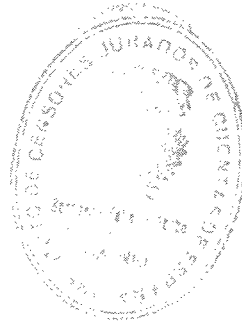


Sánchez Marcos Señalización e Imagen, S.A.

(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	1,117
Interest on debentures	-
Guarantee commission	-
Finance charges	-
Upfront fees on performance guarantee	-
Intrest on Deep Discount bonds	-
Other interest	-
Total interest and finance charges	1,117



Sánchez Marcos Señalización e Imagen, S.A.
(FOR CONSOLIDATION INTO THE FINANCIAL STATEMENTS OF IL&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	(9,591)
Tax related to earlier years	-
Fringe benefit tax	-
Deferred tax charge (net)	-
Total provision for taxation	<u>(9,591)</u>

