

# **Infrastructure India plc**

**Consolidated financial statements  
for the six month period ended 30 September 2010**

# Chairman's Statement

## Introduction

I am pleased to report Infrastructure India plc's results for the six month period ended 30 September 2010.

Since the launch of Infrastructure India plc, it has made two investments totalling £25.8 million. IIP's projects have continued to progress well throughout the period and the Company remains confident that Indian infrastructure continues to offer stable and long term growth prospects.

## Operational Review

IIP has continued to make progress with its two investment projects, namely the Hydroelectric Power Project and the Toll Road Project, both in Central India.

The Company invested a total of £13.2 million (Rs. 1.1 billion) in Shree Maheshwar Hydrel Power Corporation Limited ("SMHPCL") in June 2008. Once fully commissioned, the project is expected to be one of the largest privately owned hydroelectric power projects in India. The first turbine is now fully assembled and installed on site and ready for commissioning, while two further turbines are also on site and are now undergoing assembly and installation.

In September 2008, IIP invested £11.3 million (c. Rs. 960 million at the time of investment) in a toll road project in Central India; Western MP Infrastructure & Toll Roads Pte Ltd ("WMPITRL"), representing a 26% shareholding. The project is now effectively finished except for continuing work on the remaining bridges crossing busy railways. WMPITRL has a 25 year concession period to operate the toll road.

Further details are provided in the Asset Adviser Review below.

## Financial Results

Assuming that the SMHPCL investment is held to maturity and in line with the Company's stated valuation methodology (applying a single construction period discount rate), the value of this holding, as at 30 September 2010, is £17.9 million compared to the £13.2 million invested on 9 June 2008.

Assuming that the equity in the toll road project held to maturity and in accordance with the Company's stated valuation methodology (applying a single construction period discount rate), the value of this investment, as at 30 September 2010, is £23.9 million compared to the £12.6 million as invested up to that date.

The above combined values of £41.8m compare with the £30.9m reported for the six months ended 30 September 2009 and the £39.6m reported in the Report and Accounts for the year ended 31 March 2010.

We are reporting a profit of £705,000 for the period (2009: a loss of £925,000). This equates to a profit per share of 1.88p (2009: a loss per share of 2.52p).

## Transfer to AIM

On 16 November 2010, the Company completed its transfer to the AIM market of the London Stock Exchange, which we believe is more suitable to the Company's current activity. We anticipate that this transfer will result in reduced costs and greater flexibility in relation to future corporate activity.

## **Outlook**

In spite of continuing unpredictability within the markets globally, India's economy has continued to perform strongly and there remains, in our opinion, a strong investment case for Indian infrastructure. In addition, both of the assets have continued to move towards completion and we believe that the Company remains in a solid position.

Finally, I would like to convey my thanks to the Board and the Company's advisers for their continued work during the past year and in particular to the Company's shareholders for their continued support.

**Rupert Cottrell**  
**Chairman**

*21 December 2010*

## **Asset Adviser Review**

*Period to 30 September 2010*

Akur Partners LLP ("Akur"), a UK based asset advisory business, is the Asset Adviser to Infrastructure India plc ("IIP"). Akur's role as Asset Adviser is to execute investments on behalf of the Board, manage the holdings on behalf of IIP, and in due course execute realisations in IIP's investments. Akur manages the two current investments: one in the renewable power sector and the other in the transport sector.

### **Hydroelectric Power Project – Central India**

*SHREE MAHESHWAR HYDEL POWER CORPORATION LIMITED*

IIP, via its Mauritian subsidiary, Power Infrastructure India, invested a total of £13.2 million (Rs. 1.1 billion) in Shree Maheshwar Hydel Power Corporation Limited ("SMHPCL") in June 2008. SMHPCL was specifically established to own and develop a 400MW run-of-the-river hydroelectric power project situated on the Narmada River in Maheshwar, in the southwestern region of Madhya Pradesh, Central India. Once fully commissioned, the project is expected to be one of the largest privately owned hydroelectric power projects in India. The project is expected to commence first power generation testing during the first quarter of 2011 when the first of ten 40MW turbines will begin generation. The first turbine is now fully assembled on site and ready for commissioning, while two further turbines are also on site and are now undergoing assembly and installation. The majority of construction and civil works at the project are effectively complete, the outstanding work is now centred on completing the turbine hall and power house and installing the turbine generators.

The Power Purchase Agreement ("PPA") signed between SMHPCL and the state government body, The Madhya Pradesh Electricity Board ("MPEB"), obliges the MPEB to take the full electricity production of the plant for a period of 35 years from the date of commissioning of the first turbine of the project, however the operational life time of the project is expected to be in excess of 50 years. The project has required some 22 villages to be relocated from land potentially subjected to flooding as a result of the project. The relocation process has been challenging for SMHPCL, particularly as it is the only private hydroelectric project on the Narmada River. Several other larger projects, which are government owned, are in full operation. The relocation process is a highly sensitive and critical process for SMHPCL and they are working closely with the relevant local state authorities to complete the process.

At the time of IIP's investment, it was estimated that the Company would have a 6.23% equity interest (post all dilution effects). However, following a recent re-analysis, the potential final holding of IIP is likely to be slightly higher, at c. 6.6%, although this will depend on the final structure.

Assuming that the investment is held to maturity and in line with the Company's stated valuation methodology (applying a single construction period discount rate), the value derived for this holding as at 30 September 2010 is £17.9 million compared to the £13.2 million invested on 9 June 2008.

### **Toll Road – Central India**

*WESTERN MP INFRASTRUCTURE & TOLL ROADS PRIVATE LIMITED*

In September 2008, IIP invested £11.3 million (c. Rs. 960 million at the time of investment) in a toll road in Central India; Western MP Infrastructure & Toll Roads Pte Ltd ("WMPITRL"), representing a 26% shareholding in the toll road project. WMPITRL was awarded the project on a Design, Build, Finance, Operate, Transfer (DBFOT) basis in August 2007 for a term of 25 years. The toll road project comprises the development of a single 125 km stretch of highway to be significantly

upgraded, widened and improved to reduce congestion experienced on the route and to provide further scope for traffic growth. The project is now effectively finished except for continuing work on three bridges crossing busy railways. While tolling operations were originally anticipated to commence around April 2010, partial tolling on the first half of the road actually began several months ahead of schedule in November 2009. Further, as soon as the remaining work on the bridges is completed, the second half of the road will also begin tolling - this could occur within January 2011, but in any event is expected within the first quarter of 2011, although exact timing is dependent upon the relevant Indian railway authority granting sufficient access to the site contractors. Upon completion of the 25 year concession period, WMPITRL will transfer the project to the Concession Authority.

There have been a number of variations to the project specification, in particular in relation to the railway bridges. The extra costs involved are technically for the account of the State Roads Authority. However, any reimbursement traditionally takes the form of an extension to the length of the concession rather than a direct payment, therefore the project company bears such additional costs. The Company contributed £881,000 in October 2009 as part of its share of the marginal cost overrun. At that time, it was anticipated that a further contribution would be required of the order of approximately £719,000. However, following a re-analysis of certain documentation and a renegotiation of certain terms, the Company made a further contribution of a reduced amount of approximately £360,000 in June 2010, to maintain its 26% shareholding in the asset.

Assuming that the equity is held to maturity and in accordance with the Company's stated valuation methodology (applying a single construction period discount rate), the value for this investment as at 30 September 2010 is £23.9 million compared to the £12.6 million as invested up to that date.

# INDEPENDENT REVIEW REPORT TO INFRASTRUCTURE INDIA PLC

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2010 which comprises Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34 and the AIM Rules.

**KPMG Audit LLC**  
*Chartered Accountants*  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN  
21 December 2010

## Consolidated Statement of Comprehensive Income

for the six months ended 30 September 2010

		(Unaudited) 6 months ended 30 September 2010 £'000	(Unaudited) 6 months ended 30 September 2009 £'000	(Audited) Year ended 31 March 2010 £'000
	Note			
<b>Investment income</b>				
Interest income on bank balances		1	15	18
Fair value gain / (loss) on investments at fair value through profit or loss		1,769	(1,100)	6,719
<b>Net investment profit / (loss)</b>		<b>1,770</b>	<b>(1,085)</b>	<b>6,737</b>
<b>Expenses</b>				
Investment advisor's fees	7	-	246	499
Performance fee write back		-	(1,432)	(1,559)
Other administration fees and expenses	6	1,064	1,025	3,104
Foreign exchange loss		1	1	10
<b>Total expenses</b>		<b>1,065</b>	<b>(160)</b>	<b>2,054</b>
<b>Profit / (loss) for the period / year before tax</b>		<b>705</b>	<b>(925)</b>	<b>4,683</b>
Taxation		-	-	-
<b>Profit / (loss) for the period / year</b>		<b>705</b>	<b>(925)</b>	<b>4,683</b>
Other comprehensive income		-	-	-
<b>Total comprehensive income / (loss) for the period / year</b>		<b>705</b>	<b>(925)</b>	<b>4,683</b>
<b>Basic earnings/(loss) per share (pence)</b>	8	<b>1.88</b>	<b>(2.52)</b>	<b>12.76</b>

## Consolidated Statement of Financial Position

as at 30 September 2010

		(Unaudited) 30 September 2010 £'000	(Unaudited) 30 September 2009 £'000	(Audited) 31 March 2010 £'000
<b>Non-current assets</b>				
Investments at fair value through profit or loss	9	41,729	30,900	39,600
<b>Total non-current assets</b>		<b>41,729</b>	<b>30,900</b>	<b>39,600</b>
<b>Current assets</b>				
Trade and other receivables		39	74	38
Cash and cash equivalents		775	3,983	1,164
<b>Total current assets</b>		<b>814</b>	<b>4,057</b>	<b>1,202</b>
<b>Total assets</b>		<b>42,543</b>	<b>34,957</b>	<b>40,802</b>
<b>Current liabilities</b>				
Trade and other payables		(411)	(318)	(682)
<b>Total current liabilities</b>		<b>(411)</b>	<b>(318)</b>	<b>(682)</b>
<b>Non-current liabilities</b>				
Performance fee provision	7	-	(127)	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>(127)</b>	<b>(682)</b>
<b>Total liabilities</b>		<b>(411)</b>	<b>(445)</b>	<b>(682)</b>
<b>Net assets</b>		<b>42,132</b>	<b>34,512</b>	<b>40,120</b>
<b>Equity</b>				
Share capital	10	398	367	367
Share premium	10	33,163	31,887	31,887
Retained profit		8,571	2,258	7,866
<b>Total equity</b>		<b>42,132</b>	<b>34,512</b>	<b>40,120</b>



## **Consolidated Statement of Changes in Equity**

*for the six months ended 30 September 2010*

	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Retained profit £'000</b>	<b>Total £'000</b>
<b>Balance as at 1 April 2009</b>	<b>367</b>	<b>31,887</b>	<b>3,183</b>	<b>35,437</b>
Profit for the period	-	-	(925)	(925)
Other comprehensive income	-	-	-	-
<b>Balance at 30 September 2009 (unaudited)</b>	<b>367</b>	<b>31,887</b>	<b>2,258</b>	<b>34,512</b>
<b>Balance at 1 April 2009</b>	<b>367</b>	<b>31,887</b>	<b>3,183</b>	<b>35,437</b>
<b>Total comprehensive income for the period:</b>				
Profit for the year	-	-	4,683	<b>4,683</b>
Other comprehensive income	-	-	-	-
<b>Balance at 31 March 2010 (audited)</b>	<b>367</b>	<b>31,887</b>	<b>7,866</b>	<b>40,120</b>
<b>Balance at 31 March 2010 (audited)</b>	<b>367</b>	<b>31,887</b>	<b>7,866</b>	<b>40,120</b>
<b>Total comprehensive income for the period:</b>				
Profit for the period	-	-	705	705
Other comprehensive income	-	-	-	-
<b>Transactions with owners recorded directly in equity:</b>				
Issue of shares	31	1,328	-	1,359
Share issue costs	-	(52)	-	(52)
<b>Total contributions by and distributions to owners</b>	<b>31</b>	<b>1,276</b>	<b>-</b>	<b>1,307</b>
<b>Balance at 30 September 2010 (unaudited)</b>	<b>398</b>	<b>33,163</b>	<b>8,571</b>	<b>42,132</b>

## Consolidated Statement of Cash Flows

for the six months ended 30 September 2009

		(Unaudited) 6 months ended 30 September 2010 £'000	(Unaudited) 6 months ended 30 September 2009 £'000	(Audited) Year ended 31 March 2010 £'000
<b>Cash flow from operating activities</b>				
Profit / (loss) for the period / year		705	(925)	4,683
Adjustments:				
Interest income on bank balances		(1)	(15)	(18)
Fair value gain / (loss) on investments at fair value through profit or loss		(1,769)	1,100	(6,719)
Foreign exchange loss		1	1	10
Performance fee write back		-	(1,432)	(1,559)
<b>Operating loss before changes in working capital</b>		<b>(1,064)</b>	<b>(1,271)</b>	<b>(3,603)</b>
Increase in trade and other receivables		(1)	(6)	(7)
Decrease in trade and other payables		(271)	(370)	(34)
		<b>(1,336)</b>	<b>(1,647)</b>	<b>(3,644)</b>
Interest received		1	15	18
<b>Net cash utilised by operating activities</b>		<b>(1,335)</b>	<b>(1,632)</b>	<b>(3,626)</b>
<b>Cash flow from investing activities</b>				
Acquisition of investments		(360)	-	(881)
Repayments of loan by investment advisor		-	12	75
<b>Cash (utilised by)/generated from investing activities</b>		<b>(360)</b>	<b>12</b>	<b>(806)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares (net of share issue costs)	10	1,307	-	-
<b>Net cash generated from financing activities</b>		<b>1,307</b>	<b>-</b>	<b>-</b>
Net decrease in cash and cash equivalents		(388)	(1,620)	(4,432)
Cash and cash equivalents at the start of the period		1,164	5,604	5,604
Effect of exchange rate fluctuations on cash held		(1)	(1)	(8)
<b>Cash and cash equivalents at the end of the period</b>		<b>775</b>	<b>3,983</b>	<b>1,164</b>

# **Selected notes to the interim consolidated financial statements**

## ***for the six months ended 30 September 2010***

### **1. General information**

The Company was incorporated as Infrastructure India plc on 18 March 2008 in the Isle of Man under the Companies Acts 2006 with registration number 002457V. It was admitted to the London Stock Exchange on 30 June 2008.

The Company's principal activity is to act as a holding company for a group of companies involved in infrastructure development within India.

The Group has no employees.

The interim consolidated financial statements of the Company as at and for the six months ended 30 September 2010 comprise the Company and its subsidiaries (together referred to as the "Group"). The interim consolidated financial statements are unaudited.

The consolidated financial statements of the Group as at and for the year ended 31 March 2010 are available upon request from the Company's registered office at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP or at [www.iiplc.com](http://www.iiplc.com).

### **2. Statement of Compliance**

These interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2010.

These interim consolidated financial statements were approved by the Board of Directors on 21 December 2010.

### **3. Significant accounting policies**

The accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2010.

### **4. Critical accounting estimates and assumptions**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

Actual results may differ from these estimates. Except as described below, in preparing these interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2010.

During the six months ended 30 September 2010 management reassessed its estimates in respect of:

(a) *Estimate of fair value of unquoted investments*

The Group holds partial ownership interests in two unquoted Indian infrastructure companies. The Directors' valuations of these investments, as shown in note 9, are based on a discounted cash flow methodology, prepared by the Company's asset Advisor.

The methodology is principally based on company-generated cash flows and observable market data on interest rates and equity returns. The discount rates are determined by market observable risk free rates plus a risk premium which is based on the phase of the project concerned.

If the determined discount rates were increased by 1% per annum, the value of unlisted equity securities would fall by £3.3m (31 March 2009: £3.5 million).

(b) *Estimated performance fee (carried interest) on investments*

As described in note 7 the Investment Adviser Agreement was terminated on the 29 April 2010 and no provision is now made for any performance fees that may be payable on the eventual realisation of the Company's investments.

## 5. Financial risk management policies

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 March 2010.

## 6. Other administration fees and expenses

	(Unaudited) 6 months ended 30 September 2010 £'000	(Unaudited) 6 months ended 30 September 2009 £'000	(Audited) Year ended 31 March 2010 £'000
Audit fees	19	2	35
Legal fees	120	375	1,251
Corporate advisory fees	390	-	573
Public relations fees	29	29	53
Consultancy fees	12	29	56
Other professional costs	308	334	769
Administration fees	62	76	134
Directors' fees	68	66	120
Insurance costs	7	20	16
Other costs	49	94	97
	<u>1,064</u>	<u>1,025</u>	<u>3,104</u>

## 7. Investment Advisor fees and performance fees

The Investment Adviser received a management fee of 2% per annum of the amount invested payable quarterly in advance, and was also entitled to a performance fee on realised investment gains and income. The Investment Adviser Agreement was terminated on the 29 April 2010 and no provision is now made for any performance fee that may be payable on the eventual realisation of the investments.

## 8. Basic and diluted earnings per share

The basic and diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders of £705,000 by the weighted average number of shares outstanding during the period, being 37,527,152 (6 months ended 30 September 2009: loss of £925,000 and 36,700,000 weighted average number of shares).

There are no dilutive potential ordinary shares and therefore diluted loss per share is the same as basic loss per share.

## 9. Investments – designated at fair value through profit or loss

Investments, consisting of unlisted equity securities, are recorded at fair value as follows:

	SMHPCL*	WMPITRL**	Total
	£'000	£'000	£'000
Balance at 1 April 2009	14,400	17,600	32,000
Additional capital injection	-	881	881
Fair value adjustment	3,000	3,719	6,719
<b>Balance as at 31 March 2010</b>	<u>17,400</u>	<u>22,200</u>	<u>39,600</u>
Additional capital injection	-	360	360
Fair value adjustment	458	1,311	1,769
<b>Balance as at 30 September 2010</b>	<u>17,858</u>	<u>23,871</u>	<u>41,729</u>

\* Shree Maheshwar Hydel Power Corporation Ltd

\*\* Western MP Infrastructure & Toll Road Pvt Ltd

The investments have been fair valued by the Directors as at 30 September 2010 using discounted cash flow techniques, as described in note 4. The discount rate adopted for both investments is the single "construction period" discount rate, which consists of the risk free rate of 7.15% (31 March 2010: 7%) plus a risk premium of 7% (31 March 2010: 8%) for SMHPCL and 6% (31 March 2010: 6%) for WMPITRL.

## 10. Share capital and share premium

	No. of shares	Share capital £	Share premium £
Ordinary shares of £ 0.01 each	39,789,158	398,000	33,163,000
	<u>39,789,158</u>	<u>398,000</u>	<u>33,163,000</u>

On the 27 July 2010, the Company made a placing raising £1.36 million which resulted in the issue of 3,089,158 ordinary shares. This increased the number of shares from 36,700,000 to 39,789,158.

## Warrants

7,340,000 warrants were issued pursuant to the initial placing (one warrant for every five ordinary shares issued). The warrants entitle the holder to subscribe for one Ordinary Share of one pence in the Company at any time in the five years from the initial placing, at an exercise price of £1 each.

## 11. Net asset value per share

The net asset value per share, based on the net assets attributable to ordinary shareholders at the period end of £42,132,116 divided by 39,789,158 shares in issue at period end, amounts to £1.059 per share. (31 March 2010: net asset value per share of £1.09 based on net assets of £40,120,306 and 36,700,000 shares.)

## 12. Group entities

### Subsidiaries

	Country incorporation	of Ownership interest
Infrastructure India HoldCo	Mauritius	100%
Power Infrastructure India	Mauritius	100%
Roads Infrastructure India	Mauritius	100%
Roads Infrastructure India (Two)	Mauritius	100%
Distribution and Logistics Infrastructure India	Mauritius	100%

## 13. Related party transactions

Related parties and material related party transactions and balances and other transactions with affiliates, including fees, commissions, no charge transactions, purchases and sales and related amounts receivable or payable must be disclosed.

As defined in International Accounting Standard 24, Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged.

### Investment Advisor fees

Investment Advisor fees are disclosed in note 7.

### Administrator fees

Philip Scales is a Director of the Company and of the Administrator. The fees of the Administrator for the period amounted to £49,938 (period ended 30 September 2009: £48,875).

## 14. Subsequent events

The Company was delisted from the Main Market of the London Stock Exchange and transferred to the AIM market on 16 November 2010. The resolution was passed for the delisting at an EGM held on 18 October 2010.