

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt about the contents of this document or as to what action you should take you are recommended to seek your own financial advice immediately from an independent financial adviser or other person authorised under FSMA who specialises in advising on the acquisition of shares or other securities or, if you are not resident in the United Kingdom, from another appropriately authorised independent financial adviser.**

The Existing Ordinary Shares are or will be admitted to trading on AIM. Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital on AIM will commence at 8.00 a.m. (London time) on 3 March 2011.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The rules of AIM are less demanding than those of the Official List. The Ordinary Shares are not dealt on any other recognised investment exchange and no other such applications have been made.**

This document constitutes an admission document prepared in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public in the United Kingdom and is not required to be a prospectus prepared in accordance with the Prospectus Rules. This document has not been approved by or filed with the FSA or any other competent authority. This document will be made available to the public in accordance with the AIM Rules for Companies.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares, please forward this document, together with the Form of Proxy, if and when received, as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States and the other Restricted Territories.

**PROSPECTIVE INVESTORS SHOULD READ THE WHOLE TEXT AND CONTENTS OF THIS DOCUMENT AND ANY DOCUMENT INCORPORATED HEREIN AND SHOULD BE AWARE THAT AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A DEGREE OF RISK. IN PARTICULAR, PROSPECTIVE INVESTORS' ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED WHEN DECIDING ON WHAT ACTION TO TAKE IN RELATION TO THE ACQUISITIONS AND DECIDING WHETHER OR NOT TO INVEST IN ORDINARY SHARES. YOUR ATTENTION IS ALSO DRAWN TO THE LETTER FROM THE CHAIRMAN OF THE COMPANY WHICH IS SET OUT ON PAGES 33 TO 45 OF THIS DOCUMENT.**

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## **INFRASTRUCTURE INDIA PLC**

*(Incorporated and registered in the Isle of Man under the Isle of Man Companies Act 2006 with number 002457V)*

### **Proposed acquisition of interests in India Hydropower Development Company, LLC and Vikram Logistic & Maritime Services Private Limited**

#### **Proposed waiver of Rule 9 of the City Code on Takeover and Mergers Re-admission to trading on AIM and Notice of Extraordinary General Meeting**

*Nominated Adviser and Joint Broker*

**SMITH & WILLIAMSON CORPORATE FINANCE LIMITED**

*Financial Adviser and Asset Adviser*

**AKUR PARTNERS LLP**

*Joint Broker*

**WESTHOUSE SECURITIES LIMITED**

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Smith & Williamson Corporate Finance Limited and Akur Partners LLP are each authorised and regulated in the United Kingdom by the Financial Services Authority, and are acting exclusively for the Company and for no one else in relation to the Acquisitions. Neither Smith & Williamson nor Akur will regard any other person (whether or not a recipient of this document) as their client in relation to the Acquisitions and will not be responsible to anyone other than the Company for providing the protections afforded to respective clients of Smith & Williamson and Akur or for providing any advice in relation to the Acquisitions, the contents of this document or any transaction or arrangement referred to herein. No liability whatsoever is accepted by Smith & Williamson or Akur for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which they are not responsible.

Westhouse Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting solely for the Company in relation to the Placing. Westhouse Securities will not regard any other person as its client in relation to the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Westhouse Securities or for providing advice in relation to the Placing or any other transaction or matter referred to in this document.

The Company has been established in the Isle of Man as a company incorporated under the Isle of Man Companies Act 2006. The Company is not an “open-ended investment company” as defined in the Isle of Man Collective Investment Schemes Act 2008 and, accordingly, the Company does not constitute a “collective investment scheme” for the purposes of that Act. As such, the Company is not subject to any form of authorisation or approval in the Isle of Man by the Isle of Man Financial Supervision Commission (“IOM FSC”) or any other body. Investors are not protected by any statutory compensation arrangements in the event of the Company’s failure and the IOM FSC does not vouch for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it.

This document constitutes the “offering document” for the purposes of section 45 of the Isle of Man Companies Act 2006 and is prepared in compliance with the requirements of that section. It is not necessary for this document to be filed or registered with any governmental or public body, authority or agency in the Isle of Man either on, before or after the date of its publication and it is not intended that this document will be filed with the Registrar of Companies in the Isle of Man pursuant to section 45(5) of the Isle of Man Companies Act 2006.

Notice of an Extraordinary General Meeting of the Company, to be held at the offices of IOMA Fund and Investment Management Limited, at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP at 11.30 a.m. on 2 March 2011 is set out at the end of this document. To be valid, the enclosed Form of Proxy for use at the meeting should be completed in accordance with the instructions thereon, signed and returned so as to be received by the Company’s Registrars, Capita Registrars, as soon as possible but in any event not later than 11.30 a.m. on 28 February 2011. Completion of the Form of Proxy will not preclude a Shareholder from attending and voting at the meeting in person.

The New Ordinary Shares will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of Admission and will otherwise rank *pari passu* in all respects with the Existing Ordinary Shares.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company. Neither the delivery of this document nor any subscription made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as at any time subsequent to its date. Without limitation, the contents of the Company’s website do not form part of this document.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information for any purpose other than in considering an investment in Ordinary Shares is prohibited, except to the extent such information is otherwise publicly available. By accepting delivery of this document, you are agreeing to the foregoing.

Except to the extent expressly set out in this document, the contents of the Company’s website or any website directly or indirectly linked to the Company’s website do not form part of this document. Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Smith & Williamson Corporate Finance Limited and the Company’s website <http://www.iiplc.com> from the date of this document until the date which is one month from the date of Admission.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, Ordinary Shares offered by any person in any jurisdiction in which it is unlawful for that person to make such an offer or solicitation.

The Ordinary Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, taken up, exercised, renounced, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of Ordinary Shares in the United States.

The distribution of this document and/or Ordinary Shares into jurisdictions other than the UK may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, such documents should not be distributed, forwarded to or transmitted in or into the United States, any of the other Restricted Territories or any other jurisdiction where the extension or availability of an offer of Ordinary Shares would or may breach any applicable law.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the “Securities Act”) or qualified for sale under the laws of any state of the United States or under the applicable laws of any of the Restricted Territories and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of a Restricted Territory. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in the Restricted Territories, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. This document has been prepared for the purposes of complying with Isle of Man law, English law, the AIM Rules for Companies and the City Code and the information disclosed may not be the same as that which would have been prepared in accordance with the laws and regulations of any jurisdiction outside the Isle of Man, England and Wales.

Prospective investors must not treat the contents of this document or any subsequent communications from the Company, Smith & Williamson, Akur, Westhouse Securities, or any of their respective affiliates, directors, officers, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption, or other disposal of the Ordinary Shares; and/or (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares. Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

## **FORWARD-LOOKING STATEMENTS**

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of the forward-looking terminology, including the terms “believes”, “estimates”, “forecasts”, “plans”, “prepares”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “seeks”, or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company’s, the Enlarged Group’s, GGIC’s, FPC’s and AHP’s and the Directors’ and Proposed Directors’ intentions, beliefs or current expectations concerning, amongst other things, the Enlarged Group’s prospects, target return, growth and strategies.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Enlarged Group’s actual performance (including, without limitation, attainment of the target return), achievements and financial condition may differ materially from those expressed or implied by the forward-looking statements in this document. In addition, even if the Enlarged Group’s results of operations, performance, achievements and financial condition are consistent with the forward-looking statements in this document, those results or development may not be indicative of results or developments in subsequent periods.

Prospective investors are advised to read, in particular, the part of this document entitled “Risk Factors”, for a more complete discussion of the factors that could affect the Enlarged Group’s future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. Forward-looking statements in this document speak only as of the date of this document. Other than in accordance with the Company’s obligations under the AIM Rules for Companies, neither the Company nor any member of the Enlarged Group nor Smith & Williamson nor Akur nor any of their respective directors, officers or agents undertakes any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional factors that could affect the Enlarged Group’s ability to achieve its investment objectives and could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those set out in the section headed “Risk Factors” on pages 10 to 32 of this document.

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## TRANSACTION STATISTICS

Closing Price per Ordinary Share on 9 February 2011 (being the last practicable date prior to the publication of this document)	£0.665
Net Asset Value per Ordinary Share as at 30 September 2010	£1.06
Placing Price	£0.605
Price of Consideration Shares	£1.06
Number of Ordinary Shares as at the date of this document	39,789,158
Number of Existing Ordinary Shares, including the Placing Shares other than those to be subscribed for by GGIC	81,937,919
Number of Warrants as at the date of this document	7,340,000
Number of Placing Shares	
— To be issued on 17 February 2011	42,148,761
— To be issued following the EGM	12,396,693
Number of Consideration Shares to be issued pursuant to the acquisition of the GGIC Assets	56,263,372
Number of Consideration Shares to be issued pursuant to the acquisition of the AHP Assets	54,988,993
Enlarged Share Capital on Admission <sup>1, 2</sup>	150,597,984
Number of Warrants in issue on Admission <sup>1</sup>	7,340,000
Percentage of Enlarged Share Capital on Admission <sup>1</sup> represented by:	
Placing Shares to be issued to GGIC	8.23%
Consideration Shares to be issued pursuant to the acquisition of the GGIC Assets	37.36%
Aggregate New Ordinary Shares to be issued to GGIC on or before Admission	45.59%
Further Enlarged Share Capital following completion of the acquisition of the AHP Assets <sup>3, 4</sup>	205,586,977
Number of Warrants following completion of the acquisition of the AHP Assets <sup>3</sup>	7,340,000
Percentage of Further Enlarged Share Capital following completion of the acquisition of the AHP Assets <sup>3</sup> represented by:	
Consideration Shares issued pursuant to the acquisition of the AHP Assets	26.75%
New Ordinary Shares to be issued to GGIC on or before Admission	33.40%
Aggregate New Ordinary Shares	60.14%
ISIN of Ordinary Shares	IM00B2QVWM67
ISIN of the Warrants	IM00B2QVWZ96

1. Assuming no exercise of Warrants between the date of this document and Admission.
2. Enlarged Share Capital on Admission is the aggregate of the Existing Ordinary Shares, the Placing Shares to be issued to GGIC and the Consideration Shares issued pursuant to the acquisition of the GGIC Assets.
3. Assuming no exercise of Warrants between the date of this document and completion of the acquisition of the AHP Assets.
4. Further Enlarged Share Capital following completion of the acquisition of the AHP Assets is the aggregate of the Existing Ordinary Shares, the Placing Shares to be issued to GGIC and the Consideration Shares issued pursuant to the acquisition of both the GGIC Assets and the AHP Assets.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	11 February 2011
Latest time and date for receipt of Form of Proxy	11.30 a.m. on 28 February 2011
Time and Date of the EGM	11.30 a.m. on 2 March 2011
<b>Dealings in the Enlarged Share Capital commence on AIM</b>	8.00 a.m. on 3 March 2011
Ordinary Shares on Admission credited to CREST stock accounts	3 March 2011
Despatch of definitive share certificates for the New Ordinary Shares issued to GGIC on Admission in certificated form	by 17 March 2011

*Each of the dates in the above timetable is subject to change. Changes to the above timetable will be notified through a Regulatory Information Service and/or to Shareholders, as appropriate. All references to times in this document are to London times unless otherwise stated.*

*Unless otherwise stated (in particular for historical reporting), the exchange rate used is as follows:*

*£1 = Rs. 73.0641*

*Amounts stated in relation to historical transactions use the exchange rate effective at the time of accounting for the transaction.*

*1 crore = 10,000,000 Indian Rupees*

*1 lakh = 100,000 Indian Rupees*

## **DIRECTORS AND ADVISERS**

### **Directors**

Patrick Rupert Cottrell, *Non-executive Chairman\**  
Philip Peter Scales, *Non-executive Director\*\**  
Timothy (Tim) Graham Walker, *Non-executive Director*

\* Will become Deputy Chairman from Admission

\*\* Will resign from the Board from Admission

### **Proposed Directors**

Thomas (Tom) Anthony Tribone\*\*\*  
Rahul (Sonny) Lulla  
Robert Venerus  
Timothy (Tim) Edward Stocks  
Vikram Viswanath

\*\*\* Will become Chairman from Admission

### **Registered office of the Company**

IOMA House  
Hope Street  
Douglas  
Isle of Man IM1 1AP

### **Nominated Adviser and Joint Broker**

Smith & Williamson Corporate Finance Limited  
25 Moorgate  
London EC2R 6AY

### **Financial Adviser and Asset Adviser to the Company**

Akur Partners LLP  
5 Aldford Street  
Mayfair  
London W1K 2AF

### **Joint Broker**

Westhouse Securities Limited  
One Angel Court  
London EC2R 7HJ

### **Financial advisor to GGIC**

Fairfax I.S. PLC  
46 Berkeley Square  
Mayfair  
London W1J 5AT

### **English legal advisors to the Company**

Nabarro LLP  
84 Theobald's Road  
London WC1X 8RW

### **English legal advisors to GGIC**

Taylor Wessing LLP  
5 New Street Square  
London EC4A 3TW

### **Isle of Man legal advisors to the Company**

Appleby  
33 Athol Street  
Douglas  
Isle of Man IM1 1LB



**Legal advisors to Smith & Williamson,  
Akur and Westhouse Securities**

Eversheds LLP  
1 Wood Street  
London EC2V 7WS

**Administrator and registered  
agent of the Company**

IOMA Fund and Investment  
Management Limited  
IOMA House  
Hope Street, Douglas  
Isle of Man IM1 1AP

**Receiving Agent**

Capita Registrars  
Corporate Actions  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Auditors and reporting accountants**

KPMG Audit LLC  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN

**Administrator and secretary to  
Infrastructure India HoldCo,  
Power Infrastructure India and  
Roads Infrastructure India**

International Proximity  
608, St. James Court  
St. Denis Street  
Port Louis  
Mauritius

**Registrar**

Capita Registrars (Isle of Man) Limited  
3rd Floor, Exchange House  
54-62 Athol Street  
Douglas  
Isle of Man IM1 1JD

## **RISK FACTORS**

**The Acquisitions and any investment in the Company are subject to a number of risks. In addition to all other information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. Prospective investors should be aware that an investment in the Company may not be suitable for all of the recipients of this document. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If you are in any doubt about the contents of this document or as to what action you should take you are recommended to seek your own financial advice immediately from an independent financial adviser or other person authorised under the FSMA who specialises in advising on the acquisition of shares or other securities or, if you are not resident in the United Kingdom, from another appropriately authorised independent financial adviser.**

**Investors should invest in the Company only if they can sustain a complete loss of their investment. No guarantee or representation is made that the Company will achieve its investment objective or that it will be able to implement its investment policy.**

**Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio.**

**Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio. An investment in the Company should be regarded as long-term in nature.**

**The Directors and the Proposed Directors consider the following risks to be the most significant risks for potential investors in the Company although there may be other risks involved in investing in the Company of which the Directors or Proposed Directors are unaware or which the Directors and the Proposed Directors presently consider to be immaterial. If any or a combination of these risks actually occurs, the business, financial condition and operating results of the Company could be adversely affected. If this occurs, the price of the Ordinary Shares and the Warrants and the ability of the Company to pay dividends on the Ordinary Shares could be adversely affected and investors may lose all or part of their investment. The risk factors are not set out in any particular order of priority. Additional risks and uncertainties not presently known to the Directors or the Proposed Directors, or that the Directors and the Proposed Directors currently deem immaterial, may also have an adverse affect on the Company's business, financial condition and operating results or profits.**

## **A. RISKS RELATED TO THE ENLARGED GROUP**

### **1. The Company has a short operating history**

The Company, which was incorporated on 18 March 2008, has a short operating history. The Enlarged Group is subject to all of the business risks and uncertainties associated with any new business enterprise, including, in particular, the risk that they will not achieve their objectives. The value of a Shareholder's investment in the Company could therefore decline substantially. There can be no assurance that the Enlarged Group will be able to achieve any of the returns referred to in this document. The Enlarged Group may be unable to find a suitable number of attractive opportunities to meet the Company's investment objectives and those that have been identified may not be completed. Should the Company be unable to achieve its objectives, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **2. Trading of the Company or the Ordinary Shares or Warrants**

The market price of the Ordinary Shares and Warrants is currently below the NAV per Ordinary Share. There can be no assurance that the market will value the Enlarged Share Capital at or above the NAV per Ordinary Share. The Enlarged Group's results and prospects from time to time may be below the expectations of market analysts and investors. If the market continues to value the Ordinary Shares below the NAV per Ordinary Share, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **3. Dependence on key personnel**

The Enlarged Group will be highly dependent on the Directors and the Proposed Directors as well as the Investment Advisory Team to identify, structure and monitor investments and advise on exit strategies for the investments to be made by the Enlarged Group. Whilst the Enlarged Group has sought and will continue to seek to ensure that the Directors, Proposed Directors and the Investment Advisory Team are appropriately remunerated, retention of such Directors and Proposed Directors as well as the Investment Advisory Team cannot be guaranteed and the loss of their services to the Enlarged Group could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. There may be a limited number of persons with the requisite experience and skills. If any of these parties ceased providing their services to the Enlarged Group, the Enlarged Group may not be able to locate or employ suitably qualified directors or advisors on acceptable terms which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **4. Limited regulation of the Enlarged Group and Transfer Restrictions**

The Company is engaged in the business of investing in, holding and trading securities. However, the Company has not been, and does not intend to become registered, as an investment company under the Investment Company Act and related rules. As a result, certain protections of that act (which, *inter alia*, requires a percentage of an investment company's directors to be disinterested, requires securities held in custody to be segregated, regulates the relationship between the investment company and its adviser and requires investor approval before the fundamental investment policies can be changed) will not be afforded to the Company or its Shareholders.

If the SEC or a court of competent jurisdiction were to find that the Company is required to, but in violation of the Investment Company Act had failed to, register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors in the Company could sue the Company and recover any damages caused by the violation; and (iii) any contract to which the Company is a party that is made in, or whose performance involves a violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Company be subjected to any or all of the foregoing, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

There can be no assurance that the Enlarged Group will be able, for financial reasons or otherwise, to comply with future laws and regulations. Failure to comply with such standards could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **5. No guarantee as to future performance of the Enlarged Group**

There can be no assurance that the Enlarged Group will be able to achieve the returns referred to in this document or that it will be fully invested within the timescales indicated. The investment opportunities referred to in this document cannot be guaranteed and it may be the case that only some, or even none, of these come to fruition. Failure to achieve the returns referred to or to fully invest within the timescales projected could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **6. Further equity issues**

The Company may, following Admission, raise further funds through further equity issues to pursue its investment strategy. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to then existing Shareholders, the percentage ownership of Shareholders may be reduced, Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares and the Warrants. This could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

As at the date of this document, the Company has 7,340,000 Warrants in issue, which could obligate the Company to issue up to 7,340,000 additional Ordinary Shares. Additionally, pursuant to the terms of the Warrant Instrument, the number of Ordinary Shares for which the Warrants give a right to subscribe and/or the exercise price of the Warrants may be adjusted following certain issues of new Ordinary Shares or other equity securities, if so determined by the Company's auditors. Any such alteration, or the issue of additional Ordinary Shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline.

#### **7. The Company's profitability is subject to Enlarged Group companies' ability to secure project financing**

The Enlarged Group's growth depends on the successful development and implementation of the infrastructure projects it invests in, all of which require, or may require, equity capital and/or, in some cases, debt in order to achieve returns acceptable to investors. A long delay or inability to raise financing for the projects could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **8. The structure and specific provisions of any of the Enlarged Group's financing arrangements could give rise to additional risks**

The Company may borrow up to 50 per cent. of the value of the Company's NAV at the time of drawdown and SPV level gearing may in the future exceed 90 per cent., if the Indian infrastructure market matures in a similar way to the development of the infrastructure markets in the UK and European Union market. Prospective investors should be aware that whilst the use of borrowings can enhance the NAV per Ordinary Share where the value of the Company's investments is rising, it can also reduce the NAV per Ordinary Share where the underlying NAV is falling. This could adversely affect the NAV per Ordinary Share and returns to Shareholders which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company. The use of external borrowings magnifies both the favourable and unfavourable effects of price movements in the Company's investments. The use of borrowings presents the risk that Enlarged Group companies may be unable to service interest payments and principal repayments or comply with other requirements of their loans, rendering borrowings immediately repayable in whole or in part, together with any attendant cost, and the Enlarged Group might be forced to sell some of its assets to meet such obligations, with the risk that borrowings will not be able to be refinanced or that the terms of such refinancing may be less favourable than the existing terms of borrowing. This would severely hinder, if

not render impossible, the Company's ability to retain or acquire interests in existing and new projects which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company. This could further adversely affect the NAV per Ordinary Share and returns to Shareholders. Similar risks may also apply to the companies in which the Company invests which have borrowings or are otherwise geared or leveraged.

A number of factors (including changes in interest rates, conditions in the banking market and general economic conditions which are beyond the Enlarged Group's control) may make it difficult for the Group to obtain new finance on attractive terms or at all. If an Enlarged Group company's borrowings become more expensive relative to the income it receives from its investments, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. If an Enlarged Group company is unable to obtain new finance, then it may suffer a substantial loss as a result of having to dispose of those investments which cannot be refinanced which in turn could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **9. The Enlarged Group is subject to competition risks and it may be difficult to identify and secure suitable investments**

An increasing number of investors have become active in seeking investment opportunities with a focus on India, including in the infrastructure sector. The activity of identifying and securing attractive investments may therefore be highly competitive and involve a high degree of uncertainty from time to time. The Enlarged Group faces increasing competition from both domestic and overseas competitors who may have greater capital and other resources and who may be able to provide better services or adopt more aggressive pricing policies than the Enlarged Group.

Such competition may cause a decrease in expected profit margins, and adversely affect the Enlarged Group's market share. Increased competition could therefore have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. There can be no assurance that the Enlarged Group will be able to identify and secure investments that satisfy its rate of return objective or realise their values, or that the Enlarged Group will be able to fully invest its available capital. Failure to identify and secure such investments could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **10. The Enlarged Group cannot guarantee project performance**

There is no guarantee that the Enlarged Group's investee projects will proceed or perform as planned, or in accordance with the expected timescale or cost estimate. Delay to the projects, or failure of the projects to be completed or to operate as planned could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **11. Safeguarding uninvested funds of the Company**

The Company will hold uninvested funds pending investments. However, it cannot be guaranteed that such funds will obtain an ideal rate of return that the short term investments into which the uninvested funds are placed will provide a high degree of liquidity and safety, or that funds will be invested within an appropriate period of time. Failure to meet any of these criteria could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **12. Economic conditions and other circumstances outside the control of the Company**

The financial position of the Enlarged Group may be adversely affected by general economic conditions, by conditions within various countries' markets or by the particular financial condition of the parties conducting business with Enlarged Group companies. Deterioration of any or all of these conditions could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **13. Permits and consents may not be granted which may affect the Enlarged Group's business**

There can be no guarantee that any permits, consents or approvals required from third parties in connection with existing or new development projects will be issued or granted to Enlarged Group companies or investee companies. A failure to obtain such permits, consents or approvals may affect the Enlarged Group's ability to execute or complete existing and/or new development projects in which it invests and could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **14. Due to the Company's dependence on its subsidiaries for revenue, there may be certain restrictions on the payment of dividends**

The Company is a holding company and its operations will be conducted through subsidiaries (potentially including joint ventures). Consequently, its main sources of revenue are expected to be dividends and advances from its subsidiaries. The ability of the Company's subsidiaries to pay dividends and of the Enlarged Group to receive distributions from its investments in other entities is subject to applicable local laws and other restrictions, including applicable tax laws and covenants in bank credit facilities entered into by members of the Enlarged Group and its investee companies. These laws and restrictions could limit the payment of dividends and other distributions to the Company and so restrict the Enlarged Group's ability to fund other operations or the Company's ability to pay a dividend to Shareholders.

### **15. The Enlarged Group is exposed to foreign exchange risks**

The principal operating currency of the Enlarged Group's investments will be Indian Rupees but certain of its income and expenditure is expected to be denominated in currencies other than Indian Rupees. The Indian Rupee is not freely convertible and approval may be required from Indian governmental authorities for currency exchanges, potentially hampering the Enlarged Group's ability to invest in certain sectors and also to remit funds from India.

In addition, the Enlarged Group's performance will be subject to the effect of exchange rate fluctuations with respect to the currencies in which its income and expenditure are denominated to the extent these exposures are unhedged and this may reduce the Company's NAV. Any increased restriction on the Enlarged Group's ability to invest or remit funds or alteration in the exchange rate could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

## **B. RISKS RELATING TO THE ACQUISITIONS**

### **1. The Company has limited recourse against the sellers under the Acquisition Agreements**

The Acquisition Agreements contain limited warranties given by GGIC, FPC and AHP in respect of their ownership of the GGIC Assets (in the case of GGIC and FPC) and the AHP Assets (in the case of AHP). In particular the Acquisition Agreements contain limited warranties as to IHDC, VLMS and their respective subsidiaries and interests. While the Company has carried out focused due diligence in respect of the Acquisitions, any due diligence exercise is limited by the degree of unavailability of information and legal uncertainties as to the legal status of certain agreements and understandings. In the event that IHDC, VLMS and their respective assets, liabilities and businesses are not as has been presented to the Company, the Company may have limited rights of recourse against GGIC, FPC and/or AHP and as a result any such material adverse difference from the position as understood by the Company may have an adverse result on the Company's results of operations and financial position, although the Company may have other potential remedies against GGIC, FPC and AHP.

### **2. Differing accounting policies and practices leading to diminution in profitability**

Each of the Group and VLMS have operated under different accounting policies and practices up to and including the date of this document and may have applied different judgments. There can be no guarantee that future revenues, operating costs and other items will be accounted for in the same way as they had been under VLMS's current accounting policies and this could affect the expected financial condition and results

of operations of the Enlarged Group following completion of the acquisition of the AHP Assets going forward.

Assessment and integration of the different accounting policies, practices and judgments could lead to diminution in the profitability of the Enlarged Group and the Directors and Proposed Directors cannot quantify the level of any such diminution (which may be significant) as at the date of this document.

### **3. Benefits of the Acquisitions not being realised**

The Directors and Proposed Directors have identified a number of benefits to the Company from the Acquisitions that they believe will enhance the business and profit of the Enlarged Group and create a platform for future growth. There is no guarantee that these benefits will be achieved.

### **4. GGIC and FPC's ownership of shares**

On Admission, GGIC and FPC will together own 68,660,065 Ordinary Shares, representing approximately 45.59 per cent. of the Enlarged Share Capital. Should the AHP Assets be acquired, this shareholding will be reduced to approximately 33.40 per cent. of the Further Enlarged Share Capital.

Whilst there are no approvals required from the FIPB or the RBI in respect of the acquisition of the GGIC Assets, such approvals are required prior to the completion of the acquisition of the AHP Assets. There can be no guarantee that such approvals will be forthcoming. Accordingly, completion of each of the Acquisitions is not inter-conditional and the acquisition of the GGIC Assets will occur before the completion of the acquisition of the AHP Assets, or completion of the acquisition of the AHP Assets may not proceed if the required FIPB and/or RBI approvals are not forthcoming. Should this be the case, the Placing Shares and the Consideration Shares to be issued to GGIC and FPC, respectively, will represent in aggregate approximately 45.59 per cent. of the Enlarged Share Capital on Admission and the Company will only hold a minority interest in the entire issued share capital of VLMS until completion (if at all) of the acquisition of the AHP Assets.

### **5. Land required for development of the FTWZs**

The FTWZ projects in the process of being developed by, or on behalf of, VLMS are proposed to be developed over in excess of 105 acres of land in each of Bangalore and Chennai, respectively (the "FTWZ Land"). VLMS has entered into memoranda of understanding ("MOUs") with third parties or land aggregators with an intention to acquire land for the project. These MoUs also provide that the lands must be conveyed to VLMS or as it directs within the prescribed period of time. Formal transfer of title with respect to such land is completed only after all legal formalities and various requirements, conditions and obligations such as conversion of land, receipt of regulatory consents and approvals, release of ownership claims including, but not limited to litigation, if any, release of creditors' charges, if any, and completion of any due diligence. If VLMS is not able to acquire lands which are covered under these MoUs, advance payments made in relation to those lands may not be immediately recoverable. VLMS cannot assure success in acquiring or registering these lands, pursuant to MoU's. If the process takes longer than anticipated or cannot be completed, it could have a material adverse effect on the prospects of VLMS.

Any failure in VLMS's title to the FTWZ Land could inhibit or prevent its ability to develop the FTWZ Land. VLMS may also be exposed to title disputes and may lose certain licences and privileges attaching to a FTWZ if the entirety of the FTWZ Land is not purchased, leased or transferred. In particular, a FTWZ is required to be a minimum of 40 hectares in size with a built up area of not less than 100,000 square metres (as per the Special Economic Zones Act, 2005 and the rules made thereunder). The inability to acquire the freehold/leasehold rights or title of any part of the land could therefore affect VLMS's ability to operate either or both of the FTWZs or may have adverse tax or other implications associated with the loss of FTWZ status for either or both FTWZs and may interfere or prevent the operations of such FTWZ and could have a material adverse effect on the business, financial condition, result of operation and prospects of VLMS and, through its investment in VLMS, the Enlarged Group.

## **6. Regulatory Licences**

The FTWZ project is subject to extensive governmental regulations in India, by both local and central bodies. VLMS, *inter alia*, will need to procure an approval from the GoI's Ministry of Commerce & Industry, the Department of Commerce (SEZ) (the "GoI Approval") for developing each FTWZ. Such approval would be conditional on various terms and conditions, including VLMS operating under the conditions of the SEZ Act, obtaining required approvals from various statutory authorities, providing adequate provisions for rehabilitation of displaced persons, meeting environmental requirements, obtaining all necessary planning consents and raising the requisite funding for the FTWZ projects.

Failure to meet any one of these conditions could result in the failure to obtain GoI Approval which may interfere with or prevent the operations of either or both FTWZs and could have a material adverse effect on the business, financial condition, result of operation and prospects of VLMS and, through its investment in VLMS, the Enlarged Group.

In addition, non-compliance with any other applicable permits and consents may result in project stoppages and delays or other action against VLMS or its directors. It cannot be assured that the work on a particular project will not be stalled or be stopped in case proceedings are initiated by third parties, in turn, materially affecting the Enlarged Group's investment in the project and VLMS and, ultimately, the business, financial condition, results of operations and prospects of VLMS and, through its investment in VLMS, the Enlarged Group.

VLMS may face further project stoppages or delays, civil and criminal liability, and other regulatory proceedings if it breaches any law or clearance relating to its environmental and other obligations. This could have a material adverse effect on the business, financial condition, results of operations and prospects of VLMS and, through its investment in VLMS, the Enlarged Group.

## **C. GENERAL RISKS RELATING TO THE ORDINARY SHARES AND THE WARRANTS**

### **1. The price of the Ordinary Shares and the Warrants may fluctuate significantly and Shareholders could lose all or part of their investment**

The market prices of the Ordinary Shares and the Warrants may fluctuate significantly and holders of Ordinary Shares and Warrants may not be able to resell them at or above the price at which they purchased them. Factors that may cause the price of the Ordinary Shares and the Warrants to vary include:

- changes in the Enlarged Group's financial performance and prospects or in the financial performance and prospects of companies engaged in businesses that are similar to the Enlarged Group's;
- changes in the underlying values and trading volumes of the investments that the Enlarged Group makes, including investments that are made in, or through, funds, particularly when the Company announces its semi-annual results and updates the aggregate unrealised values of its investments;
- sales of Ordinary Shares by Shareholders or Warrants by Warrantholders; and
- a loss of a significant funding source.

Securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies or other entities. Any broad market fluctuations may adversely affect the trading price of the Ordinary Shares and the Warrants.

The value of the Ordinary Shares and Warrants may go down as well as up. Investors may, therefore, realise less than the amount originally invested and could lose their entire investment. The market in the Ordinary Shares and Warrants may be subject to sudden or large fluctuations and may have limited liquidity making it difficult for investors to sell their Ordinary Shares or Warrants.

The Lock-In Agreements referred to in more detail in paragraph 17 of Part I of this document have been entered into in respect of in aggregate 68,660,065 New Ordinary Shares representing approximately 45.59 per cent. of the Enlarged Share Capital on Admission and 33.40 per cent. of the Further Enlarged Share Capital (in each case assuming there is no exercise of any Warrants following the date of this document). The



existence of these arrangements together with the concentration of share ownership represented by the GGIC and FPC holdings may restrict the liquidity of the Ordinary Shares and depress the share price of Ordinary Shares. In addition, there is no guarantee that substantial numbers of Ordinary Shares will not be sold in the open market following the expiry of the Lock-In Agreements which may cause the market price of Ordinary Shares to decline significantly as a result of such sales or if there is a perception that such sales could occur.

## **2. Trading of Ordinary Shares and Warrants at less than the NAV per Ordinary Share**

To the extent that new Ordinary Shares may be issued at a discount to the NAV per Ordinary Share, it is possible that this may lead to the trading of Ordinary Shares at less than the NAV per Ordinary Share for a period of time. In any event, the Ordinary Shares may at any point trade at less than the NAV per Ordinary Share.

Similarly, the Warrants may at any point trade at less than their implied NAV per Warrant.

## **3. AIM**

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

## **D. RISKS RELATED TO THE ENLARGED GROUP**

**This section deals with risks related to the Enlarged Group's investments generally.**

### **1. Public company**

The Company is admitted to trading on AIM and has certain public disclosure requirements. Certain potential investee targets may be reticent to seek an investment from the Company as a result of these disclosure requirements, which will impact on the investee company. Potential investee targets may also react adversely to market sentiment about the Company. For these reasons the Company may be unable to invest in certain identified opportunities. Any such inability to invest could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

### **2. Project liability risk**

The Enlarged Group will carry out due diligence on proposed investments. There can be no guarantee that the due diligence process will highlight or eliminate all risks and liabilities (including weaknesses and uncertainties in local legal and regulatory systems) associated with any project, and the project may incur, directly or indirectly, unexpected liabilities, such as environmental problems or operational defects requiring remediation which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

The Enlarged Group may be unable to complete an investment in an opportunity that has been identified and, in particular, resources of the Enlarged Group may be expended investigating potential projects which are subsequently rejected as being unsuitable. Such failure to complete an investment and expenditure could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **3. Operational risks**

Responsibility for individual infrastructure projects will be delegated by the investee companies to project specific management teams which will be responsible for the day to day management of the relevant project. Their poor performance could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

A project specific management team may fail to complete a project, mismanage a completed project, or otherwise default in its obligations under any agreements entered into in respect of a project in which the Enlarged Group has an interest. The contractual arrangements with project specific management teams may not be effective in passing on risks to the project managers, and this may result in unexpected costs or a reduction in expected revenues for a project which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group but the Enlarged Group is not aware of any such issues, to date.

#### **4. Competition**

The Enlarged Group's investee companies may face competition from other entities, many of which may be substantially larger, have access to greater capital and have significantly greater resources. In addition some of these competitors may have higher tolerances for risk. As a result, the Enlarged Group may lose investment opportunities if they do not match investment prices, valuations and terms offered by competitors. Loss of such opportunities could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **5. Construction risks and dependence on contractors and subcontractors**

During the construction phase, infrastructure projects run the risk that a project the Enlarged Group invests in may not be completed within budget, within the agreed timeframe or to the agreed specifications. Delays in the completion of a project may result in delays in the commencement of cash flows. In addition, the increase in the capital needed to complete construction and the potential insolvency of the contractors, subcontractors and/or key suppliers also pose major risks in the construction phase. Dependence on contractors and subcontractors has a number of other specific risks. If a contractor or subcontractor service failure is sufficiently serious to cause the investee company to terminate the contract, or its client to require the investee company to do so, there may be a loss of revenue during the time taken to find a replacement contractor or subcontractor and the replacement contractor or subcontractor may levy a surcharge to assume the contract or charge more to provide the services.

Such unexpected increases in costs may result in increased debt service costs and in funds being insufficient to complete construction, which may in turn result in the inability of project owners to meet the higher interest and principal repayments arising from the additional debt required. Any of the foregoing could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group but the Enlarged Group is not aware of any such issues, to date.

#### **6. Cost overruns on infrastructure projects**

Infrastructure projects are often subject to cost overruns for a number of reasons including unexpected planning conditions, design and construction complexity, changes to the design scope, exceptional weather conditions, delays in the delivery of materials, construction equipment failure, additional project funding costs and unforeseen ground conditions at a project site.

Although it is intended that any construction cost overrun in any infrastructure project in which the Enlarged Group invests will have been contractually passed on to the relevant subcontractor, to the extent that such an overrun is a result of the subcontractor's default, there is a risk that the anticipated returns of the investee companies may be adversely affected, which in turn could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **7. Non-controlling interests and co-investments**

The Enlarged Group is generally expected to hold non-controlling interests in the companies, partnerships and ventures in which it invests as is the case in respect of its existing investments in SMHPCL and WMPITRL and as will be the case with its proposed investments in IHDC and VLMS (prior to the acquisition of the AHP Assets). The Enlarged Group may, therefore, have limited ability to protect its position in such entities including being unable to exercise control over the operations of such companies, partnerships and ventures or control over an exit, or the timing of an exit.

Where the Enlarged Group is not expected to have a controlling interest in the co-investment entities through which it may own certain of its investments, these investments involve risks that are not present with assets where a controlling interest is held, including:

- the possibility that co-investors might at any time have economic or other business interests or goals that are inconsistent with the Enlarged Group's business interests or goals;
- the possibility that co-investors may be in a position to take action contrary to the Company's instructions or requests, or generally to frustrate the Enlarged Group's business objectives;
- the possibility that co-investors may have different objectives from the Enlarged Group regarding the appropriate timing and pricing of any exit from, or refinancing of investments; and
- general insolvency or bankruptcy risks in respect of any co-investors.

The Enlarged Group's investments will also be subject to the risk that those companies or other entities that are not controlled by the Enlarged Group may make business, financial or management decisions, such as the selection of partners or suppliers with whom to enter into business relationships, that the Enlarged Group does not agree with or that may be adverse to the Enlarged Group's interests.

Even if the Enlarged Group has a controlling interest, certain decisions may require co-investor approval. If the Enlarged Group is unable to reach or maintain agreement with co-investors in the matters relating to the operation of the investments, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **8. Pro-active shareholder risk**

The management of the investee entities targeted by the Enlarged Group may not always welcome pro-active shareholder involvement and may be resistant to change and this may frustrate the ability of the Enlarged Group to meet its investment objectives in relation to that investee entity. Such resistance could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **9. Controlling person liability**

The Enlarged Group may have controlling interests in some of its investments through SPVs or other entities such as through the acquisition of VLMS. The exercise of control over an entity may impose additional risks of liability for environmental damage, failure to supervise management, violation of government regulations or other types of liability in which the limited liability characteristic of business ownership may be ignored. If these liabilities were to arise, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **10. Costs of socio-economic development**

The Enlarged Group and/or projects in which the Enlarged Group invests may be expected to contribute to socio-economic development programmes such as building hospitals, roads, transport infrastructure and investing in the economy on commercial terms as part of off-set and incentive programmes. Although contributing to such socio-economic development programmes may result in favourable tax and regulatory treatment for the Enlarged Group and/or the projects in which it invests, the requirement to invest in socio-economic development programmes may have cost implications which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. While the Enlarged Group will try to ensure that the likely cost implications of socio-economic development contributions will be taken into account during the feasibility studies performed prior to investing in each project, it cannot be guaranteed that all such costs will be identified.

#### **11. Valuation risk**

In assessing the consideration to be paid for its investment in a project, the Enlarged Group, amongst other things, relies on market data, industry statistics and industry forecasts consisting of estimates compiled by

industry professionals, organisations, analysts or other publicly available information. Industry publications generally state that their information is obtained from sources they believe to be reliable but that the accuracy and completeness of such information is not guaranteed and that the forecasts or projections they contain are based on a number of significant assumptions. Although the Enlarged Group will use sources that are believed to be reliable, it may not always have access to the underlying information, methodology and other bases for such information and may not be able independently to verify the underlying information and, therefore, cannot guarantee its accuracy and completeness.

The Company's investment portfolio will include interests in unlisted private companies and potentially also exposure to listed companies, but without real share liquidity, which may be difficult to value and/or realise. Investment in the securities of smaller companies may involve greater risks than are customarily associated with investments in larger, more established companies. In particular, such companies may often have limited assets, markets or financial resources and may be dependent on a small number of key individuals. In addition, infrastructure projects are unusually vulnerable to risks because projects are typically undertaken by SPVs executing individual projects on a build-to-operate basis. The Enlarged Group or, to the extent the Enlarged Group relies on third party information, the third parties may also underestimate or fail to identify risks and liabilities associated with the Enlarged Group's joint venture partners and the assets they own, resulting in the Enlarged Group incurring unexpected liabilities, inability to obtain permits, environmental problems or operational defects. Accordingly, errors in any of the assumptions or methodology employed by a third party in preparing a report on which the Enlarged Group may place reliance could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **12. No assurance as to future changes in the value of investments**

The Enlarged Group's ability to generate attractive returns for Shareholders will depend on the Enlarged Group's ability to correctly assess future values that can be realised in connection with investments made by the Enlarged Group. The ability to accurately assess future investment values, in the context of either an acquisition or disposal of investments, while important for all the investments, may be particularly important in the case of investee entities over which the Enlarged Group has a limited or non-controlling interest. Any failures in this capacity could have a material adverse effect on the business, financial condition, results of operation and the prospects of the Enlarged Group.

#### **13. Long-term nature of investments**

Return of capital and realisation of gains, if any, generally will occur only upon the partial or complete disposal of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after such an investment is made. Investments in infrastructure projects are best suited for long-term investors.

#### **14. Illiquid investments of the Enlarged Group**

The Enlarged Group's assets may include a significant proportion of investments for which no market exists and/or which are restricted as to their transferability and/or are unlisted or thinly traded. In addition, a number of the Enlarged Group's investments are expected to be minority shareholdings, which may attract lower value per share than a controlling stake which may command a premium. As a result, the Enlarged Group's ability to dispose of a minority interest in its investments on sufficiently attractive terms and at a time that maximises returns to the Shareholders could be impaired, which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **15. Exit strategy**

The Company's exit strategy for investee companies is partially dependent on the availability of funds both on stock markets in India and elsewhere and the availability of institutional funds and pension funds. If the cost of capital on public markets increases significantly or there is no appetite from investors to acquire shares in an investee company upon a flotation or sale, or if such an investment would be inconsistent with the investor's asset allocation, or if there are change of control requirements this could result in the Enlarged Group being unable to exit investments, which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

## **16. Legal risk on exit**

The Group may dispose of investments in certain circumstances and may be required to give indemnities, representations and warranties in connection with those disposals and to pay under such indemnities or to pay damages to the extent that such representations or warranties turn out to be inaccurate, which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

## **17. Concentration risk**

The Enlarged Group's investment strategy is to invest in infrastructure projects in India. The Group will only participate in a limited number of portfolio investments and, as a consequence, the unfavourable performance of even a single portfolio investment could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. Although it is the Enlarged Group's intention to diversify its portfolio to the greatest extent possible within the parameters of its investment policy, there can be no guarantee that the Enlarged Group will be able to achieve an appropriate level of diversification. Such failure could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

## **18. Gearing and interest rate risk**

The Enlarged Group intends to use an array of funding instruments suited to optimise the after tax return and minimise credit and liquidity risk. The extent and terms of the borrowings will depend on the Enlarged Group's ability to obtain credit instruments and the lenders' estimate of the stability of the free cash flow.

Any delay in obtaining or failure to obtain suitable or adequate financing from time to time may impair the Enlarged Group's ability to invest and achieve its intended portfolio size within the projected timeframe or at all, which may have an adverse impact on the Enlarged Group's investment performance and the return to shareholders.

The Enlarged Group's borrowings will generally be secured against some or all of the assets held by the Enlarged Group's subsidiaries.

Gearing not only amplifies the returns to the equity providers but also amplifies the risk of financial loss when the investment underperforms. It can also be assumed that a large portion of debt will be raised based on floating rates, increasing interest rate risk. An increase in interest rates could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

## **E. RISKS RELATED TO THE ENLARGED GROUP'S ADVISORS**

### **1. Investment Services**

Shareholders will not themselves have the opportunity to review and evaluate economic, financial and other relevant due diligence material regarding any investments to be made by the Enlarged Group and, accordingly, will be reliant upon the judgment and ability of the Infrastructure India HoldCo Board, in investing the assets of the Company. No assurance can be given that the Enlarged Group will be successful in acquiring suitable investments or that if such investments are made, the investment objectives of the Company will be achieved. In particular, there can be no guarantee that the potential targets identified will be able to be acquired or that any approach to them will be welcome.

### **2. Performance fee payable to BAMA**

Under the terms of the Investment Adviser Agreement (details of which are set out in paragraph 11(d) of Part X of this document) which was terminated with effect from 26 April 2010, BAMA remains entitled to the payment of a performance fee in relation to the investments made or introduced to the Group by BAMA during the term of the agreement.

The performance fees payable to BAMA, under the terms of the Investment Adviser Agreement may result in higher payments to BAMA than alternative arrangements in other types of investment vehicles. The

methodology used by Infrastructure India HoldCo for calculating the performance fee may not be the same as the methodologies used by other listed investment funds or may be amended and may therefore result in a greater fee than other methodologies.

### **3. Fees and costs payable regardless of profit**

The Enlarged Group will incur obligations to pay certain costs. The Enlarged Group will also incur obligations to pay all fees of, and in some cases out-of-pocket expenses properly incurred by GFPM, Akur, the Administrator, the Registrars and other advisors. In addition, the Enlarged Group's investment approach may generate transaction costs (including abort fees) which will be borne by the Company. These expenses will be payable regardless of whether the Enlarged Group is receiving investment income and regardless of the amount of any income. Payment of such fees and expenses where the Enlarged Group is receiving insufficient investment income could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **4. Liability and indemnification of service providers**

The Administrator will be excluded from liability to the Company under certain circumstances. The operation of such exclusions could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **5. Conflicts**

The Directors, the Proposed Directors and the Enlarged Group's advisors may be subject to conflicts of interest, including in relation to the allocation of investment opportunities. Please refer to paragraph 7 of Part II of this document for further details on potential conflicts of interest and how they will be managed. Such conflicts of interest could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

## **F. RISKS RELATED TO INDIA**

### **1. Economic policy**

The Enlarged Group's performance and the market price and liquidity of the Ordinary Shares and Warrants may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India. However, the GoI has announced its general intention to continue India's current economic and financial sector liberalisation and deregulation policies and encourage infrastructure projects. There can be no assurance that such policies will be continued, and a significant change in the GoI's policies, in particular those relating to FDI in infrastructure in India, could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **2. Economy**

The performance and the growth of the Enlarged Group's business are necessarily dependent on the health of the overall Indian economy. The Indian economy has shown sustained growth over the last few years. However, the growth in industrial production in India has been variable. Any slowdown in the Indian economy, or future volatility of global commodity prices, could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. In addition, increases in the prices of oil and petroleum products and other commodities could result in increased inflation, thereby curtailing the purchasing power of investee companies' customers, which indirectly could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, adverse conditions affecting agriculture and commodity or various other factors.

### **3. Varying levels of inflation**

India experienced very volatile levels of inflation during the period between 2008 and 2009, moving into double digits in 2010. The GoI is working on bringing inflation to under 10 per cent. with the average for September 2010 at 8.62 per cent. down from 9.55 per cent., in August 2010 and 10.3 per cent. in July 2010. With a high rate of inflation, material costs, such as the cost of raw material for construction of infrastructure projects, may increase. Accordingly, high rates of inflation in India could increase the costs of infrastructure and could therefore have an adverse effect on the profitability of investments.

### **4. Political risks**

Future political and economic conditions in India may result in its government adopting different policies with respect to foreign investment. Any such changes in policy may affect ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, with potential adverse effects on the Enlarged Group's investments. Future actions of the Indian central government or the respective Indian state governments could have a significant effect on the Indian economy, which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

The laws and regulations in India can be subject to changes as a result of economic, social and political instability. In addition, the legal and regulatory protections customary in countries with developed securities markets to protect investors and securities transactions, and to ensure market discipline, may not be available in India. Where the legal and regulatory framework is in place, enforcement may be inadequate or insufficient. Regulation by exchanges and self-regulatory organisations may not be recognised as law that can be enforced through the judiciary or by means otherwise available to the investors in developed markets. Any of these factors could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

In both the pre-Budget Economic Survey and the Budget 2009–10 itself, the Indian Government has projected confidence in relation to its ability to secure increased growth from 2009–10, allowing for additional resources to be directed towards enhanced infrastructure and rural development. The Finance Ministry has set a range of 6.25 per cent. to 7.75 per cent. for the growth target for 2009–10 and the GoI has identified as its first challenge a policy goal of achieving a return to 9 per cent. GDP growth. The second challenge is to deepen and broaden the agenda for inclusive development and to ensure that no individual, community or region is denied the opportunity to participate in and benefit from the development process. The third challenge is to re-energize government and improve delivery mechanisms with Indian institutions to provide high quality public services, security and the rule of law to all citizens with transparency and accountability. However, there can be no assurance as to when and how quickly such policies will be enforced and any significant change in the GoI's future policies could affect general business and economic conditions in India. Government corruption scandals and protests against privatisations, which have occurred in the past, could slow down the pace of liberalisation and deregulation. Any political instability or policy change in India could adversely affect the Indian economy in general, which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **5. Judicial system**

The Indian civil judicial process to enforce remedies and legal rights is relatively less developed than that of Western Europe and is subject to delays. Enforcement by the Enlarged Group of civil rights under the laws of a jurisdiction other than India may be adversely affected by the fact that it may have significant assets in India and the enforcement of the rights against such assets in India may be subject to the delays and other limitations of the Indian judicial system which in turn, could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **6. Impact of development**

India is a populous country with a growing population but a finite amount of land. The impact of improvements in infrastructure in India may cause disruption to existing property rights and the existing way of life of Indian persons. Indian persons affected by such disruption may bring actions to halt or slow down

development, and/or additionally may take direct action against infrastructure developments. Such actions may result in significant delays, disruption and costs to the operation of infrastructure assets in India which could have a material adverse effect on the business, financial condition, results of operation and the prospects of the Enlarged Group.

#### **7. Civil unrest**

India is a multi-religious, multi-lingual and multi-cultural country. India has experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. The Asian region has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including those between India and Pakistan, in Afghanistan, Iraq, Nepal and Sri Lanka and other Asian countries. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could not only significantly hinder the construction and operation of certain development projects in which the Enlarged Group invests, but also influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies which in turn, could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **8. Sanctions**

The United States, Japan and certain other nations have announced and imposed economic sanctions against India in the past, for example, in response to the detonation by India of nuclear devices. Any sanctions which in future limit the activities of overseas businesses in India might have a material adverse effect upon the Indian economy and therefore could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **9. Regulatory risk**

Infrastructure projects involve interfacing with various regulatory authorities throughout the life of the project, making the projects especially vulnerable to regulatory action. The nature of these commitments exposes the owners of infrastructure assets to a higher level of regulatory control than typically imposed on other businesses. If a governmental agency repeals or amends a law or enacts or promulgates a new law or amends the terms of the agreements governing these projects, or issues a new interpretation of the law or regulations, this can affect a project significantly. Infrastructure projects may also be unable to obtain the regulatory permits necessary for the construction or operation of the project. Even if permits are issued, they can be challenged in public interest litigation or through direct activism by non-governmental organisations, which can lead to delays in construction or disruption in operation. Certain infrastructure activities may also use and generate in their operations, hazardous and potentially hazardous products or by-products, and accordingly become subject to laws and regulations relating to pollution, health and safety and the protection of the environment. Any breach of these obligations could adversely affect the results of operations of infrastructure companies and their reputations, which in turn, could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **10. Weather and natural disaster risk**

India's economy is heavily dependent on the monsoon season each year, which drives the performance of the agricultural sector. If India experiences a poor monsoon season (or seasons), the Indian economy may be negatively impacted, which could adversely affect the Enlarged Group's investee businesses' ability to bring projects through construction to operation and, as a result, may affect results and operations of both the Enlarged Group's investee companies and the Enlarged Group. India has also suffered severe earthquakes, cyclones and other natural disasters which have been responsible for significant loss of property. The Enlarged Group may invest in businesses located in regions in India that may be susceptible to severe earthquakes and/or weather conditions, including monsoon rains, storms and other similar conditions. It is impossible to accurately predict the potential impact of such natural disasters on construction and operation schedules, and capabilities over the operating cycles of the Group's various projects, or the impact on profitability of such weather and natural disaster related events. Therefore, any such natural disaster could



have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **11. Credit rating risk**

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may affect the Company's ability to obtain financing to fund the Enlarged Group's growth on favourable terms or at all, which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **12. Global financial markets instability**

Although economic conditions are different in each country, investors' reactions to developments in one country may have an adverse effect on the securities of companies in other countries, including India. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India. Any financial disruption could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **13. Indian companies with foreign equity**

The Foreign Exchange Management Act, 1999 ("FEMA") was enacted by the Indian Parliament to facilitate external trade and payments to promote the orderly development and maintenance of the foreign exchange market in India. It regulates the manner of dealing with foreign exchange. FEMA extends to the whole of India and also applies to all branches, offices and agencies outside India owned or controlled by a person resident in India. It is also applicable to any contravention committed outside India by any person to whom FEMA is applicable.

The Indian foreign exchange market is not yet fully developed and there is no certainty that the Indian authorities will eliminate or continue to relax foreign currency restrictions. Any future restrictions on currency exchanges (brought about by a change in control in the GoI or otherwise) may limit the Company's ability to use cash flow from its assets for the distribution of dividends to its Shareholders or to fund operations, which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

Certain Indian governmental approvals, including approvals from the Securities and Exchange Board of India ("SEBI"), the RBI or the central government, may be required before investments can be made in Indian companies. Since Infrastructure India HoldCo is incorporated and established outside India and proposes to make investments in India under the venture capital route, it would be required to register with SEBI as a Foreign Venture Capital Investor in accordance with the Indian Foreign Venture Capital Investor Regulations. In order to benefit fully from the regulations, the Asset Manager may be required to be registered in India with SEBI as a Merchant Banker and/or a Portfolio Manager depending upon the activities it will carry out. There can be no certainty that these approvals will be obtained and any failure or delay in obtaining such approvals or any conditions attached to such approvals could have a detrimental effect on the Company's prospects.

Failure to obtain such approvals may prevent the Enlarged Group from making an investment and/or have negative tax and/or exchange control implications which could have a material adverse effect on the business, financial condition, results of operation and the prospects of the Enlarged Group.

Changes to any of these factors could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

#### **14. Divestment to Indian residents**

Foreign ownership of Indian securities is subject to GoI regulation. Under foreign exchange regulations currently in effect in India, the RBI must approve the sale of the equity shares from a nonresident of India to a resident of India if the sale does not meet the requirements of a RBI Circular dated 4 October 2004. The RBI must also approve the conversion of the Rupee proceeds from any such sale into foreign currency and

the repatriation of that foreign currency from India, unless the sale is made in the open market of a stock exchange in India, through a stock broker. The foreign exchange controls currently in effect in India requires the RBI to approve the price at which the equity shares are transferred based on a specified formula, and a higher price per share may not be permitted. The approval from the RBI or any other government agency may not be granted on terms favourable to a non-resident investor in a timely manner, or at all. Because of possible delays in obtaining the requisite approvals, investors in the equity shares may be prevented from realising gains during periods of price increases or limiting losses during periods of price declines.

#### **15. Legal proceedings in India**

Legal proceedings in India can be complex and time consuming and the process of litigation in India may extend for several years. Any legal proceedings instigated by or against the Enlarged Group and the companies it invests in and/or the enforcement of their respective rights could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. Additionally, it may be difficult to enforce judgments obtained in courts outside of India, in Indian courts against any company/entity in which the Enlarged Group has made investments.

Section 44A of the Indian Code of Civil Procedure, 1908, as amended, provides that where a foreign judgment has been rendered by a court in any country or territory outside India, which the GoI has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. The United Kingdom has been declared by the GoI to be a reciprocating territory for the purposes of Section 44A.

#### **16. Force majeure events, terrorist attacks or war or conflicts involving India**

Any major hostilities involving India, or other acts of violence including civil unrest or terrorist attacks, or events that are beyond human control, could have an adverse effect on the operations of services provided in India. The terrorist attacks on New York and Washington, D.C. on 11 September 2001, and their aftermath had an adverse effect on worldwide financial markets. Incidents such as the Mumbai terrorist attacks in November 2008 and other acts of violence may adversely affect global equity markets as well as the Indian economy and stock markets. Such acts could negatively affect business sentiment as well as trade between countries, which could adversely affect business and the profitability of companies.

India may enter into armed conflict or war with other countries. The consequences of any armed conflicts are unpredictable, and may result in unforeseeable events that could have an adverse effect on business. Military activity or terrorist attacks could adversely affect the Indian economy by disrupting communications and making travel more difficult. Such events could also create a perception that investments in Indian companies involve a higher degree of risk.

#### **17. Insufficient extent and reliability of Indian infrastructure**

India's physical infrastructure is less developed than that of many developed nations. Any congestion or disruption with its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt normal business activity. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt normal business operations, which could have a material adverse effect on financial and operational results.

#### **18. Acquisition of land in India**

The documentation of land records in India has not been fully computerised. Land records and related documents are generally maintained manually with physical records of all land related documents, which are also updated manually. Consequently, the updating process takes a significant amount of time and may result in land records being inaccurate or erroneous and increase the difficulty of obtaining proper records and/or materially impact ability to rely on them. In certain instances, there may be a discrepancy between the extent of the areas stated in the revenue records, the areas stated in the title deeds, and/or the actual physical area of some of the lands. The land records are often hand-written in local languages and may not be legible, thereby making it difficult to ascertain the correct content of the land records. Furthermore, the land records

are often in a poor condition and at times untraceable which may materially impede the title investigation process.

Additionally, title to real property may suffer from other irregularities of title, including, among others, non-execution or non-registration of conveyance deeds, lease deeds or other deeds and inadequate stamping of these instruments for the transfer of real property. As a result, the title to real property that the Group might invest in may not be clear or may be in doubt. Some of lands are being acquired through MoUs with third parties or land aggregators, who may not have good, clear and marketable title to the lands. Some of the land reserves are leasehold in nature and any development of these lands requires compliance with terms and conditions on their leases. Also, the terms and conditions may, amongst other things, require prior consent of the lessor to transfer the leasehold rights in the land and/or impose restrictions. Inability to fulfill the terms and conditions of the leases may result in termination of the lease thereby affecting rights over such lands. The leases may impose certain liabilities and obligations or may be subject to fulfilment of certain conditions. Further, these leases may contain clauses which allow for extension of the lease with the consent of the parties. In the event that the lessors do not wish to renew these leases beyond the agreed renewable periods, the business, financial condition and results of operations of the Company could be adversely affected. Moreover, the validity of the Enlarged Group's right to title may be challenged. In addition, it is difficult to obtain title guarantees in India. Title records provide only for presumptive title rather than a guaranteed title to the land. More often than not, the title to land is fragmented and it is possible that land relating to one project may have come from multiple owners.

While the Enlarged Group has and will continue to carry out due diligence before acquiring land and undertaking any project, all risks, onerous obligations and liabilities associated with land may not be fully assessed or identified, certain potential risks and liabilities may not come to the attention of the Enlarged Group while conducting such exercises such as the possibility of discovering previously undetected defects in title or problems at a site which could include, among other things, the nature of imperfect or disputed title, unregistered encumbrances or adverse possession rights. It may also impede the transfer of title and expose the Enlarged Group to legal disputes and/or financial liabilities. The Enlarged Group will not be able to establish the FTWZs unless sufficient land is acquired and, as such, any dispute with respect to the rights of the Enlarged Group to the land could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

#### **19. Stringent Labour Legislations**

There are a number of labour legislations aiming at the protection of the interest of the employees in general and the workmen in particular. These laws are across India and differ from state to state. They may have implications for VLMS and, through its investment in VLMS, the Enlarged Group, in terms of its obligations towards gratuity payment, minimum bonus payment, the protective provisions in respect of termination of employment, lay off and retrenchment. Therefore, there may be some constraints on VLMS and, through its investment in VLMS, the Enlarged Group, with regard to the flexibility of giving effect to downscaling, redundancy or the disciplinary actions. Further, there is a special legislation to protect the contract labour in India which imposes monetary obligations on the principal in case of default by the employment agencies. This may curtail the freedom of VLMS and, through its investment in VLMS, the Enlarged Group to outsource facilities.

#### **20. Environmental regulation**

The Enlarged Group's operations will be subject to environmental regulation. Safety, health and environmental laws and regulations in India are stringent. If the Enlarged Group is held to be in violation of such regulatory requirements, including conditions in the permits required for their operations, they may be subjected to monetary penalties, or be required to modify or discontinue their operations, incur additional operating costs or make additional capital expenditures, as the case may be. Compliance with environmental regulations could increase the Enlarged Group's costs, thereby having a material adverse effect on the Enlarged Group.

## **21. Competition Act, 2002 Regulation**

The GoI has enacted the Competition Act 2002, as amended (the “Competition Act”) for the purpose of preventing business practices that have an appreciable adverse effect on competition in India under the auspices of the Competition Commission of India, which (other than for certain provisions relating to the regulation of mergers) became effective from 20 May 2009.

Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement among enterprises engaged in the identical or similar trade of goods or provision of services (i.e. horizontal agreements) which directly or indirectly determines purchase or sale prices, limits or controls production, supply, markets, technical development, investment or provision of services, shares the market or source of production or provision of services by way of allocation of geographical area of market, or type of goods or services, or number of customers in the market or directly or indirectly results in bid rigging or collusive bidding, is presumed to have an appreciable adverse effect on competition and is unenforceable. Further, any agreement amongst enterprises at different stages or levels of the production chain in different markets (i.e. vertical agreements) in respect of production, supply, distribution, storage, sale or price of, or trade in goods or provision of services, including tie-in arrangement, exclusive supply agreement, exclusive distribution agreement, refusal to deal or resale price maintenance, shall be unenforceable if considered to have an appreciable adverse effect on competition. Also, the Competition Act prohibits any enterprise or group from abusing its dominant position and has the power to impose structural and monetary penalties.

Whilst the effect of the Competition Act and the Competition Commission of India on the business environment in India is as yet unclear, the Competition Commission of India appears to be actively enforcing the aforesaid notified provisions of the Competition Act to business arrangements in India. Any application of the Competition Act to the Enlarged Group may be unfavourable and may have a material adverse effect on its business, financial condition and results of operations.

## **G. RISK FACTORS RELATED TO MAURITIUS**

### **1. Political risk**

There may be political risks associated with investing in Mauritius or in a Mauritian entity. As with any developing country, there can be no assurance that Mauritius will continue to remain politically and economically stable. Any instability could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

### **2. Exchange Control**

Exchange control laws and regulations have been suspended in Mauritius since 1994. Any payments made to or by Infrastructure India HoldCo and any other of the Company’s Mauritian subsidiaries are, therefore, not restricted by the exchange control laws and regulations. Although it is not expected that the suspension of such laws and regulations will be lifted, there is no guarantee this will not happen. Any such reintroduction could have a material adverse effect on the business, financial condition, results of operation and the prospects of the Enlarged Group.

## **H. TAXATION RELATED RISKS**

### **1. Tax residency and tax legislation**

Statements in this document concerning the taxation of investors in Ordinary Shares and Warrants are based on the current UK, US, Isle of Man, Mauritius, Cyprus and Indian tax laws and practice, which are subject to change. The taxation of an investment in the Company depends on the individual circumstances of the relevant investor. Prospective investors are urged to consult their tax advisers with respect to their particular tax situations.

Any change in the Company's tax status, the Mauritius Tax Treaty or Cyprus Tax Treaty or in taxation legislation or any interpretation thereof in the Isle of Man, Mauritius, US, Cyprus, India or any country where the Enlarged Group has assets or operations could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group. Any such change could also adversely affect the net amount of any dividends payable to Shareholders.

Investors should note that the Company relies upon the provisions of the Mauritius Tax Treaty and the Cyprus Tax Treaty to minimise, so far as possible, the taxation of the Company. No assurance can be given that the terms of the Mauritius Tax Treaty, the Cyprus Tax Treaty and other tax treaties the Company may in the future seek to rely on will not be subject to re-negotiation in the future and any change could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company. There can be no assurance that such treaties will continue and will be in full force and effect during the life of the Company. No assurance can be given that future legislation, administrative rulings or court decisions, each with the possibility of retroactive effect, will not significantly modify the intended tax treatment of the Group.

The Finance Minister of India, on 31 August 2010, released the Direct Taxes Code Bill, 2010 ("DTC"). It is expected that the DTC will come in to effect from 1 April 2012. In case the DTC is enacted in its current form, it could have adverse tax consequences for the Group and, *inter-alia*, deprive the Group of the benefit of the double taxation treaty between India and Mauritius, and any other double taxation treaty to which India is a party; in that case Indian tax would be payable on dividends, interest and capital gains accruing to the Group at the rate applicable to foreign companies without the benefit of a double taxation treaty.

If the Company is treated as having a permanent establishment, or as otherwise being engaged in a trade or business, in any country in which it invests or in which its interests are managed, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax in the place of such permanent establishment.

Were the management and control of any of the Company, Infrastructure India HoldCo and its Mauritian subsidiaries (or any other subsidiaries established in other jurisdictions, including without limitation in Cyprus) deemed to take place from India or the UK or if any such entities were deemed to have a permanent establishment in India or the UK, any such Group company could be treated as being subject to tax in India or the UK on their profits attributed to their permanent establishment.

In order to maintain its status as an entity not subject to UK or Indian tax, the Company is required to be controlled and managed outside the UK or India and not to establish a permanent establishment in the UK or India. The composition of the Board, the place of residence of the Board's individual members and the location(s) in which the Board makes decisions are all factors which, among others, will be important in determining and maintaining the non-UK and non-Indian tax resident status of the Company.

While the Company is incorporated in the Isle of Man, if significant decision making was to be conducted by the Company in or from the UK or India, the Company could lose its non-UK/non-Indian tax resident status. As such, any inadvertent management of the Company from the UK, US or India could potentially lead to the Company being considered a UK or Indian tax resident or lead the Company to creating a US permanent establishment, which could have a materially adverse effect on the business, financial condition, results of operation and prospects of the Company.

In order for the Company to maintain its tax status, continued attention must be paid to ensure that all relevant conditions are satisfied in all the jurisdictions in which the Company operates in order to avail itself of the benefits of, for example, the Mauritius Tax Treaty and the Cyprus Tax Treaty and local country requirements.

There is a risk that amounts paid or received under intra group arrangements in the future could be deemed for tax purposes to be lower or higher, as the case may be, which may increase the Group's taxable income or decrease the amount of losses available to the Group for tax purposes, which consequently could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

## **2. Tax Systems in India and Mauritius**

Tax systems in some of the countries in which the Company will operate are often characterised by frequent changes in tax regulations, as a result of which many tax regulations are either not subject to firmly established interpretations or are subject to frequently changing interpretation by the tax authorities.

Often, tax laws have not been in force for significant periods of time or are constantly amended and only a few precedents regarding tax issues are available. Differing opinions regarding the legal interpretation of tax laws often exist both among and within governmental ministries and authorities, including tax administrations, creating uncertainty and areas of conflict for taxpayers and Shareholders.

This degree of uncertainty in tax regulations by the tax authorities, combined with high penalties for non-compliance and a risk of arbitrary action by government or administrative authorities, may result in tax risks in India and Mauritius being significantly higher than in countries with more stable tax systems. For instance, there is no assurance that tax authorities in the above countries will not take positions that differ from the Company's positions with regard to interpretative issues, including residency status. Any of the above events could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

The Indian tax authorities are currently engaged in litigation with Vodafone International Holdings B.V. ("Vodafone"), alleging that tax was required to be withheld and paid in India by Vodafone in respect of its acquisition of shares in a Cayman Island entity (which had an indirect investment in Indian companies through its Mauritius based intermediate companies). In another high profile case, the Indian tax authorities have been asked to review whether there is any scope for recovering any tax in India as a result of Kraft's takeover of Cadbury, despite that transaction being effected outside India. There is therefore a risk that the Indian tax authorities may seek to argue that tax is payable in India in respect of the Acquisitions and that the Company or its subsidiaries ought to have withheld that tax and accounted for it to the relevant Indian tax authorities. In the event that such a claim were made, the Company or relevant members of the Enlarged Group may become engaged in a dispute with the Indian tax authorities which, amongst other things, may result in the Enlarged Group's management being distracted from the Enlarged Group's business and may have a material adverse effect on the Enlarged Group's financial position and results of operations.

## **3. Tax Residence Certificates**

Under Mauritian law, a company wishing to benefit from the Mauritius Tax Treaty is required to hold a valid Tax Residence Certificate ("TRC") issued by the Mauritius Revenue Authority ("MRA"). For Category 1 Global Business Companies, the MRA will issue a TRC after obtaining appropriate recommendations from the Financial Services Commission of Mauritius ("FSC"). Upon being satisfied that the company complies with the provisions of the prevailing legislation governing global business and adheres to the conditions attached to its Global Business Licence and that the company is in good standing, the FSC shall recommend the application for a TRC to the Director-General of the MRA. The FSC of Mauritius, having completed its necessary enquiries in respect of the Company, granted Infrastructure India HoldCo, Power Infrastructure India and Roads Infrastructure India GBC1 status on 29 April 2008, granted Roads Infrastructure India (Two) GBC1 status on 15 September 2008 and granted Distribution and Logistics Infrastructure India GBC1 status on 20 November 2009. The MRA issued TRCs on 14 May 2010 to each of Infrastructure India HoldCo (for the period from 8 May 2010 to 7 May 2011), Roads Infrastructure India (for the period from 7 May 2010 to 6 May 2011), and Power Infrastructure India (for the period from 9 May 2010 to 8 May 2011). The MRA also issued TRCs on 5 October 2010 to Roads Infrastructure India (Two) (for the period from 15 September 2010 to 14 September 2011) and to Distribution and Logistics Infrastructure India on 16 December 2010 (for the period from 20 November 2010 to 19 November 2011).

Although not anticipated by the Directors, there can be no assurance that the TRCs granted to the Company's Mauritian subsidiaries will be renewed after they expire. If Infrastructure India HoldCo and its Mauritian subsidiaries were unable to obtain renewals of their TRCs, they would be unable to benefit from the Mauritius Tax Treaty and the Company would be exposed to a greater liability to tax. Any such non-renewal or exposure could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

#### **4. Tax holiday**

Tax holidays are available to certain Indian SPVs, subject to them obtaining necessary approvals and also satisfying all the terms and conditions mentioned in the approval and under the Indian Income-tax Act, 1961 (“the Act”), applicable regulations and schemes. In some cases, a tax holiday may not be available after an investment has been made which may adversely affect the project. A decision may be taken not to go ahead with a particular project if the relevant SPVs are unable to receive the necessary approvals for a tax holiday. There is a substantial risk, in view of its history of delays in construction, that the Shree Maheshwar Project in which the Enlarged Group has invested may not benefit from these anticipated tax holidays if the project does not commence generation of power on or before 31 March 2011 or otherwise as required by tax holiday rules. Similarly, if the three dams still in development which form part of the investment in IHDC do not commence generation of power by the deadlines required pursuant to tax holiday rules, these projects may not benefit from the anticipated tax holidays. The inability to benefit from these or other tax holidays could have a material adverse effect on the business, financial condition, results of operations and prospects of SMHPCL and IHDC, respectively, and, through its investments in SMHPCL and IHDC, the Enlarged Group.

Under the Act, an undertaking which commences generation of power on or before 31 March 2011 shall be eligible for profit linked incentives. The DTC has proposed to substitute the profit-linked incentives prevalent under the existing provisions of the Act with the expenditure/investment based deductions. However, the DTC grandfathered those undertakings which, as of financial year 2011 – 2012, are eligible to claim the exemption under the Act.

#### **5. Tax status of FTWZ**

As a result of GoI policy, FTWZs benefit from certain tax breaks and exemptions under Indian law. Should GoI policy change, or be altered in any way, it may result in these tax breaks and exemptions no longer being available to VLMS in relation to the Bangalore FTWZ and Chennai FTWZ and which could have a material adverse effect on the business, financial condition, result of operation and prospects of VLMS and, through its investment in VLMS, the Enlarged Group.

### **I. GENERAL RISKS**

#### **1. Share price volatility and liquidity may affect the performance of investments in the Company**

The share price of quoted companies can be highly volatile and their shares may have limited liquidity. An active trading market for the Ordinary Shares and Warrants may not develop and the trading price for Ordinary Shares and/or Warrants may fluctuate significantly. Investors may therefore be unable to recover their original investment. At the same time, equity market conditions may affect the price and market liquidity for Ordinary Shares and Warrants regardless of the performance of the Company. Equity market conditions are affected by many factors, such as the general economic, political or regulatory outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Trading in the Ordinary Shares and/or Warrants by other investors, such as large purchases or sales of Ordinary Shares and/or Warrants may also affect the share price. Accordingly, the market price of Ordinary Shares and/or Warrants may not reflect the underlying value of the Company’s investments and the price at which investors may dispose of their Ordinary Shares and/or Warrants at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others may be outside the Company’s control. Investors should not expect that they will necessarily be able to realise, within a period that they would otherwise regard as reasonable, their investment in Ordinary Shares and/or Warrants. The Company’s results and prospects from time to time may be below the expectations of market analysts and investors.

#### **2. General economic climate**

Factors such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption have an impact on business costs, commodity prices and stock market prices. These factors, which are beyond the control of the Company could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

### **3. Certain US law considerations, including under ERISA**

The Company has not listed and does not intend to list the Ordinary Shares on any established US securities exchange, and has not and does not intend to have them quoted on any automated inter-dealer quotation system or otherwise create a public market in the United States for resales of any of the Ordinary Shares. They may not be resold in the US, except pursuant to an exemption from, or in transactions not subject to the registration requirements of the Securities Act and applicable state securities law.

The Company has not, does not intend to, and would likely be unable to become, registered in the US as an investment company under the Investment Company Act and related rules. The Investment Company Act and related rules provide certain protections to investors in, and impose certain restrictions on, companies that are registered as investment companies. None of these protections or restrictions are or will be applicable to the Company.

Ordinary Shares should not be acquired by investors that are subject to Section 406 of ERISA or Section 4975 of the Code or any other provisions under applicable US federal, state, local or other laws or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the Code (“Similar US Laws”). However, the Company cannot guarantee that equity interests in the Company will not be acquired by, or transferred to, such an investor. If 25 per cent. or more of the total value of any class of equity interest in the Company (determined after the most recent acquisition of any equity interest in the Company and subject to certain computational rules affecting fund or insurance company investors and investors with discretionary authority or control with respect to Company assets or who provide investment advice for a fee (direct or indirect) with respect to Company assets) were to be held by investors subject to Section 406 of ERISA or Section 4975 of the Code or Similar US Laws, an undivided portion of the Company’s assets could be required to be treated as “plan assets” subject to ERISA or the Code or Similar US Laws. In such a case, the Company and those responsible for managing the Company and its assets could become subject to applicable requirements of ERISA and the Code (or Similar US Laws) and could be obligated to cause the operations and investments of the Company to be administered, consistent with those requirements, other than as the Company and its managers might otherwise think advisable. This could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company. Moreover, it is not clear that, in such a case, the Company or its managers could comply with all applicable requirements of ERISA or the Code (or Similar US Laws). A failure of the Company or its managers to comply with any such applicable provision could result in injunctive or other relief that could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company, its managers and its investors and in the assertion of a tax or penalty with respect to transactions involving the “plan assets” deemed held by the Company.

Ordinary Shares are subject to transfer restrictions in connection with the foregoing.



**PART I**  
**CHAIRMAN'S LETTER**



*(Incorporated and registered in the Isle of Man under the Isle of Man Companies Act 2006  
with number 002457V)*

*Directors*

Patrick Rupert Cottrell, *Non-executive Chairman*  
Philip Peter Scales, *Non-executive Director*  
Timothy Graham Walker, *Non-executive Director*

*Registered Office:*

IOMA House,  
Hope Street,  
Douglas,  
Isle of Man IM1 1AP

11 February 2011

*To: Shareholders and, for information only, to Warranholders*

Dear Shareholder

**Acquisition of Interests in IHDC and VLMS for the issue of Consideration Shares in the Company at a premium of approximately 58 per cent. to the Closing Price and payment of US\$1.5 million in cash**

**Proposed waiver of Rule 9 of the City Code on Takeovers and Mergers**

**and**

**Application for Re-admission to trading on AIM**

**1. INTRODUCTION**

The Company announced today that it had entered into agreements to issue up to 111,252,365 Consideration Shares at an implied price of 106p per share (representing a premium of approximately 58 per cent. to the Closing Price) and to pay US\$1.5 million, in cash, as consideration for the acquisition of significant interests in India Hydropower Development Company, LLC ("IHDC") and Vikram Logistic & Maritime Services Private Limited ("VLMS"). Agreement has been reached with, amongst others, Guggenheim Global Infrastructure Company Limited ("GGIC"). As a result of these agreements, the Company would acquire interests in a diversified range of income producing and in-development hydroelectric power assets, some of which have been in operation since 2001, and container infrastructure assets in India.

The Acquisitions are subject to the passing of the Resolutions by Shareholders at an Extraordinary General Meeting of the Company as well as certain other conditions (described below). The Directors consider that the Acquisitions described herein are in the best interests of Shareholders and for that reason are fully supportive of them. The Directors, therefore, unanimously recommend that all Shareholders vote in favour of the Resolutions to be put to Shareholders at the forthcoming EGM as they, themselves, intend to do in respect of their own shareholdings in the Company.

In addition, the Company announced today a Placing, raising up to approximately £33.0 million (before expenses) from certain Shareholders and other investors (including GGIC) through the issue of 54,545,454 Placing Shares at the Placing Price. The Placing Price represents a discount of approximately 10 per cent. to the Closing Price. As part of the Placing, GGIC has agreed to invest, in aggregate, up to £7.5 million in cash in IIP by subscribing for some 12,396,693 Placing Shares, of which 4,132,231 Placing Shares (worth approximately £2.5 million) have been subscribed for unconditionally but will only be issued following the conclusion of the EGM and 8,264,462 Placing Shares (worth approximately £5.0 million) have been subscribed for conditional on the completion of the acquisition of the GGIC Assets. This investment further demonstrates GGIC's commitment to the Company and its shared desire with the Directors to enable the

Company to achieve the scale necessary to maximise fully the value of its two existing investments and to provide a platform from which IIP can develop in the future. The Placing (except in relation to the relevant Placing Shares conditionally subscribed for by GGIC) is not conditional on the completion of the Acquisitions.

## **2. BACKGROUND TO THE ACQUISITIONS**

The Company has agreed to acquire significant interests in IHDC and VLMS, whereby under one agreement, GGIC agrees to sell its interests in FPI (which holds a 50.0 per cent. interest in IHDC) and FPC (a wholly owned subsidiary of GGIC) agrees to sell its interests in VLMS to two subsidiary companies of IIP. Under a separate agreement, AHP will sell its shares in VLMS to IIP. The aggregate consideration under both agreements will be the issue of 111,252,365 Consideration Shares at an implied price of 106p per share (representing a premium of approximately 58 per cent. to the Closing Price) and the payment of US\$1.5 million, in cash. As a result of the agreements, the Company would acquire interests in a diversified range of income producing and in-development hydroelectric power assets, some of which have been in operation since 2001, and container infrastructure assets in India.

GGIC is an infrastructure investor which owns and operates energy and transportation infrastructure businesses in high growth markets and is actively pursuing new opportunities globally. GGIC has an extensive reach and understanding of the development and management of infrastructure assets in India, as well as being a highly respected name elsewhere.

In addition, as part of the Placing, GGIC has agreed to invest up to £7.5 million in cash in IIP at the Placing Price by subscribing for up to 12,396,693 Placing Shares as part of its commitment to the Company and business plan to substantially develop the scale of the Company while providing a platform from which to maximise the value of the Company's existing investments along with the assets of GGIC now being introduced into the Company.

The Directors consider that the combination of the progress already achieved by IIP over the past two years and the expertise and capability of GGIC should provide a strong basis for the Company to become a significant entity in the Indian infrastructure market and in turn provide investors with "pure-play" access to Indian infrastructure assets at the project level and avoiding the need to acquire Indian quoted securities.

The implied price of 106p per share placed on the Consideration Shares reflects fully the Net Asset Value of IIP as at 30 September 2010 which was published on 22 December 2010 at a stated amount of 106p per Ordinary Share. Accordingly, with a current Closing Price of 67p per share, following the passing of the Resolutions, Shareholders will benefit from Ordinary Shares being issued at a significant premium to the current market price, which will fully reflect the underlying asset value of the Existing Assets. The implied value of the Consideration Shares represents a premium of approximately 58 per cent. to the Closing Price and should, in the view of the Directors, enable the market generally to recognise more fully the underlying value contained within the Company and for the price of the Ordinary Shares to more fully reflect this value.

GGIC is a subsidiary of GFP. GFPI, the general partner of GFP began operating in 2005 by Guggenheim and three former leaders of The AES Corporation ("AES"), a New York Stock Exchange listed global power company. Guggenheim is a privately held, global financial services firm with more than US\$100 billion in assets under supervision. Guggenheim, together with its affiliates, provides investment management, investment and wealth advisory, insurance, investment banking and capital markets services for an array of clients, with 24 offices in eight countries around the world.

On Admission, GFPM, which is wholly owned by GGIC, will act as the Asset Manager to the Company (pursuant to the Management Services Agreement) with Akur (the Company's current Asset Adviser) providing valuation and portfolio services to the Company (pursuant to the Valuation and Portfolio Services Agreement).

Further information on GGIC and the GGIC management team is set out in paragraph 6 below.

The Directors consider that the acquisition of the GGIC Assets alone (and with the acquisition of the AHP Assets, if completed) will materially augment the Company's presence and profile in India as well as within

the infrastructure sector more generally and so will further enhance the ability of the Company to bring both its existing investments to completion and full revenue generation. The Directors also consider that the adoption of the Company's newly-published NAV in respect of its existing investments as the benchmark for the proposed acquisition of interests in IHDC and VLMS provides strong validation of the Company's underlying asset value and should lead, in the Directors' opinion, to a narrowing of the discount of the market price of the Ordinary Shares to the NAV.

Specifically, the Company is proposing to acquire GGIC's 50 per cent. interest in IHDC, a company which operates hydroelectric projects in India, together with GGIC's approximately 37.39 per cent. interest in VLMS and, subject to certain Indian regulatory approvals and certain other conditions, a further approximately 62.60 per cent. interest in VLMS from AHP. VLMS was incorporated in 1992 and Vikram Viswanath has been associated with VLMS since its inception (taking over the business operations from a predecessor firm originally formed in 1972). VLMS has a wealth of experience and relationships in the transportation sector in India and has developed and operates transportation and container processing infrastructure in India. In addition, VLMS is in the process of acquiring two substantial tracts of land in Bangalore and Chennai to develop new container processing facilities which will allow VLMS to benefit more fully from being an owner-operator by retaining a greater proportion of the revenue margins generated by such facilities. In due course, VLMS may develop both sites into two FTWZ bonded container warehouse facilities. FTWZs represent a new class of tax efficient infrastructure, promoted and developed by the Government of India and opened to private industry in India, giving enhanced scale, as well as benefitting from operating and tax efficiencies specifically in relation to the rapidly expanding Indian imports and exports trade.

The benefits of acquiring GGIC's interests in IHDC include:

- the acquisition of interests in established, built hydroelectric power generation assets, some of which were acquired almost 10 years ago; and
- being able to have access to the highly experienced team that IHDC has in India and the US.

The benefits of acquiring VLMS (comprising GGIC's interests in VLMS and, assuming the acquisition of these assets completes, the AHP Assets as well) include:

- having direct access to a highly-experienced and capable management team, that has been operating in the transportation sector for over 30 years;
- the planned acquisition of two substantial tracts of land, one in Chennai and one in Bangalore, which will enable VLMS to capture higher margins as the operator of the facilities, once built-out; and
- both sites being in key strategic locations in India, with the Electronics City in Bangalore, one of the largest industrial centres in India, being near the Bangalore FTWZ, and the Chennai land being well located between the Port of Chennai and Ennore Port.

Further details on both IHDC and VLMS are set out in paragraph 7 below.

### **3. BENEFITS OF THE ACQUISITIONS**

The Directors consider that the Acquisitions offer a number of significant benefits to the Company's Shareholders (whether or not the purchase of the AHP Assets completes). These include:

- enhancing IIP's ability to realise maximum value for Shareholders from its existing investments with additional financial resources and being able to draw upon the skills and presence of GGIC in India;
- overall the business of IIP being strengthened by the support and commitment of GFPM as Asset Manager;
- IIP becoming one of the few infrastructure companies of growing scale and relevance dedicated solely to investing in private, infrastructure-rich opportunities in India (as opposed to publicly quoted Indian companies or other infrastructure funds), allowing investors direct exposure to the Indian infrastructure sector at, or close to, the project level;

- increasing the scale and profile of the Company as well as the size of its shareholder base; and
- adopting a low cost model of operation with no performance fees (or similar incentives) being paid to the Company's Investment Advisory Team and with no salaries being paid to the new GGIC nominated Board members.

#### **4. THE PLACING**

The Company also announced today the Placing, raising up to approximately £33.0 million (before expenses) from certain Shareholders and other investors (including GGIC), through the issue of up to 54,545,454 Placing Shares at the Placing Price. The Placing Price represents a discount of approximately 10 per cent. to the Closing Price and a discount of approximately 43 per cent. to the latest Net Asset Value per Ordinary Share of 106p as at 30 September 2010, as published on 22 December 2010. As part of the Placing and to demonstrate its commitment to the Company, GGIC has agreed to invest up to £7.5 million in cash in IIP by subscribing for 12,396,693 Placing Shares, of which 4,132,231 Placing Shares (worth approximately £2.5 million) have been subscribed for unconditionally but will only be issued following the conclusion of the EGM and 8,264,462 Placing Shares (worth approximately £5.0 million) have been subscribed for conditional on the completion of the acquisition of the GGIC Assets. The Placing Shares to be subscribed for by GGIC will be issued and allotted to GGIC following the conclusion of the EGM. The Placing (except in relation to the relevant Placing Shares conditionally subscribed for by GGIC) is not conditional on the completion of the Acquisitions.

The purpose of the Placing has been to assist in the future development of the Company, thereby providing the Company with a broader capital base from which to consider potential corporate transactions as well as providing forward momentum for the Company, and also to ensure that the Company has sufficient working capital in relation to the broader range of investments that will be held by the Group following completion of the Acquisitions.

Application has been made for the Placing Shares (aside from those to be issued to GGIC) to be admitted to trading on AIM and dealings are expected to commence on 17 February 2011. The Placing Shares to be issued to GGIC, which are to be issued and allotted following the conclusion of EGM, are expected to form part of the New Ordinary Shares for which application will be made to the London Stock Exchange for admission to trading on AIM pursuant to Admission.

If Admission does not take place on or before 8.00 a.m. on 3 March 2011 (or such later time and/or date as Smith & Williamson, Westhouse Securities and Akur may agree), a separate application will be made to the London Stock Exchange for the 4,132,231 Placing Shares to be issued to GGIC following the EGM to be admitted to trading on AIM, separately at such time and/or date as the Company, Smith & Williamson, Westhouse Securities and Akur may agree.

The Placing Shares will rank *pari passu* in all respects with the Ordinary Shares in issue prior to the Placing, including the right to receive all dividends and other distributions declared, paid or made after today or, in respect of the Placing Shares to be issued to GGIC, after Admission or the date on which such Placing Shares are admitted to trading on AIM if Admission does not occur and (save as regards the Placing Shares to be issued to GGIC) to attend and vote at the EGM.

#### **5. UPDATE ON THE COMPANY'S EXISTING INVESTMENTS**

In addition to seeking to position the Company appropriately for the future, it remains the stated priority of the Directors, a strategy supported by GGIC and AHP, both to seek completion of the Company's existing investments and realise an anticipated uplift in valuation as a result.

To date, the Company has deployed the majority of approximately £32.2 million of net proceeds that was raised at the time of the Company's IPO on 30 June 2008, in two projects.

### ***The Shree Maheshwar Project***

The Group made its first investment in June 2008, when it invested a total of approximately £13.2 million (Rs. 1.1 billion) in SMHPCL, in return for a 6.23 per cent. equity interest (post all dilution effects, as is further explained in Part III of this document). SMHPCL was specifically established to own and develop a 400MW hydroelectric power project (10 turbines of 40MW each) situated on the Narmada River in Maheshwar, in the southwestern region of Madhya Pradesh in India.

The Shree Maheshwar Project is expected to be one of the largest privately owned Indian hydroelectric schemes when it is fully commissioned. The Directors have been informed that the first of the ten turbines of 40MW each is now fully assembled on site and was ready to begin power generation in January 2011, while two more turbines are also on site and anticipated to be ready for commissioning during the first quarter of 2011. The Directors understand that overall civil works are now approximately 96.6 per cent. complete. The Shree Maheshwar Project is currently expected to commence initial power generation during the first quarter of 2011, with the facility expected to be fully operational in the third quarter of 2011.

Further details on this investment are set out in Part III of this document and risks pertaining to such are set out in the section headed “Risk Factors” on pages 10-32 of this document. Further details of the agreements in connection with the Group’s investment in SMHPCL are set out in paragraphs 11(j) to 11(p) of Part X of this document.

### ***The Lebad-Jaora Project***

On 30 September 2008, the Group invested approximately £11.3 million (Rs 960 million) in a toll road in Central India – WMPITRL, representing a 26 per cent. shareholding in the project. WMPITRL was awarded a toll road project on a DBFOT (Design, Build, Finance, Operate, Transfer) basis in August 2007 for a term of 25 years. The toll road project comprises a single 125 km stretch of road which is being widened from the existing two lanes to four lanes in order to reduce congestion experienced on the route and is part of the local state government sponsored road upgrade programme. While tolling operations were originally anticipated to commence around April 2010, partial tolling began ahead of schedule and commenced on approximately 67 km of the road in November 2009 and tolling over the entire length of the road is expected to commence during the first quarter of 2011, following completion of the remaining bridges over railways which are under construction.

Following the Group’s initial investment in connection with WMPITRL, there have been a number of variations to the project specification, in particular in relation to three bridges over railways. The extra costs involved are technically for the account of the State Roads Authority but in a number of cases, the reimbursement 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 Group contributed £881,000 (Rs. 68 million) in October 2009 as part of its share of the marginal cost overrun. In June 2010, the Group made a further contribution of approximately £360,000 (Rs. 25 million). The amount of the second contribution was materially reduced from the originally anticipated amount of Rs. 64 million and allowed the Group to maintain its 26 per cent. shareholding in the project. The project is now fully funded for the current design.

Further details on this investment are set out in Part III of this document and risks pertaining to such are set out in the section headed “Risk Factors” on pages 10-32 of this document. Further details of the agreements in connection with the Group’s investment in WMPITRL are set out in paragraphs 11(q) and 11(r) of Part X of this document.

## **6. INFORMATION ON GGIC**

### ***Background on GGIC***

GGIC (a subsidiary of GFP) owns and operates energy and transportation infrastructure investments in high growth markets. In India, GGIC has investments in eight hydroelectric projects, both operational and under development, as well as port, container and transportation projects. These investments comprise the GGIC Assets. GGIC owns the GGIC Assets, through two wholly-owned subsidiaries, FPC and FPI.

GGIC's management team comprises of Thomas (Tom) Tribone, Rahul (Sonny) Lulla and Robert Venerus. GGIC's management has experience in developing infrastructure projects in over twenty countries. Tom Tribone played a prominent role (latterly with the other members of the GGIC management team) in much of the growth of AES from a private start-up company in 1982 to one of the largest and most successful companies in the industry. The GGIC management team has worked together for over 15 years and have complementary skills in both day-to-day operations as well as the development of new business.

GGIC has expertise in the development, acquisition, construction and day-to-day management of infrastructure projects.

GGIC is led by Tom Tribone who is President and CEO of GGIC and, prior to founding GGIC, was Executive Vice President at AES where he oversaw the completion of transactions with an aggregate value in excess of £20 billion and played a significant role in the appreciation of the value of AES to a point where the business achieved over 20 million customers and 20,000 employees. On completion of the Acquisitions, it is proposed that Tom will join the board of IIP.

Sonny Lulla is a Senior Vice President at GGIC. Prior to co-founding GGIC, Sonny was employed by Credit Suisse and by AES where he was President of AES Brasil Energia, with responsibility for several businesses in Brazil generating over US\$1 billion annual revenue. It is proposed that, on completion of the Acquisitions, Sonny will also join the board of IIP and serve as its Chief Executive Officer.

GGIC has confirmed to the Company and Smith & Williamson that it would intend that the Company should operate independently of GGIC and that the Company's board should similarly act independently.

Please refer to Part VII of this document for further information on, *inter alia*, GGIC.

## **7. PROPOSED INVESTMENTS**

### ***IHDC***

IHDC is an international partnership between DLZ Corporation, a US consulting firm operating in the architectural and engineering industry, and a subsidiary of GGIC, whose primary business is the ownership and operation of hydroelectric power plants in India. The management team at IHDC has extensive hydroelectric project experience in both the USA and India, with relationships at both local and national levels across India. The company has corporate offices located in Mumbai, a project management office in Pune and satellite offices at each of its project sites throughout India.

Presently, IHDC has approximately 80 engineering, operations, and management employees in India. The Company's top executives include US, Canadian, and Indian nationals, each of whom has 20 or more years of experience in the hydroelectric power, engineering, and water resources industries in India and/or North America.

IHDC's asset base consists of existing hydroelectric power generation assets, the right to implement additional hydroelectric power capacity in several states in India, and an established operating infrastructure capable of supporting such projects. The focus on smaller hydroelectric power plants in India means that the relevant PPA tariff is generally established by the relevant state government through a promotional policy for small hydroelectric power projects, which is intended to streamline and simplify the development and operations of small-scale renewable power assets.

IHDC has a proven track record in respect of hydroelectric power plants in India and, to date, operates two hydroelectric plants totaling up to 48MW of capacity, it also has developed, completed and operates two greenfield projects totalling 7MW of capacity and has a further four hydro power projects under construction/development, totaling up to 29MW of capacity including Raura at enhanced capacity. In addition, IHDC has a pipeline of identified projects for future development.

In summary, IHDC's main operational projects comprise:

- Bhandaradara Power No. I:
  - a rehabilitation project, involving the redevelopment and enhancement of the plant's capacity from 10MW to 12MW
  - a power purchase agreement for 30 years with the Maharashtra State Electricity Board
  - construction completed in 2001
- Bhandaradara Power No. II:
  - located downstream from Bhandaradara Power No. I
  - a rehabilitation project, which involved the redevelopment and enhancement of the plant's capacity to 34MW
  - acquired in 2006
- Birsinghpur:
  - a 2.2MW capacity greenfield project
  - a power purchase agreement for five years with private industry off-takers
  - construction completed in 2006
- Darna:
  - a greenfield project totalling 4.9MW of capacity
  - a power purchase agreement with Maharashtra State Electricity Distribution Company Limited, valid until 2045
  - construction began in 2008 and began generating power in January 2011

IHDC's main projects under construction/development comprise:

- H.P. Cluster No. I:
  - three greenfield projects totalling 13MW of capacity
  - a power purchase agreement for 40 years with the Himachal Pradesh State Electricity Board
  - construction started in 2007 and completion is expected in early 2012 and 2013
- Raura:
  - an 8MW capacity project which can be enhanced to 15MW of capacity
  - construction is to begin in 2011, with completion expected in 2015.

Further details on this proposed investment are set out in Part IV of this document and risks pertaining to such are set out in the section headed "Risk Factors" on pages 10-32 of this document. Further details of the agreements in connection with the Group's investment in IHDC are set out in paragraph 8 below.

## **VLMS**

VLMS is a privately owned supply chain transportation and container infrastructure company with a strong presence in Southern India and which is developing two FTWZ bonded container warehouse facilities. VLMS was incorporated in 1992 (having taken over the business operations from a predecessor firm originally formed in 1972) and is headquartered in Bangalore in India. It employs approximately 300 staff. The majority shareholders in VLMS comprise AHP and FPC. VLMS provides a broad range of transportation services including, trucking, coastal shipping, customs clearing and handling, bonded warehousing to customers in a range of industries such as CONCOR, Coca Cola, Reserve Bank of India, Credence Logistics, Pearl Harbour, American Power Corporation and Qatar Cargo.

VLMS has, amongst other sites, already developed two Container Freight Stations (“CFSS”) at ports for loading and unloading containerised cargo which are fully operational and a key focus of the group is to develop two FTWZ bonded container warehouse facilities, one in Bangalore and one in Chennai, both of which are in close proximity to the existing CFSSs. The proposed FTWZ to be developed in Bangalore is over a 105 acre site which is located within 10 km of Electronics City in Bangalore, while the proposed FTWZ to be developed in Chennai is also over a 105 acre site.

A key focus of the GoI’s plans relating to infrastructure is to promote and develop supply chain infrastructure, to include the development and establishment of FTWZs. Both the FTWZs proposed to be developed by VLMS should be able to benefit from favourable tax provisions, including excise duty exemptions and income tax benefits.

Further details on this proposed investment are set out in Part IV of this document and risks pertaining to such are set out in the section headed “Risk Factors” on pages 10-32 of this document. Further details of the agreements in connection with the Group’s investment in VLMS are set out in paragraph 8 below.

## **8. TERMS OF THE ACQUISITION AGREEMENTS**

The Acquisition Agreements were conditionally entered into on 11 February 2011 and comprise one share purchase agreement providing for:

- (i) the purchase by a wholly owned Mauritian subsidiary of the Company from GGIC of its entire interest in FPI in its capacity as sole member of FPI in exchange for such subsidiary procuring the issue of 23,423,866 Consideration Shares to GGIC and the payment of US\$1.5 million, in cash;
- (ii) the purchase by another wholly owned Mauritian subsidiary of the Company from FPC of approximately 37.39 per cent. of the issued share capital of VLMS in exchange for such subsidiary procuring the issue of 32,839,506 Consideration Shares to FPC,

and another share purchase agreement providing for:

- (iii) the purchase by the Company from AHP of the AHP Assets, comprising approximately 62.60 per cent. of the issued share capital in VLMS, in exchange for the issue of 54,988,993 Consideration Shares to AHP.

Completion of the Acquisitions is subject to the satisfaction of a number of conditions, namely:

- (i) the passing of the Resolutions and Admission occurring by 8.00 a.m. on 3 March 2011 (or such later date as the Company and GGIC or AHP, as applicable, shall agree);
- (ii) in the case of the acquisition of the AHP Assets only, receipt of all necessary approvals from the FIPB and/or the RBI and the achievement of certain conditions regarding the acquisition of certain lands;
- (iii) the parties to the relevant agreement complying in all material respects with certain provisions regarding the conduct of their respective businesses prior to completion (as described below); and
- (iv) the delivery of customary completion deliverables on completion of the relevant Acquisition Agreement (such as certain third party consents and share transfers) and land acquisition conditions.

Assuming the Resolutions are passed at the EGM, it is anticipated that the acquisition of the GGIC Assets will complete shortly thereafter, while the completion of the acquisition of the AHP Assets will complete as soon as practicable after receipt of all necessary approvals from the FIPB and/or the RBI (assuming such approvals are forthcoming).

During the period between 11 February 2011, when the Acquisition Agreements were signed, and their completion, GGIC and AHP have agreed to procure that certain acts relating to the GGIC Assets and the AHP Assets are not done without the written consent of the Company and the Company has provided reciprocal confirmations in respect of itself for the period prior to Admission.



The Acquisition Agreements contain limited warranties, including those given by GGIC and FPC (in respect of the GGIC Assets), AHP (in respect of the AHP Assets) and the Company (in respect of the Consideration Shares). Where the Company's Mauritian subsidiaries are acting as purchaser under the Acquisition Agreements, the Company has provided a guarantee in favour of GGIC and FPC as to the performance by such subsidiaries of their obligations under the relevant Acquisition Agreement. During the course of the negotiations of these warranties, the Company agreed to include the cash payment of US\$1.5m in respect of the acquisition of certain of the GGIC Assets in order to secure warranty protection which the Directors consider to be appropriate in the context of the acquisition of the GGIC Assets.

## **9. THE BOARD**

The Board comprises of the following individuals:

Rupert Cottrell (*Non-executive Chairman*)

Philip Scales (*Non-executive Director*)

Timothy Walker (*Non-executive Director*)

Upon Admission, Rupert Cottrell will become Deputy Chairman, Philip Scales will resign from the Board (though will continue to be involved with the Company through the Administrator) and the following individuals will be appointed to the Board:

Tom Tribone (*Chairman*)

Sonny Lulla (*Chief Executive*)

Robert Venerus (*Non-executive Director*)

Tim Stocks (*Non-executive Director*)

Vikram Viswanath, who is currently chairman and managing director of VLMS, is expected to be appointed to the Board following completion of the acquisition of the AHP Assets.

The Proposed Directors, with the exception of Tim Stocks, will not be receiving any salaries or fees for their services but will be entitled to reasonable out of pocket expenses including travel expenses.

Prodaman Sarwal resigned as a non-executive director of the Company with effect from the announcement of the Acquisitions.

Further information on the Board and the Proposed Directors is set out in Parts II and X of this document.

## **10. DIVIDEND POLICY**

The objective of the Company remains to provide Shareholders with an attractive overall return from their investment in the Company. In the view of the Directors and the Proposed Directors, the infrastructure projects into which the Group invests should generate predictable and long term cashflows following the commencement of stable operations.

In particular, following the generation of predictable revenues from the Company's existing investments as well as from the interests acquired in IHDC and VLMS, the Directors and the Proposed Directors intend to give appropriate consideration to the commencement of the payment of a regular dividend, which is anticipated to be within the next 12-24 months, subject to the availability of an appropriate level of distributable reserves, the Law and the Articles. Any such decision will be based on the intention of the Board to start generating an income stream for investors in the Company, while ensuring the retention of an appropriate level of earnings consistent with the management of the Company's activities.

Infrastructure projects typically produce long term steady revenues once the asset is in operation, extending over the life of the concession awarded. The Directors and the Proposed Directors believe that these long term revenue streams will allow the Company to generate dividend payments in due course.

## **11. REVERSE TAKEOVER AND THE CITY CODE**

Under Rule 14 of the AIM Rules for Companies, the Acquisitions will constitute a reverse takeover of the Company and, accordingly, are conditional upon the passing of the Resolutions by the Shareholders at the Extraordinary General Meeting, which is being convened for 2 March 2011. Details of the Extraordinary General Meeting are set in paragraph 14 out below.

The terms of the Acquisitions set out in this document give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protection they afford are given below.

The purpose of the City Code is to supervise and regulate takeovers and other matters to which it applies. The City Code is issued and administered by the Panel. The Company is a company to which the City Code applies and as such its Shareholders are therefore entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code, where any person acquires, whether by a single transaction or a series of transactions over a period of time, an interest (as defined in the City Code) in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required by the Panel to make a general offer, in cash, to all the remaining shareholders to acquire their shares.

Rule 9 of the City Code further provides that, *inter alia*, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying not more than 50 per cent. of such voting rights and such person, or any such person acting in concert with him, acquires an interest in additional shares which increase his percentage of shares carrying voting rights, such person is normally required by the Panel to make a general offer to the remaining shareholders to acquire their shares.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under the City Code, a concert party arises when persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company. Under the City Code, control means an interest, or aggregate interests, in shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the interest or interests gives *de facto* control.

**In the context of the Acquisitions, the Panel considers that GGIC and FPC, which is wholly owned by GGIC, are persons acting in concert for the purposes of the City Code in relation to the Company. Further information on the Concert Party members is set out in below.**

**As a result of the Placing and following the acquisition of the GGIC Assets, the Concert Party will be interested in 68,660,065 New Ordinary Shares which will represent approximately 45.59 per cent. of the Enlarged Share Capital.**

The Panel has been consulted and has agreed that it will not require either the Concert Party to make a general offer under Rule 9 of the City Code in cash for Ordinary Shares which might otherwise arise as a result of the acquisition of the GGIC Assets, subject to the Whitewash Resolution (as set out in the notice convening the Extraordinary General Meeting) being passed on a poll by Shareholders. To be passed, the Whitewash Resolution will require a simple majority of the votes cast by Shareholders.

Following completion of the acquisition of the AHP Assets, the Concert Party's interest in Ordinary Shares will be diluted to approximately 33.40 per cent. of the Further Enlarged Share Capital. Accordingly, as the Concert Party will be interested in Ordinary Shares which carry not less than 30 per cent. and not more than 50 per cent. of the voting rights of the Company, neither the Concert Party would not be able to increase their holdings without incurring an obligation under Rule 9 of the City Code to make a general offer, otherwise than with the agreement of the Panel.

## 12. ADDITIONAL INFORMATION ON THE CONCERT PARTY

The respective interests of the Concert Party in the Company following completion of the Placing with GGIC and the Acquisitions are set out in the table below, together with the details of the maximum percentage of the Ordinary Shares carrying voting rights in which they would each be interested:

<i>Name</i>	<i>Current</i>		<i>On Admission<sup>1</sup></i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
FPC	–	–	32,839,506	21.81%
GGIC	–	–	35,820,559	23.79%
<b>Total</b>	–	–	68,660,065	45.59%

1. Assuming no exercise of Warrants between the date of this document and Admission.

Please see Part VII of this document for further information on FPC and GGIC.

## 13. RELATED PARTY TRANSACTION

On Admission, Akur, the Company's current Asset Adviser, has agreed to enter into the Valuation and Portfolio Services Agreement. Entry into the Valuation and Portfolio Services Agreement constitutes a related party transaction within the meaning of the AIM Rules for Companies.

The Directors consider, having consulted with Smith & Williamson Corporate Finance Limited in its capacity as the Company's nominated adviser, that the terms of the Valuation and Portfolio Services Agreement are fair and reasonable insofar as the Shareholders are concerned.

## 14. EXTRAORDINARY GENERAL MEETING

Set out at the end of this document is a notice convening the Extraordinary General Meeting of the Company to be held at IOMA House, Hope Street, Douglas Isle of Man IM1 1AP at 11.30 a.m. on 2 March 2011 at which the following resolutions will be proposed as ordinary resolutions:

- (a) to increase the Company's share capital;
- (b) conditional upon the passing of the resolution described in paragraph (a) above and paragraph (d) below, to approve the acquisition of the GGIC Assets;
- (c) conditional upon the passing of the resolution described in paragraphs (a) and (b) above and paragraph (d) below, to approve the acquisition of the AHP Assets;
- (d) to approve the waiver of Rule 9 of the City Code to be passed on a poll by independent Shareholders; and
- (e) conditional upon the passing of the resolution described in paragraph (b) above, to change the Company's investing policy.

## 15. EXPLANATION OF THE RESOLUTIONS

- (a) Resolution 1 is an ordinary resolution to increase the amount of the Company's share capital available for issue from £3,500,000 to £5,000,000 by the creation of an additional 150,000,000 Ordinary Shares.
- (b) Resolution 2 is an ordinary resolution to approve the acquisition of the GGIC Assets for the purpose of the AIM Rules for Companies and is subject to the passing of Resolutions 1 and 4;
- (c) Resolution 3 is an ordinary resolution to approve the acquisition of the AHP Assets for the purpose of the AIM Rules for Companies and is subject to the passing of Resolutions 1, 2 and 4;

- (d) Resolution 4 is an ordinary resolution to approve the waiver, granted by the Panel, of any obligation which would otherwise arise under Rule 9 of the City Code for GGIC and/or FPC to make a general offer pursuant to Rule 9 of the City Code to the other Shareholders as a result of the issue of New Ordinary Shares to each of GGIC and FPC;
- (e) Resolution 5 is an ordinary resolution to approve a change in the Company's investing policy as required by the AIM Rules for Companies. Resolution 5 is subject to the passing of Resolution 2.

In accordance with the City Code, Resolution 4 will be taken on a poll of independent Shareholders. The attention of Shareholders is also drawn to the voting intentions of the Directors set out in paragraph 20 below.

## **16. ADMISSION, SETTLEMENT AND CREST**

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will take place, and that dealings on AIM in the Enlarged Share Capital will commence on 3 March 2011.

The Articles permit the transfer of Ordinary Shares in uncertificated form in accordance with the CREST Regulations and the Ordinary Shares are eligible for settlement in CREST. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place through CREST. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

## **17. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS**

GGIC and FPC have each undertaken with the Company, Smith & Williamson and Westhouse Securities under respective lock-in agreements dated 11 February 2011 ("Lock-In Agreements") that they each will not (subject to certain exceptions) dispose of any of their Ordinary Shares until the expiry of 12 months after the date of Admission and that, for a further period of 12 months thereafter, they will not sell or dispose of their Ordinary Shares except through the Company's broker for the time being. These undertakings are in respect of a total of 68,660,065 Ordinary Shares representing approximately 45.59 per cent. of the Enlarged Share Capital on Admission and approximately 33.40 per cent. of the Further Enlarged Share Capital following the acquisition by the Company of the AHP Assets.

The provisions of the Lock-In Agreements will not apply in certain limited circumstances which include, *inter alia*:

- the acceptance of, or the entering into of an irrevocable undertaking to accept, a general offer for the whole of the issued share capital of the Company in accordance with the City Code; or
- any transfer pursuant to a compromise or an arrangement between the Company and its members which is agreed to by the members and sanctioned by the court; or
- any transfer to a company within the same group as the locked-in Shareholder; or
- any transfer pursuant to a court order.

Following closing of the acquisition of the AHP Assets and the issue of the Consideration Shares to AHP, it is expected that AHP may seek to realise some of those shares. The timing of such realisation will be subject to market conditions and the amount to be so realised will be subject to advice from the Company's brokers.

## **18. FURTHER INFORMATION**

Your attention is drawn to the further information set out in the remainder of this document and, in particular, to the risk factors set out at the beginning of this document.

## **19. ACTION TO BE TAKEN**

A Form of Proxy for use at the Extraordinary General Meeting is enclosed with this document. Whether or not you propose to attend the Extraordinary General Meeting in person, Shareholders are requested to complete and return the Form of Proxy so as to be received at the offices of the Company's registrars, Capita

Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, not later than 11.30 a.m. on 28 February 2011. Completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you wish to do so (and are so entitled).

## **20. RECOMMENDATION**

The Directors, who have been so advised by Smith & Williamson, consider that the Acquisitions are fair and reasonable and in the best interests of the Shareholders and the Company as a whole. In providing advice to the Directors, Smith & Williamson, has taken into account the Directors' commercial assessments of the Acquisitions.

**Consequently, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they have irrevocably undertaken to do in respect of their own shareholdings, which in aggregate will amount to approximately 0.31 per cent. of the Existing Ordinary Shares immediately prior to the EGM.**

Yours faithfully,

**Patrick Rupert Cottrell**  
*Chairman*

## PART II

### INFORMATION ON THE COMPANY

#### 1. INVESTMENT OBJECTIVE

The Company's investment objective is to provide Shareholders with capital growth and income by investing in assets in the Indian infrastructure sector, with particular focus on assets and projects related to energy and transport.

The Company will aim to invest in assets that are expected to generate a base IRR of 15 per cent. per annum. The Directors and the Proposed Directors intend to try and raise the Company's returns to 25 per cent. through refinancing, yield compression effects and portfolio management efficiencies, as they believe have been achieved by other listed infrastructure companies. The objective is to ultimately achieve an aggregate Company IRR of up to 25 per cent. per annum.

#### 2. BOARD OF DIRECTORS

The Board is responsible for the determination of the Company's investment objective and policy and will have overall responsibility for the Enlarged Group's activities, including the review of its investment activity and performance. The Board meets at least quarterly. For this purpose, the Board will receive periodic reports from the Investment Advisory Team detailing the Enlarged Group's performance.

The Directors of the Company are:

##### *Rupert Cottrell, Non-Executive Chairman (aged 65)*

Rupert holds a number of non-executive director positions, including with Diamond Circle Capital plc, a listed fund investing in a portfolio of diamonds of which he is chairman, Carpathian plc, an AIM listed Eastern European commercial property fund, South Asia Real Estate Limited, an unquoted Indian residential property fund, and two Polygon Hedge Funds. He was previously a non-executive director of The PFI Infrastructure Company plc, an AIM listed infrastructure fund which was taken private in 2007. Rupert's background in the financial services sector includes executive director positions at a number of City investment management firms and four years as a director of financial regulator, FIMBRA, now part of the FSA. Rupert is an Isle of Man resident and a Fellow of the Securities Institute.

##### *Timothy Walker, Non-Executive Director (aged 54)*

Tim is a chartered accountant and Isle of Man resident, and the former finance director of Swallow/Vaux Group plc, Strix Group and Burtonwood Brewery plc. His initial PFI experience was as finance director of Vaux Group plc where he helped negotiate the first hospital/hotel contract under the UK Government's PFI Scheme, and subsequently was a non executive director of the PFI Infrastructure Company plc, an AIM listed infrastructure fund which was taken private in 2007. Tim's current non executive roles include Squarestone Brasil plc, a developer of shopping malls in Brazil (of which he is chairman), Clean Energy Brazil plc (of which he is audit committee chairman), Carpathian plc, Ishaan Real Estate plc, an Indian IT park and shopping mall developer, and Duet India Hotels Limited, a developer of international standard hotels in India.

##### *Philip Scales, Non-Executive Director (aged 61)*

Philip is managing director of IOMA Fund and Investment Management Limited ("IOMA"), part of the Isle of Man Assurance Group. IOMA specialises in the provision of third party fund administration and investment management services. Prior to this, Philip spent 18 years as managing director of Northern Trust International Fund Administration Services (Isle of Man) Limited (formerly Barings (Isle of Man) Limited). He has over 30 years' experience working offshore, primarily in corporate and mutual fund administration, and currently holds a number of directorships of listed companies. Philip is a Fellow of the Institute of Chartered Secretaries and Administrators.

Philip will resign as a director of the Company with effect from Admission.

## **Proposed Directors**

With the exception of Tim Stocks and Vikram Viswanath, the Proposed Directors form part of the GGIC management team and have worked together as a team since the early 1990s while employed at AES. Importantly, they were responsible for the acquisition of existing operations and commencement of greenfield projects in the U.S. and Emerging Markets around the world, including Asia, Eastern Europe and Latin America.

The Proposed Directors of the Company are:

### ***Thomas (Tom) Tribone, Chairman (aged 58)***

Tom is the President and CEO of GGIC. He has led GGIC's growth from its initial start-up until today. Prior to founding GGIC, Tom was the Executive Vice President of The AES Corporation. He has extensive transaction and operating experience including the completion of transactions with a value totalling over US\$30 billion worldwide. Tom helped develop the strategy of a "Global Power Company" and, pursuant to this strategy, originated a number of first-of-a-kind transactions that are now major areas of economic activity. He executed most of AES's significant acquisitions of some of the largest utilities. At AES and GGIC he led an extension of each organisation's expertise into new franchise infrastructure businesses and new regions of the world. He was responsible for the day-to-day operations of businesses with over 20 million customers and 20,000 employees.

Prior to AES, Tom held several management positions with Atlantic Richfield Company including responsibility for the company's energy and environmental matters. Tom has been a director of both listed and private infrastructure companies as well as member of a number of industry, academic and non-profit boards.

### ***Rahul (Sonny) Lulla, Chief Executive (aged 39)***

Sonny is a Senior Vice President of GGIC and has over 17 years of experience in infrastructure M&A, operations, and financing. Prior to co-founding GGIC, Sonny was employed by AES where he was President of AES Brasil Energia with responsibility for several businesses in Brazil generating over US\$1 billion in annual revenue. Additionally, Sonny served as special assistant to the chairman of AES, was responsible for the US\$2.4 billion restructuring of AES' investment in Eletropaulo and Light, and led numerous acquisitions in the US and Latin America. Sonny held positions in power and utilities financing and operations at Morgan Stanley, CMS Energy Corporation and Credit Suisse First Boston.

### ***Robert Venerus, Non-Executive Director (aged 44)***

Robert is a Senior Vice President of GGIC. Prior to GGIC, Robert was an officer and Vice President of AES where he was responsible for the start-up of global infrastructure development activities outside of electricity. Prior to that position, Robert led a team of professionals in The AES Corporation's London office as Managing Director, Business Development for Europe and Africa. During this time, Robert led the successful US\$1.2 billion restructuring of the Maritza Power Project, which was noted by Project Finance magazine as the European Power Deal of the Year for 2005. While at AES, Robert held various senior positions, reporting both directly to the Chief Executive Officer as well as to Tom Tribone where he completed transactions with a total value of over US\$5 billion.

### ***Tim Stocks, Non-Executive Director, (aged 52)***

Tim is a partner and head of the Financial Institutions & Markets Group at international law firm, Taylor Wessing LLP. As a practicing solicitor for over 26 years, he specialises in advising listed companies across a range of business sectors as well as advising sponsors, investment banks, nominated advisers and brokers.

Tim has advised the board of GGIC since 2007.

### ***Vikram Viswanath, Non-Executive Director (aged 41)***

Vikram is the Chairman and Managing Director of VLMS. Prior to this position, Vikram was a promoter director at VLMS, becoming managing director in 2000. He has extensive international experience in trading operations, cargo transportation and logistics.

Vikram holds a post graduate degree in International and Strategic Management from the University of St. Thomas, Minnesota and was also the vice president of financial and trading transactions at a US trading house. Vikram is also the majority shareholder and a director of AHP.

### **3. CORPORATE GOVERNANCE**

While the Company is no longer subject to the Combined Code applicable to companies listed on the Official List, the Directors and the Proposed Directors recognise the importance of sound corporate governance and the Company intends to comply with the QCA Guidelines.

In particular, the Directors and the Proposed Directors are responsible for overseeing the effectiveness of the internal controls of the Company designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made, and which is issued for publication, is reliable and that the assets of the Company are safeguarded.

The Board's objective, following Admission, is to move the Company to the Official List as soon as practicable and the Board plans to advance preparations in the second half of the year. Once the Company meets the applicable listing criteria, a resolution to this effect would be put to Shareholders, should the Board consider that such a move would be in the best interests of the Company and Shareholders as a whole. In addition, the Company would need to ensure that it complied with the relevant provisions of the Listing Rules, including any applicable provisions relating to the composition of the Board.

The Isle of Man does not have any corporate governance regime which is applicable to the Company.

#### **Audit Committee**

The Audit Committee, historically, comprised Timothy Walker (as Chairman) and Prodaman Sarwal and from Admission will comprise Timothy Walker (as Chairman) and one of the Proposed Directors. The Audit Committee meets at least twice a year and is responsible for ensuring that the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

The Board does not have a remuneration or nomination committee. The Board as a whole, but excluding any executive directors, is responsible for reviewing the scale and structure of the remuneration of the Company's directors, including options schemes (if applicable) and determining from time to time whether it is appropriate to appoint new board members.

The Company has adopted and operates a share dealing code governing the share dealings of the Company's directors during close periods and which is in accordance with the Model Code. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the share dealing code by the Company's directors.

### **4. MANAGEMENT SERVICES AGREEMENT**

On Admission, Infrastructure India HoldCo will enter into the Management Services Agreement with GFPM, in its capacity as the Asset Manager. Under the terms of the Management Services Agreement, the Asset Manager is responsible for identifying, structuring and monitoring investments and advising on exit strategies in respect of investments made by the Enlarged Group. In all cases the board of Infrastructure India HoldCo must first approve any such investment. The Asset Manager also advises on the proposed disposal of investments made or to be made by the Enlarged Group.

The appointment of the Asset Manager by Infrastructure India HoldCo is for an initial term of six years from the date of Admission. After the initial term of six years, the Management Services Agreement will continue until terminated by either party on 12 months' written notice to expire at any time on or after the end of the six year period. However, each of Infrastructure India HoldCo and the Asset Manager have the right to terminate the Management Services Agreement in the event of a material breach by the other party, and, if such breach is capable of remedy, has not been remedied within 30 days. The Management Services Agreement may also be terminated in other prescribed circumstances including the liquidation of one of the



parties or any other similar event of insolvency or if the Asset Manager ceases to hold the relevant licences or consents to enable it lawfully to carry out or perform the services required of it.

Under the Management Services Agreement, the Asset Manager has agreed that it will present exclusively to the Company and the Enlarged Group for their consideration any opportunities which would fall within the investment policies of the Enlarged Group. Subject to this restriction and to the conflicts management arrangements described in paragraph 7 of Part II of this document, the services of the Asset Manager under the Management Services Agreement are not exclusive and the Asset Manager is free to render similar services to others. Under the Management Services Agreement, the Company has agreed that it will exclusively use the Asset Manager (and the Valuation and Portfolio Services Adviser) in connection with the management of the Existing Assets and the New Assets.

The Management Services Agreement contains an indemnity from Infrastructure India HoldCo in favour of the Asset Manager against actions, proceedings, claims, demands and liabilities arising out of the performance of the Asset Manager's duties except insofar as the same may result from the wilful misconduct of the Asset Manager, its associates or delegates or any of its or their directors, employees and agents.

Under the Management Services Agreement, the Asset Manager is entitled to receive a management fee (see paragraph 5 below for further details).

Infrastructure India HoldCo will also reimburse the Asset Manager in respect of reasonable and properly incurred expenses incurred by the Asset Manager in carrying out its duties under the Management Services Agreement.

All amounts payable to the Asset Manager by Infrastructure India HoldCo are exclusive of all taxes, duties and other levies.

## **5. FEES**

### **Directors' and Proposed Directors' Fees**

Pursuant to the letters of appointment described in paragraph 10 of Part X of this document, Rupert Cottrell is entitled to an annual fee of £80,000, and each of the other Directors (other than Philip Scales in relation to whom fees are payable pursuant to the Administration Agreement) an annual fee of £50,000, for their services together with the reimbursement of all travel and other out-of-pocket expenses incurred in the performance of their duties. Rupert Cottrell, who also serves on the Infrastructure India HoldCo board, receives an additional £10,000 per annum in respect of each of the Company's subsidiaries, Power Infrastructure India and Roads Infrastructure India, for his services, together with all travel and other out-of-pocket expenses incurred in the performance of his duties. With effect from January 2009, however, the Directors who receive annual fees agreed a 40 per cent. deferral of payment of their remuneration until completion of a future fundraising, such as the Placing.

Pursuant to the letters of appointment described in paragraph 10 of Part X, with the exception of Tim Stocks, the Proposed Directors will not be receiving any salaries or fees for their services but will be entitled to be reimbursed for all travel and other out-of-pocket expenses incurred in the performance of their duties.

### **Performance Fee**

Following the termination of the Investment Adviser Agreement, BAMA, the Company's original investment adviser, is entitled to receive a performance fee provided that a cumulative rate of return of 10 per cent. per annum has been achieved on the Company's cash available for investment from the IPO Net Proceeds. No performance fee is payable in relation to any gains representing this first 10 per cent. return. In respect of a return of between 10 per cent. and 12 per cent. per year, 100 per cent. is paid to BAMA as a performance fee. In respect of a return of above 12 per cent. per annum, BAMA is entitled to receive a performance fee of 20 per cent. of such return. Further details on the performance fee are set out in paragraph 11(d) of Part X of this document.

## **Management Fees**

With effect from Admission, the agreement between the Company and Akur in its capacity as Asset Adviser (details of which are set out in paragraph 11(h) of Part X of this document) will terminate. Infrastructure India HoldCo will instead enter into the Management Services Agreement with GFPM and the Valuation and Portfolio Services Agreement with Akur.

Under the Management Services Agreement, GFPM shall be paid a management fee quarterly in arrears which shall be an annual amount equal to 1.5 per cent. of the value of the New Assets and 0.5 per cent. of the value of the Existing Assets, as published by the Company from time to time, for the first 24 months from Admission and, thereafter, an annual amount equal to 2.0 per cent. of the Net Asset Value.

Under the Valuation and Portfolio Services Agreement, Akur shall be paid a management fee quarterly in arrears which shall be an annual amount equal to 0.5 per cent. of the value of the New Assets and 1.5 per cent. of the value of the Existing Assets, as published by the Company from time to time, for the first 24 months from Admission and, thereafter, an annual amount calculated by reference to the Group's assets which shall not be less than £600,000 per annum or such higher amount as is agreed in writing between Akur and Infrastructure India HoldCo.

Further details of the Valuation and Portfolio Services Agreement are set out in paragraph 11(i) of Part X of this document.

## **Fees of the Administrator**

Further details on the fees payable to the Administrator are set out in paragraph 6 below.

## **6. ADMINISTRATION AND REGISTRAR ARRANGEMENTS**

The Administrator has been appointed to provide day to day administration and secretarial services to the Company as set out in the Administration Agreement. The Administrator's principal activity is the provision of administration services to investment companies and collective investment schemes. The Administrator is licensed by the Isle of Man Government Financial Supervision Commission to carry out controlled investment business in the Isle of Man.

In consideration for its services, and in addition to set-up fees charged on a time cost basis (subject to a maximum of £15,000), the Administrator receives an annual administration fee of £85,000 plus a fee based on time spent charged at standard rates for certain accounting services. Certain other additional out of pocket expenses may also be charged to the Company.

The Administration Agreement is terminable by either party on not less than 90 days' notice in writing and in certain other circumstances, including material breach of the terms of the agreement by either party.

The Registrars have been appointed to provide electronic registration and settlement services through CREST to the Company as set out in the Registrar Agreement. In consideration for their services, the Registrars are paid a fee based upon the number of account holders of not less than £7,500 per annum for maintaining the Register together with a deal fee for each Shareholder transaction.

## **7. CONFLICTS MANAGEMENT**

In the event the Board becomes aware that any director or any director of a Group company has an economic interest in any material contract entered into by the Enlarged Group, the Board puts in place appropriate procedures on a case by case basis to ensure that the related party does not obtain any confidential information relating to the matter and does not vote on any investment or divestment decision made by the Board or relevant Group company board.

GGIC has confirmed to the Company and Smith & Williamson that it would intend that the Company should operate independently of GGIC and that the Company's board should similarly act independently.

## **8. INVESTMENT STRUCTURE**

The Enlarged Group will structure its investments in the manner the Board considers most beneficial, and may incorporate subsidiaries and use SPVs incorporated in various jurisdictions for this purpose.

## **9. THE MAURITIAN COMPANIES AND OTHER SPVs**

Infrastructure India HoldCo is a limited liability company incorporated in Mauritius and is a wholly owned subsidiary of the Company. Power Infrastructure India, Roads Infrastructure India, Roads Infrastructure India (Two) and Distribution and Logistics Infrastructure India are wholly owned subsidiaries of Infrastructure India HoldCo that were incorporated to make the Company's investments.

Infrastructure India HoldCo is managed by its board of directors, which comprises Rupert Cottrell and two Mauritian directors. The Company, as the sole shareholder of Infrastructure India HoldCo, is ultimately able to appoint and remove its directors, as well as those of its wholly owned subsidiaries.

The directors of Infrastructure India HoldCo who are not on the Board, both of whom are non-executive, are Suzanne Gujadhur Bell and Boopendradas (Vikash) Sungker. The boards of Power Infrastructure India, Roads Infrastructure India, Roads Infrastructure India (Two) and Distribution and Logistics Infrastructure India comprise the same directors as those of Infrastructure India HoldCo.

If considered appropriate and beneficial for the Company, the Company may incorporate other companies in Mauritius, as well as potentially in Cyprus and other jurisdictions, through which to make investments.

## **10. INVESTMENT STRATEGY**

The Company invests predominantly in those infrastructure projects in India which it believes have the potential to generate substantial capital growth and deliver income.

The Company will seek to recover all investments within three to five years of the date of investment. However, if a project is performing well and continuing to create sufficient value, the Board may decide that it is appropriate to hold an investment in that business for a longer period of time to realise maximum value of its interests.

The Directors and the Proposed Directors believe that this strategy is well structured to enable the Company to progress in the current market conditions.

The majority of the Indian infrastructure deals which the Company is focused on are not the large, high profile deals which are the focus of much media attention, but are private, less competitive and circulated to a much smaller group of infrastructure players active in the market.

The Company will invest those cash resources which are held by the Company in cash or near cash deposits unless they are deployed in infrastructure projects or used to fund the Company's working capital requirements.

## **11. INVESTING POLICY**

The Company's investing policy with effect from Admission will be as follows:

### **Overall focus**

The Company will invest at the asset level or through specific holding companies (not by investing in other funds or in the equity of non-specific parent companies) in infrastructure projects in India. Such investments are to be focused on the broader sectors of:

- Energy – including assets involved in electricity generation, transmission and distribution; infrastructure assets related to oil and gas, service provision and transmission; renewable fuel production and renewable energy assets; and

- Transport – including investment in roads, rail, ports and airport assets, and associated transport interchanges and distribution hubs.

Additionally, the Company may make investments in other economic and social infrastructure sectors within India where opportunities arise and which the Board considers offer similar risk and return characteristics to those found within the energy and transport sectors.

### **Sector weighting**

The Company will be focused on investing in assets close to the commencement of operations – it will concentrate on making investments in those assets which are in the process of construction and are typically within 30 months of planned commercial operation. In some cases, however, the Company may invest in primary bidding and/or early stage assets (e.g. before the commencement of construction) and, in some cases, existing assets in operation.

### **Asset allocation**

The Company will focus on being a purely equity investor at the SPV level in infrastructure assets in India. The Company may also invest through subordinated debt or mezzanine instruments in some cases.

### **Risk diversification**

The Company will seek geographical diversification within India and diversification within the project types, counterparty, payment mechanisms and co-investment partners.

### **Gearing**

The Company's level of gearing will be limited to no more than 50 per cent. of its NAV. Gearing at the non-recourse SPV level will typically be at a debt/equity ratio of 70/30. The Board will seek to increase gearing at the project level when appropriate but will seek to ensure, as far as possible, that gearing at the non-recourse SPV level does not exceed 90 per cent. of total capital.

### **Maximum exposures**

The Company anticipates that single investments will typically represent no more than 30 per cent. of the Group's NAV (as measured at the time of investment). Should the maximum exposure be reached, the Group will seek to ensure that the remainder of the Group's investments are spread across different asset classes in different geographies (within the definition of the Group's overall focus) to ensure risk diversification. Subject to this, there will be no minimum or maximum stakes that the Company can have in projects although its target size of equity investment in any one single entity project is likely to be between £10 million and £40 million. The Board may undertake investments outside of these parameters at their discretion but in consultation with Shareholders, as has been the case in respect of VLMS.

### **Investment Restrictions**

The Company must, insofar as it is possible, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with the overall investing policy. In addition, no more than 10 per cent., in aggregate, of the value of the total assets of the Company at the time an investment is made, may be invested in other listed closed-ended investment funds.

The Board does not anticipate any circumstances in which the Company's investment restrictions will be breached, but were this to occur, the actions to be taken would be communicated to Shareholders by an announcement through an RIS.

## **12. BORROWING RESTRICTIONS**

Gearing at the Company level will be limited to no more than 50 per cent. of the Company's NAV (calculated as at the time of borrowing). This limit has been adopted by the Board, but there is no restriction on borrowing contained in the Articles.

The Group may also use overdraft or other short-term borrowing facilities to provide short-term liquidity, including to meet any fees or expenses payable by the Group.

Gearing at the SPV level will be non-recourse to the Company and will typically be at 70 per cent. of the relevant SPV's net asset value. The Company will seek to ensure, as far as possible, that gearing at the non-recourse SPV level will not exceed 90 per cent. of the relevant SPV's net asset value.

### **13. HEDGING**

Where appropriate, the Enlarged Group may seek to enter into derivative transactions for the purposes of risk management (including hedging transactions). Derivative transactions (including hedging transactions) will only be used for the purposes of efficient portfolio management and are only expected to be entered into at the time of making an investment opportunity, during refinancing and during debt restructuring, although may potentially be entered into at other times as well.

### **14. CORPORATE SOCIAL RESPONSIBILITY**

The Enlarged Group will ordinarily make investments in infrastructure projects that seek to make a contribution to the development of communities in which they are located. In planning its activities the Board will give consideration to evaluating the social impact of proposed developments with a view to promoting where possible local employment and the delivery of other local benefits, and mitigating negative impacts to the extent possible.

The Company intends to establish a community projects trust (the "Trust") and will contribute to the Trust up to 2 per cent. of the net realised gains derived from the re-financing of operational projects and of the net profit derived from any disposal of equity interests in operational projects. It is intended that the Trust will support community based education, training and employment initiatives designed to foster social inclusion in communities where the Group is active.

### **15. INVESTMENT PROCESS**

Following the appointment of the Asset Manager, the Enlarged Group will rely on its own resources and those of the Asset Manager which will be responsible for identifying, structuring and monitoring investments and exit strategies for investments, utilising the services of the Valuation and Portfolio Services Adviser, where necessary.

#### **Monitoring**

Following any approval by the board of Infrastructure India HoldCo, the Asset Manager will be responsible for procuring the preparation of reports to facilitate the Enlarged Group's ongoing monitoring of the investment.

The Asset Manager and the Valuation and Portfolio Services Adviser will do this by holding periodic meetings with the relevant project management teams at the investee companies (who are primarily responsible for the day-to-day business operations of the relevant investments), reviewing and discussing management reports and receiving regular information on the projects to enable it to effectively monitor the implementation of the project business plans on behalf of Infrastructure India HoldCo. The Asset Manager and the Valuation and Portfolio Services Adviser will keep the board of Infrastructure India HoldCo regularly briefed on its findings.

The Asset Manager and the Valuation and Portfolio Services Adviser may use the services of other professional advisers to prepare the reports used by Infrastructure India HoldCo for the monitoring and management of investments.

#### **Development**

During the monitoring process the Asset Manager and the Valuation and Portfolio Services Adviser will also be responsible for the identification of potential improvements and modifications to the Group's investments.

The Asset Manager and the Valuation and Portfolio Services Adviser will also be responsible for developing, communicating and potentially assisting in the implementation of these potential improvements and modifications. The major potential improvement which the Asset Manager and the Valuation and Portfolio Services Adviser will focus on is refinancings, drawing on the management team's extensive experience of infrastructure investment and asset management.

## **16. VALUATION POLICY AND METHODOLOGY**

The Company's NAV per Ordinary Share will be calculated on a semi-annual basis by Akur (in its capacity as Asset Adviser prior to Admission and as Valuation and Portfolio Services Adviser thereafter) in conjunction with the Administrator and will be published in the Company's interim and final results.

The Company has developed a valuation methodology which will be applied to its investment portfolio on a consistent basis. Under this methodology, the future cash flows of each investment project will be discounted to a net present value. The discount rate utilised will be arrived at by adding risk premia of 6 per cent., 4 per cent. or 2 per cent. to a risk-free rate corresponding to Indian long-term government bonds. The premia will depend on the distribution of project cash flows between the construction phase, ramp-up (being the first two years from the start of operations) and subsequent operations. Additional risk premia will be added if the future performance of the project is subject to particular uncertainties, for example in relation to a payment mechanism incorporating significant volume risk or other unusual risks. An independent third party will be engaged by the Company on an annual basis with a brief to ensure that the investment valuation methodology has been accurately and consistently applied.

The valuation totals so derived will not necessarily reflect market value but it is intended that the application of the valuation methodology outlined above will provide evidence of a trend in the Company's portfolio performance derived on a consistent basis.

## **17. LIFE OF THE COMPANY**

The Articles stipulate that at the annual general meeting of the Company to be held following the fifth anniversary of IPO Admission, 30 June 2013, a resolution be proposed that the Company cease to continue as constituted. If the resolution is not passed, a similar resolution will be proposed at every fifth annual general meeting thereafter. If the resolution is passed, the Board will be required to formulate proposals to be put to Shareholders to exit investments of the Company within a maximum period of two years.

## **18. PURCHASES OF SHARES BY THE COMPANY**

The Company may repurchase Ordinary Shares. Any repurchase of Ordinary Shares will be made subject to the laws of the Isle of Man (including the requirement for the Board to pass a resolution stating that, in the opinion of the directors, the purchase is to the benefit of the remaining Shareholders and the terms and the consideration are fair and reasonable) and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the Company). The making and timing of any such buybacks will be at the absolute discretion of the Board and will be governed by the AIM Rules for Companies and the Law.

The Board will consider repurchasing Ordinary Shares if it believes it to be in Shareholders' interests generally, but particularly in order to redress any imbalance between the supply of, and demand for, Ordinary Shares.

## **19. DISCOUNT CONTROL**

As the Company is a closed-ended investment company, the Ordinary Shares may trade at a discount to their NAV per Ordinary Share on occasion. The Company has the ability to repurchase Ordinary Shares, as outlined above. The Board will consider repurchasing Ordinary Shares if they feel this will assist in the management of any discount to the NAV per Ordinary Share.

## **20. FINANCIAL REPORTING**

On a semi-annual and annual basis, the Company produces consolidated accounts for the Group prepared in accordance with IFRS. These accounts reflect the Company's NAV. The consolidated accounts fully consolidate the results of the Company's investee companies where the same is required by IFRS, notwithstanding that there may be minority shareholders in these companies and that they are likely to operate in different sectors.

The Company's year end is 31 March and interim results are published for the period ending 30 September each year. Under the AIM Rules for Companies the Company must publish its annual report no later than six months after its year end. Half yearly reports must be notified no later than three months after its half year end.

## **21. TREASURY MANAGEMENT**

The Board has set and continually reviews the treasury management policy of the Company.

The Administrator manages the day to day administration of surplus cash in conjunction with the major international bank with which the cash is held, in accordance with guidelines agreed with the Board from time to time, such cash always to be invested in line with the Company's investment policy.

Cash is held primarily in Sterling.

There is no current requirement to undertake any hedging or forward foreign exchange contracts but this is kept under review by the Board and any changes in policy will be advised to the Administrator who will be responsible for implementing any decisions taken by the Board.

## PART III

### EXISTING INVESTMENTS

The Company's existing investment portfolio is comprised of the following investments:

#### 1. The Shree Maheshwar Project

The Shree Maheshwar Project is part of the Narmada Valley Development Plan that includes the construction of several large-scale power and irrigation projects in the Narmada Valley. Other projects developed as part of the Narmada Valley Development Plan include the 1,000MW (8 turbines of 125MW each) Indira Sagar project and the 520MW (8 turbines of 65MW each) Omkareshwar project. Both projects have been completed by Narmada Hydroelectric Development Corporation, a joint venture with the GoMP. The Indira Sagar project, for example, had a project cost of Rs. 43 billion (approximately £503 million) and was completed in March 2005.

The Shree Maheshwar Project is currently being developed by Shree Maheshwar Hydel Power Corporation Ltd (SMHPCL) and is a 400MW (10 turbines of 40MW each) run-of-the-river project, which will use the natural elevation and flow of the river to generate electricity. The Shree Maheshwar Project, which will have a small reservoir on the Narmada River, is situated close to the town of Mandleshwar in the south-western region of Madhya Pradesh. It will serve as a station for the western grid which suffers a shortage of capacity. SMHPCL was awarded the contract on a BOO basis.

The power purchase agreement for the project was signed between MPEB and SMHPCL and is for a term expiring 35 years from the date of commissioning of the first turbine of the project. Under the power purchase agreement, SMHPCL will sell and MPEB will buy the net electrical output generated from the Shree Maheshwar Project. The electricity purchase price is to be determined in accordance with the Central Electricity Regulatory Commission's guidelines and is based on providing SMHPCL with a set return above the actual construction cost of the project.

Construction commenced in October 1997. However, the construction was interrupted between October 2001 and October 2005 due to lack of funding. This led to a technical default by SMHPCL under its loan agreements and a restructure of its debt. Upon the recommencement of the construction works in late 2005, a revised R&R plan was agreed, with MPEB continuing to be engaged to carry out the R&R works pursuant to an agreement entered into in 1997. The Shree Maheshwar Project requires approximately 10,000 people to be relocated from land to be submerged. The R&R plan offers displaced persons cash, aid for affected livelihoods and/or land which meets the previous purpose of the submerged land. New settlements also have to be equipped with amenities to meet local requirements including water, electricity, a primary school and sanitary arrangements. The relocation and rehabilitation process, including land acquisition, is the responsibility of MPEB, pursuant to the agreement for resettlement and rehabilitation entered into between SMHPCL and MPEB dated 24 February 1997. The Directors understand that this process is well underway in accordance with State and National regulations, with approximately 90 per cent. of the submergence lands having been acquired or are under offer and almost 50 per cent. of the rehabilitation sites are understood to have been developed or are under development. SMHPCL is required to complete the rehabilitation process before the project is commissioned and is ultimately responsible for associated resettlement and rehabilitation costs. MPEB is required to use its best efforts to ensure that the R&R is completed within 2 months prior to the required commercial operations date for the first turbine generator and also to enable SMHPCL to comply with the commercial operation date for the project as a whole.

The project is now in the final stages of construction and the management of SMHPCL have informed the Directors that the first of the ten turbines of 40MW at the Shree Maheshwar Project was ready to begin power generation in January 2011 while two more are on site and it is anticipated that they will be ready for commissioning in the first quarter of 2011, with the facility expected to be fully operational in the third quarter of 2011. The promoter of SMHPCL has informed the Directors that SMHPCL has secured the further debt and equity funding required to complete the project and that the final project cost is subject to change until approved by the Madhya Pradesh State Electricity Regulatory Commission in accordance with the guidelines laid down by the Central Electricity Regulatory Commission on the completion of construction.



Any approved project cost increase would be reflected in the electricity purchase price tariff, which should ensure that the actual return on SMHPCL's equity would be maintained.

The Shree Maheshwar Project is expected to be one of the largest privately owned hydroelectric power schemes in India when it is fully commissioned. It will consist of a concrete barrage approximately 1.5 kilometres long, comprising both a spillway and power generation dam. SMHPCL has contracted with leading construction and equipment companies to design and construct the project. Contractors include BHEL, one of the largest engineering and manufacturing companies in India in the energy-related/infrastructure sector, to provide the electromechanical materials. SEW Construction Ltd, an Indian construction company involved in numerous Indian hydroelectric projects, in a joint-venture with Prasad & Co (one of the leading civil engineering companies in India), is carrying out the civil works required. SEW Construction Ltd is also contracted to carry out all the hydro-mechanical works.

In conjunction with the Shree Maheshwar Project, the GoMP is undertaking a project to update existing pumping facilities and replace a water pipeline. The reservoir created by the project will be used to supply water to Indore, the most populous city in Madhya Pradesh, with a population of 1.6 million people (2001 Census), the town of Mhow and surrounding areas.

Pursuant to the Share Subscription Agreement, further details of which are set out in paragraph 11(l) of Part X of this document, the Group has acquired a 20.5 per cent. equity interest (which was adjusted to approximately 6.6 per cent. after dilution effects) in SMHPCL. The cost of this investment was Rs. 1.1 billion (approximately £13 million), comprising Rs. 500 million used to subscribe for shares in SMHPCL and Rs. 600 million paid to Matlida Ventures Corp., a co-investor in SMHPCL, by way of a guarantee fee. Matlida Ventures Corp. has agreed to guarantee a minimum IRR of 15 per cent. on the Group's total investment in connection with SMHPCL. If the guaranteed IRR is not achieved on the Group's exit, certain shares in SMHPCL held by a subsidiary of Matlida Ventures Corp. will be transferred to the Group. Matlida Ventures Corp. has agreed to use Rs. 500 million of the guarantee fee to subscribe for shares in SMHPCL.

As noted above, the SMHPCL investment has been structured to deliver a minimum IRR to the Group of 15 per cent. Pursuant to share pledge agreements, further details of which are set out in paragraphs 11(o) and 11(p) of Part X of this document, the Group is able to increase its shareholding in SMHPCL by up to 60 per cent. of the Group's holding (from Matlida Ventures Corp.) at no additional cost to the Group should this minimum IRR not be reached 5 years after the date of the investment and, in the Directors' view, this provides a high level of protection in relation to this investment. The maximum IRR for the Group is not contractually limited.

## **2. The Lebad-Jaora Project**

On 30 September 2008 the Company completed its second investment, the acquisition of a 26 per cent. equity stake in WMPITRL at a cost of Rs. 960 million (approximately £11.3 million). The Lebad-Jaora Project involves a significant upgrade and widening of part of State Highway No. 31. from a previously existing two lane road to a modern four lane road with bridging and safety equipment, which will significantly reduce journey time along that stretch of road. The project is therefore expected to reduce current congestion and provide scope for further traffic growth.

The Lebad-Jaora Project is located in the Indian state of Madhya Pradesh and the project corridor traverses through the towns of Sadalpur, Nagda, Badnawar, Satrunda and Ratlan. In December 2006, the MPRDC, a Government of Madhya Pradesh undertaking, invited parties to bid for the award of the contract on a BOT basis. Based on the MPRDC bid document, the previous road carried approximately 5,000–20,000 vehicles a day, of which about 40 per cent. were commercial vehicles.

WMPITRL was awarded the toll road project on a BOT basis in August 2007 and the concession for the Lebad-Jaora Project is for a period of 25 years, commencing from 11 April 2008. The road has two toll plazas along its 125km length, positioned at 38km and 88km, respectively, with an additional one possibly being erected between 88kms and 125kms. While tolling operations were originally anticipated to commence around April 2010, tolling on half of the road began ahead of schedule in November 2009. Tolling over the entire length of the road is expected to commence during the first quarter of 2011, following completion of the remaining short-span bridges over railways which are under construction.

Pursuant to the terms of the LJ Concession Agreement, WMPITRL executed an EPC contract with Pan India Infrastructure Private Limited (“PIIPL”), an affiliate of the Essel Group, whereby PIIPL was appointed to design, engineer and construct the Lebad-Jaora Project and other facilities associated with it. PIIPL is also responsible for procuring, providing or arranging for the skilled, semi skilled or unskilled services and personnel required for the execution of the Lebad-Jaora Project.

The Lebad-Jaora Project is funded by debt and equity and WMPITRL has entered into financing arrangements with Axis Bank Limited, Canara Bank, Central Bank of India, Corporation Bank, India Infrastructure Finance Company Limited (which is not a member of the Group) and Punjab National Bank, aggregating Rs. 5.1 billion (approximately £70 million) to meet the project costs. The loans sanctioned to WMPITRL are secured by first ranking *pari passu* security interest on WMPITRL’s moveable properties and assets, present and future, including moveable plant and machinery, tools and accessories, WMPITRL’s operating cash flows, book debts, all receivables and revenues from the Lebad-Jaora Project, all current assets, commissions and other revenues, intangible assets including goodwill, and uncalled capital of WMPITRL. Most of the financing arrangements also include various conditions and covenants, including, among others, the requirement that the Essel Group maintain its 51 per cent. shareholding in WMPITRL, that WMPITRL obtain all requisite approvals required under the LJ Concession Agreement and that WMPITRL obtain lender consents prior to carrying out certain activities and entering into certain transactions.

Following the Group’s initial investment in 2008 in connection with WMPITRL, there has been a variation to the project specification in relation to the railway bridges. The extra costs involved are technically for the account of the State Roads Authority but in a number of cases reimbursement 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 Group contributed Rs 68.3 million (approximately £881,000) in October 2009 as part of its share of the marginal cost overrun. In June 2010, the Group made a further contribution of approximately Rs. 25 million (£360,000). The amount of the second contribution was materially reduced from the originally anticipated amount of Rs. 64 million and allowed the Group to maintain its 26 per cent. shareholding in the project.

## PART IV

### INFORMATION ON PROPOSED INVESTMENTS

#### 1. Background on IHDC

IHDC was formed as a limited liability company on 13 December 2005 in the State of Delaware. Its registered office is at The Corporation Trust Company, Corporation Trust Center, 1209 N. Orange Street, Wilmington, Delaware, 19801.

IHDC is an international partnership between DLZ Corporation, a US consulting firm operating in the architectural and engineering industry, and FPI, a subsidiary of GGIC, whose primary business is the ownership and operation of hydroelectric plants in Maharashtra, Madhya Pradesh, and Himachal Pradesh in India. The management team at IHDC has extensive hydroelectric project experience in both the USA and India, with relationships at both local and national levels across India. IHDC has corporate offices located in Mumbai, a project management office in Pune and satellite offices at each of its project sites throughout India.

Presently, IHDC has approximately 80 engineering, operations, and management employees in India. The Company's top executives include US, Canadian, and Indian nationals, many with 20 or more years of experience in the hydropower, engineering, and water resources industries in India and/or North America.

IHDC's asset base consists of existing hydropower generation assets, the right to implement additional hydropower capacity in several states in India, and an established operating infrastructure capable of supporting such projects. The focus on smaller hydroelectric plants in India means that, the relevant PPA tariff is established by the relevant state government through a promotional policy for small hydroelectric power projects which is intended to streamline and simplify the development and operations of the small-scale renewable power assets.

IHDC has a proven track record in respect of hydroelectric plants in India and, to date, operates two hydroelectric plants totalling approximately 48MW of capacity and also has developed, completed and operates two greenfield projects and has a further four hydro power projects under construction/development, totalling up to 29MW of capacity including Raura at enhanced capacity.

In summary, IHDC's main operational projects comprise:

- Bhandaradara Power No. I:
  - a rehabilitation project involving the redevelopment and enhancement of the plant's capacity from 10MW to 12MW
  - a 30 year PPA with the Maharashtra State Electricity Board
  - completed in 2001
- Bhandaradara Power No. II:
  - located downstream from Bhandaradara Power No. I
  - a rehabilitation project which involved the redevelopment and enhancement of the plant's capacity to 34MW
  - acquired in 2006
- Birsinghpur:
  - a 2.2MW capacity greenfield project
  - 5 year PPA with private industry off-takers
  - completed in 2006

- Darna:
  - a greenfield project totalling 4.9MW of capacity
  - PPA with Maharashtra State Electricity Distribution Company Limited, valid until 2045
  - construction began in 2008 and it began generating power in January 2011

IHDC's main projects under construction/development comprise:

- H.P. Cluster No. I:
  - three greenfield projects totalling 13MW of capacity
  - 40 year PPA with the Himachal Pradesh State Electricity Board
  - construction started in 2007 and completion is expected in early 2012 and 2013
- Raura:
  - an 8MW capacity project which can be enhanced to 15MW of capacity
  - construction is expected to begin in 2011, with completion expected in 2015

In addition, IHDC has a pipeline of identified projects for future development.

## **2. Background on VLMS**

VLMS was registered and incorporated as a private company on 16 December 1992 in Bangalore, India with registered number U85110KA1992PTC013801 under the name of Vikram Associates Private Limited. The name of the company was changed to Vikram Integrated Logistics Private Limited on 24 July 2003 and again changed to VLMS on 12 June 2006. The principal legislation under which the company operates is Indian law. The company's registered address is Chambers@Mantri, 3rd Floor, No. 10, Richmond Road, Bangalore 560 025 and VLMS's telephone number is +91-80-22 02 1000. Its auditors are A.R. Viswanathan & Co., Chartered Accountants of No. 32/2, 1st Floor 5th Main Road, Chamarajapet, Bangalore 560018.

VLMS' business functions are set out below:

### ***Business Functions***

#### *Trucking Operations*

- VLMS currently operates 136 trailers, lorries, closed body trucks, containers and vans in multiple sizes for:
  - Local pickup, consolidation, long haul and door-to-door;
  - Bonded transport;
  - Air cargo bonded terminal-terminal transport;
  - Hazardous materials bulk and package;
  - Pan-India transportation; and
  - Steady transport routes connecting major railway depots, sea and airports across the south.

#### *Coastal Shipping Operations*

- VLMS has entered into an agreement with a coastal shipping company for coastal transport operations. Under the arrangement, VLMS markets the services of the coastal shipping company.

### ***Current trading and prospects***

For the year ended 31 March 2010, VLMS reported revenues of Rs. 437.6 million (for the 7 month period to 31 October 2010: Rs. 246.5 million), profit before tax of Rs. 23.73 million (for the 7 month period to 31 October 2010: Rs. 26.1 million) and net assets of Rs. 112.11 million (for the 7 month period to 31 October 2010: Rs. 135.4 million). Please see paragraph 3 of this Part IV for historical financial information on VLMS.

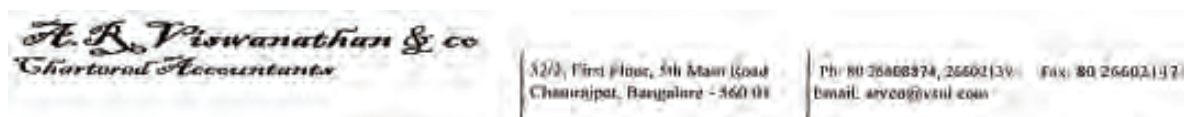
As India becomes a key consumption centre of value added products, it is expected to become a production/assembly base for these products. Hence, in order to service a customer's complete supply chain requirements, an understanding of and ability to provide transport and warehousing solutions in addition to FTWZ bonded container facilities, CFSs and ICDs are key.

As regards FTWZs, VLMS intends to leverage the experience gained from managing CONCOR's container operations for 19 years by setting up its own logistics facilities. Consequently, VLMS is in the process of winding up the outsourcing services provided to CONCOR and is in the process of acquiring and developing two substantial tracts of land in Bangalore and Chennai which, in due course, it intends to develop as FTWZ bonded container warehouse facilities at both sites. The FTWZs will provide scale to VLMS' operations and place VLMS in a position to differentiate itself from its competitors. They should also be able to benefit from favourable tax provisions, including excise duty exemptions.

In addition to the ICD at the Bangalore FTWZ and the CFS at the Chennai FTWZ, VLMS is currently operating an ICD at Hassan which was completed in August 2009.

VLMS intends to build on the progress it has made towards becoming an integrated logistics solutions provider by providing non asset based services such as transport management services, freight forwarding and coastal logistics.

### 3. Historical financial information on VLMS



## AUDITOR'S REPORT

To the Share holders of VIKRAM LOGISTIC AND MARITIME SERVICES PRIVATE LIMITED, BANGALORE.

We have audited the attached Balance Sheet of VIKRAM LOGISTIC AND MARITIME SERVICES PRIVATE LIMITED, as at 31 March 2008 and the Profit and Loss account for the year ended on that date also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4a) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above and based on the assurance of the Management on valuation and recoverability together with the notes on confirmation and reconciliation of balances the value of receivable are considered and reflected, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;
3. The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
5. Based on the written representations made by the Directors of the Company, we report that none of the Directors are disqualified as on 31 March 2008 from Being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanation given to us, they said accounts give the information required by the Companies Act, 1956, in the manner so required and give the true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) In the case of Balance Sheet, of the state of affairs of the company as at 31 March 2008.

- (b) In the case of the Profit and Loss account, of the profit for the year ended on that date.
- (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For A.R.Viswanathan & Co,  
*Chartered Accountants*

Place: Bangalore  
Date: 16 October 2008

A.V.Venkatachalam  
*Partner*  
Membership No. 19546

## **Annexure referred to in paragraph 3 of our report of even date**

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such physical verification.
- (c) The Company has not disposed off any substantial part of the fixed assets during the year.
- (ii) (a) The Inventory which consist of Stores and Spare parts of Vehicles have been physically verified by the management at the year end.
- (b) The procedure of physical verification of inventories followed by the management is reasonable and adequate to size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and the book records are not material.
- (iii) The company has not taken/granted loans secured or unsecured from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Hence our comments regarding rate of interest and other terms and conditions do not arise.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of business with regard to purchase of inventory, fixed assets and with regard to the services rendered by the Company. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that there were no transactions during the year that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- (b) In our opinion and according to the information and explanation given to us, that there were no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of The Companies Act, 1956 and exceeding the value of Rs. 0.5 Mn in respect of any parties during the year.
- (vi) The company has not accepted any deposits from the public to which the provisions of Section 58A and 58AA or any other relevant provisions of the companies Act, 1956, and the rules made there under apply. No order has been passed by the National Company Law Tribunal, or Reserve Bank of India or any Court or any other Tribunal.
- (vii) The company is in the process of establishing a viable internal audit system adequate for the business of the company. However, internal control system which is in vogue, in our opinion, adequate with reference to present nature and size of the company.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act,1956 for the company.
- (ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employee's state insurance, Sales tax, Wealth tax, Service tax, custom duty, Excise duty, cess and other material Statutory dues applicable to it, except Income tax (TDS) dues.
- (b) According to the information and explanation given to us, no undisputed amounts payable In respect of Sales tax, Wealth tax, Service tax, Custom duty, and cess were in arrears, as at 31 March 2008 for a period of more than six months except Income tax Rs. 2.64 Mn from the date they became payable.



- (c) According to the information and explanation given to us, there are no dues of sales tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute subject to income tax as below:

<i>Sl no</i>	<i>Nature of Transactions</i>	<i>Authorities</i>	<i>Balance as on 31 March 2008</i>
1	Income tax-2004-05	CIT	Rs. 2.64 Mn

- (x) In our opinion, company does not have the accumulated losses as of 31 March 2008. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to the financial institution, Bank or debenture holders.
- (xii) In our opinion and according to information and explanations given to us, the provisions of paragraph 4(xii) of the Companies (Auditors' Report) Order 2003 as amended by the Companies (Auditors Report) (Amendment) Order 2004 is not applicable to the company as it has not granted any loans and advances on security of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or Nidhi/Mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the companies (Auditors Report) Order, 2003 as amended by the Companies (Auditors Report) (Amendment) Order 2004 are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditors Report) (Amendment) Order 2004 are not applicable to the company.
- (xv) According to the information and explanations given to us, the company has not given any guarantee in respect of loans taken by others from banks and financial institutions.
- (xvi) In our Opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) During the period covered by our audit report, the company has not issued any debentures. Hence, our comments on creation of securities in respect of debentures issued do not arise.
- (xx) According to information and explanations given to us, the Company has not raised any money from public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For A.R.Viswanathan & Co,  
*Chartered Accountants*

Place: Bangalore  
Date: 16 October 2008

A.V.Venkatachalam  
*Partner*  
Membership No. 19546

**Profit & Loss account for the year ended 31 March 2008**

	<i>Schedule</i>	<i>For the year ended 31 March 2008</i>	<i>For the year ended 31 March 2007</i>
		<i>(Rs.Mn)</i>	
<b>Income</b>			
Handling & Transportation charges	11	332	346
Other income	12	8	1
		<u>340</u>	<u>347</u>
<b>Expenditure</b>			
Operative expenses	13	228	224
Personnel cost	14	15	9
Administrative expenses	15	28	31
Interest & Financial charges	16	14	28
Depreciation		17	24
		<u>302</u>	<u>316</u>
<b>Profit before tax</b>		38	31
<b>Provision for tax</b>			
– Current tax		12	9
– Deferred tax		–	3
– Fringe benefit tax		1	1
		<u>25</u>	<u>18</u>
<b>Profit after tax</b>			
<b>Prior period expenditure/(income)</b>			
Depreciation block adjustments		(14)	–
Interest on Margin money		(1)	–
Depreciation		2	–
Bank charges		1	–
Operational adjustments written back		(4)	(2)
		<u>41</u>	<u>20</u>
<b>Net profit for the year</b>			
ADD: Balance brought forward from previous year		62	55
		<u>103</u>	<u>75</u>
<b>Profit available for appropriation</b>			
Proposed Dividend		–	10
Tax on Dividend		–	2
Transfer to General reserve		–	1
		<u>103</u>	<u>62</u>

**Significant accounting policies**

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**Notes to the accounts**

The schedules referred to above form an integral part of the profit and loss account.

For Vikram Logistic and Maritime Services Pvt Limited

As per our report of even date  
For A.R.Viswanathan & Co.,  
*Chartered Accountants*

Vikram Viswanath  
*Chairman & Managing  
Director*

A.K.Kohli  
*Executive  
Vice-Chairman*

Rajalakshmi Viswanath  
*Director*

A.V.Venkatachalam  
*Partner*  
Membership No.19546

Place: Bangalore

Dated: 16 October 2008

**Balance Sheet as at 31 March 2008**

	<i>Schedule No</i>	<i>As At 31 March 2008</i>	<i>As At 31 March 2007</i>
<i>(Rs.Mn)</i>			
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	821	50
Reserves & Surplus	2	143	67
<b>Loan Funds</b>			
Secured Loans	3	435	278
<b>Deferred Tax Liability (Net)</b>		36	37
<b>Total</b>		<b>1,435</b>	<b>432</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	385	345
Less: Depreciation		188	184
Net Block		197	161
Capital Work in Progress including Capital Advances		1,095	83
<b>Total</b>		<b>1,292</b>	<b>244</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	5	16	18
Sundry Debtors	6	86	78
Cash & Bank Balances	7	34	11
Loans and Advances	8	26	136
<b>Total</b>		<b>162</b>	<b>243</b>
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	9	30	26
Provisions	10	2	44
<b>Total</b>		<b>32</b>	<b>70</b>
<b>Net Current Assets</b>		130	173
Miscellaneous expenses to the extent not written off (Deferred Revenue expenditure)		13	15
<b>Total</b>		<b>1,435</b>	<b>432</b>
Significant Accounting Policies and Notes to Accounts	17		

The schedules referred to above form an integral part of the Financial Statements

For Vikram Logistic and Maritime Services Pvt Limited

As per our report of even date  
For A.R.Viswanathan & Co.,  
*Chartered Accountants*

Vikram Viswanath  
*Chairman & Managing  
Director*

A.K.Kohli  
*Executive  
Vice-Chairman*

Rajalakshmi Viswanath  
*Chairman Director*

A.V.Venkatachalam  
*Partner*  
Membership No.19546

Place: Bangalore  
Dated: 16 October 2008

**Cash Flow statement for the year ended 31 March 2008**

*Year Ended*      *Year Ended*  
*31 March 2008* *31 March 2007*  
*(Rs.Mn)*

<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit Before Tax and Exceptional Items and Taxation</b>	38	31
<b>Net Profit Before Tax</b>	38	31
<b>Adjustments for</b>		
Depreciation	17	24
Financial Costs on long term borrowings	13	27
Interest Income	(8)	–
(Profit)/Loss on sale of Fixed Assets (Net)	1	–
Other Receipts	(1)	
<b>Operating Profit Before Working Capital Changes</b>	60	82
<b>Adjustments For:</b>		
(Increase)/decrease in Sundry Debtors	(8)	2
(Increase)/decrease in Loans and Advances	111	(45)
(Increase)/decrease in Inventories	2	0
Increase/(decrease) in Trade and Other Payables	(39)	(1)
Increase/(decrease) in Cash Credit	(30)	12
<b>Cash Generated from Operating Activities</b>	97	50
Direct Taxes Paid	(11)	(2)
<b>Net Cash Generated From Operations before Exceptional Items</b>	86	48
Exceptional items (Prior period items)	4	2
<b>Net Cash From Operating Activities (A)</b>	90	50
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(41)	(38)
Capital Work in Progress	(1,011)	(36)
Proceeds from Sale of Fixed Assets	0	4
Interest Received	8	–
Other Receipts	1	–
<b>Net Cash from (Used) in Investing Activities (B)</b>	(1,043)	(70)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Shares including premium	806	–
Proceeds from Long Term Borrowings (Net)	186	69
Dividend Paid	–	(11)
Fixed Deposits (Net)	(3)	–
Financial Costs on long term borrowings	(13)	(27)
<b>Net Cash Used in Financing Activities (C)</b>	976	31
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A) + (B) + (C)</b>	22	11
<b>Cash and Cash Equivalents As At 31 March 2007</b>	11	0
<b>Cash and Cash Equivalents As At 31 March 2008</b>	33	11
<b>Cash and Cash Equivalents Comprise</b>		
Cash balance in hand	0	11
Balances with Scheduled Banks	34	
	34	11

Notes:

- (1) The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants
- (2) Figures in brackets represent outflows.

For Vikram Logistic and Maritime Services Pvt Limited

As per our report of even date  
For A.R.Viswanathan & Co.,  
*Chartered Accountants*

Vikram Viswanath  
*Chairman & Managing  
Director*

A.K.Kohli  
*Executive  
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Rajalakshmi Viswanath  
*Chairman Director*

A.V.Venkatachalam  
*Partner*  
Membership No.19546

Place: Bangalore  
Dated: 16 October 2008

**SCHEDULE ANNEXED TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2008**

**SCHEDULE 19: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis for Preparation of Accounts**

The financial statements are prepared under the Historical Cost Convention on accrual basis using Generally Accepted Accounting Principles accepted in India and comply with the Accounting Standards notified by Companies (Accounting Standards) Rules 2006 to the extent applicable and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

**2. Change in Accounting Policies**

In the current year, The Company has adopted Accounting Standard (AS) 15 (revised 2005), "Employee Benefits". Pursuant to the adoption, the transitional benefit as at 31 March 2007, for gratuity provision, amounts to Rs. 0.59 Mn (net of tax) has been adjusted to the opening balance of Reserves. This change does not have material impact on the profit for the current year.

**3. Use of Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual result could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**4. Fixed Assets and Capital Work in progress**

- (a) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation. Cost includes inward freight, taxes and expenses incidental to acquisition and installation, up to the point the asset is ready for its intended use.
- (b) Direct expenses as well as clearly identifiable indirect expenses, incurred during the period of construction/development of buildings are capitalised with the respective assets and all other allocable expenses (net of expenses charged to revenue) according to the ratio determined and certified by Company's Management.
- (c) Capital Advance in respect of Capital Work in progress or assets acquired but not ready for use are classified under Capital Work in progress.

**5. Depreciation**

- (a) Depreciation on assets is provided on straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 which also represent useful life of the fixed assets.
- (b) Cost of leasehold land is amortised over the period of the lease or useful life, whichever is lower.
- (c) Goodwill is amortised over a period of five years.
- (d) Assets costing less than Rs. 0.005 Mn are fully depreciated during the year of purchase.

**6. Period of Outstanding**

The payments settlement received from sundry debtors and advances are adjusted to the earliest outstanding. The outstanding exceeding the period of six months is duly reflected in accounts.

## **7. Leased Assets**

- (a) Operating Leases are those leases where the lessor retains substantial risks and benefits of ownership of leased assets and rentals in such cases are expensed with reference to lease terms and other considerations.
- (b) Finance Leases: The lower of the fair value of the assets and present value of the minimum lease rentals is capitalised as fixed assets with corresponding amount shown as lease liability. The principal component in the lease rental is adjusted against the lease liability and the interest component is charged to profit and loss account.

## **8. Impairment of Assets**

Management evaluates at regular intervals, using external and internal sources, the need for impairment of any asset. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its net realisable value on its eventual disposal. Any loss on account of impairment is expensed as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined.

## **9. Foreign Currency transactions**

- (a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction.
- (b) Monetary assets and liabilities denominated in foreign currencies at the year end are restated at the rate of exchange prevailing on the date of the Balance sheet.
- (c) Any income or expense on account of exchange difference is recognised in the Profit and Loss Account except in cases when they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

## **10. Investments**

Investments are classified into long term investments and current investments. Current investments, i.e. investments that are readily realisable and intended to be held for not more than a year, are valued at lower of cost and net realisable value. Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such decline is other than temporary in the opinion of the Management.

## **11. Valuation of Inventories**

Consumables, stores and spares are valued at lower of Cost computed on First-in-First out basis and net realisable value. Obsolete defective, unserviceable and slow/non moving stocks are duly provided for.

## **12. Recognition of Income and Expenditure**

income and Expenditure is recognised on accrual basis and provision is made for known losses and liabilities.

Revenue from Goods handling is recognised as and when the services are rendered to the customers.

Revenue from Container Transportation operation is recognised when the goods/documents are delivered to the customers.

Interest on deposits is recognised on time proportion basis.

Any loss/gain on reconciliation and confirmation of balances/receivables/payables from/to parties are considered in the year of such completion of reconciliation.

### **13. Employees' Retirement benefits**

The Company has undertaken adoption of Accounting Standard 15 (Revised 2005) on "Employee Benefits" issued by ICAI. Accordingly:

- (a) All short term employee benefits are accounted on undiscounted basis during the accounting period based on services rendered by employees.
- (b) The Company's contribution to Provident Fund is remitted to the office of Regional Provident Fund Commissioner based on a fixed percentage of eligible employees' salary and charged to Profit and Loss Account. The Company has categorised its Provident Fund as a defined contribution plan since it has no further obligations beyond these contributions.
- (c) The Company's liability towards gratuity is accounted for on the basis of an independent actuarial valuation done periodically and actuarial gains/losses are charged to the Profit and Loss Account.

### **14. Borrowing Costs**

Borrowing costs attributable to the acquisition and construction of an asset are capitalised as part of the cost of such asset up to the date when such asset is ready for its intended use. Other borrowing costs are treated as revenue.

### **15. Taxation**

- (a) Tax expenses comprise current tax and fringe benefit tax (i.e., amount of tax for the period determined in accordance with the income tax law in India) and deferred tax charge or credit (reflecting the tax affects of timing differences between accounting income and taxable income for the year).
- (b) The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonable/virtually certain as the case may be to be realised.
- (c) Tax credit is recognised in respect of Minimum Alternate Tax (MAT) as per the provisions of Section 115JAA of the Income Tax Act, 1961 based on convincing evidence that the Company will pay normal income tax within statutory time frame and is reviewed at each balance sheet date.

### **16. Provisions and Contingent Liabilities**

Provisions are recognised in the financial statements in respect of present probable obligations, for amounts which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, whose existence would be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.



## B. NOTES TO ACCOUNTS

### 1. Contingent Liabilities not provided for

- (a) Claims against the Company not acknowledged as debt

	<i>As at</i> <i>31 March</i> <i>2008</i> <i>(Rs.Mn)</i>	<i>As at</i> <i>31 March</i> <i>2007</i>
Income tax matters*	7.04	Nil

#### Notes:

- \* Company has filed an appeal against the demands from income tax authorities.
- \* Future cash outflows in respect of (a) above are ascertainable only on receipt of judgments/decisions from the concerned authorities before whom the appeals are pending.

### 2.

	<i>As at</i> <i>31 March</i> <i>2008</i> <i>(Rs.Mn)</i>	<i>As at</i> <i>31 March</i> <i>2007</i>
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,661.37	NIL

3. The Company during the year has embarked upon projects for consolidation of its business of Inland Container Depots/Container Freight Stations/Free Trade Warehousing Zone, for activities involving container handling, warehousing, transportation and transshipment at various locations. The Company has incurred expenditure on the above, which are ongoing and accounted as capital work in progress. The Capital work-in-progress includes capital advances paid.
4. As a part of the expansion programme to setup an Inland Container Depot/Container Freight Station, the Company has acquired land from Karnataka Industrial Areas Development Board (KIADB) in Special Economic Zone (SEZ), Growth Centre located at Hassan, Karnataka, at a cost of Rs. 15.29 million.
5. The accounts of Sundry Debtors, Sundry Creditors, Advances and Lenders are subject to confirmation/consequent reconciliation and adjustments, if any. The Management does not expect any material differences affecting the current year's financial statements. Differences, if any, on reconciliation/confirmation, if any, will be reflected accordingly in the year of such confirmation and reconciliation.
6. The Company is in the process of gathering information in respect of vendors covered under the Micro, Small and Medium Enterprises Development Act, 2006.
7. In the opinion of the Management, Current Assets, Loans and advances (including capital advances) have a value on realisation in the ordinary course of business, at least equal to the amount at which they are stated. The unforeseen, non assessable liability or losses, if any, which may materialise from the process confirmation and reconciliation will be reflected in the year such completion of the process.
8. (a) The Company is in the process of updating its Fixed Asset Register. In the course of such updation made so far, the Company has carried out reconciliation between other reliable records of fixed assets, statement of assets physically verified and balance of fixed assets in the books of accounts. Consequent to such reconciliation, the accumulated depreciation has been written back by Rs. 14.41 million by credit to the Profit and Loss Account, classified as a Prior Period Item.
- (b) During the year goodwill is fully written off since it is older than 5 years.

In the opinion of the management, differences, if any, arising out of updation of Fixed Assets Register and its consequent reconciliation with assets verified and the balance of fixed assets in the books is not expected to be material.

9. For employees covered under the Group Gratuity Scheme, gratuity is provided based on the actuarial valuation.

Service rules of the Company do not provide for any encashment of leave. Hence, no provision is made for the same.

10. (a) During the month of July 2007, the Company has entered into an agreement with Private Equity Investor viz, Xanfretico Holdings Private Limited of Cyprus, who have shown interest in the Company and invested Rs. 806.2 million in the Company. In consideration of the above, the Company has allotted 246,300 shares of Rs. 100/- each at a premium of Rs. 3173/-.
- (b) During the month of March 2008, the company split the Face value of each equity share of Rs. 100 to Rs. 10/- each and exchanged the old shares for new shares.
- (c) During the month of March 2008 the company capitalised Rs. 746.30 million from share premium account and issued bonus shares of ten shares for every one share held.

11. Staff benefit cost in accordance with Accounting Standard 15 (Revised)

- (a) Defined benefit Plans:

11.1 *Assumptions*

	<i>31 March 2008</i>
Discount Rate	8%
Rate of increase in Compensation levels (beginning of the year)	15%
Rate of increase in Compensation levels (end of the year)	15%
Rate of return on Plan Assets	8%

11.2 *Table showing changes in Present value of obligations*

	<i>31 March 2008</i>
Present Value of Obligation as at the beginning of the	0.89
Acquisition adjustment	-
Interest cost	0.07
Current Service Cost	0.07
Curtailement Cost/(Credit)	-
Settlement Cost/(Credit)	-
Benefits Paid	-
Actuarial (gain)/loss on obligations	(0.03)
Present value of Obligation as at the end of the year	1.69

11.3 *Amounts to be recognised in Balance Sheet and Statement of Profit and Loss*

	<i>31 March 2008</i>
Present Value of Obligation as at the end of the year	1.69
Fair Value of Plan Assets at the end of the year	0
Funded Status	(1.69)
Unrecognised Actuarial (gains)/losses	0
Unfunded Net Asset/(Liability) Recognised in Balance Sheet	(1.69)

#### 11.4 *Expense Recognised in the Statement of Profit and Loss*

Current Service Cost	0.76
Interest Cost	0.07
Expected Return on Plan Assets	0
Curtailement Cost/(Credit)	0
Settlement Cost/(Credit)	0
Net actuarial (gain)/loss recognised in the year	(0.03)
Expenses Recognised in the statement of Profit and loss	0.80

## 12. Segment Reporting

Reportable segments as per AS – 17 are Material Handling Charges, Customs Handling Charges and Transportation Charges.

### 12.1 *Segment Revenue (Net Sales/Income from each segment to external customers)*

<i>Particulars</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31 March</i>	<i>31 March</i>
	2008	2007
	<i>(Rs.Mn)</i>	
(a) Material Handling	202.22	207.36
(b) Customs Handling	33.06	26.21
(c) Transportation	96.75	112.16
Un-allocable Revenue	8.10	0.57
<b>Net Sales/Income from operation</b>	<b>340.13</b>	<b>346.30</b>

### 12.2 *Segment Results*

<i>Particulars</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31 March</i>	<i>31 March</i>
	2008	2007
	<i>(Rs.Mn)</i>	
(a) Material Handling	72.01	71.68
(b) Customs Handling	0.11	0.15
(c) Transportation	7.39	10.39
LESS: Interest	13.98	27.76
ADD/(LESS) Other un-allocable expenditure net of un allocable income	(27.67)	(23.58)
<b>Total Profit before exceptional Items and Taxation</b>	<b>65.52</b>	<b>86.40</b>

### 12.3 *Other Information*

<i>Particulars</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31 March</i>	<i>31 March</i>
	2008	2007
	<i>(Rs.Mn)</i>	
<b>FIXED ASSETS</b>		
(a) Material Handling	111.19	132.92
(b) Customs Handling	Nil	Nil
(c) Transportation	18.37	20.63
(d) Un-allocable	67.32	7.63
<b>Total</b>	<b>196.88</b>	<b>161.18</b>

<i>Particulars</i>	<i>Year ended 31 March 2008</i>	<i>Year ended 31 March 2007</i>
	<i>(Rs.Mn)</i>	
<b>CURRENT ASSETS</b>		
(a) Material Handling	67.43	93.89
(b) Customs Handling	37.37	13.53
(c) Transportation	26.63	39.21
(d) Un-allocable	31.07	96.20
<b>Total</b>	<b>162.50</b>	<b>242.83</b>

#### 12.4 *Liabilities*

<i>Particulars</i>	<i>Year ended 31 March 2008</i>	<i>Year ended 31 March 2007</i>
	<i>(Rs.Mn)</i>	
(a) Material Handling	6.29	10.32
(b) Customs Handling	2.89	5.35
(c) Transportation	3.37	7.13
(d) Un-allocable	19.48	47.39
<b>Total</b>	<b>32.03</b>	<b>70.19</b>

#### 12.5 *Capital Expenditure*

Total cost incurred during the year to acquire segment assets

<i>Particulars</i>	<i>Year ended 31 March 2008</i>	<i>Year ended 31 March 2007</i>
	<i>(Rs.Mn)</i>	
(a) Material Handling	8.78	Nil
(b) Customs Handling	15.29	Nil
(c) Transportation	0.20	Nil
(d) Un-allocable	16.85	37.62
<b>Total</b>	<b>41.12</b>	<b>37.62</b>

#### 12.6 *Segment Depreciation/Amortisation*

<i>Particulars</i>	<i>Year ended 31 March 2008</i>	<i>Year ended 31 March 2007</i>
	<i>(Rs.Mn)</i>	
(a) Material Handling	11.17	12.58
(b) Customs Handling	Nil	Nil
(c) Transportation	4.73	9.83
(d) Un-allocable	1.21	1.28
<b>Total</b>	<b>17.11</b>	<b>23.69</b>

The Company operates only in India and therefore, there are no separate geographical segments.

### 13. Payment to Auditors

	<i>Year ended 31 March 2008</i>	<i>Year ended 31 March 2007</i>
	<i>(Rs.Mn)</i>	
(i) Statutory Audit Fees	0.50	0.11
(ii) Tax Audit Fees	0.10	0.06
(iii) Other Services	0.15	—
<b>Total</b>	<b>0.75</b>	<b>0.17</b>

### 14. Deferred Taxation

During the year Company has accounted for Deferred Tax Asset/Liability as prescribed in the mandatory Accounting Standard AS-22, "Accounting for Taxes on Income" issued by the ICAI. The details are stated below:

	<i>Rs. In Mn</i>		
	<i>DTA Benefit/ (DTL Charge) As on 1 April 2007</i>	<i>DTA Benefit/ (DTL Charge) For the Current Year</i>	<i>DTA Benefit/ (DTL Charge) As on 31 March 2008</i>
	<i>(Rs.Mn)</i>		
<b>(a) Liabilities</b>			
Depreciation (net)	32.14	9.17	41.31
<b>(b) Assets</b>			
Deferred Revenue expenditure	5.10	(9.39)	(4.29)
Disallowances, Allowable In Subsequent Years		(0.58)	(0.58)
Adjusted for transitional provision as per AS-15 (revised 2005)		0.32	
Deferred Tax Liabilities	37.24	0.50	36.43

### 15. Related Party Disclosure as per Accounting Standard AS-18

List of related parties, as certified by the management, together with the transactions and related balances as at 31 March, 2008 are given below:

Names of Related Parties and description of relationship:

- Key Management Personnel:
  - Mr. Vikram Viswanath
  - Mrs. Rajalakshmi Viswanath
  - Mr. A K Kohli

Disclosure of transactions between the Company and the Related Parties and the status of outstanding balance as at 31 March 2008.

### 16. Key Management Personnel

#### 16.1 Remuneration

	<i>2007–2008</i>	<i>2006–2007</i>
	<i>(Rs. Mn)</i>	
Mr. Vikram Viswanath	15.00	3.00
Mrs. Rajalakshmi Viswanath	1.20	0.36
Mr. A K Kohli	5.82	—
<b>Total</b>	<b>22.02</b>	<b>3.36</b>

16.2 **Balance Payable**

	2007-2008	2006-2007
Mr. Vikram Viswanath	0.67	–

17. Additional Information Pursuant to Part-II of Schedule VI to the Companies Act, 1956:

	31 March 2008		31 March 2007	
	Quantity (in units)	Amount (Rs.Mn)	Quantity (in units)	Amount (Rs.Mn)
<b>(A) Expenditure in foreign currency</b>				
(i) Professional charges	–	2.70	–	–
<b>(B) Expenditure in foreign currency</b>				
(i) Traveling Expenses		1.44		0.67
<b>(C) Value of Imported and Indigenous material Cost Spare Parts &amp; Components Imported (including Customs Duty)</b>				
Indigenous (100%)		NIL 29.30		NIL 39.80

18. Previous year's figures have been re-grouped/re-arranged and re-classified wherever necessary to conform to Current year's classification.

For Vikram Logistic and Maritime Services Pvt Limited

As per Report of even date  
For A.R.Viswanathan &, Co.,  
Chartered Accountants

Vikram Viswanath  
Chairman and  
Managing Director

A.K.Kohli  
Executive  
Vice-Chairman

Rajalakshmi Viswanath  
Director

A.V.Venkatachalam  
Partner  
M.No. 19546

Place: Bangalore  
Date: 16 October 2008

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**

**As at 31 March 2008**

	<i>As at 31 March 2008</i>	<i>As at 31 March 2007</i>
	<i>(Rs. Mn)</i>	
<b>Schedule 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
100,000,000 Equity Shares of Rs.10 each (Previous year 1,000,000 Equity shares of Rs.100 each)	1,000	100
<b>Total</b>	<b><u>1,000</u></b>	<b><u>100</u></b>
<b>Issued, Subscribed and Paid up:</b>		
82,093,000 Equity Shares of Rs.10 each (Previous year 500,000 Equity shares of Rs.100 each)	821	50
	<b><u>821</u></b>	<b><u>50</u></b>

**Notes:**

Of the above Equity shares:

(a) 74,630,000 shares of Rs.10 each were issued as fully paid up bonus shares by capitalisation of profits during the year 2007-08

	<i>As at 31 March 2008</i>	<i>As at 31 March 2007</i>
	<i>(Rs. Mn)</i>	
<b>Schedule 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>General Reserve:</b>		
As per last Balance Sheet	6	5
Add: Transferred from Profit and Loss Account	–	1
Less: Transitional provisions under AS 15 (revised 2005)	1	–
(Net of deferred tax Rs.0.302 Mn)	<b><u>5</u></b>	<b><u>6</u></b>
	(a)	
<b>Share premium</b>	781	–
Less : Utilised for bonus issue	746	–
	<b><u>35</u></b>	<b><u>6</u></b>
	(b)	
<b>Profit &amp; Loss A/c:</b>		
As per last Balance Sheet	62	54
Trfd during the year		
Add: Transferred from Profit and Loss Account	41	7
	<b><u>103</u></b>	<b><u>61</u></b>
	(c)	
<b>(a + b + c )</b>	<b><u>143</u></b>	<b><u>67</u></b>

	<i>As at</i>	<i>As at</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2008</i>	<i>2007</i>
	<i>(Rs.Mn)</i>	

**Schedule 3**

**SECURED LOANS**

**TERM LOANS FROM**

**Banks:**

Rupee Term Loans

405

226

**Total (A)**

405

226

**Working Capital Loan from Bank**

23

53

**Total (B)**

23

53

**Others:**

Rupee Term Loans

7

–

Interest accrued and due

–

–

**Total (C)**

7

–

**GRAND TOTAL (A+B+C)**

435

278

**Notes:**

**Details of the Securities:**

**Loan from Banks are secured by:**

- (A) (i) First charge by way of Hypothecation of certain Land, Lorries & Trailors.  
(ii) Collateral Security by way of Mortgage of land and personal guarantee of Chairman & Managing Director.

(B) **Working Capital loans are secured by:**

- (i) First charge by way of Hypothecation of Company's inventories and book debts.



**Schedule 4**  
**FIXED ASSETS**

Particulars	Gross Block			Depreciation				Net Block		
	As at 1 April 2007	Additions/ Adjustments	Deductions/ Adjustments	As at 31 March 2008	As at 1 April 2007	For the Year Adjustments	As at 31 March 2008	As at 31 March 2008	As at 31 March 2007	
<b>A. Tangible Assets</b>										
<b>1. Own Assets</b>										
Plant & Machinery	265	9	–	274	132	10	(11)	131	143	133
Furnitures, Fixtures & Office Equipment	7	5	0	12	3	1	(0)	4	8	4
Vehicles	73	12	2	83	49	6	(3)	52	31	23
<b>Sub-total (a)</b>	<b>345</b>	<b>26</b>	<b>2</b>	<b>369</b>	<b>184</b>	<b>17</b>	<b>(14)</b>	<b>187</b>	<b>182</b>	<b>160</b>
<b>2. Leased Assets</b>										
Lease hold Land	–	15	–	15	–	–	–	–	15	–
<b>Sub-total (b)</b>	<b>–</b>	<b>15</b>	<b>–</b>	<b>15</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>15</b>	<b>–</b>
<b>Total Tangible Assets (a + b)=A</b>	<b>345</b>	<b>41</b>	<b>2</b>	<b>384</b>	<b>184</b>	<b>17</b>	<b>(14)</b>	<b>187</b>	<b>197</b>	<b>160</b>
<b>B. Intangible Assets</b>										
Goodwill	1	–	–	1	–	1	–	1	–	1
<b>Total Intangible Assets (B)</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>1</b>
<b>GRAND TOTAL (A + B)</b>	<b>346</b>	<b>41</b>	<b>2</b>	<b>385</b>	<b>184</b>	<b>18</b>	<b>(14)</b>	<b>188</b>	<b>197</b>	<b>161</b>
<b>Previous Year 2006-07</b>	<b>312</b>	<b>38</b>	<b>5</b>	<b>345</b>	<b>161</b>	<b>24</b>	<b>0</b>	<b>184</b>	<b>161</b>	
<b>Capital work-in-progress</b>									<b>1,095.00</b>	<b>83</b>

As at  
31 March  
2008  
(Rs.Mn)

As at  
31 March  
2007

**Schedule 5**  
**INVENTORIES**

(As Taken, Valued and Certified by the Management)

Spares, Oil & Diesel, Tyres etc.,	16	18
<b>Total</b>	<b>16</b>	<b>18</b>

As at  
31 March  
2008  
(Rs.Mn)

As at  
31 March  
2007

**Schedule 6**  
**SUNDRY DEBTORS (Unsecured)**

Debts outstanding for a period exceeding six months

Considered good	20	1
Other debts – considered good	66	76
	86	78
Less: Provision for doubtful debts	–	–
<b>Total</b>	<b>86</b>	<b>78</b>

<i>As at</i>	<i>As at</i>
<i>31 March</i>	<i>31 March</i>
<i>2008</i>	<i>2007</i>
<i>(Rs.Mn)</i>	

**Schedule 7**

**CASH AND BANK BALANCES**

Cash Balance on Hand	–	11
Balances with Scheduled Banks		
In Current Accounts	31	–
In Term Deposits Accounts	3	–
<b>Total</b>	<b>34</b>	<b>11</b>

<i>As at</i>	<i>As at</i>
<i>31 March</i>	<i>31 March</i>
<i>2008</i>	<i>2007</i>
<i>(Rs.Mn)</i>	

**Schedule 8**

**LOANS AND ADVANCES**

Unsecured, Considered good		
Advances recoverable in Cash or in kind or for value to be received		
Considered Good	18	104
Tax Deducted at Source and Advance tax (Net of Provisions)	8	32
<b>Total</b>	<b>26</b>	<b>136</b>

<i>As at</i>	<i>As at</i>
<i>31 March</i>	<i>31 March</i>
<i>2008</i>	<i>2007</i>
<i>(Rs.Mn)</i>	

**Schedule 9**

**CURRENT LIABILITIES**

Sundry Creditors		
– Dues to Micro, Small and Medium Enterprises	–	–
– Others	14	22
Overdrawn in Current A/c of bank as per books of Accounts	10	–
Other Liabilities	6	4
<b>Total</b>	<b>30</b>	<b>26</b>

<i>As at</i>	<i>As at</i>
<i>31 March</i>	<i>31 March</i>
<i>2008</i>	<i>2007</i>
<i>(Rs.Mn)</i>	

**Schedule 10**

**PROVISIONS FOR:**

Gratuity	2	–
Income tax	–	32
Proposed dividend and tax thereon	–	12
Bonus	–	–
<b>Total</b>	<b>2</b>	<b>44</b>

**Schedule annexed to and forming part of Profit & Loss account for the year ended 31 March 2008**

*Year Ended*      *Year Ended*  
31 March 2008 31 March 2007  
(Rs.Mn)

**Schedule 11**

**Handling and transportation receipts**

Handling charges	202	208
Transportation	97	112
Clearing and Forwarding	33	26
	<b>332</b>	<b>346</b>

*Year Ended*      *Year Ended*  
31 March 2008 31 March 2007  
(Rs.Mn)

**Schedule 12**

**Other income**

Interest Received	7	0
Other Receipts	1	1
	<b>8</b>	<b>1</b>

*Year Ended*      *Year Ended*  
31 March 2008 31 March 2007  
(Rs.Mn)

**Schedule 13**

**Operating expenses**

Handling charges	57	60
Insurance	1	2
Vehicle Maintenance	75	77
Diesel	55	49
Rates and Taxes (Road Tax)	7	5
Shipping line operation	32	31
Security Charges	1	0
	<b>228</b>	<b>224</b>

*Year Ended*      *Year Ended*  
31 March 2008 31 March 2007  
(Rs.Mn)

**Schedule 14**

**Personnel costs**

Payments to and provisions for Employees  
(including Managerial Remuneration)

Salary and Wages	12	7
Contribution to PF and Other Funds	1	0
Staff and Labour Welfare	2	2
	<b>15</b>	<b>9</b>

*Year Ended*      *Year Ended*  
31 March 2008   31 March 2007  
(Rs.Mn)

**Schedule 15**

**Administrative expenses**

Advertisement charges	0	0
Audit Fee	1	0
Business Promotion	1	2
Donation	2	0
Electricity Charges	0	0
General Expenses	1	0
Guest House Maintenance	0	0
Bad debts written off	3	7
Maintenance car	1	1
Office Maintenance	1	1
Loss on sale of vehicles	1	-
Pooja Expenses	0	0
Postage, Courier and Xerox Charges and Telephone charges	1	2
Printing and Stationery	0	0
Professional Charges	4	8
Deferred Revenue Expenditure-Written Off	3	3
Rent	1	1
Rates and taxes	4	-
Travelling and conveyance	4	5
Water Charges	0	0
	<u>28</u>	<u>31</u>

*Year Ended*      *Year Ended*  
31 March 2008   31 March 2007  
(Rs.Mn)

**Schedule 16**

**Financial Charges**

Interest on:		
Fixed loans	11	21
Others	2	7
Finance Charges	1	0
	<u>14</u>	<u>28</u>

## AUDITOR'S REPORT

To The Board of Directors

**Vikram Logistic and Maritime Services Private Limited**

We have audited the attached Balance Sheet of Vikram Logistic and Maritime Services Private Limited as of 31 March 2010, and the related Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the International Financial Reporting Standards as issued by International Accounting Standards Board ('IFRS'):

- (a) in the case of Balance Sheet, of the financial position as of 31 March 2010;
- (b) in the case of the Statement of Comprehensive Income, of the financial performance for the year ended on that date;
- (c) in the case of Statement of Changes in Equity, of the changes in equity for the year ended on that date; and
- (d) in the case of Statement of Cash Flow, of the cash flows for the year ended on that date.

for A R Viswanathan & Co.  
*Chartered Accountants*

A.V. Venkatachalam  
*Partner*

Place: Bangalore  
Date: 7 February 2011

Membership No: 19546  
Firms ICAI Regn No: 4765S

## Statement of Comprehensive Income for the Year Ended 31 March 2010

	<i>Notes</i>	<i>31 March 2010</i>	<i>31 March 2009</i>
		<i>(Rs. Mn)</i>	
<b>Revenues</b>			
Revenues	17	432	376
Cost of Revenues	18	(272)	(225)
<b>Gross Profit</b>		<b>160</b>	<b>151</b>
<b>Expenses</b>			
Other Operating Expenses	19	26	59
Selling and Marketing Expenses		3	2
General Administrative & Personnel Expenses	20	155	50
<b>Operating (Loss)/Profit before Financing Cost</b>		<b>(24)</b>	<b>40</b>
Financial Income		–	–
Financial Expense		(26)	(9)
<b>Net Financing Cost</b>	21	<b>(26)</b>	<b>(9)</b>
<b>(Loss)/Profit from Operating Activities</b>		<b>(50)</b>	<b>31</b>
Other Income		5	3
<b>(Loss)/Profit from continuing operation before Income Taxes</b>		<b>(45)</b>	<b>34</b>
Income Tax Expenses	22	(5)	(20)
<b>(Loss)/Profit from continuing operation</b>		<b>(50)</b>	<b>14</b>
Other Comprehensive Income		–	–
<b>Total Comprehensive (Loss)/income for the year</b>		<b>(50)</b>	<b>14</b>

For Vikram Logistic and Maritime Services Pvt Limited

As per our report of even date  
For A.R.Viswanathan & Co.,  
*Chartered Accountants*

*Director*

*Director*

*CFO*

Place: Bangalore

Dated: 7 February 2011

A.V.Venkatachalam  
*Partner*

Membership No.19546

**Statement of Financial Position as at 31 March 2010**

	<i>Notes</i>	<i>31 March 2010</i>	<i>31 March 2009</i>
		<i>(Rs. Mn)</i>	
<b>ASSETS</b>			
<b>(A) Non Current Assets</b>			
Property, Plant and Equipment	1	452	425
Capital Work in Progress	2	2,014	1,600
Other Non Current Assets	3	100	77
<b>Total Non Current Assets (A)</b>		<b><u>2,566</u></b>	<b><u>2,102</u></b>
<b>(B) Current Assets</b>			
Inventories	4	51	28
Assets Held for Sale	5	–	6
Trade Receivables	6	304	150
Other Current Assets	7	188	17
Current Tax Assets	8	13	5
Cash and Cash Equivalents	9	75	2
<b>Total Current Assets (B)</b>		<b><u>631</u></b>	<b><u>208</u></b>
<b>TOTAL ASSETS (A+B)</b>		<b><u>3,197</u></b>	<b><u>2,310</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>(A) Stockholders' Equity</b>			
Share Capital	10	821	821
Share Premium	10	35	35
General Reserves	10	5	5
Retained Earnings	10	51	101
<b>Total Shareholders' Equity (A)</b>		<b><u>912</u></b>	<b><u>962</u></b>
<b>(B) Non-Current Liabilities</b>			
Long Term Debt, excluding current portion	11	1,780	1,091
Other Non Current Liabilities	12	10	3
Deferred Tax Liabilities (Net)	13	46	43
<b>Total Non-Current Liabilities (B)</b>		<b><u>1,836</u></b>	<b><u>1,137</u></b>
<b>(C) Current Liabilities</b>			
Short Term Debt and current portion of Long Term Debt	14	–	22
Trade Accounts Payable	15a	116	110
Accrued Expenses and Other Current Liabilities	16	333	79
<b>Total Current liabilities (C)</b>		<b><u>449</u></b>	<b><u>211</u></b>
<b>Total Liabilities (B+C)</b>		<b><u>2,285</u></b>	<b><u>1,348</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>3,197</u></b>	<b><u>2,310</u></b>

For Vikram Logistic and Maritime Services Pvt Limited

As per our report of even date  
For A.R.Viswanathan & Co.,  
*Chartered Accountants*

*Director*

*Director*

*CFO*

Place: Bangalore  
Dated: 7 February 2011

A.V.Venkatachalam  
*Partner*  
Membership No.19546

**Statement of Changes in Equity for the year ended 31 March 2010**

	<i>Share Capital</i>	<i>Share Premium</i>	<i>General Reserve (Rs. Mn)</i>	<i>Retained Earnings</i>	<i>Total Equity</i>
At 31 March 2008	<u>821</u>	<u>35</u>	<u>5</u>	<u>91</u>	<u>952</u>
Total Comprehensive Income	–	–	–	14	14
Prior Period Adjustment	–	–	–	(4)	(4)
At 31 March 2009	<u>821</u>	<u>35</u>	<u>5</u>	<u>101</u>	<u>962</u>
Total Comprehensive Loss	–	–	–	(50)	(50)
At 31 March 2010	<u>821</u>	<u>35</u>	<u>5</u>	<u>51</u>	<u>912</u>



## Statement of Cash Flows for the Year Ended 31 March 2010

	<i>Year ended 31 March 2010</i>	<i>Year ended 31 March 2009</i>
	<i>(Rs. Mn)</i>	
<b>(A) Cash Inflow/Outflows from Operating Activities</b>		
(Loss)/Income Before Tax	(45)	34
<i>Adjustments to reconcile Net Results Before Tax to Net Cash provided by operating activities</i>		
Loss/(Profit) on sale of Assets Held for Sale	2	(3)
Interest on Working Capital Loan	26	9
Depreciation	44	19
<i>Changes in Operating Assets and Liabilities</i>		
(Increase) in Accounts Receivable	(154)	(64)
(Increase) in Inventories	(24)	(11)
(Increase) in Other Current Assets	(198)	(71)
Increase in Accounts Payables	6	97
Increase in Other Liabilities	262	38
Direct Taxes paid	(6)	(2)
<b>Net Cash (used in)/provided from Operating Activities (A)</b>	<b>(87)</b>	<b>46</b>
<b>(B) Cash Inflow/(Outflow) from Investing Activities</b>		
Purchase of Property, Plant and Equipment & Capital Work-In-Progress	(315)	(644)
Sale proceeds from disposal of Property, Plant and Equipment	3	3
<b>Net Cash used in Investing Activities (B)</b>	<b>(312)</b>	<b>(641)</b>
<b>(C) Cash Inflow/(Outflow) from Financing Activities</b>		
Interest on Bank Loans	(195)	(137)
Proceeds from Secured Loan	689	680
(Repayment)/Proceeds of Unsecured loans	(22)	22
<b>Net Cash provided by Financing Activities (C)</b>	<b>472</b>	<b>565</b>
Cash and Cash Equivalents at the beginning of the year	2	32
Cash and Cash Equivalents generated (A)+(B)+(C)	73	(30)
<b>Cash and Cash Equivalents at the end of the year</b>	<b>75</b>	<b>2</b>

For Vikram Logistic and Maritime Services Pvt Limited

As per our report of even date  
For A.R.Viswanathan & Co.,  
*Chartered Accountants*

*Director*

*Director*

*CFO*

Place: Bangalore  
Dated: 7 February 2011

A.V.Venkatachalam  
*Partner*  
Membership No.19546

## Notes to the Financial Statements

### 1. Summary of Significant Accounting Policies

#### (a) *Company Overview*

Vikram Logistic and Maritime Services Private Limited (VLMS), having its registered office at No.10, Chambers@Mantri, 3rd Floor, Richmond Road, Bangalore 560 025 was incorporated on 16 December 1992 in India. The financial statements of the VLMS are the responsibility of the Management of the Company.

Vikram Logistic and Maritime Services Private Limited, has been set up to carry out the business of the Multi Model Logistics and currently are in the expansion plan to develop, establish, operate and maintain FTWZ at Chennai and Bangalore.

The Project which *inter alia* includes 2 Free Trade Warehousing Zones (FTWZ) and Domestic Terminals (DT) at Chennai and Bangalore and Inland Container Depot (ICD)/Container Freight Stations (CFS) at Karwar and Hassan is being developed by Vikram Logistic and Maritime Services Private Limited. (VLMS/the Company).

#### (b) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB). These are the Company's first financial statements and IFRS 1 has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 25.

#### (c) *Basis of preparation of Financial Statements*

The financial statements are presented in Indian Rupee in Millions. The financial information of Vikram Logistic and Maritime Services Private Limited has been prepared by the Company and its Directors, who are responsible for the historical financial information of VLMS by applying International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB").

The historical financial information has been prepared as if the date of transition to IFRS was 1 April 2008, the beginning of the first period presented, and the requirements of IFRS 1 have been applied since that date.

The transition from Indian GAAP to IFRS has been made in accordance with IFRS 1 'First Time Adoption of International Financial Reporting Standards'. On adoption of IFRS, VLMS has elected fair value of assets as deemed cost as at the transition date.

#### (d) *Use of Estimates*

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and reported amount of revenues and expenses during the period. Application of accounting policies, that require critical accounting estimates involving complex and subjective judgements. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

(e) ***Property, Plant and Equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and impairments, if any. The Direct costs are capitalised until the property, plant and equipment are ready for use, as intended by Management. Direct costs include inward freight, duties, taxes and expenses incidental to acquisition and installation.

Certain items of property, plant and equipment require the performance of regular inspections regardless of whether parts of the item are replaced. When each inspection is performed, the cost of such inspection is expensed off.

Depreciation on property, plant and equipment is provided based on the straight line method over the economic useful life of assets as estimated by the management, on a *pro-rata* basis. The economic useful lives estimated by the management for depreciation of the assets are as under:

Building	62 years
Handling equipments	20 years
Data processing equipments	6 years
Lorries and Trailors	8 years
Office Vehicles	10 years
Furniture and fixtures	15 years

The useful life of property, plant and equipment is reviewed annually and, wherever change is made to the estimates of useful life of an asset, the depreciation charge is adjusted prospectively.

Advances paid for the acquisition of property, plant and equipment outstanding at the Statement of financial position date and the cost of property, plant and equipment not put to use before such date are disclosed as “Capital work-in-progress”. Subsequent expenditure relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in the income statement when incurred. The cost and the related accumulated depreciation are eliminated from the financial statements upon sale or disposition of the assets and the resulting gains or losses are recognised in the statement of income.

(f) ***Impairment testing of Property, Plant and Equipment***

The company assesses at each Statement of financial position date whether there is objective evidence that an asset or a group of assets is impaired. An asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised for the amount by which the assets or cash-generating unit’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. The impairment loss is charged *pro rata* to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Assets are reviewed for impairment whenever events indicate that the carrying amount of a cash generating unit may not be recoverable. In addition, the assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less cost to sell and its value in use.

(g) ***Inventory***

Stores and spares are valued at lower of cost or net realisable value on first in first out basis. The cost includes duties and taxes (other than those subsequently recoverable from taxing authorities), freight inward, handling and other costs directly attributable to the acquisition.

(h) ***Financial Instruments***

(i) ***Non-derivative Financial Instruments***

Non-derivative financial instruments comprise debt, other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

***Cash and Cash equivalents***

Cash and cash equivalents comprise cash balance and call deposits. Bank overdraft that are repayable on demand and form an integral part of the Company's cash management are included as component of cash and cash equivalent for the purpose of the statement of cash flows.

***Loans and borrowing and trade and other payables***

Other non-derivative financial instruments are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(ii) ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as deduction from equity, net of any tax effects.

(i) ***Other Provisions and Contingent Liabilities***

Other provisions are recognised when present obligations will probably lead to an outflow of economic resources from the company and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the Statement of financial position.

(j) ***Revenue Recognition***

Revenue is recognised when significant risks and rewards are transferred to the customer provided the revenue can be measured reliably and is probable that the economic benefits associated with services will flow to VLMS. VLMS invoices clients in accordance with the agreed rates and billing arrangements.

Significant risks and rewards are transferred to the customer when the consignment reaches destination. The revenue in excess of amount billed is recognised and disclosed as Accrued income under other current assets.

(k) ***Finance and Other Income***

Finance income, if any, on funds invested (included available for sale financial assets) is recognised as it accrues. Other income comprises gains on the disposal of financial assets held for sale.

(l) ***Employee benefits***

Long Term Employee Benefits obligations are measured on an actuarial basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under Gratuity plans if the company has a present legal or constructive obligation to pay this amount as a result of the past service of the employee and the obligation can be estimated reliably.

The Company's contribution to Provident Fund is remitted to the office of Regional Provident Fund Commissioner based on a fixed percentage of eligible employees' salary and charged to Statement of Comprehensive Income. The Company has categorised Provident Fund as a defined contribution plan and has no further obligations beyond these contributions.

(m) ***Foreign Currency***

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at the fair value are retranslated to functional currency at the exchange rate at the date the fair value are determined. Foreign currency differences arising on retranslation are recognised in the income statement, except for difference arising on the retranslation of available for sale equity instruments which are recognised directly in other comprehensive income.

(n) ***Income Taxes***

Income tax expense comprises current and deferred income tax. Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities using tax rates and tax laws that have been enacted or substantively enacted by the Statement of financial position date. Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses (where such right has not been forgone), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is provided using the liability method, on all temporary differences at the Statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each Statement of financial position date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

(o) ***Borrowing Costs***

Borrowing costs, other than borrowing cost directly attributable to the acquisition or construction of property, plant and equipment, are recognised in the income statement in the period in which they are incurred, the amount being determined using the effective interest rate method.

Borrowing cost, including amortisation of transaction cost directly attributable to the acquisition or construction of qualifying property, plant and equipment are capitalised as part of the cost of asset when it is probable that these transaction costs will result in future economic benefit and the cost can be measured reliably.

(p) ***Leasing activities***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of VLMS at their fair value or present value of minimum lease payments if lower at the date of acquisition. The corresponding liability to the lessor is included in the Statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(q) ***Segmental Information***

Based upon the risks and returns of the company, the management considers the primary reporting format is by business segment. The secondary reporting format is by geographical analysis. Based upon the risks and returns of the Company, the management considers that there is only one geographical segment being India. All external revenues are earned from customers in India and it is India as a whole that dictates the level of geographical risk and return for/to the Company.

The disclosures for both the primary and secondary segment have been given in the consolidated statement of comprehensive income and statement of financial position. This analysis is consistent with how management reports information internally for the purpose of evaluating the Group's performance and for making decisions about future allocations of resources.

(r) ***Assets held for sale***

Immediately before classification as held for sale, the measurement of the assets is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, assets/disposal groups are recognised at lower of carrying amount and fair value less cost to sell.

## NOTES TO FINANCIAL STATEMENTS

### 1. Property Plant and Equipment

	<i>Land</i>	<i>Building</i>	<i>Plant &amp; Machinery</i>	<i>Lorries &amp; Trailers</i>	<i>Office vehicles</i>	<i>Furniture &amp; Fixtures</i>	<i>Information Technology</i>	<i>Total</i>
	<i>(Rs. Mn)</i>							
<b>Cost</b>								
At 1 April 2009	38	–	268	276	22	12	6	622
Additions during the year	–	55	11	1	–	3	1	71
<b>Cost at 31 March 2010</b>	<b>38</b>	<b>55</b>	<b>279</b>	<b>277</b>	<b>22</b>	<b>15</b>	<b>7</b>	<b>693</b>
<b>Accumulated Depreciation</b>								
At 1 April 2009	–	–	124	64	4	3	2	197
Depreciation for the year	–	1	12	27	2	1	1	44
<b>Accumulated Depreciation at 31 March 2010</b>	<b>–</b>	<b>1</b>	<b>136</b>	<b>91</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>241</b>
<b>At 31 March 2010</b>								
Cost	38	55	279	277	22	15	7	693
Accumulated depreciation	–	(1)	(136)	(91)	(6)	(4)	(3)	(241)
<b>Net Carrying amount at 31 March 2010</b>	<b>38</b>	<b>54</b>	<b>143</b>	<b>186</b>	<b>16</b>	<b>11</b>	<b>4</b>	<b>452</b>
<b>Cost</b>								
At 1 April 2008	15	–	274	66	16	8	3	382
Additions during the year	23	–	1	216	6	4	3	253
Disposal during the year	–	–	–	(6)	–	–	–	(6)
Transfer to Assets held for sale	–	–	(7)	–	–	–	–	(7)
<b>Cost at 31 March 2009</b>	<b>38</b>	<b>–</b>	<b>268</b>	<b>276</b>	<b>22</b>	<b>12</b>	<b>6</b>	<b>622</b>
<b>Accumulated Depreciation</b>								
At 1 April 2008	–	–	131	49	2	3	1	186
Depreciation during the year	–	–	(6)	21	2	–	1	18
Disposal during the year	–	–	–	(6)	–	–	–	(6)
Depreciation charges on Assets held for sale	–	–	(1)	–	–	–	–	(1)
<b>Accumulated Depreciation at 31 March 2009</b>	<b>–</b>	<b>–</b>	<b>124</b>	<b>64</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>197</b>
<b>At 31 March 2009</b>								
Cost	38	–	268	276	22	12	6	622
Accumulated depreciation	–	–	(124)	(64)	(4)	(3)	(2)	(197)
<b>Net Carrying amount at 31 March 2009</b>	<b>38</b>	<b>–</b>	<b>144</b>	<b>212</b>	<b>18</b>	<b>9</b>	<b>4</b>	<b>425</b>

### 2. Capital Work in Progress

	<i>31 March 2010</i>	<i>31 March 2009</i>
	<i>(Rs. Mn)</i>	
Opening Balance	1,600	1,095
Less: Transferred to Advances	–	(41)
Add: Addition during the year	540	546
Less: Derecognised during the year	(86)	–
Less: Transferred to Other Non current Assets	(40)	–
<b>Total</b>	<b>2,014</b>	<b>1,600</b>

### 3. Other Non Current Assets

	<i>31 March 2010</i>	<i>31 March 2009</i>
	<i>(Rs. Mn)</i>	
Loans and advances and deposits	99	76
Trade receivables (Note 6)	<u>1</u>	<u>1</u>
<b>Total</b>	<b><u>100</u></b>	<b><u>77</u></b>

Other non current assets include all those loans and advances and deposits having maturity period more than 1 year.

### 4. Inventories

	<i>31 March 2010</i>	<i>31 March 2009</i>
	<i>(Rs. Mn)</i>	
Spares and Diesel	<u>51</u>	<u>28</u>
<b>Total</b>	<b><u>51</u></b>	<b><u>28</u></b>

Consumables are the items which facilitate uninterrupted running of vehicles.

### 5. Assets Held for Sale

	<i>31 March 2010</i>	<i>31 March 2009</i>
	<i>(Rs. Mn)</i>	
Property, Plant and Equipment	<u>–</u>	<u>6</u>
<b>Total</b>	<b><u>–</u></b>	<b><u>6</u></b>

Assets Held for sale are being carried at fair value at respective dates of Statement of Financial Position. Asset related to non current asset and disposable groups held for sale other than those related to Discontinued operation, consists primarily of Property, Plant and Equipment.

### 6. Trade Receivables

	<i>31 March 2010</i>	<i>31 March 2009</i>
	<i>(Rs. Mn)</i>	
Non Current (Note 3)	1	1
Current	<u>304</u>	<u>150</u>
<b>Total</b>	<b><u>305</u></b>	<b><u>151</u></b>

Trade receivables pertain to Logistic Business. Trade receivables having maturity period more than one year have been classified as non current. Current receivables are non interest bearing but generally on 30 to 90 days terms. The carrying values of these receivables are representatives of their fair values at their respective Statement of Financial Position dates.



## 7. Other Current Assets

	31 March 2010	31 March 2009
	(Rs. Mn)	
Loans and Advances	178	12
Prepaid Expenses	–	3
CENVAT Asset	10	2
<b>Total</b>	<b>188</b>	<b>17</b>

Other current assets includes the above items which are having maturity period of less than 1 year. Loans and advances with more than 1 year maturity period are classified under non current assets.

## 8. Current Tax Assets

	31 March 2010	31 March 2009
	(Rs. Mn)	
Advance Tax FY 2007-08	1	1
TDS FY 2007-08	6	–
TDS Receivable – Divisions (Net)	2	4
TDS FY2009-10	4	–
<b>Total</b>	<b>13</b>	<b>5</b>

## 9. Cash and Cash Equivalents

	31 March 2010	31 March 2009
	(Rs. Mn)	
Cash in Hand	1	1
Cash at Bank ( Current Accounts)	74	1
<b>Total</b>	<b>75</b>	<b>2</b>

The carrying value of cash and current account balances in banks are representative of fair values at respective Statement of Financial Position dates.

## 10. Capital and Reserves

	31 March 2010	31 March 2009
	(Rs. Mn)	
<b>Authorised</b>		
1,00,000,000 Equity Shares of Rs.10 each (Previous year 1,00,000,000 Equity shares of Rs.10 each)	1,000	1,000
<b>Issued, Subscribed and Paid up</b>		
82,093,000 Equity Shares of Rs.10 each		
On issue at 1 April	821	821
Issued for cash	–	–
<b>On issue at 31 March</b>	<b>821</b>	<b>821</b>

The holders of ordinary shares are entitled to receive dividend as declared by the company from time to time and are also entitled to one vote per share at meetings of the company. All share holders rank equally with regard to the company's residual assets.

The Company has collected Rs. 35,210,000 as premium for issue of shares to M/s Xanfretico Holding Company Private Limited of Cyprus.

### **General Reserves**

The general reserves comprises amount transferred from profit and loss account towards dividend reserve before declaring dividend and also to meet any exigencies.

### **Retained earnings**

Retained earnings comprise opening balance of the previous year profits and the profit/(loss) of the current year.

## **11. Long Term Debt, excluding current portion**

	<i>31 March 2010</i>	<i>31 March 2009</i>
	<i>(Rs. Mn)</i>	
Axis Bank Project Loan	–	1,085
Bank of Baroda Project Loan	635	–
United Bank Project Loan	476	–
Corporation Bank Project Loan	476	–
Dena Bank Project Loan	190	–
Kotak Mahindra Ltd – TOYOTA INNOVA	–	1
Kotak Mahindra Prime Ltd – Benz 1	3	4
Kotak Mahindra Prime Ltd – Innova	–	1
<b>Total</b>	<b>1,780</b>	<b>1,091</b>

- 1 Term Loan from Axis Bank Ltd @ 12.25% p.a. was secured by way of mortgage/hypothecation of Land, lorries and trailers. In May 2009 Axis Bank Ltd's Loan was taken over by consortium of four member banks led by Bank of Baroda.
- 2 Project Term Loan from consortium i.e. Bank of Baroda, United Bank of India, Corporation Bank and Dena Bank is secured by way of mortgage/hypothecation of Land, lorries and trailers and Personal Guarantee of the Chairman of the company. The rate of interest for the Project Term Loan is @ 12.5% and revised repayment period is 12 year including moratorium period of 3 years 3 months with revised COD of December 2011.
- 3 Tata Indica Car Loan is borrowed from ICICI Bank Ltd @ 12.46% p.a. for the period of 5 years (60 monthly Instalments) and is secured by way of hypothecation of Motor Car.
- 4 Innova Car Loan is borrowed from ICICI Bank Ltd @ 12.46% p.a. for the period of 5 Years (60 monthly Instalments) and is secured by way of hypothecation of Motor Car.
- 5 Toyota Innova-1 Car Loan is borrowed from Kotak Mahindra Prime Ltd @ 12.25% p.a. for the period of 3 years (36 monthly Instalments) and is secured by way of hypothecation of Motor Car.
- 6 Toyota Innova-2 Car Loan is borrowed from Kotak Mahindra Prime Ltd @ 13.77% p.a. for the period of 5 years (60 monthly Instalments) and is secured by way of hypothecation of Motor Car.
- 7 Benz Car-1 Loan is borrowed from Kotak Mahindra Prime Ltd @ 13.77% p.a. for the period of 5 years (60 monthly Instalments) and is secured by way of hypothecation of Motor Car.
- 8 Benz Car-2 Loan is borrowed from Kotak Mahindra Prime Ltd @ 13.90% p.a. for the period of 3 years (36 monthly Instalments) and is secured by way of hypothecation of Motor Car.

## **12. Other Non Current Liabilities**

	<i>31 March 2010</i>	<i>31 March 2009</i>
	<i>(Rs. Mn)</i>	
Provision for Gratuity	9	2
Trade Creditors (Note 15b)	1	1
<b>Total</b>	<b>10</b>	<b>3</b>

### 13. Deferred Tax Liabilities

	<i>31 March 2010</i>	<i>31 March 2009</i>
	<i>(Rs. Mn)</i>	
<b>Deferred Income Tax Liabilities</b>		
Difference in written down value of Property, Plant and Equipment	49	57
<b>Post employment benefits other than pensions</b>		
– Gratuity	(3)	–
Other Disallowances under Income Tax Act 1961	–	(14)
<b>Total</b>	<u><b>46</b></u>	<u><b>43</b></u>

### 14. Short Term Debt and Current portion of Long Term Debt

	<i>31 March 2010</i>	<i>31 March 2009</i>
	<i>(Rs. Mn)</i>	
Unsecured Loans	–	22
<b>Total</b>	<u><b>–</b></u>	<u><b>22</b></u>

Unsecured Loan from Individuals carried interest @ 15% and repayable on demand.

### 15. Trade Accounts Payable

		<i>31 March 2010</i>	<i>31 March 2009</i>
		<i>(Rs. Mn)</i>	
Current	15a	116	110
Non Current (Note 12)	15b	1	1
<b>Total</b>		<u><b>117</b></u>	<u><b>111</b></u>

The carrying values of all trade creditors and other payable are representative of their fair values at their respective Statement of Financial Position dates. All trade creditors and other payables having an original maturity period of 1 year or less are classified as current liabilities. Trade creditors are non interest bearing and are normally settled on 30 to 90 days terms.

### 16. Accrued Expenses and Other Current Liabilities

		<i>31 March 2010</i>	<i>31 March 2009</i>
		<i>(Rs. Mn)</i>	
Provisions		8	9
Statutory Dues		7	16
Axis Bank Current Account -Overdraft as per books		–	3
Bank of Baroda CC- (Working Capital Loan)*		226	51
Share Application Money Pending Allotment		92	–
<b>Total</b>		<u><b>333</b></u>	<u><b>79</b></u>

\* Working Capital (WC) Loan from Bank of Baroda is secured by way of hypothecation of Company's Inventories and Book Debts. Interest for the WC borrowings are @ 12% p.a. subject to renewal every year.

## 17. Revenue

	31 March 2010	31 March 2009
	(Rs. Mn)	
Cargo Handling	54	100
Transportation	228	202
Net income from Coastal Operations	122	24
Rail Transportation	20	–
Clearing & Forwarding	8	50
<b>Total</b>	<b>432</b>	<b>376</b>

## 18. Cost of revenue

	31 March 2010	31 March 2009
	(Rs. Mn)	
Diesel and Oil Expenses	98	88
Direct Operating Cost	2	16
Air Export & Import	4	10
Sea Export & Import	2	20
Clearing and Forwarding	94	29
Hire Charges	30	32
Depreciation	42	30
<b>Total</b>	<b>272</b>	<b>225</b>

## 19. Other Operating Expenses

	31 March 2010	31 March 2009
	(Rs. Mn)	
Direct operating expenses of property	26	59
	<b>26</b>	<b>59</b>

## 20. General Administrative & Personnel Expenses

	31 March 2010	31 March 2009
	(Rs. Mn)	
General Administrative Expenses	100	28
	<b>100</b>	<b>28</b>
Personnel Expenses		
– Wages & Salaries	47	21
– Compulsory social security contributions	6	–
– Increase in liability for defined benefit plans	2	1
	<b>55</b>	<b>22</b>
<b>Total</b>	<b>155</b>	<b>50</b>

## 21. Net Financing Cost

	31 March 2010	31 March 2009
	(Rs. Mn)	
Interest Income	—	—
<b>Financial Income</b>	<u>—</u>	<u>—</u>
Interest expense	26	9
Net foreign exchange loss	—	—
<b>Financial Expense</b>	<u>26</u>	<u>9</u>
<b>Net Financing Cost</b>	<u>26</u>	<u>9</u>

## 22. Income Tax Expenses

	31 March 2010	31 March 2009
	(Rs. Mn)	
<b>Current Tax Expenses</b>		
Current Year	1	12
Adjustment for prior years	—	2
	<u>1</u>	<u>14</u>
<b>Deferred Tax</b>		
Origination and reversal of temporary differences	4	6
	<u>4</u>	<u>6</u>
<b>Total Income Tax Expenses</b>	<u>5</u>	<u>20</u>

## 23. Related party transactions

The company has a related party relationship with its associates, directors and executive officers.

Directors of the company and their immediate relatives/associates control 100% of the voting shares of the company. Loans to directors for the year ended 31 March 2010 amounted to Rs 3.63 Mn (previous year Rs 2.93 Mn) and are included in other receivables. These loans are interest-free and have no EMI but repayable on demand.

The Key Management personnel are eligible for salaries and defined contribution plan. Post employment benefits consists of gratuity alone and are provided in the accounts based on actuarial valuation. The key management personnel compensation paid during the current year amounted to Rs 35.57 Mn (previous year Rs 28.20 Mn).

During the year ended 31 March 2010 the company has made transactions for expenses and finance arrangements with associate company on arm's length basis. During the year ended 31 March 2010 amount receivable from associate amounted to Rs 1.84 Mn (previous year payable Rs 13.44 Mn).

## 24. Financial instruments

Financial assets comprise trade receivables from the logistics services rendered, accrued income, accrued interest, deposits, advance receivables and cash and cash equivalents.

The directors consider that carrying amount of financial assets approximates their fair value.

Principal financial liabilities comprise borrowings and trade and other payables. After initial recognition liabilities are presented at amortised cost.

### ***Credit risk***

The company's credit risk is primarily attributable to its advances and trade receivables. The amount presented in the financial statement of position are net of bad and doubtful receivables, estimated by the company's management based on prior experience and the current economic environment.

The company has significant concentration of advances to its related parties but does not envisage any credit risk from these parties.

### ***Liquidity risk***

The company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as cash outflows due in day to day business . Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of rolling 30 day projection. Long term liquidity needs for a 180 day and a 360 day look out period are identified monthly.

### ***Risk management objectives and policies***

The company is exposed to financial risk which result from operating activities. Company's risk management is coordinated in close co-operation with the board of directors and focuses on actively securing company's short to medium term cash flows by minimising the exposure to financial markets.

The company is not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The company's concentrations of credit risk principally of cash equivalents, financial assets, trade receivables, other receivables, investment securities and deposits. By their nature, all such financial instruments involve risk including the credit risk of non performance by counter parties. Company's cash equivalents and time deposits are invested with reputable banks.

The company monitors the credit worthiness of its customers to which it grants credit terms in the normal course of the business. Trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The company's interest rate risk arises from long term borrowings. Borrowings obtained at variable rates expose company to cash flow interest rate risk.

### ***Interest Rate Risk***

The company is exposed to interest rate risk. Interest rates will vary from 12% p.a. to 13.25% p.a. depending upon the Reserve Bank of India policies. However, any rise in interest rate will not affect the profitability of the company in the present situation since the project is ongoing and all qualifying interest is capitalised to the projects. Taking account of the company's existing and planned debt structure, treasury uses interest rate derivative to adjust the interest rate structure for the net financial liabilities of the composition specified by the board of directors.

### ***Sensitivity Analysis***

Interest rate risk is not considered significant at present, since the company is under going project development and all qualifying interest is capitalised in the project cost.

### ***Foreign Currency Risk***

The company is not exposed to significant currency risk from investing, financing and operating activities. Accordingly no sensitivity analysis is provided.

## 25. Reconciliation of Equity at 1 April 2008

	<i>Note</i>	<i>INDIAN GAAP Rs</i>	<i>Effect of Transition to IFRS (Rs. Mn)</i>	<i>IFRS Rs</i>
<b>ASSETS</b>				
<b>(A) Non Current Assets</b>				
Property, Plant and Equipment		197	–	197
Capital Work in Progress		1,095	–	1,095
Other Non Current Assets		18	(12)	6
<b>Total Non Current Assets (A)</b>		<b>1,310</b>	<b>(12)</b>	<b>1,298</b>
<b>(B) Current Assets</b>				
Inventories		16	–	16
Trade Receivables		86	–	86
Income Tax Assets		8	11	19
Other Current Assets		–	14	14
Cash and Cash Equivalents		35	(3)	32
<b>Total Current Assets (B)</b>		<b>145</b>	<b>22</b>	<b>167</b>
<b>TOTAL ASSETS (A+B)</b>		<b>1,455</b>	<b>10</b>	<b>1,465</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>(A) Shareholders' Equity</b>				
Shareholders' Equity		821	–	821
Share Premium		35	–	35
General Reserves		5	–	5
Retained Earnings		91	–	91
<b>Total Shareholder's Equity (A)</b>		<b>952</b>	<b>–</b>	<b>952</b>
<b>(B) Non-Current Liabilities</b>				
Long Term Debt, excluding current portion		435	(23)	412
Other Non Current Liabilities		1	1	2
Deferred Tax Liabilities (Net)		36	–	36
<b>Total Non-Current Liabilities (B)</b>		<b>472</b>	<b>(22)</b>	<b>450</b>
<b>(B) Current Liabilities</b>				
Short Term Debt and Current portion of Long Term Debt				
Trade Accounts Payable		14	(1)	13
Accrued Expenses and Other Current Liabilities		17	33	50
<b>Total Current Liabilities (B)</b>		<b>31</b>	<b>32</b>	<b>63</b>
<b>Total Liabilities (B+C)</b>		<b>503</b>	<b>10</b>	<b>513</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,455</b>	<b>10</b>	<b>1,465</b>

1 All assets and liabilities in the Financial statements under the Indian GAAP have been reclassified and measured in accordance with IFRS 1.

## 26. Reconciliation of Equity at 31 March 2009

	<i>Note</i>	<i>INDIAN GAAP</i>	<i>Effect of Transition to IFRS (Rs. Mn)</i>	<i>IFRS</i>
<b>ASSETS</b>				
<b>(A) Non Current Assets</b>				
Property, Plant and Equipment	1	431	(6)	425
Capital Work in Progress		1,641	(41)	1,600
Other Non Current Assets		54	23	77
<b>Total Non Current Assets (A)</b>		<b>2,126</b>	<b>(24)</b>	<b>2,102</b>
<b>(B) Current Assets</b>				
Inventories		28	–	28
Assets Held for Sale	1	–	6	6
Trade Receivables		151	(1)	150
Other Current Assets		–	17	17
Income Tax Assets		4	1	5
Cash and Cash Equivalents		2	–	2
<b>Total Current Assets (B)</b>		<b>185</b>	<b>23</b>	<b>208</b>
<b>TOTAL ASSETS (A+B)</b>		<b>2,311</b>	<b>(1)</b>	<b>2,310</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>(A) Shareholders' Equity</b>				
Shareholders' Equity		821	–	821
Securities Premium		35	–	35
General Reserves		5	–	5
Retained Earnings	2	105	(4)	101
<b>Total Shareholder's Equity (A)</b>		<b>966</b>	<b>(4)</b>	<b>962</b>
<b>(B) Non-Current Liabilities</b>				
Long Term Debt, excluding current portion		1,142	(51)	1,091
Other Non Current Liabilities		2	1	3
Deferred Tax Liabilities (Net)		41	2	43
<b>Total Non-Current Liabilities (B)</b>		<b>1,185</b>	<b>(48)</b>	<b>1,137</b>
<b>(B) Current Liabilities</b>				
Short Term Debt and Current portion of Long Term Debt		22	–	22
Trade Accounts Payable		109	1	110
Accrued Expenses and Other Current Liabilities		29	50	79
<b>Total Current Liabilities (B)</b>		<b>160</b>	<b>51</b>	<b>211</b>
<b>Total Liabilities (B+C)</b>		<b>1,345</b>	<b>3</b>	<b>1,348</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,311</b>	<b>(1)</b>	<b>2,310</b>

1 Assets held for sale

As per IFRS 5, assets which are held for sale have been transferred from Property, Plant and Equipment and separately disclosed under Assets held for sale.

2 Prior period expenses have been adjusted in retained earnings.

3 All assets and liabilities in the Financial statements under the Indian GAAP have been reclassified and measured in accordance with IFRS 1.



**To The Board of Directors**

**Vikram Logistic and Maritime Services Private Limited**

We have reviewed the attached Balance Sheet of Vikram Logistic and Maritime Services Private Limited as of 31 October 2010, and the related Statements of Comprehensive Income, Changes in Equity and Cash Flows for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our review.

We conducted our review in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the review to obtain reasonable assurance about whether the financial statements are free of material misstatement. A review is limited primarily to analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditors' report.

Based on our review, no matters have come to our attention that cause us to believe that the financial statements have not been prepared, in material respects, in accordance with the International Financial Reporting Standards as issued by International Accounting Standards Board ('IFRS').

for A.R. Viswanathan & Co.  
*Chartered Accountants*

A.V. Venkatachalam  
*Partner*

Membership No: 19546  
Firms ICAI Regn No: 4765S

Place: Bangalore  
Date: 7 February 2011

**Statement of Comprehensive Income for the period ended 31 October 2010**

	<i>Notes</i>	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
		<i>(Rs.Mn)</i>	
<b>Revenues</b>			
Revenues	15	237	432
Cost of Revenues	16	(142)	(272)
<b>Gross Profit</b>		<b>95</b>	<b>160</b>
<b>Expenses</b>			
Other Operating Expenses	17	28	26
Selling and Marketing Expenses		2	3
General Administrative & Personnel Expenses	18	73	155
<b>Operating Loss before Financing Cost</b>		<b>(8)</b>	<b>(24)</b>
Financial Income		1	–
Financial Expense		(25)	(26)
<b>Net Financing Cost</b>	19	<b>(24)</b>	<b>(26)</b>
<b>Loss from Operating Activities</b>		<b>(32)</b>	<b>(50)</b>
Other Income		–	5
<b>Loss from continuing operation before Income Taxes</b>		<b>(32)</b>	<b>(45)</b>
Income Tax Expenses	20	(11)	(5)
<b>Loss from continuing operation</b>		<b>(43)</b>	<b>(50)</b>
Other Comprehensive Income		–	–
<b>Total Comprehensive Loss for the year</b>		<b>(43)</b>	<b>(50)</b>

For Vikram Logistic and Maritime Services Pvt Limited

As per our report of even date  
For A.R.Viswanathan & Co.,  
*Chartered Accountants*

*Director*

*Director*

*CFO*

Place: Bangalore

Dated: 7 February 2011

A.V.Venkatachalam  
Partner  
Membership No.19546

**Statement of Financial Position as at 31 October 2010**

	<i>Notes</i>	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
		<i>(Rs.Mn)</i>	
<b>ASSETS</b>			
<b>(A) Non Current Assets</b>			
Property, Plant and Equipment	1	429	452
Capital Work in Progress	2	2,195	2,014
Other Non Current Assets	3	159	100
<b>Total Non Current Assets (A)</b>		<b>2,783</b>	<b>2,566</b>
<b>(B) Current Assets</b>			
Inventories	4	18	51
Trade Receivables	5a	341	304
Other Current Assets	6	143	188
Current Tax Assets	7	11	13
Cash and Cash Equivalents	8	2	75
<b>Total Current Assets (B)</b>		<b>515</b>	<b>631</b>
<b>TOTAL ASSETS (A+B)</b>		<b>3,298</b>	<b>3,197</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>(A) Stockholders' Equity</b>			
Share Capital	9	821	821
Share Premium	9	35	35
General Reserves	9	5	5
Retained Earnings	9	8	51
<b>Total Shareholders' Equity (A)</b>		<b>869</b>	<b>912</b>
<b>(B) Non-Current Liabilities</b>			
Long Term Debt, excluding current portion	10	1,868	1,780
Other Non Current Liabilities	11	67	10
Deferred Tax Liabilities (Net)	12	57	46
<b>Total Non-Current Liabilities (B)</b>		<b>1,992</b>	<b>1,836</b>
<b>(C) Current Liabilities</b>			
Trade Accounts Payable	13a	55	116
Accrued Expenses and Other Current Liabilities	14	382	333
<b>Total Current liabilities (C)</b>		<b>437</b>	<b>449</b>
<b>Total Liabilities (B+C)</b>		<b>2,429</b>	<b>2,285</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,298</b>	<b>3,197</b>

For Vikram Logistic and Maritime Services Pvt Limited

As per our report of even date  
For A.R.Viswanathan & Co.,  
*Chartered Accountants*

*Director*

*Director*

*CFO*

Place: Bangalore  
Dated: 7 February 2011

A.V.Venkatachalam  
*Partner*  
Membership No.19546

**Statement of Changes in Equity as on 31 October 2010**

	<i>Share Capital</i>	<i>Share Premium</i>	<i>General Reserve (Rs.Mn)</i>	<i>Retained Earnings</i>	<i>Total Equity</i>
At 31 March 2009	821	35	5	101	962
Total Comprehensive Loss	–	–	–	(50)	(50)
At 31 March 2010	821	35	5	51	912
Total Comprehensive Loss	–	–	–	(43)	(43)
At 31 October 2010	821	35	5	8	869

**Statement of Cash Flows for the Period ended 31 October 2010**

	<i>Year ended 31 October 2010 (Un-audited)</i>	<i>Year ended 31 March 2010</i>
	<i>(Rs.Mn)</i>	
<b>(A) Cash Inflow/Outflow from Operating Activities</b>		
Loss Before Tax	(32)	(45)
<i>Adjustments to reconcile net results before tax to net cash provided by operating activities</i>		
Loss on sale of Assets Held for Sale	–	2
Interest on Bank Loans	18	26
Depreciation	26	44
Interest and other Income	(1)	–
<i>Changes in Operating Assets and Liabilities</i>		
Increase in Accounts Receivable	(37)	(154)
Decrease/(Increase) in Inventories	33	(24)
Increase in Other Current Assets	(12)	(198)
(Decrease)/Increase in Accounts Payable	(61)	6
Increase in Other Liabilities	107	262
Direct Taxes paid	–	(6)
<b>Net Cash provided by/(used in) from Operating Activities (A)</b>	<b>41</b>	<b>(87)</b>
<b>(B) Cash Inflow/(Outflow) from Investing Activities</b>		
Interest on Bank Deposits	1	–
Purchase of Property, Plant and Equipment & CWIP	(56)	(315)
Sale proceeds from of Property, Plant and Equipment	–	3
<b>Net Cash used in Investing Activities (B)</b>	<b>(55)</b>	<b>(312)</b>
<b>(C) Cash Inflow/(Outflow) from Financing Activities</b>		
Interest on Bank Loans	(147)	(195)
Proceeds from Secured Loan	88	689
Repayment of Un-secured loans	–	(22)
<b>Net Cash (used in)/provided by Financing Activities (C)</b>	<b>(59)</b>	<b>472</b>
Cash and Cash Equivalents at the beginning of the year	75	2
Cash and Cash Equivalents generated (A+B+C)	(73)	73
<b>Cash and Cash Equivalents at the end of the year</b>	<b>2</b>	<b>75</b>

For Vikram Logistic and Maritime Services Pvt Limited

*Director*

*Director*

*CFO*

Place: Bangalore  
Dated: 7 February 2011

As per our report of even date  
For A.R.Viswanathan & Co.,  
*Chartered Accountants*

A.V.Venkatachalam  
*Partner*  
Membership No.19546

## Notes to Financial Statements

### 1. Property Plant and Equipment

	<i>Land</i>	<i>Building</i>	<i>Plant &amp; Machinery</i>	<i>Lorries &amp; Trailers</i>	<i>Office vehicles</i>	<i>Furniture &amp; Information Fixtures Technology</i>	<i>Total</i>	
	<i>(Rs.Mn)</i>							
<b>Cost</b>								
At 1 April 2010	38	55	279	277	22	15	7	693
Additions during the year	–	–	–	–	3	–	–	3
<b>Cost at 31 October 2010</b>	<b>38</b>	<b>55</b>	<b>279</b>	<b>277</b>	<b>25</b>	<b>15</b>	<b>7</b>	<b>696</b>
<b>Accumulated Depreciation</b>								
At 1 April 2010	–	1	136	91	6	4	3	241
Depreciation for the year	–	–	7	16	1	1	1	26
<b>Accumulated Depreciation at 31 October 2010</b>	<b>–</b>	<b>1</b>	<b>143</b>	<b>107</b>	<b>7</b>	<b>5</b>	<b>4</b>	<b>267</b>
<b>At 31 October 2010</b>								
Cost	38	55	279	277	25	15	7	696
Accumulated depreciation	–	(1)	(143)	(107)	(7)	(5)	(4)	(267)
<b>Net Carrying amount at 31 October 2010</b>	<b>38</b>	<b>54</b>	<b>136</b>	<b>170</b>	<b>18</b>	<b>10</b>	<b>3</b>	<b>429</b>
<b>Cost</b>								
At 1 April 2009	38	–	268	276	22	12	6	622
Additions during the year	–	55	11	1	–	3	1	71
<b>Cost at 31 March 2010</b>	<b>38</b>	<b>55</b>	<b>279</b>	<b>277</b>	<b>22</b>	<b>15</b>	<b>7</b>	<b>693</b>
<b>Accumulated Depreciation</b>								
At 1 April 2009	–	–	124	64	4	3	2	197
Depreciation during the year	–	1	12	27	2	1	1	44
<b>Accumulated Depreciation at 31 March 2010</b>	<b>–</b>	<b>1</b>	<b>136</b>	<b>91</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>241</b>
<b>At 31 March 2010</b>								
Cost	38	55	279	277	22	15	7	693
Accumulated depreciation	–	(1)	(136)	(91)	(6)	(4)	(3)	(241)
<b>Net Carrying amount at 31 March 2010</b>	<b>38</b>	<b>54</b>	<b>143</b>	<b>186</b>	<b>16</b>	<b>11</b>	<b>4</b>	<b>452</b>

### 2. Capital Work in Progress

	<i>31 October 2010</i>	<i>31 March 2010</i>
	<i>(Un-audited)</i>	
	<i>(Rs.Mn)</i>	
Opening Balance	2,014	1,600
Add: Addition during the year	203	540
Less: Derecognised during the year	(22)	(86)
Less: Transferred to Other Non current Assets	–	(40)
<b>Total</b>	<b>2,195</b>	<b>2,014</b>

### 3. Other Non Current Asset

	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
	<i>(Rs.Mn)</i>	
Loans and advances and deposits	150	99
Trade receivables (Note 5b)	9	1
<b>Total</b>	<b>159</b>	<b>100</b>

Other non current assets include all those loans and advances and deposits having maturity period more than 1 year.

### 4. Inventories

	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
	<i>(Rs.Mn)</i>	
Spares and Diesel	18	51
<b>Total</b>	<b>18</b>	<b>51</b>

Consumables are the items which facilitate uninterrupted running of vehicles.

### 5. Trade Receivables

		<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
		<i>(Rs.Mn)</i>	
Current	5a	341	304
Non Current (Note 3a)	5b	9	1
<b>Total</b>		<b>350</b>	<b>305</b>

Trade receivables pertain to Logistic Business. Trade receivables having maturity period more than one year have been classified as non current. Current receivables are non interest bearing but generally on 30 to 90 days terms. The carrying values of these receivables are representatives of their fair values at their respective Statement of Financial Position dates.

### 6. Other Current Assets

	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
	<i>(Rs.Mn)</i>	
Loans and Advances	130	170
Tender Deposit	1	-
Prepaid Expenses	3	8
CENVAT Asset	9	10
<b>Total</b>	<b>143</b>	<b>188</b>

Other current assets includes the above items which are having maturity period of less than 1 year. Loans and advances with more than 1 year maturity period are classified under non current assets.

VLMS has entered into a Memorandum of Understanding (MoU) dated November 08, 2008 with Indo Lloyd Freight Systems Pvt. Ltd. (ILFS) for take over its business through acquisition of equity shares of ILFS at a book value of Rs. 66.66 per share. Pursuant to the aforesaid MoU, VLMS currently holds 48% (1,80,000 equity shares) of its paid-up share capital of ILFS. VLMS is presently developing its own Free Trade Warehousing Zone (FTWZ) business at Chennai and Bangalore. Hence, VLMS has decided to assign all its rights and obligations under the said MoU to Ambit Logistics Private Limited (ALPL) at a book value of Rs. 66.20 per share on/or before March 31, 2011. In view of the foregoing, the management of the company expects that there will be an impairment loss of Rs. 0.083 Mn during the current financial year 2010-11 on transfer of these shares held by VLMS to ALPL, which is insignificant.

#### 7. Current Tax Assets

	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
	<i>(Rs.Mn)</i>	
TDS Receivable – Divisions (Net)	11	13
<b>Total</b>	<b>11</b>	<b>13</b>

#### 8. Cash and Cash Equivalents

	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
	<i>(Rs.Mn)</i>	
Cash in Hand	1	1
Cash at Bank (Current Accounts)	1	74
<b>Total</b>	<b>2</b>	<b>75</b>

The carrying value of cash and current account balances in banks are representative of fair values at respective Statement of Financial Position dates.

#### 9. Capital and Reserves

	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
	<i>(Rs.Mn)</i>	
<b>Authorised</b>		
1,00,000,000 Equity Shares of Rs.10 each (Previous year 1,00,000,000 Equity shares of Rs.10 each)	1,000	1,000
<b>Issued, Subscribed and Paid up</b>		
82,093,000 Equity Shares of Rs.10 each		
On issue at April 1	821	821
Issued for cash	—	—
<b>On issue at March 31</b>	<b>821</b>	<b>821</b>

The holders of ordinary shares are entitled to receive dividend as declared by the company from time to time and are also entitled to one vote per share at meetings of the company. All share holders rank equally with regard to the company's residual assets.



### **Share premium**

The Company has collected Rs 35,210,000 as premium for issue of shares to M/s Xanfretico Holding Company Private Limited of Cyprus.

### **General Reserves**

The general reserves comprise amount transferred from profit and loss account towards dividend reserve before declaring dividend and also to meet any exigencies.

### **Retained earnings**

Retained earnings comprise opening balance of the previous year profits and the profit/(loss) of the current year.

## **10. Long Term Debt, excluding current portion**

	<i>31 October</i> <i>2010</i> <i>(Un-audited)</i>	<i>31 March</i> <i>2010</i>
	<i>(Rs.Mn)</i>	
Bank of Baroda Project Loan	665	635
Corporation Bank Project Loan	499	476
Dena Bank Project Loan	200	190
United Bank Project Loan	499	476
Bank of Baroda – Honda CRV	2	–
Kotak Mahindra Prime Ltd – Benz 1	3	3
<b>Total</b>	<b>1,868</b>	<b>1,780</b>

- 1 Project Term Loan from consortium i.e. Bank of Baroda, United Bank of India, Corporation Bank and Dena Bank is secured by way of mortgage/hypothecation of Land, lorries and trailers and Personal Guarantee of the Chairman of the company. The rate of interest for the Project Term Loan is @ 12.5% and revised repayment period is 12 year including moratorium period of 3 years 3 months with revised COD of December 2011.
- 2 Tata Indica Car Loan is borrowed from ICICI Bank @ 12.46% p.a. for the period of 5 years (60 monthly Installments) and is secured by way of hypothecation of Motor Car.
- 3 Innova Car Loan is borrowed from ICICI Bank @ 12.46% p.a. for the period of 5 Years (60 monthly Installments) and is secured by way of hypothecation of Motor Car.
- 4 Toyota Innova-1 Car Loan is borrowed from Kotak Mahindra Prime Ltd @ 12.25% p.a. for the period of 3 years (36 monthly Installments) and is secured by way of hypothecation of Motor Car.
- 5 Toyota Innova-2 Car Loan is borrowed from Kotak Mahindra Prime Ltd @ 13.77% p.a. for the period of 5 years (60 monthly Installments) and is secured by way of hypothecation of Motor Car.
- 6 Benz Car- 1 Loan is borrowed from Kotak Mahindra Prime Ltd @ 13.77% p.a. for the period of 5 years (60 monthly Installments) and is secured by way of hypothecation of Motor Car.
- 7 Benz Car- 2 Loan is borrowed from Kotak Mahindra Prime Ltd @ 13.90% p.a. for the period of 3 years (36 monthly Installments) and is secured by way of hypothecation of Motor Car.

## **11. Other Non current Liabilities**

	<i>31 October</i> <i>2010</i> <i>(Un-audited)</i>	<i>31 March</i> <i>2010</i>
	<i>(Rs.Mn)</i>	
Loans and advances	46	–
Provision for Gratuity	13	9
Trade Creditors (Note 13b)	8	1
<b>Total</b>	<b>67</b>	<b>10</b>

## 12. Deferred Income Tax

	31 October 2010 (Un-audited)	31 March 2010
	(Rs.Mn)	
<i>Deferred Income Tax Liabilities</i>		
Difference in written down value of Property, Plant and Equipment	62	49
– Gratuity	(5)	(3)
<b>Total</b>	<b>57</b>	<b>46</b>

## 13. Trade Accounts Payable

	31 October 2010 (Un-audited)	31 March 2010
	(Rs.Mn)	
Current	13a 55	116
Non Current (Note 11)	13b 8	1
<b>Total</b>	<b>63</b>	<b>117</b>

The carrying values of all trade creditors and other payable are representative of their fair values at their respective Statement of Financial Position dates. All trade creditors and other payables having an original maturity period of 1 year or less are classified as current liabilities.

Trade creditors are non interest bearing and are normally settled on 30 to 90 days terms.

## 14. Accrued Expenses and Other Current Liabilities

	31 October 2010 (Un-audited)	31 March 2010
	(Rs.Mn)	
Provisions	41	8
Statutory Dues	2	7
Bank of Baroda CC- (Working Capital Loan)*	244	226
Share Application Money pending Allotment	95	92
<b>Total</b>	<b>382</b>	<b>333</b>

\* Working Capital (WC) Loan from Bank of Baroda is secured by way of hypothecation of Company's Inventories and Book Debts. Interest for the WC borrowings are @ 12% p.a. subject to renewal every year.

## 15. Revenue

	31 October 2010 (Un-audited)	31 March 2010
	(Rs.Mn)	
Cargo Handling	28	54
Transportation	121	228
Net income from Coastal Operations	88	122
Rail Transportation	–	20
Clearing & Forwarding	–	8
<b>Total</b>	<b>237</b>	<b>432</b>

**16. Cost to revenue**

	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
	<i>(Rs.Mn)</i>	
Diesel and Oil Expenses	47	98
Direct Operating Cost	31	2
Air Export & Import	–	4
Sea Export & Import	–	2
Clearing and Forwarding	38	94
Hire Charges	1	30
Depreciation	25	42
<b>Total</b>	<b>142</b>	<b>272</b>

**17. Other Operating Expenses**

	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
	<i>(Rs.Mn)</i>	
Direct operating expenses of property	28	26
	<b>28</b>	<b>26</b>

**18. General Administrative & Personnel Expenses**

	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
	<i>(Rs.Mn)</i>	
General Administrative Expenses	40	100
	<b>40</b>	<b>100</b>
Personnel Expenses		
– Wages & Salaries	29	47
– Compulsory social security contributions	4	6
– Increase in liability for defined benefit plans	–	2
	<b>33</b>	<b>55</b>
<b>Total</b>	<b>73</b>	<b>155</b>

**19. Net Financing Cost**

	<i>31 October 2010 (Un-audited)</i>	<i>31 March 2010</i>
	<i>(Rs.Mn)</i>	
Interest Income	(1)	–
<b>Financial Income</b>	<b>(1)</b>	<b>–</b>
Interest expense	25	26
<b>Financial Expense</b>	<b>25</b>	<b>26</b>
<b>Net Financing Cost</b>	<b>24</b>	<b>26</b>

## 20. Income Tax Expenses

### Current Tax Expenses

Current Year	–	1
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### Deferred Tax Expenses

Origination and reversal of temporary differences	11	4
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<u>11</u>	<u>4</u>
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### Total Income Tax Expenses

<u>11</u>	<u>5</u>
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## 21. Related party transactions

The company has a related party relationship with its associates, directors and executive officers.

Directors of the company and their immediate relatives/associates control 100% of the voting shares of the company. Loans to directors for the period ended 31 October 2010 amounted to Rs 3.63 Mn (previous year Rs. 3.63 Mn) and are included in other receivables. These loans are interest-free and have no EMI but repayable on demand.

The Key Management personnel are eligible for salaries and defined contribution plan. Post employment benefits consists of gratuity alone and are provided in the accounts based on actuarial valuation. The key management personnel compensation paid during the current period amounted to Rs. 31.40 Mn (previous year Rs. 35.57 Mn).

During the period ended 31 October 2010 the company has made transactions for expenses and finance arrangements with associate company on arm's length basis. During the period ended 31 October 2010 amount receivable from associates amounted to Rs. 37.71 Mn (previous year payable Rs. 1.84 Mn).

## 22. Financial instruments

Financial assets comprise trade receivables from the logistics services rendered, accrued income, accrued interest, deposits, advance receivables and cash and cash equivalents.

The directors consider that carrying amount of financial assets approximates their fair value.

Principal financial liabilities comprise borrowings and trade and other payables. After initial recognition liabilities are presented at amortised cost.

### *Credit risk*

The company's credit risk is primarily attributable to its advances and trade receivables. The amount presented in the financial statement of position are net of bad and doubtful receivables, estimated by the company's management based on prior experience and the current economic environment.

The company has significant concentration of advances to its related parties but does not envisage any credit risk from these parties.

### *Liquidity risk*

The company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as cash outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of rolling 30 day projection. Long term liquidity needs for a 180 day and a 360 day look out period are identified monthly.

### *Risk management objectives and policies*

The company is exposed to financial risk which result from operating activities. Company's risk management is coordinated in close co-operation with the board of directors and focuses on actively securing company's short to medium term cash flows by minimising the exposure to financial markets.

The company is not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The company's concentrations of credit risk principally of cash equivalents, financial assets, trade receivables, other receivables, investment securities and deposits. By their nature, all such financial instruments involve risk including the credit risk of non performance by counter parties. Company's cash equivalents and time deposits are invested with reputable banks.

The company monitors the credit worthiness of its customers to which it grants credit terms in the normal course of the business. Trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The company's interest rate risk arises from long term borrowings. Borrowings obtained at variable rates expose company to cash flow interest rate risk.

### ***Interest Rate Risk***

The company is exposed to interest rate risk. Interest rates will vary from 12% p.a. to 13.25% p.a. depending upon the Reserve Bank of India policies. However, any rise in interest rate will not affect the profitability of the company in the present situation since the project is ongoing and all qualifying interest is capitalised to the projects. Taking account of the company's existing and planned debt structure, treasury uses interest rate derivative to adjust the interest rate structure for the net financial liabilities of the composition specified by the board of directors.

### ***Sensitivity Analysis***

Interest rate risk is not considered significant at present, since the company is under going project development and all qualifying interest is capitalised in the project cost.

### ***Foreign Currency Risk***

The company is not exposed to significant currency risk from investing, financing and operating activities. Accordingly no sensitivity analysis is provided.

## **23. Summary of Significant Accounting Policies:**

### **(a) *Company Overview:***

Vikram Logistic & Maritime Services Private Limited (VLMS), having its registered office at No.10, Chambers@Mantri, 3rd Floor, Richmond Road, Bangalore 560 025 was incorporated on 16-12-1992 in India. The financial statements of VLMS are the responsibility of the management of the company.

VLMS has been set up to carry out the business of multi model logistics and currently its undertaking an expansion plan to develop, establish, operate and maintain FTWZ at Chennai and Bangalore.

The project which, *inter alia*, includes two Free Trade Warehousing Zones (FTWZ) and Domestic Terminals (DT) at Chennai and Bangalore and Inland Container Depot (ICD)/Container Freight Stations (CFS) at Karwar and Hassan is being developed by VLMS.

### **(b) *Basis of preparation of Financial Statements:***

The interim financial statements of VLMS for the seven month period to 31st October 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting. The financial statements have been drawn up in accordance with the going-concern principle and on a historical cost convention on the accrual basis except for certain financial instruments and assets which have been measured at fair value. The presentation and grouping of individual items in the statement of financial position, the statement of comprehensive income and the statement of cash flows, as well as changes in statement of equity, are based on the principle of materiality. Accounting policies have been applied consistently to all periods presented in the financial statements.

(c) ***Use of Estimates:***

The preparation of interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of interim financial statements and reported amount of revenues and expenses during the period. Application of accounting policies, require critical accounting estimates involving complex and subjective judgements. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

In preparing these interim financial statements, the significant judgments made by the management applying the company's accounting policies and key sources of estimation, uncertainty are expected to be the same as those applied in the annual IFRS statements.

(d) ***Property, Plant and Equipment:***

Property, plant and equipment are stated at cost less accumulated depreciation and impairments, if any. The direct costs are capitalized until the property, plant and equipment are ready for use, as intended by management. Direct costs include inward freight, duties, taxes and expenses incidental to acquisition and installation.

Certain items of property, plant and equipment require the performance of regular inspections regardless of whether parts of the item are replaced. When each inspection is performed, the cost of such inspection is expensed off.

Depreciation on property, plant and equipment is provided based on the straight line method over the economic useful life of assets as estimated by the management, on a pro-rata basis. The economic useful lives estimated by the management for depreciation of the assets are as under:

Building	62 years
Handling equipments	20 years
Data processing equipments	6 years
Lorries and Trailors	8 years
Office Vehicles	10 years
Furniture and fixtures	15 years

The useful life of property, plant and equipment is reviewed annually and, wherever change is made to the estimates of useful life of an asset, the depreciation charge is adjusted accordingly.

Advances paid for the acquisition of property, plant and equipment outstanding at the reporting date and the cost of property, plant and equipment not put to use before such date are disclosed as "Capital work-in-progress". Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in profit or loss when incurred. The cost and the related accumulated depreciation are eliminated from the financial statements upon sale or disposition of the assets and the resulting gains or losses are recognized in the statement of comprehensive income.

(e) ***Impairment testing of Property, Plant and Equipment:***

VLMS assesses at each reporting date whether there is objective evidence that an asset or a group of assets is impaired. An asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised for the amount by which the assets or cash-generating units carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. The impairment loss is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

Assets are reviewed for impairment whenever events indicate that the carrying amount of a cash generating unit may not be recoverable. In addition, the assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognized to the extent that the carrying value exceeds the higher of the asset's fair value less cost to sell and its value in use.

(f) ***Inventory:***

Stores and spares are valued at lower of cost or net realizable value on first in first out basis. The cost includes duties and taxes (other than those subsequently recoverable from taxing authorities), freight inward, handling and other costs directly attributable to the acquisition.

(g) ***Financial Instruments:***

(i) ***Non-derivative Financial Instruments***

Non-derivative financial instrument comprises debt, other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non derivative financial instruments are measured as described below.

***Cash and Cash equivalents***

Cash and cash equivalent comprise cash balance and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as component of cash and cash equivalent for the purpose of the statement of cash flows.

***Loans and borrowing and trade and other payables***

Other non derivative financial instruments are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(ii) ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as deduction from equity, net of any tax effects.

(h) ***Other Provisions and Contingent Liabilities:***

Other provisions are recognized when present obligations will probably lead to an outflow of economic resources from the company and they can be estimated reliably. Timing or amount of the

outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the statement of financial position.

(i) ***Revenue Recognition:***

Revenue is recognised when significant risks and rewards are transferred to the customer provided the revenue can be measured reliably and it is probable that the economic benefits associated with services will flow to VLMS. VLMS invoices clients in accordance with the agreed rates and billing arrangements.

Significant risks and rewards are transferred to the customer when the consignment reaches destination. The revenue in excess of the amount billed is recognised and disclosed as accrued income under other current assets.

(j) ***Finance and Other Income:***

Finance income, if any, on funds invested (including available for sale financial assets) is recognised as it accrues. Other income comprises gains on the disposal of financial assets held for sale.

(k) ***Employee benefits:***

Long Term Employee Benefits obligations are measured on an actuarial basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under gratuity plans if the company has a present legal or constructive obligation to pay this amount as a result of the past service of the employee and the obligation can be estimated reliably.

VLMS's contribution to Provident Fund is remitted to the office of Regional Provident Fund Commissioner based on a fixed percentage of eligible employees' salary and charged to Statement of Comprehensive Income. VLMS has categorized Provident Fund as a defined contribution plan and has no further obligations beyond these contributions.

(l) ***Foreign Currency:***

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at the fair value are retranslated to functional currency at the exchange rate at the date the fair value is determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available for sale equity instruments which are recognized in other comprehensive income.

(m) ***Income Taxes:***

Income tax expense comprises current and deferred income tax. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax assets and unused tax losses (where such right has not been forgone), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is



provided using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

(n) ***Borrowing Costs:***

Borrowing costs, other than borrowing cost directly attributable to the acquisition or construction of property, plant and equipment, are recognized in the income statement in the period in which they are incurred, the amount being determined using the effective interest rate method.

Borrowing cost, including amortisation of transaction cost directly attributable to the acquisition or construction of qualifying property, plant and equipment are capitalized of the cost of asset when it is probable that these transaction costs will result in future economic benefit and the cost can be measured reliably.

(o) ***Leasing activities:***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of VLMS at their fair value or present value of minimum lease payments if lower at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(p) ***Segmental Information:***

Based upon the risks and returns of the company, the management considers the primary reporting format is by business segment. The secondary reporting format is by geographical analysis. Based upon the risks and returns of VLMS, management considers that there is only one geographical segment being India. All external revenues are earned from customers in India and it is India as a whole that dictates the level of geographical risk and return for/to VLMS.

The disclosures for both the primary and secondary segment have been given in the statement of comprehensive income and statement of financial position. This analysis is consistent with how management reports information internally for the purpose of evaluating VLMS's performance and for making decisions about future allocations of resources.

(q) ***Assets held for sale:***

Immediately before classification as held for sale, the measurement of the assets is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, assets/disposal groups are recognized at lower of carrying amount and fair value less cost to sell.

## PART V

### HISTORICAL FINANCIAL INFORMATION

#### 1. Financial information on the Company

The following information is incorporated into this document by reference.

##### *Information*

Turnover, net profit or loss before and after taxation, the charge for tax, extraordinary items, minority interest, the amount absorbed by dividends and earnings and dividends per share for the Group for each of the two years ended 31 March 2010 and the six months ended 30 September 2010

A statement of the assets and liabilities shown in the audited accounts for the Group and the Company for each of the two years ended 31 March 2010 and the six months ended 30 September 2010

A cash flow statement as provided in the audited accounts for the Group and the Company for each of the two years ended 31 March 2010 and the six months ended 30 September 2010

Significant accounting policies together with any points from the notes to the accounts which are of major relevance to an appreciation of the figures

##### *Source of information*

IIP annual report and accounts 2010; page 12  
IIP interim financial report 2010; page 7

IIP annual report and accounts 2010; pages 13 and 14  
IIP interim financial report 2010; page 8

IIP annual report and accounts 2010; page 16  
IIP interim financial report 2010; page 10

IIP annual report and accounts 2010; pages 17 – 27

#### 2. Availability of documentation

The Company's results for each of the two years ended 31 March 2010 are available free of charge on the Company's website [www.iiplc.com](http://www.iiplc.com) or in hard copy (on request only) from Smith & Williamson, 25 Moorgate, London EC2R 6AY, telephone 020 7131 4000. Except to the extent expressly set out above in this section headed "Financial information on the Company", neither the content of the Company's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this document and investors should not rely on it.

## PART VI

### PRO FORMA STATEMENT OF NET ASSETS

#### UNAUDITED PRO FORMA FINANCIAL INFORMATION

##### *Basis of preparation*

The following unaudited pro forma statement of net assets of Infrastructure India plc (the “Company”) with its subsidiaries (the “Group”) set out below has been prepared to illustrate the effect of the Placing and the acquisitions of the GGIC Assets on the Group’s net assets as if these events had taken place on 30 September 2010. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group’s actual financial position or results. The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below.

	<i>Adjustments</i>					<i>Enlarged Group unaudited pro forma net assets as at 30 September 2010 £000 Note 6</i>
<i>Group unaudited net assets as at 30 September 2010 £000 Note 1</i>	<i>Net proceeds of the Placing £000 Note 2</i>	<i>Acquisition of GGIC interest in IHDC £000 Note 3</i>	<i>Acquisition of GGIC interest in VLMS £000 Note 4</i>	<i>Expenses associated with the Acquisitions £000 Note 5</i>		
<b>Non-current assets</b>						
Investments at fair value through profit or loss	41,729	–	25,760	34,809	–	102,298
<b>Total non-current assets</b>	41,729	–	25,760	34,809	–	102,298
<b>Current assets</b>						
Trade and other receivables	39	–	–	–	–	39
Cash and cash equivalents	775	31,428	(931)	–	(1,446)	29,826
Prepayments	–	–	–	–	–	–
<b>Total current assets</b>	814	31,428	–	–	(1,446)	29,865
<b>Current liabilities</b>						
Trade and other payables	(411)	–	–	–	–	(411)
<b>Total current liabilities</b>	(411)	–	–	–	–	(411)
<b>Total net assets</b>	42,132	31,428	24,829	34,809	(1,446)	131,752

##### **Notes**

1. The Group net assets as at 30 September 2010 have been extracted without adjustment from the financial information presented in the unaudited 30 September 2010 interim accounts incorporated into this document by reference. No account has been taken of the results of the Group since this date.
2. The Company anticipates raising net proceeds of up to £33.0 million pursuant to the Placing (assuming the completion of the acquisition of the GGIC Assets and, hence, GGIC subscribes for its full allotment under the Placing), after taking into account the estimated expenses associated with the Placing, as follows:

	<i>£000</i>
Gross proceeds from the Placing	33,000
Expenses associated with the Placing	1,572
Net proceeds of the Placing	31,428

3. The Enlarged Group will acquire a 50.00 per cent. interest in IHDC from GGIC through the issue of 23,423,866 Consideration Shares and the payment of US\$1.5 million, in cash.
4. The Enlarged Group will acquire an approximately 37.39 per cent. interest in VLMS from GGIC through the issue of 32,839,506 Consideration Shares.
5. The aggregate expenses payable by the Company associated with the Acquisitions are estimated to be approximately £1.4 million.
6. The Enlarged Group unaudited pro forma net assets as at 30 September 2010 following Admission.

## **PART VII**

### **INFORMATION ON GGIC, FPC AND AHP**

#### **1. GGIC**

GGIC was incorporated as a non cellular, company on 10 July 2007 on the Island of Guernsey. Its registered office is at Ogier House, St. Julian's Avenue, St. Peter Port, GY1 1WA.

GGIC owns and operates energy and transportation infrastructure businesses in high growth markets. Currently GGIC has operations in the Americas and India and is actively pursuing new opportunities globally. GGIC focuses on infrastructure projects that benefit from protections against competition via contract, concession, regulation or privileged location.

GGIC is a subsidiary of GFP. GGIC and GFP were established in 2007. GFPI, the general partner of GFP, began operating in 2005, by Guggenheim and three former leaders of AES, a New York Stock Exchange listed global power company. Guggenheim is a privately held, global financial services firm with more than US\$100 billion in assets under supervision. Guggenheim, together with its affiliates, provides investment management, investment and wealth advisory, insurance, investment banking and capital markets services for an array of clients. Guggenheim is headquartered in New York City, NY and Chicago, Illinois, and has 24 offices in eight countries throughout the world.

GGIC's principal assets are its investments in IHDC and VLMS as well as its interest in electricity distribution operations in Latin America. These assets had an aggregate book value of approximately US\$55.5 million as at 31 March 2010.

GGIC's current directors are Dominic Curcio, Steven Brian De Jersey, Roger Alan Le Tissier, Tom Tribone and Mark Richard Walter. Its current alternate directors are Robert James Banfield, Jennifer Gaelle Hartley and Alan Mark Tanguy.

GGIC's management team comprises of Tom Tribone, Sonny Lulla and Robert Venerus. GGIC's management have experience in developing projects in over 20 countries and intend to build GGIC into a leading global infrastructure company. They have worked together for over 15 years and have complementary skills in both day-to-day operations as well as the development of new business. GGIC management played a prominent role in much of the growth of AES from a private start-up in 1982 to one of the largest and most successful companies in the industry.

#### **2. FPC**

FPC is a Cypriot investment vehicle that holds a 37.39 per cent. ownership in VLMS. It was incorporated as Xanfretico Holdings Company Limited on 14 June 2007 and changed its name by special resolution to FPC on 22 September 2007. FPC's registered office is situated in the Republic of Cyprus at Alvonos, 1, Maria House, 5th Floor, P.C 1075, Nicosia, Cyprus.

FPC is a wholly owned subsidiary of GGIC, and its directors are Briantserve Limited and Ceantrust Limited.

FPC's principal asset is its investment in VLMS, which has a book value of Rs. 11.84 per share as of 31 March 2010. Its net worth as at 31 March 2010 was Rs. 972 million (£13 million).

#### **3. AHP**

AHP was incorporated on 22 June 2007 in Bangalore, India, with its registered office at No. 484, Lakshmi Arcade, 2nd Floor, 17th Cross, 27th main, HSR Layout, 2nd Sector, Bangalore, India. AHP is a privately held Indian holding company with reported revenues of Rs. 38.9 million (approximately £0.5 million), profits after tax of Rs. 7.4 million (approximately £0.1 million) and net assets of Rs. 24.2 million (approximately £0.3 million) as at 31 March 2010.

Vikram Viswanath and Parag Jaju are the directors of AHP. Vikram (41 years old) is also AHP's majority shareholder.

## PART VIII

### TERMS AND CONDITIONS OF THE WARRANTS

#### 1. Definitions

The Warrants are constituted by a warrant instrument executed as a deed poll of the Company dated 23 June 2008, (the “Warrant Instrument”) and have been issued subject to, and with the benefit of, the terms and conditions which are summarised below.

In these terms and conditions the following expressions have the following meanings for the purpose of this Part VIII only:

“Act”	means the Companies Act 2006 of the Isle of Man;
“Admission”	means the admission, on 30 June 2008, of the IPO Shares and the IPO Warrants in the capital of the Company to the official list of the UK Listing Authority and to trading on the London Stock Exchange as the context may require;
“Auditors”	means the auditors for the time being of the Company;
“business day”	means a day (other than a Saturday or a Sunday) on which banks are open for business (other than solely for trading and settlement in euro) in London and the Isle of Man;
“certificated”	means a security which is not in uncertificated form;
“Code”	means the US Internal Revenue Code of 1986, as amended;
“Company”	means Infrastructure India plc (registered number 002457V);
“CREST”	means the system of paperless settlement of trades and the holding of uncertificated securities administered by Euroclear UK & Ireland;
“Directors”	means the directors of the Company from time to time;
“ERISA”	means the US Employee Retirement Income Security Act of 1974, as amended;
“Euroclear UK & Ireland”	means Euroclear UK & Ireland Limited, the operator of CREST;
“Exercise Notice”	means, in relation to any Warrants that are in certificated form on any Subscription Date, a Certificated Exercise Notice (as defined in paragraph 2(d)(i)) or, in relation to any Warrants that are in uncertificated form on any Subscription Date, an Uncertificated Exercise Notice (as defined in paragraph 2(d)(ii));
“FSA”	means the United Kingdom Financial Services Authority;
“FSMA”	means the United Kingdom Financial Services and Markets Act 2000, as amended;
“Investment Company Act”	means the US Investment Company Act of 1940, as amended;
“IPO”	the initial public offering of the Ordinary Shares by way of placing on the terms and subject to the conditions set out in the IPO Prospectus;

<b>“Listed”</b>	means admitted to listing by the UK Listing Authority and to trading on the London Stock Exchange and “Listing” shall be construed accordingly;
<b>“London Stock Exchange”</b>	means London Stock Exchange plc;
<b>“market price”</b>	(in relation to Ordinary Shares) means the middle market quotation shown in the Daily Official List of the London Stock Exchange for the relevant day;
<b>“Memorandum and Articles of Association”</b>	means the memorandum and articles of association of the Company from time to time in force;
<b>“Ordinary Shares”</b>	means ordinary shares with a par value of 1p each in the capital of the Company and, in the event of a sub-division, consolidation or re-classification of those ordinary shares, the resulting ordinary shares of different par value;
<b>“Prospectus”</b>	means this document;
<b>“Register”</b>	means an accurate register of entitlements to the Warrants;
<b>“Registrar”</b>	means the Company’s registrar from time to time, being at the date of this document, Capita Registrars (Isle of Man) Limited;
<b>“Regulation S”</b>	means Regulation S under the Securities Act;
<b>“Regulations”</b>	means the Uncertificated Securities Regulations 2006 of the Isle of Man (Statutory Document No. 743/06);
<b>“Rule 144A”</b>	means Rule 144A under the Securities Act;
<b>“Securities Act”</b>	means the US Securities Act of 1933, as amended;
<b>“Shareholders”</b>	means the holders of the Ordinary Shares;
<b>“Special Resolution”</b>	means a resolution proposed at a meeting of the holders of the Warrants duly convened and held and passed by a majority consisting of not less than three-quarters of the votes cast whether on a show of hands or on a poll;
<b>“Subscription Date”</b>	means a Certificated Subscription Date (as defined in paragraph 2(d)(i)) or an Uncertificated Subscription Date (as defined in paragraph 2(d)(ii)), as appropriate;
<b>“Subscription Period”</b>	means the period commencing on the date of Admission up to and including the fifth anniversary of Admission;
<b>“Subscription Price”</b>	means the price of £1 per Ordinary Share at which the Subscription Rights are exercisable during the Subscription Period or such adjusted price as may be determined from time to time in accordance with the provisions of paragraph 5 below;
<b>“Subscription Rights”</b>	means the rights to subscribe for new Ordinary Shares pursuant to the Warrants;
<b>“UK Listing Authority”</b>	means the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;

<b>“uncertificated”</b>	means a security which is for the time being recorded in the relevant register as being held in uncertificated form in CREST or any other relevant system in operation;
<b>“United States” or “US”</b>	has the meaning given in Regulation S;
<b>“US Person”</b>	has the meaning given in Regulation S;
<b>“US Resident”</b>	means any US Person, as well as: (a) any natural person who is only temporarily residing outside the United States; (b) any account of a US Person over which a non-US fiduciary has investment discretion or any entity, which, in either case, is being used to circumvent the registration requirements of the Investment Company Act, and (c) any employee benefit or pension plan that does not have as its participants or beneficiaries persons substantially all of whom are not US Persons. In addition, for the purposes of this definition, if an entity either has been formed for or operated for the purpose of investing in the Ordinary Shares or the Warrants, or facilitates individual investment decisions, such as a self-directed employee benefit or pension plan, the Ordinary Shares or the Warrants will be deemed to be held for the account of the beneficiaries or other interest holders of such entity, and not for the account of the entity;
<b>“Warrantholders”</b>	means the persons for the time being entered in the Register as the holders of the Warrants;
<b>“Warrants”</b>	means the warrants created by the Warrant Instrument to subscribe for new Ordinary Shares subject to the terms and conditions set out in the Warrant Instrument, and, for the time being, outstanding and represented by the form of Warrant Certificate or, if in uncertificated form, represented by the relevant entry in CREST or any other system in accordance with the Regulations; and
<b>“Warrant Certificate”</b>	means a warrant certificate substantially in the form set out in the Warrant Instrument.

## **2. Subscription Rights and Procedures**

- (a) **Subscription Rights:** Every Warrantholder shall have the right to subscribe at any time during the Subscription Period for Ordinary Shares at the Subscription Price on the basis of one (1) Ordinary Share for every Warrant held. The Subscription Price shall be satisfied by payment in full, in cash on subscription. The number of Ordinary Shares to be subscribed and/or the Subscription Price will be subject to adjustment as provided in paragraph 5 below.
- (b) **Lapse:** The Warrants will terminate if the Warrants are not exercised by 3 p.m. on 28 June 2013.
- (c) **Fractions of shares:** Subscription Rights will not be exercisable in respect of a fraction of an Ordinary Share and no cash adjustments will be made in respect of fractions of Ordinary Shares.
- (d) **Procedure to exercise:** The manner in which the Subscription Rights may be exercised during the Subscription Period, in whole or in part, will depend on whether a Warrantholder’s Warrants are held in certificated form or uncertificated form.
  - (i) **Certificated form:** Where the Warrants are held in certificated form in order to exercise the Subscription Rights during the Subscription Period a Warrantholder must deliver his Warrant Certificate to the Company during the Subscription Period, having completed the exercise notice in the form or substantially the form set out in the Warrant Certificate (a “Certificated Exercise Notice”), accompanied by a cheque made payable to “Infrastructure India plc” and crossed “A/C Payee” for the aggregate Subscription Price for the Ordinary Shares being

subscribed. The Subscription Date in relation to any Subscription Rights so exercised shall be the third business day (the “Certificated Subscription Date”) immediately following the day of that delivery. Once delivered, a Certificated Exercise Notice shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable and exercise of the Subscription Rights shall be subject to the Memorandum and Articles of Association. Warrants in respect of which Subscription Rights have been exercised shall automatically lapse. Warrants placed in the US or otherwise held by US Residents will be in certificated form.

- (ii) **Uncertificated form:** In relation to any Warrants that are in uncertificated form, the Subscription Rights shall be exercised (and treated by the Company as exercised) on the date that an Uncertificated Exercise Notice is received during the relevant Subscription Period (but not later than the latest time for input of the instruction permitted by the relevant system on that date) (the “Uncertificated Subscription Date”). For purposes of this paragraph 2(d)(ii), an “Uncertificated Exercise Notice” shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by any person as it may require and in a form and subject to the terms and conditions as may be from time to time prescribed by the Directors (subject always to the facilities and rules of the relevant system concerned) and that specifies (in accordance with the form prescribed by the Directors) the number of Warrants in respect of which the Subscription Rights are to be exercised. The Uncertificated Exercise Notice shall be accompanied by a payment transfer for the aggregate amount payable on subscription for the Ordinary Shares in respect of which the Subscription Rights are being exercised, that payment to be made through the relevant system in accordance with its rules or by any other means permitted by the Directors. The Directors may in addition determine when any properly authenticated dematerialised instruction and/or instruction and notification is to be treated as received by the Company or by any person as it may require for these purposes (subject always to the facilities and rules of the relevant system concerned). Once lodged, an Uncertificated Exercise Notice shall be irrevocable, save with the consent of the Directors of the Company. Compliance must also be made with any statutory and regulatory requirements for the time being applicable, including the Regulations, and exercise of the Subscription Rights shall be subject to the Memorandum and Articles of Association. Warrants in respect of which Subscription Rights have been exercised shall automatically lapse.
- (iii) Unless the Company otherwise determines, or unless the Regulations and/or rules of the relevant system concerned otherwise require, the Ordinary Shares issued on the exercise of any Subscription Rights shall be issued in either uncertificated or certificated form in accordance with the instructions of Warrantheolders pursuant to the notice of exercise of Subscription Rights, save that where no such instructions or inadequate instructions are received by the Registrar, Ordinary Shares shall be issued in certificated form.
- (iv) A Warrantheolder exercising a Subscription Right must pay any taxes and capital, stamp, issue and registration duties arising on the subscription and such Warrantheolder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Warrant in connection with such subscription.
- (e) **Restrictions on exercise:** The Warrants and the Ordinary Shares issuable on exercise of the Subscription Rights have not been and will not be registered under the Securities Act, nor under the securities legislation of any state of the US. A holder’s Subscription Rights may only be exercised to the extent the Company determines that exercise of such Subscription Rights is exempt from the registration provisions of the Securities Act and exempt under state securities legislation, that exercise of such Subscription Rights will not require the Company to register as an investment company under the Investment Company Act or be or potentially be in violation of the Investment Company Act or the rules and regulations promulgated thereunder and that the person exercising the Subscription Rights is not a “benefit plan investor” as so defined within the meaning of Section 3(42) of ERISA, or a plan or entity that would be a “benefit plan investor” except that it is not subject to Part 4 of Subtitle B of Title I of ERISA, in either case that is subject to Section 406 of ERISA or Section 4975



of the Code or any US federal, state, local or other US laws or regulations that are substantially similar to such provisions of ERISA or the Code. Each Ordinary Share, Warrant and Warrant Share certificate will bear a legend to this effect. In addition, the Exercise Notice is required to contain, among other things necessary for the Company to comply with the foregoing requirements, a representation and warranty by that person exercising the Subscription Rights that it is: (i) not a US Resident, is not exercising the Warrant for the account or benefit of a US Resident and is not in the US; or a “Qualified Institutional Buyer” (as defined in Rule 144A) and a “Qualified Purchaser” (as defined in the Investment Company Act), and (in the case of both (i) and (ii)) it is not a “benefit plan investor” within the meaning of Section 3(42) of ERISA, or a plan or entity that would be a “benefit plan investor” as so defined except that it is not subject to Part 4 of Subtitle B of Title I of ERISA, in either case that is subject to Section 406 of ERISA or Section 4975 of the Code or any US federal, state, local or other US laws or regulations that are substantially similar to such provisions of ERISA or the Code and that it is acquiring the Ordinary Shares and/or Warrants to be issued upon exercise of the Subscription Rights for investment purposes only, and not with a view to, or for resale in connection with, any public distribution thereof within the United States within the meaning of the Securities Act, failing which the Company may refuse to authorise the issue of Ordinary Shares to such person. With respect to Ordinary Shares and Warrants issued in connection with Subscription Rights exercised in the US or for the account or benefit of a US Resident (which shares shall be issued in certificated form), the Exercise Notice will also contain provisions substantially similar to the Purchase and Transfer Letter set out in Appendix A of the IPO Prospectus, including with respect to the transfer of such Ordinary Shares and Warrants.

- (f) **Allotment and partial exercise:** Ordinary Shares issued pursuant to the exercise of Subscription Rights will be allotted as soon as practicable and in any event not later than 10 business days after the relevant Subscription Date and with effect from the relevant Subscription Date. Definitive share certificates in respect of Ordinary Shares will be despatched (at the risk of the person(s) entitled to those shares) as soon as practicable and in any event not later than 10 business days after the relevant Subscription Date to the person in whose name the Warrants in respect of which Subscription Rights are exercised are registered as at that Subscription Date (and, if more than one, to the first named one of them appearing on the Warrant Certificate, which shall be sufficient despatch for all). Ordinary Shares to be issued in uncertificated form will be credited to the relevant stock account as soon as practicable and in any event within 10 business days of the relevant Subscription Date. In the event of a partial exercise of a Warrantholder’s Subscription Rights comprised in a Warrant Certificate, the Company shall at the same time issue a new Warrant Certificate, free of charge, in the name of the holder for the balance of his Subscription Rights remaining exercisable.

### 3. Dividends

Ordinary Shares allotted pursuant to the exercise of the Subscription Rights will not rank for any dividends or other distributions for which the record date is a date before their allotment but subject thereto, will rank in full for all dividends and other distributions declared, made or paid on or after their allotment and *pari passu* in all other respects with the Ordinary Shares in issue at that date.

### 4. General

Notwithstanding any other provision of the terms and conditions of the Warrants, no Ordinary Shares shall be allotted to a person on the exercise of Subscription Rights if such allotment and/or the issue of shares in uncertificated form and/or the delivery of the relevant share certificate would either be in contravention of the laws or rules of any overseas territory or overseas regulatory authority or would require any registration to be made in any overseas territory or overseas regulatory authority.

## 5. Adjustment of Subscription Rights

- (a) The Subscription Price and/or the number of Ordinary Shares for which the Warrants give a right to subscribe shall from time to time be adjusted in the following situations:
- (i) **consolidation or sub-division:** if and whenever there shall be an alteration in the par value of the Ordinary Shares as a result of a consolidation or sub-division;
  - (ii) **capitalisation issues:** if and whenever the Company shall issue to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable profits or reserves and issued in lieu of a cash dividend the total amount of that cash dividend not exceeding the current year's profits of the Company);
  - (iii) **capital distribution:** if and whenever the Company shall make any capital distribution or distribution *in specie* or any other dividend in connection with a demerger to holders of Ordinary Shares in their capacity as such shareholders (whether on a reduction of capital or otherwise) or shall grant to those shareholders rights to acquire for cash assets of the Company or any of its subsidiaries (in the case of a capital distribution (other than a capital distribution in connection with a demerger) only to the extent the capital distribution exceeds the current year's profits of the Company);
  - (iv) **rights issues:** if and whenever the Company shall offer to holders of Ordinary Shares new Ordinary Shares for subscription by way of rights or open offer, or shall offer or grant to holders of Ordinary Shares any options, rights or warrants to subscribe for or purchase new Ordinary Shares, in each case at a price which is less than the market price per Ordinary Share on the dealing day immediately preceding the date of the announcement of the terms of the offer or grant;
  - (v) **issues of convertible securities:** if and whenever the Company or any other company shall issue wholly for cash any securities (excluding options and warrants (whether bonus warrants or otherwise) granted to employees of the Company (including Directors holding executive office) or any of its subsidiaries or trustees on their behalf pursuant to any employee share purchase, option or incentive scheme) which by their terms are convertible into or exchangeable for or carry rights of subscription for Ordinary Shares and the consideration per Ordinary Share receivable therefor by the Company upon conversion, exchange or subscription is less than the market price of Ordinary Shares on the dealing day immediately preceding the date of the announcement of the terms of issue of such securities; and
  - (vi) **modification of convertible securities:** if and whenever the rights of conversion or exchange attached to any such convertible or exchangeable securities as are mentioned in this paragraph 5(a)(vi) are modified so that the consideration for Ordinary Shares receivable by the Company upon conversion or exchange of such securities shall be less than the price which is the market price of Ordinary Shares on the dealing day immediately preceding the date of announcement of the proposal to modify such rights of conversion or exchange.
- (b) **Certification and notice of adjustment:** if and whenever any one or more of the events or circumstances specified in paragraph 5(a) above (or any other event or circumstance which the Directors in their absolute discretion determine should result in an adjustment to the Subscription Price) shall occur or exist, the Auditors will be instructed by the Company to determine in writing the adjustment (if any), which in their opinion is fair and reasonable in order to preserve so far as possible the equivalent economic value of the rights of the Warrantholder immediately prior to the relevant event as if the relevant event had not occurred, to either or both of: (i) the number of Ordinary Shares subject to the Warrants; or (ii) the Subscription Price.

In giving any certificate or determining any adjustment pursuant to the Warrant Instrument, the Auditors shall be deemed to be acting as experts and not as arbitrators and their written determination

as to any adjustment to the Subscription Price and/or the number of Ordinary Shares subject to the Warrants shall be final and binding on the Company and the Warrantholders.

Warrantholders will be given notice in writing of all adjustments. No adjustment will be made to the Subscription Price (other than by reason of a consolidation of Ordinary Shares) if it would result in an increase in the Subscription Price and, in any event, no adjustment will be made if such adjustment would be less than one per cent. of the Subscription Price then in force.

- (c) **Adjustment of share entitlement:** whenever the Subscription Price is adjusted in accordance with this paragraph 5 by reason of a consolidation of Ordinary Shares as referred to in paragraph 5(a)(i), the number of Ordinary Shares for which each Warrantholder is entitled to subscribe will be reduced accordingly.
- (d) **Modification of adjustment provisions:** where an event which gives or may give rise to an adjustment to the Subscription Price occurs whether in such proximity in time to another similar event or otherwise in circumstances so that the Directors in their absolute discretion determine that the foregoing provisions need to be operated subject to some modification in order to give the intended result, those modifications shall be made in the operation of the foregoing provisions as may be advised by the Auditors to be in their opinion appropriate in order to give the intended result.

## 6. Other Provisions

- (a) So long as any Subscription Rights remain exercisable, the Company shall observe the following restrictions and requirements:
  - (i) **Modification of rights:** the Company shall not in any way modify the rights attached to its existing Ordinary Shares as a class (but nothing in the Warrant Instrument (other than paragraph 6(a)(iii) below) shall restrict the right of the Company to increase, consolidate, subdivide or reduce its share capital);
  - (ii) **Limitation on adjustments:** the Company shall not make any issue, distribution, offer or modification as is referred to in paragraph 5(a) above if, in any such case, as a result the Company would on any subsequent exercise of the Subscription Rights be obliged to issue Ordinary Shares at a discount to nominal value;
  - (iii) **Reductions of capital:** the Company shall not (except with the sanction of a Special Resolution and except for a reduction not involving any payment to holders of Ordinary Shares) reduce its issued share capital or reduce any uncalled or unpaid liability in respect of any of its share capital;
  - (iv) **Authorised capital:** the Company shall keep available for issue a sufficient number of unissued Ordinary Shares to satisfy in full at all times all Subscription Rights remaining exercisable;
  - (v) **Offers for share capital:** subject to paragraph 6(a)(vi) below, if at any time an offer is made to all members of the Company (or all members other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire all or any of the Ordinary Shares in issue and the Company becomes aware that as a result of that offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies controlled by the offeror and/or persons acting in concert with the offeror, the Company shall give notice to the Warrantholders of such vesting as soon as practicable and in any event within 10 business days of it becoming so aware, and each Warrantholder shall be entitled, at any time within the period of 30 days immediately following the date of that notice, to exercise his Subscription Rights on the basis applicable on the day immediately preceding the date of such offer as if such day were a Subscription Date. Subscription Rights which are not exercised within that 30 day period will lapse;

(vi) **Share for share offers:** if at any time an offer is made as referred to in paragraph 6(a)(v) above whereunder the consideration consists solely of the issue of shares of the offeror and the offeror makes available an offer of warrants to subscribe for shares of the offeror in exchange for the Warrants (“Warrant Offer”) the Company shall give notice to the Warrantholders of that Warrant Offer as soon as practicable upon it becoming so aware, and each Warrantholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his Subscription Rights on the basis applicable on the day immediately preceding the date of the offer as referred to in paragraph 6(a)(v) above as if such day were a Subscription Date. Failing that exercise, the Subscription Rights will lapse and if the financial advisers to the Company consider in their opinion (acting as experts and not as arbitrators), that the Warrant Offer is fair and reasonable (having regard to the terms of the Warrant Offer and any other circumstances which may appear to the financial advisers to be relevant) then any Director of the Company shall be authorised as attorney for the Warrantholder:

(I) to exercise a transfer of his or its Warrants in favour of the offeror in consideration of the issue of warrants to subscribe for shares of the offeror whereupon, for the avoidance of doubt, all the Warrants shall lapse; and

(II) to do all acts and things as may be necessary or appropriate in connection with the Warrant Offer,

subject in all circumstances to the offer by the offeror becoming or being declared wholly unconditional, the offeror being in a position compulsorily to acquire all of the Ordinary Shares in issue and all Warrants being issued;

(vii) **Repurchase of shares:** if at any time an offer or invitation is made by the Company to any or all of the holders of the Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice of that offer or invitation to the Warrantholders and each Warrantholder shall be entitled, at any time whilst that offer or invitation is open for acceptance, to exercise his Subscription Rights on the basis applicable on the day immediately preceding the record date for such offer or invitation as if such day were a Subscription Date;

(viii) **Winding up:** if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction or amalgamation on terms sanctioned by a special resolution of the holders of Ordinary Shares in general meeting), each Warrantholder will (if, in such winding up and on the basis that all Subscription Rights then unexercised had been exercised in full and the subscription monies therefor had been received in full by the Company, there would be a surplus available for distribution amongst the holders of the Ordinary Shares which, on that basis, would exceed in respect of each Ordinary Share a sum equal to the Subscription Price) be treated as if immediately before the date of such order or resolution his Subscription Rights had been exercised in full on the basis applicable on the day immediately preceding the date of such order or resolution as if such date were a Subscription Date, and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Ordinary Shares an amount equal to the sum to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Subscription Price; and

(ix) **Warrantholder participation:** if the Company makes an offer of securities by way of a rights issue to holders of Ordinary Shares, each Warrantholder shall be entitled to participate in such rights issue if and to the extent (but not otherwise) that such Warrantholder exercises all or some of his Subscription Rights within 5 Business Days of the announcement of such offer, and in relation to such Subscription Rights which are so exercised, the Subscription Date in respect thereof shall be deemed to be the day immediately preceding the record date for such offer, subject to the foregoing, all Subscription Rights shall forthwith lapse on the liquidation of the Company.

## **7. Alteration of Rights**

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of a Special Resolution of the Warrantheolders as a whole. All the provisions of the Articles of Association for the time being of the Company relating to the procedures as to general meetings shall apply *mutatis mutandis* as though the Warrants were a class of shares forming part of the capital of the Company but so that: (a) the necessary quorum shall be Warrantheolders present (in person or by proxy) entitled to subscribe for one-third of the Ordinary Shares attributable to such outstanding Warrants, save that if at any meeting a quorum is not present such meeting shall be adjourned to a time and place directed by the Chairman and at such adjourned meeting those Warrantheolders present (in person or by proxy and whatever the number of Warrants held or represented by them) shall constitute a quorum; (b) every Warrantheolder present in person at any such meeting shall be entitled on a show of hands to one vote and every Warrantheolder present in person or by proxy shall be entitled on a poll to one vote for every new Ordinary Share for which he is entitled to subscribe pursuant to the Warrants held by him; and (c) any Warrantheolder present (in person or by proxy) may demand or join in demanding a poll.

## **8. Transfer and Title**

- (a) The provisions of the Articles of Association for the time being of the Company relating to the transfer of Ordinary Shares shall apply equally *mutatis mutandis* to each Warrant. Subject to such provisions each Warrant shall be transferable by instrument or transfer in the usual common form or in any other form which may be approved by the Directors for the time being of the Company.
- (b) Title to the Warrants will pass by registration on the Register.

## **9. Listing**

The Company shall use its reasonable endeavours to procure that the Ordinary Shares allotted pursuant to any exercise of Subscription Rights shall be Listed. However, breach of this paragraph 9 shall not entitle the Warrantheolders to any remedy.

## **10. Reports**

The Company will send or procure to be sent to each Warrantheolder a copy of each published annual report of the Company together with all documents required by law to be annexed thereto and copies of every statement, notice or circular issued to the members of the Company concurrently with the issue of the same to its members.

## **11. Governing Law**

The Warrant Instrument shall be governed by and construed in accordance with Isle of Man law and the Company submits to the exclusive jurisdiction of the Isle of Man courts.

## **PART IX**

### **TAXATION**

The following information, which relates only to UK, Isle of Man, US, Cyprus, Mauritius and Indian taxation, is applicable to the Company and certain types of investors. It is based on the law and practice currently in force in the UK, the Isle of Man, US, Cyprus, Mauritius and India. It applies only to persons holding Ordinary Shares and Warrants as investments and may not apply to certain classes of persons such as securities dealers. The information is not exhaustive and, if potential investors are in any doubt as to the taxation consequences of acquiring, holding or disposing of Ordinary Shares and Warrants, they should consult their professional advisers without delay. Investors should note that the statements below are of a general nature and are based on current tax law and current revenue practice, as of the date of this document, both of which are subject to change, possibly with retrospective effect. Interpretation, in particular, the levels and basis of, and reliefs from, taxation may change and this may alter the benefits of investment in the Company.

It is the responsibility of all persons interested in purchasing Ordinary Shares and Warrants to inform themselves regarding any tax consequences arising in the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposal of Ordinary Shares and Warrants.

It is the intention of the Directors to conduct the affairs of the Company so that it does not become resident for taxation purposes in the UK or any other jurisdiction outside the Isle of Man and so that the Company does not carry out any trade in the UK or any other jurisdiction outside the Isle of Man (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for UK taxation on its income and gains, other than certain income deriving from a UK source.

#### **UK Taxation**

The following statements are intended to address only certain UK tax consequences for Shareholders and Warrant holders who are individuals which are resident or ordinarily resident in the UK (except where expressly stated otherwise), who are the beneficial owners of the Ordinary Shares and Warrants and who hold the Ordinary Shares and Warrants as capital assets and they do not address the UK tax consequences which may be relevant to other classes of Shareholders and Warrant holders such as dealers in securities or employees. The statement assumes that the Shareholder does not hold the Ordinary Shares in trust.

The following statements assume that individual shareholders are domiciled within the UK. The taxation of non-UK domiciled individual shareholders is complex and specific advice should be sought.

#### ***Taxation of Dividends***

UK resident and domiciled individual Shareholders will, subject to their personal circumstances, be liable to UK income tax on dividends received on the Ordinary Shares. The income tax charge in respect of dividends for UK resident and domiciled individual Shareholders will (depending on the amount of the Shareholder's overall taxable income) be at the current dividend ordinary rate of 10 per cent. or the current dividend upper rate of 32.5 per cent. The Finance Act 2009 created a new top rate of tax of 42.5 per cent. on dividends for individuals with taxable income over £150,000 with effect from 6 April 2010. For this purpose, dividends are treated as the top slice of an individual Shareholder's income.

A UK tax credit of 1/9 of the dividend paid may be available to reduce the effective rate of UK income tax on dividends received by individual shareholders.

#### ***Offshore Funds Regime***

Shareholdings of those who acquire their shares before the winding up date of the Company should not be regarded as an interest in an offshore fund for the purposes of Part 8 of the Taxation (International and Other

Provisions) Act 2010 and The Offshore Funds (Tax) Regulations 2009 (Statutory Instrument 2009/3001). Therefore, any gains realised on such holdings should be subject to capital gains tax (or, in the case of companies, corporation tax on chargeable gains) and not income tax.

For investors who acquire shares after the date of winding up is known the position is less clear. Her Majesty's Revenue & Customs' ("HMRC's") guidance states that, "an investor may have invested in a company or other arrangement which subsequently goes into liquidation, at which point the investor might reasonably expect to realise their investment at net asset value. However, if a company or other arrangement is outside the definition of an offshore fund before it goes into liquidation, then being in liquidation will not by itself bring that company or arrangement into the definition of an offshore fund". As this is guidance, if HMRC were to change its view then it may be difficult to resist any challenge on the basis of primary legislation.

#### *Rate of Capital Gains Tax*

Individuals with taxable income (including gains) of less than £37,400 are charged to capital gains tax at a rate of 18 per cent. on gains. Where capital gains combined with income exceed £37,400, the excess over this amount is charged to capital gains tax at 28 per cent.

#### *Base Cost of Ordinary Shares*

The acquisition cost attributable to New Ordinary Shares issued under the Placing should be treated as base cost for capital gains tax purposes unless acquired from a connected party.

#### *Exercise of Warrants*

A Warrantholder who exercises a Warrant will not make a disposal for the purposes of the taxation of chargeable gains and no chargeable gains will arise at that time. Instead, in computing the chargeable gain when the Ordinary Shares acquired on exercise of the Warrant are later disposed of, the full acquisition cost of the Warrant (determined as noted above) will be added to the amount paid for the Ordinary Shares acquired on exercise of the Warrants.

#### *Disposal of Ordinary Shares and Warrants*

In the case of those Shareholders and Warrantholders who are individuals or otherwise not within the charge to corporation tax, depending on personal circumstances, capital gains tax may be payable on a disposal of Ordinary Shares or Warrants at the current rate of 18 per cent. or 28 per cent. (depending upon the individual's income level). No taper relief or indexation allowance will be available to such holders. Most individual Shareholders are entitled to an annual exemption from capital gains.

#### *Other tax considerations*

As a result of the Acquisitions it is expected that the Company would be regarded as a close company if it were resident in the UK. Therefore, under Section 13 of the Taxation of Chargeable Gains Act 1992, UK resident Shareholders who, together with other UK residents connected to them, hold a greater than 10 per cent. interest in the Company could be attributed and subject to UK capital gains tax or corporation tax on capital gains realised by the Company or its subsidiaries. Relief to prevent double taxation may be available to those shareholders if the proceeds from those capital gains are distributed to them within three years.

The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007, which may render such individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances.

The attention of UK ordinarily resident individuals is drawn to the provisions of Chapter 1 of Part 13 of the Income Tax Act 2007, under which HMRC may seek to cancel tax advantages from certain transactions in securities.

### *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

The following comments are intended as a guide to the general UK Stamp Duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

No UK Stamp Duty or SDRT will be payable on the issue of the New Ordinary Shares. UK Stamp Duty (at the rate of 0.5 per cent. of the amount or the value of the consideration for the transfer, rounded up where necessary to a multiple of £5) is payable on any instrument of transfer of Ordinary Shares or Warrants executed within, or in certain cases brought into, the UK or which relates to any property situated, or any matter or thing done or to be done, in the UK.

Any agreement to transfer Ordinary Shares or Warrants, including any transfer effected through CREST, should not be subject to UK SDRT, provided that neither Ordinary Shares nor Warrants are registered in any register of the Company kept in the UK.

### *Non-UK Shareholders*

Shareholders and Warrantholders who are not resident or ordinarily resident in the UK (or temporarily nonresident) and do not carry on a trade, profession or vocation through a branch or agency or a permanent establishment in the UK with which the Ordinary Shares and Warrants are connected will not normally be liable to UK taxation on dividends received on the Ordinary Shares or on capital gains arising on the sale or other disposal of Ordinary Shares or Warrants. Such Shareholders and Warrantholders should consult their own tax advisers concerning their tax liabilities.

Shareholders who are not resident in the UK but who are carrying on a trade in the UK for tax purposes with which their shareholding is connected will, depending on their circumstances, be liable to UK income tax or corporation tax on dividends paid by the Company.

Shareholders who are not resident in the UK for tax purposes but who are carrying on a trade, profession or vocation in the UK through a branch, agency or, in the case of a corporate shareholder, permanent establishment and have used, held or acquired Ordinary Shares for the purposes of such trade, profession or vocation may also be subject to UK tax on chargeable gains on a disposal of those Ordinary Shares (subject to any available exemptions or reliefs).

**Any person who is in any doubt as to his/her tax position or requires more detailed information than the general outline above should consult his/her professional advisers.**

### **Isle of Man Taxation**

The statements set out below are intended only as a general guide to certain aspects of current Isle of Man tax law and practice as at the date of this document. The summary does not purport to be a complete analysis of all Isle of Man tax issues for the Company or the holders of Ordinary Shares and Warrants. Prospective purchasers of Ordinary Shares and Warrants are advised to consult their own tax advisers on the taxation consequences of the acquisition, ownership and disposal of Ordinary Shares and Warrants.

On 25 February 2010 the Isle of Man Government commenced a public consultation as part of a review of the Island’s business tax regime which could result in changes being made to the tax regime applying in the Isle of Man to the Company. At this stage it is not certain that any changes to the regime will be made, and indeed if there are any changes there may be a carve out for investment vehicles such as the Company.

### *Tax residence in the Isle of Man*

The Company is resident for taxation purposes in the Isle of Man by virtue of being incorporated in the Isle of Man.

### *Capital taxes in the Isle of Man*

The Isle of Man has a regime for the taxation of income, but there are no capital duties (other than fees payable on the authorised share capital of certain companies, which are not applicable to the Company),



stamp taxes or inheritance taxes in the Isle of Man (save for capital duty as described below). No Isle of Man stamp duty or SDRT will be payable on the issue or transfer of, or any other dealing in, Ordinary Shares and Warrants.

#### ***Zero rate of corporate income tax in the Isle of Man***

The Company is liable to Manx income tax at a zero per cent. rate on its profits. The Company is not required to withhold tax from the payment of dividends to shareholders, wherever resident.

Notwithstanding the zero rate of corporate tax, there are measures in place which are designed to ensure that Isle of Man resident shareholders are subject to Isle of Man income tax on their share of undistributed corporate profits. The Attribution Regime for Individuals (ARI) attributes to shareholders resident in the Island their proportionate share of the profits of certain Isle of Man companies. However, the Company is exempt from ARI as its shares are traded on a recognised stock exchange.

#### ***Deductions in respect of Isle of Man employees***

The application of the zero rate of corporate income tax described above does not affect the liability of a company to deduct and account for income tax under the Isle of Man Income Tax (Instalment Payments) Act 1974 or national insurance contributions, if applicable.

#### ***EU Savings Directive***

Directive 2003/48 of the European Union on the taxation of savings income seeks to bring about the effective taxation of interest payments in a beneficial owner's member state of tax residence through the automatic exchange of information on cross border interest payments to individual beneficial owners. During the transitional period set out in the Directive, three member states (namely Austria, Belgium and Luxembourg) shall not be required to exchange information but shall apply a withholding tax to savings income covered by the Directive. The Isle of Man has entered into agreements with all the European Union member states to apply a retention tax during the transitional period in the same manner as the withholding tax under the Directive and, thereafter, to apply automatic exchange of information. These measures now apply in the Isle of Man, but the Directive does not currently extend to dividend payments.

#### ***Isle of Man probate***

In the event of the death of a sole holder of Ordinary Shares and/or Warrants an Isle of Man grant of probate or administration may be required, in respect of which certain fees will be payable to the Isle of Man Government.

#### **United States Taxation of Shareholders and Warrantholders**

The following information addresses certain (i) US federal income tax considerations that may be relevant to Shareholders and Warrantholders that (a) are citizens or residents of the United States; corporations (or other business entities that are treated as corporations for US federal income tax purposes) created or organised under the laws of the United States, any state of the United States or the District of Columbia; trusts subject to the control of a United States Person (as defined in the Code) and the primary supervision of a US court; or estates that are subject to US federal income taxation regardless of the source of their income, and (b) that hold Ordinary Shares or Warrants issued by the Company as a capital asset ("US investors") and (ii) US federal income tax consequences to a US investor in regard to its acquiring, holding or disposing of the Ordinary Shares or Warrants.

The following information does not address the US tax treatment of Shareholders and Warrantholders that are not US investors or that are subject to special tax regimes such as certain financial institutions, insurance companies, dealers in securities or foreign currencies, US investors whose functional currency (as defined in Section 985 of the Code) is not the US dollar, persons subject to alternative minimum tax, and persons that hold Ordinary Shares or Warrants as part of a "straddle", "conversion transaction", "hedge", or other integrated investment strategy. All such prospective investors are urged to consult their own tax advisers with respect to the US tax treatment of an investment in Ordinary Shares or Warrants of the Company.

The Company has not sought a ruling from the IRS or an opinion of legal counsel as to any specific US tax matters. The discussion below as it relates to US federal tax consequences is based upon the Code, and regulations, rulings and judicial decisions thereunder as of the date hereof; such authorities may be repealed, revoked or modified (possibly on a retroactive basis) so as to result in US federal income tax consequences different from those discussed below.

This information is for general information purposes only. Prospective investors should consult their own tax advisers with respect to their particular circumstances and the effect of state or local or foreign tax laws to which they may be subject. This summary does not address the state or local tax consequences that may be applicable to a US investor. US investors should seek advice regarding such tax consequences from an independent tax advisor.

### **IRS Circular 230 Notice**

**To ensure compliance with requirements imposed by the US Internal Revenue Service (“IRS”), investors are hereby notified that the US tax advice contained herein (i) is written in connection with the promotion or marketing by the Company of the transactions or matters addressed herein and (ii) is not intended or written to be used, and cannot be used, by any taxpayer, to avoid US tax penalties. Each taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax adviser.**

### ***US Income Tax Treatment of Taxable US investors***

#### *Taxation of Dividends*

US investors receiving dividends with respect to Ordinary Shares are required to include in gross income for US federal income tax purposes the gross amount of such dividends. For US federal income tax purposes, a distribution by the Company with respect to Ordinary Shares owned by a US investor will be treated as a dividend to the extent of the Company’s current and accumulated earnings and profits. Distributions in excess of earnings and profits will generally be treated as a non-taxable return of tax basis, and distributions in excess of such Shareholder’s tax basis will generally be treated as gain from the sale or exchange of the Ordinary Shares. Because the Company will not calculate its earnings and profits under US federal income tax principles, US investors generally will be unable to establish that distributions are not dividend income.

Dividends paid or deemed paid by the Company to US investors will not be eligible for the dividends received deduction available to corporations receiving dividends from certain US corporations. As discussed below, such dividends will also not be eligible for the lower tax rate applicable to “qualified dividend income” and may be subject to additional US income tax consequences. Shareholders that are US investors will generally not be entitled to a foreign tax credit for income taxes paid by the Company or the companies in which it invests.

Dividends paid in sterling will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the date the US investor actually or constructively receives the dividend, regardless of whether the payment is in fact converted into US dollars. If the dividend is converted into US dollars on the date of receipt, the US investor generally should not recognise foreign currency gain or loss in respect of the dividend. A US investor may have foreign currency gain or loss if the US investor does not convert the amount of such dividend into US dollars on the date of receipt.

#### *Exercise of Warrants*

The exercise of a Warrant to purchase Ordinary Shares will generally not constitute a taxable event. Accordingly, a US investor will generally not recognise gain or loss upon the exercise of a Warrant. A US investor will recognise taxable gain or loss if and when such US investor disposes of the Ordinary Shares received pursuant to the exercise of the Warrant in a taxable transaction. A US investor’s aggregate tax basis in the Ordinary Shares received pursuant to the exercise of a Warrant will be equal to the amount paid upon the exercise of the Warrant plus the US investor’s basis in the Warrant. The holding period of the Ordinary Shares received pursuant to the exercise of the Warrant would begin on the day that the Warrant is exercised.

If a Warrant is allowed to lapse unexercised, a US investor will recognise a capital loss equal to such US investor's basis in the Warrant. Such loss will be a long-term capital loss if the Warrant has been held for more than one year. The deductibility of capital losses may be subject to limitation.

#### *Disposal of Ordinary Shares or Warrants*

Upon a sale, exchange, or other disposition of Ordinary Shares or Warrants, a US investor will recognise a gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised from the sale or exchange and such US investor's tax basis in such Ordinary Shares or Warrants. A US investor's adjusted tax basis in an Ordinary Share or Warrant will generally be its US dollar cost. The US dollar cost of an Ordinary Share or Warrant purchased with foreign currency will generally be the US dollar value of the purchase price paid in the offer calculated by reference to the exchange rate in effect on such date. A US investor must allocate the amount paid for Ordinary Shares and Warrants between them based on their relative fair market values. The gain or loss will generally be treated as arising from sources within the United States and will generally be treated as capital gain or loss. Subject to the discussions below, this amount will be treated as a long-term capital gain or loss if the relevant Ordinary Shares or Warrants were held as capital assets for more than one year. Long-term capital gains of individuals are currently subject to a maximum tax rate of 15 per cent. The deduction of capital losses may be subject to limitation.

The amount realised on a sale, exchange, or other disposition of Ordinary Shares or Warrants for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, a US investor will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Ordinary Shares traded on an established securities market that are sold by a cash basis US investor (or an accrual basis US investor that so elects), the amount realised will be determined using the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Similar rules will apply to a US investor that sells to the Company a sufficient percentage of its Ordinary Shares so as to qualify under one of several "safe harbours" for exchange treatment or to cause a "meaningful reduction" in its share interest and so qualify for sale or exchange treatment. If a US investor sells its Ordinary Shares to the Company in a transaction or transactions not qualifying for exchange treatment, the proceeds received by such US investor will be treated as a dividend to the extent of the Company's earnings and profits, thereafter as a return of capital, and thereafter as capital gain. In that case, there is a risk that other US investors selling smaller percentages of or no Ordinary Shares back to the Company may be deemed to have received distributions subject to the same treatment.

#### *US Income Tax Treatment of Tax-Exempt US investors*

US investors that are organisations generally exempt from United States federal income tax, including pension funds, charitable organisations and educational institutions ("US Tax-Exempt Investors"), will generally not be subject to United States federal income tax with respect to dividends received (or deemed received) from or gains from the sale or other disposition of Ordinary Shares. However, if the relevant Ordinary Shares are "debt-financed property", all or a portion of the income with respect to the Ordinary Shares will be required to be included in income as "unrelated business taxable income". The Ordinary Shares would generally be considered debt-financed property in the hands of a US Tax-Exempt Investor if such investor incurred indebtedness to acquire them.

#### *Passive Foreign Investment Company Status*

The Company expects that it will be a passive foreign investment company ("PFIC") and that certain entities in which the Company or any subsidiary undertaking makes an equity investment that are organised as "foreign corporations" for purposes of US federal income tax will be classified as PFICs (such entities referred to as "lower-tier PFICs"). Unless one of the elections described below is made, a US investor that is a Shareholder or Warrantholder in the Company will be required to treat any gain on disposition of any of the Ordinary Shares or Warrants as allocated ratably to each day in such taxpayer's holding period. With respect to the portion of gain that is allocated to any portion of the taxpayer's holding period before the year

of disposition, the taxpayer generally is subject to a tax equal to the sum of (i) a tax calculated at the highest rate of tax in effect for each respective prior taxable year, and (ii) interest thereon. The tax is not reduced by other losses or deductions, including loss carry forwards. Any gain not subject to the interest charge would be included in the taxpayer's gross income as ordinary income. Generally any distribution in excess of 125 per cent. of the average distribution amount received from the Company during the three preceding taxable years (or, if shorter, such taxpayer's holding period) also would be subject to the foregoing rules. Any dividends paid by a PFIC will not be eligible for the lower tax rate applicable to "qualified dividend income".

The PFIC rules will not apply to a US Tax-Exempt Investor unless dividends paid by the Company to such US Tax-Exempt Investor would be taxable as unrelated business taxable income under Section 512 of the Code. For purposes of the PFIC rules, a Warrantholder will generally be treated as holding the Ordinary Shares subject to the Warrant, and the holding period of any Ordinary Shares acquired pursuant to such Warrant will generally include the US investors holding period for the Warrant.

The above tax treatment does not apply to an investment in any PFIC that is covered by either a qualified electing fund (a "QEF") election or a mark-to-market election. The QEF election will only apply if (i) the US investor makes an election to have each PFIC treated as a QEF with respect to that US investor and (ii) the Company complies with certain reporting requirements. The Company does not intend to provide information sufficient for taxable US investors to make a QEF election. In general, no QEF election is available in respect of Ordinary Shares treated as held due to a US investor's acquisition and holding of Warrants.

US tax law also provides a mark-to-market election for holders of "marketable" PFIC stock, which generally includes stock that is regularly traded on certain established securities markets within the United States, and any exchange or other market that the IRS determines has trading, listing, financial disclosure and other rules adequate to carry out the purposes of the mark-to-market regime. The London Stock Exchange generally meets such criteria. However, the IRS has not issued guidance to that effect. Consequently, it is unclear whether the London Stock Exchange qualifies as such an exchange. If the London Stock Exchange does not qualify as such an exchange, Shareholders would be subject to the PFIC rules in respect of distributions and gain from the sale or disposition of their Ordinary Shares. In addition, it is unclear whether a Warrantholder may make a mark-to-market election in respect of Ordinary Shares treated as held as a result of holding such Warrants. In the event that such an election is ineffective with respect to a Warrant, a US investor that exercises the Warrant and has a mark-to-market election in effect for the Ordinary Shares received upon such exercise would be subject to the PFIC rules described above on any gain recognised pursuant to the mark-to-market election at the close of the taxable year in which the Ordinary Shares are received.

US investors are urged to consult their tax advisors as to whether the mark-to-market election is available with respect to the Ordinary Shares and Warrants. Under such an election, the direct or indirect US investor would include in its income, as ordinary income, any excess of the fair market value of the Ordinary Shares held at the close of the tax year over such US investor's adjusted basis in the Ordinary Shares. Subject to certain limitations, a US investor that makes an effective mark-to-market election may also deduct the excess of its adjusted tax basis in the Ordinary Shares over the fair market value of such Ordinary Shares at the close of the tax year to the extent of such unreversed inclusions from prior years.

Under certain attribution rules, US investors will be deemed to own their proportionate share of lower-tier PFICs, and will be subject to the adverse tax consequences described above, and any mark-to-market election that is made with respect to the Ordinary Shares will not apply to such investments. In addition, because the value of each lower-tier PFIC interest held by the Company is reflected in the market price of the Ordinary Shares, a US investor that makes a mark-to-market election with respect to the Company could be subject to mismatches in timing of and character of income realised through its investment in the Ordinary Shares.

US investors are urged to consult with their tax advisers regarding the effects of the PFIC rules on an investment in Ordinary Shares or Warrants, as well as the procedures for making an effective and timely mark-to-market election.

### ***Controlled Foreign Corporation Status***

A US investor would be subject to a separate anti-deferral regime (and not the PFIC rules described above) with respect to certain investments in a controlled foreign corporation (a “CFC”). In general, a foreign corporation is classified as a CFC if “10 per cent. US Shareholders” own more than 50 per cent. of the total combined voting power of all classes of stock of such foreign corporation, or the total value of all stock of such corporation. A “10 per cent. US Shareholder” is a United States person that owns at least 10 per cent. of the total combined voting power of all classes of stock of the foreign corporation entitled to vote. The Company does not expect that it will be classified as a CFC for US federal income tax purposes.

### ***Information Reporting Rules***

Certain US investors may be subject to information reporting requirements with respect to Ordinary Shares held in the Company. As a result, such US investors could be required to file information returns (e.g. Form 926) with the IRS with respect to Ordinary Shares held in the Company. These reporting requirements are generally triggered if a US investor’s investment in the Company exceeds certain thresholds specified in the Code. For example, certain US investors acquiring 10 per cent. by vote or value of the Company’s stock may be required to report their acquisitions or dispositions of Ordinary Shares or proportional changes in their respective interests in the Company. In the event a US investor fails to file any such required form, the US investor could be subject to a penalty equal to 10 per cent. of the gross amount paid for the Ordinary Shares subject to a maximum penalty equal to US\$100,000 (except in cases of intentional disregard). The information reporting requirements are complicated, and all prospective investors in the Company are urged to consult their own tax advisers regarding them.

In addition, US investors may be required to file with the IRS a disclosure statement on Form 8886 in certain cases, including for example where substantial losses are recognised with respect to Ordinary Shares. Under these rules, the Company may also be required to provide to its advisers identifying information about certain of the Company’s investors and their participation in the Company, and the Company or its advisers may disclose this information to the IRS upon its request. Prospective investors are encouraged to consult their tax advisers to determine the applicability of these rules.

### ***Backup Withholding and Information Reporting***

Distributions on Ordinary Shares and proceeds from the sale or other disposition of Ordinary Shares and Warrants may be reported to the US Internal Revenue Service unless the Shareholder or Warrantholder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the Shareholder or Warrantholder fails to provide an accurate taxpayer identification number. The amount of any backup withholding tax will be refunded or allowed as a credit against the Shareholder’s or Warrantholder’s US income tax liability if the holder furnishes the appropriate information to the IRS.

**THE INFORMATION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE SHARES UNDER THE INVESTOR’S OWN CIRCUMSTANCES.**

### **Taxation of underlying business**

It is intended that the Company will have underlying business conducted through its subsidiary or associated companies in overseas jurisdictions including Mauritius, Cyprus and India. It is expected that tax will be payable by the overseas subsidiary or associated companies in those jurisdictions.

It is expected that tax will be payable in Mauritius at a current effective rate of up to 3 per cent. and in Cyprus at a current rate of up to 10 per cent. There is a nominal amount of stamp duty (approx. US\$3) payable on the transfer of shares in a Mauritian GBC1 Company which does not reckon among its assets any freehold or leasehold immovable property in Mauritius.

The Indian SPVs would pay tax at a current rate of 33.22<sup>1</sup> per cent. in India based on current tax rates, unless they are able to utilise any tax holiday available for a certain period and for certain types of projects. Minimum Alternate Tax may be payable at the current rate of 19.93<sup>1</sup> per cent. (except where the SPV is engaged in establishment and operation of an SEZ) where the normal tax payable is less than the Minimum Alternate Tax liability. Minimum alternate taxes paid would be allowed to be carried forward for ten years for set off against future normal tax liability. The Indian SPVs would also pay a Dividend Distribution Tax at the current rate of 16.61 per cent. in India on the profits distributed as a dividend. The Directors intend to organise the Group's affairs so as to minimise, through appropriate planning and other opportunities, the incidence of taxation arising.

Gains arising on the sale of shares of Indian SPVs by a Mauritius company are not subject to tax in India under the Mauritius tax treaty, provided the Mauritius company is eligible to claim benefits under the Mauritius tax treaty. However, if for any reason, the Mauritius company is not eligible for the benefits of the Mauritius tax treaty, then the taxability of such gains would be as per the domestic tax laws of India and capital gains are taxable as short or long term capital gains as set out below:

<i>Period of holding</i>	<i>Characterisation</i>	<i>Tax rate (inclusive of surcharge and education cess)</i>
12 months or less	Short-term	<ul style="list-style-type: none"> <li>• 42.23 per cent. in case shares are not listed on any recognised stock exchange in India.</li> <li>• 15.84 per cent. in case shares are listed on any recognised stock exchange in India and the sale is subject to Securities Transactions Tax ('STT').</li> </ul>
More than 12 months	Long-term	<ul style="list-style-type: none"> <li>• 21.12 per cent. in case shares are not listed on any recognised stock exchange in India.</li> <li>• 10.56 per cent. in case of shares listed on any recognised stock exchange but sale/transfer is not subject to STT.</li> <li>• Nil in case of shares are listed on any recognised stock exchange in India and the sale is subject to STT.</li> </ul>

**The foregoing summary does not address tax considerations which may be applicable to certain Shareholders under the laws of jurisdictions other than the UK and the Isle of Man and to some extent, Mauritius and Cyprus. The Company has no present plans to apply for any certifications or registrations, or to take any other actions under the laws of any jurisdictions which would afford relief to local investors therein from the normal tax regime otherwise applicable to an investment in Ordinary Shares and Warrants. It is the responsibility of all persons interested in purchasing or holding Ordinary Shares and Warrants to inform themselves as to any income or other tax consequences arising in the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of the Ordinary Shares and Warrants.**

<sup>1</sup> Income-tax rates mentioned in the Para (Taxation of underlying business) includes applicable surcharge and education cess. Please note surcharge (@ 7.5 per cent. on base tax rate) is not applicable in case Indian SPVs have taxable income below INR 10 million.

## PART X

### ADDITIONAL INFORMATION

#### 1. Responsibility

1.1 The Directors and the Proposed Directors, whose names appear on page 8 of this document, and the Company, accept responsibility for the information, other than that information referred to in paragraphs 1.2 and 1.3 below, contained in this document, including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case) and the Company, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 The directors of

(a) GGIC accept responsibility for the information in this document relating directly to GGIC and, to the best of their knowledge and belief (each director having taken reasonable care to ensure such is the case) such information is in accordance with the facts and contains no omission likely to affect the import of such information.

(b) FPC accept responsibility for the information in this document relating directly to FPC and, to the best of their knowledge and belief (each director having taken reasonable care to ensure such is the case) such information is in accordance with the facts and contains no omission likely to affect the import of such information.

(c) AHP accept responsibility for the information in this document relating directly to AHP and, to the best of their knowledge and belief (each director having taken reasonable care to ensure such is the case) such information is in accordance with the facts and contains no omission likely to affect the import of such information.

1.3 The VLMS Directors accept responsibility for the information relating to VLMS contained in this document. To the best of the knowledge and belief of the VLMS Directors (who have taken all reasonable care to ensure that such is the case) and the Company, the information relating to VLMS contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

2.1 Infrastructure India plc was registered and incorporated under the Law in the Isle of Man on 18 March 2008 with registered number 002457V and with the name Infrastructure India plc. The principal legislation under which the Company was formed and now operates and under which the Ordinary Shares and Warrants are issued is the Law and regulations made under the Law. The Company is resident in the Isle of Man. The Company's registered office is IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP and the Company's telephone number is +44 (0)1624 681250. The Company's website is: [www.iiplc.com](http://www.iiplc.com). The registrars of the Company are Capita (Isle of Man) Limited. The ISIN of the Ordinary Shares is IM00B2QVWM67 and the ISIN of the Warrants is IM00B2QVWZ96.

#### 3. Share Capital

3.1 On incorporation, one ordinary share of £1.00 in the capital of the Company was subscribed by the subscriber to the memorandum of association. This share was subsequently subdivided into 100 Ordinary Shares which formed part of the IPO Placing.

3.2 Pursuant to the IPO, the IPO Shares were issued and transferred to the IPO Placees on 30 June 2008.

3.3 Pursuant to the July 2010 Placing, 3,089,158 Ordinary Shares were issued and transferred to the July 2010 Placees on 13 August 2010.

- 3.4 Pursuant to the Placing, 42,148,761 Ordinary Shares are expected to be issued and allotted to the placees (other than GGIC) on 17 February 2011 and up to 12,396,693 Ordinary Shares are expected to be conditionally allotted to GGIC with effect from the Business Day following the EGM.
- 3.5 The issued share capital of the Company (all of which will be fully paid) immediately following Admission, assuming no Warrants are exercised, will consist of 150,597,984 Ordinary Shares and 7,340,000 Warrants.
- 3.6 Save in respect of the Placing and the Acquisitions, the issue and subsequent subdivision of the share(s) referred to in paragraph 3.1 and the issue and transfer of the shares referred to in paragraphs 3.2 and 3.3 above, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration, no person has any preferential subscription rights for any share capital of the Company and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 3.7 Save for the Existing Warrants, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.8 The Ordinary Shares and Warrants subscribed in the IPO Placing were issued pursuant to a resolution of the Board of Directors passed on 23 June 2008.
- 3.9 By a written composite resolution of the Shareholders dated 13 May 2008 it was resolved that, subject to IPO Admission taking place on or before 30 June 2008:
- (a) the Articles (referred to in paragraph 5.2 of this Part X) be adopted; and
  - (b) the directors of the Company be authorised to allot Ordinary Shares for cash as if the provisions of article 5.2 of the Articles did not apply, provided that this power shall be limited to the allotment of:
    - (i) 200,000,000 Ordinary Shares at the IPO Placing Price pursuant to the IPO Placing Agreement dated on or around 15 June 2008 and made between the Company, the Directors, Smith & Williamson, Kaupthing Securities, Inc., and Kaupthing CM upon IPO Admission;
    - (ii) the Warrants upon IPO Admission, pursuant to the deed poll dated 23 June 2008 executed by the Company setting out the terms and conditions of the IPO Warrants; and
    - (iii) Ordinary Shares up to such aggregate number as represents 5 per cent. of the number of Ordinary Shares in issue immediately following the issue of the IPO Shares and the Ordinary Shares issued due to the exercise in full of the IPO Warrants (such authority to expire at the first annual general meeting of the Company following the passing of the resolution except that the directors of the Company may allot Ordinary Shares pursuant to the authority in pursuance of an offer or agreement made prior to the first annual general meeting and which requires Ordinary Shares to be allotted after such meeting).
- 3.10 By resolution of the Shareholders in a general meeting held on 15 September 2008 it was resolved that:
- (a) in accordance with article 4 of the Articles, the amount of share capital available for issue shall be increased to £3,500,000 divided into 350,000,000 Ordinary Shares;
  - (b) the directors of the Company be authorised to: (i) allot up to 225,000,000 Ordinary Shares for cash; and (ii) issue Warrants to subscribe for up to 45,000,000 Ordinary Shares for cash, as if the provisions of article 5.2 of the Articles did not apply; and



- (c) the Company’s stated investment policy, set out in paragraph 6 of Part I of the IPO Prospectus under the heading “Gearing”, be amended by the deletion of the following:

“There will be no gearing at the Company level for at least 18 months from Admission. Thereafter, should the Directors decide that gearing at a Company level is desirable, it will be limited to no more than 50 per cent. of its NAV.”

and, to enable the Board to consider appropriate gearing at Company level, the insertion in its place of the following:

“The Company’s level of gearing will be limited to no more than 50 per cent. of its NAV.”

- 3.11 The Existing Ordinary Shares are and the New Ordinary Shares will be in registered form and capable of being held in certificated or uncertificated form.

#### **4. Isle of Man**

##### **4.1 *Isle of Man summary***

The Isle of Man (the “Island”) is an internally self-governing dependent territory of the British Crown. It is politically and constitutionally separate from the UK and has its own legal system and jurisprudence based on English common law principles. The British Government is, however, responsible for the Island’s foreign affairs and defence and, with the Island’s consent, the UK Parliament may legislate for the Island in some areas of common concern (such as nationality and immigration matters).

The Isle of Man’s relationship with the European Union is set out in Protocol 3 of the Act of Accession annexed to the Treaty of Accession 1972, by virtue of which the UK became a member of the European Community. The Island is neither a member state nor an associate member of the European Community. By virtue of Protocol 3, the Island is part of the customs territory of the European Union. Therefore the common customs tariff, levies and other agricultural import measures apply to trade between the Island and non-member countries. There is free movement of goods and agricultural products between the Island and the European Union, but the European Union provisions which relate to trade in financial services and products and those in respect of the free movement of persons, services and capital do not apply to the Island. Consequently, European Community law has direct application to the Island only for very limited purposes.

##### **4.2 *Corporate law in the Isle of Man***

The Law came into force on 1 November 2006 and introduced a new simplified Isle of Man corporate vehicle (based on the international business company model available in a number of other jurisdictions). The Law is largely a stand alone piece of legislation and companies incorporated under the Law (“2006 Companies”) co-exist with present and future companies incorporated under the existing Isle of Man Companies Acts 1931-2004 (“1931 Companies”).

###### **(a) *Key Features of a 2006 Company***

A 2006 Company is a legal entity in its own right, separate from its members, and will continue in existence until it is dissolved in the same way as 1931 Companies.

Every 2006 Company is required, at all times, to have:

- (i) a registered agent in the Isle of Man who holds the appropriate licence granted by the Isle of Man Financial Supervision Commission (ensuring that there is a licensed professional on the Isle of Man overseeing the administration of the company); and
- (ii) a registered office address in the Isle of Man.

###### **(b) *Power and Capacity***

The doctrine of *ultra vires* does not apply to 2006 Companies. The Law expressly states that, notwithstanding any provision to the contrary in a company’s memorandum or articles of

association and irrespective of corporate benefit and whether or not it is in the best interests of a company to do so, a company has unlimited capacity to carry on or undertake any business or activity, to do, or to be subject to, any act or to enter into any transaction.

Notwithstanding this, the directors of 2006 Companies are still subject to the various duties imposed on directors by common law and statute as well as fiduciary duties (such as the duty to act *bona fide* in the best interests of the company).

(c) *Directors*

Unlike a 1931 Company, a 2006 Company is permitted to have a single director which may be an individual or, subject to compliance with certain requirements, a body corporate.

(d) *Members*

The Law contains very few prescriptive rules relating to members' meetings. Companies are not required to hold annual general meetings and the Law allows members meetings to be held at such time and in such places, within or outside the Isle of Man, as the convener of the meeting considers appropriate. However, as is the case with the Articles (see paragraph 5.2(o)) below (*General Meetings*), more prescriptive requirements relating to members' meetings can be included in a company's articles of association.

Subject to contrary provision in the Law or in a company's memorandum or articles, members exercise their powers by resolutions:

- (i) passed at a meeting of the members; or
- (ii) passed as a written resolution.

The concept of "ordinary", "special" and "extraordinary" resolutions is not recognised under the Law and resolutions passed at a members meeting only require the approval of a member or members holding in excess of 50 per cent. of the voting rights exercised in relation thereto. However, as permitted under the Law, the Articles incorporate the concept of a "special resolution" (requiring the approval of members holding 75 per cent. or more of the voting rights exercised in relation thereto) in relation to certain matters.

(e) *Shares*

The provisions relating to shares and share capital in the Law are more relaxed than the equivalent provisions applying to 1931 Companies.

The Law provides that shares in a company may (without limitation):

- (i) be convertible, common or ordinary;
- (ii) be redeemable at the option of the shareholder or the company or either of them;
- (iii) confer preferential rights to distributions;
- (iv) confer special, limited or conditional rights, including voting rights; or
- (v) entitle participation only in certain asset.

(f) *Distributions and the Solvency Test*

The Law introduces a new definition of "distribution" in relation to a distribution by a 2006 Company of its assets to its members. A "distribution" essentially means the direct or indirect transfer of company assets or the incurring of a debt by a company to or for the benefit of a member and includes the payment of dividends and the redemption, purchase or other acquisition by a company of its own shares.

The Law permits the directors of a company to authorise a distribution by the company to its members at such time and of such amount as they think fit if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the solvency test.

A company satisfies the “solvency test” if:

- (i) it is able to pay its debts as they become due in the normal course of its business; and
- (ii) the value of its assets exceeds the value of its liabilities.

The solvency test replaces the traditional capital maintenance requirements which apply to 1931 Companies. Provided that the solvency test has been satisfied, and subject to the Articles, dividends may be paid and shares redeemed or purchased out of any capital or profits of the company.

(g) *Accounting Records*

The accounting requirements imposed on 2006 Companies under the Law are less prescriptive than those imposed on 1931 Companies. The Law requires a company to keep reliable accounting records which:

- (i) correctly explain the transactions of the company;
- (ii) enable the financial position of the company to be determined with reasonable accuracy at any time; and
- (iii) allow financial statements to be prepared.

For the purposes of the Law, “financial statements” means written accounts of the company which have been approved by the directors as financial statements for the purposes of the Law and include:

- (i) a written statement recording the assets and liabilities of the company on a specific date;
- (ii) a written statement recording the receipts, payments and other financial transactions undertaken by the company in respect of the period ending on the date of the statement referred to in paragraph (i) above; and
- (iii) such notes as are necessary for a reasonable understanding of the statements referred to in paragraphs (i) and (ii) above.

(h) *Offering Documents*

The Law does not distinguish between public and private companies and (subject to any restrictions in a company’s memorandum or articles of association) a 2006 Company can offer its securities to the public.

If an offering document is issued in relation to a 2006 Company, the Law simply requires the directors of a 2006 Company to ensure that any offering document issued in relation to that company:

- (i) contains all material information relating to the offer or invitation contained therein (i) that the intended recipients would reasonably expect to be included therein in order to enable them to make an informed decision as to whether or not to accept the offer or make the application referred to therein; and (ii) of which the directors or proposed directors were aware at the time of issue of the offering document or of which they would have been aware had they made such enquiries as would have been reasonable in all the circumstances; and
- (ii) sets out such information fairly and accurately.

(i) *Statutory Books*

Originals or copies (as appropriate) of various documents, including the constitutional documents, statutory books and accounting records of a 2006 Company, are required to be kept at the office of the 2006 Company's registered agent.

## **5. Memorandum and Articles of Association**

### **5.1 Memorandum of Association**

The Company has, subject to the Law, the capacity and the rights, powers and privileges of an individual. Furthermore, the memorandum of association of the Company does not set out any restrictions on the exercise of the rights, powers and privileges of the Company.

### **5.2 Articles of Association**

The following is a summary of the principal provisions of the Articles adopted pursuant to the resolution in paragraph 3.8 above.

(a) *Capital Structure*

Unless the Company shall by resolution otherwise direct, the amount of share capital of the Company available for issue is £3,000,000 divided into 300,000,000 Ordinary Shares. This was subsequently increased to £3,500,000 divided into 350,000,000 Ordinary Shares pursuant to a resolution of the Shareholders passed on 15 September 2008 (as referred to in paragraph 3.9 of this Part X).

(b) *Variation of rights*

Subject to the provisions of the Law, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in par value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles. This paragraph shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied. Subject to the terms of issue or the rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the Board resolving that a class of shares is to become or cease to be a share or class of shares or a renounceable right of allotment of a share, title to which is permitted to be transferred by means of a relevant system in accordance with the Uncertificated Securities Regulations.

(c) *Alteration of capital*

The Company in general meeting may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- (ii) consolidate and/or divide, re-designate or redenominate or convert all or any of its share capital into shares of larger or smaller par value, into shares having a purchase price of another currency or into different classes of shares than its existing shares; and
- (iii) sub-divide its shares or any of them into shares of smaller par value and may by such resolution determine that as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred

or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

Subject to compliance with the solvency test (as defined in section 49 of the Law) and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital.

(d) *Issue of Ordinary Shares*

Subject to the provisions of the Articles summarised in paragraph 5.2(e) below (*Pre-emption rights*), and subject to any resolution of the Company, all unissued shares in the Company shall be at the disposal of the Board and they may allot, grant options over or otherwise deal with or dispose of them to such persons, at such times and on such terms as the Board may decide.

(e) *Pre-emption rights*

Subject as indicated in the paragraph below, and unless the Company shall by special resolution otherwise direct, unissued shares in the capital of the Company shall only be allotted for cash in accordance with the following provisions:

- (i) all shares to be allotted (the “offer shares”) shall first be offered to the members of the Company on the register of members of the Company kept pursuant to Section 62 of the Law (the “relevant members”);
- (ii) the offer to relevant members set out in sub-paragraph (i) above (the “offer”) shall be made in proportion to the existing holdings of shares of relevant members (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any country or jurisdiction);
- (iii) the offer shall be made by written notice (the “offer notice”) from the Directors specifying the number and price of the offer shares and shall invite each relevant member to state in writing within a period, not being less than fourteen days, whether they are willing to accept any offer shares and, if so, the maximum number of offer shares they are willing to take;
- (iv) at the expiration of the time specified for acceptance in the offer notice the Directors shall allocate the offer shares to or amongst the relevant members who shall have notified to the Directors their willingness to take any of the offer shares but so that no relevant member shall be obliged to take more than the maximum number of shares notified by him under sub-paragraph (iii) above; and
- (v) if any offer shares remain unallocated after the offer, the Directors shall be entitled to allot, grant options over or otherwise dispose of those shares to such persons on such terms and in such manner as they think fit save that those shares shall not be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the relevant members.

The provisions of the paragraph above shall not apply to the allotment of any shares for a consideration other than cash or in connection with an employee’s share scheme, and, accordingly, the Directors may allot or otherwise dispose of any unissued shares in the capital of the Company for a consideration other than cash to such persons at such times and generally on such terms as they may think fit.

A reference in the foregoing paragraphs to the allotment of any shares includes the grant of a right to subscribe for, or to convert any securities into, shares but such reference does not

include the allotment of any relevant shares pursuant to such a right and without prejudice to the foregoing paragraphs shall not apply to the allotment of any shares pursuant to a right to such allotment granted prior to the first working day following IPO Admission.

(f) *Voting Rights*

Subject to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who (being an individual) is present in person or by proxy shall on a show of hands have one (1) vote and every member who (being a corporation) is present by duly authorised corporate representative or by proxy shall on a show of hands have one (1) vote, and on a poll every member present in person or by proxy shall have one (1) vote for each share of which he is the holder.

(g) *Dividends*

Subject to the provisions of the Articles, the Company may, subject to the satisfaction of the solvency test (as defined in section 49 of the Law), by resolution declare that out of profits available for distribution in accordance with Isle of Man law dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board. There is no fixed date on which an entitlement to dividend arises.

(h) *Transfer of shares*

Subject to the following paragraph, each member may transfer all or any of his shares in the case of certificated shares by instrument of transfer in writing in any usual form or in any form approved by the Board or in the case of uncertificated shares without a written instrument in accordance with the Uncertificated Securities Regulations. Any written instrument shall contain the business or residential address of the transferee and be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Company's register of members as the holder of the share.

No member may transfer shares to any US Person without the prior consent of the Board (such consent not to affect dealing in shares on an open and proper basis where they are listed on the Official List). Furthermore, any member who, after the date of adoption of the Articles, becomes a US Person shall notify the Board in writing as soon as possible after such change and understands that all members who are US Persons must be "Qualified Purchasers" (unless the Board consents otherwise).

No transfer of any share shall be made:

- (i) to a minor; or
- (ii) to a bankrupt; or
- (iii) to any person who is, or may be, suffering from mental disorder and either:
  - (A) has been admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 (an Act of Parliament) or any similar statute relating to mental health (whether in the United Kingdom, the Isle of Man or elsewhere); or
  - (B) an order has been made by any court having jurisdiction (whether in the United Kingdom, the Isle of Man or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs,

and the Directors shall refuse to register the purported transfer of a share to any such person.

The Board may in its absolute discretion and without giving any reason refuse to register any transfer of a certificated share unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;
- (iii) it is in respect of only one class of shares;
- (iv) it is in favour of a single transferee or not more than four joint transferees;
- (v) it is duly stamped (if so required); and
- (vi) it is delivered for registration to the registered agent of the Company, or such other person as the Board may from time to time appoint, accompanied (except in the case of a transfer where a certificate has not been required to be issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so,

provided that where any such share is listed on the Official List, such discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.

Notwithstanding the foregoing the Board has the right to refuse (and cause the Company to refuse) to register any transfer of shares which is:

- (i) not made (i) in accordance with Regulation S, (ii) pursuant to registration under the US Securities Act or (iii) pursuant to an available exemption from registration under the US Securities Act;
- (ii) made by members reasonably believed by the Company to be Qualified Purchasers to US Persons who are not Qualified Purchasers;
- (iii) in favour of a Prohibited Person, as defined in paragraph 5.2(i) below; or
- (iv) in favour of any holder who (or whose holding of shares), as determined by the Board, would or might result in the Company being required to register as an investment company under the Investment Company Act, or being potentially in violation of such Act or the rules or regulations promulgated thereunder or the assets of the Company being deemed to be assets of a “benefit plan investor” within the meaning of S3(42) of ERISA (an “ERISA Plan Investor”).

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Board may from time to time determine (subject to the Uncertificated Securities Regulations in the case of any shares of a class which is a Participating Security as defined below). Notice of closure of the register of members of the Company shall be given in accordance with the requirements of the Law.

The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a share or class of shares or a renounceable right of allotment of a share (“Participating Security”), title to which is permitted to be transferred by means of a relevant uncertificated system in accordance with the Uncertificated Securities Regulations, held in uncertificated form in accordance with the Uncertificated Securities Regulations, except that the Board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the

Company are admitted) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the Uncertificated Securities Regulations.

(i) *Compulsory transfer of shares*

If it shall come to the notice of the Board that any shares:

- (i) are or may be owned or held directly or beneficially by any person that is an ERISA Plan Investor; or
- (ii) are or may be owned or held directly or beneficially by any person to whom a transfer of shares or whose ownership or holding of any shares might in the opinion of the Board require the Company to apply for an order permitting the Company to register as an investment company under the Investment Company Act; or
- (iii) are or may be owned or held directly or beneficially by any “United States person” (as defined in Section 957(c) of the US Internal Revenue Code of 1986, as amended) and such person’s shareholding amounts to ten per cent. or more of the shares, unless otherwise approved by the Board

(collectively, a “Prohibited Person”), the Board may serve written notice (hereinafter called a “Transfer Notice”) upon the person (or any one of such persons whose shares are registered in joint names) appearing in the register as the holder (the “Vendor”) of any of the shares concerned (the “Relevant Shares”) requiring the Vendor within ten days (or such extended time as in all the circumstances the Board consider reasonable) to transfer (and/or procure the disposal of interests in) the Relevant Shares to another person who, in the sole and conclusive determination of the Board, would not fall within paragraph (i), (ii) or (iii) above (such a person being hereinafter called an “Eligible Transferee”). On and after the date of such Transfer Notice, and until registration of a transfer of the Relevant Shares to which it relates pursuant to the provisions referred to in the paragraph below, the rights and privileges attaching to the Relevant Shares will be suspended and not capable of exercise.

If within ten days after the giving of a Transfer Notice (or such extended time as in the circumstances the Board consider reasonable) the Transfer Notice has not been complied with to the satisfaction of the Board, the Company may sell the Relevant Shares on behalf of the holder thereof by instructing a London Stock Exchange member firm to sell them at the best price reasonably obtainable at the time of sale to any one or more Eligible Transferees. To give effect to a sale the Board may authorise in writing any officer or employee of the Company to transfer the Relevant Shares on behalf of the holder thereof (or any person who is automatically entitled to the shares by transmission or by law) or to cause the transfer of the Relevant Shares to the purchaser and in relation to an uncertificated share may require the Operator (as defined in the Uncertificated Securities Regulations) to convert the share into certificated form and an instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the Relevant Shares. The Eligible Transferee is not bound to see to the application of the purchase money and the title of the Eligible Transferee is not affected by any irregularity in or invalidity of the proceedings connected to the sale. The net proceeds of the sale of the Relevant Shares, after payment of the Company’s costs of the sale, shall be paid by the Company to the Vendor or, if reasonable enquiries have failed to establish the location of the Vendor, into a trust account at a bank designated by the Company, the associated costs of which shall be borne by such trust account. The Company may register or cause the registration of the Eligible Transferee as holder of the Relevant Shares and thereupon the Eligible Transferee shall become absolutely entitled thereto.

A person who becomes aware that he falls, or is likely to fall, within any of sub-paragraphs (i), (ii), or (iii) above shall forthwith, unless he has already received a Transfer Notice pursuant to the above provisions either transfer the shares to one or more Eligible Transferees or give a



request in writing to the Board for the issue of a Transfer Notice in accordance with the above provisions. Every such request shall, in the case of certificated shares, be accompanied by the certificate(s) for the shares to which it relates.

Subject to the provisions of the Articles, the Board shall, unless any Director has reason to believe otherwise, be entitled to assume without enquiry that none of the shares are held in such a way as to entitle the Board to serve a Transfer Notice in respect thereof. The Board may, however, at any time and from time to time call upon any holder (or any one of joint holders or a person who is automatically entitled to the shares by transmission or by law) of shares by notice in writing to provide such information and evidence as they require upon any matter connected with or in relation to such holders of shares. In the event of such information and evidence not being so provided within such reasonable period (not being less than ten clear days after service of the notice requiring the same) as may be specified by the Board in the said notice, the Board may, in its absolute discretion, treat any share held by such a holder or joint holders or person who is automatically entitled to the shares by transmission or by law as being held in such a way as to entitle them to service a Transfer Notice in respect thereof.

The Board will not be required to give any reasons for any decision, determination or declaration taken or made in accordance with these provisions and such actions by the Board shall be conclusive and binding on all persons concerned and shall not be open to challenge. The exercise by the Board of the powers referred to in this paragraph 5.2(i) (*Compulsory transfer of shares*) may not be questioned or invalidated in any case on the grounds that there was insufficient evidence of direct or indirect beneficial ownership or holding of shares by any person or that the true direct or beneficial owner or holder of any shares was otherwise than as appeared to the Board at the relevant date provided that the said powers have been exercised in good faith.

Neither the Company nor the Board shall be liable to indemnify, reimburse or compensate any member in respect of any cost, liability or expense (including, without limitation, any taxes or duties imposed, paid or suffered under the laws of the US, the United Kingdom, the Isle of Man or any other jurisdiction) arising from or by reference to any sale or forfeiture of any shares as described in this paragraph 5.2(i).

(j) *Directors*

At every annual general meeting one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office by rotation provided that if there is only one Director who is subject to retirement by rotation, he shall retire.

(k) *Directors' Interests*

A Director who to his knowledge is in any way (directly or indirectly) interested in any contract arrangement, transaction or proposal with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

Except as provided below, a Director shall not vote on or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which (together with any interest of any person connected with him within the meaning of sections 252 to 255 of the UK Companies Act 2006) he has (directly or indirectly) an interest which is material (other than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company) or a duty which conflicts with the interests of the Company unless his duty or interest arises only because the resolution relates

to one of the matters set out in the following sub-paragraphs in which case he shall be entitled to vote and be counted in the quorum:

- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (iii) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- (iv) relating to another company in which he and any persons connected with him (within the meaning of sections 252 to 255 of the UK Companies Act 2006) do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the UK Companies Act 2006) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (v) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

An interest of a person who is, for any purpose of the Law (excluding any such modification thereof not in force when the Articles became binding on the Company), connected with a Director shall be treated as an interest of the Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director otherwise has.

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or termination) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The Directors (other than alternate directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding £350,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Executive Directors may be paid money in addition to any fee payable to him for his services as a Director. Each Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as a Director.

Subject to the Law, the Company may indemnify every Director, alternate Director or other officer of the Company (other than an auditor) to the fullest extent permitted by law.

(1) *Disclosure of interests*

A person must notify the Company of the percentage of its voting rights if the percentage of voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (being financial instruments falling within Rule 5.3 of the Disclosure and Transparency Rules of the UK Financial Services Authority) (or a combination of such holdings) has reached or exceeded 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent. or 10 per cent.

A person must notify the Company of the percentage of voting rights held if the percentage of voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (or a combination of such holdings):

- (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent. or 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent.; or
- (b) reaches exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company.

A person shall not be required to aggregate his holding in the circumstances prescribed in Rule 5.4 of the Disclosure and Transparency Rules.

A notification given in accordance with the Articles shall include the following information (the “Required Information”):

- (i) the percentage of voting rights held or which may be exercised, or the resulting situation in terms of voting rights and the date on which the relevant threshold was reached or crossed;
- (ii) if applicable, the chain of controlled undertakings through which voting rights are effectively held;
- (iii) the identity of the shareholder, even if that shareholder is not entitled to exercise voting rights and of the person entitled to exercise voting rights on behalf of that shareholder;
- (iv) the price, amount and class of shares concerned;
- (v) in the case of a holding of financial instruments, the following information must also be disclosed:
  - (A) for financial instruments with an exercise period, an indication of the date or time period where shares will or can be acquired, if applicable;
  - (B) date of maturity or expiration of the qualifying financial instruments;
  - (C) identity of the holder;
  - (C) name of the underlying company; and
  - (D) detailed nature of the qualifying financial instruments, including full details of the exposure to Ordinary Shares; and
- (vi) any other information required by the Company or prescribed by the Disclosure and Transparency Rules.

An obligation to give a notice to the Company shall be fulfilled as soon as possible and in any event before the end of the second working day after the relevant person learns the relevant threshold was reached or crossed.

Every person who holds 3 per cent. or more of the voting rights of any relevant class of shares of the Company shall, for as long as he holds such voting rights, be under a continuing obligation to give to the Company notice in writing of the Required Information and of any change in the Required Information, of which he becomes aware at any time after the event (or if more than one the most recent event) by virtue of which he became obliged by the Articles to give notice to the Company of his percentage of voting rights held. A notice given shall be given before the end of the second working day after the day on which the person giving the notice becomes aware of the relevant facts.

(m) *Suspension of rights*

The Board may at any time serve a notice (“Information Notice”) upon a member requiring the member to disclose to the Board in writing within such period (being no less than ten days and not more than thirty days) as may be specified in the notice, information relating to any beneficial interest of any third party or any other interest of any kind whatsoever which a third party may have in relation to any or all shares registered in the member’s name. If a member has been issued with an Information Notice and has failed in relation to any shares the subject of the Information Notice (“notice shares”) to furnish any information required by such notice within the time period specified therein, then the Board may at any time following fourteen days from the expiry of the date on which the information required to be furnished pursuant to the relevant Information Notice is due to be received by the Board, serve on the relevant holder a notice (in this paragraph called a “disenfranchisement notice”) whereupon the following sanctions shall apply:

(i) Voting

the member shall not with effect from the service of the disenfranchisement notice be entitled in respect of the notice shares to attend or to vote (either in person or by representative or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(ii) Dividends and transfers where the notice shares represent at least 0.25 per cent. in par value of their class:

(A) any dividend or other money payable in respect of the notice shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect pursuant to the Articles to receive shares instead of that dividend; and

(B) subject in the case of uncertificated shares to the relevant Uncertificated Securities Regulations, no transfer, other than an approved transfer, of any notice shares held by the member shall be registered unless the member is not himself in default as regards supplying the information required pursuant to the relevant Information Notice and the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

(n) *Borrowing powers*

Subject to the other provisions of the Articles and to the Law, the Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(o) *General Meetings*

The Board shall convene in each year a general meeting of the members of the Company called the annual general meeting; any annual general meeting shall be held at such time and place as the Board may determine.

All general meetings, other than annual general meetings, shall be called extraordinary general meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. At any meeting convened on such requisition (or any meeting requisitioned pursuant to section 67(2) of the Law) no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not sufficient members of the Board to convene a general meeting, any Director or any member of the Company may call a general meeting.

Any annual general meeting and any extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a Director shall be convened by not less than 21 clear days' notice in writing. Other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing. Notwithstanding that a meeting is convened by shorter notice than that specified in the Articles, it shall be deemed to have been properly convened if it is so agreed by all the members entitled to attend and vote at the meeting.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a Chairman which shall not be treated as part of the business of the meeting. Subject to the provisions of the Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member, or one person entitled to attend and to vote on the business to be transacted, being a member holding not less than one-tenth of the issued share capital of the Company and being present in person or by proxy shall be a quorum. (The provisions of section 67(4) of the Law are excluded.) If within fifteen minutes (or such longer interval not exceeding one hour as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to later on the same day, to the same day in the next week at the same time and place, or to such other day and at such time and place as the Chairman (or, in default, the Board) may determine, being not less than fourteen nor more than twenty-eight days thereafter. If at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting one member present in person or by proxy or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or, if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved. The Company shall give at least seven clear days' notice of any meeting adjourned through lack of quorum (where such meeting is adjourned to a day being not less than fourteen nor more than twenty-eight days thereafter).

(p) *Winding up*

If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively, subject to the rights attached to any shares which may be issued on special terms or conditions.

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members *in specie* the

whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to Section 222 of the Isle of Man Companies Act 1931. The liquidator may with the like sanction vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine but no member shall be compelled to accept any assets on which there is a liability.

A resolution sanctioning a transfer or sale to another company duly passed pursuant to Section 222 of the Isle of Man Companies Act 1931 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

(q) *Duration*

The Directors shall, at the annual general meeting of the Company held following the fifth anniversary of IPO Admission, propose a resolution that the Company cease to continue as constituted; if such resolution is not passed, the Directors shall propose an equivalent resolution at every fifth annual general meeting of the Company thereafter until such resolution is passed. If the resolution is passed, the Directors shall formulate proposals to be put to members of the Company to reorganise, reconstruct or wind up the Company within a maximum period of two years.

## **6. Mandatory Bids and Compulsory Acquisition Rules Relating to the Ordinary Shares**

(a) *Mandatory bid*

The City Code is issued and administered by the Takeover Panel. The Takeover Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2005/25/EC) (the "Directive"). Following the implementation of the Directive by the Takeovers Directive (Interim Implementation) Regulations 2006, the rules of the City Code which are derived from the Directive now have a statutory basis.

The City Code applies to all takeovers and merger transactions, however effected, where *inter alia* the offeree company is a company which has its registered office in the UK, the Isle of Man or the Channel Islands if the company has any of its securities admitted to trading on a regulated market in the United Kingdom or on any stock exchange in the Channel Islands or the Isle of Man. The City Code has applied to the Company from IPO Admission and, therefore, its Shareholders will be entitled to the protection afforded by the City Code.

Under Rule 9 of the City Code, where: (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the City Code, or (b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of such a company, if such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then, except with the consent of the Takeover Panel, he, and any person acting in concert with him, must make a general offer in cash to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights to acquire the balance of the shares not held by him and his concert party.

(b) **Compulsory Acquisition**

A compulsory acquisition procedure is set out in section 160 of the Law. Where a scheme or contract involving the transfer of Ordinary Shares by the Company to another person (the “transferee”) has been approved by the holders of not less than 90 per cent. in value of the shares affected within the 16 weeks after the offer being made, the transferee may, at any time within 8 weeks after the transferee has acquired or contracted to acquire the Ordinary Shares, give notice in the prescribed manner to any dissenting Shareholder that it desires to acquire such dissenting Shareholders’ Ordinary Shares, and where such notice is given the transferee shall, unless (on application made by the dissenting Shareholder within one month from the date on which the notice is given) the court thinks fit to order otherwise, be entitled and bound to acquire those Ordinary Shares on terms which under the scheme or contract the Ordinary Shares of the approving Shareholders are to be transferred to the transferee (or on such terms as may be permitted by variation under the Law in certain circumstances).

Where such a notice has been given by the transferee and the court has not, on application made by the dissenting Shareholder, ordered to the contrary or any pending application to the court by the dissenting Shareholder has been disposed of, the transferee shall send a copy of the notice to the Company and pay or transfer to the Company the consideration representing the price payable for the Ordinary Shares which the transferee is entitled to acquire and the Company shall thereupon register the transferee as the holder of those Ordinary Shares. The Company shall be required to hold such sums in a separate bank account on trust for the dissenting Shareholders.

**7. Information on the Directors**

- (a) Details of the names of companies and partnerships (excluding directorships of the Company or of its subsidiaries) of which the Directors and Proposed Directors are or have been members of the administrative, management or supervisory bodies or partners at any time in the five years preceding the date of this document:

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Rupert Cottrell	Acacia s.a.r.l. Bioseutica PLC Carpathian PLC Carpathian Properties s.a.r.l. Castaway Limited Diamond Circle Capital PLC Gumtree s.a.r.l. Lantina Limited Polygon Convertible Opportunity Fund LP Polygon European Equity Opportunity Fund LP S.A.R.E. (Cyprus) Ltd. SIA Patollo South Asian Real Estate Limited Sycamore s.a.r.l. Tlps Investment Management (IoM) Limited	Alvaro PLC AS Magnum Medical Castletown and Derbyhaven Motorboat & Yacht Club Lincoln Land Germany PLC Lorne House Limited New European Investments Limited Stockwell Capital PLC The PFI Infrastructure Co PLC Vitol (Far East) Limited Vitol (IoM) Limited
Sonny Lulla	India Hydropower Development Company Vikram Logistic and Maritime Services Limited	–

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales	A&M Overseas Limited	Achille Boroli Limited
	ACE East Grinstead Limited	Al Badour investment Group Limited
	ACE (Four) Limited	Ambridge Nominees Limited
	ACE Hartlepool Retail Limited	Armier Limited
	ACE (One) Limited	Armstrong Investments Limited
	ACE Peterborough Limited	ASA Consultants (Isle of Man) Limited
	ACE Reading Limited	Casterton Limited
	ACE (Three) Limited	Champion Limited
	ACE (Two) Limited	Cherwell Limited
	ACE Winchester Limited	Climate Exchange plc
	Active Commercial Estates plc	Closepip ISA and PEP2 plc
	Alpha UK Multi Property Trust plc (formerly Close High Income Properties Plc)	Dayem Limited
	Argo Distressed Credit Fund Limited	Delphburn Limited
	Astin CEO IOM 2007 Limited	Derivatives Capital Management Limited
	Atlal Limited	Diamond Investments (Overseas) Limited
	Bamboo Investments (Isle of Man) plc	Drava Limited
	Birmingham Brindleyplace (General Partner) Limited	Eccleshall Limited
	Birmingham Brindleyplace Capital (General Partner) Limited	EMCO Capital Plc
	Buskett Limited	EPIC Reconstruction Property Company (IOM) Limited
	Carpathian plc	EPIC Select Opportunities Investment Company plc
	Chip (Five) Limited	EPIC Student Accommodation plc
	Chip (Four) Limited	EPS Finance Limited
	Chip (Ipswich) One Limited	EPS Finance (IOM) Limited
	Chip (Ipswich) Two Limited	Felpersham Limited
	Chip (One) Limited	Fenstock Limited
	Chip (Seven) Limited	Fieldsons Limited
	Chip (Six) Limited	Flosshilde plc
	Chip (Three) Limited	Flyford Limited
	Chip (Two) Limited	Fringebar Properties Limited
	Clean Energy Asia Limited	Frontier Fund plc
	Clean Energy Brazil Plc	Frontier Global Stars Fund plc
	Closepip ISA and PEP Plc	Galleone Investments Limited
	ECM Group NV Limited	Gardenia Limited
	EEA (IOM) Limited	Gemms Cap Limited Geryon Limited
	EPIC Finance Company Limited	Geryon Limited
	EPIC Reconstruction Property Company II Limited	G.J. Events Limited
	EPIC Securities plc	Glengarry Limited
	EPIC Structured Finance Limited	Greenlaw Limited
	Fairdos Limited	Gulf Development & Finance Limited
	Faris Limited	Gyda Limited
	Frontier Commercial Property Fund plc	Hampshire Holdings Limited
	Frontier Global Real Estate Fund plc	Harboro Limited
	Haiser Limited	Higson Limited
	Hammy Limited	Hindle Limited
	Healthcare & Leisure Property Limited	Hovey Limited
	India Media PLC	Irundnay (IOM) Limited
		Indiahold Limited
		I.T Ventures – Concord Misr (BVI) Limited



<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales (continued)	IOMA Fund and Investment Management Limited	Jenigma Holdings Limited
	IOMA FIM Nominees Limited	Kiltery Limited
	IOMA FIM Nominees One Limited	Kreon plc
	IOMA FIM Nominees Two Limited	Laffan Limited
	IOMA FIM Directors Limited	Land Investments plc
	JMS Estates (IOM) Limited	Land Investments (One) Limited
	Lincoln Land Germany Plc	La Rocca Investments Limited
	Manchester Square (General Partner) Limited	Ledson Limited
	Oubliette Limited	Lesimo Limited
	Paternoster Holdings Limited	Linehall Limited
	Paternoster Limited	Lochbroom Limited
	Patollo	Maroya Limited
	Property Investment Portfolio plc	Mediterranean Marine (IOM) Limited
	Qabila Limited	Meekland Holdings Limited
	Quartet Nominees Limited	Meg & Mog Rights Limited
	Quartet (One) Limited	Menaul Limited
	Quartet (Two) Limited	Monastir Limited
	Residential Property Investment Portfolio Limited	Moore Holdings Limited
	Sardinella Limited	Neville James Secure Capital Growth Fund plc
	SEIF (IOM) Limited	Neville James Zero Preference Fund plc
	SEIF Global Limited	Omega Derivatives Capital Limited
	SEIF Limited	Omega (IOM) Limited
	SEIF Services Limited	Palmayra Limited
	SEIF Services (IOM) Limited	Pan African Holdings Limited
	Tau Capital plc	Pearlstone Limited
	Tenanted Inn Estates plc	Portobello Limited
	TEP Asia Limited	Poundsgate Limited
	TEP (Solar Holdings) Limited	Priyanka Limited
	TEP (Renewables Holdings) Limited	Quantinvest Limited
	TEP Trading 1 Limited	Quantinvest Management Limited
	TEP Trading 2 Limited	Quartet Nominees Limited
	The Equity Partnership Investment Company plc	Quartet (Two) Limited
	The Golden Jubilee Trust	Raines Limited
	TIE South East Limited	Ransley Limited
	TIE South West Limited	Rassina Limited
	Trading Emissions (England & Wales) Limited	Rath Dhu Limited
	Trading Emissions (Isle of Man) Limited	Relcon Limited
	Trading Emissions plc	Resipip Direct Holdings Limited
	Trinity Capital PLC	Resipip Securities Capital Limited
		Resipip Securities Investment Limited
		Retford Limited
		Rolla Associates Limited
		Rush Limited
		Salthouse Limited
		Sassoon Limited
		SEIF Limited
		Seraphim Capital Plc
		Shintillo Investments Limited
		Snowforth Limited
		St James' Park Group Limited
		Standhall Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales (continued)		Stockwell Capital Investments Plc Stovell Limited Tashkent Limited The Capital Appreciation Trust (Isle of Man) plc The Capital Appreciation Trust Limited The Global Property Fund plc The Wych Cross Place Estate Company Limited TIE Midlands Limited Top Developments plc Traffic Limited Trimingham Limited Tullmore Limited UVI Limited Vale Nominees Limited VAM II Limited VAM III Limited Ventura Limited Verdala Limited Walderslade Limited Weatherfield Limited Whitman Limited Wimbridge Limited Wintney Limited Yetminster Limited
Tim Stocks	Taylor Wessing LLP New Street Solutions Limited	KCL SIFE C.I.C SIFE UK
Tom Tribone	Guggenheim Global Infrastructure Company Limited	Cemig
Robert Venerus	GFP Dunas Holdings Inc GFP Dunas Partners Holdings Inc GFP Green Inc Guggenheim Franklin Park Investments LLC	–
Vikram Viswanath	Anuradha Holdings Private Limited Asiaadata Private Limited Vikram Logistic & Maritime Services Private Limited	Biopure Healthcare Private Limited
Timothy Walker	C E Insurance Services Limited Carpathian plc Church Farm Consultants Limited Clean Energy Brazil plc Duet India Hotels Limited Endocrine Pharmaceuticals Limited Heron and Brearley Limited Ishaan Real Estate plc Squarestone Brasil plc	Erissa Insurance Company Limited Lawcall Insurance Limited Liselle Limited Neptune Developments Limited Neptune Hotel Limited Promenade Investments Limited Residan Limited The PFI Infrastructure Company plc

- (b) None of the Directors or Proposed Directors:
- (i) has any convictions in relation to fraudulent offences; or
  - (ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director or Proposed Director; or
  - (iii) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
  - (iv) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset: or
  - (v) has had any public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
  - (vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## 8. Directors', Proposed Directors' and Others' Interests

- (a) Except as set out in the table below, none of the Directors or Proposed Directors nor any person connected to them (within the meaning of Sections 252-255 of the UK Companies Act 2006) hold any interests in the share capital of the Company at the date of this document. The interests (all of which are or will be beneficial unless otherwise stated) of each Director and Proposed Directors (including any interest known to that Director or Proposed Director or which could with reasonable diligence be ascertained by him of any person connected with a Director or Proposed Director (as such term is construed in accordance with Sections 252-255 of the UK Companies Act 2006) (a "Connected Person")) in the issued share capital of the Company as at the date of this document are as follows:

<i>Director/Proposed Director</i>	<i>Number of Existing Ordinary Shares held at date of document</i>	<i>Percentage of issued share capital held at date of document</i>	<i>Number of Ordinary Shares held at date of Admission</i>	<i>Percentage of Enlarged Issued Share Capital held at date of Admission<sup>3</sup></i>
Rupert Cottrell <sup>1</sup>	100,000	0.25%	200,000	0.13%
Sonny Lulla	—	—	—	—
Philip Scales	—	—	—	—
Tim Stocks	—	—	—	—
Tom Tribone	—	—	—	—
Robert Venerus	—	—	—	—
Vikram Viswanath	—	—	—	—
Timothy Walker <sup>2</sup>	36,364	0.09%	51,364	0.03%

1. Rupert Cottrell also holds 5,000 Warrants as at the date of this document and has subscribed for 100,000 Placing Shares to be admitted to trading on AIM on 17 February 2011.

2. Timothy Walker also holds 5,000 Warrants as at the date of this document and has subscribed for 15,000 Placing Shares to be admitted to trading on AIM on 17 February 2011.

3. Assuming no exercise of Warrants between the date of this document and Admission.

- (b) Save as disclosed in paragraph 8(a) above, no Director or Proposed Director, nor any Connected Person, will have immediately following Admission, any interest, whether beneficial or non beneficial, in the share or loan capital of the Company or any related financial product referenced to the Ordinary Shares.

- (c) On completion of the acquisition of the AHP Assets, Vikram Viswanath will be interested in 54,988,994 Ordinary Shares through AHP. The intention is for AHP to realise a number of shares when appropriate following the completion of the acquisition of the AHP Assets. The timing and number of Consideration Shares to be so realised shall be agreed with the Company's brokers.
- (d) Save as disclosed below, the Company is not aware of any person who, as at 9 February 2011 (being the most practicable date prior to the date of publication of this document) is interested directly or indirectly, in 3 per cent. or more of the issued share capital of the Company.

<i>Names</i>	<i>Number of Existing Ordinary Shares held prior to the Placing</i>	<i>Percentage of issued share capital held prior to the Placing</i>
Aegon Asset Management	3,252,520	8.17%
Arion Custody Services	2,265,700	5.64%
Banque Haviland Luxembourg	10,585,000	26.60%
Henderson New Star	3,779,970	9.50%
Kaupthing Bank	9,946,357	25.00%
Utilico Emerging Markets Limited	4,401,360	11.06%

- (e) Save as disclosed below, the Company is not aware of any person who, immediately following completion of the Placing (but before the issue of Placing Shares to GGIC or completion of the Acquisitions) will be interested directly or indirectly, in 3 per cent. or more of the issued share capital of the Company.

<i>Names</i>	<i>Number of Ordinary Shares held following the Placing<sup>1</sup></i>	<i>Percentage of issued share capital held following the Placing<sup>1</sup></i>
Aegon Asset Management	3,252,520	3.97%
Banque Haviland Luxembourg	10,585,000	12.92%
Henderson New Star	9,282,970	11.33%
Kaupthing Bank	9,946,357	12.14%
Utilico Emerging Markets Limited	8,951,360	10.92%

1. Prior to the issue of Placing Shares to GGIC

- (f) The Law imposes no requirement on Shareholders to disclose holdings of 3 per cent. (or any greater limit) or more of any class of the share capital of the Company. However, the Company can require such disclosure pursuant to the Articles as described in paragraph 5.2(1) above. All Shareholders will have equal voting rights, on a poll, based on the number of Ordinary Shares held.
- (g) Save as disclosed in paragraph 11 of Part I, the Company is not aware of any person or entity who, directly or indirectly, jointly or severally, will or could exercise control over the Company immediately following Admission and there are no arrangements in the operation of which could result in a change of control of the Company.
- (h) No Director or Proposed Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company since its incorporation.
- (i) There are no loans or guarantees granted or provided by the Company to or for the benefit of any of the Directors or Proposed Directors which are now outstanding.

- (j) Save as disclosed in paragraph 10 below, there are no potential conflicts of interest between any duties owed by the Directors or the Proposed Directors to the Company and their private interests and/or other duties.
- (k) None of the Company's major Shareholders will have different voting rights from other holders of Ordinary Shares.

## 9. Interests and Dealings

### (a) *Definitions*

For the purposes of this paragraph 9:

**acting in concert** has the meaning attributed to it in the City Code;

**arrangement** includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

**associate** of any company includes:

- (i) its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of "associated company" status);
- (ii) its connected advisers and persons controlling, controlled by or under the same control as such connected advisers;
- (iii) its directors and the directors of any company covered in (i) above (together in each case with their close relatives and related trusts);
- (iv) its pension funds or the pension funds of a company covered in (i) above;
- (v) any investment company, unit trust or other person whose investments an associate manages on a discretionary basis, in respect of the relevant investment accounts;
- (vi) its employee benefit trusts, or the employee benefit trust of a company covered in (i) above; and
- (vii) a company having a material trading arrangement with the company;

**connected adviser** has the meaning attributed to it in the City Code;

**connected person** has the meaning attributed to it in section 252 of the UK Companies Act 2006;

**control** means an interest, or interests in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a General Meeting, irrespective of whether such interest or interests give *de facto* control;

**dealing** or **dealt** includes the following:

- (i) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to securities or of general control of securities;
- (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;
- (iii) subscribing or agreeing to subscribe for securities;

- (iv) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
- (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities; or
- (vi) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;

**derivative** includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;

**disclosure date** means 10 February 2011, being the latest practicable date prior to the posting of this document;

**disclosure period** means the period commencing on 11 February 2010, being the date 12 months prior to the date of the posting of this document and ending on the disclosure date;

**exempt fund manager** and **exempt principal trader** have the meanings attributed to them in the City Code;

being **interested** in securities (or having an **interest** in such securities) includes where a person:

- (i) owns them;
- (ii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
- (iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire them or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- (iv) is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;

**relevant AHP securities** means shares in AHP which carry voting rights (or derivatives referenced thereby and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof);

**relevant FPC securities** means shares in FPC which carry voting rights (or derivatives referenced thereby and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof);

**relevant GGIC securities** means shares in the GGIC which carry voting rights (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;

**relevant IIP securities** means shares in the IIP which carry voting rights (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof; and

**short position** means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement or confirmatory statements with respect to Rule 9.

(b) ***The Concert Party***

As at the close of business on the disclosure date and as they are expected to be immediately after Admission, the interests in the share capital of the Company of the members of the Concert Party and their related trusts and Connected Persons were as set out below:

<i>Name</i>	<i>Current</i>		<i>on Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital<sup>1</sup></i>
FPC	–	–	32,839,506	21.81%
GGIC	–	–	35,820,559	23.79%
<b>Total</b>	–	–	68,660,065	45.59%

1. Assuming no exercise of Warrants between the date of this document and Admission.

(c) ***Intentions of Concert Party***

Other than the changes set out in this document, the Concert Party is not intending to seek any changes to the Board and has confirmed its intention that the business of the Company will be allowed to continue in the same manner as at present with no intention to relocate the business, or to redeploy any of the Company's fixed assets. However, were overhead cost savings or other such efficiencies to arise out of the creation of the Enlarged Group, then these would be implemented. The Concert Party is also not intending to prejudice the existing employment rights, including pension rights, of any of the employees or management of the Enlarged Group nor to procure any material change in the conditions of employment of any such employee or management.

(d) ***Interests***

As at the disclosure date, save as disclosed in this Part X:

- (a) neither IIP, nor any Directors (nor any members of their respective immediate families, related trusts or Connected Persons), nor any person acting in concert with any of them, had any interest in or right to subscribe for, or had any short position in relation to, any relevant FPC securities or relevant GGIC securities or relevant AHP securities;
- (b) save as disclosed in this document, neither IIP, nor any Directors (nor any members of their respective immediate families, related trusts or Connected Persons), nor any person acting in concert with IIP, had any interest in or right to subscribe for, or had any short position in relation to, any relevant IIP securities;
- (c) Rupert Cottrell and Timothy Walker acquired 75,000 Ordinary Shares and 11,364 Ordinary Shares, respectively, pursuant to the July 2010 Placing. Other than this, neither IIP, nor any of the Directors, nor any person acting in concert with any of them, has dealt in any relevant IIP securities or relevant FPC securities or relevant GGIC securities or relevant AHP securities in the disclosure period;
- (d) neither IIP, nor any person acting in concert with IIP has borrowed or lent any relevant IIP securities, save for any borrowed shares which have been either on-lent or sold;
- (e) IIP has not redeemed or purchased any relevant IIP securities during the disclosure period;
- (f) neither AHP, nor any of the directors of GGIC or the directors of AHP or the directors of FPC (nor any members of their respective immediate families, related trusts or, Connected Persons) nor any member of the Concert Party, had any interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant IIP securities;

- (g) no pension fund of FPC or GGIC or AHP or of a paragraph 1 associate of FPC or GGIC or AHP had any interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant IIP securities;
- (h) no employee benefit trust of FPC or GGIC or AHP or of a paragraph 1 associate of FPC or GGIC or AHP had an interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant IIP securities;
- (i) no connected adviser to FPC or GGIC or AHP or to a paragraph 1 associate of FPC or GGIC or AHP or to a person acting in concert with the FPC or GGIC or AHP, nor any person controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or exempt fund manager) had any interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant IIP securities; and
- (j) neither AHP, nor any member of the Concert Party nor any person acting in concert with the Concert Party or AHP has borrowed or lent any relevant IIP securities, save for any borrowed shares which have either been on-lent or sold.

As of the disclosure date, save as disclosed in this document:

- (a) there is no agreement, arrangement or understanding whereby the beneficial ownership of the New Ordinary Shares acquired by any member of the Concert Party and AHP pursuant to the Acquisitions will be transferred to any other person;
- (b) no Director has a conflict of interest that would exclude him from the Board recommendation set out in paragraph 20 of Part I of this document;
- (c) there is no financing of the Concert Party in respect of the Acquisitions;
- (d) no asset is being injected into the Company;
- (e) there are no financing arrangements in place in relation to the Acquisitions where payment of interest on, repayments of or security for any liability is dependent on IIP; and
- (f) no agreement, arrangement or understanding (including any compensation arrangement) exists in relation to a transfer or otherwise between any member of the Concert Party or any person acting in concert with a member of the Concert Party and any of the Directors, recent directors, Shareholders or recent Shareholders in the Company having any connection with or dependence upon the Acquisitions.

#### **10. Director's Letters of Appointment**

- (a) Each of the current Directors has been appointed as a non-executive director for an initial term of 3 years, unless terminated by either party on giving not less than three months' prior written notice. Their appointments were confirmed by letters of appointment dated 23 June 2008 and varied by a subsequent agreement to defer their fees with effect from January 2009.
- (b) The Directors are entitled to the following gross fees per annum: Rupert Cottrell – £80,000 (and an additional £10,000 in respect of each of the Company's subsidiaries, Power Infrastructure India and Roads Infrastructure India, on whose boards he sits) and Timothy Walker – £50,000. Prodaman Sarwal, who resigned from the Board on announcement of the Acquisitions, was entitled to a gross fee of £50,000 per annum. However, the Directors agreed a 40 per cent. deferral of payment of their fees with effect from January 2009 until completion of a future fundraising, such as the Placing. As a result of the completion of the Placing, these deferrals will become payable and future deferrals will cease. For the period ended 31 March 2010 aggregate fees paid to the Directors and Prodaman Sarwal amounted to £120,000.
- (c) Philip Scales' appointment is in conjunction with the Administrator acting as administrator and registered agent of the Company, hence Mr. Scales is not entitled to receive any director's fees.



- (d) Each of the Proposed Directors will be appointed, subject to passing of the Resolutions and the completion of the acquisition of the GGIC Assets (with the exception of Vikram Viswanath whose appointment is subject to completion of the acquisition of the AHP Assets). Each of the Proposed Directors has been appointed as a non-executive director (except Sonny Lulla who has been appointed as Chief Executive) for an initial term of 3 years, unless terminated by either party on giving not less than three months' prior written notice. With the exception of Tim Stocks, the Proposed Directors will not be receiving any salaries or fees for their services but will be entitled to reasonable out of pocket expenses including travel expenses. Their appointments were confirmed by conditional letters of appointment dated 11 February 2011.
- (e) Within Taylor Wessing LLP, it is a condition of accepting the appointment as a director of the Company that Tim Stocks relinquish client partner responsibility for GGIC. Such hand-over to be effective from the completion of the acquisition of the GGIC Assets. Taylor Wessing LLP will be paid a fee of £50,000 per annum in respect of Tim's role as a director of the Company.
- (f) Save as set out in paragraphs 10(b) and 10(c) above, there have been no contracts with any of the Directors or Proposed Directors entered into or amended within the six months immediately prior to the date of this document.
- (g) Subject to the foregoing, the current Directors have not been paid any fees or received any other benefits prior to the date of this document and no money has been set aside to provide pension, retirement or other benefits on termination of the Directors' or Proposed Directors' services or otherwise.
- (h) Pursuant to deeds of indemnity dated 23 June 2008 and 11 February 2011, the Company has undertaken to indemnify each of the Directors and Proposed Directors respectively to the fullest extent permissible by the Law against all expenses, judgments, fines and amounts paid in settlement and reasonably incurred by that Director or Proposed Director in relation to any threatened, pending or completed legal, administrative or investigative proceedings to which that Director or Proposed Director is a party by reason of the fact that he is or was a director of the Company.
- (i) Notwithstanding the foregoing, each of the current Director's appointments is subject to the Articles, which require the Directors to retire by rotation at each of the Company's annual general meetings periodically and not less than every three years from the date of that Director's last appointment.

## **11. Material Contracts of the Group**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group for the two year period preceeding the date of this document and which are, or may be, material to the Group:

- (a) Please refer to paragraph 8 in Part I above in respect of the Acquisition Agreements.
- (b) Please refer to paragraph 17 of Part I in respect of the Lock-In Agreements.
- (c) The Placing Agreement dated 11 February 2011 between the Company, Smith & Williamson, Westhouse Securities and Akur.

Under the terms of the Placing Agreement, Smith & Williamson and Westhouse Securities, as agents, for the Company, agreed to use their reasonable endeavours to seek to procure subscribers for the Placing Shares.

The Placing Agreement is conditional on, amongst other things:

- (i) the delivery by the Company to Smith & Williamson, Westhouse Securities and Akur of certain documents and letters;
- (ii) if circumstances have arisen which would require publication of a supplement to certain documents issued by the Company in connection with the Placing on or prior to the admission

of the Placing Shares (excluding those Placing Shares to be issued to GGIC) in relation to any matter which is material in the context of the Placing, the production of such publication; and

- (iii) admission of the Placing Shares (excluding those Placing Shares to be issued to GGIC) becoming effective by not later than 8.00 a.m. on 17 February 2011 (or such later time and/or date as Smith & Williamson, Westhouse Securities and Akur had agreed (being not later than 8.00 a.m. on 28 February 2011)).

The Placing Agreement contains certain warranties given by the Company in favour of Smith & Williamson, Westhouse Securities and Akur as to, amongst other things, certain matters relating to the Company and its business. In addition, the Company has given certain undertakings to Smith & Williamson, Westhouse Securities and Akur relating to, amongst other things, the despatch of public communications concerning the Company following the Placing and the issue and allotment of new Ordinary Shares following the Placing. The Placing Agreement also contains indemnities given by the Company in favour of Smith & Williamson, Westhouse Securities and Akur in relation to certain liabilities they may respectively incur in respect of the Placing. Each of Smith & Williamson, Westhouse Securities and Akur has the right to terminate the Placing Agreement prior to admission of the Placing Shares in certain circumstances, including: (i) in the event of a material breach of the Placing Agreement warranties or undertakings in the Placing Agreement by the Company; (ii) in the event of certain *force majeure* events or other events involving certain material adverse changes relating to the Company; and (iii) the Company failing to comply with the requirements of any laws or regulations (including the AIM Rules for Companies) in relation to the Placing.

In consideration for the services provided to the Company by Smith & Williamson, Westhouse Securities and Akur in connection with the Placing, the Company has agreed to pay Smith & Williamson, Westhouse Securities and Akur certain fees and commissions and certain other costs and expenses incidental to the Placing.

The Placing is not underwritten.

- (d) The Investment Adviser Agreement dated 23 June 2008 between Infrastructure India HoldCo and BAMA.

Under the terms of the Investment Adviser Agreement, BAMA was responsible for identifying, structuring and monitoring investments and advising on exit strategies in respect of investments made by the Group. In all cases the board of Infrastructure India HoldCo had to first approve any such investment. BAMA was also to advise on the proposed disposal of investments.

The appointment of BAMA by Infrastructure India HoldCo was for an initial term of five years from completion of the first investment made by the Group.

The agreement identified the key personnel necessary to perform BAMA's duties under the agreement and in the event that any such key personnel (if such personnel numbered three or less) or a majority of such key personnel (if such personnel numbered four or more) were unable to perform their duties BAMA had to promptly inform Infrastructure India HoldCo and within 30 days propose a replacement key person. In the event that BAMA failed to propose such replacement or Infrastructure India HoldCo, (acting reasonably) did not approve the replacement, Infrastructure India HoldCo had the right to terminate the agreement. Following the resignation of a number of those key personnel in November 2009, the Investment Adviser Agreement was terminated by Infrastructure India HoldCo with effect from 26 April 2010.

The Investment Adviser Agreement contained an indemnity from Infrastructure India HoldCo in favour of BAMA against actions, proceedings, claims, demands and liabilities arising out of the proper performance of BAMA's duties except insofar as the same may result from the negligence, wilful default or fraud of BAMA, its associates or delegates or any of its or their directors, employees and agents.

Under the Investment Adviser Agreement, BAMA was entitled to receive both an advisory fee (2 per cent. per annum on monies actually invested projects) and a performance fee (the “Performance Fee”).

BAMA will receive the Performance Fee provided that a cumulative rate of return of 10 per cent. per annum has been achieved on amounts invested by the Company from the IPO Net Proceeds. No Performance Fee will be payable in relation to any gains representing this first 10 per cent. return. In respect of a return of between 10 per cent. and 12 per cent. per year, 100 per cent. will be paid to BAMA as the Performance Fee. In respect of a return of above 12 per cent. per annum BAMA will receive a Performance Fee of 20 per cent. of such return.

Where a Performance Fee is payable by Infrastructure India HoldCo BAMA, 25 per cent. of such Performance Fee shall be deposited by Infrastructure India HoldCo into an interest bearing account with an escrow agent (the “Escrow Agent”) (the “Escrow Account”). Infrastructure India HoldCo shall, on the third anniversary of the date of deposit by Infrastructure India HoldCo of any sum in the Escrow Account, issue an irrevocable instruction to the Escrow Agent to release the amount of such sum deposited (plus any accrued interest thereon) from the Escrow Account and pay it to BAMA, less any amount of overpayment according to the latest calculation of the return on amounts invested by the Company. The amount of any overpayment (plus any accrued interest therein) will be paid to Infrastructure India HoldCo.

Following the termination of the Investment Adviser Agreement, BAMA continues to be entitled to receive the Performance Fee it would have received had its appointment not been terminated but only in relation to investments made by or introduced to the Group during the term of the agreement.

- (e) An agreement dated 26 February 2009 pursuant to which, conditional upon the acquisition by the Company of BAMA (“BAMA Acquisition”) completing, the Investment Adviser Agreement was to be replaced by a new investment advisory agreement (“Revision”) whereby the advisory fee and the performance fee payable pursuant to the Investment Adviser Agreement would no longer be payable to BAMA but instead the Enlarged Group would pay BAMA a fee sufficient to cover its operating costs and expenses, which would include the salaries of the BAMA management team. The Revision was conditional on completion of the BAMA Acquisition by the Shareholders by no later than 30 April 2009 (the “Revision Long Stop Date”). The BAMA Acquisition did not complete.
- (f) An agreement dated 30 April 2009 to extend the Revision Long Stop Date to 30 June 2009.
- (g) An agreement dated 30 June 2009 to extend the Revision Long Stop Date to 30 September 2009. In relation to paragraphs 11(d), (e) and (f) and this paragraph 11(g), the BAMA Acquisition did not complete and the Investment Adviser Agreement was terminated.
- (h) An asset adviser agreement dated 2 November 2009 between the Company and Akur, pursuant to which Akur undertook, *inter alia*, to ensure the provision of certain technical services as may be required by the Company, equivalent to those provided pursuant to the Investment Adviser Agreement. The agreement was for an initial period of 12 months and can be terminated by either party on not less than six months’ notice. In consideration of the provision of these technical services, the Company agreed to pay Akur a monthly fee of £20,000 plus VAT. This fee was subsequently amended to a monthly fee of £10,000 plus VAT with effect from 1 May 2010 onwards, for an initial period of twelve months, pursuant to an agreement dated 27 April 2010 between the Company and Akur. This agreement will be terminated with effect from Admission under the terms of the Valuation and Portfolio Services Agreement.
- (i) The Valuation and Portfolio Services Agreement provides for the provision by the Valuation and Portfolio Services Adviser of certain technical services as may be required by the Enlarged Group, complementary to those provided pursuant to the Management Services Agreement. The Valuation and Portfolio Services Agreement is based upon the same terms as those of the Management Services Agreement, save as regards the management fee, details of which are outlined in paragraph 4 of Part II, the term, which is an initial five year period, and in the event of a change of control of Akur.

- (j) A co-investment and guarantee agreement dated 21 May 2008 between Power Infrastructure India and Matlida Ventures Corp. under which the background to the investment by Power Infrastructure India and Matlida Ventures Corp. in SMHPCL is set out, and the role of Matlida Ventures Corp. as the co-investor (including the extent of the guarantee provided to Power Infrastructure India) is detailed. Under this agreement, Power Infrastructure India was to make an initial investment of Rs. 1.1 billion (“Initial Investment”) of which Rs. 600 million was to be paid to Matlida Ventures Corp (“Guarantee Fee”) and Rs. 500 million was to be used to subscribe for shares in SMHPCL. Matlida Ventures Corp agreed to use Rs. 500 million of the Guarantee Fee to subscribe for shares in SMHPCL. Under this agreement neither party may sell their shareholding in SMHPCL within three years of the Initial Investment without the others consent. Matlida Venture Corp. has agreed to guarantee a minimum IRR of 15 per cent. on Power Infrastructure India’s total investment. The investments made by Matlida Venture Corp. (both initial and step-up) flow through its four wholly owned subsidiaries: (a) Hydropower Holdings India Ltd, (Mauritius) (“Subsidiary 1”); (b) SMH Power Holdings Ltd, (Mauritius) (“Subsidiary 2”), (c) India Hydro Investments Ltd, (Mauritius) (“Subsidiary 3”) and (d) SMH Power Investments Ltd (Mauritius) (“Subsidiary 4”). Subsidiary 3 and Subsidiary 4 are now the shareholding companies in SMHPCL. To secure the guaranteed IRR, this agreement provided that the shares of Subsidiary 1 and Subsidiary 3 would be pledged (“Pledged Shares”) under an escrow arrangement in favour of Power Infrastructure India. 60 per cent. of Matlida Ventures Corp’s shareholding in SMHPCL was to be held through Subsidiary 1 and Subsidiary 3. To the extent that a minimum IRR of 15 per cent. on the Initial Investment (and Step-up Investment (as defined in the agreement) if any) is not achieved by Power Infrastructure India within 5 years (or on any earlier occurrence of a specified liquidity event which includes a listing of SMHPCL’s shares on a recognised stock exchange or either parties’ being desirous of selling its entire shareholding in SMHPCL) then, if the guaranteed IRR is not achieved, Power Infrastructure India is entitled to such shares in SMHPCL held by Subsidiary 3, as are required to compensate for the deficit in IRR. If such transfer of SMHPCL shares is not carried out, the pledge described in paragraphs 11(o) and (p) below can be invoked and the Pledged Shares, to the extent of the shortfall in guaranteed IRR will be transferred to Power Infrastructure India. Matlida Ventures Corp.’s liability to ensure guaranteed IRR is limited to the total number of SMHPCL shares held by it through Subsidiary 1 and Subsidiary 3 only, even in the eventuality that all the SMHPCL shares held by Matlida Ventures Corp. through Subsidiary 1 and Subsidiary 3 are not sufficient to achieve the guaranteed IRR (“the Co-Investment and Guarantee Agreement”);
- (k) An amendment to the co-investment and guarantee agreement at paragraph 11(j) above dated 10 September 2008 between Power Infrastructure India and Matlida Ventures Corp pursuant to which Power Infrastructure India paid £250,000 to Matlida in consideration for Matlida procuring the extension of the time period for Power Infrastructure India to make the Step-up Investment in SMHPCL from 75 days to 135 days from completion of the first subscription;
- (l) A share subscription agreement dated 23 May 2008 between Power Infrastructure India, SMHPCL, SKG Power Ventures Private Limited (“SKG”) and MW Infra Holdings Private Limited (“MW”) which provides for the conditional direct two stage investment of Rs. 500 million each (approximately £5.9 million) for 20.49 per cent., and rising to 29.07 per cent. of SMHPCL following the Step-up Investment. The agreement contains a number of standard representations and warranties with respect to SMHPCL’s legal status, financials, business and compliance with applicable laws (as a legal entity in India as well as with respect to the hydro power project being undertaken by them). The agreement also contains representations and warranties from SKG and MW concerning SMHPCL’s operations and the hydro power project. There are certain critical representations, pertaining to the title of the shares, capital structure, authority, consents and approvals, environmental matters, resettlement and rehabilitation etc., for the breach of which there is an exit provision for Power Infrastructure India and Power Infrastructure India will also be entitled to claim liquidated damages from the SKG and MW (the “Share Subscription Agreement”);
- (m) An amendment to the Share Subscription Agreement at paragraph 11(l) above dated 10 September 2008 between Power Infrastructure India, SMHPCL, SKG and MW pursuant to which the parties agreed to extend the time period for Power Infrastructure India to make the Step-up Investment (as

defined in the agreement) in SMHPCL from 75 days to 135 days from completion of the first subscription. SKG Power Ventures Private Limited was merged with Entegra Limited pursuant to a scheme of merger that was approved by the shareholders of both these entities on 27 July 2009 and subsequently sanctioned by the High Court of Bombay on 25 September 2009;

- (n) A shareholders' agreement dated 23 May 2008 between Power Infrastructure India, SKG, India Hydro Investments Limited ("IHIL"), SMH Power Investments Ltd ("SMH") and SMHPCL which sets out the shareholdings of the parties in SMHPCL under the initial and step-up investments, and provides the terms and conditions for SMHPCL's governance. SKG Power Ventures Private Limited was merged with Entegra Limited pursuant to a scheme of merger that was approved by the shareholders of both these entities on 27 July 2009 and subsequently sanctioned by the High Court of Bombay on 25 September 2009. Under this agreement SKG had undertaken to exercise its voting rights in support of a resolution amending the existing memorandum and articles of association of SMHPCL to incorporate the provisions of the Shareholders' Agreement and the Share Subscription Agreement, and to cause SMHPCL to convene meetings of its shareholders for approving such amendments. It was agreed that SKG will provide SMHPCL with the necessary managerial and technical expertise at board level. However, Power Infrastructure India has the right to appoint one director to the board of SMHPCL. In addition, SMHPCL may not, without the affirmative agreement of Power Infrastructure India, carry out certain actions including: amending SMHPCL's memorandum or articles of association, altering its share capital, materially altering its business, deviating from the Project Budget (as defined in the agreement) (in excess of 5 per cent.), changing its accounting or tax policies, taking on debt (not approved under the Project Budget or annual operating budget), charging SMHPCL's assets, advancing certain loans, declaring dividends, expending capital or acquiring assets (in excess of 5 per cent. of that approved under the Project Budget), selling all or substantially all of SMHPCL's assets, merging or acquiring a business and commencing a winding up or a similar process. The agreement provides that Power Infrastructure India may not (unless on the event of a floatation) transfer its shares for three years following the first subscription date. Additionally, Power Infrastructure India has the benefit of certain tag along rights for five years following the first subscription date;
- (o) A share pledge and escrow agreement dated 25 April 2008 between the Power Infrastructure India, Matlida Ventures Corp., Hydropower Holdings – India Ltd, India Hydro Investments and Arion hf (as escrow agent) under which the shares of Hydropower Holdings – India Ltd are pledged by Matlida Ventures Corp in favour of the Company, as security of the obligations of Matlida Ventures Corp to the Company in relation to the guaranteed IRR under the Co-Investment and Guarantee Agreement. The terms of this agreement, provide for the creation and enforcement of the said pledge and release and/or enforcement of the said pledge upon happening of certain events as provided thereunder (the "Matlida Share Pledge and Escrow Agreement");
- (p) A share pledge and escrow agreement dated 25 April 2008 between Power Infrastructure India, Matlida Ventures Corp., Hydropower Holdings – India Ltd, India Hydro Investments and Arion hf (as escrow agent) under which the shares of India Hydro Investments are pledged by Hydropower Holdings – India Ltd in favour of the Company, as security of the obligations of Matlida Ventures Corp to the Company in relation to the guaranteed IRR under the Co-Investment and Guarantee Agreement. The terms of this agreement, provide for the creation and enforcement of the said pledge; and release and/or enforcement of the said pledge upon happening of certain events as provided thereunder (the "Hydro Power Share Pledge and Escrow Agreement");
- (q) A share subscription agreement dated 13 August 2008 has been entered between PAN India Network Infravest Private Limited ("Playwin"), Suncity Projects Private Limited ("Suncity"), Essel Infraprojects Limited ("Essel") (Playwin, Suncity and Essel collectively referred to as "Existing Shareholders"), Roads Infrastructure India ("RII") and WMPITRL, whereby RII has agreed to invest into 26 per cent. of the equity shares of WMPITRL for an aggregate amount of Rs. 960 million (the "RII Subscription Amount"). The agreement provides that RII's shareholding in WMPITRL shall be maintained at 26 per cent. until such time as the total paid-up equity share capital of WMPITRL is Rs. 2,185.7 million and that RII shall not be required to bring in any additional funding beyond the

RII Subscription Amount to maintain such shareholding. The agreement contains standard representations and warranties by RII, Existing Shareholders and WMPITRL with respect to their legal status, business and compliance with applicable law in India. As per the terms of the agreement, the aggregate liability of the Existing Shareholders and WMPITRL in respect of any claim by RII under this agreement, shall be limited to the RII Subscription Amount and RII shall be entitled to indemnification for such claims for a period of three years from the date of closing, except in cases relating to tax and environmental related indemnification claims where RII shall be entitled to such claim until eight years from the date of closing. Further, RII's liability to indemnify WMPITRL and, *inter alia*, its affiliates, respective officers, directors and shareholders by virtue of any inaccuracy, incompleteness or falsity of any of its representations or warranties or breach of any of its covenants or obligations under the agreement shall cease on the date of closing;

- (r) A shareholders' agreement dated 13 August 2008 has been entered between the Existing Shareholders, RII and WMPITRL, which sets forth their mutual understanding and agreements as to the rights and obligations of the parties with respect to the capitalisation, organisation, management and operations of WMPITRL. As per the terms of the shareholders' agreement, the parties shall have the right of first refusal on a *pro rata* basis, in the event WMPITRL proposes to issue any new equity shares or other securities as prescribed under this agreement. In addition, in the event that RII or any other Existing Shareholder proposes to sell or otherwise transfer its equity shares of WMPITRL to any third party, other than its affiliates, such selling shareholder shall offer such equity shares to the other shareholders on the same terms and conditions. However, RII is not permitted to transfer any equity shares to any entity engaged in the business of development, operation and/or construction of projects in the road infrastructure sector in India, without the prior written consent of the Existing Shareholders.

The shareholders' agreement also provides for the procedure with respect to further infusion of capital by the shareholders as per the capital contribution plan to meet the financial requirements of WMPITRL, in proportion to their respective shareholdings. Further, RII shall have the right to appoint one nominee director on the board of directors of WMPITRL and such right shall continue so long as RII holds at least 15 per cent. of the equity share capital of WMPITRL and the Existing Shareholders shall have the right to appoint all other directors, excluding the lender nominee director appointed as per WMPITRL's financing documents. The agreement also provides RII with a tag along right, whereby RII may, instead of exercising its right to purchase the shares offered by the selling shareholder to any third party, participate in such sale to a third party by offering for sale an equal percentage of its shareholding in WMPITRL along with such selling shareholder.

## 12. Material Contracts of GGIC

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by GGIC and its subsidiaries for the two year period preceding the date of this document and which are, or may be, material to the GGIC and its subsidiaries:

- (a) FPC, AHP and VLMS have entered into a supplemental agreement to the investment and shareholders agreement dated 4 July 2007 in respect of VLMS on 22 November 2010 (the "Supplemental Agreement"). The Supplemental Agreement records the terms pursuant to which FPC agreed to invest the rupee equivalent of US\$7,000,000 (the "Investment") for the purchase of 57,46,510 equity shares of Rs. 10 each in the share capital of VLMS (the "Additional Shares"). VLMS agreed to issue and allot the Additional Shares in consideration for the receipt of the Investment, on or before 15 December 2010, subject to the fulfillment of the conditions precedent set out in the Supplemental Agreement.

The allotment of the Additional Shares increased the total issued share capital of VLMS to 8,78,39,510 shares, 37.39 per cent. of which is held by FPC.

The Supplemental Agreement contains representations and warranties given by, amongst others, VLMS and AHP to FPC relating to VLMS and its business.

- (b) On 24 November 2010, GGIC and IPF Holdings Limited (the “Subscriber”) entered into a share subscription agreement pursuant to which 106.96 ordinary shares of US\$1.00 (the “Subscription Shares”) were issued to the Subscriber in the capital of GGIC.

The subscription price for the Subscription Shares share was US\$65,445.03 per share for an aggregate subscription amount of US\$7,000,000 payable by the Subscriber to GGIC. This amount shall be used by GGIC for the purpose of making an equity contribution to FPC with which FPC will acquire shares in the capital of VLMS, as detailed at 12(b) above.

- (c) On 8 February 2011, GGIC and the Subscriber entered into a share subscription agreement, pursuant to which GGIC agreed to issue to the Subscriber:

- 65.70 ordinary shares of US\$1.00 each in the capital of GGIC on the date of the agreement at a subscription price of US\$65,450.38 per share for an aggregate purchase price of US\$4,300,000 (the “Tranche 1 Subscription”);
- 56.53 ordinary shares of US\$1.00 each in the capital of GGIC on a date to be mutually agreed in writing between GGIC and the Subscriber at a subscription price of US\$65,450.38 per share for an aggregate purchase price of US\$3,700,000 (the “Tranche 2 Subscription”); and
- 92.23 ordinary shares of US\$1.00 each in the capital of GGIC on the date to be mutually agreed in writing between GGIC and the Subscriber at a subscription price of US\$75,897.21 per share for an aggregate purchase price of US\$7,000,000 (the “Tranche 3 Subscription” and together with the Tranche 1 Subscription and the Tranche 2 Subscription, the “Purchase Price”).

The Purchase Price shall be used by GGIC for the purpose of acquiring ordinary shares in the Company and for the general working capital purposes of GGIC and its subsidiaries.

The issuance by GGIC of the Tranche 2 Subscription shall automatically cancel an option granted by the Company to the Subscriber on 19 July 2007, being a right to acquire a further 150 Ordinary Shares in the capital of GGIC.

- (d) Please refer to paragraph 8 in Part I above in respect of the Acquisition Agreements.
- (e) Please refer to paragraph 17 of Part I in respect of the Lock-In Agreements.

### **13. Material Contacts of FPC**

Please see above in respect of the material contracts entered into by GGIC and its subsidiaries.

### **14. Material Contracts of AHP**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by AHP and its subsidiaries for the two year period preceding the date of this document and which are, or may be, material to the AHP and its subsidiaries:

- (a) Please refer to paragraph 12(b) above in respect of the Supplemental Agreement.
- (b) Please refer to paragraph 8 of Part I above in respect of the Acquisition Agreements.

## 15. Market Quotations

The following table shows the Closing Price of the Existing Ordinary Shares for the first business day in each of the six months immediately prior to the date of this document and on 9 February 2011 (being the latest practicable date prior to publication of this document):

<i>Date</i>	<i>The Company's Share price (p)</i>
1 September 2010	49.00
1 October 2010	53.00
1 November 2010	56.00
1 December 2010	59.25
4 January 2011	62.00
1 February 2011	67.00
9 February 2011	67.00

## 16. Related Party Transactions

Save as disclosed in paragraph 13 of Part I of this document as well as the Group's Annual Report and Accounts for the year ended 31 March 2010, the Group's unaudited interim results for the six months to 30 September 2010, no related party transaction which, as a single transaction, is or may be material to the Company has been entered into by the Company or any other member of the Group during the period from incorporation of the Company and terminating immediately prior to the date of this document.

## 17. Working Capital

The Directors and Proposed Directors, having made due and careful enquiry, are of the opinion that, taking into account the net proceeds of the Placing, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is, for at least 12 months from the date of Admission.

## 18. Significant Change

The unaudited interim results for the Group for the six months to 30 September 2010, incorporated by reference in this document, set out the changes in the financial or trading position of the Group since 30 March 2010, being the date to which the last published audited accounts of the Company were prepared. Save for the Placing, there has been no significant change in the financial or trading position of the Group since 30 September 2010, being the date to which the last unaudited interim results of the Group have been published.

There has been no significant change in the financial or trading position of VLMS since 31 October 2010, being the date to which the last unaudited interim results of VLMS were prepared.

## 19. Litigation

No member of the Enlarged Group has, during the 12 months preceeding the date of this document, been involved in any governmental, legal or arbitration proceedings and the Company is not aware of any such proceedings pending or threatened by or against any member of the Enlarged Group which may have or have had during that period a significant effect on the financial position or profitability of the Enlarged Group.

## 20. General

- (a) The Company is a closed ended investment company. The Company is not (and is not required to be) regulated or authorised by the FSA but, in common with the other investment companies with securities admitted to trading on AIM, is subject to the AIM Rules for Companies and is bound to comply with applicable laws such as the relevant parts of FSMA. The Company is not (and is not required to be) authorised or regulated in the Isle of Man.
- (b) A typical investor is an institutional and/or sophisticated investor who is capable of evaluating the risks and merits of the investment set out in this document, who has sufficient resources to bear any loss which might result from such investment and who is looking to gain exposure to the Indian infrastructure sector.



- (c) The total costs (including fees and commissions) (exclusive of recoverable VAT) payable by the Company in connection with the Acquisitions are estimated to amount to approximately £1.4 million.
- (d) Akur, Westhouse Securities and Smith & Williamson have given and have not withdrawn their written consent to the inclusion in this document of their names in the form and context in which they are included.
- (e) There are no arrangements in place under which future dividends are to be waived or agreed to be waived.
- (f) CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of Ordinary Shares under CREST. The Ordinary Shares are admitted to CREST and enabled for settlement in CREST. CREST is a voluntary system and Shareholders who wish to receive and retain a share certificate will be entitled to do so.
- (g) The Directors and the Proposed Directors are not aware of any patents or other intellectual property rights, licences or particular intellectual property related contracts which are or may be of fundamental importance to the Enlarged Group's business.
- (h) No member of the Enlarged Group on Admission has had any employees since its incorporation.
- (i) Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and so far as the Company is aware and is able to ascertain from the information published by such third party that no facts have been omitted that would render the information reproduced inaccurate or misleading.
- (j) The Board does not anticipate any circumstances in which the calculation of the Company's NAV would be suspended, but were this to occur, such suspension would be communicated to Shareholders by an announcement.
- (k) Save as disclosed in this document and for the advisors named on pages 8 and 9 and trade suppliers, no person has received, directly or indirectly, from the Company within the twelve months preceding the date of this document or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees amounting to £10,000 or more or securities in the Company with a value of £10,000 or more or any other benefit with a value of £10,000 or more at the date of Admission
- (l) Akur, in its capacity as Asset Adviser, has provided confirmation to the Directors and Proposed Directors of the value of the Existing Assets which comprises the substantial proportion of the Net Asset Value as at 30 September 2010.

## **21. Subsidiaries**

- (a) Following Admission, the Company will be the ultimate holding company of the Enlarged Group consisting of itself, Infrastructure India HoldCo, Power Infrastructure India, Roads Infrastructure India, Roads Infrastructure India (Two), Distribution and Logistics Infrastructure India (all of which are wholly-owned subsidiaries of Infrastructure India HoldCo) and FPI (which will be a wholly owned subsidiary of Roads Infrastructure India (Two)). The principal activities of Infrastructure India HoldCo, Power Infrastructure India, Roads Infrastructure India, Roads Infrastructure India (Two), Distribution and Logistics Infrastructure India and FPI are to invest in entities in accordance with the investment policy described in Part I of this document.

- (b) the principal details for each of the Company's subsidiaries are as follows:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Proportion of capital held (ordinary shares)</i>	<i>Proportion of voting power held</i>
Infrastructure India HoldCo	Mauritius	100%	100%
Power Infrastructure India	Mauritius	100%	100%
Roads Infrastructure India	Mauritius	100%	100%
Roads Infrastructure India (Two)	Mauritius	100%	100%
Distribution and Logistics Infrastructure India	Mauritius	100%	100%
FPI	Delaware	100%	100%

- (c) Infrastructure India HoldCo, Power Infrastructure India, Roads Infrastructure India, Roads Infrastructure India (Two), Distribution and Logistics Infrastructure India and FPI operate in their country of incorporation.
- (d) Following completion of the acquisition of the AHP Assets, the principal details of the following additional subsidiary, which operates in its country of incorporation, are:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Proportion of capital held (ordinary shares)</i>	<i>Proportion of voting power held</i>
VLMS	India	99.99%	99.99%

## **22. Accounts and Annual General Meetings**

The Company's annual report and accounts are made up to 31 March in each year and it is expected that copies will be sent to Shareholders in due course following this date. Shareholders will also receive an unaudited interim report covering the six-month period ending 30 September each year, the most recent such interim report was released for the six months to 30 September 2010.

Under the AIM Rules for Companies the Company must publish its annual report no later than six months after the year end. Half yearly reports must be published no later than three months after the half year end.

## **23. Documents available for Inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY (telephone +44(0) 20 7131 4000) and on the Company's website at [www.iiplc.com](http://www.iiplc.com) until 3 April 2011:

- (a) the memorandum of association of the Company and the articles of association of the Company adopted pursuant to the resolution in paragraph 3.9(a) of this Part X;
- (b) the memorandum of association of GGIC and the articles of association of GGIC;
- (c) the memorandum of association of AHP and the articles of association of AHP;
- (d) the historical financial information set out in Part V of this document;
- (e) the letters of appointment referred to in paragraph 10 above;
- (f) the Warrant Instrument;
- (g) the material contracts relating to the transaction;
- (h) the letters of consent referred to in paragraph 20(d) above;
- (i) the letter referred to in paragraph 20(l) above; and
- (j) this document.

**24. Availability of Admission Document**

Copies of this document may be collected, free of charge during normal business hours, from the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY and are available on the Company's website at [www.iiplc.com](http://www.iiplc.com).

Dated: 11 February 2011

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Acquisitions”	the proposed acquisitions of the GGIC Assets and the AHP Assets
“Acquisition Agreements”	the respective agreements dated 11 February 2011 in connection with the Acquisitions
“Administration Agreement”	the agreement between the Company and the Administrator dated 23 June 2008 as described in paragraph 6 of Part II of this document
“Administrator” or “IOMA”	IOMA Fund and Investment Management Limited, or such other administrator as may be appointed by the Company from time to time
“Admission”	the re-admission of the Enlarged Share Capital to trading on AIM
“AHP”	Anuradha Holdings Private Limited
“AHP Assets”	the shares in VLMS held by AHP, representing approximately 62.60 per cent. of the entire issued share capital of VLMS
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the rules governing the operation of AIM as published by the London Stock Exchange from time to time
“Akur” or “Financial Adviser” or “Asset Adviser” or “Valuation and Portfolio Services Adviser”	Akur Partners LLP
“Articles”	the articles of association of the Company in force from time to time
“Asset Manager”	GFPM in its capacity as the Enlarged Group’s new asset manager under the Management Services Agreement
“Auditors” or “Reporting Accountants”	KPMG Audit LLC
“BAMA”	Bloomsbury Asset Management Advisors
“BAMA Shares”	1,028 B ordinary shares of no par value in the capital of BAMA
“BHEL”	Bharat Heavy Electronics Limited
“Board”	the board of directors of the Company from time to time
“BOO”	build, own-and-operate
“BOT”	build, operate and transfer
“Business Day”	a day other than a Saturday, Sunday or other day when banks in the City of London, England are not generally open for business
“Capita Registrars” or “Receiving Agent”	Capita Registrars Limited, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
“certificated” or “in certificated form”	where a share or other security is not in uncertificated form
“CFS”	container freight station
“City Code”	the City Code on Takeovers and Mergers

“Closing Price”	the closing middle market price of an Ordinary Share as derived from the AIM Appendix to the Daily Official List on 9 February 2011 (being the latest practicable date prior to the date of the Placing)
“Concert Party”	FPC and GGIC
“Code”	United States Internal Revenue Code of 1986
“Combined Code”	the UK Corporate Governance Code issued by the UK Financial Reporting Council dated June 2010, as updated from time to time
“Company” or “IIP”	Infrastructure India plc or, where the context requires, the Group
“CONCOR”	Container Corporation of India Limited
“Consideration Shares”	Ordinary Shares to be allotted and issued pursuant to the Acquisitions
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations) in respect of which Euroclear UK & Ireland is the operator (as defined in the Uncertificated Securities Regulations) in accordance with which securities may be held or transferred in uncertificated form
“CREST Manual”	the compendium of documents entitled <i>CREST Manual</i> issued by Euroclear UK & Ireland from time to time
“CREST member”	a person who has been admitted to Euroclear as a system-member (as defined in the Uncertificated Securities Regulations)
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the Uncertificated Securities Regulations)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Cyprus Tax Treaty”	the double taxation treaty between Cyprus and India
“Daily Official List”	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
“DBFO”	Design, Build, Finance and Operate
“Directors”	the existing directors of the Company whose names are set out on page 8 of this document
“EEA States”	states within the European Economic Area
“Enlarged Group”	the Group as enlarged by the Acquisitions
“Enlarged Share Capital”	the issued share capital of the Company on Admission, following the Placing and the acquisition of the GGIC Assets and assuming no exercise of any Warrants between the date of this document and Admission
“EPC”	Engineering, procurement and construction
“ERISA”	US Employee Retirement Income Security Act of 1974, as amended
“Euroclear UK & Ireland” or “Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“European Economic Area”	the European Union, Iceland, Norway and Liechtenstein

“Existing Assets”	the assets of the Company, prior to Admission
“Existing Ordinary Shares”	the Ordinary Shares allotted or in issue as at the date of this document and the Placing Shares other than those to be subscribed for by GGIC
“Existing Warrants”	the Warrants in issue as at the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be convened on 2 March 2011 for the purpose of passing the Resolutions
“FDI”	foreign direct investment
“FEMA”	the Indian, Foreign Exchange Management Act 1999
“FIMBRA”	Financial Intermediaries, Managers and Brokers Regulatory Association
“FIPB”	Foreign Investment Promotion Board
“FPC”	Franklin Park (Cyprus) Limited
“FPI”	Franklin Park India, LLC
“FRP”	the Financial Realignment Plan entered into by SMHPCL and its lenders following the Shree Maheshwar Project suspension between 2001 and 2005
“FSA”	the United Kingdom Financial Services Authority
“FSMA”	the United Kingdom Financial Services and Markets Act 2000 (as amended)
“FTWZ”	a Free Trade and Warehousing Zone, which is a special category of Indian Special Economic Zone, with a focus on trading and warehousing
“Further Enlarged Share Capital”	the issued share capital of the Company following completion of the acquisition of the AHP Assets assuming no exercise of any Warrants between the date of this document and completion of that Acquisition
“GBC1”	Mauritius Global Business Company Category 1
“GDP”	gross domestic product
“GFP”	Guggenheim Franklin Park Investments, L.P.
“GFPI”	Guggenheim Franklin Park Investments LLC
“GFPM”	Guggenheim Franklin Park Management, LLC, which is wholly owned by GGIC
“GGIC”	Guggenheim Global Infrastructure Company Limited
“GGIC Assets”	the interests held (directly or indirectly) by GGIC in: <ul style="list-style-type: none"> <li>(a) 50 per cent. of the issued share capital of IHDC, held by FPI, a wholly owned subsidiary of GGIC; and</li> <li>(b) approximately 37.39 per cent. of the entire issued share capital of VLMS, held by FPC, a wholly owned subsidiary of GGIC</li> </ul>
“GoI”	the Government of India

“GoMP”	the Government of Madhya Pradesh
“Group”	the Company, Infrastructure India HoldCo, Power Infrastructure India, Roads Infrastructure India, Roads Infrastructure India (Two), Distribution and Logistics Infrastructure India and the other subsidiaries of the Company from time to time
“Guggenheim”	Guggenheim Partners, LLC
“HMRC”	United Kingdom HM Revenue & Customs
“ICD”	Inland Container Depot
“IFRS”	International Financial Reporting Standards
“IHDC”	India Hydropower Development Company, LLC
“Indian Rupee”	the lawful currency of India from time to time
“Infrastructure India HoldCo”	Infrastructure India HoldCo, a wholly owned subsidiary of the Company
“Infrastructure India HoldCo Board”	the board of directors of Infrastructure India HoldCo, Power Infrastructure India and Roads Infrastructure India
“Investment Adviser Agreement”	the agreement dated 23 June 2008 between Infrastructure India HoldCo and BAMA (as amended), details of which are set out in paragraph 11(d) of Part X of this document
“Investment Advisory Team”	the Asset Manager and the Valuation and Portfolio Services Adviser
“Investment Company Act”	the United States Investment Company Act of 1940, as amended
“IPO”	the initial public offering of the IPO Shares in June 2008 by way of placing on the terms and subject to the conditions set out in the IPO Prospectus
“IPO Admission”	means the admission of the IPO Shares and IPO Warrants issued as part of the IPO to the Official List and to trading on the London Stock Exchange’s market for listed securities on 30 June 2008
“IPO Net Proceeds”	the aggregate net cash proceeds of the IPO (after deductions of all expenses and commissions relating to the IPO Placing and IPO Admission payable by the Company)
“IPO Placees”	the subscribers for the IPO Shares
“IPO Placing”	the placing of the IPO Shares to the IPO Placees at the IPO Placing Price together with the IPO Warrants and the BAMA Shares pursuant to the IPO Placing Agreement
“IPO Placing Price”	100 pence per IPO Share
“IPO Prospectus”	the prospectus dated 24 June 2008 issued by the Company in relation to the IPO which was prepared, published and approved by the FSA in accordance with the Prospectus Rules
“IPO Shares”	the 36,700,000 Ordinary Shares allotted and transferred in connection with the IPO
“IPO Warrants”	the 7,340,000 Warrants issued in connection with the IPO
“IRR”	internal rate of return
“July 2010 Placees”	the subscribers in the July 2010 Placing

“July 2010 Placing”	the placing of 3,089,158 Ordinary on the terms set out in a circular to Shareholders dated 27 July 2010
“Kaupthing”	Kaupthing Singer & Friedlander Limited
“Kaupthing Bank”	Kaupthing Bank hf
“Kaupthing CM”	Kaupthing Singer & Friedlander Capital Markets Limited, company number 057927980 (now called Singer Capital Markets Limited)
“Law”	the Companies Act 2006 (as amended) of the Isle of Man
“Lebad-Jaora Project”	the state highway construction project situated in Western Madhya Pradesh that involves the widening of State Highway No. 31, between Lebad and Jaora, from two lanes to four lanes
“Listing Rules”	the listing rules of the UK Listing Authority for the purposes of Part VI of FSMA
“LJ Concession Agreement”	the concession agreement dated 30 August 2007 between Madhya Pradesh Road Development Corporation (“MPRDC”) and WMPITRL for the construction, operation and maintenance of the Lebad-Jaora Project
“London Stock Exchange”	London Stock Exchange plc
“Management Services Agreement”	the agreement to be entered into between Infrastructure India HoldCo and the Asset Manager on Admission details of which are set out in paragraph 4 of Part II of this document
“Mauritius Tax Treaty”	the double tax treaty between India and Mauritius
“member account ID”	the identification code or number attached to any member account in CREST
“Model Code”	the Model Code on directors’ dealings in securities set out in Listing Rule 9, Annex 1
“MPEB”	Madhya Pradesh Electricity Board
“MPRDC”	Madhya Pradesh Road Development Corporation Limited
“MW”	mega watts
“NDA”	non-disclosure agreement
“Net Asset Value” or “NAV”	the net asset value of the Company
“Net Asset Value per Ordinary Share” or “NAV per Ordinary Share”	the net asset value of an Ordinary Share calculated in accordance with the investment valuation policy and the accounting policies of the Company from time to time
“New Assets”	the assets of the Company, save for the Existing Assets
“New Ordinary Shares”	Ordinary Shares to be allotted and issued pursuant to the Acquisitions and the Placing with GGIC (being the Consideration Shares and/or the Placing Shares to be issued to GGIC, as the context permits)
“Non-CREST Shareholder”	a Shareholder who does not hold their Ordinary Shares in CREST
“Non-US IPO Placing”	the placing outside the US and to non-US persons under Regulation S by Kaupthing CM of the IPO Shares at the IPO Placing Price together with the IPO Warrants and the BAMA Shares pursuant to the IPO Placing Agreement



“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Overseas Shareholders”	Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or authorised under the laws of countries other than the UK or persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the UK which may be affected by the laws or regulatory requirements of the relevant jurisdictions
“Panel” or “Takeover Panel”	the Panel on Takeovers and Mergers in the United Kingdom
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“PFC”	Power Finance Corporation
“PFI”	private finance initiative
“Placing”	the placings of 54,545,454 Placing Shares, pursuant to the Placing Agreement, with GGIC, certain Shareholders and other investors at the Placing Price
“Placing Agreement”	the placing agreement dated 11 February 2011 entered into between the Company, Smith & Williamson, Westhouse Securities and Akur relating to the Placing and further described in paragraph 11(c) of Part X of this document
“Placing Price”	60.5 pence per Ordinary Share issued pursuant to the Placing
“Placing Shares”	Ordinary Shares to be allotted and issued pursuant to the Placing
“Planning Commission”	the Planning Commission of the Government of India
“PPA”	power purchase agreement
“Power Infrastructure India”	Power Infrastructure India, a wholly owned subsidiary of Infrastructure India HoldCo
“Proposed Directors”	Tom Tribone, Sonny Lulla, Robert Venerus, Tim Stocks and Vikram Viswanath
“Proposed Investments”	the acquisition of interests in IHDC and VLMS
“Prospectus Rules”	the Prospectus Rules made by the UK Listing Authority pursuant to Part VI of FSMA, as amended
“QCA Guidelines”	the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance
“Qualified Institutional Buyer”	a “qualified institutional buyer” within the meaning of Rule 144A
“Qualified Purchaser”	a “qualified purchaser” for the purposes of Section 31(7) of the Investment Company Act
“R&R”	resettlement and rehabilitation
“RBI”	the Reserve Bank of India
“Register”	the Company’s statutory register of members
“Registrars”	Capita Registrars (Isle of Man) Limited
“Regulation S”	Regulation S under the Securities Act

“Regulatory Information Service” or “RIS”	one of the regulatory information services authorised by the London Stock Exchange to receive, process and disseminate regulatory information in respect of AIM listed companies
“Resolutions”	the resolutions set out in the notice of Extraordinary General Meeting at the end of this document
“Restricted Territories” and each a “Restricted Territory”	United States, Australia, Canada, Japan, South Africa and any other jurisdiction where the offer of Ordinary Shares (or any transaction contemplated thereby and any activity carried out in connection therewith) would breach applicable law
“Roads Infrastructure India”	Roads Infrastructure India, a wholly owned subsidiary of Infrastructure India HoldCo
“Roads Infrastructure India (Two)”	Roads Infrastructure India (Two), a wholly owned subsidiary of Infrastructure India HoldCo
“Rs”	Indian Rupees
“SDRT”	Stamp Duty Reserve Tax
“SEBI”	Securities and Exchange Board of India
“SEC”	United States Securities and Exchange Commission
“Securities Act”	the United States Securities Act of 1933, as amended
“SEDOL”	the London Stock Exchange Daily Official List
“SEZ Act”	the Indian Special Economic Zones Act, 2005
“Shareholders”	holders of Ordinary Shares
“Shareholders Agreement”	the agreement between Power Infrastructure India, SKG Power Ventures Private Limited, India Hydro Investments Ltd, SMH Power Investments Ltd and SMHPCL dated 23 May 2008, details of which are contained in paragraph 11(n) of Part X of this document
“Share Subscription Agreement”	the agreement dated 25 April 2008 between Power Infrastructure India, SMHPCL, SKG Power Ventures Private Limited and MW Infra Holdings Private Limited, details of which are set out in paragraph 11(e) of Part X of this document
“Shree Maheshwar Project”	the 400MW hydroelectric power project, situated in Maheshwar
“SMHPCL”	Shree Maheshwar Hydel Power Corporation Limited
“Smith & Williamson”	Smith & Williamson Corporate Finance Limited
“Special Economic Zones”	specially delineated duty free enclaves, for the purpose of trade, operations, duty and tariffs, which are self-contained and integrated, having their own infrastructure and support services
“SPVs”	special purpose vehicles
“stock account”	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
“subsidiary”	as defined in section 1158 of the United Kingdom Companies Act 2006 (as amended)
“Taxes Act”	Income and Corporation Taxes Act 1988

“TRC”	Mauritian Tax Residency Certificate
“Trust”	the community projects trust to be established by the Company
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“uncertificated form” or “in uncertificated form”	recorded on the Register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
“Uncertificated Securities Regulations”	the Uncertificated Securities Regulations 2006 of the Isle of Man (Statutory Document No. 743/06) including any modifications or any regulations made in substitution under sections 48 and 215 of the Law and for the time being in force
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US\$”	the United States dollar, the unit currency of the United States
“US Person”	has the meaning assigned to it under Regulation S
“US Resident”	“US Resident” means any US Person, or natural person in the US as well as: (i) any natural person who is only temporarily residing outside the United States, (ii) any account of a US Person over which a non-US fiduciary has investment discretion or any entity, which, in either case, is being used to circumvent the registration requirements of the Investment Company Act, and (iii) any employee benefit or pension plan that does not have as its participants or beneficiaries persons substantially all of whom are not US Persons. In addition, for the purposes of this definition, if an entity either has been formed for or operated for the purpose of investing in the Ordinary Shares or Warrants, or facilitates individual investment decisions, such as a self-directed employee benefit or pension plan, the Ordinary Shares or Warrants will be deemed to be held for the account of the beneficiaries or other interest holders of such entity, and not for the account of the entity
“Valuation and Portfolio Services Agreement”	the agreement to be entered into between Infrastructure India HoldCo, the Company and the Valuation and Portfolio Services Adviser following Admission, details of which are set out in paragraph 11(i) of Part X of this document
“VAT”	value added tax
“VLMS”	Vikram Logistic & Maritime Services Private Limited
“VLMS Directors”	Vikram Viswanath, Manu Trivedi, A.K. Kohli and Sonny Lulla
“Warrantholders”	holders of Warrants
“Warrant Instrument”	the warrant instrument dated 23 June 2008 creating the Warrants and executed as a deed poll by the Company (as admitted)
“Warrant Share”	Ordinary Shares deliverable upon exercise of the Warrants
“Warrants”	equity warrants authorised for issue by the Company and admitted to trading on AIM entitling the holders to subscribe for Ordinary Shares at a price of 100p per Ordinary Share (subject to

adjustment), further details of which are set out in Part VIII of this document

“Westhouse Securities”

Westhouse Securities Limited

“Whitewash Resolution”

resolution 4 to be proposed at the Extraordinary General Meeting, as set out in the notice of Extraordinary General Meeting at the end of this document

“WMPITRL”

Western MP Infrastructure & Toll Roads Private Limited

“WMPITRL Articles”

the current articles of association of WMPITRL

“ZCBs”

zero coupon bonds

References to “GBP”, “£”, “Sterling” or “pence” are to the lawful currency of the United Kingdom.

# INFRASTRUCTURE INDIA PLC

(Incorporated and registered in the Isle of Man under the Isle of Man Companies Act 2006  
with number 002457V)

## Notice of Extraordinary General Meeting

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of Infrastructure India plc (the “Company”) will be held at IOMA House, Hope Street, Douglas Isle of Man IM1 1AP at 11.30 a.m. on 2 March 2011 for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

1. THAT the Company increase its share capital available for issue to £5,000,000 by the creation of 150,000,000 Ordinary Shares ranking *pari passu* for all purposes with the existing Ordinary Shares in the capital of the Company.
2. THAT the proposed acquisition by the Company of the GGIC Assets as defined in a circular and re-admission document sent by the Company to its Shareholders dated 11 February 2011 (the “Re-Admission Document”) on the terms set out in an agreement dated 11 February 2011 made between GGIC, FPC and the Company (the “GGIC Acquisition Agreement”) be approved and that the directors be authorised to effect such acquisition in accordance with its terms conditional on the passing of resolutions 1 and 4.
3. THAT the proposed acquisition by the Company of the AHP Assets as defined in the Re-admission Document on the terms set out in an agreement dated 11 February 2011 made between AHP and the Company (the “AHP Acquisition Agreement”) be approved and that the directors be authorised to effect such acquisition in accordance with its terms conditional on the passing of resolutions 1, 2 and 4.
4. THAT the waiver by the Panel on Takeovers and Mergers of the general offer obligation that may otherwise arise pursuant to Rule 9 of the City Code as a result of the issue by the Company of New Ordinary Shares under the Acquisition Agreements (as defined in the Re-Admission Document) on the terms referred to in the Re-Admission Document be approved.
5. THAT, subject to passing of resolution 2, the investing policy of the Company be changed to the policy as set out in paragraph 10 of Part II of the Re-Admission Document.

### Registered Office

IOMA House  
Hope Street  
Douglas  
Isle of Man IM1 1AP

Dated 11 February 2011

### By Order of the Board

Patrick Rupert Cottrell  
*Chairman*

### Notes:

1. The Company specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 28 February 2011 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the aforesaid extraordinary general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 6.00 p.m. on 28 February 2011 or, in the event that the meeting is adjourned, in the register of members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. To appoint more than one proxy you may photocopy the proxy form. Please indicate the proxy holder’s name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares

held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

4. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.  
To validly appoint a proxy using the proxy form, the form must be:
  - completed and signed;
  - sent or delivered to Capita Registrars, FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
  - received by Capita Registrars no later than 11.30 a.m. on 28 February 2011.

Alternatively you may submit your proxy form online by accessing the Shareholder portal at [www.capitashareportal.com](http://www.capitashareportal.com), logging in and selecting the "Proxy Voting" link. If you have not previously used the Portal, you will first be asked to register as a new user, for which you will require your investor code (which can be found on your share certificate), family name and post code (if resident in the UK).

6. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the relevant resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
9. Copies of the Articles of Association of the Company will be available for inspection at the place of the extraordinary general meeting for at least 15 minutes prior to and during the meeting.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11.30 a.m. on 28 February 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 18(4)(a) of the Uncertificated Securities Regulations 2006 of the Isle of Man.



