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This document comprises a prospectus relating to Infrastructure India plc prepared in accordance with the Prospectus Rules. This document has been approved by the Financial Services Authority and has been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with the Listing Rules. No regulatory authority in the Isle of Man has passed comments upon or approved the accuracy of this document.

Application has been made to the UK Listing Authority and the London Stock Exchange for all of the Ordinary Shares and Warrants of the Company, issued and to be issued pursuant to the Placing, to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the Ordinary Shares and Warrants will commence on 30 June 2008.

The Company and each of the Directors, whose names appear on page 41 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), 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.

The whole of the text of this document should be read by potential investors. Your attention is drawn, in particular, to the section entitled Risk Factors set out on pages 10 to 37 of this document.

INFRASTRUCTURE INDIA PLC

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

Admission to the Official List

Placing of 36,700,000 Ordinary Shares at 100 pence per Ordinary Share with Warrants attached on the basis of 1 Warrant for every 5 Ordinary Shares

Sponsor

**SMITH & WILLIAMSON CORPORATE
FINANCE LIMITED**

Financial Adviser and Broker

**KAUPTHING SINGER & FRIEDLANDER
CAPITAL MARKETS LIMITED**

EXPECTED SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING

<i>Issued and fully paid</i>	
<i>£</i>	<i>Number</i>
367,000	36,700,000
ordinary shares of 1p each	

The Placing comprises an offer by the Company of 36,700,000 new Ordinary Shares and 7,340,000 Warrants.

Kaupthing Singer & Friedlander Capital Markets Limited ("Kaupthing") and Smith & Williamson Corporate Finance Limited ("Smith & Williamson") are both 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 Admission and the Placing. Neither Kaupthing nor Smith & Williamson will regard any other person (whether or not a recipient of this document) as their client in relation to Admission and the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to respective clients of Kaupthing and Smith & Williamson or for providing any advice in relation to Admission or the Placing, the contents of this document or any transaction or arrangement referred to herein. No liability whatsoever is accepted by Kaupthing or Smith & Williamson 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.

The Ordinary Shares and Warrants (the "Offered Securities") have not been approved or disapproved by the US Securities Exchange Commission or, any federal or state securities commission in the United States, nor have any of the foregoing authorities confirmed the accuracy or determined the accuracy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States. In making an investment decision investors must rely on their own examination of the Company and the terms of the Placing involving the merits and risks involved.

The Offered Securities have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws in the United States. The Offered Securities are being offered in the United States (the "US Placing") by Kaupthing Securities, Inc. (the "Initial Purchaser"), subject to prior sale, when, as and if delivered to and accepted by the Initial Purchaser and subject to certain other conditions, in compliance with Rule 144A under the Securities Act ("Rule 144 A"), and outside the United States (the "Non-US Placing") by the Company in accordance with Regulation S under the Securities Act ("Regulation S").

The Ordinary Shares and the Warrants have not been and will not be registered under any of the applicable securities laws of Canada, Japan, Australia or any other jurisdiction outside of the European Economic Area. Subject to certain exceptions, the Ordinary Shares and the Warrants may not be offered or sold (or, in the case of the Warrants, exercised) within Canada, Japan, Australia or any other jurisdiction outside of the European Economic Area or to (or by) any national, resident or citizen of Canada, Japan or Australia or any other jurisdiction outside of the European Economic Area.

INFORMATION FOR OVERSEAS INVESTORS

Pursuant to the Placing the Ordinary Shares and the Warrants may not be offered or sold (or, in the case of the Warrants, exercised) in the United States, or to, or for the account or benefit of (or by), US Persons as defined in Regulation S or US Residents (as defined below) except that the Ordinary Shares and the Warrants may be offered or sold (i) by the Initial Purchaser to persons whom it reasonably believes are both “Qualified Institutional Buyers” as defined in Rule 144A and “Qualified Purchasers” as defined in the US Investment Company Act of 1940, as amended (the “Investment Company Act”), and related rules, in reliance on the exemption from the registration requirements of the Securities Act, and (ii) by the Company to non-US Residents in offshore transactions in reliance on Regulation S. The Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. “US Resident” for these purposes means any US Person, 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 these purposes, 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.

The Ordinary Shares and the Warrants are not transferable except in compliance with the restrictions described in Part XII of this document. In connection with the Placing, purchasers and transferees of the Ordinary Shares and the Warrants in the United States will have executed and will be deemed to have made the representations set forth in the Purchase and Transfer Letter in the form set out in Appendix A. Further, no purchase, sale or transfer of the Ordinary Shares and/or the Warrants may be made unless such purchase, sale or transfer will not result in (a) any assets of the Company constituting “plan assets” within the meaning of Section 3(42) of the US Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or assets subject to other applicable US laws or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the US Internal Revenue Code of 1986, as amended (the “Code”) (any such substantially similar laws being referred to herein as “Similar US Laws”); or (b) the Company being required to register as an investment company under the Investment Company Act or being or potentially being in violation of the Investment Company Act or the rules and regulations promulgated thereunder. Each purchaser or transferee of the Ordinary Shares and/or the Warrants will be required to represent or will be deemed to have represented that it (a) is not an employee benefit plan subject to Part 4 of Subtitle B of Title I of ERISA, a plan to which Section 4975 of the Code applies, an entity whose underlying assets include plan assets by reason of a plan’s investment in such entity (as determined in accordance with Section 3(42) of ERISA), or a plan or entity subject to Similar US Laws, and (b) is not using “plan assets” (within the meaning of Section 3(42) of ERISA) subject to Title I of ERISA or Section 4975 of the Code, or assets of a plan subject to Similar US Laws. Prospective investors are also notified that the Company believes that it may be classified as a passive foreign investment company for United States federal income tax purposes but does not expect to provide to holders of Ordinary Shares and/or the Warrants the information that would be necessary in order for such persons to make a qualified electing fund election with respect to the Ordinary Shares and/or the Warrants. For further details, see Part XII of this document.

To permit compliance with Rule 144A in connection with the resale of the Ordinary Shares and the Warrants, the Company will be required under the Placing Agreement to furnish upon request to a holder or beneficial owner of Ordinary Shares or Warrants and to a prospective investor who is a Qualified Institutional Buyer and a Qualified Purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) if, at the time of the request, the Company is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

Ordinary Shares and Warrants (and Ordinary Shares being issued upon the exercise of Warrants) being offered in the United States under Rule 144A will be evidenced by certificates in fully registered form.

Notice to New Hampshire Residents only

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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SUMMARY

The following information is extracted from, and should be read as an introduction to, and in conjunction with, the full text of this document. Any investment decision relating to the Placing should be based on the consideration of this document as a whole.

Where a claim relating to information contained in this document is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read with the other parts of this document.

The Company and the Investment Adviser

Infrastructure India plc (“the Company”) is a newly incorporated Isle of Man closed-ended investment company established to provide investors with the opportunity of investing in Indian infrastructure assets. The Company’s investment objective is to provide Shareholders with capital growth and income by investing in infrastructure assets, with particular focus on the energy and transport sectors. Bloomsbury Asset Management Advisors (“BAMA” or the “Investment Adviser”) will act as investment adviser to Infrastructure India HoldCo, with responsibility for identifying, structuring and monitoring investments and advising on exit strategies.

The management team of BAMA, headed by Gary Neville, previously worked together managing the global infrastructure assets of John Laing plc – one of the largest publicly quoted infrastructure investors in the UK at the time – before it was acquired by Henderson Infrastructure HoldCo Limited in December 2006 for just over £1 billion. Andrew Friend, previously the CEO of John Laing plc, will act as senior strategic adviser to the Company. John Laing plc delivered approximately 45 per cent. IRR for investors from October 2001 to the date of its acquisition.

BAMA will subcontract some services including aspects of origination and management services to Cornerstone, a subsidiary of Bridge Capital Realty Pte. Ltd (Singapore) (“BCR”). BCR is an independent financial services firm in India focused on infrastructure asset management. BCR has specific experience in the infrastructure sector in India and a network of contacts across the country. It has an established track record of deploying capital in India for large international investors in the sector.

Existing and Potential Investments

The Group has finalised its first investment (the Share Subscription Agreement has been signed and financing is in place), at a cost of Rs. 1.1 billion (approximately £13 million). This has enabled the Group to acquire a 20.5 per cent. equity interest (which is expected to adjust to between 6 and 7 per cent. after dilution effects) in Shree Maheshwar Hydel Power Corporation Limited (“SMHPCL”), which was specifically established to solely own and develop a 400MW hydroelectric power project situated in Maheshwar, in the southwestern region of Madhya Pradesh in India (“the Shree Maheshwar Project”). This investment was financed by a bridge financing facility from Kaupthing Bank. The Group has an option, at a cost of a further Rs. 1.1 billion and on the same terms, to increase its shareholding in connection with the Shree Maheshwar Project, provided that the further investment is made within 75 days of completion of the initial investment, which occurred on 9 June 2008.

The Shree Maheshwar Project is part of the Narmada Valley Development Project which comprises the construction of 29 large and 135 medium-sized hydroelectric projects in the Narmada Valley. The Shree Maheshwar Project is a 400MW (10 turbines of 40MW each) run-of-the-river project. It is now approaching the final stages of construction and SMHPCL’s management expects that the first turbine will commence operations by June 2009. The estimated project cost is approximately Rs. 26.7 billion (approximately £324 million). The project is expected to be one of the largest privately owned hydroelectric projects to be commissioned in India within the next two years.

The Group has developed a further investment pipeline of other potential opportunities with an equity value of approximately Rs. 11.1 billion (approximately £135 million). This pipeline includes renewable and conventional power projects, road portfolios and airport assets. The most advanced of this pipeline are a potential portfolio of roads, which would require an investment of approximately Rs. 1.0 billion (approximately £12 million), and a 163 km 4-lane national highway for which the Group is currently bidding with Punj Lloyd Limited (“PLL”) and which would require an investment of Rs. 1.6 billion (approximately £19 million).

Therefore, the Company’s total investments and identified pipeline of potential investment opportunities amounts to approximately £161 million.

The objective of the Company is to ultimately achieve an aggregate IRR of up to 25 per cent. per annum. The Company will seek to invest in assets that are expected to generate a base IRR of 15 per cent. per annum. It is the Directors’ belief that the Company’s returns could be raised to the 25 per cent. target due to additional potential gains from refinancing, yield compression effects and portfolio management efficiencies, as have been achieved by other listed infrastructure companies.

Investment Opportunity

The Directors believe that the growth characteristics of India provide a compelling rationale for investment in the Indian infrastructure sector at this time. The Indian economy has grown substantially in recent years, and India has one of the fastest growing GDPs in the world – with average GDP growth of 7.2 per cent. per annum for the period from 2003 to 2007. However, this is still lower than growth rates achieved in China and Russia. It is generally acknowledged that India’s GDP growth rate has been constrained by its lack of infrastructure.

India’s government has a formal five year planning process for its macro economic policies and formulates and publishes a “five year plan” for each period. The most recently completed five year plan has been followed by the 11th five year plan which covers the period from April 2007 to April 2012. The Directors believe this change is an important inflexion point in the development and policies of India. The GDP growth rate for the 9th plan averaged 5.5 per cent. per annum while that of the 10th plan was on average 7.2 per cent. per annum. The target for the 11th plan is an average GDP growth rate of 9 per cent. per annum.

One of the prominent aspects of the new 11th plan is the need to accelerate investment in India’s infrastructure. The Planning Commission recognises that a key element of the growth anticipated in the 11th plan is the provision of basic infrastructure facilities such as health, water, education, power and transport. It also recognises the critical role the private sector has to play in achieving the GDP growth objectives.

The Planning Commission recognises that the GDP growth targets will require investment of US\$488 billion (approximately £249 billion) in infrastructure which will only be possible if there is a substantial expansion in private sector contribution. The share of private sector participation in total infrastructure investment is expected to be around 30 per cent.

The Directors believe that the relative underdevelopment of the Indian debt and equity markets, coupled with the significant domestic infrastructure investment programme, will lead to project developers needing to recycle equity. In other markets, this set of circumstances led to a secondary market for infrastructure assets; it is the start of this secondary market which the Company will seek to take advantage of.

Should the emerging Indian infrastructure market develop in a similar way in which other markets have, the Directors believe that project equity returns could be expected to increase as the sector matures. Increasing maturity in the UK and European Union infrastructure markets over several years led to accelerated and improved equity returns from a number of mechanisms, including:

- **refinancing**, which brought equity returns forward;
- **market and project maturity**, which led to yield compression effects on exit, hence increasing equity value; and
- **portfolio management effects.**

Corporate Social Responsibility

The Group will ordinarily make investments in infrastructure projects that seek to make a contribution to the development of communities in which they are located.

Key Strengths

Strong Board and advisory team

- The Directors and the team of professionals at the Investment Adviser have extensive experience in infrastructure fund management and a strong track record of value creation.

Initial investment secured

- The Company has already finalised its first investment in connection with the Shree Maheshwar Project.

Advanced pipeline

- The Group has a pipeline of potential investments which, together with the initial investment, amount to approximately £161 million of equity investments.

Appropriate timing for entry into the Indian infrastructure market

- The Directors believe that the increasing rate and nature of change in the Indian economy indicates that timing could be appropriate for entry into the Indian infrastructure sector, and that project equity returns should be expected to increase as the infrastructure sector matures.

Summary of the Investment Policy

The Company's investment policy, in summary, is as follows:

Overall focus – invest at the asset level or via specific holding companies set up to invest in infrastructure projects in India. Such investments are to be primarily focused on the broader sectors of energy and transport.

Sector weighting – focused on investing in assets close to the commencement of operations, typically within 18 months of planned commercial operation.

Asset allocation – focus on purely equity investment at the SPV level in infrastructure assets in India.

Risk diversification – geographical diversification within India and diversification within the project types, counterparty, payment mechanisms and co-investment partners.

Gearing – 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 total capital. The Company currently has a loan from Kaupthing Bank, of which £9,570,500 will be converted into 9,570,500 Ordinary Shares as part of the Placing, and £3,834,363 will be repaid on Admission.

Gearing at the non-recourse SPV level will typically be at a debt/equity ratio of 70/30. The Company will seek to increase gearing at the project level when appropriate but will seek to ensure, as far as possible, that the gearing at the non-recourse SPV level does not exceed 90 per cent. of total capital of the SPV.

Maximum exposures – single investments will typically represent no more than 30 per cent. of the Group's NAV (measured at the time of investment) and not more than 50 per cent. of the Group's NAV. Subject to this, there will be no minimum or maximum stakes that the Company can take in projects although its target size of equity investment in any one entity is likely to be between £10 million and £30 million.

Dividend Policy

The objective of the Company is to provide shareholders with an attractive total return from their investment in the Company. The infrastructure projects into which the Company invests should in the view of the Directors and following the commencement of stable operations generate predictable and long term

cashflows from which the Directors intend to recommend the payment of regular interim and final dividends in respect of the six months to 30 September and 31 March.

The Directors intend - subject to the availability of an appropriate level of distributable reserves and the Law and the Articles - to adopt a policy of distributing the majority of the Company's net realised income in each year, whilst ensuring the retention of an appropriate level of earnings consistent with the management of the Company's activities.

Valuation Policy and Methodology

The Company's NAV per Ordinary Share will be calculated on a semi-annual basis 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 and based on regularly updated financial models. 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 determined 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 (generally being the first two years from the start of operations) and subsequent fully operational phase. 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.

Risk Factors

Prospective investors should carefully consider the risks that relate to the Company's business and financial condition, its industry and markets, and an investment in the Ordinary Shares. Risks and uncertainties not presently known or that are currently deemed immaterial may also impair the Company's business operations. A brief summary of the main risks which may affect the Group's operations, financial condition, business and prospects is as follows:

- There is limited regulation governing the Company's operation.
- There is no guarantee as to the future performance of the Company.
- The Company's profitability is dependent on the investee projects.
- The Company may utilise debt financing which magnifies favourable and unfavourable performance.
- The Group may face increasing competition.
- The Company's financial position may be affected by general economic conditions.
- Restrictions on project dividends could affect dividends payable to Shareholders.
- The Company's financial performance will be subject to exchange rate fluctuations.
- The Group may not be able to complete investments in identified investment opportunities.
- There is no guarantee that due diligence will eliminate all risks or that proposed transactions will be completed.
- The Company will be dependent on the skills of the project management teams.
- The Group's investments in infrastructure projects will be subject to construction, financing and completion risk.
- Infrastructure projects may be affected by cost overruns.
- The Group's investments may be subject to the objectives of persons with controlling interests.
- The Group's investee company management teams may be resistant to pro-active shareholder involvement.
- There is no assurance the market will value the investments the same ways and at the same level as the Investment Adviser.
- The Group's investments may include illiquid investments.

- The Company may be subject to interest rate risk.
- The Investment Adviser may not be able to identify suitable timely investments for all proceeds or suitable timely exits.
- The Company may be affected by the Indian economy.
- The Company's performance may be affected by Mauritian political risks and exchange control.
- The Group's investments may face substantial civil and social resistance and challenges, resettlement and rehabilitation costs and obligations.

Summary of the Placing

Pursuant to the Placing Kaupthing has conditionally placed 36,700,000 Placing Shares, at 100 pence per share, together with 7,340,000 Warrants. The Placing is expected to raise £32.9 million net of expenses. The Company has agreed to subscribe for the BAMA Shares. In addition, it is proposed that the Directors may, at their discretion and upon the advice and recommendation of Kaupthing, transfer BAMA Shares to certain investors. The BAMA Shares will not be listed or admitted to trading on any market.

Listing and Admission to trading

Applications have been made to the UKLA and the London Stock Exchange for the Placing Shares and Warrants to be admitted to the Official List and traded on the London Stock Exchange's main market for listed securities, respectively. It is expected that conditional dealings in the Placing Shares and Warrants will commence on the London Stock Exchange at 8.00 a.m. on 30 June 2008. Placing Shares and Warrants will be traded in Sterling.

Directors and Investment Adviser management team

Directors and Senior Strategic Adviser

Rupert Cottrell, *Non-Executive Chairman*
 Prodaman Sarwal, *Non-Executive Director*
 Timothy Walker, *Non-Executive Director*
 Philip Scales, *Non-Executive Director*

Andrew Friend, *Senior Strategic Adviser*

Investment Adviser

Gary Neville, *Chief Executive Officer*
 Tim Cavanagh, *Non-executive Director*
 Nimar Sehmi, *Executive Director*
 Natalia Poupard, *Associate*

RISK FACTORS

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 its 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 Financial Services and Markets Act 2000 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 and the Warrants unless they already have a diversified investment portfolio. An investment in the Company should be regarded as long-term in nature.

The 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 are unaware or which the 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 that the 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 GROUP

1. New company and Investment Adviser with no operating history

The Company was incorporated on 18 March 2008 and the Investment Adviser was incorporated on 7 March 2008 and neither of them have an operating history. They are both 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 Company will be able to achieve any of the returns referred to in this document. The 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. Shareholders will be relying on the ability of the Investment Adviser to identify, structure, monitor and advise on exit strategy for the investments to be made by the Group. Should the Company or the Investment Adviser be unable to achieve their objectives, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

2. No prior trading record for the Company or the Ordinary Shares or Warrants

Since the Ordinary Shares and Warrants have not previously been traded, their market value is uncertain. There can be no assurance that the market will value the Ordinary Shares or Warrants at or above the Placing Price or the NAV per Ordinary Share or Warrant. The Company's results and prospects from time to time may be below the expectations of market analysts and investors. If the market values the Company's Ordinary Shares below the Placing Price or the NAV per Ordinary Share, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

3. Dependence on key personnel

The Company is highly dependent on the Directors, the senior strategic adviser and also on the Investment Adviser to identify, structure and monitor investments and advise on exit strategies for the investments to be made by the Group. Whilst the Company has sought and will continue to seek to ensure that the Directors, the senior strategic adviser and the Investment Adviser are appropriately remunerated, retention of such Directors, the senior strategic adviser and of the Investment Adviser, cannot be guaranteed and the loss of their services to the Company could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company. There may be a limited number of persons with the requisite experience and skills to serve as the Company's directors, senior strategic advisers and as the Company's investment adviser. If the existing Directors, senior strategic adviser or the Investment Adviser ceased providing their services to the Company, the Company may not be able to locate or employ suitably qualified directors, senior strategic advisers or another investment adviser on acceptable terms which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

4. Limited regulation of the Company and the Investment Adviser and Transfer Restrictions

The Investment Adviser is licensed as a Category 1 Global Business Company ("GBC1") to operate as an investment adviser under the Mauritius Securities Act 2005 and is regulated by the Financial Services Commission in Mauritius.

The Investment Adviser is not authorised by any financial services regulator in the UK or the US and neither is it subject to any "conduct of business rules" of the type that typically apply to companies carrying on investment advisory businesses around the world. The Investment Adviser is licensed in Mauritius by the Financial Services Commission and will follow the generally accepted business practices of that jurisdiction, but those standards may vary from those of other jurisdictions regulating investment advisers. Should the Investment Adviser fail to adhere to these generally accepted business standards, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

The Company will be 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.

The Company has implemented restrictions on the ownership and transfer of the Ordinary Shares and Warrants placed in the US to Qualified Institutional Buyers under Rule 144A, that also meet the definition of Qualified Purchasers under Section 3(c)(7) of the Investment Company Act (or as may be required to comply with any other exception that the Company determines is appropriate), so the Company is not registered under the Securities Act or as an investment company under the Investment Company Act and related rules. This may materially affect the ability of certain persons to hold or transfer such Ordinary Shares and Warrants. See paragraph 4.2.(h) of Part XI of this document for further details. Any restriction on the rights to transfer Ordinary Shares could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

If the United States Securities and Exchange Commission (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 Company.

The Investment Adviser is not currently required to be registered and does not anticipate registering as an investment adviser under the Investment Adviser Act. If the Company were deemed to be subject to the Investment Company Act and the respective regulations promulgated thereunder, the regulatory and compliance obligations imposed as a result could require the Investment Adviser to discontinue advising the Group on the conduct of the Group's business. The regulation of securities markets has changed substantially in recent years, and is expected to continue to change. There can be no assurance that the Company or the Investment Adviser will be able, for financial reasons or otherwise, to comply with future laws and regulations. Accordingly there may be a greater risk of failure to comply with internationally accepted fund management standards than if the Investment Adviser was so regulated. Failure to comply with such standards could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

5. No guarantee as to future performance of the Company

There can be no assurance that the Company 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 Company.

6. Shree Maheshwar Project, Kaupthing Bank loan and further equity issues

The Company has, in connection with its Shree Maheshwar Project investment, entered into a credit facility arrangement with Kaupthing Bank, under which Kaupthing Bank agreed to lend the Company up to £14,500,000 for a period of up to 3 months from the date of draw down (although the loan maturity period is subject to automatic 3 monthly renewals after the draw down date). Upon Admission, the Company is required to repay all the amounts outstanding under this loan facility, either in cash and/or through the issue of Ordinary Shares at the Placing Price, in such amounts and proportions as may be mutually agreed to between the parties in advance. In the event Admission has not occurred before the applicable repayment

date or the Company does not raise the required capital through the Placing, then the Company is required to repay the loan either in cash and/or Ordinary Shares to be issued at a price of £1 per share in such amounts and proportions as may be mutually agreed between the parties in advance. Kaupthing Bank has the right to call for the repayment of part or all of the outstanding amounts under the loan facility by giving 30 days' notice to the Company prior to a repayment date through the issue of Ordinary Shares (at a conversion price of £1 per share). There is a greater likelihood of the Company repaying the loan facility through the issue of additional Ordinary Shares should the Company not raise the required capital targeted through the Placing. If the loan facility is repaid through the issue of additional Ordinary Shares by the Company, such subsequent equity issuances may significantly dilute the percentage ownership of the Company's shareholders and the value of their economic interest in the Company. The Kaupthing Bank loan is secured by the Company's assets over which the lender would have rights if there was a default under the loan. Enforcement of these rights could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

The Company may 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 existing Shareholders, the percentage ownership of the 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 Company.

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

The 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 Company.

8. The structure and specific provisions of any of the 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 an 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 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 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 Group's control) may make it difficult for the Group to obtain new finance on attractive terms or at all. If a 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 Company. If a 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 Company.

9. The 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 Group may face 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 Group.

Such competition may cause a decrease in expected profit margins, and adversely affect the 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 Company. There can be no assurance that the Company will be able to identify and secure investments that satisfy its rate of return objective or realise their values, or that the Company 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 Company.

10. The Group cannot guarantee project performance

There is no guarantee that the 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 Company.

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 Company.

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

The financial position of the Company 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 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 Company.

13. Permits and consents may not be granted which may affect the 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 Group companies or investee companies. A failure to obtain such permits, consents or approvals may affect the 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 Company.

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 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 Group. These laws and restrictions could limit the payment of dividends and other distributions to the Company and so restrict the Company's ability to fund other operations or to pay a dividend to Shareholders.

Payment of any future dividends will be at the discretion of the Board, subject to the Laws and the Articles. The payment of any dividends will depend upon a number of factors, including the satisfaction of a statutory solvency test. The generation of profits for distribution depends on the successful management of the Group's investments and the Company's success in investing the net proceeds of the Placing in accordance with its objectives, as well as on interest, costs and taxes. Restriction of the payment of dividends due to any or all of these factors could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

15. The Group is exposed to foreign exchange risks

The principal operating currency of the 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 Company's ability to invest in certain sectors and also to remit funds from India.

In addition, the 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 Company'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 Company.

B. RISKS RELATED TO THE GROUP'S INVESTMENTS

This section deals with risks related to the Group's investments generally. Please see "RISKS RELATED TO THE SHREE MAHESHWAR PROJECT AND INVESTMENT IN SMHPCL" below for additional risks in connection with the Group's first investment.

1. Lack of binding agreements

Other than the Shree Maheshwar Project, the Group has not entered into binding agreements in relation to the pipeline investment opportunities. The completion of identified investment opportunities depends upon, among other things, satisfactory completion of due diligence into the potential investment and the execution and delivery of final and binding agreements in a form mutually satisfactory to all the parties. There is no guarantee that the results of due diligence will be satisfactory or that the Investment Adviser will be able to negotiate terms acceptable to the Group or to complete investments. Any failure or inability in this regard could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

2. Listed Company

As the Company will be listed on the Official List and will have certain public disclosure requirements, certain potential investee targets may be reticent to seek an investment from the Company or may react adversely to market sentiment about the Company and, therefore, 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.

3. Project liability risk

The Investment Adviser 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 Company.

The Company may be unable to complete an investment in an opportunity that has been identified and, in particular, resources of the Group and the Investment Adviser 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 Company.

4. 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 Company.

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

5. Competition

The Company'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 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 Company.

6. Construction risks and dependence on contractors and subcontractors

During the construction phase, infrastructure projects run the risk that a project the Company 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. For instance, if a contractor or subcontractor fails to perform its agreed-to services, then the Group's investee company may fail to meet any services standards it has agreed with its client and there may be a reduction in the payments that such company is entitled to receive and/or claims by its client for damages. Even if such reductions and/or claims are passed on to the relevant contractor or subcontractor, if the relevant contractor or subcontractor fails to meet its obligations in respect of the liabilities that have been passed on to it, to the extent it is unable to set off the liability against contract payments, the relevant investee company may not be compensated for any reductions in payments and/or claims made by its client which it suffers as a result of the contractor or subcontractor's service failure. If the 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 Company.

7. 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 Company 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 Company.

8. Non-controlling interests and co-investments

The Group is generally expected to hold non-controlling interests in the companies, partnerships and ventures in which it invests and 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.

In addition, since the Company 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 Company'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 Company's business objectives;
- the possibility that co-investors may have different objectives from the Company 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 Group's investments will also be subject to the risk that those companies or other entities that are not controlled by the 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 Group does not agree with or that may be adverse to the Company's interests.

Even if the Group has a controlling interest, certain decisions may require co-investor approval. If the 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 Company.

9. Pro-active shareholder risk

The management of the investee entities targeted by the Group may not always welcome pro-active shareholder involvement and may be resistant to change and this may frustrate the ability of the Company 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 Company.

10. Controlling person liability

The Group may have controlling interests in some of its investments through SPVs or other entities. 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 Company.

11. Costs of socio-economic development

The Company and/or projects in which the 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 Company 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 Company. While the Company 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.

12. Valuation risk

In assessing the consideration to be paid for its investment in a project, the Company, 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 Company 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 Company or, to the extent the Company relies on third party information, the third parties may also underestimate or fail to identify risks and liabilities associated with the Company's joint venture partners and the assets they own, resulting in the Company 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 Company may place reliance could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

13. No assurance as to future changes in the value of investments

The Company's ability to generate attractive returns for Shareholders will depend on the Investment Adviser's ability to correctly assess future values that can be realised in connection with investments made by the 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 Group has a limited or non-controlling interest. The securities markets have, in recent years, suffered a high degree of volatility and unpredictability and there can be no assurance that the Investment Adviser will be successful in making accurate assessments regarding future trends in prices, including the timing of any price changes, or that the Investment Adviser will be able to react effectively to any such changes or that the Company will generate returns or gains on investments. Any

failures in this capacity could have a material adverse effect on the business, financial condition, results of operation and the prospects of the Company.

14. 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.

15. Illiquid investments of the Group

The Company'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 majority of the 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 Company'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 Company.

16. 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, this could result in the Company being unable to exit investments, which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

17. 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.

18. Concentration risk

The 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 Company. Although it is the Group's intention to diversify its portfolio to the greatest extent possible within the parameters of its investment policy, and the Investment Adviser will be directed accordingly, there can be no guarantee that the Investment Adviser 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 Company.

19. Gearing and interest rate risk

The Company 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 Company'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 Company'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 Company's investment performance and the return to shareholders.

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

20. Risks of temporary investments before the proceeds of the Placing are fully invested

The Investment Adviser intends to conduct due diligence with respect to potential investments and, as a result, suitable investment opportunities may not be immediately available for investment. Depending on the amount of the proceeds from the Placing, it may take a significant amount of time until the proceeds are fully invested and there can be no assurance that the Investment Adviser will be able to identify or complete suitable investments for all the proceeds. It is anticipated that such proceeds, after deducting the costs of the Placing and other estimated fees and expenses, will need to be temporarily invested in liquid investments and managed by a third party investment adviser or held on deposit with commercial banks, pending its usual investments. Temporary investments could include government securities, certificates of deposit, commercial paper, floating rate notes, short and medium term obligations, repurchase agreements, supranational bonds, asset-backed securities and other investment geared securities. The returns that temporary investments are expected to generate and the interest that the Company will earn on deposits with commercial banks will be substantially lower than the returns that are anticipated from the infrastructure investments. This could prevent the Company from meeting its investment objectives and negatively impact its results and NAV pending the full investment of the proceeds of the Placing. If the yields on temporary investments do not exceed the expenses of the Company, the Company may incur operating losses and NAV may decline. In addition, while such temporary investments will be relatively conservative, they are nonetheless subject to the risks associated with any investment, which could result in the loss of all or a portion of the capital invested. There may also be a high degree of variability between the returns generated by different types of temporary investment. These factors will increase the uncertainty, and thus the risk, of an investment in the Company and could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

C. RISKS RELATED TO THE GROUP'S ADVISERS

1. Investment Adviser services

The success of the Company will depend to some extent on the continued services and support of the Investment Adviser and of individuals who may from time to time be engaged by the Investment Adviser to provide services for the benefit of subsidiaries of the Company. The loss of those services and support could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

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 Group and, accordingly, will be reliant upon the judgement and ability of the Directors, with the advice of the Investment Adviser, in investing the assets of the Company. No assurance can be given that the 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.

Furthermore, although it is intended that the Group will seek to invest in companies with strong and stable management, there can be no assurance that the existing management team of an investee company, or any new one, will be able to operate such company successfully. Furthermore, although the Investment Adviser will monitor the performance of each portfolio company, it will primarily be the responsibility of project management teams to operate the business on a day-to-day basis. Any failure associated with the above risks could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

2. Investment Adviser's ability to manage growth and implement the investment strategy

The ability of the Company to achieve its investment objective will depend on the Company's ability to grow its investment base, which will depend, in turn, on the Investment Adviser's ability to identify, structure, monitor and evaluate a suitable number of companies and implement the various aspects of the investment strategy. Achieving growth on a cost-effective basis will largely be a function of the Investment Adviser's structuring of the investment process, competence, efficiency and ability to invest the proceeds of the Placing and to obtain additional capital on acceptable terms, as well as other factors such as the market opportunities available and prevailing interest rates. Any failure to manage future growth or effectively implement the investment strategy could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

3. Terms of the Investment Advisory Agreement

The advice of the Investment Adviser is not binding on the Group. The Investment Adviser does not owe any fiduciary duties to the Company's Shareholders and so investors may have no direct recourse against the Investment Adviser for breach of the Investment Advisory Agreement.

The performance fees payable to the Investment Adviser may result in higher payments to the Investment Adviser 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. Performance fees may create an incentive for the Investment Adviser to recommend riskier or more speculative investments than they would otherwise make in the absence of such fees, which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

4. Fees and costs payable regardless of profit

The Company will incur obligations to pay certain costs. The Group will also incur obligations to pay all fees of, and in some cases out-of-pocket expenses properly incurred by, the Investment Adviser, the Administrator, the Registrars and other advisers. In addition, the Company'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 Company is receiving investment income and regardless of the amount of any income. Payment of such fees and expenses where the Group is receiving insufficient investment income could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

5. Liability and indemnification of service providers

The Investment Adviser and the Administrator will be excluded from liability to the Company under certain circumstances. Please see paragraphs 4 and 8 of Part II of this document for further information. The operation of such exclusions could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

6. Non-exclusive arrangements with advisers

Whilst the Investment Adviser will evaluate each proposed investment of the Group, the Investment Adviser may in limited circumstances advise other funds. Once the Company is Substantially Invested, the Investment Adviser may in certain circumstances provide services to other companies or funds investing or intending to invest in investment opportunities falling within the investment policies of the Company. The provision of such services could have a material adverse effect on the business, financial condition, results of operation and the prospects of the Company.

7. Conflicts

The Directors, the Investment Adviser and Kaupthing Bank may be subject to conflicts of interest, including in relation to the allocation of investment opportunities. Please refer to paragraph 10 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 Company.

D. RISK FACTORS RELATED TO INDIA

1. Economic policy

The Company'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. The Government has announced its general intention to continue India's current economic and financial sector liberalisation and deregulation policies and encourage infrastructure projects. However, there can be no assurance that such policies will be continued, and a significant change in the Government'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 Company.

2. Economy

The performance and the growth of the Company's business are necessarily dependent on the health of the overall Indian economy. The Indian economy has shown sustained growth over the last several 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 Company. 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 Company.

3. 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 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 Company.

The laws and regulations in India can be subject to frequent 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. 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 Company.

Since 1991, successive Indian governments have pursued policies of economic liberalisation and financial sector reforms. The Indian parliament was dissolved in February 2004 and, following the general elections held during April and May 2004, a new coalition government, the United Progressive Alliance, led by the Indian National Congress Party, was formed. This government has since announced its general intention to continue India's current economic and financial sector liberalisation and deregulation policies. However, there can be no assurance that such policies will continue and any significant change in the Government'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 Company.

4. 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 Company 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 Company.

5. 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 Company. The Group faces such issues in connection with its investment in the Shree Maheshwar Project as further described in section H of these risk factors.

6. 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 Company. 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 Company 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 Company.

7. 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 Company.

8. 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 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 Company.

9. 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), or if India experiences another tsunami (such as the one that struck Southeast Asia in December 2004), the Indian economy may be negatively impacted, which could adversely affect the Company's investee businesses' ability to bring projects through construction to operation and, as a result, may affect results and operations of both the Company's investee companies and the Company. India has also suffered severe earthquakes (such as the one that struck Gujarat on 26 January 2001), cyclones and other natural disasters which have been responsible for significant loss of property. The 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. Because of this any such natural disaster could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

10. 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 Company'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 Company.

11. 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 Company.

12. 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 Government 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 Company.

The FDI policy of the Government places restrictions on FDI in certain sectors of the Indian economy and requires that certain FDI receives the prior approval of the Government or the RBI. The FDI policy is reviewed on an ongoing basis and measures for its further liberalisation are taken from time to time. Changes in sectoral policy and the cap on equity investments in certain sectors are notified from time to time through Press Notes by the Secretariat for Industrial Assistance ("SIA") in the Department of Industrial Policy &

Promotion. Policy announcements by SIA are subsequently notified by the RBI under FEMA. FDI of up to 100 per cent. is allowed under the automatic route without prior approval in most sectors, including the information technology, energy (barring atomic energy), hospitality, entertainment, financial services and life sciences sectors. Subject to compliance with sector specific regulations FDI in sectors/activities under the automatic route does not require any prior approval either by the Government or RBI. Any such restrictions and any changes to this policy could have a material adverse effect on the business, financial condition, results of operation and the prospects of the Company.

However investment in certain sectors or investment above the sectoral cap is subject to restrictions and therefore the Company will need governmental approval and the decision with respect to this will be considered by the FIPB. The FIPB also grants composite approvals involving foreign investment/foreign technical collaboration. There is no certainty that any required approvals will be given and so the Company may be restricted from investing in opportunities which require consent under the FDI policy.

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 Investment Adviser 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 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 Company.

The Indian securities exchanges are less developed than the leading stock markets of the developed world. Trading volumes can be substantially lower so that accumulation and disposal of holdings may be time consuming and conducted at unfavourable prices. Prices may also be more volatile. Any significant extension of settlement periods in the Indian financial markets as a result of unforeseen circumstances may lead to delays in the receipt of proceeds from the sale of securities. This may lead to the Company missing investment opportunities. Securities exchanges will typically have the right to suspend or limit trading in any instrument traded on that exchange and suspension of any security held by the Company could prevent the Company liquidating positions which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

The value of the Group's investments may be affected generally by factors affecting the Indian securities exchanges, such as price and volume volatility in the capital markets, interest rates, change in policy of the Government, taxation laws or policies and other political and economical developments, including closure of stock exchanges, which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. Changes to any of these factors could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

13. Divestment to Indian residents

Any divestment by the Company in the form of a sale to an Indian resident will be classed as a non-resident to resident transfer and would be subject to pricing guidelines laid down by the RBI which, in the case of unquoted securities, may prescribe a cap as to a maximum amount that may be paid as consideration for such a transfer. This limitation could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company. However, in relation to quoted shares to be sold on stock exchanges at the prevailing market price, there is not expected to be any adverse impact or limitation on generation of profits by the RBI accepts such trades as representing the fair price of the securities.

14. 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 Company 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 Company.

E. 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 Company.

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 Company.

F. 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, Cyprus, India or any country where the Company has assets or operations could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company. 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.

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 entire 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 would 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, 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 or India could potentially lead to the Company being considered a UK or Indian tax resident, which could have a material 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.

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. In order to obtain a TRC, a company must be classified as a Category 1 Global Business Company ("GBC1"). The Financial Services Commission 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 8 April 2008. The Mauritius Revenue Authority issued TRCs to Infrastructure India HoldCo on 21 May 2008 (for the period from 8 May 2008 to 7 May 2009), Roads Infrastructure India on 16 May 2008 (for the period from 7 May 2008 to 6 May 2009), and Power Infrastructure India on 23 May 2008 (for the period from 9 May 2008 to 8 May 2009). Similar applications will be made to obtain TRCs for future Mauritian subsidiaries.

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 SPV's, 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 SPV's 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 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 2010 or otherwise as required by tax holiday rules. The inability to benefit from these or other tax holidays could have a material adverse affect on the business, financial condition, results of operations and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

5. Passive foreign investment company status

The Company expects that it will be a passive foreign investment company ("PFIC"). 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 losses carried 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. 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 mark-to-market election or a qualified electing fund (a "QEF") election. The Company does not intend to provide information sufficient for taxable US investors to make a QEF election. The mark-to-market election is available in respect 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 stock of foreign corporations held by the Company or its Subsidiaries that are PFICs, and will be subject to the adverse tax consequences described above in respect of such stock. 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 or its Subsidiaries 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. Loss of passive foreign investment company status could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

G. 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. Prior to Admission, there has been no public market for any of the Ordinary Shares or Warrants and so their market value is uncertain. 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. The Company is exposed to risks relating to forward-looking statements

Certain statements contained in this document may constitute forward-looking statements. Such statements include, amongst other things, statements regarding the Company's or management's beliefs, expectations, estimates, plans, anticipations and similar statements. Any such forward-looking statements involve risks, uncertainties and other factors that may cause the actual business, financial condition, results of operations and prospects of the Company, or industry results, to be materially different from any future business, financial condition, results of operation and prospects expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this document and there can be no assurance that the results and events contemplated by such forward-looking statements will, in fact, occur. The Company and the Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein, or to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which

any such statement is based, save as required to comply with any legal or regulatory obligations, including but not limited to those of the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules.

3. 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.

4. Certain US law considerations, including under ERISA

The Company does not intend to list the Ordinary Shares, the Warrants, or the Ordinary Shares for which the Warrants will be exchangeable on any established US securities exchange, have them quoted on any automated inter-dealer quotation system or otherwise create a public market in the United States for resales of the Ordinary Shares or Warrants. They may not be resold in the US, except pursuant to an exemption from 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 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 and Warrants may not be acquired under the Placing, and should not otherwise be acquired, by investors that are subject to Section 406 of ERISA or Section 4975 of the Code or other similar US laws. Purchasers and transferees of the Ordinary Shares and Warrants will be required to represent, and purchasers and transferees of uncertificated shares will be deemed to represent, that they are not subject to Section 4975 of the Code or other 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 and Warrants are subject to transfer restrictions in connection with the foregoing (as described in Part XII "Notice to prospective investors").

H. RISKS RELATED TO THE SHREE MAHESHWAR PROJECT AND INVESTMENT IN SMHPCL

In addition to the risk factors mentioned elsewhere in this section (particularly under "Risks related to the Group's Investments"), below are certain other risk factors relating to the investment in the Shree Maheshwar Project.

1. Project costs may increase significantly from estimated amounts

SMHPCL project cost estimates in 1996 were approximately Rs. 22.8 billion and increased to approximately Rs. 24.5 billion in 2006. These estimates have now increased to approximately Rs. 26.7 billion. Total final project costs may substantially exceed current estimates because, amongst other things, higher than budgeted interest rates may apply to debt that SMHPCL incurs. Increased project costs are mainly attributable to increases in costs of interest during construction, rehabilitation and resettlement (“R&R”) costs, civil engineering/construction costs (especially increased cement and steel prices), hydro-mechanical works costs, electro-mechanical works costs and costs of environmental measures for catchment area treatment. Most agreements for the foregoing project costs also have escalation clauses that could cause SMHPCL’s financial exposure to increase by up to 10 per cent. or more. Increased project costs would materially adversely affect the financial condition and any potential revenues of SMHPCL which could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company. Further details of the project costs are set out in Part V of this document.

2. Protests and resettlement and rehabilitation

The Shree Maheshwar Project faces substantial opposition from groups opposed to the project that threaten to delay or stop project construction. SMHPCL also has significant obligations relating to resettlement and rehabilitation of people displaced and otherwise affected by the project that could entail increased costs or delays in the project in the event these are not met, which could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

The project would submerge land and displace residents in the submergence area. This has created substantial opposition and resistance by civil activists from various parts of India who have stated their objections to the project’s socio-economic and environmental impact and the rights of affected persons. The resistance by the Narmada Bachan Andolan (“NBA”), a non-governmental organisation, contributed to the promoter’s lack of early success in securing foreign investment into the project. Specifically, NBA resistance and resulting controversy contributed to withdrawal of a notable German supported multilateral funding proposal in 1999 and it is possible that other investors may have been (and continue to be) discouraged from investing on similar grounds. Construction of the project was stopped from 2001 to 2005 because of a lack of funding and the NBA’s high profile opposition is thought to have hindered new investment, something that may continue to occur. Although the project has recommenced operations, the NBA continues to resist the project and may successfully take legal or other actions that could materially disrupt or delay project construction. This could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

SMHPCL is obligated to ensure the rehabilitation and resettlement of the people affected by the project six months prior to the commencement of submergence and undertake certain other environmental measures while implementing the project. To that extent, SMHPCL has entered into an agreement for such resettlement and rehabilitation with the MPEB under which the MPEB is required, on behalf of SMHPCL, to carry out the rehabilitation and resettlement of displaced submergence area residents. Under this agreement, the entire cost of such rehabilitation and resettlement is ultimately SMHPCL’s responsibility. There can be no assurance that there will not be any objections, disputes or legal challenges in relation to the adequacy or other aspects of the rehabilitation and resettlement effort or that SMHPCL will satisfy all applicable environmental or other legal requirements, which may result in a delay or suspension of the project or substantial additional expenditures before such issues are resolved.

Continuing protests and threats of legal challenges, failure to successfully rehabilitate and resettle the people affected by the project within SMHPCL anticipated or required deadlines (which is six months prior to the commencement of submergence) and failure to implement necessary environmental measures could lead to delays, increased costs, inability to secure sufficient funding, litigation or suspension or even cessation of the Shree Maheshwar Project altogether. Any one or more of these occurrences could have a material adverse effect on the business, financial condition, results of operation and the prospects of the SMHPCL and, through its investment in SMHPCL, the Company.

3. There may be delays in acquiring sufficient R&R land or developing R&R land

Substantial amounts of submergence and R&R land still needs to be acquired by SMHPCL if the Shree Maheshwar Project is to be completed by 2010. Submergence land includes land that will be submerged by the project and R&R land includes land used to rehabilitate and resettle people displaced from submergence lands.

Approximately 873 hectares of submergence land needs to be acquired from private owners, of which 351 hectares still remains to be acquired. Approximately 754 hectares of R&R land needs to be acquired, of which 544 hectares still remains to be acquired.

There is a risk that sufficient submergence and R&R land may not be acquired in a timely manner. Land acquisition delays may severely delay or disrupt completion of the Shree Maheshwar Project, which would increase project costs and could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company. Such delays and consequences could also be caused by SMHPCL's inability to appropriately develop R&R land in time.

Inability to acquire and develop R&R land in time could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

4. SMHPCL's actual R&R developments costs may be significantly greater than estimated R&R development costs

The costs of completing SMHPCL's R&R development obligations may result in substantially higher sums than those SMHPCL has currently estimated. Earlier estimates of approximately Rs. 1,307 million for R&R costs were revised to approximately Rs. 1,710 million in 2008. Based on current estimates of increased costs associated with the price of submergence land and R&R land, village rehabilitation developments and compensation owed to displaced villagers, SMHPCL's eventual R&R costs may potentially be even greater. Such increased project R&R costs could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

5. Land needed for the Shree Maheshwar Project

The Shree Maheshwar Project is to be developed and operated on a "build-own-and-operate" ("BOO") basis. Substantial amounts of the land for the project site have been obtained under a lease for 30 years from the government of Madhya Pradesh ("GoMP"). The lease is renewable at the option of SMHPCL for successive terms of 30 years. Though the GoMP has covenanted that it shall renew the lease there cannot, however, be any assurance that the lease will be subsequently renewed by the GoMP and, in the event of non-renewal, SMHPCL would lose its rights with respect to such land. In addition, SMHPCL must continue to acquire additional land from private landowners, and while condemnation rights are available through the GoMP, there is no assurance that such land can be acquired at the cost budgeted by SMHPCL or that such land can be acquired in a timely manner or at all. Failure of the GoMP to renew the lease or the inability of SMHPCL to acquire the required land on a timely basis and within budget could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

6. Agreement by MPEB to buy the Shree Maheshwar Project's electrical output

Under the Power Purchase Agreement dated 11 November 1994, as amended by an Addendum dated 27 May 1996 (as amended, the "PPA") between SMHPCL and MPEB, SMHPCL has agreed to sell, and MPEB agreed to buy, the net electrical output generated from the Shree Maheshwar Project. Under the PPA, an SMHPCL event of default includes SMHPCL's wilful abandonment of the construction of the project for more than 45 consecutive days, upon which MPEB may terminate the PPA. Should SMHPCL be treated to have wilfully abandoned the construction of the project during 2001 and 2005 when the project was stalled, MPEB may have a right to declare that SMHPCL has defaulted under its obligations under the PPA and terminate the PPA. The Company has been advised that this latent right of MPEB is remote as construction has since resumed and, according to SMHPCL, the stoppage was due to a lack of funds and the on-going

civil protests and was not wilful on the part of SMHPCL. However, if MPEB were to terminate the PPA for this or any other reason, SMHPCL may not be able to find another purchaser, and even if a purchaser is found, terms under the new contract may not be as favourable as the terms under the current agreement with MPEB. Termination of the PPA could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

Certain provisions of the PPA were amended pursuant to an amendatory and restated agreement entered into on 16 September 2005 between SMHPCL, S Kumars Limited, MPEB, The Governor of Madhya Pradesh and Power Finance Corporation (the "Amendatory and Restated Agreement"). Pursuant to this Amendatory and Restated Agreement, a second charge on the shares of SKG Power Ventures Private Limited has also been created pursuant to this agreement. Enforcement of this second charge could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

7. Allegations of wilful defaults and financial misappropriation

SMHPCL was formed by the S. Kumars group to implement the Shree Maheshwar Project. Certain allegations have been made that the S. Kumars group engaged in instances of financial misappropriations, including diversion of public funds, some relating to funds for the project. There have been allegations, including from NBA, that the S. Kumars group companies borrowed funds from public and private financial agencies to fund the project and then made several wilful and persistent defaults in repayment of overdue principal and interest under these loans. SMHPCL has in the past borrowed money from various banks and public institutions for the purposes of funding the project, and is alleged to have given a majority of these funds to companies, including those controlled by S. Kumars, that neither had any project contracts nor did any work on the project. SMHPCL is also alleged to have defaulted on several of its loans, including that due to its lead term loan lender, Power Finance Corporation ("PFC"), in part, as the Company understands from SMHPCL, due to the withdrawal of foreign lenders. Despite a reported settlement by affected financial institutions in respect of past defaults and the promoters of SMHPCL filing defamation actions against the NBA, such claims of financial misappropriation and impropriety could impact the reputation of SMHPCL and its investors including the Company and its investors, and may result in litigation, additional costs, and negative publicity that could disrupt SMHPCL's ability to conduct its business effectively. Any or all of these factors could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

8. Lenders' rights and control over SMHPCL and rights in favour of the GoMP

SKG Power Ventures Private Limited has pledged to PFC its shareholdings in SMHPCL, and PFC, in turn, has the ability to exercise all the attached voting rights (through SKG Power Ventures Private Limited) until all loans given by the lenders are repaid in full. All lenders hold security by way of mortgage of immovable properties and hypothecation of all present and future goods, movables and other assets including future receivables. Under the terms of the various loans to SMHPCL, lenders have a wide range of rights and control over the management and operations of SMHPCL, including the right to nominate one or more permanent nominee directors on the board of directors of SMHPCL as long as the loans are outstanding. Notwithstanding the rights that have been negotiated in connection with the Company's investment in SMHPCL, SMHPCL lenders' consents are also required for, among others, issuances of equity, declarations or payments of dividends, incurring further debt, creating further encumbrances on the assets, amendments to charter documents and undertakings of any mergers, consolidations or reorganisations. In the event lenders do not grant the requisite approval, such refusal could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company. Even after the Placing, SMHPCL's lenders will continue to control the board of directors of SMHPCL and will be in a position to determine the outcome of proposals for corporate actions requiring the approval of the board of directors, such as dividend policy and amendment to the charter documents, including to incorporate amendments in connection with the Company's investment in SMHPCL. Under Indian Law, the enforceability of clauses of shareholders agreement primarily pertaining to management, transfer of shares, meetings, information rights, etc. becomes questionable when not incorporated in the articles of association of the concerned company. The motivations and the economic interests of the lenders

may differ from those of the Company and its shareholders. The lenders may, by exercising their control over the board of directors of SMHPCL, delay, defer or refuse to undertake certain actions that the Company considers desirable or necessary to protect or promote its SMHPCL investment, including approving amendments to its constitutional documents needed to implement the terms of the shareholders agreement entered into in connection with the Company's investment.

Further, given the control enjoyed by the lenders in the affairs of SMHPCL and the fact that the Company does not have substantial board level participation and control, the Company may be unable to exercise sufficient influence over the operations of SMHPCL, and where the economic interests of SMHPCL and its lenders are inconsistent with and adverse to those of the Company, this could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

In addition, SMHPCL requires consent from all lenders to permit the equity investment made by the Company. Some of the lenders have not yet consented to the Company's investment. In the event any one of the lenders exercise these control rights to the detriment of the Group or refuses to provide consent to the investment transaction, this could have a material adverse effect on the business, financial condition, results of operation and the prospects of SMHPCL and, through its investment in SMHPCL, the Company.

Apart from the pledge of the shares of SMHPCL held by SKG Power Ventures Private Limited in favour of PFC, the said shares are also pledged (as a second charge) to the GoMP under the Amendatory and Restated Agreement. In the event of the default of SMHPCL and/or S. Kumars under this agreement, such as default in payment obligation with respect to OFCD, the GoMP and PFC can invoke their respective rights and acquire the pledged shares of SMHPCL. In addition, upon the occurrence of event of default, the GoMP also has right to buy out the lenders and take over the management control of SMHPCL.

9. Regulatory Consents

The Shree Maheshwar Project is subject to extensive governmental regulations in India, by both local and central government bodies, supervised by, among others, the Ministry of Power, Ministry of Environment and Forests, Government of India and the Madhya Pradesh state pollution board. Important regulations include the Electricity Act, 2003 and Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974. SMHPCL has represented that it is in the process of obtaining or applying for certain licences, approvals or registrations required for the construction and operation of the project. Although external contractors engaged by SMHPCL to carry out certain project related work are understood to have certain consents in their own name, SMHPCL lacks some consents it should hold, which applicable regulators may determine to be material breaches of law. This could lead to disruption and delays during construction of the project and could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

In addition, non-compliance with applicable permits and consents may result in project stoppages and delays or other action against SMHPCL or its directors. Alleged non-compliance with clearance from the Government Ministry of Environment and Forests ("MoEF") dated 7 January 1994 ("MoEF Clearance") resulted in the project being temporarily halted in June 2006 upon the order of the Indian central government (which was later successfully challenged). Under the MoEF Clearance SMHPCL was to accomplish the catchment area treatment works for the forest and non-forest areas falling in the directly draining watershed by December 2003 or six months prior to the commencement of submergence (whichever was earlier). In the absence of a clear written waiver or extension of this deadline, SMHPCL, technically, continues to be in breach of the MoEF Clearance. As a consequence, it cannot be assured that the work on the project will not be stalled or be stopped in case proceedings are initiated by the MoEF, in turn, materially affecting the Group's investment in the project and SMHPCL and, ultimately, the Company's financial condition and results.

SMHPCL 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 operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

10. Promoters have limited experience in establishing and operating hydro power projects.

The project promoter, SKG Power Ventures Limited, is relying on the services of third party contractors and personnel with experience in hydro power projects, but has no meaningful relevant technical or operational experience in establishing and operating a hydro power project. To the extent that any such third party or other contractor is not able to manage, operate or develop the project effectively, this could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

11. SMHPCL has debt obligations which could be accelerated if SMHPCL defaults

As of 30 April 2008, SMHPCL has outstanding borrowings of Rs. 6,673 million (excluding accrued interest). In the event SMHPCL fails to meet the debt service obligations or breaches any of the loan agreements, the applicable lenders could declare a default and accelerate the loan maturity date and SMHPCL's repayment obligations. In such an event, the Company cannot be certain, and SMHPCL cannot provide assurances, that it would have sufficient capital resources to repay the borrowings without compromising the project. In addition, upon default, certain lenders have a right to convert outstanding debt into equity interests in SMHPCL which presents a substantial dilution risk to SMHPCL shareholders, including the Group. SMHPCL has previously defaulted on its loan obligations and, accordingly, no assurance can be provided that it will not do so again. Moreover, SMHPCL may be in technical non-compliance of some of the negative covenants it is subject to in the loan agreements. For example, SMHPCL, though it is not a listed entity, was required under some of its loan agreements to acquire permission of SEBI to list its shares on the Bombay Stock Exchange and SMHPCL is required to maintain certain insurance policies in joint names with the lenders. Although SMHPCL has not disclosed any of these instances of non-compliance to be lender-called defaults, there is always a risk that previous non-compliance may become the basis of a lender-called default. Any such default and acceleration could have a material adverse effect on the business, financial condition, results of operation and the prospects of the SMHPCL and, through its investment in SMHPCL, the Company.

Similar consequences may arise in connection with certain overdue loan amounts noted by the auditors of SMHPCL in the notes to the audited annual report of financial year 2007 which have mentioned that a principal amount of Rs. 150,000,000 is overdue under a bridge loan for a period of 90 months and interest and financial charges aggregating to Rs. 4,521,855,000 remain unpaid since 2001.

12. Need for full lender approval of financial realignment plan

Under the financial realignment plan (the "FRP") between SMHPCL and its lenders in connection with the restructuring of SMHPCL's loan facilities, SMHPCL has indicated that all the lenders to the FRP have approved the plan, but no documentary evidence confirming this approval has been provided to the Company. Therefore, there can be no assurance that the FRP has been validly approved or is enforceable.

If the FRP has not been approved by all lenders, under the original terms of the loans SMHPCL would continue to remain liable for all outstanding interest and penalty charges and lenders would have the right to declare an event of default, consequently accelerating the repayment of these original loans. Any acceleration of debt repayment or claim for accrued penalty charges could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

If the FRP has been properly approved SMHPCL is required to comply with the numerous terms and conditions of the plan, and any non-compliance with the terms of the FRP would give the lenders a right to declare an event of default. A default under the FRP could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

13. Documentation for SMHPCL's third party contractors

SMHPCL has entered into various material contracts and agreements including with contractors and other vendors to undertake major civil work and commission the hydro mechanical and hydro electrical works of the Shree Maheshwar Project.

SMHPCL has not been able to provide satisfactory evidence to the Company that certain key contracts including those with third party contractors have been appropriately documented and executed, and SMHPCL may not be in compliance with related requirements. For example, SMHPCL and Bharat Heavy Electronics Limited ("BHEL") have entered into a binding letter of intent dated April 24, 2007 for the design, fabrication, testing, delivery and commissioning of the electro mechanical equipment under which the parties agreed to enter into a definitive agreement within 60 days of the release of advance payment. Although SMHPCL has released the advance payment, the letter of intent states that it will be effective on receipt of that advance payment and SMHPCL has agreed to the terms of the definitive agreement, it has not been able to confirm when a definitive agreement will be entered into with BHEL. This and other cases of incomplete or irregular SMHPCL material contract documentation mean that the rights and obligations of SMHPCL and the counterparties to the agreements may not be clear and subject to dispute or questionable validity. There is no assurance that all material terms and related costs under SMHPCL's material agreements and arrangements and the related material risks, if any, to the Shree Maheshwar Project, have been disclosed to the Company.

14. Dilution of existing shareholders' interests in SMHPCL

SMHPCL has issued 4,000 Optionally Fully Convertible Debentures ("OFCDs") which are listed on the National Stock Exchange of India, for which PFC has provided a guarantee by way of a deed dated 1 December 2006. Each OFCD has a face value of Rs. 1,000,000. Some holders of the OFCD have relinquished their rights under the OFCDs to convert them into SMHPCL shares, but some have retained their conversion rights. The total number of shares that may be issued upon conversion is understood to be 311,000,000. However, upon exercise of the conversion option, the number of shares granted to each OFCD holder will be reduced proportionately by the amounts of OFCD principal already paid by SMHPCL to such OFCD shareholder.

In addition, the GoMP previously transferred certain parcels of land and other assets to SMHPCL in connection with the Shree Maheshwar Project. As consideration for this transfer, the GoMP has a right to subscribe for equity shares of SMHPCL pursuant to an independent valuation of the transferred assets. Although SMHPCL has anticipated the issuance of equity to GoMP and reflected this in its financial statements (and GoMP has raised various claims including up to Rs. 1,369 million), SMHPCL is unable to confirm the amount of the likely valuation of the assets and, therefore, the percentage of SMHPCL equity shares that the GoMP may claim should be issued, or what may ultimately be agreed to by the parties.

Further, in order to ensure returns to the OFCD holders, PFC has provided a guarantee to the trustee of the OFCD holders. The GoMP has further provided a counter guarantee to PFC. Under the amendatory and restated agreement dated 16 September 2005, GoMP or any person nominated by GoMP in this regard, has the right to subscribe to equity shares of SMHPCL to the extent of any payment made by GoMP pursuant to the counter guarantee to PFC.

Certain lenders to SMHPCL have rights to convert a proportion of their loans into shares of SMHPCL (as described in paragraph 7(k)4 of Part VIII of this document). GoMP has an option to subscribe to equity shares in SMHPCL (as described in paragraph 7(l) of Part VIII of this document). As noted in paragraph 15 below, SMHPCL will be seeking to raise further capital to meet the anticipated further costs of completion of the Shree Maheshwar Project. Further shares will be issued by SMHPCL as part of such capital raising.

The exercise of the conversion rights by the holders of the OFCD and/or the ultimate issuance of SMHPCL shares to GoMP and/or lenders and/or as part of a capital raising would significantly dilute the percentage ownership of SMHPCL's existing shareholders, including the Company's investment in SMHPCL. This could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

15. Non-adoption by SMHPCL of the articles of association as contemplated by the terms of the Company's investment in SMHPCL

Failure by SMHPCL to adopt amended articles of association as contemplated by the terms of the Company's investment in SMHPCL.

Pursuant to requirements in the Share Subscription Agreement governing the Company's investment in SMHPCL, SMHPCL was required as a condition to the investment to adopt amended articles of association which grant specific investor protections negotiated by the Company and other customary protections that are sought by minority shareholders, such as rights to board representation and consent rights as to certain material matters. To date, despite the completion of the Company's investment in SMHPCL, SMHPCL has not adopted these amended articles and there is no assurance that SMHPCL will do so. In the absence of these amended articles, the Company's investment in SMHPCL would not benefit from the negotiated and other customary protections provided for in the Share Subscription Agreement and, as a result, there is no assurance that other contractual and legal protections in favour of the Company, if any, are sufficient to protect the Company's minority interest in SMHPCL. The failure by SMHPCL to adopt these amended articles may impair the value of the Company's investment in SMHPCL and this may have a material adverse effect on the business, financial condition, results of operation and the prospects of the Company.

16. SMHPCL's need to raise capital and auditor's cautionary statement

Current SMHPCL estimates are that the Shree Maheshwar Project could cost approximately Rs. 26.7 billion to complete. Even after giving effect to the Group's investment in SMHPCL, SMHPCL would still need to secure capital and funding for approximately Rs. 6.5 billion. SMHPCL's Indian reporting accountants, Grant Thornton, India, have found it necessary to highlight in their audit of SMHPCL's accounts for purposes of this offering that SMHPCL's negative net worth as at 31 December 2007 warranted a cautionary statement in their report contained in this prospectus, and to which we refer you, as to SMHPCL's ability to continue as a going concern.

SMHPCL has undertaken to raise capital to cover the outstanding project costs and will expend funds in carrying out such efforts. However, SMHPCL cannot assure that such efforts will be successful, and the costs of raising such funds may exceed estimates. Even if SMHPCL were successful in raising capital, it cannot be assured that it will be able to do so on favourable terms or in line with its assumptions for capital raising. The failure to raise enough capital or on acceptable terms could have a material adverse effect on the business, financial condition, results of operation and the prospects of the SMHPCL and, through its investment in SMHPCL, the Company.

17. Certain SMHPCL incurred costs may not be approved as project costs

SMHPCL has incurred certain significant costs that may not be approved as project costs which may adversely affect the electricity purchase price at the time SMHPCL sells electricity to the MPEB under the PPA. These costs include expenses of approximately Rs. 3,019 million incurred during the Shree Maheshwar Project's 2001-2005 suspension period (relating to interest, financial and administrative expenses) and Rs. 338 million in guarantee commissions in connection with a guarantee of SMHPCL's importation of certain project machinery.

These SMHPCL expenses were incurred at a time when there was no project construction and the machinery relating to the guarantee was apparently not received by the Shree Maheshwar Project. If the costs are disapproved as project costs, this would adversely affect the price at which SMHPCL can sell electricity to the MPEB and, in turn, SMHPCL's revenues, which could have a material adverse effect on the business, financial condition, results of operation and prospects of SMHPCL and, through its investment in SMHPCL, the Company.

IMPORTANT INFORMATION

No person is authorised, in connection with the Placing, to give any information or make any representation other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, Kaupthing, Kaupthing Securities, Inc., Smith & Williamson or the Investment Adviser or any of their respective affiliates, directors, officers, employees or agents. It should be remembered that the price of securities and the income from them can go down as well as up.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Neither the Ordinary Shares and the Warrants nor this document have been approved or disapproved by the US Securities and Exchange Commission, any federal or state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities confirmed the accuracy or determined the adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States. In making an investment decision, investors must rely on their own examination of the Company and the terms of the Placing, including the merits and risks involved.

The securities referenced herein may not be offered, sold, pledged, exercised or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws and except as permitted by the Articles, the terms of the Warrants and this document.

This document is being furnished by the Company in connection with an offering exempt from registration under the Securities Act solely to enable a prospective investor to consider the purchase of Ordinary Shares and Warrants. Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Ordinary Shares and Warrants offered hereby is prohibited. Each offeree of the Ordinary Shares and Warrants, by accepting delivery of this document, agrees to the foregoing. This document is only to be made available without any general solicitation or advertising to US persons (within the meaning of Regulation S), or to any person in the US, who are Qualified Institutional Buyers (within the meaning of Rule 144A) and Qualified Purchasers (within the meaning of the Investment Company Act) and any person receiving such document is deemed to confirm these requirements.

To the extent required to facilitate the transfer of Ordinary Shares and the Warrants under Rule 144A, if at any time the Company is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, the Company will furnish, upon request, to any holder of the Ordinary Shares or the Warrants, any owner of any beneficial interest in the Ordinary Shares or the Warrants or any prospective purchaser designated by such a holder or such an owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

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 and the Directors’ intentions, beliefs or current expectations concerning, amongst other things, the Company’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 Company’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 Company’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 Company’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 Listing Rules and/or the Prospectus Rules, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Prospective investors must not treat the contents of this document or any subsequent communications from the Company, the Investment Adviser, Smith & Williamson, Kaupthing, Kaupthing Securites, Inc. 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 Warrants; and/or (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares and Warrants. 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.

Additional factors that could affect the Company’s ability to achieve its objective and could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those discussed in the section headed “Risk Factors” on pages 10 to 37 of this document.

PLACING STATISTICS

Placing Price	100 pence
Number of existing Ordinary Shares	100
Number of new Ordinary Shares being issued pursuant to the Placing	36,699,900
Number of Warrants being issued	7,340,000
Number of Ordinary Shares in issue following the Placing	36,700,000
Number of Warrants in issue following the Placing	7,340,000
Market capitalisation at the Placing Price	£36.7 million
Estimated net proceeds of the Placing receivable by the Company	£32.9 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and commencement of unconditional dealings in the Ordinary Shares and the Warrants on the London Stock Exchange	30 June 2008
CREST accounts credited with uncertificated shares	30 June 2008
Where applicable, certificates in respect of Ordinary Shares and Warrants issued in certificated form to be despatched by post	by 14 July 2008

Each of the dates in the above timetable is subject to change without further notice. All references to times in this document are to London times unless otherwise stated. Temporary documents of title will not be issued.

Unless otherwise stated, exchange rates used are as follows:

£1 = Rs. 82.375

£1 = US\$1.96

1 crore = 10,000,000 Indian Rupees

DIRECTORS AND ADVISERS

Directors

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

Registered office of the Company

IOMA House
Hope Street
Douglas
Isle of Man IM1 1AP

Sponsor

Smith & Williamson Corporate Finance Limited
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Financial Adviser and Broker

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London W1S 1AX

Investment Adviser

Bloomsbury Asset Management Advisors
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Port Louis
Mauritius

English and US legal advisers to the Company

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Isle of Man legal advisers to the Company

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Indian legal advisers to the Company

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English legal advisers to the Sponsor, Financial Adviser and Broker

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US Legal advisers to Kaupthing Securities, Inc.

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Registrars

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Reporting accountants

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**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

**Reporting Accountants to Shree Maheshwar
Hydel Power Corporation Limited**

Grant Thornton India
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Mumbai 400 004
India

**Administrator and registered
agent of the Company**

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

PART I

INFORMATION ON THE COMPANY

1. INTRODUCTION

The Company is a newly incorporated Isle of Man closed-ended investment company established to provide investors with the opportunity of investing in Indian infrastructure assets, alongside a highly experienced and successful investment advisory team and Board. The Group will be focussing on investing in the energy and transport sectors.

The Group has finalised its first investment (the Share Subscription Agreement has been signed and financing is in place), at a cost of Rs. 1.1 billion (approximately £13 million). This has enabled the Group to acquire a 20.5 per cent. equity interest (which is expected to adjust to between 6 and 7 per cent. after dilution effects) in SMHPCL, which was specifically established to solely own and develop a 400MW hydroelectric power project situated in Maheshwar, in the south-western region of Madhya Pradesh in India (the “Shree Maheshwar Project”). This investment was financed by a bridge financing facility from Kaupthing Bank. The Company also has an option at a cost of a further Rs. 1.1 billion and on the same terms, to increase the Company’s interest in connection with the Shree Maheshwar Project provided that the investment is made within 75 days of completion of the initial investment, which occurred on 9 June 2008.

The Group has developed a pipeline of other potential investment opportunities with an equity value of approximately Rs. 11.1 billion (approximately £135 million). This pipeline includes renewable and conventional power projects, road portfolios, and airport assets. The most advanced of this pipeline are a portfolio of roads, which would require an investment of Rs. 1.0 billion (approximately £12 million), and a 163 km 4-lane road of national highway for which the Group is currently bidding with PLL and which would require an investment of Rs. 1.6 billion (approximately £19 million).

On Admission, the Company’s share capital will consist of a single class of Ordinary Shares and a separately traded class of Warrants, both to be admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities. The Company will raise net proceeds of £32.9 million pursuant to the Placing.

2. INVESTMENT OPPORTUNITY

The Directors believe that the growth characteristics of India provide a compelling rationale for investment in the Indian infrastructure sector at this time.

The Indian economy has grown substantially in recent years, with India being in the top 10 per cent. of countries for GDP growth in the world for 2007. Average GDP growth was 7.2 per cent. per annum for the five year Government fiscal planning period from 2003 to 2007 (known as the 10th five year plan). However, this growth is still lower than growth rates achieved in China and Russia in the five years ending 2007. It is generally acknowledged that India’s GDP growth rate has been constrained by its lack of infrastructure.

The Government’s 11th five year plan covers the five year period from 1 April 2007 and the GDP growth target for this period is 9 per cent. per annum. The Government has recognised that in order to support such growth, large scale investment is required in the country’s infrastructure. Preliminary Government estimates suggest that infrastructure investment will need to increase from 4.6 per cent. of total GDP during the 10th plan, to approximately 8 per cent. of GDP during the 11th plan period.

The Planning Commission recognises that even if the public sector is able to achieve its ambitious targets, the required investment of US\$488 billion (approximately £249 billion) in infrastructure for the 11th five year plan is only possible if there is a substantial expansion in private sector investment. Under the 11th plan, the share of private sector participation in total infrastructure investment is expected to be around 30 per cent. According to the Planning Commission, in some sectors private sector contributions are expected to be far higher – for example in ports and airports over 65 per cent. of the investments are expected from the private sector. If these initiatives succeed, India will deliver a large programme of PPP, even by international standards.

Assuming the average GDP growth target of 9 per cent. is achieved, the Planning Commission's estimates of investment in infrastructure under the 12th five year plan would be in the order of US\$989 billion (approximately £505 billion) which would imply a total investment requirement in the infrastructure sector of approximately US\$1,477 billion (approximately £754 billion) over the 10-year period of the 10th and 11th plans.

Government policy over the last 10 years has been to increasingly lower the barriers to FDI and the Government seems, therefore, to be recognising that foreign investment will be important for India's development.

The average level of foreign investment for the 9th five year plan was US\$3.7 billion (approximately £1.9 billion) per year, but this grew to US\$5.7 billion (approximately £2.9 billion) for the first four years of the 10th plan. The 11th plan has a target of three times this level. However, even this growth falls short of the total estimated foreign investment required in India to fully address the infrastructure deficiencies of the country, which has been estimated at over US\$450 billion to 2012.

Should the Indian infrastructure market develop similarly to the way in which the UK and European Union markets have developed, the Directors expect equity returns to increase as the infrastructure market matures. Increasing maturity in the UK and European Union infrastructure markets over several years led to accelerated and improved equity returns from a number of mechanisms, including:

- **refinancing**, which brought equity returns forward;
- **market and project maturity**, which led to yield compression effects on exit, hence increasing equity value; and
- **portfolio management effects**, as larger portfolios of assets emerged in a maturing market economies of scale in facilities management conferred savings to the portfolio as a whole.

Infrastructure projects are those which display some or all of the following characteristics:

- High barriers to entry;
- The provision of essential services (social or economic);
- Contractually defined risk allocation between parties;
- Long-term, relatively predictable, often index-linked cash flows, contractually assured; and
- Government or blue-chip counterparties.

See Part IV of this document for further details on the investment opportunity provided by the infrastructure market in India.

3. INVESTMENTS

The Shree Maheshwar Project

The Group has acquired a 20.5 per cent. equity interest (which is expected to adjust to between 6 and 7 per cent. after dilution effects, as is further explained in Part V of this document) 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. The Group's investment was made possible by a bridge financing facility from Kaupthing Bank. 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, 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. The Group has an option to invest a further Rs. 1.1 billion comprising subscription and guarantee components in the same amounts and thereby increase its shareholding in SMHPCL, provided that the investment is made within 75 days of the date of completion of the Group's initial investment, which occurred on 9 June 2008. The minimum IRR guarantee will extend to such further investment. Additionally,

there is potentially the opportunity for the Group to make a further investment into this project before the end of 2008.

The Shree Maheshwar Project is part of the Narmada Valley Development Project which comprises the construction of 29 large and 135 medium-sized hydro-electric projects in the Narmada Valley. The Shree Maheshwar Project is a 400MW (10 turbines of 40MW each) run-of-the-river project. The Shree Maheshwar Project is now approaching the final stages of construction and SMHPCL's management currently expects that the first 40MW turbine will commence operations by June 2009. The estimated project cost is approximately Rs. 26.7 billion (approximately £324 million). 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 remain the same. The Shree Maheshwar Project is expected to be one of the largest privately owned hydroelectric projects to be commissioned in India within the next two years.

Following the Group's initial investment in connection with SMHPCL, SMHPCL will need to secure further funding estimated at Rs. 6.5 billion (approximately £80 million) in order to complete the Shree Maheshwar Project. Part of this may be met by further investment by the Group and Matlida Ventures Corp. as described above. As noted above, the Group may participate in any opportunity to make a further investment into the project before the end of 2008.

Further details on this investment and on SMHPCL are set out in Parts V and VIII, respectively, of this document and risks pertaining to such are set out in the section headed "Risk Factors" on pages 11 to 38 of this document. Further details of the agreements in connection with the Group's investment in SMHPCL are set out in paragraphs 10(f), (g), (h), (i), (j), (l) and (m) of Part XI of this document.

4. POTENTIAL INVESTMENTS

The Group has developed a pipeline of potential investment opportunities with an equity value of approximately Rs. 11.1 billion (approximately £135 million) comprising renewable and conventional power projects, road portfolios and airport assets. The Investment Adviser has also identified and is evaluating further potential investments which form the basis of a much larger development pipeline. No detailed due diligence has yet been carried out on any potential investments.

Of the Group's pipeline, the two most advanced projects are:

Road portfolio

The Group has the opportunity to make an equity investment of approximately Rs. 1 billion (approximately £12 million) in a portfolio of four build, operate and transfer ("BOT") road projects in exchange for a minority stake.

Four lane highway bid

The Group is currently bidding with PLL, one of the largest engineering companies in India, for a project to design, build, finance, maintain and operate a 163 km 4-lane national highway on a BOT basis. This would require an investment of Rs. 1.6 billion (approximately £19 million).

Further information on the Group's pipeline of potential investments is set out in Part V of this document.

5. 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 believe that the Group's returns could be raised to 25 per cent. due to additional potential gains

from refinancing, yield compression effects and portfolio management efficiencies, as has 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.

6. INVESTMENT POLICY

The Company's investment policy is as follows:

Overall focus

The Company will invest at the asset level or via specific holding companies (not via 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 with 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 typically within 18 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 via 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

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. The exception to this policy is the loan by Kaupthing Bank to the Company, of which £9,570,500 will be converted into 9,570,500 Ordinary Shares as part of the Placing, and £3,834,363 will be repaid on Admission. Further details of this loan are set out in paragraph 10(l) of Part XI. Prior to Admission, the Company is 100 per cent. geared.

Gearing at the non-recourse SPV level will typically be at a debt/equity ratio of 70/30. The Company 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 expects that single investments will typically represent no more than 30 per cent. of the Group's NAV (measured at the time of investment) and will ensure that, as measured at the time of investment, no single investment represents more than 50 per cent. of the Group's NAV. 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 entity is likely to be between £10 million and £30 million.

7. INVESTMENT STRATEGY

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

It is intended that the proceeds of the Placing will be fully invested within 12 to 18 months of Admission, although there is no fixed period within which the Company is required to make an investment. The Company will seek to recover each initial investment within three to five years of the date of investment. However, if a project is performing well and continuing to create sufficient value, the Directors believe it may be appropriate to hold an investment in that business for a longer period of time to realise maximum value of its interests.

The Company will invest those cash resources which are held by the Company in cash or near cash deposits.

8. INVESTMENT PROCESS

The Investment Adviser will provide investment advisory services to Infrastructure India HoldCo, having responsibility for identifying, structuring and monitoring investments and advising on exit strategies for investments. The Investment Adviser may subcontract certain of its obligations owed to Infrastructure India HoldCo to other service providers it considers appropriate, including to Cornerstone pursuant to its agreement with that company. Cornerstone is a 100 per cent. subsidiary of BCR which is an independent financial services firm with a team of approximately seven finance professionals which is focused on infrastructure asset management and Indian real estate.

The Investment Adviser intends to apply an iterative process for deal selection, structuring and divestment advice, using its advisers' and the Directors' experience in the infrastructure sector and in India.

The process is expected to be as follows:

Deal Flow

New investment opportunities are expected to be identified by the Investment Adviser, using the following channels:

People

The Directors and the team of professionals at the Investment Adviser have extensive experience in fund management, infrastructure and investment banking. The Investment Adviser's agreement with Cornerstone gives Infrastructure India HoldCo access to a further seven professionals who have experience in infrastructure asset management and Indian real estate.

Intermediaries

The Investment Adviser and the Directors, primarily through Cornerstone, have relationships with a number of industrial and construction groups and the advisers to those groups together with other local and international connections. The Investment Adviser will make use of its agreement with Cornerstone to assist it in identifying investment opportunities.

Co-investors

The Investment Adviser will use and continue to build up a network of relationships with co-investors active in the infrastructure market, both locally and internationally.

Investment Appraisal

The Investment Adviser's process for identifying investments that will be recommended to Infrastructure India HoldCo will comprise a series of stages, as follows:

Initial screening

The Investment Adviser will conduct the initial screening of potential investments that it or the Directors identify, drawing on its and its advisers' knowledge of the infrastructure market to analyse the investment opportunities, market positions, growth and yield prospects and risk profiles, to determine whether there are any issues that might need to be addressed post-investment and to explore angles for value creation.

Deal structuring and due diligence

The Investment Adviser will be responsible, together with other advisers appointed by it, for negotiating the deal structure and for carrying out or supervising the due diligence work that it considers appropriate.

Bidding

The Investment Adviser will also be responsible for preparing and submitting bids for potential investments. Certain proposed investments may also require participation in competitive bidding processes.

Board involvement

In addition to the process outlined above, the Investment Adviser will have regular communication with the Board regarding the pipeline of investment opportunities under consideration and the general market environment for investing in infrastructure assets. All investments will require approval of the board of Infrastructure India HoldCo.

Monitoring

Following any approval by the board of Infrastructure India HoldCo, the Investment Adviser will be responsible for implementing the opportunity and for procuring the preparation of reports to facilitate the Group's ongoing monitoring of the investment.

The Investment Adviser will do this by holding periodic meetings with the operating managers 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 plan on behalf of Infrastructure India HoldCo. The Investment Adviser will keep the board of Infrastructure India HoldCo regularly briefed on its findings.

The Investment 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 Investment Adviser will also be responsible for the identification of potential improvements and modifications to the Group's investments. The Investment 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 Investment Adviser will focus on is refinancings, drawing on the management team's extensive experience of infrastructure investment and asset management.

9. CORPORATE SOCIAL RESPONSIBILITY

The 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 Company 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 will 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. The Trust will support community based education, training and employment initiatives designed to foster social inclusion in communities where the Group is active.

10. THE BOARD

The Directors of the Company are responsible for the determination of the Company’s investment objective and policy (subject to Shareholder approval, where appropriate) and have overall responsibility for the Company’s activities, including the review of investment activity and performance. The Board comprises of the following individuals, all of whom are non-executive directors:

Rupert Cottrell (Chairman)
Prodaman Sarwal
Philip Scales
Timothy Walker

Further information on the Board is set out in paragraph 1 of Part II of this document.

11. INVESTMENT STRUCTURE

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

12. BORROWING RESTRICTIONS

The Company does not intend to have any gearing within the Company for at least 18 months from Admission. Thereafter, should the Directors decide that gearing at the Company level is desirable, this would be limited to no more than 50 per cent. of its 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.

Pursuant to a facility letter, further details of which are set out in paragraph 10(1) of Part XI of this document, the Company received a bridging debt facility from Kaupthing Bank which effectively gears the Company at 100 per cent., but of which £9,570,500 will be converted into equity in the Company as part of the Placing and £3,834,363 will be repaid on Admission.

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. LIFE OF THE COMPANY

The Company will have an initial fixed five year life. The Articles stipulate that at the annual general meeting of the Company to be held following the fifth anniversary of Admission 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 Directors will be required to formulate proposals to be put to Shareholders to exit investments of the Company within a maximum period of two years.

14. 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 Directors to pass a resolution stating that, in their opinion, 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 rules of the Official List and the Law.

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

15. DIVIDEND POLICY

The objective of the Company is to provide Shareholders with an attractive total return from their investment in the Company. The infrastructure projects into which the Company invests should, in the view of the Directors and following the commencement of stable operations, generate predictable and long term cashflows from which the Directors intend to recommend the payment of regular interim and final dividends in respect of the six months to 30 September and 31 March.

The Directors intend – subject to the availability of an appropriate level of distributable reserves and the Law and the Articles – to adopt a policy of distributing the majority of the Company's net realisable income in each year, whilst ensuring the retention of an appropriate level of earnings consistent with the management of the Company's activities.

The commencement of dividend distributions will be determined by the availability of net realisable income in the initial financial years following Admission. Thereafter the Directors will seek to adopt a progressive dividend policy consistent with the objectives set out in this paragraph to enable investors to benefit from the positive cashflows that are typically associated with commissioned infrastructure projects.

16. VALUATION POLICY AND METHODOLOGY

The Company's NAV per Ordinary Share will be calculated on a semi-annual basis by the Investment Adviser 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. DISCOUNT CONTROL

As the Company will be a closed-ended investment company, the Ordinary Shares may trade at a discount to their NAV per Ordinary Share on occasion. However, in structuring the Company, the Directors have given consideration to the discount risk and how this may be managed.

The Company will have 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.

18. FINANCIAL REPORTING

The audited accounts of the Company will be prepared in accordance with IFRS.

On a semi-annual basis, the Company will produce consolidated accounts for the Group prepared in accordance with IFRS. These accounts will reflect the Company's NAV. The Company's year end will be 31 March and interim results will be published for the period ending 30 September each year.

19. HEDGING

Where appropriate, the Company 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.

PART II

MANAGEMENT, ADVICE AND ADMINISTRATION

1. BOARD OF DIRECTORS

The Directors of the Company are responsible for the determination of the Company's investment objective and policy and have overall responsibility for the Company's activities, including the review of investment activity and performance. It is the current intention of Directors to meet at least quarterly. For this purpose, the Directors will receive periodic reports from the Investment Adviser detailing the Group's performance.

The Directors of the Company, all of whom are non-executive, are:

Rupert Cottrell, Non-Executive Chairman (aged 63)

Rupert holds a number of non-executive positions, including Chairman of Dawnay Day Carpathian plc, an AIM listed Eastern European commercial property fund, and SARE Limited, an Indian residential property fund. He was previously a non-executive director of The PFI Infrastructure Company plc, an AIM listed infrastructure fund which was taken private in 2007. He was also a director of Capital International Ltd, Henry Cooke Lumsden Plc and Hill Samuel Private Client Management Ltd. Rupert was a founder and investment director of Buzzcott Investment Management Ltd. Rupert is an Isle of Man resident and a Fellow of the Securities Institute.

Prodaman (Pommy) Sarwal, Non-Executive Director (aged 57)

Pommy graduated from Calcutta University in India before coming to the UK in 1972. He is a qualified chartered accountant and a Member of the Securities Institute. His experience includes over 20 years of corporate finance work, including as head of the infrastructure and utilities team at Andersen Corporate Finance from 1998 for four years and more recently as a partner at Deloitte & Touche Corporate Finance from 2002 until 2006. Since 2006, Pommy has been retained as a corporate finance consultant to both Deloitte & Touche LLP and Grant Thornton LLP and he is a member of various boards including the Port of London Authority, British Waterways and Chatham Historic Dockyard. He is also a member of the Ports Advisory Group at the UK Trade & Investment Division of the Department for Business Enterprise & Regulatory Reform.

Timothy Walker, Non-Executive Director (aged 52)

Tim is a chartered accountant and an Isle of Man resident. He is 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 British Government's PFI. Subsequent to this Tim was previously a non-executive director of The PFI Infrastructure Company plc, an AIM listed infrastructure fund, which was taken private in 2007. Tim is currently a non-executive director of Ishaan Real Estate plc, Clean Energy Brazil plc and a number of private companies in the leisure and property industries.

Philip Scales, Non-Executive Director (aged 58)

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.

Andrew Friend, who is not a Director, will act as senior strategic adviser to the Company:

Andrew Friend, Senior Strategic Adviser (aged 55)

Andy is currently Commercial Adviser to the United Kingdom Department for Transport, a non-executive director of Partnerships UK and Financial Security Assurance (UK) Ltd and a strategic adviser to the ING European Infrastructure Fund. Between 1999 and 2006, he worked for John Laing Plc firstly as a managing director of Laing Investments Limited, a subsidiary of John Laing group, and then as group chief executive officer where he was responsible for restructuring the company from a construction company to a leading listed specialist infrastructure investor. Between 1997 and 1999 he worked as an associate director at Macquarie Bank in London and prior to that was chief executive officer of the City of Melbourne, Australia. His earlier career was spent at the Greater London Council and working for a range of community and voluntary sector groups.

2. 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 and Roads Infrastructure India are wholly owned subsidiaries of Infrastructure India HoldCo that were incorporated to make what is expected to be the Company's initial investments.

Infrastructure India HoldCo will be managed by its board of directors, which will comprise of Rupert Cottrell in addition to 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 both Power Infrastructure India and Roads Infrastructure India comprises of 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.

3. THE INVESTMENT ADVISER

Investment Adviser

Bloomsbury Asset Management Advisors, the Investment Adviser, is incorporated in Mauritius. Under the Investment Advisory Agreement, the Investment Adviser has agreed to provide investment advice to Infrastructure India HoldCo to assist it in identifying, structuring and monitoring investments and advising on exit strategies in respect of the Group's investments.

The management team of the Investment Adviser comprises:

Gary Neville, Chief Executive Officer (aged 51)

Gary was previously a main board director of John Laing plc – one of the largest publicly quoted infrastructure investors in the UK at the time – and was senior portfolio director with the responsibility of managing and growing the John Laing infrastructure asset portfolio during the period that the company was transformed from a construction company into an infrastructure investor. Gary joined John Laing in 2001 and left in 2007 after overseeing its sale to Henderson for approximately £1 billion. John Laing plc delivered approximately 45 per cent. IRR for investors from October 2001 to the date of its acquisition. Gary was also the chief executive officer of John Laing Capital Management Ltd (an FSA authorised fund management entity). Gary has a project finance and accountancy background and is an FSA approved person.

Tim Cavanagh, Non-executive Director (aged 40)

Tim was appointed as COO for Kaupthing Bank's Global Investment Banking activities in February 2007. Prior to joining Kaupthing Bank he held various positions during a nine year career at Deutsche Bank,

latterly as COO for Investment Banking in Asia. Earlier in his career Tim spent time within the fixed income and derivatives business at Citigroup and also as a management consultant.

Tim graduated in 1991 from London University with a BEng in geological engineering.

Nimar Sehmi, Executive Director (aged 29)

Nimar was a senior portfolio manager at John Laing for the past 4 years and brings with him experience and knowledge of PFI, PPP and other infrastructure investment activity. Nimar initially focused on portfolio management activities but more latterly specialised in the refinancing and restructuring of projects to improve financial efficiency and shareholder value. As the senior portfolio manager he was responsible for managing and reporting the portfolio valuation to internal and external stakeholders.

Nimar began his career at WS Atkins in 2001 working as a management consultant, primarily focusing on financial advisory for infrastructure clients. Clients included, amongst others, Ofwat, Evras Holding and Transport for London. He is an FSA approved person and is a Chartered Financial Analyst (CFA). He holds a Masters in Engineering from the University of Cambridge.

Natalia Poupard, Associate (aged 30)

Natalia was previously a senior portfolio analyst at John Laing and has six years of banking (retail & investment) and PPP/PFI experience. Whilst at John Laing, she worked within project and portfolio finance on secondary market transactions, refinancings and portfolio valuations of more than 50 assets in transport, accommodation and regeneration PPP/PFI sectors across the world. She is an FSA approved person, a Member of the Securities Institute and holds an MBA in Finance from CEU Graduate School of Business.

Bridge Capital Realty Pte. Ltd (Singapore) (“BCR”) and its subsidiaries

The Investment Adviser has entered into an agreement with Cornerstone, a subsidiary of BCR, and has access to the experience and expertise of BCR and its subsidiaries (“the BCR Group”). The Investment Adviser has subcontracted to Cornerstone the provision of some services to assist the Investment Adviser in meeting its obligations under the Investment Advisory Agreement.

BCR is an independent financial services firm with a team of 7 professionals and is focused on Indian real estate and infrastructure asset management.

BCR has specific experience in the infrastructure market in India and a network of contacts across the country. It has an established track record of deploying capital in India for large international investors. BCR has formed a joint venture with one of the top investment banks in the world to invest in industrial warehouses in India. The joint venture commits an initial equity capital investment of approximately US\$40 million (approximately £20.2 million) in India and is mandated to invest in a portfolio of industrial warehousing assets throughout India. The joint venture’s objective is to create maintainable profits for distributions to shareholders. The joint venture has already acquired a 49 per cent. stake in a South India based logistics company which owns and operates several warehouses in South India with a total of more than 1.15 million square feet of warehouse space.

Kaupthing Bank and PLL both have significant minority stakes in BCR.

BCR has demonstrated capability in originating deals in the infrastructure sector through its network of contacts. BCR’s team is comprised of qualified and globally experienced professionals with experience in capital raising and M&A.

Key individuals at BCR include:

Shiv Kumar

Shiv has 18 years’ experience in merchant banking, capital markets, wealth management across India and the Middle-East. His prior work experience includes Bank of America and Merrill Lynch International, Dubai. Shiv is a co-founder of Prime Securities, Hinduja Finance and Genesis International, Dubai. Shiv

holds a Bachelor of Commerce from HR College of Commerce (Bombay University) and an MBA from International Management Institute, New Delhi.

Manish Chandra

Manish has 18 years' experience in private equity, investment banking, business advisory and start-ups. Manish is a former 'Key Director' of US\$60m HSBC Private Equity (South Asia) Fund where he headed Portfolio Management, Investor Relations, Compliance and Finance. Previously he held CFO responsibilities at Nokia Mobile Phones (South Asia) and senior positions at Arthur Andersen, India and Pearl Group, UK. Manish holds a Bachelor of Commerce from SRCC, Delhi University and is a Chartered Accountant.

Vikram Jhunjhunwala

Vikram has 20 years' of experience in investment banking covering M&A, capital markets, restructuring and business advisory for MNC and Indian corporates. Previously he held senior positions at Coca Cola, Reliance, Ernst & Young, Star TV and ANZ Grindlays Bank. Vikram holds a Bachelor Degree in Engineering (Bangalore University) and an MBA from Stern School, New York.

4. INVESTMENT ADVISORY AGREEMENT

Infrastructure India HoldCo has entered into the Investment Advisory Agreement with Bloomsbury Asset Management Advisors, the Investment Adviser. Under the terms of the Investment Advisory Agreement, the Investment Adviser will be 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 must first approve any such investment and the Investment Adviser has no authority to enter into contracts or agreements on behalf of Infrastructure India HoldCo unless expressly authorised to do so by the board of Infrastructure India HoldCo. The Investment Adviser will also advise Infrastructure India HoldCo on the proposed disposal of investments.

The appointment of the Investment Adviser by Infrastructure India HoldCo is for an initial term of five years. After the initial term of five years from completion of the first investment made by the Group, the Investment Advisory 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 five year period. However, each of Infrastructure India HoldCo and the Investment Adviser has the right to terminate the Investment Advisory Agreement in the event of a material breach of the Investment Advisory Agreement by the other party, and if such breach is capable of remedy, has not been remedied within 30 days. Infrastructure India HoldCo is also entitled to terminate the Investment Advisory Agreement if there is a change of control of the Investment Adviser. The Investment Advisory 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 Investment Adviser ceases to hold the relevant licences or consents to enable it lawfully to carry out or perform the services required of it.

Under the Investment Advisory Agreement, the Investment Adviser is entitled to receive both an advisory fee and a performance fee. Further details of the fees payable under Investment Advisory Agreement are contained in paragraph 7 of this Part II. Infrastructure India HoldCo will also reimburse the Investment Adviser in respect of reasonable and properly incurred out of pocket expenses incurred by the Investment Adviser in carrying out its duties under the Investment Advisory Agreement subject to the prior consent of Infrastructure India HoldCo for individual item expenses of £500 or more.

Under the Investment Advisory Agreement, the Investment Adviser has agreed it will not without the prior consent of Infrastructure India HoldCo, at any time before the earlier of the date on which the proceeds of the Placing are Substantially Invested and 31 December 2009, undertake any advisory services for any other client investing in, or intending to invest in, any opportunities which would fall within the investment policies of the Group. Subject to this restriction and to the conflicts management arrangements described in paragraph 10 of this Part II, the services of the Investment Adviser under the Investment Advisory Agreement are not exclusive and the Investment Adviser is free to render similar services to others. However, the Investment Adviser may not provide services to investment funds whose primary purpose is to invest in the sectors covered by the Company's investment policy or which are identifiable competitors of the Group in such sectors.

The Investment Advisory Agreement identifies the key personnel necessary to perform the Investment Adviser's duties under the agreement. In the event that any such key personnel (if such personnel number three or less) or a majority of such key personnel (if such personnel number four or more) are unable to perform their duties Bloomsbury Asset Management Advisors shall promptly inform Infrastructure India HoldCo, and within 30 days propose a replacement key person. If Bloomsbury Asset Management Advisors fail to propose such replacement, or Infrastructure India HoldCo, (acting reasonably), does not approve such replacement, Infrastructure India HoldCo has the right to terminate the agreement.

The Investment Advisory Agreement contains an indemnity from Infrastructure India HoldCo in favour of the Investment Adviser against actions, proceedings, claims, demands and liabilities arising out of the proper performance of the Investment Adviser's duties except insofar as the same may result from the negligence, wilful default or fraud of the Investment Adviser, its associates or delegates or any of its or their directors, employees and agents.

5. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and intend to comply with the Combined Code to the extent that they consider it appropriate having regard to the Company's size, stage of development, activities and resources.

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

Audit Committee

The Audit Committee comprises Timothy Walker (as Chairman) and Prodaman Sarwal. The Audit Committee will meet at least twice a year and will be 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 intend to have a remuneration or nomination committee. The Board, excluding any executive directors who may be appointed, as a whole will be responsible for reviewing the scale and structure of the remuneration of the 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 will operate a share dealing code governing the share dealings of the Directors and of the directors and senior employees of the Investment Adviser during close periods and which is in accordance with the Model Code. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the share dealing code by the Directors.

6. FINANCIAL REPORTING

On a semi-annual and annual basis, the Company will produce consolidated accounts for the Group prepared in accordance with IFRS. These accounts will reflect the Company's NAV. The consolidated accounts will fully consolidate those 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.

Under the Disclosure and Transparency Rules the Company must publish its annual report no later than four months after its year end. Half yearly reports must be published no later than two months after its half year end. The Disclosure and Transparency Rules also require interim management statements to be produced during each half year period.

7. FEES

Directors' Fees

Pursuant to the letters of appointment described in paragraph 8 of Part XI of this document Rupert Cottrell will receive a 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) a fee of £50,000, for their services together with 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 will receive an additional £10,000 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.

Advisory Fees

The Investment Adviser will be paid an advisory fee of 2 per cent. of the funds invested by the Group. This advisory fee is only payable on monies actually invested in projects (and not in respect of any cash or cash equivalent investments). The fee is payable quarterly in advance and will be calculated by reference to the value of the investment at the time that the investment is made and not by reference to any revaluation of the investment.

Performance Fee

The Investment Adviser will also receive a performance fee provided that a cumulative rate of return of 10 per cent. per annum has been achieved on the Net Proceeds of the Placing. 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 the Investment Adviser as a performance fee. In respect of a return of above 12 per cent. per annum, the Investment Adviser will receive a performance fee of 20 per cent. of such return. Further details on the performance fee are set out in paragraph 10(b) of Part XI of this document.

Fees of the Administrator

Further details on the fees payable to the Administrator are set out in paragraph 8 below.

8. 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 will receive 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 will be paid a fee based upon the number of account holders of not less than £7,500 per annum for maintaining the share register together with a deal fee for each Shareholder transaction.

Further details of the Administration Agreement and the Registrars Agreement are set out in paragraphs 10(c) and (d) of Part XI of this document.

9. TREASURY MANAGEMENT

The Board will set and continually review the treasury management policy of the Company.

The Company's principal bankers shall be a major international bank, which has offices both in the Isle of Man and Mauritius. Accounts will be opened with at least one other bank for the purpose of risk spreading but solely for placing cash on deposit.

The Administrator will manage the day to day administration of surplus cash in conjunction with the major international bank in accordance with guidelines agreed with the Board.

Cash will be held primarily in Sterling.

There is no immediate requirement to undertake any hedging or forward foreign exchange contracts but this will be 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.

10. CONFLICTS MANAGEMENT

The Investment Adviser may from time to time act for other clients who have similar or different investment objectives and policies to those of the Group. However, under the Investment Advisory Agreement, the Investment Adviser has agreed not to advise any other funds investing in, or intending to invest in, any investment opportunities which would fall within the investment policies of the Company until the earlier of the date on which the Company is Substantially Invested, and 31 December 2009. Circumstances may arise thereafter where investment opportunities will be available to the Company which are also suitable for one or more other clients of the Investment Adviser. In respect of any such investment opportunity, the Investment Adviser will refer such opportunity to the Group but may refer such opportunity to other potential investors if it has been rejected by the Group or if it is not consistent with the Company's investment policy.

In the event the Board becomes aware that any Director, any director of a Group company or the Investment Adviser has an economic interest in any material contract entered into by the Group, the Board will put 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 the Infrastructure India HoldCo board.

PART III

PLACING AND ADMISSION

1. THE PLACING

Pursuant to the Placing, Kaupthing has conditionally placed 36,700,000 Placing Shares, at 100 pence per share and 7,340,000 Warrants. As part of the Placing, Kaupthing Bank has agreed to the conversion of £9,570,500 of its outstanding loan to the Company into 9,570,500 Ordinary Shares. Kaupthing Bank has also agreed to waive the £75,000 structuring fee under the loan facility in consideration of the issue of 1,914,100 Warrants by the Company. In addition £3,834,363, being the balance of the loan, will be repaid from the proceeds of the Placing. The Placing is expected to raise approximately £36.7 million (£32.9 million net of expenses). Details of the Warrants are set out in Part IX of this document. The total fees and expenses expected to be incurred in respect of the Admission and Placing are estimated to be approximately £3.8 million.

The Company, the Directors, Smith & Williamson, Kaupthing Securities Inc. and Kaupthing have entered into the Placing Agreement pursuant to which Kaupthing has agreed, subject to the fulfilment of certain conditions, to use its reasonable endeavours to procure subscribers who are not US Persons for the Placing Shares and the Warrants in the Non-US Placing at the Placing Price and Initial Purchaser has agreed, as principal, to subscribe for Placing Shares and Warrants pursuant to the terms of the Placing Agreement and to sell such Placing Shares and Warrants to Placees in the US Placing who it reasonably believes (and who have certified in writing that they are) Qualified Institutional Buyers and Qualified Purchasers. The issue of the Placing Shares and the Warrants is conditional, *inter alia*, upon Admission and the Placing Agreement becoming unconditional in all respects.

The Placing is conditional on, *inter alia*, Admission occurring on or before 30 June 2008.

The Placing Agreement contains provisions entitling Smith & Williamson and/or Kaupthing and/or Kaupthing Securities Inc. to terminate the Placing Agreement in certain circumstances prior to Admission (including certain “*force majeure*” events). If this right is exercised, the Placing Agreement will lapse and any monies received in respect of the Placing will be returned to the Investors without interest. The Placing Agreement also contains certain warranties and indemnities from the Company and certain warranties from the Directors to Smith & Williamson, Kaupthing Securities Inc. and Kaupthing.

Allocation and pricing

All Placing Shares issued pursuant to the Placing will be issued at the Placing Price which has been determined by Kaupthing and the Initial Purchaser after consultation with the Company. Placees will also receive 1 Warrant for every 5 Placing Shares subscribed and, at the discretion of the Directors who will take into account the recommendations of Kaupthing, a number of BAMA Shares, except that the BAMA Shares will not be transferred to Persons who acquire Placing Shares in the US Placing. Following Admission, the Placing Shares and the Warrants will be traded separately. No application is being made for the BAMA Shares to be listed or admitted to trading on any stock exchange and these shares will be transferable independently.

The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares.

Further details of the Placing Agreement are set out in paragraph 9 of Part XI of this document.

Details of the Warrants and the BAMA Shares are set out in Part VIII and paragraph 9 of Part XI of this document respectively.

The Directors have agreed that for so long as Kaupthing is broker to the Company, they will not make any disposal of Ordinary Shares otherwise than through Kaupthing and in such orderly manner as Kaupthing may reasonably require.

2. ADMISSION, DEALINGS AND CREST

Application has been made to the UKLA and the London Stock Exchange for all of the Ordinary Shares and Warrants to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will take place and that dealings on the London Stock Exchange will commence at 8.00 a.m. on 30 June 2008.

Application has been made to permit Ordinary Shares and the Warrants to be settled through CREST with effect from Admission. CREST is a paperless settlement procedure enabling title to securities to be evidenced otherwise than by a certificate and transferred other than by a written instrument. The Articles permit the holding of Ordinary Shares in uncertificated form in the CREST system. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain a share certificate will be entitled to do so.

Should Shareholders wish to hold Ordinary Shares in CREST, they will need to follow the requisite CREST procedures for the dematerialisation of their shareholding.

Should Warranholders wish to hold Warrants in CREST, they will need to follow the requisite CREST procedures for the dematerialisation of their Warrants.

It is expected that definitive share certificates and warrant certificates will be dispatched by first class post to those Shareholders and Warranholders whose entitlements are to be dealt with outside CREST at the risk of the person entitled thereto by 14 July 2008 or as soon thereafter as is practicable and that the CREST accounts in respect of those Shareholders who have requested that their entitlements be dealt with inside CREST will be credited on or before 30 June 2008.

Placees (and transferees of Placees) who are US Residents agree to hold their Ordinary Shares and Warrants (and Ordinary Shares issued on exercise of Warrants) in certificated form.

3. USE OF PROCEEDS

It is intended that the Net Proceeds will be applied in accordance with the investment policy of the Company as set out in this document.

In the absence of unforeseen circumstances, the Company anticipates that the Net Proceeds should be fully invested within 12 to 18 months of Admission.

PART IV

BACKGROUND TO THE INDIAN INFRASTRUCTURE MARKET

Certain information from this section has been sourced from third parties. The Company believes that this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Unless otherwise stated, the information has been sourced from the Investment Commission of India website, the Committee on Infrastructure (India) website, various Indian Government websites, the the U.S. Government's Central Intelligence Agency website, World Bank report "India Inclusive Growth & Service Delivery: Building on India's Success" and BMR Advisors "India Budget 2008: Impact on Infrastructure sector" article.

Background Information on India

Government:	Democratic Republic
Head of State:	President, 5 year term
Land Mass:	3.29 million Km sq
Capital City:	New Delhi
Population:	1.12 billion (as at October 2007)
GDP:	US\$2.97 trillion (approximately £1.51 trillion) (£1,377 per capita) (2007 estimate)
Currency:	Rs. 82.375 = £1 at 12 May 2008

India has recognised knowledge-based industries, natural resources and mainstream industries. As per capita income grows, fuelling domestic consumption, and exports continue to increase, the Indian economy is expected to sustain high levels of growth in the years ahead. The Directors believe that this environment of economic growth and the consequent need for expansion capital should provide the opportunity for attractive risk adjusted rates of return on unquoted investments in India. The demographic dependency rate in India is falling whereas in most industrialised countries, including China, it is rising. The presence of a skilled young population in an environment where investment is expanding and the industrial world is aging could be a major advantage, although the Government recognises that it can only reap this potential demographic dividend through the investment in human resource development and skills formation.

Indian economy

In India, fiscal years end on 31 March and five year macro economic planning cycles are adopted by the Government for the relevant year ending 31 March. The 9th plan covered the period 1997-2002, the 10th plan covered the period 2002-2007 whilst the 11th and 12th plans cover the periods 2007-2012 and 2012-2017, respectively.

The GDP growth rate for the 9th plan averaged 5.5 per cent. per annum and was 7.2 per cent. per annum on average for the 10th plan period. The target for both the 11th plan and the 12th plan is for an average GDP growth of 9 per cent. At the end of the 9th plan foreign exchange reserves stood at US\$54.2 billion (approximately £28 billion) and this figure had grown more than threefold to US\$165.3 billion (approximately £84 billion) by the end of the 10th plan period.

The Planning Commission recognises not only that a key element of the inclusive growth anticipated in the 11th plan is the provision of basic social facilities such as health, water education, power and transport but also the critical role the private sector has to play in achieving the objectives of faster and more inclusive growth. The Planning Commission has indicated that a major constraint on achieving faster growth is the inadequacy of the country's physical infrastructure, citing roads, railways, ports, airports, communication and, above all, power supply as not being of comparable standards prevalent in competitor countries and it has specifically stated that the development of infrastructure is accorded high priority in the 11th plan.

This has translated into preliminary estimates that infrastructure investment will need to increase from 4.6 per cent. of GDP to around 8 per cent. of GDP during the 11th plan period. The Planning Commission recognises that even if the public sector is able to achieve its ambitious targets, the required investment of

US\$488 billion (approximately £249 billion) in infrastructure is only possible if there is a substantial expansion in private sector investment. The share of private sector participation in total infrastructure investment is expected to be around 30 per cent. According to the Planning Commission, in some sectors private sector contributions are expected to be far higher, such as for ports and airports. If these initiatives succeed, India will deliver a large programme of Public Private Partnerships (PPP), even by international standards.

Assuming the average GDP growth target of 9 per cent. is achieved, the Planning Commission estimates investment in infrastructure under the 12th five year plan would be in the order of US\$989 billion (approximately £504 billion) which would imply a total requirement in the infrastructure sector of approximately US\$1,477 billion (approximately £754 billion) over the 10-year period of the 10th and 11th year plans. In order to encourage foreign investment the government has set up a provision of viability gap funding and in January 2006 the Government set up a SPV called the India Infrastructure Finance Company Limited to help meet the long-term financing requirements of potential investors.

A further recent development demonstrating the Government's intentions is the setting up of a 'Committee on Infrastructure', which is under the chairmanship of the Prime Minister of India. It has been constituted with the objectives of:

- initiating policies that ensure time-bound creation of world class infrastructure;
- developing structures that maximise the role of public-private partnerships in the field of infrastructure; and
- monitoring progress of the infrastructure projects to ensure that established targets are realised.

The Committee on Infrastructure has estimated the investment requirements for some of the key infrastructure sectors to be achieved by 2012. These include: Rs. 220,000 crore (approximately £27.0 billion) for modernisation and upgradation of highways; Rs. 40,000 crore (approximately £5.0 billion) for civil aviation; and Rs. 50,000 crore (approximately £6.0 billion) for ports.

The growth of the Indian economy has created demand on India's infrastructure which the current Government recognises. The Directors believe that Government reforms including the development of Model Concession Agreements (standardised contract documents that spell out the guiding terms for large infrastructure projects operated by private parties) for PPPs, have created an increasingly supportive environment for private participation in infrastructure development and that the Government has an articulated strategy to meet the 11th plan objectives.

The Directors believe that the increasing rate and nature of change in the Indian economy indicates that the timing could be appropriate for entry into the Indian infrastructure sector.

Foreign direct investment

Trade liberalisation began in India in the early 1980's but following the balance of payments crisis in 1991 the growth of foreign trade increased. In 1991, the FDI policy was relaxed to allow automatic approval of up to 51 per cent. ownership in 34 industry sectors. This has now been expanded to 100 per cent. in most sectors, including for investments into roads, power and greenfield and existing airports.

The average level of annual FDI for the 9th plan was US\$3.7 billion (approximately £1.9 billion) and this was on average US\$5.7 billion (approximately £2.9 billion) for the first four years of the 10th plan. The 11th plan envisages a reasonable target for FDI being three times this amount.

Private sector involvement

To meet its targets the government expects the private sector to contribute a share of about 30 per cent. by actively pursuing solutions, including PPPs.

Private sector involvement is increasing through a combination of:

- PPPs actively being encouraged;

- the creation of a standardised framework for PPPs;
- the PPP Appraisal Committee being established to accelerate PPP proposals;
- allowance of FDI in key sectors without prior government and/or RBI approval; and
- special economic zones (“SEZs”) being established (settling fiscal benefits and pre-approved consents in specific areas).

Infrastructure

The macro economic context

The macro economic context for investing in the Indian infrastructure market is supported by the following facts:

- by 2012, US\$488 billion (approximately £249 billion) (at current prices) needs to be spent on improving roads, ports, railways, water systems and power;
- according to India’s 11th five year plan, US\$177 billion (approximately £90 billion) is to be invested into the energy sector between 2007 and 2012;
- the Government envisages that investment in infrastructure will need to increase from 4.6 per cent. of GDP in 2005/2006 to 8 per cent. by 2011/12;
- infrastructure bottlenecks are emerging as the single most important constraint on the Indian economy; and
- average energy shortfall in India is 7 per cent. and peak demand shortfall is 12 per cent.

India’s 11th five year plan (from 2007)

In infrastructure terms, India’s 11th 5 year plan (from 2007) proposes targets to:

- ensure electricity to all villages by 2009;
- provide round the clock power for all by the end of the plan;
- provide clean drinking water for all by 2009;
- ensure all-weather road connection to all habitation with a population of 1,000 and above by 2009 and ensure coverage of all significant habitation by 2015;
- treat all urban waste water by 2011/12 to clean river waters; and
- increase energy efficiency by 20 per cent. by 2016/17.

Energy

India has the fifth largest electricity generation capacity in the world but its consumption is less than half that of China. There is a gap currently between demand and supply and over 90,000 MW of new generation capacity is required each year for the next seven years. This is more than the 78,000 MW of new generation capacity that is planned in the same period. The Government is estimating a total investment opportunity into energy of US\$177 billion (about £90 billion) between 2007 and 2012. Based on these projections, the Planning Commission anticipates about 76 per cent. of the investment to come from the public sector with the balance of 24 per cent. representing private sector participation.

A further example of the Government’s willingness to develop infrastructure is the ambitious mission set out by the Ministry of Power of ‘power for all by 2012’. The target requires an increase in the generation capacity to at least 210,000 MW by 2012, from the present level of 114,000 MW. There is over 150,000 MW of hydro power that is yet to be utilised in India.

In terms of the energy sector in India:

- 100 per cent. FDI is now permitted in generation, transmission and distribution (this excludes atomic energy); and
- income tax holidays are available for 10 of the first 15 years of operation.

Roads

India has a road network aggregating to 3.34 million kilometres. Roads carry 65 per cent. of freight and 80 per cent. of passenger traffic. However, national highways and expressways constitute only 2 per cent. of all roads and carry 40 per cent. of the road traffic.

It is estimated that annual growth of road traffic will be 12–15 per cent. until 2012 for passenger traffic and 15–18 per cent. for freight traffic. Approximately US\$89 billion (approximately £45 billion) of investment is expected to be required by 2012. Under the National Highway Development Programme approximately 49 per cent. of the total required investment is projected to be invested in national highways with 37 per cent. to be invested in state roads and the balance in rural and North-East Indian roads. The Planning Commission projects that private investment in the roads sector during the 11th plan will be at a level of 36 per cent. The Government has recognised that the development of the roads is essential to sustain India's economic growth.

In terms of development in relation to roads in India:

- 100 per cent. FDI is permitted;
- income tax holidays are available for 10 years;
- Model Concession Agreements are in use to accelerate road PPP; and
- road-building equipment can be imported duty free.

Civil Aviation & Airports

At present, India has more than 450 airports and airstrips.

Passenger traffic is expected to grow by 15 per cent. until 2010 and freight traffic is expected to grow by 20 per cent. per annum over the same period. In 2010 it is expected that 145 million people will travel through India's airports. The government is taking steps to increase private participation in the airports to take advantage of India's demographic position and rapid growth in international travel.

Under the 11th plan, the Planning Commission expects that the total investment in the civil airports sector will amount to Rs. 409 billion (approximately £5 billion) with 61 per cent. of the investment to be provided by the private sector and the balance of 39 per cent. by the public sector.

In terms of development in relation to airports in India:

- 100 per cent. FDI is permitted for both greenfield airports and existing airports. FIPB approval is required for FDI beyond 74 per cent., subject to sectoral regulations of the Indian Ministry of Civil Aviation;
- 74 per cent. FDI is permitted for cargo airlines, non-scheduled airlines and chartered airlines;
- 100 per cent. tax exemption for airport projects for a period of 10 years; and
- 'Open Sky' policy of the Government and rapid air traffic growth have resulted in the entry of several new privately owned airlines and increased frequency/flights for international airlines.

Ports

India has 12 major ports and about 187 minor ports along 7,517 km of Indian coastline. The aggregate capacity of the major ports has increased from 20 million tonnes per annum in 1951 to 504.75 million tonnes per annum as at 31 March 2007.

It is anticipated that cargo handling in major ports will grow at 7.7 per cent. per annum until 2011–2012, by which time annual traffic is estimated to reach 800 million tonnes. Between 2007 and 2012, the total investment to be spent on development of major ports is expected to be Rs. 869 billion (approximately £10 billion), with 64 per cent. or approximately £6.8 billion being invested in the major ports and the balance of 36 per cent. or approximately £3.8 billion on the development of minor ports. The Planning Commission recognises that 74 per cent. of the total investment in the ports sector will have to be ensured by the private sector and the balance of 26 per cent. by the public sector.

In terms of the development of ports in India:

- 100 per cent. FDI is permitted for port development projects;
- 100 per cent. income tax exemption for a period of 10 years;
- Tariff Authority for Major Ports regulates the ceiling for tariffs charged by major ports/port operators (only for major ports); and
- The National Maritime Development Programme (NMDP) has set out the vision and strategy for development of India's ports until 2025.

PART V

EXISTING AND POTENTIAL INVESTMENTS

Existing investments

The Shree Maheshwar Project

The Shree Maheshwar Project is part of the Narmada Valley Development Plan that entails the construction of 29 large and 135 medium-sized dams in the Narmada Valley. The Narmada, the 5th largest river in India with a length of 1,312 kms, flows through the Madhya Pradesh, Maharashtra and Gujarat states before joining the Arabian Sea.

Other projects developed as part of the Narmada Valley Development Plan include the 1000MW (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 had a project cost of Rs. 43 billion (approximately £522 million) and was completed in March 2005. The Omkareshwar project, situated on Narmada river 40km upstream of the Shree Maheshwar project, has also been completed.

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 peaking station for the western grid which suffers a shortage of peak 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. SMHPCL is entitled to receive payment from MPEB for energy generated from the Shree Maheshwar Project on the basis of unit capital cost. The electricity purchase price is to be determined in accordance with the Central Electricity Regulatory Commission's guidelines.

Construction commenced in October 1997. However, the construction was interrupted between October 2001 and October 2005 due to lack of funding causing SMHPCL to default under its loan agreements and requiring it to restructure its debt under a financial restructuring plan. The project also faced, and continues to face, opposition from Indian human rights and environmental protest groups concerned with the rights and grievances of displaced persons. Other hydro-projects in the area have received similar opposition. Upon the reinstatement of the construction works in late 2005, a revised R&R plan was reached, with MPEB continuing to be engaged to carry out the R&R works pursuant to an agreement entered into in 1997. 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 15 amenities to meet local requirements including water, electricity, a primary school and sanitary arrangements. Some villages have already been resettled and SMHPCL is required to complete the rehabilitation process six months before the project is commissioned. SMHPCL 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 hydro turbine generator and also to enable SMHPCL to comply with the commercial operation date for the project as a whole. SMHPCL has informed the Directors that necessary work in connection with the R&R can be completed prior to the 2009 monsoon and targeted submergence date.

The project is now in the final stages of construction and the management of SMHPCL have informed the Directors that the project is on schedule for delivery of the first 40MW turbine, which is expected to be operational by June 2009, and one additional turbine to become operational every month thereafter until April 2010, which is expected to be the commissioning date for the project as a whole. The total estimated project cost is approximately Rs. 26.7 billion (approximately £324 million) and 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 remain the same. The project is expected to be one of the largest privately owned hydroelectric projects to be commissioned in India within the next two years. It will consist of a concrete barrage just over 1,000 metres long, comprising both a spillway and power generation dam.

SMHPCL has contracted with leading construction and equipment companies to design and construct the project and electrical equipment. Contractors include Bharat Heavy Electricals Limited ("BHEL"), one of the largest engineering and manufacturing companies in India in the energy-related/infrastructure sector, to provide the electro-mechanical 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 the 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 1.6m people (2001 Census), the town of Mhow and surrounding areas. This GoMP water supply project, which has an approximate total cost of Rs. 7.5 billion (approximately £91 million), will double the existing supply capacity from 180 million litres per day ("MLD") to 360 MLD to meet the increasing demand, and is financially supported by the Asian Development Bank.

Pursuant to the Share Subscription Agreement, further details of which are set out in paragraph 10(g) of Part XI of this document, the Group has acquired a 20.5 per cent. equity interest (which is expected to adjust to between 6 and 7 per cent. after dilution effects, as explained below) 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, 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. The Group has an option to invest a further Rs. 1.1 billion comprising subscription and guarantee fee components in the same amounts and thereby increasing its shareholding in SMHPCL, provided that the investment is made within 75 days of completion of the Group's initial investment, which occurred on 9 June 2008. The minimum IRR guarantee will extend to such further investment. Additionally, there is potentially the opportunity for the Group to make a further investment into this project before the end of 2008.

Pursuant to a facility letter, further details of which are set out in paragraph 10(i) of Part XI of this document, the Company received a bridging debt facility from Kaupthing Bank which enabled it to purchase its initial interest in SMHPCL.

Pursuant to the facility letter, Kaupthing Bank agreed to make available to the Company a fully drawn facility of up to £14.5 million. The facility must be repaid in full on (or within 3 business days of) Admission, in cash or by the issue and allotment of such number of Ordinary Shares at the Placing Price to Kaupthing Bank as is equal to the amount of the then outstanding facility (in such proportions as are agreed by the Company and Kaupthing Bank). Under the facility letter, the Company has provided an undertaking to Kaupthing Bank that it will not create any further security over its assets and its subsidiaries will also not create any further security over their assets.

The calculation of dilution that results in the Group's interest in SMHPCL being diluted down to a holding of what is currently expected to be between 6 and 7 per cent. is based on the following:

- (a) the total issued share capital of SMHPCL immediately following the Group's investment is 244,000,000 shares of 10 Indian Rupees each, of which 50,000,000 are held by the Group;

- (b) the position represented to the Company is that only 2,025 of those 3,110 Optionally Fully Convertible Debentures issued by SMHPCL, where holders have retained their rights of conversion, may exercise such rights. These 2,025 OFCD's are all held by Yes Bank. In relation to the 1,085 OFCDs held by persons other than Yes Bank where the holders have retained their rights of conversion, SMHPCL believes that for commercial reasons it is unlikely that those holders will exercise their conversion rights. The exercise of 2,025 OFCDs would result in approximately 179,000,000 shares being issued by SMHPCL assuming conversion occurs one year after the date of allotment of relevant OFCD's;
- (c) that in accordance with SMHPCL's estimate, 18,000,000 shares may be issued to the Government of Madhya Pradesh in consideration for the transfer of certain parcels of land and other assets transferred to SMHPCL in connection with the project;
- (d) that following completion of the Company's initial subscription for shares in SMHPCL, a further 361 crore of equity will be required to be issued by SMHPCL in order for the project to be completed. This figure is based on SMHPCL's estimate of the balance of capital expenditure required for the project. 361 crore of equity represents 361,050,000 shares in SMHPCL;
- (e) that none of the lenders to SMHPCL having rights to convert a proportion of their loan into shares of SMHPCL (as described in paragraph 7(k)4 of Part VIII of this document) or GoMP pursuant to its option to subscribe to equity shares in SMHPCL (as described in paragraph 7(l) of Part VIII of this document) exercise such rights.

Attention is drawn to paragraph H.14 of the Risk Factors, which highlights certain risks of dilution of existing shareholders' interests in SMHPCL.

As noted above, the SMHPCL investment has been structured to deliver a minimum IRR to the Group of 15 per cent. per annum. Pursuant to share pledge agreements, further details of which are set out in paragraphs 10(i) and (j) of Part XI of this document, the Group is able to increase its shareholding in SMHPCL by up to 60 per cent. of the Group's holding 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.

Potential investments

The information set out below on the investment pipeline outlines potential projects which the Company is considering exploring further. As at the date of this document, neither the Company nor the Investment Adviser has carried out a thorough due diligence exercise in relation to these potential investments and accordingly there can be no certainty that any of the potential investments set out below will be made, or that if such investments are made, the final terms of such investments will reflect the descriptions set out below.

Portfolios of roads

The Company has examined and been invited to bid for several portfolios of assets comprising roads and highways in operation, construction and development. It is presently in negotiation for some of these opportunities. In line with the Company's investment focus, the Directors believe that investments in such portfolios of assets will form a core part of the Company's investment activity in the near future. The counterparties with which the Company is currently in discussion are typically those involved in large civil engineering construction project such as roads and highways. The Company is seeking to work with those counterparties with proven track records of project execution.

The Company is examining investment opportunities in portfolios which typically have fully or nearly constructed projects in conjunction with other earlier stage projects or those in the bidding phase.

Existing projects within potential portfolios are either toll or annuity based and are typically part of either the national or state highway networks of India. The Company is only seeking investments where the counterparty is the majority owner in the road assets.

The Company has been invited to make an offer for a minority stake in one particular project, which the Directors believe is indicative of the typical investments it will seek to make in this sector of circa Rs. 1 billion (approximately £12 million).

Four lane highway

The Company is currently bidding with PLL, one of the major engineering companies in India, for a project to design, build, finance, maintain and operate a 163 km 4-lane road of the Panikoli-Rimuli section of national highway on a BOT basis. The project is tendered in the state of Orissa under Phase III of the National Highway Development Project. The project's estimated cost is approximately Rs. 11 billion (approximately £135 million). The Company may potentially invest up to Rs. 1.6 billion (approximately £19 million) in this opportunity.

PLL carries out construction work in four major business segments – oil & gas (pipelines, tankages and process facilities), infrastructure projects (transportation, industrial and urban infrastructure), power (captive power projects) and telecommunications (broadband). In the transport sector, PLL has completed 18 highway projects representing over 1,200 km of roads. PLL currently has around 120 clients, with more than 180 projects in over 14 countries. PLL's shares are listed on both the National Stock Exchange of India and the Bombay Stock Exchange.

Identified projects

The Company has signed a number of non-binding memoranda of understanding and non-disclosure agreements with construction, renewable and engineering companies in India. The Investment Adviser has identified further opportunities which would require in aggregate up to Rs. 8.5 billion (approximately £103 million) equity investment before the 2008 year end and these are summarised in the table below.

Progress on the evaluation of these opportunities is at various stages, and any of these may or may not be pursued to closing. However, the Directors believe that this list is indicative of the type of projects in which the Company intends to invest the proceeds of the Placing.

<i>Sector</i>	<i>Sub-sector</i>	<i>Asset</i>
Transport	Air transport	Airport
Transport	Air transport	Airport
Energy	Renewables	Fuel Production
Energy	Transmission	Gas transmission
Energy	Thermal	Thermal coal power plant
Transport	Logistics	Warehousing facilities

PART VI

FINANCIAL INFORMATION ON THE COMPANY

Section A: Accountant's Report on historical financial information on the Company

The Directors
Infrastructure India plc
IOMA House
Hope Street
Douglas
Isle of Man IM1 1AP

Dear Sirs

Infrastructure India plc (the 'Company')

We report on the financial information set out on pages 72 to 75. This financial information has been prepared for inclusion in the prospectus dated 24 June of the Company on the basis of the accounting policies set out in note 2. This report is required by Paragraph 20.1 of Annex 1 of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS").

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph 23.1 of Annex 1 of the Prospectus Rules, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 24 June, a true and fair view of the state of affairs of the Company as at the date stated and of its changes in equity for the period then ended in accordance with the basis of preparation set out in note 1 and in accordance with Adopted IFRS.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

Section B: Historical Financial Information on the Company

The historical financial information set out below of the Company for the period from 18 March 2008 (date of incorporation) to 31 March 2008 has been prepared by the Directors of the Company on the basis set out in note 1.

Balance Sheet

as at 31 March 2008

	<i>Note</i>	<i>31 March 2008 £</i>
Current assets		
Trade and other receivables	3	1
Net assets		<u>1</u>
Equity attributable to equity holders of the Company		
Share capital	4	1
Total equity		<u>1</u>

Statement of changes in equity

for the period from 18 March 2008 (date of incorporation) to 31 March 2008

	<i>Note</i>	<i>Retained earnings £</i>	<i>Share premium account £</i>	<i>Share Capital £</i>
On incorporation		–	–	–
Share capital subscribed	4	–	–	1
At 31 March 2008		<u>–</u>	<u>–</u>	<u>1</u>

Income statement

for the period from 18 March 2008 (date of incorporation) to 31 March 2008

The Company has entered into no transactions that would require an entry in the income statement. Consequently an income statement has not been prepared.

Statement of cash flows

for the period from 18 March 2008 (date of incorporation) to 31 March 2008

A statement of cash flows has not been prepared as the Company had no cash transactions during the period.

Notes to the historical financial information

1. Basis of preparation

The Company was incorporated as Infrastructure India plc on 18 March 2008 in the Isle of Man under the Companies Acts 2006 with registration number 002457V. The Company's registered office is situated at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP.

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

The Company's accounting reference date is 31 March. The Company has not completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Isle of Man Registrar of Companies and no dividends have been declared or paid since its incorporation. The historical financial information was approved by the Board of Directors on 23 June 2008.

Save for entering into the agreements described in note 5, the Company has carried out no trading and the only transactions of the Company has been the issue of one ordinary share of £1.00 at a subscription price of £1.00 and the subsequent subdivision of this share into 100 Ordinary Shares each with a par value of 1p.

The historical financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS") and under the historical cost accounting rules. The historical financial information is presented in Pounds Sterling.

The preparation of financial information in conformity with Adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on the Directors' best judgment as to what is reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. There were no material judgements necessary in the preparation of this financial information.

2. Accounting policies

Share capital

Shares are classified as equity to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

3. Trade and other receivables

On 18 March 2008, one ordinary share of £1.00 was issued and allotted as fully paid.

The amount remains due from the shareholder for the capital subscribed.

4. Called up share capital

	31 March 2008 £
The Company has no authorised share capital	—
<i>Allotted, called up and fully paid</i>	
Equity: 1 ordinary share of £1.00 par value	<u>1</u>

5. Subsequent events

Changes in share capital

The Company has entered into a conditional placing agreement pursuant to which 36,700,000 ordinary shares of 1p each in the capital of the Company (“Ordinary Shares”) will be issued for a consideration of £1 each together with 7,340,000 warrants (“Warrants”) upon the admission of the entire ordinary share capital of the Company and the Warrants to the Official List and to trading on the London Stock Exchange, resulting in gross proceeds to the Company of £36.7 million.

Acquisition of investments

On 9 April 2008, the Company acquired the entire issued share capital of Infrastructure India HoldCo, a Mauritius incorporated company, for a consideration of £1. Prior to its acquisition by the Company, Infrastructure India HoldCo had not traded.

On 9 April 2008, Infrastructure India HoldCo acquired the entire issued share capital of two Mauritius incorporated companies (Power Infrastructure India and Roads Infrastructure India, together the “Mauritius Subsidiaries”), at par for a total consideration of £2. Prior to their acquisition by HoldCo on 9 April 2008, neither of the Mauritius Subsidiaries had traded.

Acquisition of investment in associates

On 9 June 2008, through a Share Subscription Agreement, Power Infrastructure India completed the acquisition of a 20.49 per cent. equity interest (which interest may be subject to dilution as a result of the conversion of certain debts and debentures, and the issuance, without pre-emption rights, of shares in the investee company) in Shree Maheshwar Hydel Power Corporation Ltd (“SMHPCL”), for a total consideration of Rs. 1.1 billion (approximately £13 million).

Loan financing

On 25 April 2008 a facility letter from Kaupthing Bank was accepted by the Company, under which Kaupthing Bank agreed to make available to the Company certain credit facilities comprising a fully drawn facility (the “Facility”) of up to £14,500,000 for a period of 3 months from the date of draw down and thereafter subject to automatic renewal on each new Interest Period (as defined below) after the draw down date. £13,350,000 of the Facility was drawn down on 10 June 2008. On draw down, the Facility attracted a £75,000 structuring fee (the “Fee”). The Fee was to be immediately capitalised and added to the outstanding amount of the Facility but on 23 June 2008 was waived by Kaupthing Bank. Interest is charged at ten (10) per cent. per annum on the amount outstanding of the Facility (from time to time) and is payable (at the option of the Company or Kaupthing Bank) at the end of each 3 month period from the date of draw down (each such period, an “Interest Period”). If such interest is not paid quarterly, then all accrued but unpaid interest up to the end of that Interest Period will be capitalised and added to the amount of the Facility then outstanding. The Facility must be repaid in full on (or within 3 business days of) Admission in cash and/or by the issue and allotment of such number of Ordinary Shares at the Placing Price to Kaupthing Bank as is equal to the amount of the then outstanding Facility (in such proportions as are agreed by the Company and Kaupthing Bank). The Facility may be repaid at the option of the Company, having given at least thirty (30) business days prior written notice to Kaupthing Bank, at the end of each Interest Period and the method of repayment may be a mixture of cash and the issue and allotment of such number of Ordinary Shares at the

Placing Price to Kaupthing Bank as the Company and Kaupthing Bank may agree. Kaupthing Bank may call for the Facility to be repaid in full or in part by the issue and allotment of Ordinary Shares at the Placing Price to Kaupthing Bank by giving the Company not less than thirty (30) days prior written notice; such repayment occurring at the end of the relevant Interest Period. On each new Interest Period after draw down, the Facility will be automatically renewed unless either the Company or Kaupthing Bank have notified the other of its requirement that the Facility is either redeemed and/or converted (whether in part or in full, and in any part combination of redemption and conversion as agreed between the Company and Kaupthing Bank) and, failing such agreement, the Facility will be automatically renewed. Any such notice is required to be delivered at least 1 month in advance of each new Interest Period date. There are no early redemption or conversion fees associated with the Facility. The Facility is secured by way of a fixed and floating charge over the assets of the Company. Under the Facility Letter the Company has provided an undertaking to Kaupthing Bank that it will not create any further security over its assets and its subsidiaries will also not create any further security over their assets, until all liabilities to Kaupthing Bank, under the Facility, have been discharged.

Administration agreements

On 23 June 2008, the Company entered into an administration agreement with IOMA Fund and Investment Management Limited of Douglas, Isle of Man (“IOMAFIM”). Under this agreement, IOMAFIM will provide the Company with day to day administration and secretarial services.

On 23 June 2008, Infrastructure India HoldCo entered into an administration agreement with International Proximity Limited (the “Mauritian Administrator”). Under this agreement, the Mauritian Administrator will provide the Company with day to day administration and secretarial services, in respect of Infrastructure India HoldCo and its two subsidiary companies in Mauritius.

Investment Advisory agreement

On 23 June 2008, HoldCo entered into the Investment Advisory Agreement with the Investment Adviser. Under the terms of this agreement, the Investment Adviser will be responsible for identifying, structuring and monitoring investments and advising on exit strategies in respect of investments made by the Group. The Investment Adviser will also advise on the proposed disposal of investments.

The appointment of the Investment Adviser by Infrastructure India HoldCo is for an initial term of five years from completion of the first investment made by the Group. After the initial term of five years, the Investment Advisory 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 five year period.

Under the Investment Advisory Agreement, the Investment Adviser is entitled to receive both an advisory fee (2 per cent. per annum on monies actually invested in projects) and a performance fee depending on the returns generated from the investments.

Costs and fees

The costs incurred by the Company in connection with the proposed Placing and Admission will be charged to the share premium account arising on the proposed issue of Ordinary Shares in connection therewith.

The fee for the audit of the statutory financial statements, the annual Isle of Man Corporate Charge and other professional and legal costs in connection with the Placing and Admission will be included in the statutory financial statements for the period from 18 March 2008 (date of incorporation) to 31 March 2009 (the first accounting reference date).

PART VII

PRO FORMA STATEMENT OF NET ASSETS

UNAUDITED PRO-FORMA FINANCIAL INFORMATION

Section A: Accountant's Report on pro forma statement of net assets

The Directors
Infrastructure India plc
IOMA House
Hope Street
Douglas
Isle of Man IM1 1AP

24 June 2008

Dear Sirs

Infrastructure India plc

We report on the pro forma financial information (the 'Pro forma financial information') set out in Section B of this Part VII of the prospectus dated 24 June 2008, which has been prepared on the basis described on page 78, for illustrative purposes only, to provide information about how admission and investment, conditional upon admission (the "transaction") might have affected the financial information presented on the basis of the accounting policies to be adopted by Infrastructure India plc in preparing the financial statements for the period ending 31 March 2008. This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the Directors of Infrastructure India plc to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the

evidence supporting the adjustments and discussing the Pro forma financial information with the Directors of Infrastructure India plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Infrastructure India plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Infrastructure India plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

Section B: 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 associates (the “Group”) set out below has been prepared to illustrate the effect of the Placing and the initial investment in SMHPCL on the Group’s net assets as if these events had taken place on 31 March 2008. 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.

Unaudited pro forma statement of net assets

	<i>Company net assets as at 31 March 2008 £000 Note 1</i>	<i>Draw down of secured debt £000 Note 2</i>	<i>Initial investment in SMHPCL £000 Note 3</i>	<i>Net proceeds of the placing £000 Note 4</i>	<i>Repayment of secured debt £000 Note 5</i>	<i>Group unaudited pro forma net assets as at 31 March £000</i>
Non current assets						
Investments in associates	–	–	13,220	–	–	13,220
Total non current assets	–	–	13,220	–	–	13,220
Current assets						
Trade and other receivables	–	–	–	–	–	–
Cash and cash equivalents	–	13,350	(13,220)	23,343	(3,780)	19,693
Total current assets	–	13,350	(13,220)	23,343	(3,780)	19,693
Current liabilities						
Secured current debt	–	(13,350)	–	–	13,350	–
Total current liabilities	–	(13,350)	–	–	13,350	–
Total net assets	–	–	–	23,343	9,570	32,913

Notes:

- The Company net assets as at 31 March 2008 have been extracted without material adjustment from the financial information presented in Section B of Part VI of this document. No account has been taken of the results of the Company since this date.
- On 25 April 2008 a facility letter from Kaupthing Bank was accepted by the Company, under which Kaupthing Bank agreed to make available to the Company certain credit facilities comprising a fully drawn facility of £14,500,000 with interest charged at 10 per cent. £13,350,000 was drawn down on 10 June 2008 to finance the acquisition of the investment in SMHPCL. No account has been taken of the fees payable on this facility.
- On 9 June 2008 the Group completed the acquisition of a 20.49 per cent. shareholding in SMHPCL for which funds were transferred on 12 June 2008. It is assumed that the total cost of the investment is not impaired on consolidation.
- | | |
|---|---------------|
| Net proceeds of the placing | £000 |
| Gross proceeds from the placing | 36,700 |
| Ordinary shares not subscribed for in cash (see note 5 below) | (9,570) |
| Expenses associated with the placing | (3,787) |
| Cash and cash equivalents | <u>23,343</u> |
- Under the terms of the facility agreement, the method of repayment of the drawn down facility may be a mixture of cash and the issue and allotment of Ordinary Shares. Kaupthing Bank intend to waive £9,570,500 of the amount drawn down in exchange for the issue of 9,570,500 Ordinary Shares as part of the Placing. The balance of the drawn down facility will be settled in cash following the Placing.

PART VIII

INFORMATION ON SHREE MAHESHWAR HYDEL POWER CORPORATION LTD

Section A – Company Information

1. The Company

- 1.1 Shree Maheshwar Hydel Power Corporation Limited (“SMHPCL”) was incorporated on 11 May 1993 as a public company under the Indian Companies Act 1956 with incorporation number U40101MP1993PLC007667.
- 1.2 The registered office of SMHPCL is Maheshwar Hydro Electric Project Office, Abhyanchal Parisar, Port Mandleshwar, District Khargone (West Nimar), Madhya Pradesh – 451221, and its telephone number is +91 7283 233331.
- 1.3 Haribhakti & Co of 42, Free Press House, Free Press Journal Marg, 215, Nariman Point, Mumbai 400 021, have been the auditors of SMHPCL for the periods covered by the financial information presented in Section C of this Part VIII of this document. Haribhakti & Co are registered as auditors by the Institute of Chartered Accountants of India.

2. The Directors

- 2.1 The directors of SMHPCL, all of Maheshwar Hydro Electric Project Office, Abhyanchal Parisar, Port Mandleshwar, District Khargone (West Nimar), Madhya Pradesh – 451 221, and their functions are as follows:

Pillutla Venkata Narasimham (Non-executive Chairman)

Mr Narasimham (aged 66) was appointed a Chairman of SMHPCL on 10 February 2005. Mr Narasimham has over 40 years’ finance experience, including having served as an executive director of IDBI Limited and Chairman and Managing Director of Industrial Finance Corporation of India Ltd.

Mukul Shambhukumar Kasliwal (Non-executive Vice Chairman)

Mr Kasliwal (aged 43) was a subscriber to the Memorandum and Articles of Association of SMHPCL and has been a director of SMHPCL since his appointment as the first director in May 1993. Mr Kasliwal was subsequently appointed as Vice Chairman of SMHPCL on 5 December 2006. Mr Kasliwal is also Chairman of MW Corp. Pvt. Ltd., a company which operates in the renewable energy and hydro power sectors. Mr Kasliwal has an MBA in Finance from the University of Rochester and more than 20 years of experience in financing and managing businesses in the textile and energy infrastructure sectors in India. He has been involved with the SMHPCL hydro power project for 12 years as its primary sponsor and promoter.

Motilal L Gupta (Managing Director)

Mr Gupta (aged 63) was appointed as Managing Director of SMHPCL on 1 July 2005 for an initial term of three years; this appointment was confirmed by the shareholders of SMHPCL at a general meeting held on 28 June 2005 and is terminable by either side on three months’ notice. Mr. Gupta is an engineer who has over 40 years’ experience in the power sector. Between 1994 and 2004, Mr Gupta was first a technical director at and later Chairman and Managing Director of Tehri Hydro Development Corporation Ltd. During this time he was also responsible for the execution of the 2400MW Tehri Hydro Power Complex (a joint project between the Government and the Government of Uttar Pradesh). From 1980 to 1994 Mr Gupta held several positions at National Hydroelectric

Power Corporation Ltd, including those of Chief Engineer and later General Manager. Mr Gupta was named “Best Hydro Man of the Year 2000” by the National Foundation of Indian Engineers.

Kanhiya Lal Sharma (Director – Finance)

Mr Sharma (aged 69), was appointed Finance Director of SMHPCL on 14 November 2005 for an initial term of three years; this appointment was confirmed by the shareholders of SMHPCL at a general meeting held on 28 June 2005 and is terminable by either side on 3 months’ notice. Mr. Sharma is a qualified chartered accountant and has 39 years’ of experience in finance and accounting. He was the Finance Director of Power Grid Corporation of India Ltd. between 1993 and 1996 and practised as a chartered accountant from 1999 to 2005.

Ashok Gupta (Nominee Director)

Mr Gupta (aged 55) was appointed as a Nominee Director of SMHPCL by Power Finance Corporation Limited pursuant to a consent letter dated 9 March 2005. Mr Gupta has over 30 years’ experience in treasury management, finance and legal & secretarial work. He is currently Finance Director of Power Finance Corporation Limited.

Rajiv Singh Sandhu (Nominee Director)

Mr Sandhu (aged 48), currently serving as General Manager of Industrial Finance Corporation of India Ltd, a financial development institution, was appointed as a Nominee Director of SMHPCL by Industrial Finance Corporation of India Ltd pursuant to a consent letter dated 5 January 2006. Mr Sandhu has over 25 years of experience in project finance, including various power projects.

Malini Bansal (Nominee Director)

Mrs Bansal (aged 50) was appointed as a Nominee Director of SMHPCL by IDBI Limited pursuant to a consent letter dated 16 November 2004. Mrs. Bansal has over 25 years’ experience in project management, including power projects, and is currently the regional head of the large corporate group division (West India) of IDBI Limited, a financial development institution.

Sanjay Bandopadhyay (Nominee Director)

Mr. Bandopadhyay (aged 44), currently serving as the Secretary of the Energy Department of the State Government of Madhya Pradesh, was appointed as the State Nominee Director of SMHPCL pursuant to a consent letter dated 12 June 2006. Mr Bandopadhyay has over 20 years of experience with the State Government in various capacities.

Rajesh Sharma (Nominee Director)

Mr Sharma (aged 44) was appointed as a Nominee Director of SMHPCL by HUDCO Limited on 27 February 2008. Mr Sharma is a civil engineer and is currently the Regional Chief of HUDCO Limited. Mr Sharma has over 20 years experience working in financial development institutions.

Sanjiv Garg (Nominee Director)

Mr Garg (aged 48) was appointed as a Nominee Director of SMHPCL by REC Limited pursuant to a consent letter dated 2 July 2007. Mr Garg is currently the General Manager (Generation) of REC Limited and has over 20 years’ experience of working in financial development institutions.

Dr Narendra Pannalal Jain (Non-executive Director)

Dr Jain (aged 77) was appointed as a non-executive director on 19 February 2006. Dr Jain is the former ambassador of India to the European Union, United Nations, Mexico and Nepal. He is also the former Secretary of the Ministry of External Affairs.

Gary Neville (Nominee Director)

Mr Neville (aged 51) was appointed as a nominee director of SMHPCL pursuant to the shareholders' agreement described in paragraph 10(h) of Part XI of this document. Further information on Mr Neville is set out in Part II of this document.

- 2.2 As far as the Company is aware, none of the directors listed in paragraph 2.1 above for at least the previous five years:
- (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
 - (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.
- 2.3 Save as disclosed in paragraph 2.1 above, the Company is not aware of potential conflicts of interest between any duties owed by the directors listed in paragraph 2.1 above to SMHPCL and their private interests and/or other duties.
- 2.4 For the year ended 31 March 2007, the directors' remuneration amounted in aggregate to approximately Rs. 4.6 million.
- 2.5 The Directors' service contracts do not provide for any benefits on termination of their employment.
- 2.6 Details of the names of companies and partnerships (excluding directorships of SMHPCL) of which the directors of SMHPCL 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 of the Director</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
PV Narasimham	Appu Hotels Ltd. Ashoka Developers & Builders Ltd. CARE Ltd. National Securities Clearing Corp. Ltd. Ramky Infrastructure Ltd. SARK Systems India Ltd. Swarna Tollways Pvt. Taj Tristar Hotels Pvt. Ltd.	Inter Connected Stock Exchange of India ISE Securities & Services Ltd. Sri. Lakshmi Gayatri Hotels Pvt. Ltd.

<i>Name of the Director</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
MS Kasliwal	Cable Corporation of India Ltd. Dhvani Terefabs Exports Pvt. Ltd. Entegra Ltd. Essar Power Limited K. U. Enterprises Pvt. Ltd. M/s S. K. Grandsons MW Corp Pvt. Ltd. MW Infracorps Pvt. Ltd. Raj Infin Private Limited S. Kumar & Company (Trades) Pvt. Ltd S. Kumar Research Services S. Kumars (Investments) Ltd. S. Kumars Ltd. Shree Ram Urban Infrastructure Ltd. SKG Power Ventures Pvt. Ltd SKM Fabrics (Amana) Ltd. SKM Fabrics Pvt. Ltd. Unitex Designs Ltd.	Manors Textiles Ltd. Progard Tyres (India) Ltd. S. Kumars Enterprises (Synfabs) Ltd. S. Kumars Nationwide Ltd. S. Kumars Textiles Ltd. S. Kumars Tyre Mfg. Co. Ltd. Shree Ram Mills Ltd. SKMP Vidyut Ltd.
ML Gupta	–	Tehri Hydro Development Corporation Ltd.
KL Sharma	–	–
A Gupta	Coastal Karnataka Power Ltd. M. P. Power Generating Co. Ltd Power Equity Capital Advisors Pvt. Ltd.	–
RS Sandhu	Foremost Factors Ltd. Vidarbha Power Ltd.	–
M Bansal	Nachmo Knitex Ltd.	GIIC Ltd. Gujarat Industrial & Technical Consultancy Organisation Ltd.
S Bandopadhyaya	–	–
R Sharma	–	–
S Garg	–	–
NP Jain	–	Mukand Ltd. Mukand Steel Ltd.

3. Corporate Governance

- 3.1 Save for any applicable requirements pursuant to the Indian Companies Act 1956, there is no corporate governance regime in India which is applicable to SMHPCL.
- 3.2 The audit committee comprises Ashok Gupta (Chairman), Rajiv Sandhu and Malini Bansal. The audit committee meets once a quarter and reviews the quarterly and annual accounts, the internal audit reports and the lenders' audit report and considers all other financial and audit issues which arise from time to time, SMHPCL's internal controls, the delegation of powers and the investment of temporary surplus funds.

4. Director's and Other Interests

- 4.1 The founders of SMHPCL were Mukul Kasliwal and six members of his family, each of whom subscribed for 10 shares on incorporation of SMHPCL and hold, in aggregate, 70 SMHPCL shares. None of the other directors of SMHPCL has any interest in the share capital of SMHPCL.
- 4.2 Save as disclosed in this paragraph 4.2 and in paragraphs 4.3 and 4.4 below, SMHPCL is not aware of any persons who are interested directly or indirectly in 3 per cent. or more of the issued share capital of SMHPCL.

<i>Name</i>	<i>Number of SMHPCL shares</i>	<i>% of SMHPCL share capital</i>
Infrastructure India plc ¹	50,000,000	20.5%
India Hydro Investments Limited	30,000,000	12.3%
SKG Power Ventures Pvt Limited	136,441,330	55.9%
SMH Power Investments Limited	20,000,000	8.2%
Pacific Generation Development Company	7,558,600	3.1%

1. Through its wholly owned subsidiary, Power Infrastructure India.

Those shareholders interested directly or indirectly in 3 per cent. or more of the issued share capital of SMHPCL do not now and will not, following the Placing and Admission, have different voting rights from other holders of ordinary shares in SMHPCL.

- 4.3 As described in paragraphs 10(f) and (g) of Part XI of this document, the Group has an option to acquire an additional 50,000,000 new SMHPCL shares in consideration for an aggregate investment amount of approximately Rs. 500 million (approximately £6.1 million). Such investment will require an additional guarantee payment of Rs. 600 million (approximately £7.3 million).
- 4.4 As at 23 June 2008, the last practicable date before the publication of this document, SKG Power Ventures Pvt Limited owns 55.9 per cent. of the share capital of SMHPCL. However, as noted in paragraph 7(k) of Part VIII of this document, SKG Power Ventures Pvt Limited's shareholding has been pledged to Power Finance Corporation as security trustee for the benefit of all lenders to SMHPCL. Power Finance Corporation can exercise all voting rights attached the shares until the entire loan provided by the lenders stands repaid along with interest. The GoMP has a second charge over the shareholding of SKG Power Ventures Pvt Limited. In order to restrict the abuse of control of SMHPCL, the shareholders agreement details of which are set out in paragraph 10(h) of Part XI of this document, contain provisions such that certain actions of SMHPCL will require the affirmative agreement of Power Infrastructure India.

At the date of this document, there are no arrangements known to the Company (other than pursuant to the pledge arrangements referred to above) the operation of which may at a subsequent date result in a change in control of SMHPCL.

5. Other Information

- 5.1 Pursuant to the Shareholders Agreement (details of which are set out in paragraph 10(h) of Part XI of this document), SKG Power Ventures Private Limited and Power Infrastructure India have agreed that, subject to the requirements to fund project operations and reserves, requirements of lenders as per their loan agreements and approval by the board of the directors of SMHPCL, all available distributable cash shall be disbursed as dividends to the shareholders of SMHPCL subject to applicable provisions of Indian Law.
- 5.2 So far as the Company is aware, no governmental, legal or arbitration proceedings (including threatened or pending) currently exist which have or may have a significant effect on SMHPCL's financial position.
- 5.3 Save as disclosed in Part V of this document in relation to the Group's investment in SMHPCL, there has been no significant change in the trading or financial position of SMHPCL since 31 December 2007, the date to which the last published interim financial information has been prepared.
- 5.4 The share capital of SMHPCL as at 31 December 2007 consisted of a single class of ordinary shares of Rs. 10 each, of which 144,000,000 shares have been issued, all of which have been fully paid. The number of shares in issue has not changed over the period covered by the financial information.

6. Memorandum and Articles of Association

6.1 Memorandum of Association

The primary goals of SMHPCL are to generate, develop, distribute, trade in and transmit and otherwise deal in all forms of energy including hydel power. For the above purposes, SMHPCL's primary goals also include undertaking all forms of construction, waterworks and related activities. It may also produce, renovate or deal in any type of machine or equipment for generating, distributing or transmitting energy. There are no restrictions on the persons with whom or the places in which SMHPCL may deal. It may also establish new, or take over or renovate existing, generation plants and distribution and transmission systems and take over licences as well as concessions for energy generation, distribution and transmission. SMHPCL may also carry on the business of an electric, power, light and supply company and has the general powers that are associated with businesses of this type.

SMHPCL has broad goals which include acquiring businesses, registering intellectual property, appointing of agents, establishing branches in India and abroad, entering into foreign collaborations, conducting market research, promotion and publicity, providing charitable, religious and benevolent donations and funding and regulating its financial and managerial activities in accordance with Indian law and Articles of Association of SMHPCL ("the SMHPCL Articles"). Goals that are incidental or ancillary to attainment of its primary goals are also allowed.

The liability of the members is limited.

6.2 Articles of Association

The following is a summary of the principal provisions of the SMHPCL Articles.

(a) Capital structure

Unless SMHPCL shall by special resolution otherwise direct, the authorised share capital is Rs. 25,000 million divided into 2,500,000,000 equity shares of Rs. 10 each.

(b) Variation of rights

Subject to the provisions of Indian law at the SMHPCL Articles, SMHPCL may, by special resolution passed at a general meeting, divide the shares into several classes and attach preferential, qualified or special rights, privileges or conditions and vary, modify or abrogate such rights, privileges or conditions by special resolution passed at a general meeting.

(c) Alteration of capital

Subject to the provisions of Indian law and the SMHPCL Articles, SMHPCL may, by special resolution passed at a general meeting, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such amount as the resolution shall prescribe. The new shares may be issued with a preferential or qualified right to a dividend, to the distribution of assets and with a right of voting in general meetings subject to compliance with Indian law and the SMHPCL Articles. Except so far as otherwise provided by the conditions of the issue, or by the SMHPCL Articles, any capital raised by the creation of new shares, shall be considered as part of the existing capital.

SMHPCL may issue share warrants and such warrants may entitle the holders to subscribe for shares in the share capital. SMHPCL may issue preference shares including redeemable, convertible, cumulative, non-cumulative, which are, or at the option of SMHPCL are, liable to be redeemed. Preference shares may be redeemed by their conversion into equity shares in the manner and on such terms and conditions as the shareholders may decide in a general meeting. On the issue of redeemable preference shares, no such shares shall be redeemed except out of profits of SMHPCL which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of redemption. No such shares shall be redeemed unless they are fully paid. SMHPCL may issue, convert or redeem the preference shares

including cumulative convertible preference shares and cumulative preference shares subject to and in accordance with Indian law.

SMHPCL may reduce its share capital, alter the conditions of its Memorandum of Association and vary its shareholders' rights and privileges in accordance with the provisions of Indian law.

(d) *Certificated or dematerialised shares*

SMHPCL shall be entitled to dematerialise or rematerialise its shares, debentures or other securities (both existing and future) held by it with an appointed depository and to offer its shares, debentures and other securities for subscription in dematerialised form. Every person subscribing to securities offered by SMHPCL shall have the option to receive certificates of shares or have securities held by a depository. All securities held by a depository shall be dematerialised and shall be of fungible form. Notwithstanding anything to the contrary contained under Indian law or the SMHPCL Articles, a depository shall be deemed to be the registered owner of the securities for the purpose of effecting transfer of ownership on behalf of the beneficial owner. Save as otherwise provided in the SMHPCL Articles, the depository as a registered owner of the securities shall not have any voting rights in respect of the securities it holds. Every person holding securities of SMHPCL and whose name is entered as a beneficial owner in the records of the depository shall be deemed to be a member of SMHPCL. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities held by a depository.

Shareholders have the option to opt out of a depository in respect of any security. If a shareholder has opted out, SMHPCL shall issue the certificate of securities to the beneficial owner or the transferee as the case may be.

(e) *Issue of shares*

Subject to the provisions of the SMHPCL Articles and of Indian law, the shares shall be under the control of SMHPCL's directors, who may allot or otherwise dispose of the same on such terms and conditions and at such times as the directors think fit. The directors may make such calls as they think fit upon the members in respect of all monies unpaid on their respective shares.

(f) *Pre-emption rights*

Where it is proposed to increase the share capital by allotment of further equity shares, then such further shares shall be offered to the persons, who at the date of the offer, are holders of the equity shares of SMHPCL, in proportion to the capital paid up on those shares at that date. The offer shall include a right exercisable by the person concerned to renounce the shares offered to him, or any of them, in favour of any other person. Notwithstanding the above, SMHPCL may, subject to Indian law, issue further shares to any person or persons, and such person or persons may or may not include the persons who at the date of the offer are the holders of the equity shares of SMHPCL. Every person who accepts any shares and whose name is on the register of members shall, for the purpose of the SMHPCL Articles, be a member.

(g) *Underwriting and brokerage*

SMHPCL may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe for any shares of or debentures in SMHPCL, or procuring or agreeing to procure subscriptions for any shares and debentures in SMHPCL. However, any commission paid shall not exceed, in the case of shares, 5 per cent. of the price at which the shares are issued; and, in the case of debentures, 2.5 per cent. of the price at which the debentures are issued. SMHPCL may pay a reasonable sum for brokerage.

(h) *Transfer and transmission of shares*

A transfer of shares shall be in writing in the form of instrument prescribed under Indian law.

The instrument of transfer, duly stamped and executed by the transferor and transferee, shall be delivered to SMHPCL in accordance with Indian law. The instrument of transfer shall be accompanied by such evidence as the board may require to prove the title of the transferor and his right to transfer the shares and every registered instrument of transfer shall remain in the custody of SMHPCL. The transferor shall be deemed to be the holder of such shares until the name of the transferee shall have been entered in the register of members in respect thereof. Before the registration of a transfer, the certificate or certificates for the shares, debentures or other securities must be delivered to SMHPCL.

SMHPCL shall have the power to close the register of members or register of debentures at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year.

Subject to Indian law, the board of directors may at its own absolute and uncontrolled discretion and without assigning any reason, decline to register or acknowledge any transfer of shares or debentures or any other scrip or security whether fully paid or not.

No partly paid share shall be transferred to any minor. No share shall be transferred to an insolvent or person of unsound mind.

(i) *Borrowing powers*

Subject to Indian law, the board of directors may borrow and the payment or repayment of moneys borrowed may be secured. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on the condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment and attendance (but not voting) at general meetings and the appointment of directors. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of SMHPCL in general meeting.

(j) *Conversion of shares into stock and reconversion*

SMHPCL, in general meeting, may convert any paid-up shares into stock; and when any shares shall have been converted into stock, the holders of such stock may transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations as the shares from which the stock arose might have been transferred, as if no such conversion had taken place, or as near thereto as circumstances will admit. SMHPCL may at any time reconvert any stock into paid-up shares of any denomination.

The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of SMHPCL, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of SMHPCL and in the assets on winding-up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

(k) *General meetings*

The statutory meeting of SMHPCL shall be held in accordance with Indian law. Each year, SMHPCL shall hold its annual general meeting in accordance with Indian law.

The general meetings other than the annual general meeting shall be called extraordinary general meetings. An extraordinary general meeting may be called: (a) by the board of directors or, if there are insufficient directors in number in India capable of acting to form a quorum, by any director or any two members in the same manner as that in which a general meeting may be called by the board of directors; or (b) in accordance with the provisions of Indian law. The

notice for general meetings and the annual general meetings shall be in accordance with Indian law. Five members present in person or, in the case of members that are corporations through their appointed representatives, shall be quorum for a general meeting or at any adjournment thereof. No such quorum shall be validly constituted and no such meeting shall proceed to commence business unless the chairman is present at such meeting. No business shall be discussed at any general meeting whilst the chair is vacant. The chairman may, with the consent of the meeting, adjourn any meeting from time to time and from place to place.

(l) *Voting*

The members of SMHPCL are entitled to appoint proxies in accordance with Indian law.

In the case of an equality of votes, the chairman shall both on a show of hands and at a poll (if any) have a casting or a second vote in addition to the vote or votes to which he may be entitled as a member. A poll may be demanded and taken in accordance with Indian law. The demand for a poll, except on the question of the election of the chairman and of an adjournment, shall not prevent the continuance of any business other than the question on which the poll has been demanded.

No member shall be entitled to vote either personally or by proxy at any general meeting or at any meeting of a class of shareholders upon a show of hands or upon a poll in respect of any calls or other sums presently payable by him that have not been paid or in relation to which SMHPCL has exercised any right of lien. Voting rights attached to any shares pledged by a member shall be exercisable, in the pledgor-member's name and on its behalf, by the pledgee. The chairman's satisfaction as to whether or not a member has pledged any shares in favour of any pledge shall be conclusive of the matter. Subject to the provisions of the SMHPCL Articles, every member shall be entitled to be present, and to speak and vote at such meeting. On a show of hands, every member present in person shall have one vote and, upon a poll, every member present, in person or by proxy, shall have one vote for every share held by him.

Subject to the SMHPCL Articles, votes may be given either personally or by proxy. A body corporate being a member may vote either by proxy or by a representative duly authorised in accordance with Indian law and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member.

With respect to shareholders' meeting, voting shall be by a show of hands except if a vote requiring proportional representation is called for in accordance with the provisions of Indian law.

(m) *Directors*

Unless otherwise determined by a general meeting of SMHPCL and subject to the provisions of Indian law and the SMHPCL Articles, the number of directors shall not be less than three and not more than twelve.

Pursuant to a general meeting of SMHPCL held on 2 June 2008 it was resolved that the board of directors shall consist of twelve directors which shall include four permanent (non-retiring) nominees of Power Finance Corporation ("PFC") and other persons that have agreed to provide loans to SMHPCL (together with PFC, the "Lenders") and the remaining eight directors on a retirement basis. Of these, two will be full time directors, one nominated by the GoMP, one nominated by SKG Power Ventures Private Limited, one nominated by the Foreign Investor (sic) and three independent directors approved by the Lenders. Vacancies caused by retiring directors shall be filled at general meeting from eligible candidates who may or may not be retiring directors.

If any person provides SMHPCL with a loan, guarantee, security or underwriting arrangement, that person shall have, subject to Indian law, the power to appoint or nominate one or more

persons, who are acceptable to the board, as director on the board. Furthermore, that director or those directors may not be liable to retire by rotation nor be required to hold any qualification shares.

Subject to the SMHPCL Articles, and in accordance with Indian law, the board of directors may appoint additional directors. However, the appointment of additional directors will require consent of a majority of the Lenders.

Subject to the SMHPCL Articles, the casual vacancies among the directors may be filled up by the board of directors in accordance with Indian law. Further casual vacancies may be filled only with the consent of the majority of the Lenders.

The continuing directors may act notwithstanding any vacancy, but, if, and so long as their number is reduced below the minimum number fixed by the Articles, the continuing directors may only act for the purpose of increasing the number of directors to minimum number, or of summoning a general meeting, but for no other purpose.

The quorum of any meeting of the board of directors shall be six directors and shall require the attendance of the chairman and three nominee directors of the Lenders. All decisions taken by the board either at the meeting or by circulation shall require the affirmative vote of the meeting; the chairman and the majority of directors appointed by the Lenders. All matters requiring approval of the shareholders at the general meeting must necessarily first be placed and approved at the board meeting before being placed at the meeting of the shareholders for their approval.

The notice of every meeting of the board shall be given to every director for the time being in India, in accordance with applicable provision of law. Notice may be given by telegram, cable, telex or other means of communications to any Director. Directors shall receive not less than ten days for holding of a board meeting, unless a shorter notice is agreed to by them.

(n) *Directors' Interests*

Subject to Indian law, sanction of the board of directors shall be obtained for contracts in which particular directors are interested. Disclosure of concerns or interests by the directors must be made in accordance with Indian law, and therefore interested directors shall not participate or vote in proceedings of the board of directors.

A director may be or become a director of any company promoted by SMHPCL, or in which it may be interested as a vendor, shareholder or otherwise. Subject to Indian law, no such director shall be accountable for any benefits received as director or shareholder of such company.

Subject to Indian law, SMHPCL, by ordinary resolution, may from time to time, increase or reduce the number of its directors, and may alter their qualifications and may (subject to Indian law) remove any director before the expiry of his period of office and appoint a replacement. The person so appointed shall hold office during such time as his predecessor would have held office if he had not been removed.

(o) *Dividends*

The profits of SMHPCL, subject to any special rights under the SMHPCL Articles, shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them. SMHPCL, in general meetings, may declare a dividend to be paid to members according to their respective rights. No dividends declared at general meetings may exceed the amount recommended by the board of directors. However, the members, at general meetings, may reduce the dividend recommended by the board.

No dividend shall be declared or paid otherwise than out of the profits of the financial year or out of the profits of SMHPCL for any previous financial year or years arrived at after providing

for depreciation in accordance with Indian law and which remain undistributed. The board of directors may pay to the members such interim dividend as, in their judgment, the position of SMHPCL justifies provided that (a) if SMHPCL has not provided for depreciation for any previous financial year or years it shall, before declaring or paying a dividend for any financial year provide for such depreciation out of the profits of that financial year or out of the profits of any other previous financial year or years; and (b) if SMHPCL has incurred any loss in any previous financial year or years, the amount of the loss, or an amount which is equal to amount provided for depreciation for that year or those years, whichever is less, shall be set off against the profits of SMHPCL for the year for which the dividend is proposed to be declared or paid or against the profits of SMHPCL for the year for which the dividend is proposed to be declared or paid or against the profits of SMPHCL for any previous financial year or years.

It is currently contemplated that the SMHPCL Articles will be amended to give effect to the provisions of the Share Subscription Agreement and the Shareholders Agreement.

7. Summary of Material Contracts

The following contracts (not being entered into in the ordinary course of business) have been entered into by SMHPCL either within two years immediately preceding the publication date of this document, or have been entered into prior to such period under which SMHPCL has material obligations or entitlements. So far as the Directors are aware, there are no other contracts entered into by SMHPCL which include an obligation or entitlement which is material to SMHPCL at the date of this document.

(a) Memorandum of Understanding

GoMP, MPEB and SMHPCL entered into a memorandum of understanding dated 28 July 1993 (“MoU”), under which the parties agreed that SMHPCL will establish, operate and maintain the power station (the “Power Station”) in relation to the Shree Maheshwar Project on a BOO basis.

Under the MoU, MPEB and GoMP were required to ensure that all consents and approvals previously obtained by MPEB in relation to the operation and the maintenance of the Power Station were transferred to SMHPCL, including an environment clearance issued by the Government Ministry of Environment and Forest (“MoEF”). Pursuant to the MoU, SMHPCL submitted a financial scheme for executing the Shree Maheshwar Project in accordance with the guidelines issued by the MoEF, made necessary arrangements to procure generating documents required for the Shree Maheshwar Project and appointed a government representative on its board of directors.

(b) Power Purchase Agreement

MPEB and SMHPCL entered into a power purchase agreement dated 11 November 1994, as amended by an addendum dated 27 May 1996 (collectively the “PPA”), under which SMHPCL agreed to sell, and MPEB agreed to buy, the net electrical output generated from the project. Under an agreement dated 27 May 1996 between GoMP and SMHPCL, GoMP has guaranteed MPEB’s payment obligations under the PPA.

Under the terms of the PPA, SMHPCL is entitled to receive payment from MPEB for energy generated from the Shree Maheshwar Project on the basis of unit capital cost, with effect from the month in which commercial operations for the first hydro turbine generator are commenced. MPEB is required to pay SMHPCL for the actual energy generated on and from the commercial operation date (the “COD”) of each unit, as measured by the metering facilities supplied to MPEB. As per the Amendatory and Restated Agreement (as described below, which modified certain aspects of the PPA) the electricity purchase price shall be determined in accordance with the Central Electricity Regulatory Commission’s Guidelines. Therefore the contracted provisions of the PPA are now subject to these guidelines. If any of the units are not operating commercially by the date envisaged in the PPA as amended by the Amendatory and Restated Agreement, liquidated damages of Rs. 500,000 per day are payable by SMHPCL to MPEB, up to a maximum of Rs. 10 crores. In the event of delays in achieving a COD due to delay in implementing the R&R Agreement (as defined in paragraph 10(i) below) resulting due to an event of force majeure under the agreement, the consequence would be an

extension to the date of commercial operations by the number of days of the existence of the force majeure. Where delays in implementing the R&R Agreement are due to factors within the control of GoMP, the Company is entitled to include in the capital cost for the purposes of electricity purchase price calculation the interest on debt during the period of such delay so long as the Company was in compliance with the requirements under the PPA in this respect.

If either party defaults on its obligations under the PPA, the non-defaulting party must give written notice describing the default and the defaulting party has 60 days (30 days for payment defaults) from the receipt of such notice to cure the default. SMHPCL's enumerated events of default include (i) failure to achieve COD by 18 months after the anticipated COD if no event of *force majeure* occurs; (ii) if the force majeure occurs after the financial closing, the failure of SMHPCL to achieve COD by the earlier of the date which is 18 months plus the period of any force majeure after the anticipated COD or 36 months after the anticipated COD; (iii) willful abandonment by SMHPCL of the construction of the project for more than 45 consecutive days; (iv) willful failure by SMHPCL to operate the project for more than 15 days other than as a result of a scheduled outage or maintenance outage, an event of force majeure or a condition caused by MPEB; (v) dissolution of SMHPCL except for the purposes of a merger, consolidation or reorganisation; (vi) any transfer compelled by law of either the rights and/or substantial portion of the assets or undertakings of SMHPCL; (vii) failure of SMHPCL to achieve 80 per cent. availability for a period of 18 consecutive months barring any force majeure periods; (viii) failure to make payment to MPEB under the PPA when due and payable; and (ix) assignment by SMHPCL of the rights and obligations under the PPA in breach of the terms of the PPA in this respect. MPEB's enumerated events of default include (i) expropriation, compulsory acquisition or nationalisation by an governmental instrumentality of any equity, assets or rights of SMHPCL or contractors relating to the project; (ii) dissolution of MPEB except for the purposes of a merger, consolidation or reorganisation; (iii) any transfer compelled by law of either the rights and/or obligations of MPEB; or a substantial portion of the assets or undertakings of MPEB; (iv) default on payment obligations for more than 60 days or default on any payment obligation to SMHPCL exceeding Rs. 30 crores or greater for 30 days or more; and (v) any prohibition imposed by any governmental instrumentality on SMHPCL. If a default is not rectified after a notice of default has been issued, the non-defaulting party may, subject to certain requirements, issue a termination notice to the defaulting party.

Upon MPEB providing a written notice of termination to SMHPCL, SMHPCL may, within 180 days from the date it receives such notice, either cure the default, or transfer, sell and/or assign the project to MPEB. The purchase price upon a SMHPCL default prior to the COD is equal to the sum of (i) the then outstanding project debt, (ii) one-quarter of the total equity paid up to the date of service of the termination notice, (iii) all other amounts then outstanding by MPEB in favour of SMHPCL under the PPA, and (iv) certain termination costs. The purchase price upon a SMHPCL event of default after the COD, the purchase price is equal to (i) the then outstanding debt, (ii) 25 per cent. of the total equity paid up until the date of service of the termination notice and retained earnings deployed as part of the working capital of SMHPCL on the date of service of the termination notice, (iii) all other amounts then outstanding by MPEB in favour of SMHPCL under the PPA, and (iv) certain termination costs. If MPEB opts not to purchase the project, SMHPCL may transfer, sell and/or assign the project to its lenders or any third party purchaser with the reasonable consent of MPEB. Under such circumstances, such new owner of the project shall have 180 days to attempt to cure SMHPCL's default. If the new owner fails to do so, SMHPCL's lenders shall cure the default within 365 days, and if the lenders fails to cure SMHPCL's default, then the PPA shall terminate. Upon SMHPCL providing a written notice of termination to MPEB, MPEB may, within 180 days from the date it receives such notice, either cure its event of default or purchase the Shree Maheshwar Project. The purchase price of the project upon a MPEB event of default prior to the COD is equal to the sum of (i) the then outstanding project debt, (ii) the total equity paid as at the date of service of a termination notice, (iii) the allowed return on equity, (iv) all other amounts outstanding by MPEB in favour of SMHPCL under the PPA, on the date of service of the termination notice, and (v) termination costs. The purchase price of the project upon a MPEB event of default after the COD is equal to the greater of (i) the sum of the depreciated replacement value of the project and all other amounts then outstanding

by MPEB in favour of SMHPCL under the PPA; (ii) the sum of the book value of the assets of SMHPCL on the date of termination notice, the discounted cash flow valuation and all other amounts outstanding by MPEB in favour of SMHPCL under the PPA and termination costs; and (iii) the sum of the then outstanding debt, the total amount of equity paid up on the date of service of the termination notice and retained earnings, all other amounts then outstanding to by MPEB in favour of SMHPCL under the PPA, and termination costs.

SMHPCL and MPEB additionally agree to indemnify and hold each other harmless from and against all claims, demands, losses, liabilities and expenses for personal injury or death to persons and damage to each other's property or the property of any other person or company arising out of their respective negligent or intentional acts, errors or omissions. SMHPCL shall only be liable to MPEB for direct damages for its negligent failure to deliver electricity to MPEB and shall not be liable for any indirect, incidental or consequential damages arising out of its failure to deliver electricity.

Neither party to the PPA has the right to assign the PPA or any portion of its duties without the prior written consent of the other party, such consent not to be unreasonably withheld provided that any assignee shall expressly assume the assignor's obligations under the PPA, no assignment shall impair the security given under the PPA and, unless expressly agreed to between the parties, no assignment shall relieve the assignor of its obligations if the assignee fails to perform. MPEB and GoMP shall consent to the assignment by SMHPCL of its rights as security for project-related finance.

The PPA expires 35 years after the COD but may be extended for an additional 20 years by mutual agreement, if such agreement is made two years prior to the end of the initial term or a subsequent extended period.

(c) *Advance Possession Agreement*

As contemplated by the PPA, MPEB and SMHPCL have entered into an advance possession agreement dated 25 January 1996 (the "APA") under which MPEB delivered advance possession of certain land at and around the project site and has permitted SMHPCL to carry out activities that specifically relate to the construction and development of the project. In addition, MPEB has agreed to transfer to GoMP all rights, title and interest in the project site. The APA also provides for the sale by MPEB of the improvements on the aforementioned land to SMHPCL. SMHPCL is responsible for its act and omissions and those of its agents in respect of the site and the improvements and has indemnified MPEB and GoMP against all losses, damages and claims made against it in India in relation to the project.

(d) *Implementation Agreement*

The Governor of Madhya Pradesh (the "Governor") and SMHPCL entered into an implementation agreement dated 27 May 1996 (the "IA") under which the Governor agreed to promptly issue any approval which may be required in relation to the project and connection with the PPA, provided that all conditions for the approval have been met by SMHPCL. The Governor has agreed to endeavour to acquire and transfer land on the project site other than that owned by the Governor and MPEB acquired land. For the Governor owned land on the project site, the Governor has agreed to transfer vacant possession to SMHPCL under a lease agreement. The Governor also agreed to transfer any land which it owns to SMHPCL in the form of a lease arrangement. Under the terms of the IA, SMHPCL will have ownership of the Maheshwar dam, whilst GoMP will continue to own the water and land transferred.

Under the IA, SMHPCL has assumed the responsibility for the rehabilitation and resettlement of the inhabitants of the project's proposed submergence area and is required to comply with the conditions laid down by the MoEF in relation to the rehabilitation and resettlement of the persons affected by the project. The Governor will not be liable and will not be in breach of the IA in the event of any delay in the resettlement or rehabilitation process resulting in the reservoir not being filled up to the required level. However, in the event SMHPCL engages MPEB to carry out the R&R activity, if there is a delay, and such delay was within the control of MPEB and/or the Governor, SMHPCL is entitled to

certain compensation as provided under the PPA. SMHPCL is responsible for any loss or damage caused to any person or property arising from its negligence in constructing, maintaining or operating the project. SMHPCL is also responsible for any loss, damage or injury caused to or suffered by any property or person if it is directly attributable to SMHPCL's negligence in the construction, operation or maintenance of the project.

So long as SMHPCL complies with the PPA, the the Governor has agreed it shall not take any action that is discriminatory towards SMHPCL and shall take all reasonable steps to ensure no other competent authority takes such action. SMHPCL may assign any of its rights under the IA, in accordance with the PPA, to the extent such assignment is made to its lenders. Upon termination of the PPA, SMHPCL and the Governor shall be released from further obligations under the IA.

(e) *SEW Letter of Intent*

SMHPCL issued SEW Construction Ltd. ("SEW") a letter of intent dated 11 July 2007 (the "SEW LOI") under which SMHPCL stated its intent to appoint SEW to, among others, design, manufacture, supply, test, commission and warrant the hydro-mechanical equipment for the project at the total contract price of Rs. 130.75 crores (subject to a price variation mechanism and excluding costs related to self lubricated trunnion bushes which SEW must supply). Under the SEW LOI, SEW must provide a contract performance guarantee equivalent to 5 per cent. of the contract value, such guarantee to be valid until the end of defect liability period.

Completion is due 30 months from the date of release of the advance payment (which is 15 per cent. of the contract price) to SEW. Should SEW fail to complete the hydro-mechanical work within the scheduled time due to reasons attributable to it, it shall be liable to pay SMHPCL liquidated damages ranging from 0.5 per cent. to a maximum of 5 per cent. of the balance of the contract price for each week delayed against the scheduled period until the date of completion.

The effective date of this engagement will be from the date of the advance payment to SEW, and the parties agreed to execute a contract within 45 days of the release of such advance payment.

(f) *Civil Contract Agreement*

Pursuant to a letter of award dated 4 January 1997 by SMHPCL to SEW Construction Limited Prasad & Co (PW) Ltd., a joint venture ("SEW-PC"), SMHPCL and SEW-PC entered into a civil contract agreement on 22 February 1999 (the "CCA") under which SEW-PC agreed to construct a concrete dam, power house, switch yard and earth dam for the project at the total price of Rs. 275.619 crores.

Under the CCA, SEW-PC is required to furnish an irrevocable and unconditional performance guarantee which SMHPCL has the power to invoke notwithstanding any dispute or differences pending before any court, tribunal or arbitrator. SEW is primarily liable in respect of all claims and demands which arise against the SEW-PC under the CCA, and Prasad & Co (PW) Ltd. has residual liability. SEW-PC will remain liable to SMHPCL even if SEW-PC assigns or sub-lets its responsibilities under the CCA, and such assignment or sublet requires SMHPCL's consent.

Should there be delay in completion, SEW-PC is required to pay SMHPCL liquidated damages of 1 per cent. of the contract price for each week of delay, provided that the damages do not exceed 15 per cent. of the contract price.

(g) *Service Contract for Hydro-mechanical Work*

SMHPCL and SEW entered into a service contract for hydro-mechanical work dated 26 December 2007 (the "Service Contract"), under which SEW has agreed to perform custom clearance, inland transport, erection, storage and commissioning of the equipment and component of the hydro-mechanical package for the project at the total price of Rs. 150,000,000 (with a price adjustment mechanism for services). SEW has put in place a performance guarantee of up to Rs. 7,500,000 which is valid until 15 January 2011.

The effective date of the Service Contract is 18 July 2007, and the hydro-mechanical work is scheduled to complete within 30 months of this date. If SEW fails to complete the hydro-mechanical work within this schedule, it will be liable to pay SMHPCL liquidated damages of 0.5 per cent. for each week of delay, subject to a maximum of 5 per cent. of the value of the Service Contract. SEW will also be liable to SMHPCL for any damages attributable to SEW's failure to perform its obligations under the Service Contract to a maximum of 10 per cent. of the value of the Service Contract.

If SEW becomes insolvent, abandons the contract, fails to deliver or perform, assigns in breach of the Service Contract or is not carrying out its obligations in accordance with the Service Contract, SMHPCL may serve notice to make good. If SEW fail to do so within the time periods specified by SMHPCL, SMHPCL may terminate the Service Contract in whole or in part. SEW may terminate the Service Contract on 60 days' notice if SMHPCL becomes insolvent or fails to fulfil any of its obligations under the Service Contract.

During progress of the works, SEW must provide monthly progress reports to SMHPCL.

(h) *Supply Contract for Hydro-mechanical Work*

SMHPCL and SEW entered into a Supply Contract for hydro-mechanical work dated 26 December 2007 (the "Supply Contract") under which SEW has agreed to complete, design, engineer, manufacture, procure, package and load the equipment and component for the hydro-mechanical equipment for the project at the total price of Rs. 1,157,500,000 (with a price adjustment mechanism). SEW has put in place a performance guarantee of up to Rs. 57,875,000 (5 per cent. of the total contract price) which is valid until 15 January 2011. SMHPCL made an advance payment of 15 per cent. of the contract price to SEW. SMHPCL has ensured it can regain the value of this payment if SEW fails to utilise the advance payment for the purposes of the contract by putting in place two guarantees. One of the advance bank guarantees is for Rs. 57,875,000 (5 per cent.) and is valid until 15 July 2008. The other is for Rs. 115,750,000 (10 per cent.) and is valid until 29 July 2008.

The effective date of the Supply Contract is 18 July 2007, and the hydro-mechanical work is scheduled to complete within 30 months of this date. If SEW fails to deliver the goods and perform its services within the stipulated time, it will be liable to pay SMHPCL liquidated damages of 0.5 per cent. for each week of delay, subject to a maximum of 5 per cent. of the value of the Supply Contract. SEW will also be liable to SMHPCL for any damages attributable to SEW's failure to perform its obligations under the Supply Contract to a maximum of 10 per cent. of the value of the Supply Contract.

If SEW becomes insolvent, abandons the contract, fails to deliver or perform, assigns in breach of the Supply Contract or is not carrying out its obligations in accordance with the Supply Contract, SMHPCL may serve notice to make good. If SEW fail to do so within the time periods specified by SMHPCL, SMHPCL may terminate the Supply Contract in whole or in part. SEW may terminate the Supply Contract on 60 days' notice if SMHPCL becomes insolvent or fails to fulfil any of its obligations under the Supply Contract.

(i) *Agreement for Resettlement and Rehabilitation*

SMHPCL and MPEB entered into an Agreement for Resettlement and Rehabilitation dated 24 February 1997 (the "R&R Agreement"), under which MPEB, on behalf of SMHPCL, agreed to carry out the rehabilitation and resettlement of those persons evacuated from the submergence area in relation to the Shree Maheshwar Project ("the Oustees") in accordance with the GoMP's Rehabilitation Policy for the Oustees of Narmada (which aims to relocate and resettle the affected families within a reasonable period of time without causing any hardships or adverse social or economic impact) unless otherwise expressly required by GoMP.

SMHPCL and MPEB are required to set up an executing committee (the "Executing Committee") comprised of one representative from each party and MPEB shall (either acting on its own or on the instructions of the Executing Committee) implement the rehabilitation and resettlement program.

Under the R&R Agreement, SMHPCL is responsible for the costs of resettlement and rehabilitation of persons the Oustees, which is estimated to be approximately Rs. 130 crores and all salaries and expenditure incurred by MPEB in connection with it. The Executing Committee must, together with GoMP, estimate expenditure for the rehabilitation and resettlement annually and SMHPCL must pay that amount together with any amount in excess of the estimate made earlier. These estimates must be reviewed by the Executing Committee every six months. SMHPCL is required to submit ongoing monthly progress reports on the resettlement and rehabilitation efforts to the Government of India.

MPEB shall use its best efforts to ensure that the resettlement and rehabilitation is completed within 2 months prior to the required commercial operation date for the first generating unit and also enable SMHPCL to comply with its commercial operation date. If there is a delay in filling up the submergence area to the required level 2 months prior to the required commercial operation date for the first generating unit due to a delay in the resettlement and rehabilitation resulting from factors within the control of GoMP, SMHPCL shall be entitled to the compensation specified in the PPA. SMHPCL shall not be entitled to any other damages or claims from the MPEB or GoMP on account of delay in the filling up of the submergence area for any other reason whatsoever.

If SMHPCL delays for reasons not attributable directly or indirectly to the MPEB or any government or semi-government agency in performing its obligations under the PPA or under the R&R Agreement, the costs associated with such delays incurred by the Executing Committee for resettlement and rehabilitation shall be payable by SMHPCL.

The R&R Agreement will terminate upon the completion of the rehabilitation and resettlement of the Oustees to the satisfaction of the Executing Committee. However, either party may terminate the R&R Agreement in the event of a breach by the other party of a material obligation, and MPEB may also terminate the agreement if SMHPCL fails to pay amounts due to MPEB or the Executing Committee.

(j) *Supply and Service Contract for Electro-mechanical Work*

Pursuant to a letter of intent dated 24 April 2007 between SMHPCL and Bharat Heavy Electricals Limited (“BHEL”), records the understanding between SMHPCL and BHEL and the terms on which they have agreed to enter into a supply and service contract for electro-mechanical work (the “SSC”). The SSC has not yet been entered into. Under the SSC BHEL will agree to design, engineer, supply, transport, insure, handle, store at site, erect, test and commission the electro-mechanical equipment required for the project at a total contract price of Rs. 573 crores. The parties have agreed that the SSC will provide that the order shall not be cancelled after the issue of the letter of intent together with the payment of an advance of 15 per cent. to BHEL.

Under the SSC, BHEL will be required to ensure that it is in compliance with all labour and industrial laws and must obtain all permits and regulatory approvals required to perform its obligations under the SSC. BHEL will also be required to cooperate and provide assistance to other contractors engaged by SMHPCL in relation to the project.

BHEL will be permitted to sub-let or assign its rights and obligations under the SSC in whole or in part to any sub-contractor approved by SMHPCL, but such sub-letting or assignment will not relieve BHEL from its obligations under the SSC.

BHEL will have the right to terminate the SSC if SMHPCL fails to make any payment required under the SSC, and SMHPCL will have the right to terminate the SSC if BHEL becomes bankrupt or does not adhere to the conditions of the SSC and does not clear the default within 30 days of SMHPCL’s notice to that effect. If the SSC is terminated as a result of a default by BHEL, SMHPCL will have the right to retain the work in progress carried out by BHEL and to arrange for the remaining work to be carried out at the cost of BHEL.

(k) *Loan Agreements*

SMHPCL has entered into various loan arrangements with financial institutions for the purposes of financing the Shree Maheshwar Project.

SMHPCL has advised that the loan arrangements currently existing as of the date of this prospectus are:

- (i) a term loan in the amount of Rs. 100 crores as reduced to Rs. 41.50 crores (the “IFCI Term Loan”) from Industrial Finance Corporation of India Ltd. (“IFCI”) dated 13 November 1998;
- (ii) a term loan in the amount of Rs. 30 crores (the “IDBI Term Loan”) from Industrial Development Bank of India (“IDBI”);
- (iii) a term loan in the amount of Rs. 50 crores (the “SBI Term Loan”) from the State Bank of India (“SBI”) dated 16 November 1998;
- (iv) a bank guarantee in the amount of Rs. 20 crores from SBI dated 16 November 1998 (the “SBI Bank Guarantee”);
- (v) a term loan in the amount of Rs. 25 crores (the “DB Term Loan”) from Dena Bank (“DB”) dated 22 July 1997;
- (vi) a counter guarantee in the amount of US\$5,224,415 from DB which has been converted to a term loan of Rs. 16 crores dated 22 July 1997 (the “DB Converted Term Loan”);
- (vii) a term loan in the amount of Rs. 30 crores (the “CBI Term Loan”) from the Central Bank of India (“CBI”) dated 29 March 2001;
- (viii) a term loan in the amount of Rs. 100 crores, later reduced to Rs. 35 crores (the “LIC Term Loan”) from the Life Insurance Corporation of India (“LIC”) dated 7 July 2000;
- (ix) a term loan in an aggregate amount of Rs. 12 crore from (a) General Insurance Corporation Limited (“GIC”) in an amount of Rs. 3.75 crores (the “GIC Term Loan”); National Insurance Company Limited (“NIC”) in the amount of Rs. 2.25 crores (the “NIC Term Loan”); (c) the New India Insurance Company Ltd. (“NIIC”) in the amount of Rs. 3.75 crores (the “NIIC Term Loan”); and (d) the Oriental Insurance Company Ltd. (“OIC”) in the amount of Rs. 2.25 (“the OIC Term Loan”) dated 28 August 2000;
- (x) a loan in the amount of Rs. 3 crores (the “UIIC Loan”) from the United India Insurance Company Limited (“UIIC”) dated 20 September 2000;
- (xi) a loan in the amount of Rs. 325 crores (the “PFC Common Loan”) from PFC pursuant to a Common Loan Agreement (the “CLA”) by and between the Company, Power Finance Corporation, Rural Electrification Corporation (“REC”) and Housing and Urban Development Corporation (“HUDCO”), dated 29 September 2006;
- (xii) a loan in the amount of Rs. 250 crores (the “REC Common Loan”) from REC pursuant to the CLA;
- (xiii) a loan in the amount of Rs. 259 crores (the “HUDCO Common Loan”) from HUDCO pursuant to the CLA; and
- (xiv) a subordinated loan agreement of Rs. 375 crores from IFC dated 29 September 2000. This facility was granted to help SMHPCL to achieve financial closure. SMHPCL has represented that it does not intend to draw down any amounts under the facility, as disbursements under the facility could be in lieu of equity.

The amounts outstanding under the various loans availed by SMHPCL are as detailed below:

<i>Lender</i>	<i>Sanctioned Loan Amount (crores)</i>	<i>Disbursed up to 30 September 2001 (crores)</i>	<i>Disbursed between 1 October 2001 to 31 October 2005 (crores)</i>	<i>Disbursed after November 2005 (crores)</i>	<i>Amount Outstanding as on 31 December 2007 (crores)</i>
IDBI	30.00	30.00			30.00
IFCI	41.45	41.45			41.45
Life Insurance Corporation	35.00	20.00	9.00		29.00
National Insurance Co.	2.21	1.39	0.82		2.21
Power Finance Corporation (RTL)	325.00	54.62		91.00	145.62
Power Finance Corporation (FCL)		39.54			39.54
General Insurance Corporation Ltd	3.69	2.32	1.37		3.69
The New India Assurance Co. Ltd.	3.69	2.32	1.37		3.69
The Oriental Insurance Co. Ltd.	2.21	1.40	0.81		2.21
United India Insurance Co. Ltd.	2.95	1.86	1.09		2.95
REC Ltd -Term Loan	250.00			101.00	101.00
HUDCO -Term Loan	259.00			105.14	105.14
Central Bank Of India	30.00	30.00			30.00
Dena Bank	41.00	25.00	16.00		41.00
State Bank Of India	50.00	48.67	1.33		50.00
Total	1,076.20	298.57	31.79	297.14	627.50

Note 1 The total amount sanctioned by PFC is Rs 325 crores which included the foreign Currency loan

<i>Interest Rate</i>	<i>8.5% p.a on all restructured loans</i>
REC	12.50%
HUDCO	12.75%
PFC Disbursements made before 31st March 2007	8.50%
New Disbursements made by PFC Since 1st April 2007	12.50%

The auditors of SMHPCL in the notes to the audited annual report of financial year 2007 have mentioned that a principal amount of Rs. 150,000,000 is overdue under a bridge loan for a period of 90 months and interest and financial charges aggregating to Rs. 4,521,855,000 have not been paid since 2001. There may be penal and/or monetary penalties for directors and/or other officers of SMHPCL in this regard. However, these offences are compoundable under the Companies Act under Indian law.

In 2004, a task force comprising of members from Power Finance Corporation Limited (“PFC”) and the Ministry of Power established a Financial Realignment Plan (“FRP”), under which some of the terms of the above loans were modified. Under the FRP, it was proposed:

- (a) that the lenders will receive zero coupon bonds (“ZCBs”) in lieu of interest accrued under the loans during 2001 and 2005 when the Shree Maheshwar Project was stalled. The ZCBs shall be repaid in equal installments over 20 years commencing one year from the date of commissioning of the Shree Maheshwar Project and such repayment to be accelerated in the event the cash flows are in excess of the projections.
- (b) The interest rates of the loan granted by the lender would be realigned to 8.5 per cent. p.a. during construction period and 9 per cent. p.a. thereafter and penal charges would be waived.

SMHPCL has indicated that all the lenders to the FRP have approved the plan, but no documentary evidence confirming this approval has been provided by the Company. Therefore, there can be no assurance that the FRP has been validly approved or is enforceable. If the FRP has not been approved by all the lenders, under the original terms of the loan SMHPCL would continue to remain liable for all outstanding interest and penalty charges and lenders would have the right to declare an event of default, consequently accelerating the repayment of these original loans. Under the FRP, most lenders have stipulated conditions for approving the plan. For example, SMHPCL will need prior consent of DB for, inter alia, entering into any borrowing arrangements and undertaking guarantee obligations. IDBI wishes to have ZCBs for compound interest for the stalled period of the Shree Maheshwar Project (1st October 2001 to 31st October 2005) and IFCI who wishes to have equity in SMHPCL in lieu of ZCBs calculated based on net present value of the shares of SMHPCL. LIC’s has also granted only an in-principal approval to FRP and subject to similar approval being received from all other lenders, the Shree Maheshwar Project achieving financial closure and SMHPCL providing a confirmation that the security has been created in favour of LIC. SBI has also granted its approval subject to all the other lenders approving the FRP.

The relevant terms common to all loan arrangements as described above are set out below:

1. *Terms:* all loan arrangements are to be repayable in 60 equal instalments over 15 years, commencing 18 months from the commercial operation date of the Shree Maheshwar Project.
2. *Security interest:* all loan arrangements are secured by mortgages on immovable properties and hypothecation of all goods, movables and other assets of SMHPCL, both presently held and acquired in the future, assignment of all Shree Maheshwar Project contracts, documents, receivables, bank accounts, insurance policies relating to the Shree Maheshwar Project, rights, titles, approvals and interests of SMHPCL thereunder.

The SHMPCL Articles note that the shareholding of SKG Power Ventures Private Limited has been pledged to the lead term loan lender (Power Finance Corporation), who can exercise all the attached voting rights until the entire loan given by the lenders stands repaid along with interest. This is pursuant to a share pledge deed, dated 30 November, 2006, wherein PFC is to hold the pledged shares of SKG Power Ventures Private Limited (largest shareholder in SMHPCL) for the benefit of all the lenders on a pari passu basis as the security trustee. Further, under the same deed the GoMP has a second charge over the shareholding of SKG Power Ventures Private Limited.

3. *Negative covenants:* with the exception of the LIC Term Loan, all loan arrangements provide that SMHPCL shall not, without the prior approval of the lenders, engage in certain activities, which include, among others, undertaking of any new project; diversification, modernisation or substantial expansion of the Shree Maheshwar Project; issuance of any debentures; raising loans; issuance of equity or preference capital; changing its capital structure; creating any charge on the assets; prepaying any loan taken from any other party; paying any commission to its promoters, directors, managers or other persons for furnishing guarantees or indemnities; declaring or paying dividends; creating subsidiaries or permitting any company to become its

subsidiary; undertaking or permitting any merger, consolidation, reorganisation, or scheme of arrangement; compromising with its creditors or shareholders; effecting any scheme of amalgamation or reconstruction; making any investments by way of deposits in any concern; revaluing its assets; and carrying on any general trading activity other than the sale of its own products at any time during the currency of the loans.

SMHPCL may be in technical default of some of the negative covenants provided in the loan agreements. For example, SMHPCL was required under some of its loan agreements to acquire permission of the SEBI to list its shares on the Bombay Stock Exchange and SMHPCL is required to maintain certain insurance policies, in joint names with the lenders. However, SMHPCL has not received any written intimation of any such default.

4. *Events of default:* events of default under the loan agreements vary widely, and include default in payment or repayment, refusal to disburse loans by other financial institutions, and the occurrence of events which is prejudicial to or impairs, imperils or depreciates or which is likely to prejudice, impair or depreciate the security given by SMHPCL under the loan or adversely affects SMHPCL's capacity to repay under the loan. Upon an event of default, the entire amounts of the loan or balance due become accelerated or payable immediately and the lender can enforce the security interest. In some cases, the lender can terminate or suspend its respective commitments. In addition, under the IFCI Term Loan, GIC Term Loan, NIC Term Loan, NIIC Term Loan, OIC Term Loan, UIIC Loan and the LIC Term Loan, the lenders have the right to the lesser amount of either the whole outstanding amount under the loan or 20 per cent. of the entire loan converted into fully paid up equity shares of SMHPCL. Under the SBI Term Loan, the SBI Bank Guarantee, and the SBI Foreign Currency Loan, upon an event of default, SBI has a power of attorney to take over and carry on the business of SMHPCL, including entering into agreements, realising assets and winding up SMHPCL.
5. *Right to nominate directors:* most lenders either have the right to nominate directors to the board of directors of SMHPCL or to withhold consent from the appointment of the directors to the board of directors of SMHPCL. Currently, the chairman of the board of directors is a nominee of PFC.

All of the above lenders also entered into an inter-creditor agreement, dated 16 March 2007 (the "Inter-creditor Agreement"). Under the Inter-creditor Agreement, the security interest contemplated under the loan agreements and created pursuant to the finance documents rank pari-passu amongst all lenders. Each lender has the right to take an enforcement action and the proceeds received pursuant to such action will be distributed amongst all lenders on a pro-rata basis. Any lender intending enforcement action needs to first give a notice to all the lenders and then a meeting will be held to discuss the course of action. If the action is not approved by 75 per cent. of the outstanding secured obligations, then a period of 45 days will be given to the party to convince other lenders in good faith. If the creditors holding more than 60 per cent. of the outstanding secured obligations agree then the party can take forward the enforcement action. If the lenders don't agree, PFC will approach SMHPCL to find a new bank to take over the loan of the enforcement intending party and a time of 120 days is given to SMHPCL for the same. If SMHPCL fails to find a new bank, then after the expiry of 120 days, the Lender is given 15 days to hold consultations and take review of the situation. Pursuant to this, if 50 per cent. of the creditors agree then the enforcement intending party can go ahead with the action. If the creditors fail to arrive at unanimity then after the expiry of 15 days the enforcement intending party is free to pursue the enforcement action. The proceeds which the enforcement intending party receives after taking forward the action will be distributed amongst all the creditors on a pro-rata basis as the main objective of entering into this agreement was to secure equal rights for all the creditors.

In addition, SMHPCL has issued 4000 Optionally Fully Convertible Debentures ("OFCDs") which are listed on the National Stock Exchange of India, for which PFC has provided a guarantee by way of a deed dated 1 December, 2006. Each OFCD has a face value of Rs. 1,000,000. The OFCDs were issued in two tranches. The first tranche was issued on 23 March 2007 and carries a coupon rate of

9.75 per cent. per annum which is non-compoundable and payable semi-annually. The second tranche was issued 14 August 2007 and carries a coupon rate of 10.75 per cent. per annum which is non-compoundable and payable semi-annually. Some holders of the OFCDs have retained their conversion rights and some have relinquished such rights. The conversion rights attaching to the first tranche are exercisable at any time within four years of issue and the conversion rights attaching to the second tranche are exercisable at any time prior to an initial public offering by SMHPCL. Where the conversion option is not exercised, the OFCDs are redeemed at par in 22 equal half yearly instalments commencing from 5 February 2007 for the first tranche, and 16 July 2007 for the second tranche. The total number of shares that may be issued upon conversion is 311,000,000. However, upon exercise of the conversion option the shares granted to each OFCD holder will be reduced proportionately by the amounts already paid by SMHPCL to such OFCD shareholder. PFC has guaranteed payments to be made under the OFCDs by SMHPCL and further GoMP has provided a counter guarantee for these payment obligations of PFC.

(l) *Amendatory and Restated Agreement*

SMHPCL, S. Kumars Limited, MPEB, the GoMP and Power Finance Corporation Limited (“PFC”) entered into this agreement on 16 September 2005.

The terms of the agreement supersede the PPA to the extent provided in the agreement. Under this agreement, PFC has provided a guarantee to the trustee of the OFCD holders. GoMP has in turn provided a guarantee of these obligations to PFC. Under this agreement S. Kumars Limited and SMHPCL have represented that the Shree Maheshwar Project will be completed and commercial operations will commence not later than 4 years from 9 March 2006. Further, this agreement provides that the parties agree to the electricity purchase price being calculated in accordance with the Central Electricity Regulatory Commission guidelines and such calculation being subject to the approval of the MPSERC.

GoMP (or any person nominated by GoMP) has the option but not an obligation to subscribe to equity shares of SMHPCL to the extent of any payment made by GoMP pursuant to the guarantee to PFC. In the event the OFCD bondholders convert their bonds into equity shares, the return on such equity shares for the purpose of determination of the electricity purchase price shall be sold and supplied to MPEB shall be calculated consistent with the following:

- (a) returns will be only on principal amounts of bonds converted as of the date of conversion minus the amount paid as interest to the bondholders from the date of issue of bonds until the commercial operation date of the Shree Maheshwar Project,
- (b) the interest paid or payable on the bonds until date of conversion to equity, the cost and expense of bonds incurred by the Company or S. Kumars Limited, the guarantee commission payable to PFC or GoMP in connection with their guarantees or any other cost or expense forming part of the issue shall not be included in the calculation of the electricity purchase price.

GoMP and PFC are entitled to enforce their respective rights under this agreement in the event that the Company and S. Kumars Limited commit any of the following events of default: (i) any one subsisting default in the payment of interest or principal by the Company to the bondholders which is not cured within 15 days of receipt of notice from PFC and which triggers the default payment guarantee and where PFC is unable to recover the applicable amount from the escrow account (i.e. the account where SMHPCL receivables from the sale of power will be deposited); (ii) the enforcement by PFC of the escrow mechanism of MPEB and recovery of any amount from MPEB’s receivables; and, (iii) unless due to a force majeure event (as defined in the PPA), the Company fails to commence operations within 4 years from 9 March 2006.

(m) *Share Subscription Agreement*

For a description of the material provisions of the Share Subscription Agreement, see paragraph 10(g) of Part XI of this document.

(n) *India Hydro Investments Limited (“IHIL”) share subscription agreement*

SMHPCL has entered into a share subscription agreement with India Hydro Investments Limited (“IHIL”), SKG Power Ventures Private Limited (“SKG”) and MW Infra Holdings Private Limited (“MW”) dated 23 May 2008 which provides for the conditional direct two stage investment of Rs. 300 Million each (approximately £3.6 million) for 12.30 per cent. and rising to 17.44 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.

(o) *SMH Power Investments Limited (“SPIL”) share subscription agreement*

SMHPCL has entered into a share subscription agreement between SMH Power Investments Limited (“SPIL”), SKG and MW dated 23 May 2008 which provides for the conditional direct two stage investment of Rs. 200 Million each (approximately £2.4 million) for 8.20 per cent. and rising to 11.63 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.

Section B – Accountants report on SMHPCL

The Directors
Infrastructure India plc
IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

24 June 2008

Dear Sirs

Shree Maheshwar Hydel Power Corporation Limited (“SMHPCL”)

We report on the historical financial information of SMHPCL for the three years ended 31 March 2007 (the “Historical Financial Information”) set out in Section C of Part VIII of the prospectus dated 24 June 2008 which has been prepared by Infrastructure India plc (“the Company”) in accordance with the Listing Rules and the Prospectus Rules of the Financial Services Authority (the “Prospectus”).

This Historical Financial Information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in Note 9 to the Historical Financial Information in connection with the offer to certain institutional and professional investors and a limited number of individuals of the ordinary shares of the Company (the “Ordinary Shares”) and the proposed admission of the Ordinary Shares to the Official List of the Financial Services Authority and the proposed admission of the Ordinary Shares to trading on the London Stock Exchange’s market for listed securities.

Responsibilities

This report is required by paragraph 20.1 of Annex I of Appendix 3 to the Prospectus Rules and is given for the purposes of complying with that rule and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3 to the Prospectus Rules to any person as and to the extent provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any responsibility to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of Appendix 3 to the Prospectus Rules, consenting to its inclusion in the prospectus.

The directors of the Company are responsible for preparing the Historical Financial Information on the basis of preparation as contained within the accounting policies at Note 9 to the Historical Financial Information.

It is our responsibility to form an opinion on the Historical Financial Information as to whether the Historical Financial Information gives a true and fair view for the purposes of the Prospectus, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to SMHPCL circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of SMHPCL as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Without qualifying our opinion, we draw attention to Note 9.1 in the historical financial information of SMHPCL for the three years ended 31 March 2007, which indicates that SMHPCL has a negative net worth of Rs. 5,279.04 million and its current liabilities exceeded its current assets by Rs. 8,797.03 as at 31 March 2007. These conditions, along with other matters as set forth in Note 9.1, indicate the existence of a material uncertainty which may cast significant doubt about SMHPCL's ability to continue as a going concern.

Declaration

For the purposes of item 5.5.3R(2)(f) of the Prospectus Rules we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of Appendix 3 to the Prospectus Rules.

Yours faithfully

GRANT THORNTON, INDIA

Section C – Historical financial information on SMHPCL
HISTORICAL FINANCIAL INFORMATION
SHREE MAHESHWAR HYDEL POWER CORPORATION LIMITED
31 MARCH 2007, 31 MARCH 2006 AND 31 MARCH 2005

1. INTRODUCTION

The historical financial information on Shree Maheshwar Hydel Power Corporation Limited ('SMHPCL') has been prepared solely for the purpose of the Prospectus relating to India Infrastructure plc. The historical financial information prepared by the directors of the Company in accordance with the listing rules and the Prospectus Rules of the Financial Services Authority, contained in this Part VIII does not constitute audited statutory accounts within the meaning of Section 240 of the United Kingdom Companies Act.

SMHPCL has been set up as a special purpose vehicle for the implementation of the Shree Maheshwar Project, which is a 400 MW run-of-the-river project forming part of a series of projects conceived and under implementation on the river Narmada in India as part of the Narmada Valley Development Plan. The project is located on the river Narmada at a site located near Mandleshwar, 80 kilometres south of Indore, Madhya Pradesh, India. The project is being set up for generation of hydro power by utilising the water diverted from the flow of the Narmada River.

This project was initially conceived to be implemented by Narmada Valley Development Authority and later by the Madhya Pradesh Electricity Board ('MPEB'). However, pursuant to the privatisation of the power sector in the early 1990s, the project was handed over to the promoters of SMHPCL in 1993. SMHPCL commenced construction activities on this project in 1998, which continued until September 2001, when activities were stalled due to financial constraints. In November 2005, SMHPCL recommenced work on the project and the construction is expected to be completed in 2010. The commercial generation of power is expected from 2010 onwards.

SMHPCL has entered into a Power Purchase Agreement ('PPA') for the project with MPEB in 1994 which was amended in 1996 and is valid for a period of 35 years from date of commissioning of the project.

2. BASIS OF PREPARATION

For the purposes of the Prospectus, the historical financial information of SMHPCL for the years ended 31 March 2005, 31 March 2006 and 31 March 2007 has been prepared by the Company and its Directors, who are responsible for the historical financial information of SMHPCL by applying International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') except that the historical financial information does not constitute a set of general purpose financial statements under paragraph 3 of 'IAS 1 – Presentation of Financial Statements' ('IAS 1') and consequently SMHPCL does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1. A company is only permitted to apply the first-time adoption rules of 'IFRS 1 – First Time Adoption of IFRS' ('IFRS 1') in its first set of financial statements where such an unreserved statement of compliance has been made. Although such a statement has not been made here, the historical financial information has been prepared as if the date of transition to IFRS was 1 April 2004, the beginning of the first period presented, and the requirements of IFRS 1 have been applied since that date.

As explained above, SMHPCL's deemed transition date to IFRS is 1 April 2004. In preparing subsequent financial statements of SMHPCL by applying IFRS, the date of transition, as determined in accordance with IFRS 1, may not be 1 April 2004 and therefore the first-time adoption rules will be applied at a date other than 1 April 2004 with a consequential impact on the opening IFRS balance sheet.

The audited financial statements of SMHPCL were originally prepared under accounting principles generally accepted in India ('Indian GAAP') for the years ended 31 March 2005, 31 March 2006 and 31 March 2007. The financial statements have been restated by applying IFRS, including making such adjustments to the audited Indian GAAP financial information and additional disclosures as was considered necessary.

IFRS effective for accounting periods commencing on or after 1 April 2006 have been applied to all periods presented as if these had always been in existence. IFRS 1 allows certain exemptions in the application of particular standards to the prior periods in order to assist companies with the transition process. Accordingly, SMHPCL has elected not to apply 'IFRS 3 – Business Combinations' ('IFRS 3') retrospectively to business combinations that occurred before the deemed transition date to IFRS.

The financial information for the year ended 31 March 2007 (including the comparatives for the year ended 31 March 2006 and 31 March 2005) were approved by the Board of Directors on 23 June 2008.

3. RESPONSIBILITY

Infrastructure India plc and the Directors of Infrastructure India plc are responsible for the historical financial information on SMHPCL and the contents of the Prospectus in which it is included.

4. STATUTORY INFORMATION

SMHPCL was incorporated in India on 11 November 1993 and has its registered office at Abhayanchal Parisar, Mandaleshwar, Khargone, West Nimar, Madhya Pradesh – 451 221, India.

5. BALANCE SHEET

(All amounts in millions of Indian Rupees, unless otherwise stated)

	Notes	31 March 2007	31 March 2006	31 March 2005
ASSETS				
Current				
Cash and cash equivalents	14	375.16	233.63	58.26
Restricted cash	15	243.56	–	–
Short term financial assets	16	–	147.02	1.02
Other current assets	17	288.24	64.24	338.59
Total current assets		<u>906.96</u>	<u>444.89</u>	<u>397.87</u>
Non current				
Property, plant and equipment	18	9,449.98	5,982.74	5,687.95
Restricted cash	15	505.35	–	–
Other non current assets		852.22	967.47	856.90
Deferred tax assets	22	–	3.72	2.63
Total non current assets		<u>10,807.55</u>	<u>6,953.93</u>	<u>6,547.48</u>
Total assets		<u>11,714.51</u>	<u>7,398.82</u>	<u>6,945.35</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Current tax liabilities		8.39	4.65	2.21
Provision for resettlement and rehabilitation cost	23	1,651.19	1,514.94	1,519.40
Current portion of long term debt	20	7,127.61	4,278.92	3,026.06
Other liabilities	19	916.80	978.88	1,094.42
Total current liabilities		<u>9,703.99</u>	<u>6,777.39</u>	<u>5,642.09</u>
Non current liabilities				
Long term debt, net of current portion	20	7,058.10	4,602.55	3,835.95
Employee benefits	21	2.63	1.38	1.42
Other non current liabilities	24	32.93	21.55	30.04
Deferred tax liability	22	195.90	–	–
Total non current liabilities		<u>7,289.56</u>	<u>4,625.48</u>	<u>3,867.41</u>
Total liabilities		<u>16,993.55</u>	<u>11,402.87</u>	<u>9,509.50</u>
Shareholders' equity				
Equity share capital	7	1,440.00	1,440.00	1,440.00
Equity component of convertible debentures		164.90	–	–
Retained earnings		(6,883.94)	(5,444.05)	(4,004.15)
Total shareholders' equity		<u>(5,279.04)</u>	<u>(4,004.05)</u>	<u>(2,564.15)</u>
Total liabilities and shareholders' equity		<u>11,714.51</u>	<u>7,398.82</u>	<u>6,945.35</u>

6. INCOME STATEMENT

(All amounts in millions of Indian Rupees, unless otherwise stated)

	Notes	Year ended 31 March 2007	Year ended 31 March 2006	Year ended 31 March 2005
Revenues		–	–	–
		–	–	–
Expenses				
Employee costs		12.55	12.97	7.18
Other expenses		96.66	99.16	114.49
Depreciation	18	2.74	2.67	3.65
Operating loss		111.95	114.80	125.32
Interest cost	26	1,778.36	1,329.76	1,024.83
Other income	27	(611.15)	(4.82)	–
Loss before tax		1,279.16	1,439.74	1,150.15
Tax expense	22	160.73	0.16	0.66
Loss after tax		1,439.89	1,439.90	1,150.81
Loss per share	28			
Basic and diluted (in Rs.)		10.00	10.00	8.42

7. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in millions of Indian Rupees, unless otherwise stated)

	Number of equity shares	Equity share capital	Equity component of compound financial instrument	Retained earnings	Total shareholders' equity
Balance as at 1 April 2004	136,441,400	1,364.41	–	(2,853.34)	(1,488.93)
Loss for the year		–	–	(1,150.81)	(1,150.81)
Total recognised income and expense for the year		–	–	(1,150.81)	(1,150.81)
Shares issued during the year	7,558,600	75.59	–	–	75.59
Balance as at 31 March 2005	144,000,000	1,440.00	–	(4,004.15)	(2,564.15)
Loss for the year		–	–	(1,439.90)	(1,439.90)
Total recognised income and expense for the year		–	–	(1,439.90)	(1,439.90)
Balance as at 31 March 2006	144,000,000	1,440.00	–	(5,444.05)	(4,004.05)
Loss for the year		–	–	(1,439.89)	(1,439.89)
Total recognised income and expense for the year		–	–	(1,439.89)	(1,439.89)
Equity component of compound financial instruments		–	211.32	–	211.32
Issue costs		–	(4.47)	–	(4.47)
Deferred tax on equity component of compound financial instruments		–	(41.95)	–	(41.95)
Balance as at 31 March 2007	144,000,000	1,440.00	164.90	(6,883.94)	(5,279.04)

8. STATEMENT OF CASH FLOWS

(All amounts in millions of Indian Rupees, unless otherwise stated)

	Year ended 31 March 2007	Year ended 31 March 2006	Year ended 31 March 2005
(A) Cash flow from operating activities			
Loss before tax	(1,279.16)	(1,439.74)	(1,150.15)
Adjustments for non cash expenses/income			
Depreciation	2.74	2.67	3.65
Adjustment for non operating activities			
Gain on restructuring of debt	(605.73)	–	–
Loss on fair valuation of interest free deposit	–	–	21.47
Imputed interest on interest free deposit	(5.42)	(4.82)	–
Interest expense	1,778.36	1,329.76	1,024.83
Income from mutual funds	(6.07)	(9.45)	(0.91)
	<u>(115.28)</u>	<u>(121.58)</u>	<u>(101.11)</u>
Changes in operating assets and liabilities			
Receivable and other assets	(99.32)	170.02	46.39
Accounts payable and other liabilities	(92.96)	79.31	246.34
	<u>(307.56)</u>	<u>127.75</u>	<u>191.62</u>
Net changes in operating assets and liabilities			
Income taxes paid	(4.85)	(1.32)	(0.99)
Net cash (used in)/provided by operating activities	<u>(312.41)</u>	<u>126.43</u>	<u>190.63</u>
(B) Cash flow from investing activities			
Payments for purchase of property, plant and equipment	(1,404.07)	(254.78)	(236.28)
Sale of property, plant and equipment	–	0.27	0.40
Sale of investments	147.02	1.02	54.94
Purchase of investment	–	(147.02)	–
Income from mutual funds	6.07	9.45	0.91
	<u>(1,250.98)</u>	<u>(391.06)</u>	<u>(180.03)</u>
(C) Cash flow from financing activities			
Restricted cash	(748.91)	–	–
Proceeds from debts	700.00	400.00	–
Repayment of debt	(365.20)		
Proceeds from issue of Optionally Fully Convertible Bonds	2,175.00	–	–
Debt issue cost	(45.97)	–	–
Proceeds from Inter company deposit	–	40.00	–
Repayment of Inter company deposit	(10.00)	–	–
	<u>1,704.92</u>	<u>440.00</u>	<u>–</u>
Net cash provided by financing activities			
Net Increase in cash and cash equivalents	141.53	175.37	10.60
Cash and cash equivalents at the beginning of the year	233.63	58.26	47.66
Cash and cash equivalents at the end of the year	375.16	233.63	58.26
Cash and cash equivalents comprise			
Cash in hand	0.07	0.10	0.14
Deposits	211.06	49.29	56.50
Balances with banks in current and cash credit accounts	164.03	184.24	1.62
	<u>375.16</u>	<u>233.63</u>	<u>58.26</u>

9. SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying historical financial information are as follows:

9.1. OVERALL CONSIDERATIONS

The historical financial information of SMHPCL has been prepared on the accrual basis of accounting using the measurement bases specified by IFRS for each type of asset, liability, income and expense, which are more fully described in the accounting policies below. The financial information has been presented in Indian Rupees ('Rs. '), which is also the functional currency of SMHPCL. All amounts have been presented in millions, unless specified otherwise.

The financial information has been presented for the three years ended 31 March 2007.

The financial information has been prepared on a going concern basis, which assumes the realisation of assets and satisfaction of liabilities in the normal course of business. The construction work on the project was stalled for the period from September 2001 to November 2005 due to financial constraints and accordingly, SMHPCL was unable to service its debt during this period. Subsequently substantial financial closure on the project was achieved in September 2006. SMHPCL has also submitted a Financial Realignment Plan to all its lenders, which was in different stages of approval with various lenders as at the balance sheet date. As at 31 March 2007, SMHPCL has current liabilities aggregating Rs. 9,703.99 million and current assets of Rs. 906.96 million and a negative net worth of Rs. 5,279.04 million. Considering the revised project estimates SMHPCL is yet to arrange substantial funds for timely completion of the project. The failure to raise enough capital or on acceptable terms could have a material adverse effect on the project. Further, SMHPCL has significant obligations relating to resettlement and rehabilitation of people displaced which is required to be completed at least six months before project commissioning. Land acquisition delays may severely delay or disrupt completion of the project which would in turn increase project costs and could have a material adverse effect on the business. The existence of these conditions, indicate a material uncertainty which may cast significant doubt about SMHPCL's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has initiated various measures to raise additional debt and capital to meet the funding requirements of the project and has also renegotiated the terms of the existing debt to either reduce or waive certain charges and reschedule the repayments. As part of its plans, the management is in the process of negotiating additional facilities to tie up the shortfall in its debt funding requirements. The promoters of SMHPCL are in advanced stages of negotiations with prospective investors to fund the equity gap. Further, the management has planned on raising additional equity capital through an initial public offering or private placement of shares. The promoters of SMHPCL have also given their unconditional financial support to ensure successful completion of the project. Further, in respect of resettlement and rehabilitation (R&R), in many cases the implementing agency has already received offer for sale from the land owners. Once funds are arranged, the R&R activities will progress at faster pace and be completed as scheduled. Management is confident on the successful completion of these initiatives and accordingly, this historical financial information does not include any adjustments that might result from the outcome of this uncertainty.

9.2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the historical financial information, SMHPCL's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The management's estimates for the useful life and residual value of tangible assets, recognition of deferred tax assets and recognition of resettlement and reallocation provisions represent certain of these particularly sensitive estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRSs that have significant effect on the historical financial information and estimates with a significant risk of material adjustment in the next financial year are discussed in note 32.

9.3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments and bank deposits.

9.4. FOREIGN CURRENCIES

The presentation currency for SMHPCL is Rs., which is also its functional currency, being the currency of the primary economic environment in which SMHPCL operates.

A currency other than the functional currency is considered as a foreign currency and a transaction that is denominated or requires settlement in a foreign currency is considered as a foreign currency transaction. Transactions in foreign currencies are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of each of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. All exchange differences are recognised in profit or loss in the period in which they arise.

9.5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the development or acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to SMHPCL and the cost of the item can be measured reliably.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The residual values and useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at each period end.

Depreciation on property, plant and equipment is provided at rates estimated by the management. Depreciation is computed using the straight line method of depreciation, whereby each asset is written down to its estimated residual value evenly over its expected useful life. The method used for depreciation of property, plant and equipment is reviewed, and adjusted if appropriate, at each period end. The useful lives estimated by the management are as follows:

Buildings	35 years
Vehicles	7 years
Equipment	3 to 5 years
Furniture and fixture	5 years

Land acquired is recognised at cost and no depreciation is charged as it has an unlimited useful life.

Advances paid for the acquisition/ construction of property, plant and equipment which are outstanding at the balance sheet date and the cost of property, plant and equipment under construction at the balance sheet date are disclosed as 'Capital work-in-progress'. SMHPCL has a policy of handing over construction materials to the civil contractors on receipt at site in the case of cement and at collection points outside the site in the case of steel, and the costs of these materials is added to the cost of construction in progress; actual consumption of the construction material will be ascertained upon the completion of the construction work and adjustments, if any, are made in the year of completion. Property, plant and equipment in the course of construction are not depreciated.

9.6. *BORROWING COSTS*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Interest income earned on the temporary investment of specific borrowing pending its expenditure on qualifying assets is deducted from the cost of these assets.

The capitalisation of borrowing costs is suspended if there are prolonged periods when development/construction activity is interrupted and all borrowing costs incurred during this period are charged to the income statement. Further, any borrowing costs, including compound interest, penal charges and other levies charged on the amounts of borrowing costs incurred during the period when capitalisation was suspended is also charged to the income statement.

Gains and losses on extinguishment of liability, including those arising from substantial modification of terms of borrowings are not treated as borrowing costs and are charged to income statement.

All other borrowing costs including transaction costs are recognised in the profit or loss in the period in which they are incurred, the amount being determined using the effective interest rate method.

9.7. *REVENUE RECOGNITION*

SMHPCL recognises revenue to the extent that it is probable that the economic benefits will flow to SMHPCL and the revenues can be reliably measured. Currently, SMHPCL is in the construction phase of the project and has not started generating revenues from operations.

Interest income is recognised as interest accrues using the effective interest method (that is the rate that exactly discounts estimated future cash receipts) through the expected life of the financial instrument to the net carrying amount of the asset.

9.8. *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 SMHPCL 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 balance sheet 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.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

9.9. *IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT*

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

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, SMHPCL's management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for SMHPCL's impairment testing procedures are directly linked to SMHPCL's latest estimates, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by SMHPCL's management.

Impairment losses for cash-generating units are 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. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

9.10. FINANCIAL ASSETS

Financial assets are divided into the following categories:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognised in profit or loss or directly in equity.

Generally, SMHPCL recognises all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expense relating to financial assets are recognised in the income statement line item "finance costs" or "finance income", respectively.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. SMHPCL's trade and most other receivables fall into this category of financial instruments. Discounting, however, is omitted where the effect of discounting is immaterial. Receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets.

All other available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in equity. Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment, any loss previously recognised in equity is transferred to the income statement. Losses recognised in the income statement on equity instruments are not reversed through the income statement but charged to equity. Losses recognised in prior period income statements resulting from the impairment of debt securities are reversed through the income statement, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of SMHPCL's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

9.11. FINANCIAL LIABILITIES

SMHPCL's financial liabilities include trade and other payables, borrowings and liability component of compound financial instruments. Financial liabilities are recognised when SMHPCL becomes a party to the contractual agreements of the instrument.

Borrowings and liabilities are included in balance sheet line items 'long-term debt' and 'current portion of long term debt'.

Borrowings and liability component of compound financial instruments are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition they are subsequently measured at amortised cost using the effective interest rate method.

Trade payables are recognised initially at their nominal value and subsequently measured at amortised cost less settlement payments.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Financial liabilities that have been exchanged or modified for another financial liability with substantially different terms have been accounted as an extinguishment of the old liability and recognition of a new liability. The terms are considered substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original debt instrument. Any cost or fees incurred on the extinguishment of the financial liability are recognised as part of the loss on the extinguishment of the debt under the head financial expenses. If the exchange or modification of the financial liability is not accounted for as an extinguishment of the debt then any costs or fees incurred for the adjustment to the carrying amount or terms of the liability are deferred in the year of payment and are amortised over the remaining term of the modified loan using the effective interest method.

9.12. COMPOUND FINANCIAL INSTRUMENTS

SMHPCL recognises separately the components of a compound financial instrument that creates a financial liability and grants an option to the holder of the instrument to convert it into an equity instrument of SMHPCL. Compound financial instruments are broken down into their equity and liability components and classified accordingly in the balance sheet. The initial carrying amount of a compound financial instrument is allocated to its equity and liability components, and the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The carrying amount of the liability component is determined by measuring the fair value of a similar liability that does not have an associated equity component. Such measurement takes into account management's estimates of SMHPCL's contractual obligation to make future payments and the market interest rate for a similar liability.

9.13. ACCOUNTING FOR INCOME TAXES

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period that are unpaid/un-recovered at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial information with the tax base. Deferred tax is, however, neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to SMHPCL are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

9.14. EQUITY

Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issue of shares is deducted from share capital, net of any related income tax benefits.

Retained earnings include all current and prior period results as disclosed in the income statement.

9.15. EMPLOYEE BENEFITS

Employee benefits are provided through a defined benefit plan as well as certain defined contribution plans.

SMHPCL provides for provident fund benefit, a defined contribution plan, under which SMHPCL pays fixed contributions into an independent entity. SMHPCL has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

SMHPCL also provides for gratuity, a defined benefit plan, which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration. The legal obligation for any benefits from this kind of plan remains with SMHPCL, even if plan assets for funding the defined benefit plan have been acquired.

The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are recognised immediately in the income statement. Past-service costs are recognised immediately in the income statement, unless the changes to the plan are conditional on the

employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Interest expenses related to DBO are included in “finance costs” in the income statement. All other pension related benefit expenses are included in “Employee benefit expense”.

9.16. OTHER PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from SMHPCL 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.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Long term provisions are discounted to their present values, where the time value of money is material. Where discounting is used, the increase in the provision due to the unwinding of the discount on passage of time is recognised as other finance expenses.

Where SMHPCL expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision net of any reimbursement is presented in the income statement. To the extent such expense is incurred for construction or development of any asset, it is included in the cost of that asset. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of SMHPCL’s management.

Commitments and contingent liabilities are not recognised in the historical financial information. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the historical financial information but disclosed when an inflow of economic benefits is probable.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote no liability is recognised in the balance sheet and no disclosure is made.

10. STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET APPLIED BY SMHPCL

Following standards or interpretations have been issued by IASB till the date of approval of this historical financial information but have not been considered in the preparation of the historical financial information.

<i>Standard or Interpretation</i>	<i>Effective dates</i>
IAS 1: Presentation of Financial Statements (Revised)	Annual periods beginning on or after 1 January 2009
IAS 1: Presentation of Financial Statements – Capital Disclosures	Annual periods beginning on or after 1 January 2007
IAS 16: Property, Plant and Equipment (Annual Improvements 2008)	Annual periods beginning on or after 1 January 2009
IAS 20: Government Grants and Disclosure of Government Assistance (Annual Improvements 2008)	Annual periods beginning on or after 1 January 2009
IAS 23: Borrowing costs (Revised)	Annual periods beginning on or after 1 January 2009
IAS 27: Consolidated and Separate Financial Statements (Revised 2008)	Annual periods beginning on or after 1 January 2009
IAS 32: Financial Instruments: Presentation– Puttable Financial Instruments and Obligations Arising on Liquidation Amendment	Annual periods beginning on or after 1 January 2009
IAS 36: Impairment of Assets (Annual Improvements 2008)	Annual periods beginning on or after 1 January 2009
IAS 38: Intangible Assets (Annual Improvements 2008)	Annual periods beginning on or after 1 January 2009
IAS 39: Financial Instruments: Recognition and Measurement (Annual Improvements 2008)	Annual periods beginning on or after 1 January 2009
IFRS 1: First-time adoption of International Financial Reporting Standards – Cost of an investment on first-time adoption	Annual periods beginning on or after 1 January 2009
IFRS 2: Share– based Payment (Amendment)	Annual periods beginning on or after 1 January 2009
IFRS 3: Business Combinations (Revised 2008)	For acquisition dated on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
IFRS 7: Financial Instruments– Disclosures	Annual periods beginning on or after 1 January 2007
IFRS 8: Operating Segments	Annual periods beginning on or after 1 January 2009
IFRIC 8: Scope of IFRS 2	Annual periods beginning on or after 1 May 2006
IFRIC 9: Reassessment of Embedded Derivatives	Annual periods beginning on or after 1 June 2006
IFRIC 10: Interim Financial Reporting and Impairment	Annual periods beginning on or after 1 November 2006
IFRIC 11: IFRS 2 – Group and Treasury Share Transactions	Annual periods beginning on or after 1 March 2007
IFRIC 12: Service Concession Arrangements	Annual periods beginning on or after 1 January 2008

<i>Standard or Interpretation</i>	<i>Effective dates</i>
IFRIC 13: Customer Loyalty Programmes	Annual periods beginning on or after 1 July 2008
IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008

SMHPCL is in the process of evaluating applicability of IFRIC 12. IFRIC 12 applies to public-to-private service concession arrangements if:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

Accordingly, SMHPCL is evaluating whether the Government of Madhya Pradesh ('GoMP') or the MPEB in any way control the generation and sale of power from this project and at what price and to whom it must be sold and whether, either GoMP or MPEB would have any beneficial entitlement or residual interest in the project at the end of the arrangement. If IFRIC 12 is determined to be applicable, the cost of construction of power project, which has been classified as Property, plant and equipment in this financial information, is either capitalised as an intangible asset or is recorded as a financial asset, depending upon the terms of arrangement between the grantor and the operator. IFRIC 12 is applicable with retrospective effect and if assessed as applicable, will result in significant change in the carrying values of property, plant and equipments, financial assets or intangible assets in the financial information for subsequent periods.

In respect of other new pronouncements, which become applicable to SMHPCL in future periods, based on SMHPCL's current business model and accounting policies, management does not expect material changes to the recognition and measurement principles on SMHPCL's historical financial information. However, the directors are aware that the application of the above standards and interpretations will significantly alter the amount and complexity of the disclosures contained in SMHPCL's subsequent financial statements.

SMHPCL does not intend to apply any of these pronouncements early.

11. RECOMMENCEMENT OF OPERATIONS

SMHPCL commenced its construction activities in 1998 and carried on these activities until 2001, when it was suspended due to financial constraints. During the reporting period, SMHPCL obtained additional financing and recommenced construction activities from November 2005.

The lead lender declared technical financial closure of the project with effect from 28 September 2006 based on 90 per cent. of the project expenditure requirements being tied up including sanction of Rs. 3,750 million as standby loan by Power Finance Corporation Ltd ('PFC') against the equity capital to be raised for completing the Means of Financing. The standby loan will be secured by a second charge on project assets.

12. ACCOUNTING FOR FINANCIAL REALIGNMENT PLAN

SMHPCL had partly funded its construction activities through term loans from various banks and financial institutions, which carried interest ranging from 14 per cent to 20 per cent. However, in 2001, due to financial constraints, SMHPCL was unable to service the interest on several of these borrowings, and the lenders stopped further disbursements, which resulted in the suspension of construction activities.

In August 2004, Power Finance Corporation Ltd. ('PFC') assumed the role of the lead institution of the lenders consortium and subsequently, SMHPCL in consultation with PFC appointed Infrastructure Leasing & Financial Services Ltd. ('IL&FS') as Financial Advisors to help SMHPCL in preparing a Financial Realignment Plan ('FRP'). The FRP was to be developed and finalised in consultation with all lenders with a view to ensuring the viability of the project and keeping the tariff at a competitive level. An Initial Information Memorandum ('IIM') was circulated to all lenders – existing and prospective for their consideration in March 2005 and subsequently revised in early 2006.

Key terms of the FRP were as follows:

- Reducing the interest rates to 8.5 per cent. p.a. during the construction period (1 November 2005 to 30 April 2009) and 9 per cent. p.a thereafter;
- Convert simple interest for the period from September 2001 to November 2005 ('stalled period'), into Zero Coupon Bonds ('ZCBs') repayable in equal quarterly installments over 20 years commencing one year from the date of commissioning (31 May 2009);
- Waive compound interest and liquidated damages for the stalled period;
- Upfront payment of simple interest, compound interest and liquidated damages overdue as at 1 November 2001 ('pre stalled period interest').

During the year 2006, SMHPCL started receiving in principle approvals to the FRP from various lenders. However, some of the lenders have sought equity participation in SMHPCL against some of their claims. Certain other lenders have indicated their acceptance subject to all lenders accepting the same terms; this makes the FRP binding only if all lenders accept the FRP. Further, the Board of Directors of SMHPCL had also decided that all lenders would be treated on par and given the same terms of settlement. SMHPCL has not been able to get complete approval to the FRP from all the lenders as at the balance sheet date.

As per the requirements of IAS 39, "Financial Instruments: Recognition and Measurement", SMHPCL has evaluated the state of the approvals as at the balance sheet date and concluded that there is no legal release from the lenders as at that date, and accordingly, this does not result in the modification of the terms of the existing borrowings. Accordingly, the FRP has not been given effect to in the financial information for the reporting period.

Subsequent to the balance sheet date, in February 2008, the Board of Directors have considered and approved a modified proposal, which involves among other things, the issue of ZCBs in respect of the compound interest accrued during the stalled period. As a consequence, in March 2008, SMHPCL received the approval from all the lenders, barring one lender who has also sought equity participation.

Once the FRP is finally approved, SMHPCL would evaluate whether the modification of the terms of the existing debt instruments as per the FRP amounts to a substantial modification of the terms, which requires the modification to be accounted for as an extinguishment of the old liability and recognition of a new liability.

13. ACCOUNTING FOR SETTLEMENT WITH LENDERS

During the year 2006-07, SMHPCL made a settlement with the lenders who had extended bridge loans. These loans were carried at amortised cost and aggregated Rs. 1,014.19 million prior to the settlement in March 2007. As per the terms of settlement, SMHPCL has repaid the principal to the extent of Rs. 365.20 million to two of these lenders and agreed to make a payment of Rs. 43.26 million in respect of accrued interest till the date of settlement on or before 31 March 2010. All other interest and penalties have been waived by the lenders.

As per the requirements of IAS 39, "Financial Instruments: Recognition and Measurement", SMHPCL has evaluated whether the modification of the terms of the existing debt instruments as per the settlement amounted to a substantial modification of the terms, which requires the modification to be accounted for as an extinguishment of the old liability and recognition of a new liability.

Based on this evaluation, the entire debt outstanding with a carrying value of Rs. 1,014.19 million needs to be accounted as an extinguishment of the old debt with the corresponding recognition of a new debt instrument at fair value of Rs. 408.46 million. The difference between the carrying amount of a liability extinguished, and the fair value of the new debt instrument aggregating Rs. 605.73 million has been included in net profit or loss for the period. In assessing the fair value of the new debt instruments recognised, in the absence of any comparable transaction price or other market prices, the fair value has been estimated as the sum of all future cash payments, discounted using the prevailing market rates of interest for a similar instruments of an issuer with a similar credit rating. Interest on these debt instruments are recognised based on the effective interest rate method.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Cash in hand	0.07	0.10	0.14
Deposits	211.06	49.29	56.50
Balances with banks in current and cash credit accounts	164.03	184.24	1.62
Total	<u>375.16</u>	<u>233.63</u>	<u>58.26</u>

15. RESTRICTED CASH

Restricted cash represents balances maintained in specific bank accounts as bank deposits. The use of these funds is restricted, as these are given for security against issue of optionally fully convertible debentures, bank guarantees and margin money deposits etc.

16. SHORT TERM FINANCIAL ASSETS

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Investments in mutual funds	–	147.02	1.02
Total	<u>–</u>	<u>147.02</u>	<u>1.02</u>

Above short term financial assets are carried at fair value through profit or loss.

17. OTHER CURRENT ASSETS

Other current assets comprise of the following:

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Advances	126.58	61.36	336.29
Advance tax	5.44	2.23	0.92
Others	156.22	0.65	1.38
Total	<u>288.24</u>	<u>64.24</u>	<u>338.59</u>

The above receivables are repayable on demand and do not carry any interest income and management considers the fair values to be not materially different from the carrying amounts recognised in the balance sheet as they are expected to realise in the next one year.

18. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises of the following:

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Cost			
Land	58.27	58.27	58.27
Building	69.34	68.57	68.57
Furniture and fixtures	5.69	5.26	5.28
Equipments	21.26	19.02	18.27
Vehicles	11.15	9.64	7.96
Capital work in progress	9,325.49	5,858.85	5,564.50
	<u>9,491.20</u>	<u>6,019.61</u>	<u>5,722.85</u>
Accumulated Depreciation			
Building	20.85	18.89	16.93
Furniture and fixtures	5.31	5.12	5.09
Equipments	10.00	8.87	8.36
Vehicles	5.06	3.99	4.52
	<u>41.22</u>	<u>36.87</u>	<u>34.90</u>
Net book value			
Land	58.27	58.27	58.27
Building	48.49	49.68	51.64
Furniture and fixtures	0.38	0.14	0.19
Equipments	11.26	10.15	9.91
Vehicles	6.09	5.65	3.44
Capital work in progress	9,325.49	5,858.85	5,564.50
	<u>9,449.98</u>	<u>5,982.74</u>	<u>5,687.95</u>

For disclosures relating to charge/lien on these assets, refer Note 20.

Movements in the cost and accumulated depreciation of property, plant and equipment are as follows:

Cost	<i>Year ended</i> <i>31 March 2007</i>		<i>Year ended</i> <i>31 March 2006</i>		<i>Year ended</i> <i>31 March 2005</i>	
	<i>Additions</i>	<i>Disposals</i>	<i>Additions</i>	<i>Disposals</i>	<i>Additions</i>	<i>Disposals</i>
Building	0.77	–	–	–	–	–
Furniture and fixtures	0.43	–	–	0.02	0.04	–
Equipments	2.24	–	0.87	0.12	0.03	–
Vehicles	1.51	–	3.03	1.35	2.65	0.86
Capital work in progress	3,466.64	–	294.35	–	322.46	–
	<u>3,471.59</u>	<u>–</u>	<u>298.25</u>	<u>1.49</u>	<u>325.18</u>	<u>0.86</u>

Accumulated Depreciation	<i>Year ended</i> <i>31 March 2007</i>		<i>Year ended</i> <i>31 March 2006</i>		<i>Year ended</i> <i>31 March 2005</i>	
	<i>Charge for the year</i>	<i>Adjustment on disposals</i>	<i>Charge for the year</i>	<i>Adjustment on disposals</i>	<i>Charge for the year</i>	<i>Adjustment on disposals</i>
Building	1.96	–	1.96	–	1.96	–
Furniture and fixtures	0.19	–	0.03	–	0.25	–
Equipments	1.13	–	0.51	–	0.17	–
Vehicles	1.07	–	0.66	1.19	1.27	0.46
Capital work in progress	–	–	–	–	–	–
	<u>4.35</u>	<u>–</u>	<u>3.16</u>	<u>1.19</u>	<u>3.65</u>	<u>0.46</u>

Additions above include borrowing cost capitalised during the year ended 31 March 2007 and 31 March 2006 amounting to Rs. 1,799.82 million and Rs. 59.79 million, respectively and total borrowing cost capitalised as at 31 March 2007, 31 March 2006 and 31 March 2005 amounted to Rs. 3,551.99 million, Rs. 1,752.17 million and Rs. 1,692.38 million respectively.

Depreciation above includes depreciation included in the cost of project under construction amounting to Rs. 1.61 million and Rs. 0.49 million, during the year ended 31 March 2007 and 31 March 2006, respectively.

19. OTHER LIABILITIES

Other liabilities comprise of the following:

	<i>31 March</i> <i>2007</i>	<i>31 March</i> <i>2006</i>	<i>31 March</i> <i>2005</i>
Inter company deposits	30.00	40.00	–
Sundry payables	520.07	656.97	590.19
Interest accrued but not due	88.30	27.23	283.99
Creditors for expenses	15.68	9.55	33.95
Staff creditors	1.04	2.52	2.41
Other liabilities	261.71	242.61	183.88
Total	<u>916.80</u>	<u>978.88</u>	<u>1,094.42</u>

The above liabilities are payable on demand and do not carry any interest expense and management considers the fair values to be not materially different from the carrying amounts recognised in the balance sheet as they are expected to be paid in the next one year.

20. LONG TERM DEBT

Long-term debt comprises of the following:

	<i>31 March</i> <i>2007</i>	<i>31 March</i> <i>2006</i>	<i>31 March</i> <i>2005</i>
Term loans from banks and financial institutions	12,263.53	8,881.47	6,862.01
Liability component of compound financial instruments	1,922.18	–	–
Less: Current portion of long term debt	<u>(7,127.61)</u>	<u>(4,278.92)</u>	<u>(3,026.06)</u>
	<u>7,058.10</u>	<u>4,602.55</u>	<u>3,835.95</u>

Interest rate profile of long-term borrowings is given below:

	<i>31 March</i> <i>2007</i>	<i>31 March</i> <i>2006</i>	<i>31 March</i> <i>2005</i>
Term loan from banks and financial institutions	10.00% to <u>18.75%</u>	10.00% to <u>18.75%</u>	10.00% to <u>18.75%</u>

The term loans from banks and financial institutions are secured by floating charge on pari pasu basis on all the present and future assets of SMHPCL and hypothecation of loans and receivables in favour of the banks and financial institutions.

As explained in Note 12, SMHPCL has defaulted in payment of their dues to banks and financial institutions and is in the process of renegotiating terms of repayment and interest with them. Considering the uncertainty relating to final terms of borrowing it is not possible to compute fair value of these dues as at the balance sheet date. The loan agreements between SMHPCL and the banks and financial institutions provide that in the event of default by SMHPCL in payment of their dues, the banks and financial institutions have a right to convert, at their option, the whole of the outstanding amount of the loan or a part thereof into equity shares of SMHPCL. As of the balance sheet dates, none of the banks and financial institutions, except Industrial Finance Corporation of India, have exercised their conversion options and accordingly, the outstanding dues towards such banks and institutions have been disclosed as non-current liabilities.

The term loans from banks and financial institutions have been specifically borrowed for the purpose of construction of power project and therefore the resultant borrowing cost has been added to the cost of power project. Borrowing cost capitalised during the year ended 31 March 2007 and 31 March 2006 amounted to Rs. 1,799.82 million and Rs. 59.79 million, respectively and total borrowing cost capitalised as at 31 March 2007, 31 March 2006 and 31 March 2005 amounted to Rs. 3,551.99 million, Rs. 1,752.17 million and Rs. 1,692.38 million respectively.

Borrowing cost incurred during the period starting from 1 October 2001 to 31 October 2005, when construction work on the power project was suspended, has been charged to the income statements. Further penal charges levied by the banks and financial institutions for default in payment of interest have not been considered as borrowing cost eligible for capitalisation and therefore have been charged to the income statement.

Liability component of compound financial instruments

<i>Particulars</i>	<i>31 March</i> <i>2007</i>	<i>31 March</i> <i>2006</i>	<i>31 March</i> <i>2005</i>
Optionally Fully Convertible Debentures ('OFCD')	<u>1,922.18</u>	<u>–</u>	<u>–</u>

During the year ended 31 March 2007, SMHPCL privately placed OFCDs of Rs. 2,175 million for a tenure of 15 years. The OFCDs are secured by an unconditional and irrevocable Guarantee of PFC. Interest due to the OFCD holders for four years aggregating Rs. 703.90 million has been kept in fixed deposit accounts with various banks as per terms of issue. OFCD holders have the right to convert their OFCDs into equity shares at par value of SMHPCL prior to the Initial Public Offerings ('IPO') of SMHPCL's equity shares. The IPO is expected to occur not later than 4 years from the date of issue of the OFCDs. The OFCDs in respect of which conversion option is not exercised, shall be redeemed at par in 22 equal half yearly instalments commencing from 4 years and 6 months from the deemed date of allotment.

The initial carrying amount of the OFCD has been allocated to its equity and liability components, and the equity component has been assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The carrying amount of the liability component has been determined by measuring the fair value of a similar liability that does not have an associated equity component and aggregated Rs. 1,963.69 million as at the date of issue.

The effective interest rate on the liability component is 11.80 per cent. The following are other details in respect of the bonds:

<i>Particulars</i>	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Proceeds from issue of OFCD	2,175.00	–	–
Transaction costs	45.97	–	–
Net proceeds	2,129.03	–	–
Amount classified as equity	206.85	–	–
Carrying amount of liability	1,922.18	–	–

21. EMPLOYEE BENEFITS

Non current liability in respect of employee obligations comprise of the following:

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Provision for gratuity benefit plan	1.40	0.89	0.97
Provision for compensated absences	1.23	0.49	0.45
Total	<u>2.63</u>	<u>1.38</u>	<u>1.42</u>

The following are the employee benefit plans applicable to the employees of SMHPCL.

(a) *Gratuity benefit plan*

In accordance with applicable Indian laws, SMHPCL provides for gratuity, a defined benefit retirement plan (“the Gratuity Plan”) covering eligible employees. The Gratuity Plan provides for a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment of amounts that are based on salary and tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation. SMHPCL doesn’t maintain any plan assets to fund its obligation under Gratuity Plan.

The following table sets out the funded status of the Gratuity Plan and the amounts recognised in SMHPCL’s historical financial information:

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Change in benefit obligation			
Present value of DBO as at the start of the year	0.89	0.97	0.60
Interest cost	0.06	0.07	0.04
Service cost	0.43	0.25	0.20
Actuarial (gain)/loss	0.02	(0.40)	0.13
Present value of DBO as at the end of the year	1.40	0.89	0.97
The amounts recognised in the income statement			
Current service cost	0.43	0.25	0.20
Interest cost	0.06	0.07	0.04
Actuarial (gain) loss recognised in the year	0.02	(0.40)	0.13
Expense recognised in the Income Statement	0.51	(0.08)	0.37

For determination of the liability, the following actuarial assumptions were used:

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Discount Rate	8 per cent.	7 per cent.	7 per cent.
Rate of increase in Compensation levels	6 per cent.	6 per cent.	6 per cent.

(b) *Compensated absences*

SMHPCL permit encashment of leave accumulated by their employees on retirement, separation and during the course of service. The liability in respect of SMHPCL, for outstanding balance of privilege leave at the balance sheet date is determined and provided on the basis of actuarial valuation performed by an independent actuary. SMHPCL doesn't maintain any plan assets to fund its obligation compensated absences.

The expense for the year and the liability as at year end in respect of SMHPCL on account of the above plan is given below:

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Change in benefit obligation			
Present value of DBO as at the start of the year	0.49	0.45	0.37
Interest cost	0.04	0.03	0.02
Service cost	0.16	0.14	0.12
Benefits paid	(0.03)	(0.22)	(0.15)
Actuarial (gain)/loss	0.57	0.09	0.09
Present value of DBO as at the end of the year	1.23	0.49	0.45
The amounts recognised in the income statement			
Current service cost	0.16	0.14	0.12
Interest cost	0.04	0.03	0.02
Actuarial (gain) loss recognised in the year	0.57	0.09	0.09
Expense recognised in the Income Statement	0.77	0.26	0.23

For determination of the liability, the following actuarial assumptions were used:

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Discount Rate	8 per cent.	7 per cent.	7 per cent.
Rate of increase in Compensation levels	6 per cent.	6 per cent.	6 per cent.

(c) *Provident fund benefit plan*

Apart from above, employees of SMHPCL also participate in provident fund plan; a defined contribution plan. SMHPCL makes annual contributions based on a specified percentage of salary of each covered employee to a government recognised provident fund or to approved provident fund trust. SMHPCL does not have any further obligation to the provident fund plan beyond making such contributions. Upon retirement or separation an employee becomes entitled for this lump sum benefit, which is paid directly to the concerned employee by the fund. SMHPCL contributed approximately Rs. 0.68 million, Rs. 1.91 million and Rs. 0.05 million to the provident fund plan during the year ending 31 March 2007, 2006 and 2005 respectively. Amount of contribution outstanding at the year end in respect of provident fund is shown under Other current liabilities.

SMHPCL received a demand of Rs. 1.40 million from the Assistant Provident Commissioner, Indore in June 2005 covering the period up to February 2005 in respect of site staff and workers not covered under the Provident Fund Scheme. SMHPCL provided for this amount in the balance sheet and also paid the amount in instalments under protest. SMHPCL also appealed against the demand and the matter is before the Delhi High Court. However, SMHPCL provided for employers' liability in respect of these employees for period from March 2005 to February 2007. In the absence of any demand/

assessment and the matter being subjudice, no payment has been made to the Authorities in respect of this accrued liability. SMHPCL decided to extend benefits of the Scheme to eligible employees from March 2007 and both the employees and employers' contributions are being deposited with the Authorities since that date.

22. TAXES

Income tax expense for the year comprises of the following:

	<i>31 March</i> <i>2007</i>	<i>31 March</i> <i>2006</i>	<i>31 March</i> <i>2005</i>
Current income tax expense	3.90	1.25	1.29
Deferred income tax expense	156.83	(1.09)	(0.63)
Total	<u>160.73</u>	<u>0.16</u>	<u>0.66</u>

The tax effect of significant temporary differences that resulted in deferred income tax assets and liabilities and a description of the items that create those differences are given below:

	<i>31 March</i> <i>2007</i>	<i>31 March</i> <i>2006</i>	<i>31 March</i> <i>2005</i>
Deferred income tax assets/(liability)			
Property, plant and equipments	5.27	3.72	2.63
Interest income	(136.02)	–	–
Equity component of OFCDs	(65.15)	–	–
Deferred income tax assets/(liability)	<u>(195.90)</u>	<u>3.72</u>	<u>2.63</u>

In assessing the realisability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realised. The ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The amount of the deferred income tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

The relationship between the expected tax expense based on the applicable tax rate of SMHPCL and tax expense actually recognised in the income statement can be reconciled as follows:

<i>Particulars</i>	<i>31 March</i> <i>2007</i>	<i>31 March</i> <i>2006</i>	<i>31 March</i> <i>2005</i>
Effective tax rate	33.66%	33.66%	35.88%
Expected tax expense at prevailing rate	(430.61)	(484.60)	(412.62)
<i>Other adjustments</i>			
Pre-operative expenses not allowed for tax purpose	634.51	484.60	412.62
Impact due to application of Minimum Alternate Tax (MAT)	(46.67)	–	–
Others	3.50	0.16	0.66
Total tax expense	<u>160.73</u>	<u>0.16</u>	<u>0.66</u>

23. PROVISION FOR RESETTLEMENT AND REHABILITATION COST

All provisions are considered current as their timing of settlement is not at the discretion of SMHPCL.

	<i>Resettlement and Rehabilitation</i>	<i>Catchment Area Treatment</i>	<i>Total</i>
Balance at 1 April 1 2004	1,030.89	495.00	1,525.89
Utilisation	(6.49)	–	(6.49)
Balance as at 31 March 2005	1,024.40	495.00	1,519.40
Utilisation	(4.46)	–	(4.46)
Balance as at 31 March 2006	1,019.94	495.00	1,514.94
Additions	400.00	–	400.00
Utilisation	(1.75)	–	(1.75)
Reversals	–	(262.00)	(262.00)
Balance as at 31 March 2007	1,418.19	233.00	1,651.19

Resettlement and Rehabilitation ('R&R') – As per the R&R policy of the GoMP for Narmada Valley Projects, SMHPCL has taken up R&R activity for the people affected by the project. SMHPCL has engaged MPEB as the implementation agency for the R&R activities through an agreement dated 24 February 1997. SMHPCL expects that the project on completion would affect population in 22 villages of which 3 will be fully submerged and 9 will be partially submerged. The population from these affected villages are proposed to be resettled in 15 villages for which land would be acquired under the R&R plan and necessary development work with regard to providing drainage, water supply, electrification and civic infrastructure such as school building, play ground, primary health centre, etc would be undertaken.

Catchment Area Treatment ('CAT') – As per the environmental clearance obtained for the project, SMHPCL is required to undertake several environmental measures to prevent the erosion of soil and protect the environment in the surrounding upstream catchment areas of Maheshwar Dam. The measures comprise plantation of trees, grass, soil engineering works, building of slopes, training of nullahs, etc. SMHPCL has engaged Madhya Pradesh Van Vikash Nigam to carry out the CAT activities in the forest areas and BAIF Development Research Foundation to carry out CAT activities in the non-forest areas.

As the construction work on the dam has commenced and the acquisition of land is in progress, SMHPCL has a present obligation to resettle and rehabilitate the population that is likely to be affected and carry out the CAT activities, and accordingly a provision has been made based on estimates available. The costs for the R&R and CAT activities were estimated in April 2004 based on which provisions were accounted as at 31 March 2005 and 31 March 2006. The costs were again re-estimated post year end, which has been reflected in the amount of provisions as at 31 March 2007. SMHPCL is not eligible for any reimbursements from any third parties in this regard.

As per the original project schedule, these activities were to have been completed by December 2003, and subsequently SMHPCL has agreed with the authorities that the R&R activity would be completed at least 6 months before reservoir impounding. As the timing of settlement of these claims is to a large extent dependent on the pace of negotiation with various counterparties and legal authorities, and the related action being taken by the implementation agency, SMHPCL cannot reliably estimate the amounts that will eventually be paid in settlement after more than 12 months from the balance sheet date. Thus, the whole amount was classified as current.

The costs relating to R&R and CAT have been added to the cost of construction in progress as these are directly related to the project.

24. OTHER NON CURRENT LIABILITIES

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
Creditors for expenses	9.55	15.00	30.04
Other liabilities	23.38	6.55	–
Total	<u>32.93</u>	<u>21.55</u>	<u>30.04</u>

25. EQUITY AND RESERVES

(a) Ordinary shares

The authorised share capital of SMHPCL comprises 2,500,000,000 ordinary shares of face value of Rs. 10 per share. For all matters submitted to vote in the shareholders meeting, every holder of ordinary shares, as reflected in the records of SMHPCL on the date of the shareholders' meeting, has one vote in respect of each share held. All shares are equally eligible to receive dividends and the repayment of capital in the event of liquidation of SMHPCL.

(b) Reserves

Accumulated earnings – Accumulated earnings include all current and prior period results as disclosed in the income statement.

26. INTEREST COST

	<i>Year ended 31 March 2007</i>	<i>Year ended 31 March 2006</i>	<i>Year ended 31 March 2005</i>
Interest expense	1,778.36	1,329.76	1,024.83
Total	<u>1,778.36</u>	<u>1,329.76</u>	<u>1,024.83</u>

27. OTHER INCOME

Other income comprises of the following:

	<i>Year ended 31 March 2007</i>	<i>Year ended 31 March 2006</i>	<i>Year ended 31 March 2005</i>
Gain on restructuring of debt (Refer note 13)	605.73	–	–
Interest income	5.42	4.82	–
Total	<u>611.15</u>	<u>4.82</u>	<u>–</u>

28. EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the net results attributable to shareholders of SMHPCL as the numerator. The weighted average number of outstanding shares used for basic earnings per share amounted to 144 million, 144 million and 136.61 million during the years ended 31 March 2007, 31 March 2006 and 31 March 2005 respectively. As interest on OFCDs per ordinary share obtainable on conversion exceeds basic earnings per share, accordingly the OFCDs are considered to be anti dilutive.

29. RELATED PARTY TRANSACTIONS

Related parties with whom SMHPCL has transacted during the year

Key Management Personnel

Mr. S.P. Singh	Whole Time Director (up to 31 July 2005)
Mr. N.P. Jain	Whole Time Director (up to 21 December 2005 and 18 February 2006 onwards)
Mr. M L Gupta	Managing Director (from 1 July 2005)
Mr. K. L. Sharma	Director Finance (from 14 November 2005)

Holding Company

Entergra Infrastructures Limited (formerly Induj Enertech Limited)	Holding Company (up to 29 November 2006)
S. K. G. Power Ventures Private Limited	Holding Company (from 30 November 2006)

Fellow subsidiary

Avadh Estate Services
 Modak Rubber and Textiles Industries Limited
 MW Infraholdings Private Limited
 S K Power Developers Limited
 S Kumar Limited

<i>Particulars</i>	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>31 March 2005</i>
(a) Transactions during the year			
<i>Key management personnel</i>			
Managerial remuneration	2.98	2.37	1.24
<i>Holding company</i>			
Expenditure incurred on behalf of SMHPCL	7.06	–	–
<i>Fellow subsidiaries</i>			
Expenditure incurred on behalf of SMHPCL	–	–	6.71
Inter-corporate deposit taken	–	40.00	–
Inter-corporate deposit repaid	10.00	–	–
Advances given	6.37	–	–
Advances recovered	–	279.12	–
(b) Balances outstanding at year end			
<i>Fellow subsidiaries</i>			
Advances outstanding	103.83	97.46	376.58
Inter-corporate deposit	30.00	40.00	–
Outstanding credit balance	–	–	8.55
(c) Other arrangements			
<i>Fellow subsidiaries</i>			
Lien on deposit towards overdraft facility	45.01	49.26	46.47

30. COMMITMENTS AND CONTINGENCIES

A summary of the contingencies existing as at the balance sheet date are as follows:

	31 March 2007	31 March 2006	31 March 2005
Capital commitment, net of advances given	8,569.30	3,461.50	3,647.40
Demand from MPEB in respect of transfer of project	1,131.23	1,131.23	1,131.23

Guarantees

SMHPCL has placed its time deposits amounting to Rs. 45 million under lien in favour of a bank against an overdraft facility extended by the bank to a fellow subsidiary.

The guarantees received by SMHPCL and those given by SMHPCL have not been given accounting recognition as the fair value of these instruments cannot be determined reliably with the information currently available.

Demand from MPEB

As explained in Note 1, SMHPCL took over the implementation of this power project from MPEB. During the period when the project was being implemented by MPEB, they had carried out some preliminary work including the construction of a coffer dam. During the year ending 31 March 1996, MPEB transferred the project under implementation including land, coffer dam, residential/commercial buildings, etc. SMHPCL accounted for this transaction at historical values as reported by MPEB and accordingly, recorded property, plant and equipment and construction in progress at Rs. 69.69 million and Rs. 53.30 million and start up costs of Rs. 55.13 million and set up a corresponding liability towards MPEB of Rs. 178.12 million.

Subsequently, in the year 2005, MPEB has raised a demand of Rs. 1,309.36 million as consideration for the transfer of the project. GoMP has advised both parties to obtain a fair valuation of the property transferred and the parties are yet to appoint a valuer for this purpose. Considering that the additional liability, if any, cannot be reliably estimated at the balance sheet date, no additional liability has been recorded in the financial information.

SMHPCL has also been in discussions with MPEB for the issue of equity shares of SMHPCL to MPEB for the settlement of this liability; the number of equity share to be issued will be agreed upon after the quantum of liability is determined.

31. OPERATING LEASES

SMHPCL has entered into two lease agreements with the Government of Madhya Pradesh (GOMP) for land taken on lease for the purpose of construction of the power project. SMHPCL has made an initial payment of Rs. 15.24 million for these leases and a further payment of Rs. 1.14 million is made each year. These leases agreements expire in the year 2028 and are renewable for another term of 30 years on mutually agreed consideration.

Besides above, SMHPCL has also taken on lease two office premises and a guest house for which lease agreement expire in the years 2008 and 2009.

The total lease rental expenses from above operating lease for the years ended 31 March 2007, 31 March 2006 and 31 March 2005 was Rs. 5.97 million, Rs. 6.85 million and Rs. 5.94 million, respectively.

Minimum future rentals payments under the operating leases have been summarised as under:

	<i>31 March</i> 2007	<i>31 March</i> 2006	<i>31 March</i> 2005
Up to 1 year	4.77	6.36	3.64
2-5 years	5.05	8.68	6.48
More than 5 years	18.24	19.38	20.52
Total	<u>28.06</u>	<u>34.42</u>	<u>30.64</u>

32. ACCOUNTING OF ESTIMATES AND JUDGEMENTS

The preparation of the historical financial information requires management to make estimates and assumptions, which may differ from actual results in future. Management is also required to use its discretion as to the application of the accounting principles used to prepare this historical financial information.

Tangible assets

In determining the economic useful lives and residual value of property, plant and equipment, management takes into account the most reliable evidence available at the times the estimates are made. The management takes into account the current market prices, technological changes and other related aspects in determining the life and residual value. As regards major inspections, in determining the cost of the existing inspection component of an asset when it was acquired or constructed, management uses the estimated cost of a similar future inspection as an indication.

Provision for R&R and CAT costs

Provision for R&R and CAT costs relates to the estimation of future disbursements related resettlement and rehabilitation of people displaced in the power project and carrying out certain environmental activities. In making an assessment of such costs, the management has utilised best estimates for the expenditure required to acquire land, building up civil infrastructure, cash compensation to be paid. Further, the estimate is also impacted by the assessment of the area likely to be affected and the number of families impacted and the demographic profile of these families, etc. The carrying amount of such provision has been disclosed in Note 23. The management has revised its estimate of R&R cost during the year ended March 31, 2007 resulting in an addition of Rs. 400 million. The management has also revised its estimate of CAT cost during the year ended March 31, 2007 resulting in a reversal of Rs. 262 million.

33. SEGMENT REPORTING

SMHPCL operates in only one business segment and geographical segment i.e Generation and Distribution of Power in the State of Madhya Pradesh, India. Accordingly, segment reporting is not applicable to SMHPCL.

34. RISK MANAGEMENT OBJECTIVES AND POLICIES

SMHPCL's activities expose it to a variety of financial risks: market risk (including fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. SMHPCL's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on SMHPCL's financial performance.

(a) Market risk

(i) Foreign currency risk

SMHPCL does not have significant transaction in foreign currency and does not consider risk associated with movement in foreign exchange rate as significant.

(ii) *Price risk*

Since SMHPCL is still in the pre revenue generation phase, it would be difficult to assess the significance of the commodity risk.

(b) *Credit risk*

SMHPCL's credit risk arises from the advances given to suppliers and contractors for the purpose of construction of project. Vendor selection process of SMHPCL requires them to evaluate credit worthiness of proposed suppliers and contractors and only parties with good credit records are selected in the process. SMHPCL also tracks status of outstanding advances on a regular basis to minimise its credit risk exposure arising from advances.

SMHPCL maintains its cash with only large and reputed banks and financial institutions and doesn't consider credit risk associated with such deposits as significant.

(c) *Liquidity risk*

SMHPCL is under pre-revenue generation phase and most of project construction activities are funded by long term debt. SMHPCL has negotiated extended terms of credit for its debt and repayments are scheduled to begin only after start of commercial production of electricity. Upon start of commercial production, SMHPCL expects to generate sufficient cash flow to meet their debt service requirement. Further, the management is in the process of getting equity infusion into SMHPCL to improve liquidity position.

(d) *Cash flow and fair value interest rate risk*

As SMHPCL has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

SMHPCL's fair value risk arises from long-term borrowings which carry fixed rate of interest. SMHPCL continuously monitors its exposure in the fixed interest rate borrowings and interest trend in the market, and whenever required, also re-negotiates the terms of the borrowings with financial institutions or banks.

Section D – Accountant’s report on interim financial information

The Directors
Infrastructure India plc
IOMA House
Hope Street
Douglas
Isle of Man IM1 1AP

24 June 2008

Shree Maheshwar Hydel Power Corporation Limited (“SMHPCL”)

Introduction

We have reviewed the accompanying condensed balance sheet of SMHPCL as at 31 December 2007 and the related condensed statements of income, changes in equity and cash flows for the nine-month period then ended (together referred to as “Interim Financial Information”) set out in Section E of Part VIII of the prospectus dated 24 June 2008, which has been prepared by Infrastructure India plc (‘the Company’) in accordance with the Listing Rules and the Prospectus Rules of the Financial Services Authority (the “Prospectus”). For the avoidance of doubt we have not reviewed and do not report on the unaudited condensed interim financial information for the nine months ended 31 December 2006, which are presented as comparatives to the financial information for the nine months ended 31 December 2007.

This report is made solely to Infrastructure India plc in accordance with guidance contained in International Standard on Review Engagements 2410, ‘Review of Interim Financial Information performed by the Independent Auditor of the Entity’. Our review work has been undertaken so that we might state to Infrastructure India plc those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Infrastructure India plc, for our review work, for this report, or for the conclusion we have formed.

Directors’ responsibilities

The Interim Financial Information is the responsibility of, and has been approved by, the directors of Infrastructure India plc. The directors of Infrastructure India plc are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’.

Our responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information on SMHPCL for the nine months ended 31 December 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’.

Without qualifying our conclusion, we draw attention to Note 9 of the accompanying unaudited condensed interim Historical Financial Information of SMHPCL as at 31 December 2007, which indicates that SMHPCL has a negative net worth of Rs. 6,957.93 million and its current liabilities exceeded its current assets by Rs. 11,433.72 as at 31 December 2007. These conditions, along with other matters as set forth in Note 9, indicate the existence of a material uncertainty which may cast significant doubt about SMHPCL's ability to continue as a going concern.

GRANT THORNTON, INDIA

**CONDENSED INTERIM HISTORICAL FINANCIAL INFORMATION
SHREE MAHESHWAR HYDEL POWER CORPORATION LIMITED
31 DECEMBER 2007 AND 31 DECEMBER 2006**

1. INTRODUCTION

The condensed interim historical financial information on Shree Maheshwar Hydel Power Corporation Limited ('SMHPCL') has been prepared solely for the purpose of the Prospectus relating to India Infrastructure plc. The historical financial information prepared by the directors of the Company in accordance with the listing rules and the Prospectus Rules of the Financial Services Authority, contained in this Part VIII does not constitute audited statutory accounts within the meaning of Section 240 of the United Kingdom Companies Act.

SMHPCL has been set up as a special purpose vehicle for the implementation of the Shree Maheshwar Project, which is a 400 MW run-of-the-river project forming part of a series of projects conceived and under implementation on the river Narmada in India as part of the Narmada Valley Development Plan. The project is located on the river Narmada at a site located near Mandleshwar, 80 kilometres south of Indore, Madhya Pradesh, India. The project is being set up for generation of hydro power by utilising the water diverted from the flow of the Narmada River.

This project was initially conceived to be implemented by Narmada Valley Development Authority and later by the Madhya Pradesh Electricity Board ('MPEB'). However, pursuant to the privatisation of the power sector in the early 1990s, the project was handed over to the promoters of SMHPCL in 1993. SMHPCL commenced construction activities on this project in 1998, which continued until September 2001, when activities were stalled due to financial constraints. In November 2005, SMHPCL recommenced work on the project and the construction is expected to be completed in the later part of 2010. The commercial generation of power is expected from 2010 onwards.

SMHPCL has entered into a Power Purchase Agreement ('PPA') for the project with MPEB in 1994 which was amended in 1996 and is valid for a period of 35 years from date of commissioning of the project.

2. BASIS OF PREPARATION

For the purposes of the Prospectus, the condensed interim historical financial information of SMHPCL for the nine months period ended 31 December 2006 and 31 December 2007 has been prepared by the Company and its Directors who are responsible for the historical financial information of SMHPCL by applying International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') except that the condensed interim historical financial information does not constitute a set of general purpose financial statements under paragraph 3 of 'IAS 1 – Presentation of Financial Statements' ('IAS 1') and consequently SMHPCL does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1. A company is only permitted to apply the first-time adoption rules of 'IFRS 1 – First Time Adoption of IFRS' ('IFRS 1') in its first set of financial statements where such an unreserved statement of compliance has been made. Although such a statement has not been made here, the condensed interim historical financial information has been prepared as if the date of transition to IFRS was 1 April 2004, the beginning of the first period presented, and the requirements of IFRS 1 have been applied since that date.

As explained above, SMHPCL's deemed transition date to IFRS is 1 April 2004. In preparing subsequent financial statements of SMHPCL by applying IFRS, the date of transition, as determined in accordance with IFRS 1, may not be 1 April 2004 and therefore the first-time adoption rules will be applied at a date other than 1 April 2004 with a consequential impact on the opening IFRS balance sheet.

IFRS effective for accounting periods commencing on or after 1 April 2006 have been applied to all periods presented as if these had always been in existence. IFRS 1 allows certain exemptions in the application of

particular standards to the prior periods in order to assist companies with the transition process. Accordingly, SMHPCL has elected not to apply 'IFRS 3 – Business Combinations' ('IFRS 3') retrospectively to business combinations that occurred before the deemed transition date to IFRS.

This unaudited condensed interim financial information has been disclosed in Part VIII of this Prospectus.

Certain information and foot note disclosures normally included in annual financial information prepared in accordance with generally accepted accounting principles have been condensed or omitted, although SMHPCL believes that the disclosures made are adequate to make the information presented not misleading. This unaudited condensed interim financial information should be read in conjunction with the historical financial information on SMHPCL for the three years ended 31 March 2007.

The unaudited condensed interim financial information was approved by the Board of Directors on 23 June 2008.

3. RESPONSIBILITY

Infrastructure India plc and the Directors of Infrastructure India plc are responsible for the unaudited condensed interim historical financial information on SMHPCL and the contents of the Prospectus in which it is included.

4. STATUTORY INFORMATION

SMHPCL was incorporated in India on 11 November 1993 and has its registered office at Abhayanchal Parisar, Mandaleshwar, Khargone, West Nimar, Madhya Pradesh – 451 221, India.

5. BALANCE SHEET

(All amounts in millions of Indian Rupees, unless otherwise stated)

	31 December 2007	31 March 2007
ASSETS		
Current		
Cash and cash equivalents	345.95	375.16
Restricted cash	677.31	243.56
Other current assets	447.08	288.24
Total current assets	<u>1,470.34</u>	<u>906.96</u>
Non current		
Property, plant and equipment	12,397.62	9,449.98
Restricted cash	641.48	505.35
Other non current assets	454.36	852.22
Total non current assets	<u>13,493.46</u>	<u>10,807.55</u>
Total assets	<u>14,963.80</u>	<u>11,714.51</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current tax liabilities	48.80	8.39
Current portion of long term liabilities	10,325.77	7,127.61
Provision for relocation and rehabilitation cost	1,650.73	1,651.19
Other liabilities	878.76	916.80
Total current liabilities	<u>12,904.06</u>	<u>9,703.99</u>
Non current liabilities		
Long term debt, net of current portion	8,783.97	7,058.10
Employee benefits	4.95	2.63
Other non current liabilities	57.85	32.93
Deferred tax liability	170.90	195.90
Total non current liabilities	<u>9,017.67</u>	<u>7,289.56</u>
Total liabilities	<u>21,921.73</u>	<u>16,993.55</u>
Shareholders' equity		
Equity share capital	1,440.00	1,440.00
Equity component of convertible debentures	199.64	164.90
Retained earnings	(8,597.57)	(6,883.94)
Total shareholders' equity	<u>(6,957.93)</u>	<u>(5,279.04)</u>
Total liabilities and shareholders' equity	<u>14,963.80</u>	<u>11,714.51</u>

6. INCOME STATEMENT

(All amounts in millions of Indian Rupees, unless otherwise stated)

	<i>Period ended 31 December 2007</i>	<i>Period ended 31 December 2006</i>
Revenues	–	–
	–	–
Expenses		
Employee costs	12.45	8.75
Other expenses	50.65	47.11
Depreciation	2.15	1.95
Operating loss	65.25	57.81
Interest cost	1,647.56	952.68
Other income	(4.57)	(42.93)
Loss before tax	1,708.24	967.56
Tax expense	5.39	(0.06)
Loss after tax	1,713.63	967.50
Loss per share		
Basic and diluted (in Rs.)	15.79	8.92

7. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in millions of Indian Rupees, unless otherwise stated)

	<i>Number of equity shares</i>	<i>Equity share capital</i>	<i>Equity component of convertible instrument</i>	<i>Retained earnings</i>	<i>Total shareholders' equity</i>
Balance as at 1 April 2006	144,400,000	1,440.00	–	(5,444.05)	(4,004.05)
Loss for the period	–	–	–	(967.50)	(967.50)
Equity component of compound financial instruments		–	211.32	–	211.32
Issue cost		–	(4.47)	–	(4.47)
Deferred tax on equity component of compound financial instruments		–	(41.95)	–	(41.95)
Balance as at 31 December 2006	144,400,000	1,440.00	164.90	(6,411.55)	(4,806.65)
Balance as at 1 April 2007	144,400,000	1,440.00	164.90	(6,883.94)	(5,279.04)
Loss for the period				(1,713.63)	(1,713.63)
Equity component of compound financial instruments		–	47.05	–	47.05
Issue cost		–	(1.16)	–	(1.16)
Deferred tax on equity component of compound financial instruments		–	(11.15)	–	(11.15)
Balance as at 31 December 2007	144,400,000	1,440.00	199.64	(8,597.57)	(6,957.93)

8. STATEMENT OF CASH FLOWS

(All amounts in millions of Indian Rupees, unless otherwise stated)

	<i>Period ended 31 December 2007</i>	<i>Period ended 31 December 2006</i>
(A) Cash flow from operating activities		
Loss before tax	(1,708.24)	(967.56)
Adjustments for non cash expenses/income		
Depreciation	2.15	1.95
Adjustment for non operating activities		
Imputed interest on interest free deposit	(4.57)	(4.06)
Interest expenses	1,647.56	952.68
Loss on sale of investments	–	(38.87)
	<u>(63.10)</u>	<u>(55.86)</u>
Changes in operating assets and liabilities		
Accounts receivable and other assets	270.30	(145.13)
Accounts payable and other liabilities	54.63	(365.21)
	<u>261.83</u>	<u>(566.20)</u>
Net changes in operating assets and liabilities		
Income taxes paid	(29.23)	(3.13)
Net cash provided by/(used in) operating activities	<u>232.60</u>	<u>(569.33)</u>
(B) Cash flow from investing activities		
Payments for purchase of property, plant and equipment	(3,275.78)	(224.74)
Sale of property, plant and equipment	0.05	–
Interest Income	–	147.02
	<u>(3,275.73)</u>	<u>(77.72)</u>
(C) Cash flow from financing activities		
Restricted cash	(569.88)	–
Proceeds from debts	1,821.32	500.00
Proceeds from issue of Optionally Fully Convertible Bonds	1,817.40	–
Debt issue cost	(44.92)	–
Repayment of inter company deposit	(10.00)	–
	<u>3,013.92</u>	<u>500.00</u>
Net cash provided by financing activities		
Net decrease in cash and cash equivalents	(29.21)	(147.05)
Cash and cash equivalents at the beginning of the period	375.16	233.63
Cash and cash equivalents at the end of the period	345.95	86.58
Cash and cash equivalents comprise		
Cash in hand	0.12	0.13
Deposits	339.97	46.88
Balance with banks in current and cash credit accounts	5.86	39.57
	<u>345.95</u>	<u>86.58</u>

9. SUMMARY OF ACCOUNTING POLICIES

OVERALL CONSIDERATIONS

The accompanying unaudited condensed interim financial information of Shree Maheshwar Hydel Power Corporation Limited ('SMHPCL'), has been presented for the nine months ended 31 December 2007 along with comparatives, in respect of the Balance Sheet, as of the end of the immediately preceding financial year being 31 March 2007 and in respect of the Income Statement, for the comparable interim period of the immediately preceding financial year being nine months ended 31 December 2006. This unaudited condensed interim historical financial information has been prepared on the accrual basis of accounting using accounting policies consistent with International Financial Reporting Standards and in accordance with the requirements of IAS-34 'Interim Financial Reporting' as developed and published by the International Accounting Standards Board ('IASB'). This unaudited condensed interim historical financial information has been prepared based on the management information which is prepared and maintained under accounting principles generally accepted in India ('Indian GAAP') and subsequently converted using accounting policies consistent with IFRS. The financial information has been presented in Indian Rupees ('Rs.'), which is also the functional currency of SMHPCL. All amounts have been presented in millions, unless specified otherwise.

In the opinion of management, all adjustments, which are of a normal recurring nature and necessary for a fair presentation, have been included. SMHPCL has chosen to present the condensed balance sheet, condensed income statement, condensed statement of cash flows and condensed statement of changes in shareholders' equity along with selected explanatory notes. Accordingly, certain information and note disclosures normally included in annual financial information prepared in accordance with IFRS have been condensed or omitted, although SMHPCL believes that the disclosures made are adequate to make the information presented not misleading. This unaudited condensed interim historical financial information has been prepared using the same accounting policies that were applied in the preparation of SMHPCL's financial information for three years ended 31 March 2007. Accordingly, this unaudited condensed historical financial information should be read in conjunction with the historical financial information of SMHPCL for the year ended 31 March 2007.

The financial information has been prepared on a going concern basis, which assumes the realisation of assets and satisfaction of liabilities in the normal course of business. The construction work on the project was stalled for the period from September 2001 to November 2005 due to financial constraints and accordingly, SMHPCL was unable to service its debt during this period. Subsequently substantial financial closure on the project was achieved in September 2006. SMHPCL has also submitted a Financial Realignment Plan to all its lenders, which was in different stages of approval with various lenders as at the balance sheet date. As at 31 December 2007, SMHPCL has current liabilities aggregating Rs. 12,904.06 million and current assets of Rs. 1,470.34 million and a negative net worth of Rs. 6,957.93 million. Considering the revised project estimates SMHPCL is yet to arrange substantial funds for timely completion of the project. The failure to raise enough capital or on acceptable terms could have a material adverse effect on the project. Further, SMHPCL has significant obligations relating to resettlement and rehabilitation of people displaced which is required to be completed at least six months before project commissioning. Land acquisition delays may severely delay or disrupt completion of the project which would in turn increase project costs and could have a material adverse effect on the business. The existence of these conditions, indicate a material uncertainty which may cast significant doubt about SMHPCL's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has initiated various measures to raise additional debt and capital to meet the funding requirements of the project and has also renegotiated the terms of the existing debt to either reduce or waive certain charges and reschedule the repayments. As part of its plans, the management is in the process of negotiating additional facilities to tie up the shortfall in its debt funding requirements. The promoters of SMHPCL are in advanced stages of negotiations with prospective investors to fund the equity gap. Further, the management has planned on raising additional equity capital through an initial public offering or private placement of shares. The promoters of SMHPCL have also given their unconditional financial support to ensure successful completion of the project. Further, in respect of resettlement and rehabilitation (R&R), in

many cases the implementing agency has already received offer for sale from the land owners. Once funds are arranged, the R&R activities will progress at faster pace and be completed as scheduled. Management is confident on the successful completion of these initiatives and accordingly, this historical financial information does not include any adjustments that might result from the outcome of this uncertainty.

10. STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET APPLIED BY SMHPCL

Following standards or interpretations have been issued by IASB till the date of approval of this condensed interim historical financial information but have not been considered in the preparation of the condensed interim historical financial information.

<i>Standard or Interpretation</i>	<i>Effective dates</i>
IAS 1: Presentation of Financial Statements (Revised)	Annual periods beginning on or after 1 January 2009
IAS 1: Presentation of Financial Statements – Capital Disclosures	Annual periods beginning on or after 1 January 2007
IAS 16: Property, Plant and Equipment (Annual Improvements 2008)	Annual periods beginning on or after 1 January 2009
IAS 20: Government Grants and Disclosure of Government Assistance (Annual Improvements 2008)	Annual periods beginning on or after 1 January 2009
IAS 23: Borrowing costs (Revised)	Annual periods beginning on or after 1 January 2009
IAS 27: Consolidated and Separate Financial Statements (Revised 2008)	Annual periods beginning on or after 1 January 2009
IAS 32: Financial Instruments: Presentation– Puttable Financial Instruments and Obligations Arising on Liquidation Amendment	Annual periods beginning on or after 1 January 2009
IAS 36: Impairment of Assets (Annual Improvements 2008)	Annual periods beginning on or after 1 January 2009
IAS 38: Intangible Assets (Annual Improvements 2008)	Annual periods beginning on or after 1 January 2009
IAS 39: Financial Instruments: Recognition and Measurement (Annual Improvements 2008)	Annual periods beginning on or after 1 January 2009
IFRS 1: First-time adoption of International Financial Reporting Standards – Cost of an investment on first-time adoption	Annual periods beginning on or after 1 January 2009
IFRS 2: Share– based Payment (Amendment)	Annual periods beginning on or after 1 January 2009
IFRS 3: Business Combinations (Revised 2008)	For acquisition dated on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
IFRS 7: Financial Instruments– Disclosures	Annual periods beginning on or after 1 January 2007
IFRS 8: Operating Segments	Annual periods beginning on or after 1 January 2009
IFRIC 8: Scope of IFRS 2	Annual periods beginning on or after 1 May 2006

<i>Standard or Interpretation</i>	<i>Effective dates</i>
IFRIC 9: Reassessment of Embedded Derivatives	Annual periods beginning on or after 1 June 2006
IFRIC 10: Interim Financial Reporting and Impairment	Annual periods beginning on or after 1 November 2006
IFRIC 11: IFRS 2 – Group and Treasury Share Transactions	Annual periods beginning on or after 1 March 2007
IFRIC 12: Service Concession Arrangements	Annual periods beginning on or after 1 January 2008
IFRIC 13: Customer Loyalty Programmes	Annual periods beginning on or after 1 July 2008
IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008

SMHPCL is in the process of evaluating applicability of IFRIC 12. IFRIC 12 applies to public-to-private service concession arrangements if:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

Accordingly, SMHPCL is evaluating whether the Government of Madhya Pradesh ('GoMP') or the MPEB in any way control the generation and sale of power from this project and at what price and to whom it must be sold and whether, either GoMP or MPEB would have any beneficial entitlement or residual interest in the project at the end of the arrangement. If IFRIC 12 is determined to be applicable, the cost of construction of power project, which has been classified as Property, plant and equipment in this financial information, is either capitalised as an intangible asset or is recorded as a financial asset, depending upon the terms of arrangement between the grantor and the operator. IFRIC 12 is applicable with retrospective effect and if assessed as applicable, will result in significant change in the carrying values of property, plant and equipments, financial assets or intangible assets in the financial information for subsequent periods.

In respect of other new pronouncements, which become applicable to SMHPCL in future periods, based on SMHPCL's current business model and accounting policies, management does not expect material changes to the recognition and measurement principles on SMHPCL's historical financial information. However, the directors are aware that the application of the above standards and interpretations will significantly alter the amount and complexity of the disclosures contained in SMHPCL's subsequent financial statements.

SMHPCL does not intend to apply any of these pronouncements early.

11. ACCOUNTING FOR FINANCIAL REALIGNMENT PLAN

SMHPCL had partly funded its construction activities through term loans from various banks and financial institutions, which carried interest ranging from 14 per cent to 20 per cent. However, in 2001, due to financial constraints, SMHPCL was unable to service the interest on several of these borrowings, and the lenders stopped further disbursements, which resulted in the suspension of construction activities.

In August 2004, Power Finance Corporation Ltd. ('PFC') assumed the role of the lead institution of the lenders consortium and subsequently, SMHPCL in consultation with PFC appointed Infrastructure Leasing & Financial Services Ltd. ('IL&FS') as Financial Advisors to help SMHPCL in preparing a Financial Realignment Plan ('FRP'). The FRP was to be developed and finalised in consultation with all lenders with a view to ensuring the viability of the project and keeping tariff at a competitive level. An Initial Information Memorandum ('IIM') was circulated to all lenders – existing and prospective for their consideration in December 2005 and subsequently revised in early 2006.

Key terms of the FRP were as follows:

- Reducing the interest rates to 8.5 per cent. p.a. during the construction period (1 November 2005 to 30 April 2009) and 9 per cent. p.a. thereafter;
- Convert simple interest for the period from September 2001 to November 2005 ('stalled period'), into Zero Coupon Bonds ('ZCBs') repayable in equal quarterly installments over 20 years commencing one year from the date of commissioning (31 May 2009);
- Waive compound interest and liquidated damages for the stalled period;
- Upfront payment of simple interest, compound interest and liquidated damages overdue as at 1 November 2001 ('pre stalled period interest').

During the year 2006, SMHPCL started receiving in principle approvals to the FRP from various lenders. However, some of the lenders have sought equity participation in SMHPCL against some of their claims. Certain other lenders have indicated their acceptance subject to all lenders accepting the same terms; this makes the FRP binding only if all lenders accept the FRP. Further, the board of directors of SMHPCL had also decided that all lenders would be treated on par and given the same terms of settlement. SMHPCL has not been able to get complete approval to the FRP from all the lenders as at the balance sheet date.

As per the requirements of IAS 39 on Financial Instruments: Recognition and Measurement SMHPCL has evaluated the state of the approvals as at the balance sheet date and concluded that there is no legal release from the lenders as at that date, and accordingly, this does not result in the modification of the terms of the existing borrowings. Accordingly, the FRP has not been given effect to in the financial information for the reporting period.

Subsequent to the balance sheet date, in February 2008, the board of directors have considered and approved a modified proposal, which involves among other things, the issue of ZCBs in respect of the compound interest accrued during the stalled period. As a consequence, in March 2008, SMHPCL received the approval from all the lenders, barring one lender who has also sought equity participation.

Once the FRP is finally approved, SMHPCL would evaluate whether the modification of the terms of the existing debt instruments as per the FRP amounts to a substantial modification of the terms, which requires the modification to be accounted for as an extinguishment of the old liability and recognition of a new liability.

12. LIABILITY COMPONENT OF COMPOUND FINANCIAL INSTRUMENTS

<i>Particulars</i>	<i>31 December 2007</i>	<i>31 March 2007</i>
Opening balances as on 1 April	1,922.18	–
Optionally Fully Convertible Debentures ('OFCD')	1,734.19	1,922.18
	<u>3,656.37</u>	<u>1,922.18</u>

During the period ended 31 December, SMHPCL privately placed Tranche II of OFCDs amounting to Rs. 1,825 million for a tenure of 15 years. The OFCDs are secured by an unconditional and irrevocable Guarantee of PFC. Interest due to the OFCD holders for four years aggregating Rs. 785.29 million has been kept in fixed deposit accounts with various banks as per terms of issue. OFCD holders have the right to convert their OFCDs into equity shares at par value of SMHPCL prior to the Initial Public Offerings ('IPO') of SMHPCL's equity shares. The IPO is expected to occur not later than 4 years from the date of issue of the OFCDs. The OFCDs in respect of which conversion option is not exercised, shall be redeemed at par in 22 equal half yearly instalments commencing from 4 years and 6 months from the deemed date of allotment.

The initial carrying amount of the OFCD has been allocated to its equity and liability components, and the equity component has been assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The carrying amount of the liability

component has been determined by measuring the fair value of a similar liability that does not have an associated equity component and aggregated Rs. 1,777.95 million as at the date of issue.

The effective interest rate on the liability component is 11.90 per cent.. The following are other details in respect of the bonds:

<i>Particulars</i>	<i>31 December 2007</i>	<i>31 March 2007</i>
Opening Balance	1,922.18	–
Proceeds from issue of OFCD bonds	1,825.00	2,175.00
Transaction costs	(44.92)	45.97
Net proceeds	1,780.08	2,129.03
Amount classified as equity	(45.89)	206.85
Carrying amount of liability	3,656.37	1,922.18

13. EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the net results attributable to shareholders of SMHPCL as the numerator. The weighted average number of outstanding shares used for basic earnings per share amounted to 108.49 million. As interest on OFCDs per ordinary share obtainable on conversion exceeds basic earnings per share, accordingly the OFCDs are considered to be anti dilutive.

14. RELATED PARTY TRANSACTIONS

Related parties with whom SMHPCL has transacted during the period

Key Management Personnel

Mr. S.P. Singh	Whole Time Director (up to 31 July 2005)
Mr. N.P. Jain	Whole Time Director (up to 21 December 2005 and 18 February 2006 onwards)
Mr. M L Gupta	Managing Director (from 1 July 2005)
Mr. K. L. Sharma	Director Finance (from 14 November 2005)

Holding Company

Entergra Infrastructures Limited (formerly Induj Enertech Limited)	Holding Company (up to 29 November 2006)
S. K. G. Power Ventures Private Limited	Holding Company (from 30 November 2006)

Fellow subsidiary

Avadh Estate Services
 Modak Rubber and Textiles Industries Limited
 MW Infraholdings Private Limited
 S K Power Developers Limited
 S Kumar Limited

<i>Particulars</i>	<i>31 December 2007</i>	<i>31 December 2006</i>
(a) Transactions during the period		
<i>Key management personnel</i>		
Managerial remuneration	3.00	3.00
<i>Holding company</i>		
Expenditure incurred on behalf of SMHPCL	–	7.06
Payments made for expenditure incurred on behalf of SMHPCL	–	4.60
<i>Fellow subsidiaries</i>		
Inter-corporate deposit repaid	30.00	10.00
Advances given	1.88	5.72
Advances recovered	37.46	–
(b) Balances outstanding at period end		
<i>Fellow subsidiaries</i>		
Advances outstanding	68.25	103.18
Inter-corporate deposit	–	30.00
(c) Other arrangements		
<i>Fellow subsidiaries</i>		
Lien on deposit towards overdraft facility	45.01	45.01

15. SEGMENT REPORTING

SMHPCL operates in only one business segment and geographical segment i.e Generation and Distribution of Power in the State of Madhya Pradesh, India. Accordingly, segment reporting is not applicable to SMHPCL.

16. COMMITMENTS AND CONTINGENCIES

A summary of the contingencies existing as at the balance sheet date are as follows:

	<i>31 December 2007</i>	<i>31 December 2006</i>
Capital commitment, net of advances given	7,523.70	3,277.90
Demand from MPEB in respect of transfer of project	1,131.23	1,131.23

Guarantees

SMHPCL has placed its time deposits amounting to Rs. 45 million under lien in favour of a bank against an overdraft facility extended by the bank to a fellow subsidiary.

The guarantees received by SMHPCL and those given by SMHPCL have not been given accounting recognition as the fair value of these instruments cannot be determined reliably with the information currently available.

Demand from MPEB

As explained in Note 1, SMHPCL took over the implementation of this power project from MPEB. During the period when the project was being implemented by MPEB, they had carried out some preliminary work including the construction of a coffer dam. During the year ended 31 March 1996, MPEB transferred the project under implementation including land, coffer dam, residential/commercial buildings, etc. SMHPCL accounted for this transaction at historical values as reported by MPEB and accordingly, recorded property, plant and equipment and construction in progress at Rs. 69.69 million and Rs. 53.30 million and start up costs of Rs. 55.13 million and set up a corresponding liability towards MPEB of Rs. 178.12 million.

Subsequently, in the year 2005, MPEB has raised a demand of Rs. 1,309.36 million as consideration for the transfer of the project. GoMP has advised both parties to obtain a fair valuation of the property transferred

and the parties are yet to appoint a valuer for this purpose. Considering that the additional liability, if any, cannot be reliably estimated at the balance sheet date, no additional liability has been recorded in the financial information.

SMHPCL has also been in discussions with MPEB for the issue of equity shares of SMHPCL to MPEB for the settlement of this liability; the number of equity share to be issued will be agreed upon after the quantum of liability is determined.

PART IX

TERMS AND CONDITIONS OF THE WARRANTS

1. Definitions

The Warrants will be constituted by a warrant instrument executed as a deed poll of the Company dated 23 June 2008 (the “Warrant Instrument”) and will be 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 IX only:

“Act”	means the Companies Act 2006 of the Isle of Man;
“Admission”	means admission of the Ordinary Shares and the Warrants 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;
“Listed”	means admitted to listing by the UK Listing Authority and to trading on the London Stock Exchange and “Listing” shall be construed accordingly;
“London Stock Exchange”	means London Stock Exchange plc;

“market price”	(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;
“Memorandum and Articles of Association”	means the memorandum and articles of association of the Company from time to time in force;
“Ordinary Shares”	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;
“Purchase and Transfer Letter”	means a letter in the form set out in Appendix A to this document;
“Register”	means an accurate register of entitlement to the Warrants;
“Registrar”	means the Company’s registrar from time to time, being at the date of the Warrant Instrument, Capita Registrars (Isle of Man) Limited;
“Regulation S”	means Regulation S under the Securities Act;
“Regulations”	means the Uncertificated Securities Regulations 2006 of the Isle of Man (Statutory Document No. 743/06);
“Rule 144A”	means Rule 144A under the Securities Act;
“Securities Act”	means the US Securities Act of 1933, as amended;
“Shareholders”	means the holders of the Ordinary Shares;
“Special Resolution”	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;
“Subscription Date”	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;
“Subscription Period”	means the period commencing on the date of Admission up to and including the fifth anniversary of Admission;
“Subscription Price”	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;
“Subscription Rights”	means the rights to subscribe for new Ordinary Shares pursuant to the Warrants;
“UK Listing Authority”	means the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“uncertificated”	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;
“United States” or “US”	has the meaning given in Regulation S;
“US Person”	has the meaning given in Regulation S;

“US Resident”	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;
“Warrantholders”	means the persons for the time being entered in the Register as the holders of the Warrants;
“Warrants”	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
“Warrant Certificate”	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 the date falling five years after Admission.
- (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 Warranholders 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 Warranholder exercising a Subscription Right must pay any taxes and capital, stamp, issue and registration duties arising on the subscription and such Warranholder 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 such 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 Warrant 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 (ii) an accredited investor (as defined in Regulation D under the Securities Act), 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 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 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, including with respect to the transfer of such Ordinary Shares.

- (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)(v) 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 Warranholders 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 rights 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 Warranholders 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 Warranholders 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 Warrantholders present (in person or by proxy and whatever the number of Warrants held or represented by them) shall constitute a quorum; (b) every Warrantholder present in person at any such meeting shall be entitled on a show of hands to one vote and every Warrantholder 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 Warrantholder 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 Warrantholders to any remedy.

10. Reports

The Company will send or procure to be sent to each Warrantholder 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 X

TAXATION

The following information, which relates only to UK, US, Isle of Man, 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, US, the Isle of Man, 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.

UK Taxation

The following statements are intended to address only certain UK tax consequences for Shareholders and Warrantholders who 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 Warrantholders such as dealers in securities or employees. The statements assume that the Shareholder is not a company which either directly or indirectly controls 10 per cent. or more of the Company's share capital, voting power or profits and that the Shareholder does not hold the Ordinary Shares in trust.

Taxation of Dividends

UK resident 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 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. For this purpose, dividends are treated as the top slice of an individual Shareholder's income.

UK resident corporate Shareholders will be liable to corporation tax on dividends received from the Company (currently chargeable at 28 per cent. unless the corporate Shareholder concerned qualifies for the "small companies" rate).

A UK tax credit may be attached to dividends received by Shareholders, depending upon the personal circumstances of the Shareholder.

Taxation of Gains

Shareholdings of those who acquire their shares before the winding up date of the Company is known or before the seven year period leading up to the winding up, should not be regarded as a material interest in an offshore fund for the purposes of Sections 756A to 764 of the Income and Corporation Taxes Act 1988 (the "Taxes Act"). 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 and within the seven year period ahead of winding-up, the position is less clear. Current Her Majesty's Revenue & Customs ("HMRC") guidance suggests that in this

context the Company should still not constitute an offshore fund for the purposes of this legislation, which means that any gains on such holdings should also be subject to capital gains tax or corporation tax on chargeable gains. However, if HMRC were to change its view then it may be difficult to resist any challenge from them on the basis of primary legislation.

Base Cost of Ordinary Shares and Warrants

The acquisition cost attributable to Ordinary Shares and Warrants issued under the Placing must be apportioned between the Ordinary Shares and the Warrants because they represent separate assets for UK taxation purposes. That apportionment will have to be made on a basis that HMRC considers to be “just and reasonable”. The Directors have been advised that, under current HMRC practice, that basis should not be significantly different from the ratio which the market value of the Ordinary Shares bears to the market value of the Warrants on each of the first days on which the Ordinary Shares and Warrants are dealt in separately. The acquisition cost attributable to Ordinary Shares and Warrants acquired in the secondary market following the Placing will be based on the price paid.

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. No taper relief or indexation allowance will be available to such holders. Most individual Shareholders are entitled to an annual exemption from capital gains.

Shareholders within the charge to UK corporation tax may be subject to corporation tax on capital gains in respect of any gain arising on a disposal of Ordinary Shares. Indexation allowance may apply to reduce any chargeable gain arising on disposal of the Ordinary Shares but indexation will not create or increase a capital loss. Where a Warrantholder exercises a Warrant and subsequently disposes of the Ordinary Shares acquired, indexation will apply separately to the cost of acquisition of the Warrant and the exercise price.

For Warrantholders within the charge to UK corporation tax, the rules in relation to the taxation of derivative contracts may apply to the Warrants, depending on the accounting treatment applied to the Warrants by the relevant Warrantholder. If the Warrants are treated as capital assets by the Warrantholder, the Warrantholder may be subject to corporation tax on capital gains in respect of any gain arising on a disposal of the Warrants. Indexation allowance may apply to reduce any chargeable gain arising on disposal of the Warrants but indexation will not create or increase a capital loss.

Special rules apply to tax gains on disposals made by individuals at a time when they are temporarily not resident or ordinarily resident in the United Kingdom.

Other tax considerations

It is not expected that the Company would be regarded as a close company if it were resident in the UK. Therefore, capital gains realised by the Company should not be attributed to Shareholders under Section 13 of the Taxation of Chargeable Gains Act 1992.

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 corporate resident Shareholders is drawn to Section 703 of the Taxes Act and of UK domiciled individuals 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.

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the share capital of the Company should note the provisions of the controlled foreign companies legislation contained in Sections 747-756 of the Taxes Act.

Stamp Duty and Stamp Duty Reserve Tax

The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax (“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 Placing Shares, Warrants or BAMA 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 Warranholders who are not resident or ordinarily resident in the UK (or temporarily non-resident) 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 Warranholders 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.

Shareholder 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.

United States Taxation of Shareholders and Warranholders

The following information addresses certain (i) US federal income tax considerations that may be relevant to Shareholders and Warranholders 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.

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.

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.

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, 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 or BAMA Shares.

The Company is liable to company incorporation duty in the Isle of Man. Company incorporation duty is currently payable on incorporation or on any increase in the nominal value of the authorised share capital of the Company at the rate of £15 per £1,000 (or part thereof) of authorised share capital over £2,000 subject to a minimum of £125 and a maximum aggregate amount of £5,000 for each company.

Zero rate of corporate income tax in the Isle of Man

The Isle of Man now operates a zero rate of tax for most corporate taxpayers. This will include the Company. Under the new regime, the Company will technically be subject to taxation on its income in the Isle of Man, but the rate of tax will be zero; there will be no withholding to be made by the Company on account of Isle of Man tax in respect of dividends paid by the Company.

The Company will be required to pay an annual corporate charge in the Isle of Man. The current level of the corporate charge is £250 per annum.

Notwithstanding the zero rate of corporate tax, there are measures in place 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 requires shareholders resident in the Island to pay a charge based on their proportionate interest in undistributed profits where the company in which they hold shares does not meet certain minimum distribution targets. However, upon Admission, the Company will obtain the benefit of an exemption from this regime that is afforded to companies whose 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, although this is not expected to be relevant to the Company as it does not have, nor does it currently intend to engage, any Isle of Man employees.

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.

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 rate of up to 3 per cent. and in Cyprus at a current rate of up to 10 per cent. There is no stamp duty on the issue or transfer of share in a Mauritian GBC1 Company.

The Indian SPVs would pay tax at a current rate of 33.99 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 11.33 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. The Indian SPVs would also pay a Dividend Distribution Tax at the current rate of 16.995 per cent. in India on the profits distributed. The Directors intend to organise the Group's affairs so as to minimise, through appropriate planning and other opportunities, the incidence of taxation arising.

The foregoing summary does not address tax considerations which may be applicable to certain Shareholders under the laws of jurisdictions other than the UK, the Isle of Man and the United States 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 the 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.

PART XI

ADDITIONAL INFORMATION

1. The Company

- 1.1 Infrastructure India plc is a newly incorporated company, 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 will be issued is the Law and regulations made under the Law; the Warrants are governed by Isle of Man 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. 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.

2. Share Capital

- 2.1 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 (the "Subscriber Shares"). The Subscriber Shares will be made available pursuant to the Placing.
- 2.2 The issued share capital of the Company (all of which will be fully paid) immediately following the Placing will consist of 36,700,000 Ordinary Shares and 7,340,000 Warrants with an aggregate share premium of £36,333,000.
- 2.3 Save in respect of the Placing, as described in paragraph 9 below and the issue and subsequent subdivision of the share(s) referred to in paragraph 2.1 above, including the issue of 9,570,500 Ordinary Shares and 1,914,100 Warrants to Kaupthing Bank as part of the repayment of the facility as referred to in paragraph 10(1) below, 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.
- 2.4 Other than the Warrants, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.5 The Ordinary Shares and Warrants subscribed in the Placing will be issued pursuant to a resolution of the Board of Directors passed on 23 June 2008 conditionally upon Admission.
- 2.6 By a written composite resolution of the Shareholders dated 13 March 2008 it was resolved that, subject to Admission taking place on or before 30 June 2008:
- (1) the Articles (referred to in paragraph 4.2 of this Part XI) be adopted; and
 - (2) 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:
 - (a) 200,000,000 Ordinary Shares at the Placing Price pursuant to the Placing Agreement to be dated on or about 23 June 2008 and made between the Company, the Directors, Smith & Williamson, Kaupthing Securities, Inc., and Kaupthing upon Admission;
 - (b) the Warrants upon Admission, pursuant to the deed poll to be dated on or about 23 June 2008 executed by the Company setting out the terms and conditions of the Warrants; and

- (c) 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 Placing Shares and the Ordinary Shares issued due to the exercise in full of the 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. Isle of Man

3.1 *Isle of Man summary*

The Isle of Man 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.

3.2 *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 4.2(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 assets.

(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, 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.

(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 criteria with which that offering document must comply are less prescriptive than the traditional prospectus requirements which apply to 1931 Companies. 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.

4. Memorandum and Articles of Association

4.1 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.

4.2 Articles of Association

The following is a summary of the principal provisions of the Articles adopted pursuant to the resolution in paragraph 2.6 above, subject to Admission taking place.

(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.

(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 4.2(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 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, not being himself a member entitled to vote, shall on a show of hands have one 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 vote, and on a poll every member present in person or by proxy shall have one 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 these 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 4.2(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 Code) 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 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 4.2(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 4.2(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;
 - (D) name of the underlying company; and
 - (E) 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 twenty-one clear days' notice in writing. Other extraordinary general meetings shall be convened by not less than fourteen 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 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.

5. 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 will therefore apply to the Company from 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 in which he is already interested and 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.

6. 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 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	New European Investments Ltd AS Magnum Medical Vitol (IoM) Ltd Vitol (Far East) Ltd Dawnay Day Carpathian plc Carpathian Properties s.a.r.l. Sycamore s.a.r.l. Gumtree s.a.r.l. Acacia s.a.r.l. Lincoln Land Germany plc South Asian Real Estate Ltd S.A.R.E. (Cyprus) Ltd Stockwell Capital Investments plc SIA Patollo Lantina Ltd Castaway Ltd Diamond Circle Capital plc	Capital International Ltd Mill Yard Properties Mill Yard Services Mirabelle Fund Prya UK Capital plc Prya Development Capital Ltd The Prya Foundation The PFI Infrastructure Company plc Lorne House Ltd Henry Cooke Lumsden plc Buzzacott Investment Management Ltd.
Prodaman Sarwal	Chatham Historic Dockyard Trust Master Ropemakers Ltd Port of London Authority Christie Group plc Hyde Housing Association Ltd British Waterways Ltd Master Ropemakers (Trading) Ltd	Deloitte & Touche LLP
Philip Scales	A&M Overseas Limited (BVI) ACE Dunfermline Limited ACE East Grinstead Limited ACE (Four) Limited ACE Hartlepool Retail Limited ACE (One) Limited ACE Peterborough Limited ACE Reading Limited ACE (Three) Limited ACE (Two) Limited ACE Winchester Limited Argo Multi Strategy Fund Limited Astin CEO IOM 2007 Limited Atlal Limited Bamboo Investments (Isle of Man) plc Bargain Hunter Fund plc Birmingham Brindleyplace (General Partner) Limited (UK) Birmingham Brindleyplace Capital (General Partner) Limited (UK) Buskett Limited Chip (Five) Limited Chip (Four) Limited Chip (One) Limited Chip (Seven) Limited	ACE Dunfermline Limited ACE East Grinstead Limited ACE (Four) Limited ACE Hartlepool Retail Limited ACE Milton Keynes Limited ACE (One) Limited ACE Peterborough Limited ACE Reading Limited ACE (Two) Limited ACE (Three) Limited ACE Winchester Limited Achille Boroli Limited Active Commercial Estates Limited Active Commercial Estates plc Al Badour investment Group Limited Alfaman Holdings Limited Ambridge Nominees Limited Amil (Isle of Man) Limited Annisfield Limited Apoca Limited Applecross Limited Armier Limited Armstrong Investments Limited ASA Consultants (Isle of Man) Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales (continued)	Chip (Six) Limited	Attard Limited
	Chip (Three) Limited	Aurum Investments Limited
	Chip (Two) Limited	Awrad Co Limited
	Clean Energy Asia Limited	Badran Co Limited
	Clean Energy Brazil Plc	Ballinamore Limited
	Climate Exchange plc	Balzan Limited
	Close High Income Properties plc	Ballyward Limited
	Closepip ISA and PEP Plc	Barcia Fine Arts Limited
	Dawnay, Day Carpathian plc	Barfield Nominees (IOM) Limited
	Dayem Limited	Barnalswick Limited
	ECM Group NV Limited	Bathgate Retail Park Investments Limited
	EEA (IOM) Limited	BCEC I Limited
	EPIC Finance Company Limited	BCEC II Limited
	EPIC Securities plc	BCEC III Limited
	EPIC Structured Finance Limited	BCEC IV Limited
	Faris Limited	BCP Birmingham Limited
	Frontier Commercial Property Fund plc	BCP City Gate Limited
	Frontier Fund plc	BCP One Limited
	Frontier Global Real Estate Fund plc	BCP Two Limited
	Frontier Global Stars Fund plc	BCP Three Limited
	FUP Bristol Lincoln Limited	BCP Wolverhampton Limited
	FUP Liverpool 2 Limited	Beachpalm Limited
	G.J. Events Limited	Beresford Overseas Limited
	Gulf Development & Finance Limited	Berkshire UK Industrial Properties (Isle of Man) plc
	Haiser Limited (BVI)	Biscoe Limited
	Hammy Limited	Blue Arch Limited
	Healthcare & Leisure Property Fund plc	Bluegrass Investments Limited
	Hindle Limited	Bonsall Limited
	India Media PLC	Borchester Limited
	IOMA Fund and Investment Management Ltd	Bressenden Limited
	Irudnay (IOM) Limited	Bretnor Limited
	Lincoln Land Germany Plc	Brettonwood Limited
	Manchester Square (General Partner) Limited (UK)	Brindle Limited
	Mediterranean Marine (IOM) Limited	Brindleyplace (Inc) Nominees Limited
	Neville James Secure Capital Growth Fund plc	Brindleyplace (Cap) Nominees Limited
	Neville James Zero Preference Fund plc	British Cable & Optical Fibres Limited
	Oubliette Limited	Bruno Limited
	Paternoster Holdings Limited	Bunbury Limited
	Paternoster Limited	Burnham Properties Limited
	Property Investment Portfolio plc	Business Angels Investments Limited
	Qabila Limited	Business Centre Properties plc
	Quartet Nominees Limited (UK)	Buskett Limited
	Quartet (One) Limited	Callowhill Limited
	Quartet (Two) Limited (UK)	Captiva Investments Limited
	Residential Property Investment Portfolio Limited	Cardale Limited
	Resipip Securities Investment Limited	Casolam Limited
	Resipip Securities Capital Limited	Castellucio (One) Limited
	Resipip Direct Holdings Limited	Casterton Limited
		Cervantes Limited
		Champion Limited
		Cherwell Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales (continued)	Sardinella Limited SEIF (IOM) Limited SEIF Global Limited SEIF Limited SEIF Limited(BVI) SEIF Services Limited (BVI) SEIF Services (IOM) Limited Seraphim Capital PLC St. James' Park Group Limited Stockwell Capital Investments Plc Tapton Limited Tau Capital plc Tatlow Limited Tenanted Inn Estates plc TEP Asia Limited TEP Trading 1 Limited TEP Trading 2 Limited The Active Commercial Estates plc The Capital Appreciation Trust Plc The Equity Partnership Investment Company plc The Golden Jubilee Trust Tiff Investments Limited (BVI) Top Developments PLC Trading Emissions (Isle of Man) Limited Trading Emissions plc Trikona Trinity Capital PLC	Chesero Limited Chesterton Limited Chip (Ipswich) One Limited Chip (Ipswich) Two Limited Choice Investments Limited Cledford Limited Closepip ISA and PEP plc Close Property Management (Isle of Man) Limited Clough Road Hull Investments Limited Coleshill Limited Coltag Limited Columb Limited Colunas Limited Colwall Limited Como Investments Limited Concord Advisory Services Limited (BVI) Concord Consultant Services Limited (BVI) Concord International Partners Limited Concord National Investments Limited Consultores Management Company Limited Continental Corporate Opportunities Limited CRC Limited Crenshaw Limited Crumpsall Limited Curdalworth Limited Cuzco Investments Limited Darland Limited Dawnay Day Carpathian plc Delphburn Limited Derivatives Capital Management Limited DFA Limited Diamond Investments (Overseas) Limited (Cyprus) Diana Limited DIL Dortmund Investors Limited Dolphin Fund plc Drakes Way Investments Limited Drava Limited Dukkara Limited Dunster Investments Limited Eastchurch Limited Eccleshall Limited EPIC Reconstruction Property Company (IOM) Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales (continued)		EPIC Select Opportunities Investment Company plc EPIC Structured Finance Limited EPIC Student Accommodation plc EPS Finance Limited (BVI) EPS Finance (IOM) Limited Equest Balkan Properties Limited ER Limited ER Investments Limited Erandel Holdings Limited (BVI) ESN-Leader Capital Carried Interest Partner Limited ESN-Leader Capital General Partner Limited EU Euroinvest Fund Evidental Limited Explorer Investments Limited Fallowfield Limited Felpersham Limited Fenstock Limited Ferfil Limited Fieldsons Limited First Assured Rental Growth plc Fisher Limited Fixed Uplift Properties plc Flosshilde plc Flyford Limited Fort Administration Limited Foundations Programme plc Foxgrove Limited FPA Limited Fraser (Isle of Man) Limited Freshford Limited Fringebar Properties Limited FUP Bristol Lincoln Limited FUP Liverpool 2 Limited Gallectica Enterprises Limited Galleone Investments Limited Gardenia Limited Garthewin Limited Gemms Cap Limited Geryon Limited Glaisdyke Limited Glengarry Limited Gondar Investments Limited Greenwich Limited Greenlaw Limited Guasta Arts Limited Gulf Holdings Limited Gyda Limited Hackman Limited Hajira Limited Haiser Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales (continued)		Hampshire Holdings Limited Harboro Limited Hardcastle Investments Limited Havenport Limited Heatherstone Limited Heathwaite Limited Hebatco Investments Limited Higson Limited Hollywest Limited Hollywood Green Investments Limited Holmer Limited Horizons Court Brentford Limited Hovey Limited Human Development Trademarks Limited Hurumzi Limited I.H. Business Development Co. Limited Indiahold Limited (BVI) International Fund Managers (Isle of Man) Limited Invenium Limited I.T Ventures – Concord Misr (BVI) Limited Jenigma Holdings Limited Kallina Limited Kappara Liited Kenelm Limited Kentish Limited Kilmartin Limited Kittery Limited Koby Limited Kreon plc Lacash Limited Laffan Limited Land Investments plc Land Investments (One) Limited Lanlerne Limited La Rocca Investments Limited Lavan Limited Laxmi Limited Ledson Limited Lendalfoot Limited Leo Bianco Limited Lesimo Limited Lighthouse Estate Limited Linehall Limited Livingstone Limited LJMC Services Limited Lochbroom Limited Loeven Limited London Scottish (2004) Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales (continued)		London Scottish Re Limited Loresho Limited Lydford Limited Manor Wood Limited Maroya Limited Marsascala Limited Matchline Limited Mawgan Limited Meekland Holdings Limited Medcini Limited Medlock Limited Medranow Limited Meg and Mog Rights Limited Menaul Limited Milbreck Limited Millbank Properties Limited Mistra Limited Monastir Limited Montalbano Gallery Limited Moorclose Limited Moore Holdings Limited Morgan Care Holdings Limited Mosta Limited Morai Trading Limited Mullally Limited Narlin Limited Neville James Fund Managers Limited Normandy Limited Northern Trust International Fund Administration Services (Isle of Man) Limited Northwich Investments Limited Notre Dame Limited Novia Limited Omega Derivatives Capital Limited Omega (IOM) Limited Oubliette Limited Overlord Limited Paisley Investments Limited Palmayra Limited Pan African Holdings Limited Paradise Investments Limited Peake Limited Pearlstone Limited (BVI) Pelorus Property plc PIE R&D Limited Policy Extra Holdings Limited Pollett Limited Portobello Limited Poundsgate Limited Praesepe Limited Priyanka Limited (BVI) Property Investments Eleven Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales (continued)		Quantinvest Limited Quantinvest Management Limited Quartet Commercial Properties plc Quartet Nominees Limited (UK) Quartet (One) Limited Quartet (Two) Limited (UK) Quartz Limited Radwell Limited Raines Limited Ramla Limited Ransley Limited Rassina Limited Rath Dhu Limited Red Lodge Limited Relax Investments Limited Relcon Limited Retford Limited Rhos Investments Limited Riameen Limited Ricasoli Limited Rinella Limited Rolla Associates Limited Rophi Corporation (BVI) Royalton Investments Limited Rudy Limited Rush Limited Sachi Investment Company Limited Saint Isidore Limited Salthouse Limited Sarasota Limited Sardinella Limited Sardonyx Limited Sassoon Limited SCS Alliance Limited S/D Flats Limited Seaford Trading Company Limited Seaton Investment Limited (Liberia) Selmun Limited Senglea Limited Sepoint Limited Sheffield Trading Corp Shefford Limited Shintillo Investments Limited Shiraz Investments Limited Shire Park Welwyn Limited Skynet Limited SMC Consulting Limited Snelgrove Limited Snook Services Limited Snowforth Limited (BVI) Southfield Aircraft Limited Southfields Limited Speke Investments Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales (continued)		Spinelle Limited St. Mary's Limited Standhall Limited Stonefold Limited Stonykirk Limited Stovell Limited Stratford Limited Subrun Investments Limited Surveys Malawi Limited (Malawi) Symi Limited TAMA (1993) Limited Taria Investments Limited Tarland Limited Tashkent Limited Tatlow Limited Telelink Swansea Investments Limited The Capital Appreciation Trust (Isle of Man) plc The Wych Cross Place Estate Company Limited TIE Midlands Limited TIE South East Limited TIE South West Limited TLT Investments Limited Tinas Investments Limited Tombstone Limited Traffic Limited Trimingham Limited Trimingham Limited (BVI) Trustforte Management Limited Tullmore Limited UVI Limited Vale Nominees Limited Valentia Enterprises Limited Valleyview (IOM) Limited VAM Limited VAM II Limited VAM III Limited VAM American Special Opportunities Limited VAM Funds plc VAM Growth Limited VAM Managed Funds plc VAM Protected STAR Limited Vela Co. Limited Ventura Limited Verdala Limited Versailles Properties Limited Verwood Limited Vieville Limited Villocq Investments Limited Viscount Way Investments Limited Voller Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Philip Scales (continued)		Vorley Limited Vumba Investments Limited Wadeson Limited Walderslade Limited Wardara Enterprises Limited Waverley Limited Waymark Limited Weatherfield Limited Wellesley House Investments Limited Wellington House Investments Limited White Gables Limited Whitman Limited Willake Limited Wimbridge Limited Wintney Limited Wymouth Limited Yetminster Limited
Timothy Walker	Church Farm Consultants Ltd Heron and Brearley Ltd Neptune Hotel Ltd Residan Ltd Liselle Ltd Promenade Investments Ltd Lawcall Insurance Ltd Endocrine Pharmaceuticals Ltd Neptune Developments Ltd C E Insurance Services Ltd Ishaan Real Estate plc Clean Energy Brazil plc Duet India Hotels Limited	The PFI Infrastructure Company plc Erissa Insurance Company Ltd

- (b) None of the Directors for at least the previous five years:
- (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
 - (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.

7. Directors' and Others' Interests

- (a) None of the Directors nor any of persons connected to them (within the meaning of section 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 (including any interest known to that Director or which could with reasonable diligence be ascertained by him of any person connected with a Director (as such term is construed in accordance with section 252 of the UK Companies Act 2006) (a “Connected Person”)) in the share capital of the Company immediately following Admission will be as follows:

<i>Director</i>	<i>Number of Ordinary Shares to be held immediately following Admission</i>	<i>Percentage of issued share capital to be held immediately following Admission</i>
Rupert Cottrell	25,000	0.07%
Prodaman Sarwal	25,000	0.07%
Philip Scales	–	–
Timothy Walker	25,000	0.07%

- (b) Save as disclosed in paragraph 7(a) above, no 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) Save as disclosed below, the Company is not aware of any persons who, immediately following Admission, 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</i>	<i>Percentage of issued share capital</i>
Aegon Asset Management	3,000,000	8.17%
C Brooke Investment Partners	1,500,000	4.09%
Henderson Global Investors	3,000,000	8.17%
Kaupthing hf	9,570,500	26.08%
Kaupthing Bank Luxembourg	9,769,000	26.62%
Kaupthing Private Banking	2,100,000	5.45%
Singer & Friedlander Investment Management	1,341,000	3.65%

- (d) 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 4.2(1) above. All Shareholders will have equal voting rights, on a poll, based on the number of Ordinary Shares held.
- (e) 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.
- (f) No 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.
- (g) There are no loans or guarantees granted or provided by the Company to or for the benefit of any of the Directors which are now outstanding.
- (h) Save as disclosed in paragraph 10 below, there are no potential conflicts of interest between any duties owed by the Directors to the Company and their private interests and/or other duties.

- (i) None of the Company's major shareholders will have different voting rights from other holders of Ordinary Shares.

8. Directors' Letters of Appointment

- (a) Each of the 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 3 months's prior written notice. Their appointment was confirmed by letters of appointment dated 23 June 2008. Notwithstanding the foregoing, each of the 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 3 years from the date of that Director's last appointment.
- (b) The Directors are entitled to the following gross fees per annum: Rupert Cottrell – £80,000; Prodaman Sarwal - £50,000 and Timothy Walker - £50,000. In light of the fact that Philip Scales' appointment is in conjunction with the Administrator acting as administrator and registered agent of the Company, Mr Scales is not entitled to receive any director's fees. Rupert Cottrell will receive 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, for his services. Subject to the foregoing, the 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.
- (c) Pursuant to deeds of indemnity dated 23 June 2008, the Company has undertaken to indemnify each of the Directors to the fullest extent permissible by the Law against all expenses, judgments, fines and amounts paid in settlement and reasonably incurred by that Director in relation to any threatened, pending or completed legal, administrative or investigative proceedings to which that Director is a party by reason of the fact that he is or was a director of the Company.

9. Arrangements relating to the Placing

- 9.1 On 23 June 2008, the Company, the Directors, Kaupthing, Kaupthing Securities, Inc. and Smith & Williamson entered into the Placing Agreement pursuant to which Kaupthing and Kaupthing Inc. have agreed, conditionally upon, *inter alia*, Admission taking place not later than 30 June 2008, to use their reasonable endeavours to procure subscribers in the Non-US Placing for the Placing Shares at the Placing Price and Warrants and Kaupthing Securities, Inc. has agreed, as principal, to subscribe in the US Placing for Placing Shares and Warrants and to transfer such Placing Shares and Warrants to Placees who it reasonably believes (and who have certified they) are Qualified Institutional Buyers and Qualified Purchasers.

Under the Placing Agreement, Kaupthing will receive (exclusive of VAT) a commission of an amount equal to 4 per cent. of the aggregate value at the Placing Price of the Placing Shares. In addition, Kaupthing will receive a structuring fee and a corporate finance fee of amounts equal to 0.5 per cent. and 0.25 per cent. respectively of the aggregate value at the Placing Price of the Placing Shares. Smith & Williamson will receive a corporate finance fee of £250,000 in consideration of its obligations as sponsor.

The Placing Agreement, which contains certain warranties, undertakings and indemnities by the Company and the Directors in favour of Kaupthing, Kaupthing Securities, Inc., and Smith & Williamson, is conditional, *inter alia*, on (i) Admission occurring not later than 30 June 2008 and (ii) none of the warranties given to Kaupthing, Kaupthing Securities, Inc., and Smith & Williamson prior to Admission being untrue, inaccurate or misleading in any material respect.

Kaupthing, Kaupthing Securities, Inc., and Smith & Williamson may terminate the Placing Agreement in specified circumstances, including for breach of warranty at any time prior to Admission and in the event of *force majeure* at any time prior to Admission if Kaupthing or Kaupthing Securities, Inc. has not received satisfactory acceptances of the offer from the proposed Placees.

Pursuant to the Placing Agreement, the Directors shall not dispose of any interest in Ordinary Shares purchased or received by them, otherwise than through Kaupthing, for as long as Kaupthing is broker to the Company.

- 9.2 On 27 June 2008 the Company will subscribe for the BAMA Shares at 1 pence per share. It is proposed that the BAMA Shares will be transferred to certain Placees at the discretion of the Directors upon the advice and recommendation of Kaupthing, except that the BAMA Shares will not be transferred to US Persons or in the Placing into the US. The aggregate of the BAMA Shares amounts to a 6.4 per cent. economic interest in the Investment Adviser.

Subject always to the issue of further shares in the Investment Adviser, the BAMA Shares have the following rights:

- 9.2.1 The BAMA Shares are entitled to receive dividends the aggregate amount of which will be 6.4 per cent. of the aggregate amount available to be distributed to all shareholders in the Investment Adviser. Dividends will be paid on the BAMA Shares at the same time as dividends are paid on the A ordinary shares in the Investment Adviser which will be at the discretion of the board of the Investment Adviser.
- 9.2.2 The BAMA Shares have no voting rights.
- 9.2.3 On a return of capital to shareholders of the Investment Adviser the BAMA Shares will be entitled to participate on the basis that the aggregate amount which they will receive will be 6.4 per cent. of the aggregate amount available to be returned or paid to all shareholders in the Investment Adviser.
- 9.2.4 If further shares are issued in the Investment Adviser, the BAMA Shares' interest will be diluted in proportion to the dilution of the other shares in the Investment Adviser.
- 9.2.5 There are no "drag or tag" along rights or obligations attaching the BAMA Shares.
- 9.2.6 The BAMA Shares are freely transferable and no pre-emption rights will exist on their transfer.
- 9.2.7 The BAMA Shares will have no right to participate in the management of the Investment Adviser and no minority protection rights beyond those that exist under Mauritian law.
- 9.2.8 The BAMA Shares will rank equally as between themselves.
- 9.3 On 23 June 2008 the Company, the Investment Adviser and Kaupthing entered into a subscription agreement in relation to BAMA Shares. Pursuant to the BAMA Shares Subscription Agreement the Investment Adviser has agreed: (i) to issue BAMA Shares to the Company on the terms and conditions set out therein; and (ii) that such BAMA Shares may be transferred by the Company to certain non-US Placees elected at the discretion of the Directors but upon the recommendation of Kaupthing on the terms and conditions set out in the agreement. The BAMA Shares will not be transferred to US Persons or in the Placing into the US.

Following the execution of the BAMA Shares Subscription Agreement (and not later than 4.00 p.m. on the business day prior to the date of Admission) the Investment Adviser shall allot the BAMA Shares to the Company at a price of 1 pence per share for each BAMA Share. The Investment Adviser shall then approve the registration of the Company as a member of the Investment Adviser and procure the delivery to the Company of a definitive share certificate in the name of the Company in respect of the BAMA Shares. The Company and the Investment Adviser irrevocably agree that, conditional on and with immediate effect from Admission, the BAMA Shares allotted to the Company will be transferred to such Non-US Placees (if any) as the Directors shall in their discretion (but upon the recommendation of Kaupthing) elect.

- 9.4 On 23 June 2008 the Company granted a power of attorney to the Mauritian Administrator. The power of attorney appoints the Mauritian Administrator as its attorney to *inter alia*: (i) make appropriate declarations to a notary public in Mauritius; and (ii) to execute share transfer forms, in each case in respect of the transfer by the Company to certain Placees pursuant to the Placing, of BAMA Shares for which the Company subscribed pursuant to the BAMA Shares Subscription Agreement.

Pursuant to the power of attorney the Company undertakes to confirm and ratify everything which the Mauritian Administrator shall do or purport to do by virtue of the power of attorney and to indemnify

the Mauritian Administrator against all losses, liabilities, costs, claims, actions, expenses, proceedings and obligations which the Mauritian Administrator may incur or suffer by reason directly or indirectly of the exercise or purported exercise of any authority conferred by the power of attorney. The authority granted by the power of attorney expires on 22 September 2008.

10. Material Contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Group since incorporation and which are, or may be, material to the Group:

- (a) the Placing Agreement, the BAMA Shares Subscription Agreement and power of attorney referred to in paragraph 9.4, as described more fully in paragraph 9 above;
- (b) the Investment Advisory Agreement dated 23 June 2008 between Infrastructure India HoldCo and the Investment Adviser.

Under the terms of the Investment Advisory Agreement, the Investment Adviser will be 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 must first approve any such investment. The Investment Adviser will also advise on the proposed disposal of investments.

The appointment of the Investment Adviser by Infrastructure India HoldCo is for an initial term of five years from completion of the first investment made by the Group. After the initial term of five years, the Investment Advisory 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 five year period. However, each of Infrastructure India HoldCo and the Investment Adviser has the right to terminate the Investment Advisory 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. Infrastructure India HoldCo is also entitled to terminate the Investment Advisory Agreement if there is a change of control of the Investment Adviser. The Investment Advisory 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 Investment Adviser ceases to hold the relevant licences or consents to enable it lawfully to carry out or perform the services required of it.

Under the Investment Advisory Agreement, the Investment Adviser has agreed that it will not, without the prior consent of the Infrastructure India HoldCo, at any time before the earlier of the date on which the proceeds of the Placing are Substantially Invested and 31 December 2009, undertake any advisory services for any client investing in, or intending to invest in, any opportunities which would fall within the investment policies of the Group. Subject to this restriction and to the conflicts management arrangements described in paragraph 10 of Part II of this document the services of the Investment Adviser under the Investment Advisory Agreement are not exclusive and the Investment Adviser is free to render similar services to others. However, the Investment Adviser may not provide services to investment funds whose primary purpose is to invest in the sectors covered by the Company's investment policy or which are identifiable competitors of the Group in such sectors.

The agreement identifies the key personnel necessary to perform the Investment Adviser's duties under the agreement and in the event that any such key personnel (if such personnel number three or less) a majority of such key personnel (if such personnel number four or more) are unable to perform their duties Bloomsbury Asset Management Advisors shall promptly inform Infrastructure India HoldCo and within 30 days propose a replacement key person. In the event that Bloomsbury Asset Management Advisors fail to propose such replacement or Infrastructure India HoldCo, (acting reasonably) does not approve the replacement, Infrastructure India HoldCo has the right to terminate the agreement.

The Investment Advisory Agreement contains an indemnity from Infrastructure India HoldCo in favour of the Investment Adviser against actions, proceedings, claims, demands and liabilities arising

out of the proper performance of the Investment Manager's duties except insofar as the same may result from the negligence, wilful default or fraud of the Investment Adviser, its associates or delegates or any of its or their directors, employees and agents.

Under the Investment Advisory Agreement, the Investment Adviser is entitled to receive both an advisory fee (2 per cent. per annum on monies actually invested projects) and a performance fee (the "Performance Fee").

The Investment Adviser 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. 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 the Investment Adviser as the Performance Fee. In respect of a return of above 12 per cent. per annum the Investment Adviser will receive a Performance Fee of 20 per cent. of such return. The Directors believe that this structure aligns the interests of the Company with those of the Shareholders. The Performance Fee will be calculated by the Administrator and will be payable within 10 business days following receipt of invoice for the amount of the Performance Fee following its agreements or, in the absence of agreement, its determination by independent accountants.

Where a Performance Fee is payable by Infrastructure India HoldCo to the Investment Adviser, 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 the Investment Adviser, 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.

If the Investment Advisory Agreement is terminated for whatever reason, the Investment Adviser will be entitled to continue 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.

Infrastructure India HoldCo will also reimburse the Investment Adviser in respect of reasonable and properly incurred expenses incurred by the Investment Adviser in carrying out its duties under the Investment Advisory Agreement, subject to the prior consent of Infrastructure India HoldCo for individual item expenses of £500 or more.

All amounts payable to the Investment Adviser by Infrastructure India HoldCo are inclusive of all taxes, duties and other levies.

- (c) the Administration Agreement dated 23 June 2008 between the Company and the Administrator whereby the Administrator has been appointed to provide day to day administration and secretarial services to the Company. In consideration for its services, and in addition to set up fees subject to a maximum of £15,000, the Administrator will receive an annual administration fee £85,000 per annum and a time spent basis fee for providing certain accounting services. The Administration Agreement is terminable by either party giving 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 Administration Agreement contains provisions limiting the liability of the Administrator for any act or omission or any loss or damage sustained or suffered by the Company howsoever arising in connection with the Administrator's duties under the Administration Agreement, save where such Losses arise from fraud, negligence or wilful default on the part of the Administrator or its servants, agents or delegates in the discharge of its duties in relation to the Company. The Company also indemnifies the Administrator against liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements ("Losses") incurred by the Administrator in connection with the proper performance by the Administrator of its duties under the Administration

Agreement, save where such Losses arise as a result of the fraud, negligence or wilful default of the Administrator.

- (d) the Registrars Agreement dated 23 June 2008 between the Company and the Registrars whereby the Registrars are appointed to act as registrars of the Company. The Registrars Agreement specifies the various fees which the Registrars will charge for performing its duties as registrars. The Registrars Agreement may be terminated by either the Company or the Registrars giving not less than 6 months' notice in writing, with such notice not to expire before the third anniversary of the Registrars Agreement coming into effect, or otherwise in circumstances where the Company or the Registrars goes into liquidation or where either party commits and fails to make good a material breach of the Registrars Agreement. The Registrars Agreement contains an indemnity in favour of the Registrars against claims by third parties except to the extent that the claim arises from the fraud or wilful default of the Registrars.
- (e) the Broker Agreement dated 23 June 2008 between the Company and Kaupthing under which Kaupthing undertakes to continue to provide ongoing financial advisory and broker services. The Broker Agreement further provides that Kaupthing will be paid a retainer of £50,000 per annum (plus VAT) in respect of its ongoing services as the Company's financial adviser and broker commencing on Admission. The Company has agreed to consult and discuss with Kaupthing on all material announcements and statements and to provide Kaupthing with any information which Kaupthing requires to enable it to carry out its obligations or which the London Stock Exchange may request or specify. The Company has given Kaupthing certain customary warranties, undertakings and indemnities, in respect of the services Kaupthing provides under the Broker Agreement. Kaupthing's appointment as financial adviser under the Broker Agreement is for an initial term of 12 months and thereafter may be terminated by either party on 3 month's notice, Kaupthing's appointment as broker may be terminated by either party on 1 month's notice. In certain other circumstances the Broker Agreement may be terminated by Kaupthing immediately;
- (f) a co-investment and guarantee agreement between Power Infrastructure India and Matlida Ventures Corp., dated 21 May 2008 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 is to make an initial investment of Rs. 1.1 Billion ("Initial Investment") of which Rs. 600 Million is to be paid to Matlida Ventures Corp ("Guarantee Fee") and Rs. 500 Million is to be used to subscribe for shares in SMHPCL. Matlida Ventures Corp has agreed to use Rs. 500 Million of the Guarantee Fee to subscribe for shares in SMHPCL. Power Infrastructure India has the option within 75 days of completion of the first subscription to make a further 'step-up investment' of Rs. 1.1 Billion ("Step-up Investment") comprising subscription and guarantee fee components in the same amount and on the same terms as the Initial Investment. 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) will 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 will be the shareholding companies in SMHPCL. To secure the guaranteed IRR, this agreement provides that the shares of Subsidiary 1 and Subsidiary 3 shall 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 will 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 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 (i) and (j) 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;

- (g) a share subscription agreement between Power Infrastructure India, SMHPCL, SKG Power Ventures Private Limited ("SKG") and MW Infra Holdings Private Limited ("MW") dated 25 April 2008 which provides for the conditional direct two stage investment of Rs. 500 Million each (approximately £6 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 the Power Infrastructure India will also be entitled to claim liquidated damages from the SKG and MW (the "Share Subscription Agreement");
- (h) a shareholders agreement 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. Under this agreement SKG undertakes 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 is 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 (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;
- (i) a share pledge and escrow agreement 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");
- (j) a share pledge and escrow agreement 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 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”);

- (k) a service agreement dated 23 June 2008 between the Company and International Proximity, an independent management company, under which International Proximity will provide the Company with administrative support in setting up and running Mauritian companies. The Company will make its investments in India through these Mauritian companies. In relation to setting up the various Mauritian companies, International Proximity will, among others, incorporate and finalise the constitution of these companies, collate information for submission to the appropriate regulatory authorities, arrange for relevant fees, arrange for initial issuance of shares and appointment of initial officers, open bank accounts, appoint tax consultants and auditors, review material agreements relevant to the companies, and arrange for tax residence certificates. Once the various Mauritian companies have been duly incorporated, International Proximity will assist in the on-going administration of these companies by, among others, maintaining statutory records, handling subscriptions and redemptions, preparing notices and minutes of meetings of directors and shareholders, settling licence fees, filing statutory returns, conducting due diligence reviews, maintaining accounting records, preparing annual accounts, assisting and monitoring the audit exercise, liaising with Mauritian and Indian tax consultants, and accepting instructions from the Company.

The fees due to International Proximity for services related to the setting up of such companies range from €750 to €2,000 and the ongoing administration fees vary depending on the number of subscriptions and redemptions, number of investors for which due diligence reviews are conducted on, and amount of time spent.

This agreement will terminate upon notice by either party to the defaulting party upon failure to observe any of the covenants, undertakings and agreements contained in the agreement and after reasonable prior notice of default and opportunity to cure. Otherwise, the agreement is terminable upon one week’s prior notice by either party.

- (l) a facility letter dated 25 April 2008 from Kaupthing Bank which was accepted by the Company on 25 April 2008, and under which Kaupthing Bank agreed to make available to the Company certain credit facilities comprising a fully drawn facility (the “Facility”) of up to £14,500,000 for a period of 3 months from the date of draw down and thereafter subject to automatic renewal on each new Interest Period (as defined below) after the draw down date. £13,350,000 of the Facility was drawn down on 10 June 2008. On draw down, the Facility attracted a £75,000 structuring fee (the “Fee”). The Fee was immediately capitalised and added to the outstanding amount of the Facility. Interest is charged at ten (10) per cent. per annum on the amount outstanding of the Facility (from time to time) and is payable (at the option of the Company or Kaupthing Bank) at the end of each 3 month period from the date of draw down (each such period, an “Interest Period”). If such interest is not paid quarterly, then all accrued but unpaid interest up to the end of that Interest Period will be capitalised and added to the amount of the Facility then outstanding. The Facility must be repaid in full on (or within 3 business days of) Admission in cash or by the issue and allotment of such number of Ordinary Shares at the Placing Price to Kaupthing Bank as is equal to the amount of the then outstanding Facility (in such proportions as are agreed by the Company and Kaupthing Bank). The Facility may be repaid at the option of the Company, having given at least thirty (30) days prior written notice to Kaupthing Bank, at the end of each Interest Period and the method of repayment may be a mixture of cash and the issue and allotment of such number of Ordinary Shares at the Placing Price to Kaupthing Bank as the Company and Kaupthing Bank may agree. Kaupthing Bank may call for the Facility to be repaid in full or in part by the issue and allotment of Ordinary Shares at the Placing Price to Kaupthing Bank by giving the Company not less than thirty (30) days prior written notice; such repayment occurring at the end of the relevant Interest Period. On each new Interest Period after draw down, the Facility will be automatically renewed unless either the Company or Kaupthing Bank have notified the other of its requirement that the Facility is either redeemed and/or converted (whether in part or in full, and in any part combination of redemption and conversion as agreed between the Company and Kaupthing

Bank) and, failing such agreement, the Facility will be automatically renewed. Any such notice is required to be delivered at least one (1) month in advance of each new Interest Period date. There are no early redemption or conversion fees associated with the Facility. Under the Facility Letter the Company has provided an undertaking to Kaupthing Bank that it will not create any further security over its assets and its subsidiaries will also not create any further security over their assets.

- (m) under the above mentioned Facility and pursuant to a debenture dated 25 April 2008, the Company has granted Kaupthing Bank a first fixed and floating charge over all of its assets and undertakings as security for its obligations under the facility letter and which will be released and removed upon satisfaction in full of obligations and liabilities of the Company under the facility letter;
- (n) pursuant to the terms and conditions of the above mentioned facility letter, the Company will procure that its wholly owned indirect subsidiary, Power Infrastructure India, grants (subject to the prior approval of the RBI) a share charge over all of its interests in the shares held by that company in SMHPCL in favour of Kaupthing Bank and which will be released and removed upon satisfaction in full of obligations and liabilities of the Company under the facility letter;
- (o) an addendum to the facility letter dated 23 June 2008 whereby Kaupthing Bank agreed to convert £9,570,500 of its outstanding loan to the Company into 9,570,500 Ordinary Shares as part of the Placing, and waive the £75,000 structuring fee in consideration of the issue of 1,914,100 warrants by the Company. Kaupthing Bank has also agreed to release the security for the loan; and
- (p) a senior strategic adviser agreement dated 23 June 2008 between the Company and Andrew Friend, under which Mr Friend will provide advisory services in respect of infrastructure projects in India together with such other services as may from time to time be required by the Company and as agreed with the Chairman of the Company. The agreement is for an initial period of 18 months' and thereafter will continue for successive renewal periods of 12 months until terminated by either party on not less than 3 months' notice, such notice to expire at the end of the initial period. Mr Friend will provide his services on an exclusive basis in respect of infrastructure projects in India. In consideration of the provision of the services, the Company will pay Mr Friend an annual amount of £100,000 plus VAT.

11. Related Party Transactions

The following related party transactions are transactions which, as a single transaction or in their entirety, are or may be material to the Company and have 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. Each of the transactions was concluded at arm's length:

- (a) the Administration Agreement, which is a related party transaction by virtue of the fact that Philip Scales is a director of the Administrator.

12. Working Capital

The Company is of the opinion that, taking into account available banking facilities and the net proceeds of the Placing, the Company has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

13. Capitalisation and Indebtedness

This statement of capitalisation and indebtedness has been prepared under IFRS using policies which are consistent with those used in preparing the historical financial information on the Company set out in Part VI: Financial information on the Company.

Capitalisation and gross indebtedness

The financial information relating to the Group as at 31 March 2008 in the following table has been extracted without material adjustment from the audited financial position of the Group as at 31 March 2008 prepared under IFRS and sets out the capitalisation and gross indebtedness of the Group as at 31 March 2008. The financial information relating to the Group as at 11 June 2008 has been extracted without material adjustment

from the Group's unaudited accounting records and sets out, in the following table, the unaudited capitalisation and gross indebtedness of the Group as at 11 June 2008:

	<i>At</i> <i>31 March</i> 2008 £	<i>At</i> <i>11 June</i> 2008 £
Total current debt		
– Guaranteed	–	–
– Secured ⁽¹⁾	–	13,425,000
– Unguaranteed/Unsecured	–	–
Total non-current debt (excluding current portion of long-term debt)		
– Guaranteed	–	–
– Secured	–	–
– Unguaranteed/Unsecured	–	–
Gross indebtedness	<u>–</u>	<u>13,425,000</u>
Shareholders equity		
– Share capital	1	1
– Other reserves	–	–
Capitalisation	<u>1</u>	<u>1</u>

Note (1): The debt is secured against all present and future interest in all investments beneficially owned by the Company. The amount at 11 June 2008 is stated gross of a rolled up structuring fee of £75,000.

Net indebtedness

The financial information relating to the Group as at 31 March 2008 in the following table has been extracted without material adjustment from the audited financial position of the Group as at 31 March 2008 prepared under IFRS and sets out the indebtedness and cash and cash equivalents of the Group as at 31 March 2008. The financial information relating to the Group as at 11 June 2008 in the following table has been extracted without material adjustment from the unaudited accounting records of the Group and sets out the unaudited indebtedness and cash and cash equivalents of the Group as at 11 June 2008. This table has been prepared under IFRS using policies which are consistent with those used in preparing the historical financial information on the Group set out in Part VI: Financial information on the Company

	<i>At</i> <i>31 March</i> <i>2008</i> £	<i>At</i> <i>11 June</i> <i>2008</i> £
Cash	–	13,350,000
Cash equivalent	–	–
Trading securities	–	–
Liquidity	<u>–</u>	<u>13,350,000</u>
Current bank debt	–	–
Current portion of non-current debt	–	–
Other current financial debt ⁽¹⁾	–	(13,425,000)
Current financial debt	<u>–</u>	<u>(13,425,000)</u>
Net current financial indebtedness	<u>–</u>	<u>(75,000)</u>
Non-current bank loans	–	–
Bonds issued	–	–
Other non-current loans	–	–
Non-current financial indebtedness	<u>–</u>	<u>–</u>
Net financial indebtedness	<u>–</u>	<u>(75,000)</u>

Note (1): The value of the debt excludes interest accrued. The amount at 11 June 2008 is stated gross of a rolled up structuring fee of £75,000.

The net indebtedness position as at 11 June 2008 reflects the drawdown of debt to fund the investment in SMHPCL. £13.2 million was used to acquire the minority stake in SMHPCL on 12 June 2008 and the remaining £0.1 million of the funds drawn down remains as cash held by the Group. The debt is to be repaid or converted to equity on Admission.

Off-balance sheet financing arrangements

The Group does not currently have off-balance sheet financing arrangements.

Contingent and indirect indebtedness

The Group does not have any contingent or indirect indebtedness.

14. Operating Expenses

As well as the directors' fees, advisory fees, performance fees and administration fees, the Company either itself or through Infrastructure India HoldCo, will pay all other fees and expenses incurred in the operation of its business including, without limitation, all audit, taxation and accountancy fees; any stamp duties and other duties; all taxes and corporate fees and all travel and other reasonable expenses incurred by the members of the board (without limitation).

15. Significant Change

Save for the Placing and as disclosed in paragraphs 10(f), (g), (h), (i) and (l) of this Part XI, there has been no significant change in the financial or trading position of the Company since 31 March 2008, being the date to which the last audited consolidated accounts of the Company were drawn up.

16. Litigation

The Company has not since the date of its incorporation 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 the Company which may have or have had since the date of its incorporation a significant effect on the financial position or profitability of the Company.

17. 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 admitted to the Official List, is subject to the Listing Rules 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 Placing and Admission are estimated to amount to approximately £3.8 million of which approximately £2.0 million is payable in total to financial intermediaries. The estimated net proceeds accruing to the Company from the Placing are approximately £32.9 million.
- (d) Kaupthing, Smith & Williamson, BAMA and SMHPCL 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) KPMG LLP have given and have not withdrawn their written consent to the inclusion in this document of their reports as set out in Parts VI and VII of this document and the references to such reports in the form and context in which they appear, and they have authorised the contents of their reports for the purposes of the Prospectus Rules.
- (f) Grant Thornton, India have given and not withdrawn their consent to the inclusion in this document of their reports as set out in Part VIII of this document and the references to such reports in the form and context in which they appear, and they have authorised the contents of their reports for the purposes of the Prospectus Rules.
- (g) There are no arrangements in place under which future dividends are to be waived or agreed to be waived.
- (h) The Placing Price is payable in full in cash on acceptance.
- (i) CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles will permit the holding and transfer of Ordinary Shares under CREST. The Directors have applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred. CREST is a voluntary system and Shareholders who wish to receive and retain a share certificate will be entitled to do so.

Should Warrantholders wish to hold Warrants in CREST, they will need to follow the requisite CREST procedures for the dematerialisation of their Warrants.

Ordinary Shares or Warrants issued to the Initial Purchaser and offered to investors in the US or who are US Residents (including any of the transferees who are in the US or US Residents) will be in certificated form.

- (j) The Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- (k) No member of the Group has had any employees since its incorporation.

- (l) 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.
- (m) The Investment Adviser was incorporated on 7 March 2008 in Mauritius as a Category 1 Global License Company with registered number 078519 C1/GBL and as an unrestricted investment adviser under section 30 of the Mauritius Securities Act 2005. The Investment Adviser is regulated in Mauritius by the Financial Services Commission. The Investment Adviser operates under Mauritian law.
- (n) The Company will not make any material change in the investment policy and objectives of the Company following Admission without the approval of Shareholders by ordinary resolution.
- (o) 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.

18. Subsidiary

- (a) The Company is the holding company of a group consisting of itself, Infrastructure India HoldCo, Power Infrastructure India and Roads Infrastructure India (both wholly-owned subsidiaries of Infrastructure India HoldCo) whose principal activities 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 Infrastructure India HoldCo, Power Infrastructure India and Roads Infrastructure India are as follows:

<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Proportion of capital held (ordinary shares)</i>	<i>Proportion of voting power held</i>
Mauritius	Holding Company	100%	100%

- (c) Infrastructure India HoldCo, Power Infrastructure India and Roads Infrastructure India operate in their country of incorporation.

19. Accounts

The Company was incorporated on 18 March 2008. Other than the financial statements contained in Part VI of this document, no financial statements have been made by the Company since its incorporation.

The Company's annual report and accounts will be 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. The first annual report will cover a period from incorporation to 31 March 2009, and is expected to be despatched in July 2009. Shareholders will also receive an unaudited interim report covering the six-month period ending 30 September each year, the first such interim report to be released for the period from incorporation to 30 September 2008.

Under the Disclosure and Transparency Rules the Company must publish its annual report no later than four months after the year end. Half yearly reports must be published no later than two months after the half year end. The Disclosure and Transparency Rules also require interim management statements to be produced during each half year period.

20. Investment Restrictions

The Company:

- (1) must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the investment policy set out on pages 46 and 47 of this document;
- (2) must not conduct any trading activity which is significant in the context of its group as a whole; and

- (3) may not invest more than 10 per cent., in aggregate, of the value of the total assets of the issuer at the time an investment is made in other listed closed-ended investment funds.

21. 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 Mayer Brown International LLP, 11 Pilgrim Street, London EC4V 6RW until 24 July 2008:

- (a) the memorandum of association of the Company and the articles of association of the Company adopted pursuant to the resolution in paragraph 2.6 of this Part XI;
- (b) the memorandum and articles of association of SMHPCL;
- (c) the historical financial information set out in Part VIII of this document;
- (d) the reports prepared by Grant Thornton, India set out in Part VIII of this document;
- (e) the letters of appointment referred to in paragraph 8 above;
- (f) the material contracts referred to in paragraph 10 above;
- (g) the Warrant Instrument;
- (h) the letters of consent referred to in paragraph 17 above;
- (i) the reports prepared by KPMG LLP set out in Parts VI and VII of this document; and
- (j) this document.

22. Availability of Prospectus

Copies of this document are available for viewing only during normal business hours, free of charge, from the UKLA's Document Viewing Facility which is situated at the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS. Copies of this document may also be collected, free of charge during normal business hours, from the offices of Kaupthing, One Hanover Street, London W1S 1AX or Smith & Williamson, 25 Moorgate, London EC2R 6AY.

Dated: 24 June 2008

PART XII

NOTICES TO PROSPECTIVE INVESTORS

FOR THE ATTENTION OF CANADIAN INVESTORS

This communication does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for the Ordinary Shares and/or the Warrants and is not for distribution into Canada. The Ordinary Shares and the Warrants have not been and will not be qualified by a prospectus for sale to the public under applicable Canadian securities laws and, subject to certain exceptions, may not be, directly or indirectly offered or sold within Canada or to, or on behalf of, any national, resident or citizen, including any corporation or other entity, of Canada. Any failure to comply with these restrictions may constitute a violation of the Canadian securities laws.

FOR THE ATTENTION OF JAPANESE INVESTORS

The Ordinary Shares and the Warrants have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organised under the laws of Japan), or to others for offer or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of the laws of Japan.

FOR THE ATTENTION OF AUSTRALIAN INVESTORS

This document has not been and will not be lodged with the Australian Securities and Investments Commission (“ASIC”) and is not a product disclosure statement or disclosure document for purposes of the Australian Corporations Act 2001 (Cth). This document may not be issued or distributed in Australia and no offer, invitation or recommendation may be made in relation to the issue, sale or purchase of any Ordinary Shares or Warrants in Australia (including an offer, invitation or recommendation received by a person in Australia) and no Ordinary Shares or Warrants may be sold in Australia, unless the offer, invitation or sale does not need disclosure to investors under Part 6D.2 of the Corporations Act 2001 (Cth). Accordingly, this document may not be distributed in Australia to retail clients (as defined in the Corporations Act 2001 (Cth)).

If a recipient on-sells their Ordinary Shares or Warrants within 12 months of their issue, that person will be required to lodge a disclosure document with ASIC unless either:

FOR THE ATTENTION OF US INVESTORS

Eligible investors

The Ordinary Shares and the Warrants are being offered (A) in the United States or to, or for the account or benefit of, US Persons or US Residents, only to persons (i) whom the Initial Purchaser reasonably believes are both Qualified Institutional Buyers and Qualified Purchasers, and (ii) who have executed a Purchase and Transfer Letter in the form set forth in Appendix A to this document, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (B) outside the United States by the Company to investors that are not US Persons or US Residents or persons acquiring for the account or benefit of US Persons or US Residents pursuant to Regulation S who have executed a Non-US Purchaser’s Letter in the form set forth in Appendix B to this document. In addition, Ordinary Shares and the Warrants may not be acquired in this offering, and should not otherwise be acquired, by investors that are subject to Section 406 of ERISA or Section 4975 of the Code or similar US laws. A description of the restrictions applicable to transfers of the Ordinary Shares and the Warrants initially sold and the Ordinary Shares issuable upon exercise of the Warrants in the United States or to, or for the account or benefit of, or by, US Persons or US Residents, is set forth below in the section entitled “Transfer Restrictions”.

Transfer Restrictions

The Ordinary Shares and the Warrants have not been and will not be registered under the Securities Act, any state securities laws in the United States or the securities laws of any other jurisdiction and, accordingly, may not be reoffered, resold, pledged or otherwise transferred in the United States or to, or for the account or benefit of, US Persons or US Residents unless the Ordinary Shares and/or the Warrants are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available, and except in accordance with the Company's Articles and the restrictions described below.

Under the Articles, the Directors have the power to require the sale or transfer of Ordinary Shares in certain circumstances. Such power may be exercised (i) to prevent the Company from being in violation of, or required to register under, the Investment Company Act and (ii) to avoid the assets of the Company being treated as "plan assets" for the purposes of ERISA.

A purchaser of Ordinary Shares and the Warrants that is located in the United States or that is a US Person or a US Resident or has acquired Ordinary Shares and the Warrants for the account or benefit of a US Person or a US Resident or a holder of Ordinary Shares issued upon exercise of Warrants in the United States or by a US Person or US Resident, may not sell, transfer, assign, pledge, or otherwise dispose of such Ordinary Shares and/or the Warrants except (i) to a person whom the purchaser (and any person acting on its behalf) reasonably believes is a Qualified Institutional Buyer and that is also a Qualified Purchaser purchasing for its own account (or for the account of a Qualified Institutional Buyer that is also a Qualified Purchaser) in a transaction meeting the requirements of Rule 144A, or (ii) in an offshore transaction to a transferee not known to the transferor to be a US Person or US Resident in compliance with Regulation S (including, for the avoidance of doubt, a *bona fide* sale on the London Stock Exchange), in each case in compliance with applicable securities laws of any state or territory of the United States or any other jurisdiction and subject to receipt by the Company of such legal opinions or documents that the Company may require to evidence that the transfer would not make the Company subject to the Investment Company Act. Any such purchaser must also provide notice of the transfer restrictions set forth above to any subsequent transferee and, in conjunction with any transfer of ownership of any of the Ordinary Shares or Warrants, must not transfer or cause the transfer of any of the Ordinary Shares or Warrants without obtaining from the transferee and delivering to the Company a certificate substantially in the form of the Purchase and Transfer Letter or without delivering to the Company an Offshore Transaction Letter in the form annexed to the Purchase and Transfer Letter, as applicable.

Legend

Any Ordinary Shares or Warrants initially sold in the United States or to, or for the account or benefit of, US Persons or US Residents and any Ordinary Shares issued upon exercise of the Warrants in the United States or by a US Person or US Resident where the investor elects to receive Ordinary Shares or Warrants in certificated form, or, in the event Ordinary Shares are held in certificated form, such certificated Ordinary Shares or Warrants shall bear the legend set out below.

"THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED ("THE INVESTMENT COMPANY ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS ALSO A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, OR (B) IN AN OFFSHORE TRANSACTION TO A TRANSFEREE NOT KNOWN TO THE TRANSFEROR TO BE A US PERSON COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, SUBJECT TO THE RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL OR SUCH OTHER EVIDENCE THAT

THE COMPANY MAY REASONABLY REQUIRE THAT SUCH SALE OR TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT AND THE INVESTMENT COMPANY ACT, AND IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER JURISDICTION. FURTHER, NO PURCHASE, SALE OR TRANSFER OF THIS SECURITY MAY BE MADE UNLESS SUCH PURCHASE, SALE OR TRANSFER WILL NOT RESULT IN (A) ANY ASSETS OF THE ISSUER OF THIS SECURITY CONSTITUTING “PLAN ASSETS” WITHIN THE MEANING OF SECTION 3(42) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR ASSETS SUBJECT TO APPLICABLE OTHER US LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) (ANY SUCH SUBSTANTIALLY SIMILAR LAWS BEING REFERRED TO HEREIN AS “SIMILAR US LAWS”), OR (B) THE ISSUER OF THIS SECURITY BEING REQUIRED TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, OR THE ISSUER OF THIS SECURITY BEING OR POTENTIALLY BEING IN VIOLATION UNDER THE INVESTMENT COMPANY ACT OR THE RULES AND REGULATIONS PROMULGATED THEREUNDER. EACH PURCHASER OR TRANSFEREE OF THIS SECURITY WILL BE REQUIRED TO REPRESENT OR WILL BE DEEMED TO HAVE REPRESENTED THAT IT (A) IS NOT AN EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE CODE APPLIES, AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN’S INVESTMENT IN SUCH ENTITY (AS DETERMINED IN ACCORDANCE WITH SECTION 3(42) OF ERISA), OR A PLAN OR ENTITY SUBJECT TO SIMILAR US LAWS, AND (B) IS NOT USING “PLAN ASSETS” (WITHIN THE MEANING OF SECTION 3(42) OF ERISA) SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR ASSETS OF A PLAN SUBJECT TO SIMILAR US LAWS. THIS SECURITY IS NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH TRANSFEROR OF THIS SECURITY AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE PROSPECTUS TO THE TRANSFEREE AND TO ANY EXECUTING BROKER.”

DENMARK

This document will not be registered with and has not been approved by or otherwise published by the Danish Financial Supervisory Authority, the Danish Securities Council or the Danish Commerce and Companies Agency under relevant Danish acts and regulations. The Ordinary Shares and/or Warrants in the Company are not and will not be listed on a Danish regulated market place, have not been sold and may not be offered sold or delivered directly or indirectly to the public in Denmark, except to qualified investors within the meaning of or otherwise in compliance with an exemption set forth in the Danish Securities Trading Act and executive orders including Executive Order No. 1232 of 22 October 2007 issued pursuant thereto from time to time.

FINLAND

This document does not constitute an offer to the public in Finland. The Ordinary Shares and/or Warrants cannot be offered or sold in Finland by means of any document:

- (a) in any way other than under the exemptions of the Prospectus Directive 2003/71/EC and the implementing laws in Finland; and/or
- (b) to more than 99 natural or legal persons other than qualified investors (private placement); and/or
- (c) to any persons other than “Qualified Investors” as defined by the Finnish Securities Markets Act (Arvopaperimarkkinalaki, 495/1989 as amended).

No action has been taken to authorise an offering of the Ordinary Shares and/or Warrants to the public in Finland and the distribution of this document is not authorised by the Financial Supervision Authority in Finland. This document is strictly for private use by its holder and may not be passed on to third parties or otherwise publicly distributed. Subscriptions will not be accepted from any persons other than the person to

whom this document has been delivered by the Company or its representative. This document may not include all the information that is required to be included in a prospectus in connection with an offering to the public.

FRANCE

In compliance with Article 211-4 of the French General Regulation of the Autorité des Marchés Financiers (French stock exchange authority), recipients in France are informed that neither this document nor the proposed Placing described herein have or shall be subject to a prospectus submitted for approval to the Autorité des Marchés Financiers.

The persons or entities referred to in Article L. 411-2, II, 4 of the French Financial and Monetary Code may take part in the Placing solely for their own account under the conditions referred to in articles D. 411-1, D. 411-2, D. 734 -1, D. 744-1, D. 754-1 and D. 764-1 of the French Financial and Monetary Code

The Ordinary Shares and/or Warrants thus acquired cannot be distributed directly or indirectly to the public in France otherwise than in accordance with the conditions referred to in articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Financial and Monetary Code.

SWEDEN

This document and the Placing are not directed to the general public in Sweden, but are solely directed to qualified investors (Sw. kvalificerade investerare) in Sweden, as defined in the Swedish Financial Instruments Trading Act (Sw. lag (1991:980) om handel med finansiella instrument). This document does not constitute a prospectus and has not been and will not be reviewed, approved or registered with the Swedish Financial Supervisory Authority (Sw. Finansinspektionen). Accordingly, this document may not be made available, nor may the offering otherwise be marketed in Sweden, other than in circumstances which are deemed not to be an offer for which a prospectus is required to be registered pursuant to the Swedish Financial Instrument Trading Act.

LUXEMBOURG

In relation to the Grand Duchy of Luxembourg (“**Luxembourg**”), which has implemented the Prospectus Directive by the law of 10 July 2005 *relative aux prospectus pour valeurs mobilières* (the “**Prospectus Law**”), the Ordinary Shares and/or Warrants may not be offered to the public in Luxembourg, except that the Ordinary Shares and/or Warrants may be offered to the public in Luxembourg:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets (including credit institutions, investment firms, other authorised or regulated financial institutions, insurance companies, undertakings for collective investment and their management companies, pension and retirement funds and their management companies, commodity dealers well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities); or
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) at any time to certain natural persons or small and medium-sized enterprises (as defined in the Prospectus Law) recorded in the register of natural persons and small and medium-sized enterprises considered as qualified investors as held by the *Commission de Surveillance du Secteur Financier*; or
- (d) at any time in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 5 of the Prospectus Law.

For the purposes of this provision, the expression an “offer of Shares and/or Warrants to the public” in relation to any Ordinary Shares and/or Warrants in Luxembourg means the communication in any form and by any means of sufficient information on the terms of the offer and the Ordinary Shares and/or Warrants to be offered so as to enable an investor to decide to purchase or subscribe the Ordinary Shares and/or Warrants and the expression “Prospectus Directive” means Directive 2003/71/EC.

ICELAND

The Ordinary Shares and/or Warrants will not be publicly offered, distributed or redistributed in Iceland. They are offered in Iceland only to a limited number of qualified investors without any public offering. This document may not be communicated or distributed in Iceland in a manner that could constitute a public offering within the meaning of Chapter VI of the Icelandic Act on Securities Transactions no. 108/2007. The Company will not apply for a listing of the Ordinary Shares and/or Warrants on the OMX Nordic Exchange Iceland and this document may not comply with the information standards required by the Icelandic listing regulations. The Ordinary Shares and Warrants will not be registered with any Icelandic authority for any purpose whatsoever.

NORWAY

This document has not been produced in accordance with the prospectus requirements laid down in the Norwegian Securities Trading Act 2007 nor in accordance with the prospectus requirements laid down in the Norwegian Securities Fund Act 1981 as amended. This document has not been approved or disapproved by, or registered with the Oslo Stock Exchange, the Norwegian FSA or the Norwegian Registry of Business Enterprises.

This document is only and exclusively addressed to the addressee and cannot be distributed, offered or presented, either directly or indirectly to other persons or entities domiciled in Norway.

QATAR

This document has not been registered with the Central Bank of Qatar and is being furnished to selected investors (“the Potential Investors”) on a confidential basis so that they may consider the opportunity to purchase Ordinary Shares and/or Warrants in the Company. This document is the lawful property of the Company and may not be distributed, reproduced or copied, as a whole or in part, nor may any of its contents be disclosed without the prior written and express permission from the Company.

No person has been authorised to make any representations or give any information with respect to the Placing except the information contained in this document, and any representation or information not contained herein must not be relied upon as having been authorised by the Company. This document is not, and under no circumstances is to be construed as, a public offering of transferable securities. This document is for the confidential use of only those persons to whom it is transmitted in connection with this Placing. By their acceptance, recipients hereof agree not to transmit, reproduce or make available to anyone this document, including any information contained herein, or to use it for any purpose other than this Placing.

UNITED ARAB EMIRATES

Notice To Residents of the United Arab Emirates:

The Ordinary Shares and/or Warrants offered under this document are not subject to regulation under the laws and regulations of the United Arab Emirates (“UAE”).

The Company is not a licensed financial investment company or intermediary or broker or investment adviser under the laws of the UAE, and does not advise individuals/entities in the UAE on investing in or purchasing or selling securities or financial products.

This document is not registered with or approved by the Central Bank of the UAE or any other regulatory authority in the UAE.

This document does not constitute a public offer or an advertisement or solicitation to the public and is intended only for the recipient to whom this document is personally addressed. No offering of any securities or financial products is intended or has been or will be made in the UAE through marketing or use of this document or any other materials and no investment in any securities or financial products may or will be conducted within the UAE pursuant to the marketing, offering or use of this document or any other materials.

DUBAI

This document is being furnished to selected investors (“the Potential Investors”) on a confidential basis so that they may consider the opportunity to purchase Ordinary Shares and/or Warrants in the Company. This document is the lawful property of the Company and may not be distributed, reproduced or copied, as a whole or in part, nor may any of its contents be disclosed without the prior written and express permission from the Company.

No person has been authorised to make any representations or give any information with respect to the Placing except the information contained in this document, and any representation or information not contained herein must not be relied upon as having been authorised by the Company. This document is not, and under no circumstances is to be construed as, a public offering of transferable securities. This document is for the confidential use of only those persons to whom it is transmitted in connection with this Placing. By their acceptance, recipients hereof agree not to transmit, reproduce or make available to anyone this document, including any information contained herein, or to use it for any purpose other than this Placing.

GERMANY

No action has been or will be taken in any jurisdiction other than the United Kingdom that would permit a public offering of the Ordinary Shares and/or the Warrants, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, neither the Ordinary Shares nor the Warrants may be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisements in connection with such shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Ordinary Shares and/or Warrants, including those in the preceding paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or buy any of the Ordinary Shares and/or Warrants offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Administration Agreement”	the agreement between the Company and the Administrator dated 23 June 2008, details of which are set out in paragraph 10c of Part XI 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 admission of the Ordinary Shares and Warrants to the Official List and to trading on the London Stock Exchange’s market for listed securities
“Articles”	the articles of association of the Company in force from time to time
“Auditors” or “Reporting Accountants”	KPMG LLP
“BAMA Shares”	1,028 B ordinary shares of no par value in the capital of BAMA, details of which are set out in paragraph 9.2 of Part XI of this document
“BAMA Shares Subscription Agreement”	the agreement between the Company, BAMA and Kaupthing dated 23 June 2008, details of which are set out in paragraph 9.3 of Part XI of this document
“BCR”	Bridge Capital Realty
“BCR Group”	Bridge Capital Realty and its subsidiaries
“BHEL”	Bharat Heavy Electronics Limited
“Board” or “Directors”	the directors of the Company whose names are set out on page 41 of this document
“BOO”	build, own-and-operate
“BOT”	build, operate and transfer
“Broker Agreement”	the agreement between the Company and Kaupthing dated 23 June 2008, details of which are set out in paragraph 10(e) of Part XI of this document
“CBDT”	Indian Central Board of Direct Taxes
“City Code”	the City Code on Takeovers and Mergers
“Combined Code”	the code of best practice including the principles of good governance published by the UK Financial Reporting Council in June 2006, as amended from time to time
“Company”	Infrastructure India plc or, where the context requires, the Group
“Cornerstone”	Cornerstone Advisers (Mauritius)
“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
“Crore”	10 million Indian Rupees
“Cyprus Tax Treaty”	the double taxation treaty between Cyprus and India
“Disclosure and Transparency Rules”	the disclosure and transparency rules of the UK Listing Authority made in accordance with section 73A of FSMA
“EEA States”	states within the European Economic Area
“ERISA”	US Employee Retirement Income Security Act of 1974, as amended
“Equity IRR”	the internal rate of return after taking account of senior debt service
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, the operator of CREST
“Exchange Act”	the US Securities Exchange Act 1934 (as amended)
“FBT”	Indian Corporate Fringe Benefits Tax
“FDI”	foreign direct investment
“FEMA”	the Indian, Foreign Exchange Management Act 1999
“FIPB”	Foreign Investment Promotion Board
“FRP”	the Financial Realignment Plan entered into by SMHPCL and its lenders following the Shree Mahdshwar 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)
“GBC1”	Mauritius Global Business Company Category 1
“GDP”	Gross domestic product
“GoMP”	the government of Madhya Pradesh
“Government”	the Government of India
“Group”	the Company, Infrastructure India HoldCo, Power Infrastructure India, Roads Infrastructure India and the other subsidiaries of the Company from time to time
“IFRS”	International Financial Reporting Standards
“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
“Initial Purchaser” or “Kaupthing Inc.”	Kaupthing Securities, Inc.

“Interested Party”	any company within the Investment Adviser’s Group
“Investment Adviser” or “BAMA”	Bloomsbury Asset Management Advisors
“Investment Advisory Agreement”	the agreement dated 23 June 2008 between Infrastructure India HoldCo and the Investment Adviser, details of which are set out in paragraph 10(b) of Part XI of this document
“Investment Company Act”	the United States Investment Company Act of 1940, as amended
“IRR”	internal rate of return
“Kaupthing”	Kaupthing Singer & Friedlander Capital Markets Limited
“Kaupthing Bank”	Kaupthing Bank hf
“Law”	the Companies Act 2006 (as amended) of the Isle of Man
“Listing Rules”	the Listing Rules of the UK Listing Authority pursuant to Part VI of the FSMA
“London Stock Exchange”	London Stock Exchange plc
“Mauritius Tax Treaty”	the double tax treaty between India and Mauritius
“MoEF”	the Indian Ministry of Environment and Forests
“MoEF-Clearance”	a permit given to SMHPCL by the MoEF
“MPEB”	Madhya Pradesh Electricity Board
“NBA”	Narmada Bachau Audolau
“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
“Net Proceeds”	the aggregate net cash proceeds of the Placing (after deductions of all expenses and commissions relating to such Placing and Admission payable by the Company)
“Non-US Placing”	the conditional placing outside the US and to non-US persons under Regulation S by Kaupthing of the Placing Shares, at the Placing Price together with the Warrants and the BAMA Shares pursuant to the Placing Agreement
“Non-US Purchaser’s Letter”	the letter in the form set out in Appendix B to this document
“OFCD’s”	4,000 optionally fully convertible debentures issued by SMHPCL and listed on the National Stock Exchange of India
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“PFC”	Power Finance Corporation
“PFI”	private finance initiative
“PFIC”	passive foreign investment company
“Placees”	the subscribers to the Placing Shares

“Placing”	the US Placing and the Non-US Placing
“Placing Agreement”	the conditional agreement dated 23 June 2008 between the Company, the Directors, Smith & Williamson, Kaupthing Securities, Inc. and Kaupthing relating to the Placing, summary details of which are set out in paragraph 9 of Part XI of this document
“Placing Price”	100 pence per Placing Share
“Placing Shares”	the 36,700,000 Ordinary Shares to be allotted and transferred pursuant to the Placing
“Planning Commission”	the Planning Commission of the Government of India
“PLL”	Punj Lloyd Limited
“PPA”	power purchase agreement dated 11 November 1994 as amended by addendum dated 27 May 1996 between SMHPCL and MPEB
“PPPs”	private public partnerships
“Power Infrastructure India”	Power Infrastructure India, a wholly owned subsidiary of Infrastructure India HoldCo
“Prospectus Rules”	the Prospectus Rules made by the UK Listing Authority pursuant to Part VI of the FSMA
“Purchase and Transfer Letter”	a letter in the form set out in Appendix A to this document
“Qualified Institutional Buyer”	a “qualified institutional buyer” within the meaning of Rule 144A
“Qualified Purchaser”	a “qualified purchaser” for the purposes of Section 3(c)(7) of the Investment Company Act
“RBI”	the Reserve Bank of India
“Registrars”	Capita Registrars (Isle of Man) Limited
“Registrars Agreement”	the agreement between the Company and the Registrars relating to the provision of services by the Registrars to the Company, details of which are contained in paragraph 10(d) of Part XI of this document
“Regulations”	regulations under the Securities Act
“RNS”	a service for the distribution to the public of regulatory announcements and included within the list maintained at the London Stock Exchange’s website
“Roads Infrastructure India”	Roads Infrastructure India, a wholly owned subsidiary of Infrastructure India HoldCo
“Rs”	Indian Rupees
“Rule 144A”	as defined in Rule 144A under the Securities Act
“SDRT”	Stamp Duty Reserve Tax
“SEBI”	Securities and Exchange Board of India
“SEC”	United States Securities Exchange Commission

“Securities Act”	The United States Securities Act of 1933, as amended
“SEZ”	Special Economic Zones
“Shareholders”	holders of Ordinary Shares
“Shareholders Agreement”	the agreement between Power Infrastructure India, SEG 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 10(h) of Part XI 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 10(g) of Part XI of this document
“Shree Maheshwar Project”	the 400MW hydroelectric power project, situated in Maheshwar
“SIA”	Secretariat of Industrial Assistance
“SIPPs”	Self-Invested Personal Pension Schemes
“SMHPCL”	Shree Mashewar Hydel Power Corporation Limited
“Smith & Williamson”	Smith & Williamson Corporate Finance Limited
“SPVs”	special purpose vehicles
“subsidiary”	as defined in sections 736 and 736A of the United Kingdom Companies Act 1985 (as amended)
“Substantially Invested”	70 per cent. of the Net Proceeds (and of any subsequent amounts raised in equity fundraisings by the Company) being invested or committed to be invested
“Taxes Act”	Income and Corporation Taxes Act 1988
“Trust”	the community projects trust to be established by the Company
“TRC”	Mauritian Tax Residency Certificate
“the Act”	Indian Income-tax Act, 1961
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	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 Placing”	the private placing of Ordinary Shares and Warrants under Rule 144A by the Initial Purchaser in the US or to US Persons who are reasonably believed to be Qualified Institutional Buyers and Qualified Purchasers.
“US Resident”	“US Resident” means any US Person, 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
“VAT”	value added tax
“Warrantholders”	holders of Warrants
“Warrants”	7,340,000 equity warrants authorised for issue by the Company and proposed to be admitted to the Official List and to trading on the London Stock Exchange’s exchange for listed securities entitling the holders to subscribe for Ordinary Shares at a price of 100p per share (subject to adjustment), further details of which are set out in Part IX of this document
“ZCBs”	zero coupon bonds

References to “GBP”, “£” or “Sterling” are to the lawful currency of the United Kingdom

APPENDIX A

FORM OF PURCHASE AND TRANSFER LETTER

To: Infrastructure India plc
Kaupthing Singer and Friedlander Capital Markets Limited
Kaupthing Securities, Inc.
Smith & Williamson Corporate Finance Limited

Ladies and Gentlemen:

This letter (a “Purchase and Transfer Letter”) relates to the purchase and ownership of ordinary shares (the “Shares”) and warrants (the “Warrants” and, together with the Shares, the “Securities”) of Infrastructure India plc (the “Company”). This letter is delivered on behalf of the person acquiring beneficial ownership of the Securities.

We make the representations and undertakings set forth below on behalf of ourselves, and, if we are acting on behalf of an account, on behalf of each account for which we are so acting.

1. We hereby confirm that: (i) we are a “qualified institutional buyer” (“QIB”) as defined in Rule 144A (“Rule 144A”) under the US Securities Act of 1933, as amended (the “US Securities Act”), and a “Qualified Purchaser” (“QP”) for purposes of Section 3(c)(7) and related rules of the US Investment Company Act of 1940, as amended (the “US Investment Company Act”); (ii) we are not a broker-dealer which owns and invests on a discretionary basis less than US\$25 million in securities of unaffiliated issuers; (iii) we are not a participant-directed employee plan, such as a plan described in subsections (a)(1)(i)(D), (E) or (F) of Rule 144A, or any other type of entity that permits its members or interest holders to make individual investment decisions or determine whether or how much to invest in particular investments, including in respect of the Securities; and (iv) we are not a Plan (which term includes (a) employee benefit plans that are subject to Section 406 of the US Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the US Internal Revenue Code of 1986, as amended (the “Code”), (b) plans, individual retirement accounts and other arrangements that are subject to 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”) and (c) entities the underlying assets of which are considered to include “plan assets” of such plans, accounts and arrangements) and are not purchasing the Securities on behalf of, or with the “plan assets” of, any Plan.
2. We hereby confirm that: (i) we were not formed for and are not operated for the purpose of investing in the Company; and (ii) we are acquiring an interest in the Securities for our own account as principal, or for the account of one or more other persons who are able to and who shall be deemed to make all of the representations and agreements in this Purchase and Transfer Letter and for whom we exercise sole investment discretion.
3. We understand that the terms “US Person”, “United States” and “offshore transaction” have the meanings set forth in Regulation S under the US Securities Act and the term “US Resident” means any US Person, 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 US 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 these purposes, if an entity either has been formed for or is operated for the purpose of investing in the Securities, or facilitates individual investment decisions, such as a self-directed employee benefit or pension plan, the Securities 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, and therefore any certifications,

agreements or representations made below will apply to and shall include such entity as well as such beneficiaries or other interest holders.

4. We understand and acknowledge that the Securities have not been and will not be registered under the US Securities Act and accordingly may not be offered or sold within the United States or to, or for the account or benefit of, US Persons or US Residents except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. We are aware that the sale of securities to us is being made in reliance on Rule 144A under the US Securities Act or another exemption from the registration requirements of the US Securities Act.
5. We understand and acknowledge that the Company has not registered, and does not intend to register, as an “investment company” (as such term is defined under the US Investment Company Act and related rules) and that the Company has imposed the transfer and offering restrictions with respect to persons in the United States and US Persons and US Residents described herein so that the Company will have no obligation to register as an investment company and will not be in violation of the US Investment Company Act.
6. We agree that our Securities may not be sold, transferred, assigned, pledged, or otherwise disposed of except (i) to a person whom the purchaser (and any person acting on its behalf) reasonably believes is a Qualified Institutional Buyer and that is also a Qualified Purchaser purchasing for its own account (or for the account of a Qualified Institutional Buyer that is also a Qualified Purchaser) in a transaction meeting the requirements of Rule 144A, or (ii) in an offshore transaction to a person not known to the transferor to be a US Person or US Resident in compliance with Regulation S (including, for the avoidance of doubt, a *bona fide* sale on the London Stock Exchange), in each case in compliance with applicable securities laws of any state or territory of the United States or any other jurisdiction. We also agree that we will provide notice of the transfer restrictions set forth above to any subsequent transferee and, in conjunction with any transfer of our ownership of any of the Securities, we will not transfer or cause the transfer of any of the Securities without either (i) obtaining from the transferee and delivering to the Company a certificate substantially in the form of this Purchase and Transfer Letter or (ii) delivering to the Company an Offshore Transaction Letter in the form annexed to the Purchase and Transfer Letter. We understand that the transfer restrictions will remain in effect until the Company determines, in its sole discretion, to remove them.
7. We understand that, subject to certain exceptions, to be a QP entities must have at least US\$25 million in “investments” as defined in Rule 2a51-1 of the US Investment Company Act and must meet certain other criteria.
8. We agree, upon a proposed transfer of our Securities, to notify any purchaser of such Securities or the executing broker, as applicable, of any transfer restrictions that are applicable to the Shares being sold.
9. We acknowledge that the Securities we are acquiring are “restricted securities” within the meaning of 144(a)(c) under the US Securities Act. We understand that the Securities may not be deposited into any unrestricted depositary receipt facility in respect of the Securities established or maintained by a depositary bank, unless and until such time as such Securities are no longer restricted securities within the meaning of Rule 144(a)(3) under the US Securities Act.
10. We understand and acknowledge that the Company and its agents shall not be obligated to recognise any resale or other transfer of the Securities represented thereby made other than in compliance with the restrictions set forth in this Purchase and Transfer Letter.
11. We hereby confirm that we are not purchasing the Securities as a result of any “directed selling efforts” on the part of the Company or any agent or affiliate of the Company and we agree that neither we, nor any of our affiliates, nor any person acting on our or their behalf, will make any “directed selling efforts” in the United States with respect to the Securities. The term “directed selling efforts” has the meaning set forth in Regulation S.

12. We agree that the Company, Kaupthing and Smith & Williamson, as identified in the Prospectus for the Securities and their respective affiliates and others may rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
13. We understand and acknowledge that any Securities issued to us in certificated form will bear a legend to the following effect. In addition, we understand that the legend shall not be removed from the Securities unless the Company agrees, in its sole discretion, to remove the legend after receiving, among other things, such certifications and opinions as it may consider reasonably necessary.

“THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED (“THE INVESTMENT COMPANY ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS ALSO A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, OR (B) IN AN OFFSHORE TRANSACTION TO A TRANSFEREE NOT KNOWN TO THE TRANSFEROR TO BE A US PERSON COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, SUBJECT TO THE RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL OR SUCH OTHER EVIDENCE THAT THE COMPANY MAY REASONABLY REQUIRE THAT SUCH SALE OR TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT AND THE INVESTMENT COMPANY ACT, AND IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER JURISDICTION. FURTHER, NO PURCHASE, SALE OR TRANSFER OF THIS SECURITY MAY BE MADE UNLESS SUCH PURCHASE, SALE OR TRANSFER WILL NOT RESULT IN (A) ANY ASSETS OF THE ISSUER OF THIS SECURITY CONSTITUTING “PLAN ASSETS” WITHIN THE MEANING OF SECTION 3(42) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR ASSETS SUBJECT TO APPLICABLE OTHER US LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) (ANY SUCH SUBSTANTIALLY SIMILAR LAWS BEING REFERRED TO HEREIN AS “SIMILAR US LAWS”), OR (B) THE ISSUER OF THIS SECURITY BEING REQUIRED TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, OR THE ISSUER OF THIS SECURITY BEING OR POTENTIALLY BEING IN VIOLATION UNDER THE INVESTMENT COMPANY ACT OR THE RULES AND REGULATIONS PROMULGATED THEREUNDER. EACH PURCHASER OR TRANSFEREE OF THIS SECURITY WILL BE REQUIRED TO REPRESENT OR WILL BE DEEMED TO HAVE REPRESENTED THAT IT (A) IS NOT AN EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE CODE APPLIES, AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN’S INVESTMENT IN SUCH ENTITY (AS DETERMINED IN ACCORDANCE WITH SECTION 3(42) OF ERISA), OR A PLAN OR ENTITY SUBJECT TO SIMILAR US LAWS, AND (B) IS NOT USING “PLAN ASSETS” (WITHIN THE MEANING OF SECTION 3(42) OF ERISA) SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR ASSETS OF A PLAN SUBJECT TO SIMILAR US LAWS. THIS SECURITY IS NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH TRANSFEROR OF THIS SECURITY AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE PROSPECTUS TO THE TRANSFEREE AND TO ANY EXECUTING BROKER.”

We acknowledge that you and others will rely upon our representations, warranties, acknowledgements and agreements set forth herein, and we agree to notify you promptly in writing if any of our representations, warranties, acknowledgements or agreements herein cease to be accurate and complete. We hereby

irrevocably agree that this certificate or a copy thereof may be reproduced to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

We hereby represent and warrant that all necessary actions have been taken to authorize the purchase by us of the Ordinary Shares and the Warrants and the execution of this certificate. Where there are joint applicants, each must sign this Purchase and Transfer Letter. Applications from a corporation or other entity must be signed by an authorized officer or be completed otherwise in accordance with such entity's constitution (evidence of such authority may be required).

Very truly yours,

[NAME OF PURCHASER]

By:

Name:

Title:

Address:

Date:

ANNEX I TO APPENDIX A

OFFSHORE TRANSACTION LETTER

To: Infrastructure India plc
Kaupthing Singer and Friedlander Capital Markets Limited
Kaupthing Securities, Inc.
Smith & Williamson Corporate Finance Limited

Ladies and Gentlemen:

This letter (an “Offshore Transaction Letter”) relates to the sale or other transfer by us of the ordinary shares (the “Shares”) or warrants (the “Warrants” and, together with the Shares, the “Securities”) of Infrastructure India plc (the “Company”) in an offshore secondary market transaction pursuant to Regulation S (“Regulation S”) under the US Securities Act of 1933, as amended (the “US Securities Act”).

Terms used in this Offshore Transaction Letter are used as defined in Regulation S of the US Securities Act, except as otherwise stated herein. “US Resident” means any US Person, 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 US Investment Company Act of 1940, as amended (the “US 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 these purposes, if an entity either has been formed for or is operated for the purpose of investing in the Securities, or facilitates individual investment decisions, such as a self-directed employee benefit or pension plan, the Securities 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, and therefore any certifications or representations made below will apply to and shall include such entity as well as such beneficiaries or other interest holders.

We acknowledge (or if we are acting for the account of another person, such person has confirmed that it acknowledges) that the Securities have not been and will not be registered under the US Securities Act and that the Company has not registered and will not register as an investment company under the US Investment Company Act.

We hereby certify as follows:

1. The offer and sale of the Securities was not and will not be made to, or for the account or benefit of, a person in the United States or to, or for the account or benefit of, a person known by us to be a US Resident.
2. Either (a) at the time the buy order for the Securities was originated, the buyer was outside the United States or we and any person acting on our behalf reasonably believed that the buyer was outside the United States or (b) the transaction in the Securities was executed in, on or through the facilities of a designated offshore securities market (including the London Stock Exchange), and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States or a buyer that is a US Resident.
3. Neither we, nor any of our affiliates, nor any person acting on our or their behalf, has made any directed selling efforts in the United States with respect to the Securities.
4. The proposed transfer of the Securities is not part of a plan or scheme to evade the registration requirements of the US Securities Act or the US Investment Company Act.
5. Check the applicable box below:
 - Neither the Company nor any of its agents, affiliates or intermediaries (which includes, but is not limited to, Kaupthing Singer & Friedlander Capital Markets Limited, Kaupthing Securities Inc. and

any employees, officers and directors of the Company) were directly or indirectly involved in the sale of the Securities.

- The Company or any of its agents, affiliates or intermediaries (which includes, but is not limited to, Kaupthing Singer & Friedlander Capital Markets Limited, Kaupthing Securities Inc and any employees, officers and directors of the Company, were directly or indirectly involved in the sale of the securities.
- 6. We confirm that, prior to the sale of the Securities, we notified the purchaser of such Securities or the executing broker, as applicable, of any transfer restrictions that are applicable to the Securities being sold.
- 7. We agree that the Company and its agents and their respective affiliates may rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- 8. The sale of the Securities meets all of the applicable conditions of Regulation S.

We acknowledge that you and others will rely upon our representations, warranties, acknowledgements and agreements set forth herein, and we agree to notify you promptly in writing if any of our representations, warranties, acknowledgements or agreements herein cease to be accurate and complete. We hereby irrevocably agree that this certificate or a copy thereof may be reproduced to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Where there are joint transferors, each must sign this Offshore Transaction Letter. An Offshore Transaction Letter of a corporation or other entity must be signed by an authorized officer or be completed otherwise in accordance with such entity's constitution (evidence of such authority may be required).

Very truly yours,

[NAME OF TRANSFEROR]

By:

Name:

Title:

Address:

Date:

APPENDIX B

NON-US PURCHASER'S LETTER

To: Infrastructure India plc
Kaupthing Singer and Friedlander Capital Markets Limited
Smith & Williamson Corporate Finance Limited

Ladies and Gentlemen:

This letter (a "Non-US Purchaser's Letter") relates to the purchase of ordinary shares (the "Shares") and warrants (the "Warrants" and, together with the Shares, the "Securities") of Infrastructure India plc (the "Company").

Terms used in this Non-US Purchaser's Letter are used as defined in Regulation S of the US Securities Act 1933 as amended (the "US Securities Act"), except as otherwise stated herein. "US Resident" means any US Person, 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 US Investment Company Act of 1940, as amended (the "US 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 these purposes, if an entity either has been formed for or is operated for the purpose of investing in the Securities, or facilitates individual investment decisions, such as a self-directed employee benefit or pension plan, the Securities 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, and therefore any certifications or representations made below will apply to and shall include such entity as well as such beneficiaries or other interest holders.

We make the representations set forth below on behalf of ourselves and, if applicable, on behalf of each account for which we are acting.

1. We hereby confirm that:
 - (i) we are, at the time of the offer to us of Securities and at the time that our buy order originated, outside the United States for the purposes of Regulation S;
 - (ii) we are not a US Resident and are not acquiring the Securities for the account or benefit of a US Resident;
 - (iii) we are aware that the Securities have not been and will not be registered under the US Securities Act and are being offered outside the United States in reliance on Regulation S;
 - (iv) we are not a Plan (which term includes (a) employee benefit plans that are subject to Section 406 of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the US Internal Revenue Code of 1986, as amended (the "Code"), (b) plans, individual retirement accounts and other arrangements that are subject to 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") and (c) entities the underlying assets of which are considered to include "plan assets" of such plans, accounts and arrangements) and are not purchasing the Securities on behalf of, or with the "plan assets" of, any Plan; and
 - (v) any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognized by the Company in respect of the Securities.
2. We agree that the Company, Kaupthing and Smith and Williamson, defined as in the Prospectus for the Securities, and their respective affiliates and others may rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

We acknowledge that you and others will rely upon our representations, warranties, acknowledgements and agreements set forth herein, and we agree to notify you promptly in writing if any of our representations, warranties, acknowledgements or agreements herein cease to be accurate and complete.

We hereby irrevocably agree that this certificate or a copy thereof may be reproduced to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby. We hereby represent and warrant that all necessary actions have been taken to authorize the purchase by us of the Ordinary Shares and the Warrants and the execution of this certificate.

Where there are joint applicants, each must sign this Non-US Purchaser's Letter. Applications from a corporation or other entity must be signed by an authorized officer or be completed otherwise in accordance with such entity's constitution (evidence of such authority may be required).

Very truly yours,

[NAME OF PURCHASER]

By:

Name:

Title:

Address:

Date:



