Infrastructure India plc

Interim results
for the six months ended 30 September 2012

Infrastructure India plc, an AIM listed infrastructure fund investing directly into assets in India, is pleased to announce its interim results for the six months ended 30 September 2012.

Financial Performance

- Value of the Company's investments increased 2.6 per cent to £222.4 million
- NAV increased 14.5 per cent. to £237.3 million
- NAV per share was £0.65 as at 30 September 2012 (2011: £0.88)
- Depreciation of the Indian Rupee against Sterling resulted in an approximate £9 million negative impact on the aggregate value of the portfolio holdings

Significant Developments

- The Company completed the placing of 123,899,118 of new ordinary shares of 1p each at a price of 33p per share in August 2012 to raise approximately £40.88 million (before expenses)
- The proceeds of the fund raising from the placing were used to repay a US$25 million working capital loan (approximately £15.6 million) to IIP Bridge Funding, LLC, an affiliate of Guggenheim Global Infrastructure Company Limited ("**GGIC**"), fund working capital, and make further investments into Vikram Logistic and Maritime Services Limited ("**VLMS**") to fund its expansion plans (including the acquisition from ETA Engineering Private Limited ("**ETA**") of *inter alia* its logistics division and a wholly owned subsidiary, Freightstar Private Limited ("**FPL**"), collectively referred to as "**Freightstar**").
- Finalisation of Government approvals for VLMS to acquire land, build a multi-modal logistics terminal, commence construction and create security of the acquired land at Bangalore in favour of its lenders
- Construction started in June 2012 at VLMS' proposed Bangalore and Chennai terminals.
- Commencement of initial operations at VLMS' Chennai and Bangalore terminals and at Freightstar's Nagpur terminal pursuant to lender requirements.
- Acquisition of substantially, the entire issued equity of ETA's subsidiary FPL.
- Agreements with customers of ETA's logistics division novated in favor of FPL.
- Joint Venture between FPL and Mercurio Pallia a leading automobile transportation company in India, to establish an automobile-logistics park at Freightstar's terminal at Nagpur.
- Receipt by Shree Maheshwar Hydel Power Corporation Limited ("**SMHPCL**") of approval from the Government of India's Ministry of Environment and Forests and the National Green Tribunal to commence initial filling of reservoir and power production from three installed units (of the total 10 units). Full commercial operations can only be achieved after additional equity investment of approximately £40 million by the promoter Entegra and the release of pro rata debt by SMHPCL's lenders.

- Weak and delayed monsoon rainfall resulting in lower power production from IHDC's operating hydropower projects in Maharashtra and Himachal Pradesh during the period since June 2012.
- Heavy rains and an overall slowdown in the economy moderating the growth of tolling at Western MP Infrastructure and Toll Roads Private Limited's ("**WMPITRL")** toll road.
- Conversion of Indian Energy Limited's ("**IEL**") Theni project into a Group Captive project at a higher overall tariff, significantly improving revenue collection times and cash flows.
- Improved and consistent grid availability in Tamil Nadu and an excellent wind profile during the monsoon period resulting in better than expected power production from IEL's wind energy projects.

Post period end

- Completion by ETA of conditions precedent to closing and finalising agreements to allow VLMS to complete the purchase of remaining land required for the proposed Palwal facility.
- Approval from member banks of VLMS and Freightstar lender consortia for VLMS to complete the acquisition of Freightstar.
- Consent by lender consortia of VLMS and Freightstar to commence releasing debt funds from existing approved debt facilities to allow expedited construction.
- Commencement of the procedural formalities to transfer the assets of Freightstar to VLMS.

Commenting on the outlook, Tom Tribone, Chairman of IIP, said:

"These results demonstrate good momentum in our business despite the presently difficult conditions for investing in India. NAV has increased during the first half as a result of the continued progress we have made in developing the portfolio.

The placing we completed in August has reduced the financing risk associated with IIP and has allowed us to work towards closing the acquisition of Freightstar. In so doing we will be creating one of India's top three logistics companies following its full integration into VLMS. We will need to raise a small amount of working capital in the New Year, which could involve the disposal of non-core and mature assets that are already cash generative."

Sonny Lulla, Chief Executive of IIP, said:

"We are pleased to be working towards the full integration of Freightstar into VLMS. These are two businesses that dovetail very well with one another and whilst the logistics segment is currently facing some short-term cyclical pressure, we expect that our integrated solution will be in considerable demand when business activity in India rebounds.

The requirement for energy in India is significant and growing which will benefit key assets within our portfolio. The Shree Maheshwar hydropower project in which we have invested continues its steady progress towards completion. Over the past few months we have secured a higher tariff on Indian Energy's Theni project and made progress in the development of IHDC's portfolio of projects.. Our consistent strategic focus on the transport and energy sectors means that IIP's growth will be broadly tied to India's long-term investment prospects and economic development, and these remain compelling."

JOINT STATEMENT FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OF INFRASTRUCTURE INDIA PLC

Introduction

We are pleased to report the results for the six-month period ended 30 September 2012 on behalf of Infrastructure India plc ("**IIP**", the "**Company**" or the "**IIP Group**"). In this statement, we review the financial performance of the IIP Group, including the additional investments made and other developments since our last full statement.

Investment Strategy

The Company's investment strategy remains to provide its shareholders with both capital growth and income by focusing on investing in assets in the Indian infrastructure sector, with particular emphasis on energy and transportation businesses.

In evaluating potential investments for the IIP Group, IIP's manager, Guggenheim Global Infrastructure Company Limited ("**GGIC**") (via its subsidiary Guggenheim Franklin Park Management, LLC ("**GFPM**")) requires that any investment proposal demonstrates the following key characteristics:

- an investment return appropriate to the asset but one which is expected to offer a base IRR of approximately 15 per cent per annum to its shareholders in the event the project is held to the end of its life;
- significant minority interests with "negative control", or outright majority interests;
- a high quality partner and management team; and
- negotiated as opposed to auctioned transactions.

In addition, GGIC would generally focus on opportunities which are close to the commencement of operations – typically making investments in assets which are in construction at the time of investment but which would be expected to commence operations within 30 months.

Financial Performance

The value of the IIP Group's investments in its subsidiaries increased from £216.7 million to £222.4million, following additional investments into VLMS, IEL, IHDC and FPL. The Company's NAV increased from £207.3 million to £237.3 million.

NAV per share as at 30 September 2012 was £0.65 (at 31 March 2012: £0.95; at 30 September 2011: £0.88). The Company's overall NAV increased during the year as a result of progress made on investments, while NAV per share fell primarily as a result of the dilutive share placing completed in August 2012. In retrospect, completing the placing and substantially reducing the financing risk associated with the Company and its subsidiaries appears to have been the

correct course of action. As a result of the receipt of lender approvals and completion of conditions to closing by ETA and VLMS, the closing of the Freightstar acquisition is expected to be completed late in 2012. We remain confident that the closing of the transaction and related financing will lead to a substantial recovery in NAV per share.

There has been an approximate 4 per cent depreciation of the Indian Rupee against Sterling from INR 81.45 per GBP to INR 84.86 per GBP. The depreciation over the twelve month period from 30 September 2011 is 9 per cent (from INR 77.53 per GBP to INR 84.86 per GBP). The impact of the devaluation on the value of the Company's portfolio holdings during the reporting period was largely offset by a reduction in the 10 year Indian Government bond rate – the risk-free rate. However, we note that since the end of the reporting period, the Indian Rupee has continued to weaken and stood at approximately INR 88.13 per GBP on 30 November 2012.

For consistency, the financial statements include the financial statements of the Company or "parent-only" reports, including the Statement of Financial Position for the Company. In this statement, asset values are shown on a fair value basis. Additionally, the financial statements include Consolidated Statements which, because the IIP Group now comprises operating subsidiaries, primarily shows asset values at cost as opposed to fair value.

Investment Update

During the reporting period, the Company continued to make investments into its portfolio companies to increase the scale of the IIP Group. The Company made investments into VLMS to fund construction at its terminal facilities and provide working capital. These investments played a pivotal role in enabling VLMS to make progress on construction activities and provide confidence to its lenders. In addition, the infusion of working capital enabled VLMS to increase the utilisation of its truck fleet. The Company's investment in IHDC helped to fund the construction of its 8 MW Raura project in Himachal Pradesh. The Company also made nominal investments into IEL to fund its working capital needs.

VLMS acquisition of Freightstar

On 28 October 2011 the Company announced that VLMS had agreed to acquire the logistics business, related assets and associated liabilities of Freightstar, the logistics division of ETA for consideration of approximately £9 million in cash (less any amounts advanced prior to completion). During the reporting period, VLMS renegotiated the purchase consideration with ETA to approximately £7 million. On account of inordinate delays by ETA in the completion of critical conditions precedent to closing (stemming from a liquidity crisis at ETA), VLMS further renegotiated the purchase terms with ETA. Under the revised terms, VLMS would not make any further payments of purchase consideration to ETA and instead would use the remaining amounts payable to ETA, to directly pay for the acquisition of certain remaining land parcels at Freightstar's proposed terminal at Palwal in the national capital region (subject to all other closing

conditions being completed and documentation for the registration of such land parcels also being completed). Freightstar also obtained the approval of the Indian Railways to transfer its Category I rail license to VLMS.

With complementary attributes and synergies between VLMS and Freightstar, this acquisition will expand the business plan of the combined entity and is expected to provide attractive returns to VLMS and the IIP Group. To date, the Company has advanced approximately £5.4 million to ETA towards the purchase consideration. Part of this consideration was used to acquire substantially the entire issued equity (99.9 per cent) of ETA's subsidiary, Freightstar Private Limited. Currently, Freightstar Private Limited, which forms a part of the overall "Freightstar" transaction, owns the land acquired for establishing the proposed terminal facility at Palwal and ETA's third-party logistics business. At the period end, VLMS and ETA were awaiting approvals from their respective lender consortia to complete the acquisition of Freightstar. A portion of the working capital advances made by the IIP Group were also used to optimise Freightstar's rail operations, which has enabled it to become more efficient.

VLMS liquidity position

Prior to the reporting period, the Company had invested working capital funds into VLMS to retire an unsecured loan facility which had come due. With subsequent minor working capital infusions, VLMS' liquidity position has improved substantially. However, we note that VLMS is in a transition phase and will be in a position to significantly improve its profitability and liquidity position only after substantial completion of its terminal facilities and an increase in commercial activity at these facilities.

Toll road

The Company's investment in Western MP Infrastructure & Toll Roads Private Limited ("**WMPITRL**") continues to make steady progress. While tolling had been much ahead of initial estimates, the traffic along the toll road started to stabilise, and coupled with unusually heavy rains and an overall slowing down of the economy, the growth of toll revenue along the toll road started to moderate during the reporting period. Several adjacent toll road segments are becoming operational and it is expected that toll revenues will continue to pick up to the levels estimated when the project was initially implemented.

Hydropower projects

The rainfall during the 2012 Monsoon season was delayed and has been relatively weak, resulting in reduced electricity generation since June 2012. Production from the Birsinghpur project, being immune to seasonal rainfall, was not affected and stayed ahead of expectations. Several of IHDC's projects are located at irrigation dams and production is dependent on regulated releases from these facilities. Depending on how these releases are regulated over the

coming months by the state government, performance of several of these operating projects could be affected. At this time we do not believe the effects will be material to the performance of IIP.

In the month of May 2012, SMHPCL received approval from the Ministry of Environment and Forests ("**MOEF**") to commence partial filling of the reservoir at the project to an elevation of 154 M, to be conducted under the supervision of an inter-ministerial committee. The company faced opposition to this filling from groups opposed to the project, who alleged that filling the reservoir to 154 M would submerge homes. The complaints were heard by the National Green tribunal, who ruled in favour of the company and directed the company and the Government of Madhya Pradesh to complete the filling in three months. With the revised capital structure agreed to with the project's lenders and various Governmental entities, SMHPCL still needs an equity investment of approximately £40 million to trigger *pro rata* disbursements of debt to complete the project. The project's promoter, Entegra is currently in the process of arranging the needed equity funding, but is facing delays due to the difficult financing environment in the country and associated with the project. The project's lenders continue to put a substantial amount of pressure on Entegra to inject the incremental equity needed as soon as possible. In the event Entegra is unable to arrange the equity, the lenders could take any and all remedial actions available to them under the project loan agreements, including seeking the removal of the promoter. It is not possible to predict with any degree of precision what impact such a move might have on the value of the IIP Group's investment in the project.

Wind energy

In addition to a marked improvement in grid availability in Tamil Nadu, the wind regime has been quite favorable during the 2012 Monsoon period. This has resulted in both IEL's projects operating at near P50 levels and producing more electricity than they ever did. Further, cash flows from the Theni project have significantly improved through sales to private off-takers at a higher tariff under the group captive arrangement. Long overdue payments from the Tamil Nadu Electricity Board are also being collected by IEL. In addition, IEL has been able to reduce the interest rate at both of its projects by 0.50 per cent. As a consequence of the framework agreement it signed with a wind energy development company, Trishe, IEL continues to make progress on expanding its project development pipeline.

Placing of shares

As discussed in the Company's announcement of 24 August 2012, the Company placed 123,899,118 new ordinary shares of 1p each at a price of 33p per share on 23 August 2012 to raise approximately £40.88 million (before expenses). With this placing, the Company now has 342,660,000 of ordinary shares outstanding. The placing was conducted on the basis of recommendations made by an independent committee of the Board (the "**Committee**"), comprised of M. S. Ramachandran, Timothy Stocks and Timothy Walker. The directors of the

Company appointed by GGIC did not participate in any of the Committee's deliberations. The Placing was conducted on behalf of the Company by Smith & Williamson Corporate Finance Limited, the Company's Nominated Adviser and Joint Broker and Investec Bank plc, the Company's Financial Adviser and Joint Broker.

Use of Funds

Funds raised through the placing were utilised to repay the Company's existing term loan (approximately £15.6 million), fund a portion of the remaining equity needed to complete the acquisition and integration of Freightstar by VLMS and fund the Company's working capital needs.

Subsequent Events

In early November 2012, VLMS received further written orders from the Government of Karnataka that allowed VLMS to acquire the land previously consolidated in Bangalore for the purpose of building its proposed terminal facilities. These orders provide VLMS with sufficient flexibility to utilise its facility for a variety of freight storage, handling and warehousing purposes. These orders have also facilitated the creation of security over the land in favour of its lenders, an action much awaited by company management and the lenders. The process of land transfer and mortgage is currently being coordinated by VLMS with its lender consortium.

The lenders of both VLMS and Freightstar recommended a structure whereby Freightstar would be established as a division of VLMS instead of the previously approved structure of keeping it as a wholly-owned subsidiary. Subsequently, consortium members have approved the acquisition of Freightstar by VLMS. In an attempt to facilitate expedited construction, the lender consortia are considering placing the entire undrawn debt amounts in an escrow account along with the *pro rata* equity needed to ensure that funds can be drawn in an expedited manner for construction.

While the respective lenders of the two companies had been processing their individual approvals for the acquisition of Freightstar by VLMS, VLMS and ETA have taken several additional steps to transfer the entire business activities, substantial assets (including exclusive rights to licenses, personnel and management team, customer contracts, information technology systems and the Freightstar brand) of the logistics division of ETA to FPL, now an IIP subsidiary. ETA has completed the registration of 46 acres of land for its proposed Palwal facility and documents for the registration of the remaining 24 acres at Palwal (to complete the total required 70acres) are also complete and will be executed following closing and subsequent funding of the purchase by VLMS. With this, ETA has completed all outstanding conditions precedent to closing and the procedural formalities for closing the transaction have commenced.

VLMS has signed a memorandum of understanding with BATCO-RCM-CFS, the owner of a road-linked Inland Container depot ("**ICD**") at Hyderabad, to take over the operations of the facility. Currently, the ICD has a throughput of approximately 700 twenty foot equivalent units ("**TEU**s") per month. It has warehousing space of over 2,000 sq. m. and a paved area of over 5,000 sq. m. It is equipped with a reach stacker, a crane and three forklifts. The ICD also has the facility for bonded warehousing and a fleet of 21 trailers currently serve the requirement of transportation from the ICD to the gateway ports at JNPT (Mumbai) and Chennai. Under the proposed arrangement, VLMS will take over management of the ICD in return for a fixed management fee and a provision for profit sharing. VLMS will deploy a small management team with marketing and terminal operating skills to manage the facilities. This opportunity will give VLMS a presence in the Hyderabad logistics market without any investment, and through synergies with its current and proposed operations (including Freightstar), provide an opportunity to expand its business operations to new markets.

With support from the Company's working capital advances to VLMS, Freightstar has been able to optimise its rail operations to provide a high quality of service to its customers such as Maersk, the largest carrier of containers across the globe. It is also the largest shipping line operating out of India with over 23 per cent market share. Maersk has been using the train services of Freightstar for the past two years for moving containers from the ports of Nhava Sheva (Mumbai), Mundra and Pipavav to the ICD at Loni in the national capital region. Based on service quality, Maersk has now decided to use Freightstar's trains exclusively for movement of its containers from JNPT, Mundra and Pipavav to Loni with effect from 1 December 2012.

IHDC anticipates commencement of commercial operations at its 4 MW Panwi project in Himachal Pradesh in the first quarter of 2013. IHDC also anticipates to receive shortly formal notification clarifying certain provisions related to incentive payments in a tariff order from the Maharashtra Electricity Regulatory Commission for its Bhandardara II project. This tariff order is expected to increase revenues and also improve cash flows.

Post period end, IEL was able to successfully register its Theni project as a Clean Development Mechanism under the Kyoto protocol. Following verification, IEL will now be able to market emissions reductions from its Theni project.

Company Liquidity and Financing

As of 30 November 2012, the Company had cash available of £14.3 million. As discussed, while the investment capital needs of VLMS have now been financed and the Company does not face a debt maturity as it previously did, the Company will need to raise working capital for its own expenses (which are approximately £6 million per year) by the end of the first calendar quarter of 2013 as anticipated at the time of the placing in August 2012. The Board is currently evaluating alternatives by which these funds can be raised, including by selective disposal of assets in IIP's portfolio.

Dividend Objective

It is the Company's objective to pay a covered dividend as soon as practical. However, given the fact that initial operations at SMHPCL are yet to commence, the Company is unlikely to commence payment of a covered dividend in 2013. The Board will periodically review and report on progress towards commencement of a dividend.

Outlook

IEL and WMPITRL are now each in a position to provide the returns and cash flows anticipated to Group either by way of returning cash flow in the years to come or by means of trade sale. IHDC is financing the remaining construction of its portfolio via its own operating cash flow and all indications, including by trade of comparable assets in India, are that its NAV is intact. We are hopeful that the ongoing financing activity by SMHPCL's promoter Entegra will provide the funds needed to complete the project and offer IIP the ability to realise its forecasted investment returns. Upon the completion by VLMS of the acquisition of Freightstar and related financing, the Group will own one of the three largest private sector logistics companies in the country.

Each of the assets in the IIP Group portfolio are described in more detail in the section headed, "Review of Investments" below, including an update on the revised value of each investment.

Tom Tribone
Chairman

Sonny Lulla
Chief Executive

REVIEW OF INVESTMENTS

Indian Economy and Infrastructure

India's real GDP growth for the current fiscal year is projected to be below 6 per cent, the lowest in a decade. This can be attributed to a variety of global and domestic factors, including slow growth and policy uncertainty in OECD economies, and structural issues such as power shortages, poor infrastructure, uncertainty on pending legislation and taxes on the domestic front.

As one of the principal drivers of the nation's economic growth, the infrastructure sector has been directly impacted by this trend. While the Government of India has targeted infrastructure investments of US$ 1 trillion in the 12th Five Year Plan (2012-2017), recent performance has not kept pace with the investment levels needed to meet this target. The principal challenges include slow policy reform, delays in land acquisitions and Governmental clearances, uncertainty over coal and water linkages, the poor financial condition of state-owned electric utilities, difficult financing conditions, and high interest rates.

The Government of India has announced several initiatives and made progress on previously announced actions to tackle many of these issues. These include:

- Drafts of new land acquisition and mining bills
- Establishment of a new National Investment Board ("**NIB**")to expedite clearances for large projects
- Progress in defining the operational structure of the previously announced Infrastructure Debt Funds ("**IDFs**"). The IDFs are expected to facilitate the availability of long term debt funding for infrastructure projects and also to create liquidity in the banking sector for funding of new infrastructure projects
- Liberalising External Commercial Borrowings ("**ECB"**s) for infrastructure and permitting the use of ECBs to repay existing Rupee loans
- Reduction in withholding tax on infrastructure bonds and ECBs
- Allowing Foreign Direct Investment ("**FDI"**) in muti-brand retail
- Tax reform including the long delayed Direct Tax Code and the Goods and Service Tax ("**GST"**)

Additionally, economists widely expect inflationary pressures to ease allowing the Reserve Bank of India ("**RBI"**) to lower interest rates.

Many of these reforms, when enacted, should have a positive impact on the business activities of each of IIP's portfolio companies.

Power Sector

India added nearly 9 GW of installed capacity in the first seven months of the 2012-2013 fiscal year (approximately 50 per cent of its targeted capacity addition for the year) to achieve a total installed capacity of 209 GW as of October 2012. While this is a significant accomplishment, the Central Electricity Authority ("**CEA**") estimates that the country experienced an actual shortfall in electricity production of approximately 8.5% in the first six months of the 2012-2013 fiscal year and projects a shortfall of 9.3% for the full fiscal year. The CEA also projects a shortfall of 10.6% in peak demand for the year. Amid the backdrop of continuing shortfalls, the Government of India revised its capacity addition targets for the 12th Five Year Plan from 76 GW to 88 GW. Renewables, at about 30 GW, constitute a much larger share of this target than previously. To meet these ambitious targets, the Government has estimated a funding requirement of US$275 billion over the Plan period.

In the last week of July 2012, the country witnessed the world's largest power blackout rendering over 700 million individuals without power across 22 Indian states. This blackout was caused by a failure of the country's northern power grid while transferring over 4 GW of power supply from the western grid to meet peak demand. To prevent a recurrence of such an event, the Government has taken preliminary steps to overhaul the current power grid, involving a planned expenditure of over US$18 billion over the upcoming five-year plan period on grid improvements. The improvements will include provisions for linkages between the various grids comprising the network to facilitate transfer of surplus power from surplus to deficient regions. The 12th Plan also aims to place a major emphasis on grid optimization by expanding privatization of utilities, reducing network losses, and improving efficiency of service.

As reported in IIP's review of investments as at 31 March, 2012, the financial crisis being faced by many state-owned electricity distribution companies ("**Discoms**") has continued to be a drag on the power sector. The accumulated losses by Discoms are estimated to exceed US$36 billion. The reasons for these losses have been well documented and include unfunded mandates from State Governments, high arrears, low tariffs causing an under-recovery of costs, and high aggregate technical and commercial losses. The Government of India took a major step in addressing the problem in late September 2012, when it approved a bailout plan for distressed Discoms. The plan involves the assumption of 50 per cent of the Discom's outstanding short–term liabilities by the State Government and a rescheduling of the remaining 50 per cent through instruments backed by State Government Guarantees. The latter involves the Discoms agreeing to "concrete, measurable actions to improve their operational performance". Though this restructuring plan is expected to improve the financial condition of Discoms (especially in seven states that have been particularly affected), a sustained improvement in the power sector is only likely to occur when Discoms can improve service delivery, reduce losses and be allowed tariffs that permit appropriate and timely cost recovery.

After seeing robust trading activity and attractive pricing in the early part of the current fiscal year, both trading volumes and prices of Renewable Energy Credits ("**REC"**s) have stalled as of September 2012. The principal reasons relate to electricity utilities in several states not meeting their Renewable Purchase Obligations ("**RPO"**s) on account of financial constraints. While penalties are provided for in the regulations, the defaulting utilities in some states have been given a reprieve by their respective state regulatory commissions. The Government of India has recognized the impact to the REC market resulting from a lack of consistent enforcement of the REC regulations and is currently planning corrective actions. An improvement in the enforcement of RPOs coupled with the financial bailout plan for distressed utilities is likely to improve the trading volumes and prices of RECs.

In an effort to attract long-term foreign investments in the power sector, the Government amended its FDI policy to now allow investments of up to 49 per cent in power exchanges in the country. The policy already allowed 100 per cent in electricity generation, transmission, distribution and power trading.

Roads Sector

Policy reforms in 2009 led to robust pace of project award and construction activity in the roads sector in India. However, the effects of the reforms started to taper off mainly due to high financing costs, intense competition for projects, lower than expected traffic, and highly leveraged balance sheets of developers (including from project delays and lower traffic growth). To attract higher interest and investments from the private sector, the roads sector has recently witnessed two significant policy reform moves from the Government of India.

Under the first policy reform, the Cabinet Committee of Infrastructure ("**CCI**") approved the Engineering, Procurement, and Construction ("**EPC**") model of construction for two-laning projects. As per the new approved model, EPC projects are to be awarded on a turnkey basis assigning investigation, design, and construction responsibilities on to the contractor for a lump-sum price. The new EPC model is expected to effectively address drawbacks of the earlier model of item-rate contracts. During Fiscal Year 2012-2013, Ministry of Road Transport and Highways and National Highway Authority of India ("**NHAI**") are expected to award 3,000 – 4,000 kilometers of EPC projects representing 32-42 per cent of total expected project awards.

In the second policy reform, the CCI also approved the Operation, Maintenance and Transfer ("**OMT**") policy. Under this policy, the OMT concessionaire will be responsible for periodic maintenance of the roadway stretch including levy and collection of toll tax. The concession period is likely to range between 4 years and 9 years. In return, the concessionaire will be required to pay a fixed premium to the government, which is decided during the bidding process. The CCI has approved six OMT projects with a total length of 963 kilometers. For fiscal year 2012-2013, the CCI is expected to award OMT projects for a total length of approximately 4,000 kilometers.

Despite the difficult economic environment, the road sector had made steady progress in terms of awarding new projects and completing earlier awarded projects. In the first six months of fiscal year 2012-2013, NHAI awarded projects for a total length of approximately 575 kilometers. With the new policy reforms, the Government expects the project award rate and construction progress to pick up significantly in the second half of the year.

Existing operational toll road projects, such as IIP's portfolio company WMPITRL, are likely to benefit as other connecting stretches of high quality roads become operational. Access to cheaper, long-term debt and the widely anticipated loosening of monetary policy by RBI are also likely to improve cash flow for operational projects.

Logistics Sector

The Logistics sector in India grew slower than expected, as the overall economic environment remained uncertain domestically and globally. Although the sector is likely to face near-term cyclical pressure, it is also expected to benefit significantly with improving visibility on medium to longer-term key growth drivers such as development of the Dedicated Freight Corridor ("**DFC**") and FDI in the retail sector.

The DFC project entails building two corridors connecting key trade hubs and metropolitan cities in Western and Eastern India. Having secured a majority of the debt requirement for the project, the Indian Railways has started the bidding process for the first phase of the Eastern and Western corridors. Phase I of both the corridors are expected to be completed by 2017. Container Train Operators ("**CTO**") are expected to benefit as their unit costs should reduce with increased asset turnover and faster turnaround. Trailing loads are expected to increase from approximately 4,000 tons to approximately 15,000 tons, carrying capacity to increase from 90 containers to 400 containers (by double stacking), maximum speed to increase from 75 kmph to 100 kmph and station spacing to reduce to 7-10 kilometers from 40 kilometers.

In September 2012, the Government of India announced a policy allowing 51 per cent FDI in multi-brand retail and 100 per cent in single brand retail. If passed, this policy move is likely to have a significant impact on the transportation and logistics sector in India. As per the proposed policy, foreign companies are also required to invest 50 per cent of their expenditures in developing and building front-end and back-end supply chain systems. This is likely to benefit companies providing last mile delivery, warehousing, and the logistic services business.

With the fundamental growth drivers remaining intact, the recent slowdown in the logistics sector is not expected to be sustained. Companies with asset–based business models and those currently in the investment mode are expected to gain significantly as the effect of policy reforms, an up-turn in consumption cycle, development of DFC, and an easing of monetary policy lead to change in business and investment sentiment. IIP's portfolio company, VLMS, has remained focused on developing and completing assets (container terminals and Free Trade

Warehousing Zones) and through the acquisition of Freightstar, moving aggressively in creating a national multi-modal logistics business with a large footprint across the country.

Summary of Assets

	VLMS	**SMHPCL**	**WMPITRL**	**IHDC**	**IEL**
Percentage interest [1]	99.99%	17.71% [3]	26.00%	50.00%	100.00%
Value at 31 March 2012	£112m[4]	£34.7m	£29m	£25.4m	£11.8m
Value at 30 September 2012	£115m[4]	£36.9m	£27.1m	£24.4m	£13.9m
Percentage of Gross Assets [1, 2]	52.9%	17%	12.5%	11.2%	6.4%
Average Cost of Debt	14.75%	10.5%	13.5%	10.66%	13.25%

Notes:
1) As at 30 September 2012
2) Excludes cash and IIP level debt balances
3) 10.32% post all dilution effects
4) Excludes Freightstar

Vikram Logistic and Maritime Services Private Limited ("VLMS")

Summary

Description:	Supply chain transportation and container infrastructure company based in Southern India.	
Promoter:	IIP	
Date of Investment:	3 March 2011	15 October 2011
Amount of Investment:	£34.8 million (implied value)	£58.3 million (implied value)
Aggregate Percentage Interest:	37.39 per cent.	99.99 per cent.
Additional Investment:	£8.9 million (between January and March 2012)	£6.3 million (between April and September 2012)
Valuation as at 30 Sep 2012:	£114.9 million	
Project Debt:Equity Ratio (based on construction costs):	65:35	

Key Highlights:

- Written approval from the Government of Karnataka to construct a multi-modal logistics terminal at its Bangalore facility and the issuance of a government notification for transfer and registration of land in the name of the company. This allows VLMS to mortgage the land to its lenders
- Commencement of construction at its Bangalore and Chennai terminal sites
- Commencement of initial commercial operations at Chennai and Bangalore as required under VLMS' debt facilities
- Acquisition of substantially all of the issued equity of Freightstar Private Limited, a subsidiary of ETA
- Transfer to FPL of management and control of all business activities of ETA's logistics division, including exclusive rights to the use of licenses and assets, and all staff and management team
- Consent by lender consortia of VLMS and ETA to the proposed ownership structure for ETA's logistics division within VLMS
- Approval of lenders from both the VLMS and ETA consortia for the acquisition of Freightstar by VLMS
- Consent by lender consortia of both VLMS and ETA for disbursement of funds to complete construction of facilities previously approved in their individual business plans

- Completion by ETA of CPs to closing and agreement for acquisition of remaining land (24 Acres) at Freightstar's Palwal site directly by VLMS, in lieu of payment of remaining acquisition price to ETA
- Completion of land acquisition documents for the remaining 24 acres land at Freightstar's Palwal site

Investment details

Following the acquisition of all outstanding shares in VLMS from Anuradha Holdings Private Limited ("**AHPL**") in October 2011, the IIP Group now owns 99.99 per cent of VLMS. During the reporting period, the Company made equity investments of approximately £6.3 million into VLMS. These funds were utilised largely to meet project construction costs and also to provide working capital to VLMS. The IIP Group has also advanced approximately £5.4 million to Freightstar between October 2011 and September 2012 as advance purchase consideration.

VLMS is a supply chain transportation and container infrastructure company headquartered in Bangalore with a strong presence in Southern India. VLMS provides a broad range of logistics services including, trucking, customs clearing and handling, and bonded warehousing to customers from a range of companies such as Coca Cola, Reserve Bank of India, Credence Logistics, Pearl Harbour, American Power Corporation and Qatar Cargo. VLMS operates a fleet of more than 125 trucks and an export oriented Container Freight Station ('**CFS**") at Hassan in western Karnataka. In addition, VLMS is developing a Free Trade Warehousing Zone ("**FTWZ**"), bonded container warehouse facility and Domestic terminals ("**DT**") in the cities of Bangalore and Chennai.

Revenue streams from VLMS's various business units including FTWZ, DTs, CFSs and services (includes Transportation and Freight Forwarding) are comprised of, *inter alia*, handling charges, transportation (containers and bulk), warehousing, rent, shipments, leasing, access charges and certain other categories. Market data indicates a steady growth in container and freight volumes nationwide, although the global economic slowdown is expected to moderate this growth. With their proximity to one of India's major ports at Chennai, VLMS' container terminals at Chennai and Bangalore are expected to benefit from the volumes at Chennai port. VLMS provides various service offerings and has a leadership position in Southern India, thereby positioning it very well to take advantage of the growth opportunities in the logistic sector.

Developments

VLMS has made significant progress towards completing construction work at its planned Bangalore and Chennai terminals and making these terminals fully operational. As was reported in the Group's 31 March 2012 annual report, VLMS faced significant challenges in getting its facilities operational. These included delays in registration of land acquired for its terminals, receiving required government approvals, creation of security over the acquired land in favour of its lenders and receiving *pro rata* disbursements of previously approved debt facilities. The Company is happy to report that VLMS has completed the required documentation in respect of the land acquired for its Bangalore terminal, received detailed orders from the Government of Karnataka

for setting up the requisite infrastructure facility along with a permission to transfer and register the land in the name of the company, allowing the land to be used for a variety of freight handling, storage, warehousing and logistics purposes and allowing the mortgage of the land in favour of project lenders.

Apart from continued construction progress at its Bangalore and Chennai terminal facilities supported by equity investment by the IIP Group, VLMS also commenced initial commercial operations at these facilities. Initial operations included storage and handling of empty containers for shipping lines using its own container handling equipment. While the formal process of perfecting the security on the project land is progressing in co-ordination with lenders, the lenders have taken a much more co-operative approach towards the company and have indicated a willingness to disburse further tranches of debt already approved to facilitate the completion of remaining construction activities. Construction at VLMS' Chennai terminal was held up in late October and early November due to unseasonal rains and a tropical cyclone. However, construction activities are ongoing and VLMS estimates that construction of the terminal facilities at Bangalore and Chennai will be substantially complete in the first quarter of 2013.

VLMS has also made significant progress towards acquiring Freightstar and closing the transaction. Based on investments made, the Group currently owns a majority stake in ETA's subsidiary, Freightstar Private Limited. Lender consortia for both VLMS and ETA, in separate consortium meetings proposed a revised structure for the acquisition of Freightstar wherein the business would be operated as a separate division of VLMS instead of being a wholly-owned subsidiary. Subsequently, members of the VLMS and Freightstar lender consortia have approved the acquisition of the business by VLMS. In addition, the Freightstar lender consortium has consented to funding all remaining approved debt for the Freightstar project scope into an escrow account along with the remaining equity from the Group to ensure that funding is available as needed to expedite the remaining construction activities. Further, ETA has obtained approval from the Indian Railways to transfer its Category I Rail license to VLMS. It has completed the documentation to register 46 acres of land (of the total 70 acres required) for its proposed terminal facility at Palwal in the national capital region. Pursuant to revised acquisition terms between VLMS and ETA as previously reported, VLMS would directly pay for the acquisition of the remaining 24 acres of land at Palwal (subject to completion of the documentation for the registration of the land and closing of the transaction with ETA) for a corresponding reduction in purchase consideration payable to ETA. In this respect, documentation for the registration of the 24 acres of land is currently complete.

VLMS has taken several steps to consolidate its control over the business and operations of Freightstar. These include:

- Agreement with ETA allowing FPL, now an IIP subsidiary, the exclusive use of its concession agreement with the Indian Railways for the remainder of its term and all of its rakes for the remainder of their useful life
- Novation of all of Freightstar's customer contracts in favor of FPL
- Transfer of all management, operations and administrative personnel to FPL

- Assignment of all information technology systems and the "Freightstar" brand to FPL

FPL has already executed an agreement with Mercurio Pallia, a leading Indian transporter of automobiles, to establish an automobile logistics park at Freightstar's Nagpur facility. FPL also owns all the land currently acquired for Freightstar's Palwal facility.

These steps allow VLMS to begin to realise the benefits of the synergies of the two entities and efficiently manage the combined operations while the process of transferring the assets of Freightstar to VLMS is implemented.

The combined entity is expected to be one the largest private multi-modal logistic services providers in India with presence across the country. The combined business plan expands the existing scope for the two individual companies and entails, *inter alia*:

- developing four container handling terminals at NCR, Nagpur, Bangalore and Chennai,
- Developing one FTWZ at Chennai,
- Operating container trains (owned & leased) to provide rail connectivity,
- Increasing fleet size of trailers to approximately 300 to provide road connectivity,
- Expanding its Third Party Logistic **("3PL")** services business

The total project cost of the combined entity is estimated to be approximately INR 13,820 million (£163 million). The expanded project plan will be funded by INR 4,320 million (£50.9 million) in equity and INR 9,500 million (£111.9 million) in debt. While the majority of the equity has been invested, additional equity of approximately INR 960 million (£11 million) is needed to complete the financing plan, which has already been raised by IIP. To fully fund the combined expanded business plan, VLMS is negotiating with several lenders including members of the existing lender consortia for funding the required debt. This financing plan will include refinancing the existing debt. Based on the status of the current discussions, VLMS is expecting to receive in-principle approvals and term sheets for the required debt in early 2013.

In the first six months of FY2012-2013, VLMS (standalone) reported total revenue INR 77.6 million compared to INR 110.6 million during the same period last year. As discussed in the March 2012 report, VLMS is currently transitioning from being a service provider to one owning and operating its own container terminals. Historical revenues from terminal operating contracts are therefore not currently available to VLMS and the company's revenues largely come from its road transportation business. As a result of working capital support received from the IIP Group, VLMS has significantly increased the number of trailers available for its road transportation business.

The IIP Group's support has also enabled Freightstar to improve the efficiency of its rail business and negotiate contracts for expanded business with large shipping companies and industrial customers. Freightstar has been selected by Maersk, the largest carrier of containers across the globe, for exclusive movement of its containers by rail from

India's western ports to the national capital region. These developments allow the company to utilise their rakes to full capacity.

Further, VLMS has signed a memorandum of understanding with BATCO-RCM-CFS, a road-linked ICD in the City of Hyderabad in southern India to take over the management of the terminal. In addition to the handling of container cargo, the ICD has the facility to provide bonded warehousing and provides transportation services to major ports at Mumbai and Chennai. Management of the ICD will be synergistic to VLMS' current and future operations (including Freightstar) and will allow VLMS to expand business activities at the ICD. VLMS will earn a management fee for its services along with a provision for profit sharing. A formal agreement is expected to be executed shortly to allow VLMS to take over the management functions in the first quarter of 2013.

As of 30 September 2012, total long term debt was INR 2,240 million compared to INR 2,162 million on 31 March 2012. In the current fiscal year, IIP invested approximately INR 557 million (£6.3 million) to fund construction work at Bangalore and Chennai and other working capital requirements.

Valuation

As at 30 September 2012, the asset was valued at £115 million (not including the proposed acquisition of Freightstar), as compared with the valuation of £112 million at 31 March, 2012. The valuation was conducted using a discounted cash flow ("**DCF**") methodology with the following key assumptions:

- Risk free rate benchmarked to the yield on 10-year Indian Government bond
- Risk premium of 6 per cent, consistent with IIP's stated risk premium for "in-construction" projects (the project risk has reduced significantly due to receipt of the government approvals, hence the reduction in the risk premium from 7 per cent in March 2012 to 6 per cent for the current period is considered reasonable)
- Derived discount rate of 14.3 per cent (based on above mentioned factors)
- Terminal growth rate of 2 per cent after 10 years

Accounting for IIP's equity investment of £6.3 million during the six-month reporting period, the net asset value of VLMS has declined slightly. This decrease is largely attributable to delays in completion of its project facilities, which have resulted in increased project costs and delays in revenue realisation. While the currency devaluation contributed to an approximately 4 per cent reduction in the NPV, this effect has largely been offset by the impact from the reduction of the risk-free rate.

The valuation of £115 million is reflected in the Company Statement of Financial Position, in which the Company's investments in subsidiaries are shown at fair value. However, as VLMS was a wholly owned subsidiary at that date, the Consolidated Statement of Financial Position includes a consolidation of VLMS, as required by IFRS. Such a consolidation by definition does not incorporate the valuation of the investment.

In light of recent positive developments towards the acquisition of Freightstar, IIP has conducted a pro-forma valuation exercise for the combined entity using IIP's stated DCF valuation methodology. The pro forma NPV of the combined entity, post acquisition and refinancing, is preliminarily estimated to be highly accretive.

Western MP Infrastructure & Toll Roads Private Limited ("WMPITRL" or "WMP")

Summary

Description:	125km long, four lane highway toll road in Western Madhya Pradesh, with a 25 year concession commencing in April 2008.	
Promoter:	Essel Group	
Date of Investment:	30 September 2008	25 June 2010
Amount of Investment:	£11.3 million	£0.4 million
Aggregate Percentage Interest:	26.0 per cent.	26.0 per cent.
Valuation as at 30 Sep 2012:	£26.07 million	
Project Debt:Equity Ratio (based on construction costs):	68:32	
Key Highlights:	- Unexpected heavy rains and slower economic activity led to lower than expected traffic growth between April and July, 2012.	

Investment Details

On 30 September 2008, IIP invested approximately £11.3 million (INR 960 million) in WMPITRL, which represented a 26 per cent shareholding. WMPITRL, promoted by the Essel Group, was awarded the concession to a toll road project in central India on a Build-Own-Transfer ("**BOT**") basis in August 2007 for a term of 25 years, commencing from March 2008. The Company has representation on the board of WMPITRL.

Overview of Project Performance

Full commercial tolling began along the entire length of the toll road on 4 June 2011. The road is a 125km, four-lane highway (State Highway "SH" 31) between the towns of Lebad and Jaora, which replaced the previous single carriageway road. SH 31 provide a vital connection between the towns along National Highway 8 ("NH8") in eastern Rajasthan and the City of Indore, a commercial hub in the State of Madhya Pradesh. This section of the toll road also provides a connection with NH3, the national highway connecting the cities of Mumbai and Agra. The WMPITRL toll road provides the only high quality route to transit the region resulting in a reduction in travel times from nearly ten hours to approximately two hours to travel the 125 km stretch. This attribute contributed to initial traffic volumes and growth along the toll road to be well ahead of projections. The concession agreement entitles WMPITRL to escalate the toll charged each year by 7 per cent and WMPITRL is applying this annual escalator in full. Approximately 80 per cent of all toll revenue is derived from multi-axle truck traffic.

The commencement of operations at the project has been staged; the first half of the road began tolling in November 2009 (some five months ahead of schedule) and the second phase began tolling in June 2011. The second phase was delayed due to changes in the scope of three railway bridges along the toll road. Since this delay was not attributable to WMPITRL, the scheduled commercial operations date was extended and

penalty avoided. This extension effectively results in an extension of the concession period of approximately 18 months. There are two toll plazas (TP1 and TP2) along the length of the road which are continuously monitored on a real-time basis, both locally and at the project company headquarters in Mumbai. The toll collection is split roughly in half between the two plazas (67km for TP1 and 58km for TP2). TP1 has now been in operation for over two years, whereas TP2 has been operational for over 15 months.

The change in quarterly toll collection observed at TP1 from the same period the previous year, were 43 per cent, 48 per cent, 32 per cent and 23 per cent for the four quarters in FY 2011-2012. The progressive reduction towards the end of the fiscal year is likely attributable to traffic volumes approaching a steady state as well as an overall slowdown in economic activity. Nevertheless, these toll volume growth levels were well ahead of initial projections. While sufficient data is not available to track toll volume growth trends for the corresponding period at TP2, the toll volumes are similar to those for TP1, indicating that the trend is likely similar. The first two quarters of FY 2012-2013 saw unusually heavy rains in the project region and the growth in toll volume stagnated, with the overall tolling staying nearly constant. The growth rate of quarterly tolling for quarter ended 30 September, 2012 stands at approximately 6 per cent over the corresponding period a year before. Traffic volumes do exhibit seasonality during the year and there is not sufficient data to project long-term trends based on the available data. However, WMPITRL management believes that some of the seasonal factors that contributed to the low tolling in the last six months have passed and that tolling will pick up to expected levels. Further, projected completion in the near future of adjacent toll road sections connecting the WMPITRL toll road to the city of Indore, will positively impact tolling along the roadway. Two connecting state highways (Manpur to Lebad and Jaora to Nayagaon) are now fully operational. These high quality and broader state highways are expected to further reduce the travel time and provide better connectivity to the city of Indore.

As of 30 September 2012, long term secured debt was INR 5621.7 million. Short-term borrowings and trade payables were INR 932.4 million on the reporting date.

Valuation

While TP1, having been operational for over two years represents a "normal operations" state, TP2 at only 15 months is still in a "ramp-up" phase. Analysis of the traffic volume data for TP1 and TP2 indicates a high degree of correlation between the toll growth rates at TP1 and TP2. In view of this correlation, it was considered reasonable to use a composite risk premium of 3 per cent over the risk free rate of the 10-year government bond yield of 8.35 per cent to discount the future cash flows. Further, to account for the observed lower tolling, toll growth rates were further moderated in estimating the future cash flows.

The WMPITRL toll road asset was valued at £26.07 million, a reduction of approximately 10 per cent compared with the value reported as at 31 March 2012. Approximately 4 per cent of the reduction in NPV was attributable to the observed depreciation of the Indian Rupee against the Pound Sterling.

Shree Maheshwar Hydel Power Corporation Limited ("SMHPCL")

Summary

Description:	400MW hydropower project on the Narmada River near Maheshwar; expected to be one of India's largest privately owned hydropower projects.	
Promoter:	Entegra Limited	
Date of Investment:	June 2008	September 2011
Amount of Investment:	£13.2 million	£16.5 million
Aggregate Percentage Interest:	20.5 per cent.	17.71 per cent.
Post dilution effects:	5.96 per cent.	10.32 per cent.
Valuation as at 30 Sep 2012:	£35.93 million	
Project Debt:Equity Ratio (based on construction costs):	80:20	
Key Highlights:	- Received permission from the Government of India's Ministry of Environment and Forests ('**MoEF**") in May 2012, followed by permission from the National Green Tribunal in August, 2012 to commence partial filling of the reservoir to 154 metres - Entegra Limited is working towards raising the additional equity needed to complete the project and as per the latest schedule, SMHPCL expects to commence power production at partial load from the one completed unit by Feb 2013 with a projected full completion by end of 2013.	

Investment details

SMHPCL, promoted by Entegra Limited ("**Entegra**"), is constructing a 400MW hydropower project (ten turbines of 40MW each) situated on the Narmada River near Maheshwar, in the south-western region of Madhya Pradesh. The project is substantially complete, with power generation expected to commence within the next three months. The project is expected to be one of the largest privately owned Indian hydroelectric schemes when it is fully commissioned.

IIP made its first investment in the project of approximately £13 million in June 2008, which was followed by a second investment of £16.5 million on 1 September 2011. With this additional investment, the IIP Group's aggregate equity interest in SMHPCL amounts to 17.7 per cent (10.32 per cent on a fully diluted basis at the revised Debt:Equity ratio of 80:20).

The project's returns are protected by way of regulation and a Power Purchase Agreement, which provide for a return on equity to investors in the project, while IIP's

returns are further protected by way of an IRR guarantee arrangement on cash flows. The IIP Group is expected to earn a minimum IRR of 15 per cent on the first £13 million investment and a minimum IRR of 17 per cent on the second £16.5 million investment. While the maximum IRR for the IIP Group is not contractually limited, the IIP Group has agreed to share returns above certain thresholds on the second round investment with certain co-investors in SMHPCL. If the guaranteed IRRs are not achieved on the IIP Group's exit, certain escrowed shares in SMHPCL will be transferred to the IIP Group at no additional cost to the IIP Group, until this minimum return is reached or the supply of escrowed shares is exhausted. In addition, IIP has representation on the board of SMHPCL.

The tariff under the PPA allows a full pass-through of all costs incurred. During the time between partial operations and full commercial operations, SMHPCL anticipates selling the power generated to third-party consumers.

Current Status of Project

Further to the receipt of the approval from MoEF in May 2012 to fill the reservoir to 154 meters above mean sea level ("**MSL**"), SMHPCL faced local opposition to filling from villagers and opposition groups who claimed that homes would be submerged even if the reservoir was filled to this level. The complaints were heard at the National Green Tribunal and SMHPCL received permission from the tribunal on August 8, 2012 to commence partial filling of the reservoir at the dam site up to 154 meters above MSL and commence generation of 40 MW of electricity on trial basis within a period of three months. SMHPCL and the Madhya Pradesh Government were also directed by the tribunal to complete the entire process of rehabilitation and resettlement work, including the supply of drinking water and electricity to the affected persons.

SMHPCL currently plans to complete the rehabilitation of villagers affected by the reservoir filling up to 160 meters above MSL and commence partial production from the facility thereafter. Timely completion of these activities is contingent upon SMHPCL raising the remaining equity needed to complete the project. SMHPCL's promoter, Entegra, is in the process of arranging the remaining equity for the project but is suffering constant delays due to difficult financing conditions in India generally, and more importantly, difficult financing conditions for this project. SMHPCL's current plans call for completing the rehabilitation activities and commencing initial production from the plant by February 2013 with full commercial operations by the end of 2013. These plans are, however, contingent upon their ability to fund the additional equity requirements and obtain *pro rata* debt disbursements from lenders.

Once the project is fully operational, it is expected that SMHPCL will, subject to satisfaction of customary lender covenants, declare dividends on an annual basis, based on the project's performance and cash flows.

Financing Update

The overall cost of the project is approximately £504 million (of which project debt totals approximately £403 million per the revised Debt:Equity ratio of 80:20 as agreed to with its lenders and the Government of India's Ministry of Power). Under the revised

financing plan, SMHPCL needs to raise an additional £92 million of debt and £40 million of equity to complete construction on the project. Based on discussions with its lenders, SMHPCL believes that its current consortium of lenders will invest the remaining debt subject to the remaining equity being funded. The delays suffered by the project have led its lenders to put a substantial amount of pressure on Entegra to inject the incremental equity needed as soon as possible. In the event Entegra is unable to arrange the equity, the lenders could take any and all remedial actions available to them under the project loan agreements, including seeking the removal of the promoter. It is not possible to predict with any degree of precision what impact such a move might have on the value of the IIP Group's investment in the project.

Valuation

The asset is valued following the Company's stated valuation methodology (a discounted cash flow analysis) where a risk premium is added to the risk free rate in India (given by long-term Indian government bonds) to give the discount rate used in the analysis. The stated methodology of IIP is to use a risk premium of 6 per cent over the risk-free rate for assets in "construction". Although construction activity on the project is substantially complete, the project had not commenced operation as at 30 September 2012. Applying the discount rate (6 per cent plus the risk-free rate) to IIP's share of the project's cash flows and discounting to a value as at 30 September 2012, gives a value for this holding of £35.9 million (31 March 2012: £34.7 million). The value therefore remained steady, despite a slight devaluation of the Indian Rupee.

In considering the valuation of the project, the risks discussed in the paragraph headed, "Financing Update" should be considered.

India Hydropower Development Company, LLC ("IHDC")

Summary

Description:	A company that develops, owns and operates small hydropower projects with five fully operational projects (58 MW installed capacity), one project expected to be operational in the first quarter of 2013 (4 MW installed capacity) and a further 20 MW of installed capacity under construction.	
Promoter:	Dodson-Lindblom International, Inc.	
Date of Investment:	3 March 2011	2012
Amount of Investment:	£25.7 million (implied value)	£1.35 million
Aggregate Percentage Interest:	50.0 per cent.	50.0 per cent.
Valuation as at 30 Sep 2012:	£ 24.4 million	
Project Debt:Equity Ratio (based on construction costs):	62:38	
Key Highlights:	- In May 2012, IIP invested £1.05 million for construction of the 8 MW Raura project in Himachal Pradesh. Debt funding commitment was agreed to with IREDA and financial closure is expected in first quarter 2013 - Weak monsoon rainfall that occurred later than normal has affected power production from several of IHDC's operating projects in Maharashtra and Himachal Pradesh - H.P. Cluster No. 1 – Panwi (4 MW) is expected to achieve full COD in first quarter 2013.	

Investment Details

On 3 March 2011, the Company acquired a 50 per cent interest in IHDC from GGIC, for an implied overall aggregate value of £25.7 million, in return for the issue of ordinary shares in IIP at IIP's then stated NAV per share.

IHDC is a company that develops, owns and operates small hydropower projects in India. IHDC has a proven track record and an established operating infrastructure capable of supporting the development and operation of further hydropower projects in India, with a number of offices across the country.

IHDC currently operates five fully operational projects, totaling approximately 58 MW of installed capacity - Bhandardara Power House I, Bhandardara Power House II, and Darna in Maharashtra, Birshinghpur in Madhya Pradesh and Sechi in Himachal Pradesh (COD - February 2012). IHDC is also in the final stages of completion of construction work at Panwi, a 4 MW hydropower plant in Himachal Pradesh; with commissioning

expected in the first quarter of 2013. With capacity enhancements being implemented, IHDC's other projects under construction/development total an approximate 20 MW in installed capacity. In addition, IHDC has a pipeline of identified projects for future development.

Maharashtra

Maharashtra witnessed a weaker monsoon rainfall in 2012 compared to 2011, resulting in comparatively lower energy generation in the hydro projects in the state.

Bhandardara I: The Bhandardara Power House 1 continues to operate efficiently. The project generated over 34 GWh during January to October 2012 period. Depending on the irrigation water release pattern adopted by the Water Resources Department of the Government of Maharashtra, production from the project in the upcoming water year is likely to be lower than that historically observed. IHDC expects that once the control of irrigation shifts from the dam at Lake Arthur Hill to the new Nilwande dam, which is currently under construction and expected to be completed in FY 2014-15, the annual production from Bhandardara I will significantly increase.

Bhandardara II: The Bhandardara Power House II produced over 52 GWh of electricity during January to October 2012, as compared to 53 GWh for the full year in 2011. The project operated as expected and no noteworthy issues were reported.

Darna: IHDC commissioned Darna, a 4.9 MW hydropower project in January 2011. Due to delayed monsoon season this year and the slow water releases from the dam, the energy generation has been impacted. Darna project generated approx. 11.3 GWh of electricity during January to October 2012. Between June and October, 2012, the project produced approximately 6.6 GWh, which is nearly 2.1 GWh lower than expected. IHDC expects that production from the project will significantly improve once the construction of three upstream irrigation dam projects is completed.

Vaitarna: Vaitarna is a 3 MW hydropower project in Maharashtra located close to IHDC's three existing plants – Bhandardara I, II & Darna. The Group invested £0.3 million in early 2012 for the construction of this project. The Government of Maharashtra's Water Resource Department is currently re-evaluating a comprehensive water resource plan for the district within which the project is located. Consequently, construction work has not commenced at the site and IHDC is evaluating specific actions to take in consultation with the Government of Maharashtra in the event the implementation of the project is delayed.

Madhya Pradesh

Birsinghpur: The Birsinghpur project located on the cooling water return canal in the Sanjay Gandhi Thermal Power Station in Madhya Pradesh produced 12.9 GWh during the January to October 2012 period, approximately 10 per cent higher than the same period for the previous year. No problems were reported and the project is expected to continue to operate smoothly in the upcoming year.

Himachal Pradesh

H.P. Cluster No. 1

Sechi: IHDC commissioned Sechi, a 4.5 MW hydropower project in Himachal Pradesh in February 2012. IHDC has entered into a long-term PPA with the Himachal Pradesh State Electricity Board ("**HPSEB**") at the HPERC approved rate of INR 2.50 per KWh. This rate has been further increased to INR 2.72 per KWh but HPSEB has gone to the High Court against the Order of Regulator HPERC in other similar cases and currently not allowing the increase to IHDC pending appeal. The resolution may take 4-6 months at the current level of progress at High Court. Himachal Pradesh, like Maharashtra experienced a weaker and delayed monsoon in 2012. Cooler temperatures early in the year resulted in delayed snowmelt. Both of these factors have contributed to reduced generation from IHDC's Sechi project.

Panwi: IHDC is currently in the final stages of completing the construction work at Panwi, a 4 MW hydropower plant in Himachal Pradesh. The project was delayed by a few months due to issues with the Electrical & Mechanical contractor; however, things are back on track and final installations in the powerhouse are underway. Panwi is expected to commission in the first quarter of 2013. The energy generated from the project will be sold under a long-term PPA to the HPSEB at rates approved by the state electricity regulatory commission.

Melan: The Melan project is a 4.5 MW small hydropower project located on a tributary of the Satluj river in Himachal Pradesh and is fed by snowmelt and annual monsoon flows. Based on technical studies, IHDC has determined that the capacity of this project can be enhanced to approximately 9 MW. Construction activities can be initiated only upon completion of the necessary documentation and required approvals for the revised project arrangement.

H.P. Cluster No. 2

Raura: Raura is an 8 MW greenfield run-of-the-river hydropower plant in Himachal Pradesh. The Group invested £1.05 million in May 2012 for construction of the project. This equity contribution will be used for land acquisition, final engineering design, contractor advances and construction. The total anticipated equity investment required for Raura (at 8MW) is approximately £3 million, of which the remaining amounts will be met out of internal accruals from existing operating plant cash flows. Following commitment for debt funding with the Indian Renewable Energy Development Agency, construction activities have commenced for the project. Based on technical parameters

observed, IHDC believes that the capacity of the project can be enhanced to 12 MW and is incorporating the flexibility to install higher capacity equipment at the site.

Overall, the actual production during the January to October, 2012 period was approximately 127 GWh, which is about 5 per cent below the production budgeted by IHDC. However, during the June to October, 2012 period the actual production was nearly 16 per cent below the budgeted figures, indicating the impact of the weak and delayed monsoon in 2012. Since several of IHDC's projects produce electricity from regulated releases, the full impact on revenues for the current fiscal year cannot be accurately predicted at this stage.

Valuation

The IHDC portfolio is valued using the Company's stated valuation methodology, but by using a composite risk premium of 3.35 per cent over the risk-free rate at 8.33 per cent. The composite risk premium is computed by using a MW based weighted average of risk premia of individual assets related to their stage of operation. A 2 per cent risk premium was used for the Bhandardara I, II and Birsinghpur projects, the "ramp-up" risk premium of 4 per cent was used for the Darna and Sechi projects, and a "construction phase" risk premium for Panwi and Raura. We have assumed a higher risk premium of 7 per cent due to regulatory & governmental challenges on Vaitarna. Additionally, on account for the inherent risks associated with upsizing a construction project, we continue to use a higher risk premium of 7 per cent for Melan. The value for the IHDC investment as on 30 September 2012 was £24.4 million (31 March 2012 - £25.41 million, 30 September 2011 - £24.8 million), valuing Melan and Raura at capacities of 4.5 MW and 8 MW, respectively. Although currency devaluation contributed to a 4 per cent reduction in valuation between March 2012 and September 2012, the NPV has seen an overall reduction in valuation mainly on account of anticipated commissioning delays at Panwi, Vaitarna and Melan.

Indian Energy Limited ("IEL")

Summary

Description:	An independent power producer focused on wind farms, with 41.3MW production capacity over two operating wind farms.	
Promoter:	IIP	
Date of Investment:	21 September 2011	October 2011 to August 2012
Amount of Investment:	£10.57 million (implied value)	£0.81 million
Aggregate Percentage Interest:	100 per cent.	100 per cent.
Valuation as at 31 Mar 2012:	£13.87 million	
Project Debt:Equity Ratio (based on construction costs):	60:40	
Key Highlights:	- Reduction in average interest costs at Gadag (13.50 per cent) and Theni (13.00 per cent) - Better than expected generation numbers – Gadag (approx. 35 MU) & Theni (approx. 40 MU) (Apr-Sep 2012) - High PLF (close to P50 values) observed for the six month reporting period - Gadag (approx. 32.4 per cent.) and Theni (46.4 per cent.) - Theni project successfully converted to a Group Captive project, resulting in timely payments and improved cash flows. - Theni project successfully registered as a Clean development mechanism under the Kyoto protocol	

Investment Details

IEL is an independent power producer focused on owning and operating wind farms in India. It currently operates 41.3 MW across two wind farms in the states of Karnataka and Tamil Nadu.

Project Information

Gadag

The Gadag Project is a 24.8 MW wind farm situated in Karnataka, now in its third full year of operation. The power generated at Gadag is sold to the Bangalore Electricity Supply Company under a 20-year power purchase agreement at Rs. 3.40 per kWh for the first 10 years. IEL expects that at the end of the 10-year period, the then current tariff order from the Karnataka Electricity Regulatory Commission will apply, and anticipates the tariff to be higher to reflect inflation during the intervening 10 years.

The Gadag Project is registered as a Clean Development Mechanism under the Kyoto Protocol and is earning CERs. CERs have been forward sold to Standard Bank plc at a price of €11.50 per CER for the period to 31 December 2012. The CERs for the period 1 January 2013 to 31 December 2016 had been pre-sold at a price of €8.50 per CER which contract has been unwound generating further revenue for IEL in the current period. Gadag is expected to receive the third tranche of CER's of the project issued under the UNFCCC for the generation from 1 January 2012 to 30 June 2012. The CERs issuance is expected to happen by mid December 2012 with monetization by mid-January 2013.

Gadag managed to produce better than expected energy generation in the April to September 2012 period, generating over 35 million kWh. This production was at approximately the P50 forecasted value. The project operated at a PLF of over 32.4 per cent during the reporting period, which is approximately 11 per cent higher compared to the same period in 2011.

Theni

The Theni Project, a 16.5 MW wind farm, was fully commissioned on 13 August 2010 and has completed two full years of operation.

The power from the Theni Project was being sold to the Tamil Nadu Electricity Board under a 20-year power purchase agreement at Rs. 3.39 per kWh. The project is also approved under the Generation Based Incentive scheme introduced by the Government of India and as a result earned additional revenue of Rs. 0.50 per kWh.

In July 2012, IEL successfully converted the Theni wind farm to a group captive power project. The project is now providing power to four industrial customers at a gross tariff of INR 5.25 per kWh and IEL anticipates receiving payments within 45 days of invoicing.

Theni managed to produce better than expected energy generation in the April to September, 2012 reporting period, generating approximately 40 million kWh, i.e., near P50 forecasts. The project operated at a PLF of over 46 per cent during the reporting period, which is approximately 23 per cent higher compared to the same period in 2011.

IEL has also successfully registered the project as a Clean Development Mechanism under the Kyoto Protocol and as such it will be eligible, subject to verification, to earn CERs

The existing project debt is provided by State Bank of India with a floating interest rate linked to the bank's Base Rate. Gadag has an applicable interest rate of 13.50 per cent (0.25 per cent base-rate reduction); whereas Theni now has an applicable interest rate of 13.00 per cent (0.50 per cent rate reduction + 0.25 per cent base-rate reduction). Dividend restrictions involve financial covenants linked to the debt service coverage ratio (DSCR must be >1.30), minimum agreed cash reserves and a cash sweep of 50 per cent of the excess cash for prepayment of principal.

Future Plans

As part of the Company's expansion plans, it has entered in to a framework agreement with Trishe Developers Private Limited ("**Trishe**") for the development and acquisition of up to 1,000 MW of wind farms in India. The agreement provides for Trishe to undertake the development of the projects, which IEL will acquire once certain critical milestones have been reached. The wind turbines will be supplied by various manufacturers, with each project utilising the most appropriate turbine technology for the project site. As a result of the framework agreement, IEL has entered in to a Letter of Intent with Trishe for the acquisition of a wind farm project with up to 200 MW of capacity being developed by Trishe in Tamil Nadu.

In addition, IEL has also entered into a framework agreement with Kenergy Infrastructure for 100 MW wind projects in the state of Maharashtra.

Valuation

As at 30 September, 2012, the IEL assets were valued in accordance with the Company's stated valuation methodology by applying a 2.0 per cent risk premium above the risk free rate of 8.35 per cent. The risk premium of 2 per cent representing "normal operations" is utilised for both projects as they have been operational for over two years. The value so determined for the IEL assets is £13.86 million. This valuation is reflected in the Company Statement of Financial Position, in which the Company's investments in subsidiaries are shown at fair value. However, as IEL was a wholly owned subsidiary at that date, the Consolidated Statement of Financial Position includes a consolidation of IEL, as required by IFRS. Such a consolidation by definition does not incorporate the valuation of the investment.

Consolidated Statement of Comprehensive Income
for the six months ended 30 September 2012

	Note	(Unaudited) 6 months ended 30 September 2012 £'000	(Unaudited) 6 months ended 30 September 2011 £'000	(Audited) Year ended 31 March 2012 £'000
Sales revenue and other income		4,174	-	1,860
Cost of sales		(2,474)	-	(4,655)
Net trading loss		1,700	-	(2,795)
Interest income on bank balances		40	36	81
Movement in fair value of investments at fair value through profit or loss	9	(3,732)	(2,210)	(4,252)
Other income		84	-	163
Gain on bargain purchase	14	-	1,905	1,905
Foreign exchange gain / (loss)		(200)	(3)	54
Asset management and valuation services	7	(1,969)	(1,220)	(2,815)
Other administration fees and expenses	6	(1,470)	(768)	(3,045)
Operating (loss)		(5,547)	(2,260)	(10,704)
Finance costs		(3,172)	-	(2,091)
(Loss) for the period / year before taxation		(8,719)	(2,260)	(12,795)
Taxation		578	-	919
(Loss) for the period / year		(8,141)	(2,260)	(11,876)
Other comprehensive income		(595)	-	(2,376)
Total comprehensive (loss) for the period / year		(8,736)	(2,260)	(14,252)
Basic and diluted earnings per share (pence)	8	(3.56)p	(1.49)p	(6.5)p

The Directors consider that all results derive from continuing activities.
The notes below form an integral part of the financial statements.

Company Statement of Comprehensive Income
for the six months ended 30 September 2012

	Note	(Unaudited) 6 months ended 30 September 2012 £'000	(Unaudited) 6 months ended 30 September 2011 £'000	(Audited) Year ended 31 March 2012 £'000
Income				
Interest income on bank balances		3	36	40
Interest on intercompany loans	10	1,067	551	1,558
Movement in fair value of investments at fair value through profit or loss	10	(7,505)	(4,376)	1,550
Total (loss) / income		(6,435)	(3,789)	3,148
Expenses				
Finance costs		(1,774)	-	(172)
Other administration fees and expenses		(806)	(674)	(2,010)
Foreign exchange (loss) / gain		(198)	(2)	58
Total expenses		(2,778)	(676)	(2,124)
(Loss)/profit for the period / year before tax		(9,213)	(4,465)	1,024
Taxation		-	-	-
(Loss)/profit for the period / year		(9,213)	(4,465)	1,024
Other comprehensive income		-	-	-
Total comprehensive (loss)/profit for the period / year		(9,213)	(4,465)	1,024
Basic and diluted earnings per share (pence)	8	(3.76)p	(2.95)p	0.6p

The Directors consider that all results derive from continuing activities.
The notes below form an integral part of the financial statements.

Consolidated Statement of Financial Position
as at 30 September 2012

	Note	(Unaudited) 30 September 2012 £'000	(Unaudited) 30 September 2011 £'000	(Audited) 31 March 2012 £'000
Non-current assets				
Investments at fair value through profit or loss	9	86,397	125,631	89,109
Other investments held at cost		143	-	146
Property, plant and equipment		71,205	-	70,365
Goodwill from acquisition		81,243	-	81,199
Derivative financial assets		-	26,132	133
Intangible assets		75	672	-
Deferred tax assets		1,186	-	600
Loan advances		10,901	418	3,679
Total non-current assets		251,150	152,853	245,231
Current assets				
Debtors and prepayments		3,955	3,841	2,543
Inventories		27	-	18
Derivative financial asset		129	294	261
Cash and cash equivalents		18,911	8,967	10,254
Total current assets		23,022	13,102	13,076
Total assets		274,172	165,955	258,307
Current liabilities				
Trade and other payables		(5,718)	(2,669)	(6,016)
Tax liability		(149)	(126)	(81)
Loans and borrowings	17	(18,594)	(314)	(20,623)
Total current liabilities		(24,461)	(3,109)	(26,720)
Non-current liabilities				
Loans and borrowings	17	(27,191)	(16,949)	(39,524)
Total non-current liabilities		(27,191)	(16,949)	(39,524)
Total liabilities		(51,652)	(20,058)	(66,244)
Net assets		222,520	145,897	192,063

Equity				
Ordinary shares	11	3,427	1,638	2,188
Share premium	11	226,711	131,149	188,757
Translation reserve		(2,971)	-	(2,376)
Retained earnings		(4,647)	13,110	3,494
Total equity		222,520	145,897	192,063

These financial statements were approved by the Board on 19 December 2012 and signed on their behalf by

Sonny Lulla
Chief Executive

Tim Walker
Director

Company Statement of Financial Position
as at 30 September 2012

	Note	(Unaudited) 30 September 2012 £'000	(Unaudited) 30 September 2011 £'000	(Audited) 31 March 2012 £'000
Non-current assets				
Investments in subsidiaries and intercompany loans	10	222,415	135,621	216,694
Total non-current assets		222,415	135,621	216,694
Current assets				
Debtors and prepayments		26	1,058	28
Cash and cash equivalents		15,249	8,016	6,671
Total current assets		15,275	9,074	6,699
Total assets		237,690	144,695	223,393
Current liabilities				
Trade and other payables		(371)	(1,003)	(439)
Loans and borrowings	17	-	-	(15,615)
Total current liabilities		(371)	(1,003)	(16,054)
Total liabilities		(371)	(1,003)	(16,054)
Net assets		237,319	143,692	207,339
Equity				
Ordinary shares	11	3,427	1,638	2,188
Share premium	11	226,711	131,149	188,757
Retained earnings		7,181	10,905	16,394
Total equity		237,319	143,692	207,339

These financial statements were approved by the Board on 19 December 2012 and signed on their behalf by

Sonny Lulla
Chief Executive

Tim Walker
Director

Consolidated Statement of Changes in Equity
for the six months ended 30 September 2012

	Note	Share capital £'000	Share premium £'000	Translation reserve £'000	Retained profit £'000	Total £'000
Balance at 1 April 2011		1,506	121,133	-	15,370	138,009
Total comprehensive income for the year						
Loss for the year		-	-	-	(11,876)	(11,876)
Total other comprehensive income		-	-	(2,376)	-	(2,376)
Total comprehensive income for the year		**-**	**-**	**(2,376)**	**(11,876)**	**(14,252)**
Contributions by and distributions to owners						
Issue of ordinary shares		682	68,196	-	-	68,878
Share issue costs		-	(572)	-	-	(572)
Total contributions by and distributions to owners of the Company		**682**	**67,624**	**-**	**-**	**68,306**
Balance at 31 March 2012		**2,188**	**188,757**	**(2,376)**	**3,494**	**192,063**
Balance at 1 April 2012		2,188	188,757	(2,376)	3,494	192,063
Total comprehensive income for the year						
Loss for the year		-	-	-	(8,141)	(8,141)
Total other comprehensive income		-	-	(595)	-	(595)
Total comprehensive income for the year		**-**	**-**	**(595)**	**(8,141)**	**(8,736)**
Contributions by and distributions to owners						
Issue of ordinary shares		1,239	41,858	-	-	43,097
Share issue costs		-	(3,904)	-	-	(3,904)
Total contributions by and distributions to owners of the Company		1,239	37,954	-	-	39,193
Balance at 30 September 2012		**3,427**	**226,711**	**(2,971)**	**(4,647)**	**222,520**

Company Statement of Changes in Equity
for the six months ended 30 September 2012

	Note	Share capital £'000	Share premium £'000	Retained profit £'000	Total £'000
Restated balance at 31 March 2011		1,506	121,133	15,370	138,009
Total comprehensive income for the year					
Profit for the year		-	-	1,024	1,024
Total comprehensive income for the year		**-**	**-**	**1,024**	**1,024**
Contributions by and distributions to owners					
Issue of ordinary shares		682	68,196	-	68,878
Share issue costs		-	(572)	-	(572)
Total contributions by and distributions to owners of the Company		**682**	**67,624**	**-**	**68,306**
Balance at 31 March 2012		**2,188**	**188,757**	**16,394**	**207,339**
Restated balance at 31 March 2012		2,188	188,757	16,394	207,339
Total comprehensive income for the year					
Profit for the year		-	-	(9,213)	(9,213)
Total comprehensive income for the year		-	-	(9,213)	(9,213)
Contributions by and distributions to owners					
Issue of ordinary shares		1,239	41,858	-	43,097
Share issue costs		-	(3,904)	-	(3,904)
Total contributions by and distributions to owners of the Company		1,239	37,954	**-**	39,193
Balance at 30 September 2012		**3,427**	**226,711**	**7,181**	**237,319**

The notes below form an integral part of the financial statements.

Consolidated Statement of Cash Flows
for the six months ended 30 September 2012

	Note	(Unaudited) **6 months ended 30 Sep 2012** £'000	(Unaudited) **6 months ended 30 Sep 2011** £'000	(Audited) **Year ended 31 Mar 2012** £'000
Cash flow from operating activities				
Loss for the period / year		(8,719)	(2,260)	(12,795)
Adjustments:				
Depreciation		980	-	1,186
Interest income on bank balances		(40)	(36)	(81)
Fair value gains on investments at fair value through profit or loss	9	3,731	2,210	4,252
Other income		(82)	-	(163)
Foreign exchange loss		200	3	(54)
Gain on bargain purchase	14	-	(1,905)	(1,905)
		(3,930)	(1,988)	(9,560)
Increase in trade and other receivables		(482)	354	177
Increase/decrease in trade and other payables		(1,233)	(1,055)	450
Decrease in inventory		(9)	-	3
Tax paid		55	-	(37)
Net cash utilised by operating activities		**(5,599)**	**(2,689)**	**(8,967)**
Cash flow from investing activities				
Acquisition of investments	9	(4,663)	(16,500)	(16,830)
Cash acquired on acquisition of subsidiary	14	109	904	926
Purchase of property, plant and equipment		(841)	-	(727)
Loans and other advances		(2,889)	-	(4,488)
Sale of financial assets		-	-	684
Purchase of financial assets		229	-	(272)
Interest received		40	36	81
Cash utilised by investing activities		**(8,016)**	**(15,560)**	**(20,626)**
Cash flows from financing activities				
Proceeds from issue of shares (net of share issue costs)	11	39,193	(62)	(572)
Loans received		-	-	21,900
Loans paid		(16,125)	-	(8,690)
Net cash (used by)/generated from financing activities		**23,068**	**(62)**	**12,638**
Net (decrease)/increase in cash and cash equivalents		9,454	(18,311)	(16,955)
Cash and cash equivalents at the beginning of the period		10,254	27,281	27,281
Effect of exchange rate fluctuations on cash held		(797)	(3)	(72)
Cash and cash equivalents at the end of the period/year		**18,911**	**8,967**	**10,254**

Company Statement of Cash Flows
for the six months ended 30 September 2012

	Note	(Unaudited) 6 months ended 30 Sep 2012 £'000	(Unaudited) 6 months ended 30 Sep 2011 £'000	(Audited) Year ended 31 Mar 2012 £'000
Cash flow from operating activities				
(Loss)/profit for the period / year		(9,213)	(4,465)	1,024
Adjustments:				
Interest income on bank balances		(3)	(36)	(40)
Interest income on intercompany loans		(1,067)	(551)	(1,558)
Finance costs		1,774		172
Fair value gains on investments at fair value through profit or loss	10	7,505	4,376	(1,550)
Foreign exchange loss		198	2	(58)
		(806)	(674)	(2,010)
Increase in trade and other receivables		(68)	185	(169)
Increase/(decrease) in trade and other payables		1	(1,048)	(24)
Net cash utilised by operating activities		**(873)**	**(1,537)**	**(2,203)**
Cash flow from investing activities				
Additional investment in subsidiaries	10	(12,158)	(17,699)	(33,545)
Interest received		3	36	40
Cash utilised by investing activities		**(12,155)**	**(17,663)**	**(33,505)**
Cash flows from financing activities				
Proceeds from issue of shares (net of share issue costs)	11	39,193	(62)	(572)
Loans received		-		15,615
Loans paid		(17,389)	-	-
Net cash generated from / (used by) financing activities		**21,804**	**(62)**	**15,043**
Net increase / (decrease) in cash and cash equivalents		**8,776**	**(19,262)**	**(20,665)**
Cash and cash equivalents at the start of the period		6,671	27,278	27,278
Effect of exchange rate fluctuations on cash held		(198)	-	58
Cash and cash equivalents at the end of the period/year		**15,249**	**8,016**	**6,671**

Selected notes to the interim consolidated financial statements for the six months ended 30 September 2012

1. General information

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

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

The Group had 87 full time employees, made up of 7 working for Indian Energy Limited and its subsidiaries and 80 working for Vikram Logistics and Maritime Services Private Limited.

The interim consolidated financial statements of the Company as at and for the six months ended 30 September 2012 comprise the Company and its subsidiaries (together referred to as the "Group"). The interim consolidated and company financial statements are unaudited.

The consolidated financial statements of the Group as at and for the year ended 31 March 2012 are available upon request from the Company's registered office at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP or at www.iiplc.com.

2. Statement of Compliance

These interim consolidated and company financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2012.

These interim consolidated and company financial statements were approved by the Board of Directors on 15 December 2012.

3. Significant accounting policies

The accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2012.

4. Critical accounting estimates and assumptions

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

Actual results may differ from these estimates. In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2012.

During the six months ended 30 September 2012 management reassessed its estimates in respect of:

(a) Estimate of fair value of unquoted investments

The Group holds partial ownership interests in unquoted Indian infrastructure companies or groups of companies. The Directors' valuations of these investments, as shown in note 9, are based on a discounted cash flow methodology, prepared by the Company's Valuation and Portfolio Services Adviser.

(b) Estimate of fair value of subsidiaries

As described in note 3, the Company's investment in subsidiaries have been fair valued in the Company Statement of Financial Position. Their valuation is arrived at by applying the unquoted investment valuation referred to above to their respective net assets.

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

5. Financial risk management policies

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 March 2012.

6. Other administration fees and expenses

	(Unaudited) 6 months ended 30 September 2012 £'000	(Unaudited) 6 months ended 30 September 2011 £'000	(Audited) Year ended 31 March 2012 £'000
Audit fees*	58	33	67
Legal fees	261	250	475
Corporate advisory fees	26	150	62
Public relations fees	8	37	68
Consultancy fees	145	55	816
Employment costs	367	-	556
Other professional costs	207	(16)	223
Administration fees	56	57	106
Directors' fees	120	105	282
Insurance costs	10	6	20
Other costs	212	91	370
	1,470	768	3,045

*Audit fees represent auditors' remuneration for work undertaken in connection with the statutory audit of the Group's financial statements.

7. Investment management, advisory and valuation fees and performance fees

On 16 May 2012 the Company entered into a revised management arrangement with Guggenheim Franklin Park Management, LLC (the "Asset Manager" or "GFPM") and Akur Partners LLP ("Akur"). Under the terms of the revised agreement, GFPM is now the exclusive provider of asset management and related services contracted to the Group, with an annual management fee of 2 per cent. of the value of the Group's assets from time to time which equates to the aggregate fees payable under the terms of the Management Services Agreement and the Valuation and Portfolio Services Agreement for the current financial period and a reduction in the overall fees payable by the Group thereafter. All other material terms of the Management Services Agreement remain the same. Other service providers may be sub-contracted to the Asset Manager as needed and, pursuant to this, the Valuation and Portfolio Services Agreement between Akur and the Group has been acquired by the Asset Manager.

Fees for the period ended 30 September 2012 were £1,968,702 (31 March 2012: £2,815,000). There were no performance fees paid during the year (31 March 2012: nil).

8. Basic and diluted loss per share

The basic and diluted earnings per share is calculated by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

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

	Group 30 September 2012	Company 30 September 2012	Group 30 September 2011	Company 30 September 2011
Loss (£ thousands)	(8,736)	(9,213)	(2,260)	(4,465)
Weighted average number of shares (thousands)	245,166	245,166	151,245	151,245
Basic and diluted loss per share (pence)	(3.56p)	(3.76p)	(1.49p)	(2.95p)

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

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

	SMHPCL (i) £'000	WMPITRL (ii) £'000	VLMS (iii) £'000	IHDC (iv) £'000	Total £'000
Balance at 1 April 2011	21,380	29,400	34,810	25,751	111,341
Additional capital injection	16,500	-	-	330	16,830
Reclassified to subsidiary	-	-	(34,810)	-	(34,810)
Fair value adjustment	(3,163)	(419)	-	(670)	(4,252)
Balance as at 31 March 2012	34,717	28,981	-	25,411	89,109
Additional capital injection	-	-	-	1,020	1,020
Fair value adjustment	1,213	(2,914)	-	(2,031)	(3,732)
Balance as at 30 September 2012	35,930	26,067	-	24,400	86,397

(i) Shree Maheshwar Hydel Power Corporation Ltd ("SMHPCL")
(ii) Western MP Infrastructure and Toll Road Pvt Ltd ("WMPITRL")
(iii) Vikram Logistic and Maritime Services Private Limited ("VLMS")
(iv) India Hydropower Development Company LLC ("IHDC")

The investments have been fair valued by the Directors as at 30 September 2012 using discounted cash flow techniques, as described in note 4. The discount rate adopted for all investments is the single "construction period" discount rate, which consists of the risk free rate of 8.33% (31 March 2012: 8.80%) plus a risk premium of 3% (31 March 2012: 4%) for WMPITRL, 6% (31 March 2012: 6%) for SMHPCL and 3.35% (31 March 2012: 3.66%) for IHDC.

10. Investments in subsidiaries at fair value through the profit and loss

	30 September 2012	30 September 2011	31 March 2012
	£'000	**£'000**	**£'000**
Balance brought forward	216,694	111,163	111,163
Acquisition of investments in subsidiaries*	3,527	10,590	69,878
Net movement in intercompany loans	8,352	17,699	32,545
Interest income on intercompany loans	1,067	551	1,558
Movement in fair value of investments in subsidiaries	(7,224)	(4,376)	1,550
Balance carried forward	**222,415**	**135,621**	**216,694**

* On 30 September 2012, the Company obtained 99.91% control of Freightstar Private Limited ("FPL"), a provider of multimodal logistics services operating 7 dedicated trains on Exim circuits from various locations within India. Its valuation is deemed to be cost as the purchase was made on the period end date. In addition during the year the Company made an additional £1.02m investment in the IHDC project.

11. Share capital and share premium

	No. of shares Ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
Balance at 1 April 2012	218,760,882	2,188	188,757
Issued during the year	123,899,118	1,239	37,954
Balance at 30 September 2012	342,660,000	3,427	226,711

During the period the Company issued 123,899,118 new ordinary shares in order to raise new capital to help fund the on-going working capital needs of the group. The new equity was purchased by an affiliate of GGIC and helped to raise new capital of £37.9m which includes share issue costs of £3.9m.

12. Net asset value per share

The NAV per share is calculated by dividing the net assets attributable to the equity holders at the end of the period by the number of shares in issue.

	Group 30 September 2012	Company 30 September 2012	Group 31 March 2012	Company 31 March 2012
Net assets (£'000)	222,520	237,600	192,063	207,339
Number of shares in issue	342,660,000	342,660,000	218,760,882	218,760,882
NAV per share	£0.65	£0.69	£0.88	£0.95

13. Group entities

Subsidiaries	Country of incorporation	Ownership interest
Infrastructure India HoldCo	Mauritius	100%
Power Infrastructure India	Mauritius	100%
Roads Infrastructure India	Mauritius	100%
Power Infrastructure India (Two) (previously Roads Infrastructure India (Two))	Mauritius	100%
Distribution and Logistics Infrastructure India	Mauritius	100%
Indian Energy	Guernsey	100%
Indian Energy Mauritius	Mauritius	100%
Indian Energy Management	United Kingdom	100%
Belgaum Wind Farms Pvt	India	100%
iEnergy Wind Farms (Theni) Pvt	India	100%
iEnergy Renewables Pvt	India	100%
Vikram Logistic and Maritime Services Private Limited	India	99.9%
Franklin Park India LLC	Delaware USA	100%
Freightstar Private Limited	India	99.9%

14. Acquisition of Freightstar Private Limited

On 30 September 2012, the Company obtained 99.91% control of Freightstar Private Limited ("FPL"), a provider of multimodal logistics services operating 7 dedicated trains on Exim circuits from various locations within India.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities at the acquisition date:

	£'000
Property, plant and equipment	978
Equity investments	2
Trade and other receivables	4,511
Cash and cash equivalents	109
Trade and other payables	(185)
Loans and borrowings	(1,764)
Current tax liabilities	(4)
Total net identifiable assets	**3,647**

Goodwill has been recognised as a result of the acquisition as follows:

	£'000
Total consideration transferred	3,691
Fair value of identifiable assets	(3,647)
Total goodwill	**44**

There have been no subsequent changes to the fair value of the net assets acquired at the time of purchase.

15. Related party transactions

Guggenheim Franklin Park Management LLC ("GFPM") is a wholly owned subsidiary of Guggenheim Global Infrastructure Company Limited, whose affiliates directly or indirectly own 51.17 per cent of the issued share capital of the Company, and receives fees in its capacity as Asset Manager as described in note 7.

16. Property plant and equipment

Details of the Group's property, plant and equipment are shown below.

	Land and buildings	Plant and machinery	Motor vehicles	Office equipment	Fixtures and fittings	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	1,951	29,254	3,493	11	983	42,390	78,082
Acquired at acquisition	920	-	58	2	-	-	980
Additions	-	26	-	2	2	2,451	2,481
Reclassification	-	-	-	-	-	(234)	(234)
Disposals	-	-	-	(1)	(2)	-	(3)
Effect of movements in exchange rates	(44)	(635)	(106)	-	(30)	(813)	(1,628)
Balance at 30 September 2012	**2,827**	**28,645**	**3,445**	**14**	**953**	**43,795**	**79,679**
Depreciation							
Balance at 1 April 2012	29	5,161	2,231	3	293	-	7,717
Acquired at acquisition	-	-	1	-	-	-	1
Disposals	-	-	-	-	(2)	-	(2)
Depreciation for the year	5	720	222	1	32	-	980
Effect of movements in exchange rates	(1)	(148)	(64)	-	(10)	-	(223)
Balance at 30 September 2012	**33**	**5,733**	**2,390**	**4**	**313**	**-**	**8,473**
Carrying amounts							
At 1 April 2012	1,922	24,093	1,262	8	690	42,390	70,365
At 30 September 2012	**2,794**	**22,912**	**1,055**	**10**	**640**	**43,795**	**71,206**

17. Loans and borrowings

	30 September 2012	31 March 2012	30 September 2012	31 March 2012
	Group	**Group**	**Company**	**Company**
	£'000	**£'000**	**£'000**	**£'000**
IIP Bridge Funding LLC loan (i)	-	15,615	-	15,615
Bank loan to Belgaum Wind Farms Private Limited (ii)	6,917	8,510	-	-
Bank loan to iEnergy Wind Farms (Theni) Private Limited (iii)	6,427	7,623	-	-
Bank loans to Vikram Logistic & Maritime Services Private Limited (iv)	26,215	24,940	-	-
ETA Engineering (v)	1,482	-	-	-
Other loans (vi)	4,744	3,459	-	-
	45,785	**60,147**	**-**	**15,615**

The maturity borrowings is as follows:

	Group 30 September 2012	Group 31 March 2012	Company 30 September 2012	Company 31 March 2012
	£ '000	**£ '000**	**£ '000**	**£ '000**
Current liabilities	18,594	20,623	-	15,615
Non-current liabilities	27,191	39,524	-	-
	45,785	**60,147**	**-**	**15,615**

(i) The bridge loan was secured over the issued share capital of Infrastructure India Holding Company Limited and 49 per cent of the share capital of Indian Energy Limited. The loan was at an effective interest of 12 per cent.

(ii) The term loan is secured against mortgage of all immovable properties and hypothecation of all moveable/current assets of Belgaum Wind Farms Private Limited is at an effective interest rate of 12.78 per cent and repayable on 31 December 2021.

(iii) The term loan is secured against mortgage of all immovable properties and hypothecation of all moveable/current assets of iEnergy Wind Farms (Theni) Private Limited. The loan is at an effective interest rate of 12.54 per cent and repayable on 30 September 2023.

(iv) Secured by (i) A first mortgage and charge on Pari–Passu basis on all the immovable assets of the company (ii) Second charge on current assets of the Company (iii) Pledge of 51 per cent shares of VLMS held by IIP. Repayable in 30 quarterly instalments (ballooning/step-up mode) starting from third quarter of FY 2013-14.The above facility is secured by Irrevocable Personal Guarantee of the Promoter Director i.e. Mr. Vikram Viswanath.

(v) The loan to ETA Engineering is unsecured, non-interest bearing loan and repayable on demand.

(vi) Other loans are various unsecured loans repayable on demand.

18. Subsequent events

There are no significant post balance sheet events that have a material effect on the financial statements as at 30 September 2012.