

# IDFC Investment Managers (Mauritius) Ltd.

## BOARD OF DIRECTORS

- Mr. Bashir Nabeebokus
- Mr. Riad Aubdool

## AUDITORS

- Ernst & Young (Mauritius)

## PRINCIPAL BANKERS

- Deutsche Bank (Mauritius) Limited

## REGISTERED OFFICE

C/ o Multiconsult Limited,  
Rogers House,  
5, President John Kennedy Street,  
Port Louis, Mauritius.

The directors present their commentary, together with the audited financial statements of IDFC Investment Managers (Mauritius) Ltd. for the period ended March 31, 2011.

**STATUS AND PRINCIPAL ACTIVITY**

IDFC Investment Managers (Mauritius) Ltd. (the “Company”) was incorporated on September 13, 2010 in the Republic of Mauritius and obtained its Category 1 Global Business License on September 14, 2010.

The principal activity of the Company is to provide management advice.

**RESULTS**

The Company’s profit for the period under review is USD 905.

The directors do not recommend the payment of a dividend for the period under review.

**DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Company’s directors are responsible for the preparation and fair presentation of the financial statements, comprising the Company’s statement of financial position at March 31, 2011, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Mauritian Companies Act 2001.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors have made an assessment of the Company’s ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

**AUDITORS**

The auditors, Ernst & Young, have indicated their willingness to continue in office.

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of the Companies for the period ended March 31, 2011, all such returns as are required of the Company under the Companies Act 2001.

**AKHTAR JANALLY**

Secretary

Mauritian  
April 19, 2011

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IDFC INVESTMENT MANAGERS (MAURITIUS) LIMITED Report on the Financial Statements**

We have audited the financial statements of IDFC INVESTMENT MANAGERS (MAURITIUS) LIMITED (the "Company") on pages 7 to 19 which comprise the statement of financial position as at March 31, 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

### ***Directors' Responsibility for the Financial Statements***

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made

by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements on pages 7 to 19 give a true and fair view of the financial position of the Company as at March 31, 2011, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

### ***Other Matter***

This report, including the opinion, has been prepared for and only for the Company's member in accordance with Section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS COMPANIES ACT, 2001**

We have no relationship with or interests in the Company other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

### **ERNST & YOUNG**

Ebène, Mauritius

### **DARYL CSIZMADIA**

C.A (S.A)

April 19, 2011

# STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011

	NOTE ↴	USD 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	5	5,985
Other receivables and prepaid expenses	6	64,716
<b>TOTAL ASSETS</b>		<b>70,701</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Stated capital	7	57,290
Retained earnings		905
<b>SHAREHOLDERS' FUND</b>		<b>58,195</b>
<b>CURRENT LIABILITIES</b>		
Other payables and accrued expenses	8	12,127
Income tax payable	9	379
		12,506
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>70,701</b>

These financial statements have been approved and authorised for issue by the Board of Directors on April 19, 2011 and signed on its behalf by:

**BASHIR NABEEBOKUS**

**RIAD AUBDOOL**

The notes on pages 11 to 19 form an integral part of these Financial Statements.

Auditors' Report on pages 5 and 6

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM SEPTEMBER 13, 2010  
(DATE OF INCORPORATION) TO MARCH 31, 2011

	NOTE ↴	USD 2011
<b>INCOME</b>		
Investment management fees	10	34,128
<b>Total income</b>		<b>34,128</b>
<b>EXPENSES</b>		
Directors' fees		4,383
Audit fees		3,450
Administration fees		2,740
FSC Licence fees		2,625
ROC fees		240
FII Renewal		5,000
Setup costs		3,600
PI Cover		1,073
Disbursement		250
MLRO fees		1,553
Trust Setup costs		7,750
Bank charges		180
<b>Total expenses</b>		<b>32,844</b>
Operating profit for the period		1,284
Tax expense	9	(379)
<b>Profit for the period</b>		<b>905</b>
Other comprehensive income		-
<b>Total comprehensive income for the period net of tax</b>		<b>905</b>

The notes on pages 11 to 19 form an integral part of these Financial Statements.

Auditors' Report on pages 5 and 6

## STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM SEPTEMBER 13, 2010  
(DATE OF INCORPORATION) TO MARCH 31, 2011

	USD	USD	USD
	STATED CAPITAL	RETAINED EARNINGS	TOTAL
As September 13, 2010	-	-	-
Issue of shares	57,290	-	57,290
Net comprehensive income for the period	-	905	905
At March 31, 2011	57,290	905	58,195

The notes on pages 11 to 19 form an integral part of these Financial Statements.

Auditors' Report on pages 5 and 6

## STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM SEPTEMBER 13, 2010  
(DATE OF INCORPORATION) TO MARCH 31, 2011

	USD
	2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Profit before tax	1,284
Increase in other receivables and prepaid expenses	(64,716)
Increase in other payables and accrued expenses	12,127
<b>NET CASH FLOW USED IN OPERATING ACTIVITIES</b>	<b>(51,305)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from issue of shares	57,290
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,985</b>
Cash and cash equivalents at start of period	-
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>5,985</b>

The notes on pages 11 to 19 form an integral part of these Financial Statements.

Auditors' Report on pages 5 and 6

## 1 LEGAL FORM AND PRINCIPAL ACTIVITY

IDFC Investment Managers (Mauritius) Ltd. (the "Company") is a private Company limited by shares, incorporated in the Republic of Mauritius on the September 13, 2010. The Company holds a Category 1 Global Business Licence and is regulated by the Financial Services Commission (FSC). The principal activity of the Company is to provide management advice.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company are prepared under the historical cost convention. The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's knowledge of current events and actions, actual results ultimately may differ from those estimates.

The principal accounting policies applied in the preparation of these financial statements are set out below.

### STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### FOREIGN CURRENCIES TRANSLATION

#### *Functional and presentation currency*

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Board of Directors consider the USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

#### *Transactions and balances*

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in Profit or Loss. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

### FINANCIAL ASSETS

#### *Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the profit or loss in finance costs.

### DERECOGNITION

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

The Company derecognises a financial liability when the obligation under the liability is discharged or expires.

#### **IMPAIRMENT OF FINANCIAL ASSETS**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **FINANCIAL LIABILITIES**

##### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liability includes other payables only.

##### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

##### *Loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the Profit or Loss.

#### **REVENUE RECOGNITION**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Management fees are accounted for on an accrual basis.

#### **OTHER RECEIVABLES**

Other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### **OTHER PAYABLES**

Other payables are stated at their nominal value.

#### **STATED CAPITAL**

Ordinary shares are classified as equity.

#### **PROVISION**

A provision is recognised when and only when there is a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow embodying economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### **RELATED PARTIES**

Parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individuals or other entities.

## TAXES

### *Current tax charge*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

### *Deferred taxation*

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

The principal temporary differences arise from provisions for bad debts and unrealised exchange differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## **3 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below.

IAS 24 Related Party Disclosures (Amendment)

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRS 9 Financial Instruments – Classification and Measurement

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Improvements to IFRSs (issued in May 2010)

In May 2010, the IASB issued third Improvements to IFRS, an omnibus of amendments to its IFRS. The amendments are applicable for annual periods beginning on or after either July 1, 2010 or January 1, 2011. The amendments listed below are not expected to have any significant impact on the financial position and financial performance of the Company:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Company, however, expects no impact from the adoption of the amendment on its financial position or performance.

## **4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

### *Critical accounting judgements in applying the Company's accounting policies*

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### *Determination of functional currency*

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. As described in note 2, the directors have considered those factors described therein and have determined that the functional currency of the Company is the USD.

### *Going concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## **5 CASH AND CASH EQUIVALENTS**

MARCH 31, 2011

USD

Cash at bank

5,985

## 6 OTHER RECEIVABLES AND PREPAID EXPENSES

	MARCH 31, 2011
	USD
Amount receivable from related companies	59,893
Licence fees	500
Activity Licence fees	375
Insurance Premium	3,948
	<b>64,716</b>

## 7 STATED CAPITAL

	MARCH 31, 2011
	USD
57,290 ordinary share at USD 1 each	<b>57,290</b>

## 8 OTHER PAYABLES AND ACCRUED EXPENSES

	MARCH 31, 2011
	USD
Administration fees	2,740
Director's fees	4,384
Professional fees	1,553
Audit fees	3,450
	<b>12,127</b>

## 9 TAXATION

The Company holds a category 1 Global Business Licence for the purpose of the Financial Services Act 2007.

The Company is liable to pay income tax on its net taxable income at a rate of 15% for the period ended March 31, 2011. The Company is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered or 80% of the Mauritius tax payable in respect of its foreign source income, thus reducing its maximum effective tax rate to 3%.

At March 31, 2011, the Company had a tax payable amounted to USD 379.

## 10 INVESTMENT MANAGEMENT FEES

The Company has entered into Investment Management Agreement with The India Hybrid Infrastructure Fund Limited and India Infrastructure Opportunities Fund Limited on February 8, 2011 and March 14, 2011 respectively. As per the agreements, the Company will receive management fees equal to two percent per annum, calculated and payable quarterly in advance, of the net asset value of The India Hybrid Infrastructure Fund Limited and India Infrastructure Opportunities Fund Limited on December 31, March 31, June 30 and September 30 each year. The net asset value is prior to any accrual for or payment or allocation of the performance fee or redemptions effected as of such date.

As at March 31, 2011, The India Hybrid Infrastructure Fund Limited had not made its initial closing. Hence no investment management fee has been accrued for The India Hybrid Infrastructure Fund Limited.

## 11 RELATED PARTY DISCLOSURES

The Company had the following related party transaction during the period.

NAME OF RELATED COMPANY	NATURE OF TRANSACTIONS	RELATIONSHIP	MARCH 31, 2011
			USD
<b>TRANSACTIONS DURING THE PERIOD:</b>			
India Infrastructure Opportunities Fund Ltd.	Management Fees	Related party	34,128
The India Hybrid Infrastructure Fund Limited	Incorporation expenses	Related party	<b>25,765</b>
<b>BALANCES AS AT MARCH 31:</b>			
India Infrastructure Opportunities Fund Ltd.	Amount receivable	Related party	34,128
The India Hybrid Infrastructure Fund Limited	Amount receivable	Related party	<b>25,765</b>

## 12 FINANCIAL INSTRUMENTS

### FAIR VALUES

The carrying amounts of cash and cash equivalents, other receivables and prepaid expenses and other payables and accrued expenses approximate their fair values.

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

#### CURRENCY PROFILE

The currency profile of the Company's financial instruments is summarised as follows:

	MARCH 31, 2011	
	FINANCIAL ASSETS	FINANCIAL LIABILITIES
	USD	USD
United States Dollars	65,878	12,506

#### MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes interest rate risk, foreign currency risk and other price risks, such as equity and commodity risk.

#### INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of financial instruments. The Company's income and operating cash flows are dependent of changes in interest rates.

The majority of the Company's financial assets and liabilities are non-interest-bearing. As a result, the Company is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

#### PRICE RISK

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks.

The Company is not exposed to equity securities price risk.

#### CREDIT RISK

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

Receivable balances are monitored on an ongoing basis. The maximum exposure is the carrying amount.

#### LIQUIDITY RISK

The Company maintains and manages liquidity risk through the ability to close out market position. Residual and discounted contractual maturities of financial liabilities are presented below:

	MARCH 31, 2011			
	ON DEMAND	1-3 MONTHS	3 MONTHS TO 1 YEAR	TOTAL
	USD	USD	USD	USD
Other payables and accrued expenses	12,127	-	-	12,127

### 13 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 14 HOLDING AND ULTIMATE HOLDING COMPANIES

IDFC Asset Management Company Limited, having its registered address at One Indiabulls Centre, Jupiter Mills Compound, 841 Senapati Bapat Marg, Elphinstone (West), Mumbai – 400 013, India is the Company's holding company. Infrastructure Development Finance Company Limited (India) having its registered address at 8th Floor, KPM Tower, No. 1, Harrington Road, Chetpet, Chennai – 600 031, India, is the Company's ultimate holding company.

### 15 EVENTS AFTER REPORTING DATE

There have been no material events after the reporting period which would require disclosure or adjustment to the March 31, 2011 financial statements.

### 16 COMPARATIVES

There are no comparatives as these are the first set of financial statements by the Company since its incorporation on September 13, 2010.