

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
GMR INFRASTRUCTURE (MAURITIUS) LIMITED

Report on the Financial Statements

We have audited the financial statements of GMR Infrastructure (Mauritius) Limited (the "Company") on pages 7 to 39 which comprise the statement of financial position as at 31 March 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 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 as modified by the exemption from consolidation in the Companies Act 2001 for Companies holding a Category 1 Global Business Licence and in compliance with the requirements of the 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 39 give a true and fair view of the financial position of the Company as at 31 March 2011, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Companies Act 2001 for Companies holding a Category 1 Global Business Licence and comply with the Companies Act 2001.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
GMR INFRASTRUCTURE (MAURITIUS) LIMITED (CONTINUED)

Report on the Financial Statements (Continued)

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.

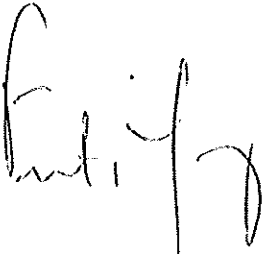
Report on Other Legal and Regulatory Requirements

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)

Date: 29 SEP 2011

GMR INFRASTRUCTURE (MAURITIUS) LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2011

7.

| | Notes | 2011 USD | 2010 USD Restated* |
|--|-------|-------------------|--------------------------|
| INCOME | | | |
| Success fee revenue | | 10,000,000 | - |
| Exchange gain | | - | 473,401 |
| Net gain on cash flow hedges - ineffective portion | 10 | 128,778 | - |
| Other income | | 68 | 18,000 |
| Total income | | 10,128,846 | 491,401 |
| EXPENSES | | | |
| Travelling expenses | | 1,408,335 | - |
| Loss on exchange | | 803,488 | - |
| Business promotional expenses | | 176,148 | 159,273 |
| Other professional fees | | 29,300 | 25,599 |
| Secretarial and administration fees | | 23,231 | 24,861 |
| Audit fees | | 13,645 | 10,637 |
| Accountancy fees | | 7,000 | 6,500 |
| Bank charges | | 3,983 | 6,357 |
| Directors' fees | | 3,857 | 2,502 |
| Licence fees | | 1,750 | 1,752 |
| Tax fees | | 1,500 | 1,900 |
| Net loss on cash flow hedges - ineffective portion | 10 | - | 3,461 |
| Total expenses | | 2,472,237 | 242,842 |
| OPERATING PROFIT | | 7,656,609 | 248,559 |
| Finance income | | 14,638 | 1,100 |
| Finance cost | 3 | (6,441,905) | (2,168,867) |
| PROFIT/ (LOSS) BEFORE TAX FOR THE YEAR | | 1,229,342 | (1,919,208) |
| Income tax expense | 11 | - | - |
| PROFIT/ (LOSS) FOR THE YEAR AFTER TAXATION | | 1,229,342 | (1,919,208) |
| OTHER COMPREHENSIVE INCOME | | | |
| Net gain/ (loss) on cash flow hedges | 10 | 870,488 | (1,384,792) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | 870,488 | (1,384,792) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 2,099,830 | (3,304,000) |

*Certain amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made as detailed in Note 14.

GMR INFRASTRUCTURE (MAURITIUS) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

8.

| | Notes | 2011 USD | 2010 USD Restated* | 2009 USD |
|--------------------------------------|-------|--------------------|--------------------------|--------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Investments in subsidiaries | 4 | 90,729,995 | 67,629,927 | 10,649,802 |
| Current assets | | | | |
| Deposit on shares | 5 | 342,145,614 | 225,266,066 | 141,583,611 |
| Amounts due from related parties | 12 | 10,013,700 | - | 993,690 |
| Amounts due from third parties | | - | - | 30,000 |
| Prepayments | | 2,494 | 1,553 | 2,768 |
| Cash and cash equivalents | 6 | 9,910,453 | 103,974,815 | 3,173,798 |
| Total current assets | | 362,072,261 | 329,242,434 | 145,783,867 |
| Total assets | | 452,802,256 | 396,872,361 | 156,433,669 |
| EQUITY AND LIABILITIES | | | | |
| Stated capital | 7 | 320,550,001 | 220,550,001 | 156,550,001 |
| Subscription monies | 8 | - | 100,000,000 | - |
| Cash flow hedge reserve | | (514,304) | (1,384,792) | - |
| Retained earnings | | (826,698) | (2,056,040) | (136,832) |
| Total equity | | 319,208,999 | 317,109,169 | 156,413,169 |
| Non-current liabilities | | | | |
| Loan payable | 9 | - | 72,149,930 | - |
| Derivative financial liabilities | 10 | - | 7,433,789 | - |
| Total non-current liabilities | | - | 79,583,719 | - |
| Current liabilities | | | | |
| Loan payable | 9 | 129,499,750 | - | - |
| Derivative financial liabilities | 10 | 2,228,588 | - | - |
| Amounts due to related parties | 12g | 1,408,334 | 159,273 | - |
| Accruals | | 456,585 | 20,200 | 20,500 |
| Total current liabilities | | 133,593,257 | 179,473 | 20,500 |
| Total liabilities | | 133,593,257 | 79,763,192 | 20,500 |
| Total equity and liabilities | | 452,802,256 | 396,872,361 | 156,433,669 |

*Certain amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made as detailed in Note 14.

Authorised for issue by the Board of directors on
and signed on its behalf by

29 SEP 2011



Director



Director

The notes on pages 11 to 39 form an integral part of these financial statements.

GMR INFRASTRUCTURE (MAURITIUS) LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 MARCH 2011

9.

| | Stated capital USD | Subscription monies USD | Cash flow hedge reserve USD | Retained earnings USD | Total equity USD |
|---|--------------------------|-------------------------------|--------------------------------------|-----------------------------|------------------------|
| At 01 April 2009 (Restated*) | 156,550,001 | - | - | (136,832) | 156,413,169 |
| Loss for the year | | - | - | (1,919,208) | (1,919,208) |
| Other comprehensive income | | | | | |
| Net loss on cash flow hedges - effective portion (Note 10) | | - | (1,384,792) | - | (1,384,792) |
| Total comprehensive income | - | - | (1,384,792) | (1,919,208) | (3,304,000) |
| Transaction with owners | | | | | |
| Issued during the year | 64,000,000 | - | - | - | 64,000,000 |
| Increase in subscription monies | - | 100,000,000 | - | - | 100,000,000 |
| At 31 March 2010 | 220,550,001 | 100,000,000 | (1,384,792) | (2,056,040) | 317,109,169 |
| Profit for the year | | - | - | 1,229,342 | 1,229,342 |
| Other comprehensive income | | | | | |
| Net gain on cash flow hedges - effective portion (Note 10) | | - | 870,488 | - | 870,488 |
| Total comprehensive income | | - | 870,488 | 1,229,342 | 2,099,830 |
| Transaction with owners | | | | | |
| Issued during the year | 100,000,000 | - | - | - | 100,000,000 |
| Decrease in subscription monies | | (100,000,000) | - | - | (100,000,000) |
| At 31 March 2011 | <u>320,550,001</u> | <u>-</u> | <u>(514,304)</u> | <u>(826,698)</u> | <u>319,208,999</u> |

*Certain amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made as detailed in Note 14.

GMR INFRASTRUCTURE (MAURITIUS) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

10.

| | Notes | 2011 USD | 2010 USD Restated ^a |
|---|----------|----------------------|--------------------------------------|
| <i>Cash flows from operating activities</i> | | | |
| (Loss)/Profit before tax for the year | | 1,229,342 | (1,919,208) |
| <i>Adjustment for:</i> | | | |
| Exchange loss/(gain) | | 2,744,142 | (473,401) |
| Bank interest income | | (14,638) | (1,100) |
| Interest expense on loan | | 6,441,905 | 2,168,867 |
| Net loss/(gain) on cash flow hedges - ineffective portion | | (128,778) | 3,461 |
| Amount due to affiliates written off | | (68) | - |
| Profit/(loss) from operations before working capital changes | | 10,271,905 | (221,381) |
| (Increase)/ decrease in amounts due from related parties | 12 | (10,013,700) | 993,690 |
| Increase in amount due to related parties | 12 | 1,249,061 | 159,273 |
| Decrease in amount due from third party | | - | 30,000 |
| (Increase)/ decrease in prepayments | | (872) | 1,215 |
| Increase/ (decrease) in accruals | | 3,527 | (300) |
| Net cash generated from/(used in) operating activities | | 1,509,921 | 962,497 |
| <i>Cash flows from investing activities</i> | | | |
| Bank interest received | | 14,638 | 1,100 |
| Purchase of investment in subsidiaries | 12 | (23,100,068) | (56,980,125) |
| Deposit on shares | 5 | (131,645,148) | (83,682,455) |
| Refund of deposit on shares | | 14,765,600 | 100,000,000 |
| Net cash used in investing activities | | (139,964,978) | (40,661,480) |
| <i>Cash flows from financing activities</i> | | | |
| Loan received | | 58,000,000 | 76,500,000 |
| Loan repaid | | (6,900,000) | - |
| Interest paid | | (6,709,305) | - |
| Proceeds from issue of shares | | - | 64,000,000 |
| Net cash generated from financing activities | | 44,390,695 | 140,500,000 |
| Net (decrease)/increase in cash and cash equivalents | | (94,064,362) | 100,801,017 |
| Cash and cash equivalents at beginning of the year | 6 | 103,974,815 | 3,173,798 |
| Cash and cash equivalents at end of the year | 6 | 9,910,453 | 103,974,815 |

^aCertain amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made as detailed in Note 14.

1. CORPORATE INFORMATION

GMR Infrastructure (Mauritius) Limited (the "Company") is a private limited company incorporated on 18 December 2007 and domiciled in Mauritius. The company holds a Category 1 Global Business Licence under the Financial Services Act 2007 and is regulated by Financial Services Commission. The Company's registered office is C/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene, Republic of Mauritius.

The principal activity of the Company is investment holding and the Company also provides advisory, support and technical services relating to projects of the GMR Group.

2.1 BASIS OF PREPARATION

These separate financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The financial statements are presented in US Dollars (USD) and all values are rounded to the nearest USD except when otherwise stated.

Consolidated financial statements

The financial statements are separate financial statements which contain information about GMR Infrastructure (Mauritius) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company owns 100% in GMR Infrastructure (Cyprus) Limited, 100% in GMR Infrastructure (UK) Limited, 100% in GMR Infrastructure Overseas S.L (Spain), 100% in GMR Infrastructure (Singapore) Pte Limited 100% in GMR Infrastructure (Malta) Ltd, 77% in GMR Male International Airport Private Limited and 95% in GMR Infrastructure Investments (Singapore) Pte. Ltd.

The Company has taken advantage of the exemption provide by the Mauritian Companies Act, 2001 allowing a wholly owned or virtually owned parent company holding a Category 1 Global Business Licence not to present consolidated financial statement. The financial statements are of the Company only and do not consolidate the results of its subsidiaries.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IFRS and IFRIC interpretations effective as of 1 April 2010.

Amendments to IAS 39, IFRS 2, IFRS 1, IAS 32 IFRIC 17, did not have any impact on the accounting policies, financial position or performance of the Company.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company:

Issued in April 2009

IAS 7 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

Improvements to IFRS (Continued)

Issued in May 2008

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Issued in April 2009

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 8 Operating Segments

IAS 36 Impairment of Assets

IFRS 2 Share-based Payment

IAS 1 Presentation of Financial Statements

IAS 17 Leases

IAS 34 Interim Financial Reporting

IAS 38 Intangible Assets

IAS 39 Financial Instruments: Recognition and Measurement

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 16 Hedge of a Net Investment in a Foreign Operation

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel independent of the party that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (Continued)

Fair value of derivatives (Continued)

To the extent practical, models use observable data; however, areas such as volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of the derivatives has been computed by discounting the cross-currency cash flows using the corresponding cross-currency discount rates representative of the risk associated with the cash flows.

Please refer Note 10 for carrying values of derivatives outstanding as at year end.

Judgements

Determination of functional currency

The determination of functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. IAS 21- *The Effect of Changes in Foreign Exchange Rates* requires an entity to evaluate the functional currency based on primary and secondary factors which indicate the currency of the primary economic environment in which the entity operates. The directors have considered those factors therein, mainly independence in operations, and have determined that the functional currency of the Company is the USD.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Investments in subsidiaries

Subsidiaries are those entities (including special purpose entities) in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Company controls another entity.

Investment in subsidiaries is shown at cost. However, if there are impairment indicators, an impairment is recognized as per the impairment policy (refer Note 2.4 (h)). On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss.

b) Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

- 1) Interest income is recognised using the effective interest rate method for interest-bearing financial instruments.
- 2) Dividend income is recognised when the right to receive payment is established.
- 3) Success fee, being income on project consultancy services, is recognised on an accrual basis in accordance with the substance of the relevant agreement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Expense recognition

All expenses are accounted for in the profit and loss on accruals basis.

d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in United States dollars ("USD"), which is the Company's functional and presentation currency. The USD is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company.

d) Foreign currency translation (Continued)

(ii) *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and 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.

e) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments - initial recognition and subsequent measurement (continued)

i) *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.

The Company's financial assets include investment in subsidiaries, deposit on shares, amounts due from related parties and cash and cash equivalents. However, investment in subsidiaries is measured as per Note 2.4 (a) above.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

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 fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit and loss. The losses arising from impairment are recognised in the profit and loss as finance costs.

Loans and receivables comprise deposit on shares and amount due from related parties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments - initial recognition and subsequent measurement (continued)

i) *Financial assets (continued)*

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:

- i) The rights to receive cash flows from the asset have expired
- ii) 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 of 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.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) *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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments - initial recognition and subsequent measurement (continued)

ii) *Impairment of financial assets (continued)*

Financial assets carried at amortised cost (Continued)

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit and loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

iii) *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 liabilities include loan payable, derivative financial instruments, amounts due to related parties and accruals.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments - initial recognition and subsequent measurement (continued)

iii) *Financial liabilities (Continued)*

Financial liabilities at fair value through profit or loss (continued)

Gains or losses on liabilities held for trading are recognised in the income statement. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

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 profit and loss 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 fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss.

iv) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v) *Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 13(d).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments namely cross-currency interest rate swap to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit and loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

Initial recognition and subsequent measurement

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the profit and loss. Amounts recognised as other comprehensive income are transferred to the profit and loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company uses cross currency interest rate swaps as hedges of its exposure to foreign currency risk and interest rate risk in foreign currency borrowings. Refer to Note 10 for more details.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets

Investments in subsidiaries

- Significant changes in the extent to which, or manner in which, the subsidiary is operating that will have an adverse effect on it. These changes include the subsidiaries becoming idle, plans to dispose of a subsidiary or plans to restructure the operation of the subsidiary;
- Significant adverse changes that have taken place during the year, or will take place in the near future, in the technological, market, economic or legal environment in which the subsidiary operates or in the market to which the subsidiary is dedicated;
- Internal reports indicate that the economic performance of a subsidiary is, or will be, worse than expected;
- Cash flows for acquiring a subsidiary, or subsequent cash needs for operating or maintaining it, are significantly higher than originally budgeted;
- Operating profit or loss or actual net cash flows of the subsidiary are significantly worse than those budgeted; and
- Significant decline in budgeted net cash flows or operating profit, or a significant increase in budgeted loss of the subsidiary.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Cash and cash equivalent

Cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, if any.

i) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.5 FUTURE CHANGES IN ACCOUNTING POLICY

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted.

IFRS 9 Financial Instruments:

Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The management is still evaluating the impact that phase 1 of IFRS 9 will have on its financial statements.

Financial Liabilities

The amendment largely retains the existing classification and measurement requirements in IAS 39 for financial liabilities, with two exceptions:

- The effects of changes in the own credit risk will not affect profit or loss for financial liabilities designated at fair value through profit or loss using the fair value option; and
- Liabilities arising from derivatives on investments in unquoted equity instruments will no longer be measured at cost.

The amendment is applicable for annual periods beginning on or after 1 January 2013. The management is still evaluating the impact of IFRS 9 will have on its financial statements.

2.5 FUTURE CHANGES IN ACCOUNTING POLICY (CONTINUED)

IFRS 10 Consolidated Financial Statements

The objective of the standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013. However, earlier application is permitted. The management is still evaluating the impact of IFRS 10 will have on its financial statements.

IFRS 11 Joint Arrangements

The standard establishes principles for financial reporting by parties to a joint arrangement. This standard supersedes IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers and is effective for annual periods beginning on or after January 1, 2013. However, earlier application is permitted. The management is still evaluating the impact of IFRS 11 will have on its financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. This standard is effective for annual periods beginning on or after January 1, 2013. However, earlier application is permitted. The management is still evaluating the impact of IFRS 12 will have on its financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurements. The IFRS applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. The IFRS explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting. The IFRS is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The management is still evaluating the impact of IFRS 13 will have on its financial statements.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The Company does not expect the amendment to have an impact on the financial position as the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The Company has concluded that the interpretation will have no impact on its financial statements, as the Company has not entered into any such transaction.

2.5 FUTURE CHANGES IN ACCOUNTING POLICY (CONTINUED)

Amendment to IFRS 1- Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters

The transitional provisions of the March 2009 amendments to IFRS 7 were amended to clarify that the relief available from providing comparative disclosure information at the same time making this relief available to first-time adopters of IFRS. These changes will benefit both existing IFRS reporters that present more than one comparative period and interim statements in the year following their initial application of the amendments and first-time adopters. The amendment is applicable for annual periods beginning on or after 1 July 2010. The Company does not expect the amendment to have an impact on the financial position as the Company.

IFRS 7- Amendments - Disclosures – Transfers of Financial Assets

The amendment requires additional disclosures in case of transfer of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment is applicable for annual periods beginning on or after 1 July 2011. The Company does not expect the amendment to have an impact on the financial position as the Company.

IAS 12 Deferred Tax: Recovery of Underlying Assets

IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a rebuttable presumption that recovery of the carrying amount will, normally be through sale. The amendment is applicable for annual periods beginning on or after 1 January 2012. Earlier adoption is permitted. The adoption of this interpretation will have no material effect on the financial statements of the Company.

Amendments to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The first amendment replaces references to a fixed date of 'January 1, 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The amendment is applicable for annual periods beginning on or after 1 January 2012. Earlier adoption is permitted. The adoption of this interpretation will have no effect on the financial statements of the Company.

IAS 19 Employee Benefits

In June 2011, the IASB issued an amended version of IAS 19 Employee Benefits which proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. Expected returns on plan assets will be replaced by a credit to income based on the corporate bond yield rate. The amended version is applicable for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The management is still evaluating the impact of IAS 19 will have on its financial statements.

2.5 FUTURE CHANGES IN ACCOUNTING POLICY (CONTINUED)

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The amendments are listed below:

| Standard and subject | Applicability date | Key impact |
|---|---|--|
| IFRS 1 First-time Adoption of International Financial Reporting Standards | Annual periods beginning on or after January 1, 2011. | No impact on the financial statements. |
| IFRS 3 Business Combinations | Annual periods beginning on or after July 1, 2010. | No impact on the financial statements. |
| IFRS 7 Financial Instruments: Disclosures | Annual periods beginning on or after January 1, 2011. | No impact on the financial statements. |
| IAS 1 Presentation of Financial Statements | Annual periods beginning on or after January 1, 2011. | No impact on the financial statements. |
| IAS 27 Consolidated and Separate Financial Statements | Annual periods beginning on or after July 1, 2010. | No impact on the financial statements. |
| IAS 34 Interim Financial Reporting | Annual periods beginning on or after January 1, 2011. | No impact on the financial statements. |
| IFRIC 13 Customer Loyalty Programmes | Annual periods beginning on or after January 1, 2011. | No impact on the financial statements. |

3. FINANCE COST

| | 2011 USD | 2010 USD |
|---|------------------|------------------|
| Interest on loan payable (Note 9) | 5,166,848 | 2,168,867 |
| Settlement of cross-currency interest rate swap | 1,275,057 | - |
| | <u>6,441,905</u> | <u>2,168,867</u> |

4. INVESTMENTS IN SUBSIDIARIES

| | 2011 USD | 2010 USD |
|---------------------------------------|-------------------|-------------------|
| <i>Unquoted investments at cost:</i> | | |
| At beginning of the year | 67,629,927 | 10,649,802 |
| Acquired during the year (Note 12(a)) | 23,100,068 | 56,980,125 |
| | <u>90,729,995</u> | <u>67,629,927</u> |

4. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Company held investments in the following companies:

| Name of company | % holdings | Country of incorporation | Class of shares | Type of investment | 2011 | 2010 |
|---|----------------------|--------------------------|-----------------|--------------------|------------|------------|
| | | | | | USD | USD |
| GMR Infrastructure (Cyprus) Limited | 100% (2010: 100%) | Cyprus | Equity | Unquoted | 10,622,231 | 10,622,231 |
| GMR Infrastructure (UK) Limited | 100% (2010: 100%) | United Kingdom | Equity | Unquoted | 9,001,185 | 9,001,185 |
| GMR Infrastructure Overseas S.L (Spain) | 100% (2010: 100%) | Spain | Equity | Unquoted | 4,702 | 4,702 |
| GMR International (Malta) Ltd | 100% (2010: 100%) | Republic of Malta | Equity | Unquoted | 1,809 | 1,809 |
| GMR Infrastructure (Singapore) Pte Limited (Refer Note 9) | 100% (2010: 100%) | Republic of Singapore | Equity | Unquoted | 48,000,000 | 48,000,000 |
| GMR Male International Airport Private Limited | 77% (2010: Nil) | Republic of Maldives | Equity | Unquoted | 23,100,000 | - |
| GMR Infrastructure Investments (Singapore) Pte. Ltd | 95% (2010: Nil) | Republic of Singapore | Equity | Unquoted | 68 | - |
| | | | | | 90,729,995 | 67,629,927 |

During the year, the Company has acquired control over GMR Male International Airport Private Limited (MALE) by acquiring 77% equity capital. MALE is in the business of rehabilitation, expansion, modernization, operation and maintenance of Male International Airport in Maldives. MALE has entered into a concession agreement on 28 June 2010 with Maldives Airport Company Limited and the Republic of Maldives in this regard.

"The Company has an investment of USD 332.73 million in its subsidiary GMR Infrastructure (Cyprus) Limited ('GICL'). GICL through its step-down subsidiary, GMR Energy Global Limited (GEG), had entered into necessary arrangements to acquire 50% economic stake in InterGen. N.V. GEG had subscribed USD 415.18 million in Compulsory Convertible Debentures (CCD), issued for this purpose, by GMR Holding (Malta) Limited (GHML), a step down subsidiary of GMR Holdings Private Limited, the Company's Ultimate Holding Company. GHML had funded the investment in InterGen N.V. through a mix of external borrowings and the balance was funded through CCDs as above.

During the year ended March 31, 2011, GMR Infrastructure (Malta) Limited, a wholly owned subsidiary of GHML, and which, through its step-down subsidiary, held 50% economic stake in InterGen N.V. as stated above, entered into an agreement to sell the investment in InterGen N.V. for USD 1,232 million to Overseas International Inc. Limited, an associate of China Huaneng Group. In April 2011, the transaction was consummated for the aforesaid consideration after obtaining the necessary regulatory approvals. On consummation of the transaction, GHML has repaid the loans from the banks in full and CCDs issued to GEG in part.

GEG has recorded a loss of USD 208 million in its financial statements for the year ended March 31, 2011. Despite the aforementioned loss, based on valuation assessment of investments in underlying subsidiaries the Management of the Company continues to carry the investment in GICL at cost."

GMR INFRASTRUCTURE (MAURITIUS) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2011

26.

5. DEPOSIT ON SHARES

| | 2011 USD | 2010 USD Restated |
|---|--------------------|-------------------------|
| Advance against equity to be allotted, to the Company, by | | |
| GMR Infrastructure (UK) Limited | 8,987,825 | 11,073,592 |
| GMR Infrastructure (Cyprus) Limited | 322,107,340 | 204,210,889 |
| GMR Infrastructure (Singapore) Pte Limited | 10,960,558 | 9,960,558 |
| GMR International (Malta) Limited | 89,892 | 21,027 |
| | <u>342,145,615</u> | <u>225,266,066</u> |

6. CASH AND CASH EQUIVALENTS

| | 2011 USD | 2010 USD |
|------------------|------------------|--------------------|
| Cash at bank | | |
| Current accounts | 1,985,453 | 102,474,815 |
| Deposit accounts | 7,925,000 | 1,500,000 |
| Total | <u>9,910,453</u> | <u>103,974,815</u> |

7. STATED CAPITAL

| | Number of shares | 2011 USD | 2010 USD |
|---|---------------------|--------------------|--------------------|
| <i>Equity Shares issued and fully paid up</i> | | | |
| At beginning of the year | 220,550,001 | 220,550,001 | 156,550,001 |
| Issued during the year | <u>100,000,000</u> | <u>100,000,000</u> | <u>64,000,000</u> |
| At end of the year | <u>320,550,001</u> | <u>320,550,001</u> | <u>220,550,001</u> |

The holder of an ordinary share in the Company shall confer on the holder:

- (a) the right to one vote on a poll at a meeting of the Company on any resolution
- (b) the right to an equal share in dividends authorised by the Board
- (c) the right to an equal share in the distribution of the surplus assets of the Company
- (d) the par value per share is USD 1

8. SUBSCRIPTION MONIES

| | 2011 USD | 2010 USD |
|---|-------------|--------------------|
| Advance against equity to be allotted by the Company (Note 12(d)) | <u>-</u> | <u>100,000,000</u> |

GMR INFRASTRUCTURE (MAURITIUS) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2011

27.

9. LOAN PAYABLE

| | 2011 USD | 2010 USD |
|------------------------------|--------------------|-------------------|
| <u>(i) Non-current</u> | | |
| Loan from bank | - | 72,149,930 |
| <u>(ii) Current</u> | | |
| Loan from bank (Note 9(a)) | 76,800,688 | - |
| Loan from parent (Note 9(b)) | 52,699,062 | - |
| At end of the year | <u>129,499,750</u> | <u>72,149,930</u> |

| | 2011 USD | 2010 USD |
|--|-------------------|-------------------|
| <u>(a) Loan from bank (Note 9(ii))</u> | | |
| At beginning of the year | 72,149,930 | - |
| Principal amount | - | 76,500,000 |
| Interest expense | 3,567,786 | 2,168,867 |
| Interest paid | (3,563,267) | - |
| Exchange difference | 4,646,239 | (6,518,937) |
| At end of the year | <u>76,800,688</u> | <u>72,149,930</u> |

The Company has been granted a GBP denominated loan amounting to USD 76,500,000 from ICICI Bank UK PLC. where the investment in GMR Infrastructure (Singapore) Pte Limited, a subsidiary, has been pledged as security to the bank. The parent has offered a corporate guarantee of USD 87,214,000 to the bank as a part of the terms of sanction of loan to the Company.

The loan bears interest at 12 months GBP LIBOR plus 3.50% margin per annum and is repayable in 3 instalments falling due on 17 August 2013, 17 August 2014 and 17 August 2015. However, ICICI Bank UK PLC has a call option exercisable as of August 2011 and 2012 for full repayment of loan. The loan has been treated as a current liability pending the outcome of the call options as at the balance sheet date.

| | 2011 USD | 2010 USD |
|-------------------------------------|-------------------|-------------|
| <u>(b) Current:</u> | | |
| Loan payable to parent (Note 9(ii)) | <u>52,699,062</u> | - |

The loan payable to parent is unsecured, and bears interest at 11.75% per annum and is repayable within 12 months.

10. DERIVATIVE FINANCIAL LIABILITIES

| | 2011 USD | 2010 USD Restated | 2009 USD |
|-----------------------------|-------------|-------------------------|-------------|
| Interest rate swap contract | 2,228,588 | 7,433,789 | - |

At 31 March 2011, the Company held cross-currency interest rate swap entered into with ICICI Bank UK PLC ('Bank'). The swap also includes the cash flows arising from repayment of the loan.

The derivative, with the exception of the principal payment component, has been designated as hedge of interest cash outflow for two years on the loan taken from the Bank, classified as 'Loan payable' (Note 9).

The derivative has been used to hedge interest rate and foreign currency risk associated with the loan for a partial term of two years out of the total loan tenure of six years. The cash flows out of the loan is expected to occur as detailed in Note 9.

10. DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

The salient terms of the cross-currency interest rate swap are as under:

| | |
|--|------------------------------|
| Maturity period | 2 years |
| Start date | 17 August 2009 |
| End date | 11 August 2011 |
| Interest rate fixed payable by the Company | 5.72% (USD) |
| Interest rate receivable by the counterparty | 12 month GBP + 350 bps (GBP) |
| Principal amount payable on expiry | USD 76,500,000 |
| Principal amount receivable on expiry | GBP 46,703,297 |

The derivative is classified as current liabilities as the remaining maturity of the hedged items is less than 12 months.

The fair values of the derivative financial liabilities have been estimated by the directors based on valuations performed by the counterparties.

The cash flow hedge of the future interest outflow was assessed to be effective. Of the total value of the derivative, USD 646,902 (2010: USD 1,646,169) was attributable to the cross currency interest rate swap component and the balance USD 1,581,686 (2010: USD 5,787,620) related to the principal exchange component.

The ineffective portion, of the interest rate swap component, recognised in the profit or loss that arose from cash flow hedges amounted to a gain of USD 128,778 (2010: loss USD 3,461). The effective portion arising from the cash flow hedges amounting to a gain of USD 870,488 (2010: loss USD 2,938,681) has been recognised in other comprehensive income.

11. INCOME TAX

The Company is subject to income tax in Mauritius on its net income at 15%. However, the Company is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritius tax on its foreign source income, thereby giving an effective tax rate of 3%. Capital gains of the Company are exempt from tax in Mauritius.

The foregoing is based on current interpretation and practice and is subject to any future changes in the Mauritian tax laws. At 31 March 2011, the Company had accumulated tax losses of USD 464,230 (2010: USD 2,269,432).

The tax losses are available for set off against taxable profits of the Company as follows:

| | |
|-----------------------|----------------|
| Up to the year ending | USD |
| 31 March 2011 | <u>464,230</u> |

11. INCOME TAX (CONTINUED)

A reconciliation between the accounting profit/(loss) as adjusted for tax purposes and the tax charge is as follows:

| | 2011 USD | 2010 USD |
|--|------------------|--------------------|
| (Loss)/profit for the year before taxation | <u>1,229,342</u> | <u>(1,919,208)</u> |
| Applicable income tax at tax rate of 15% | 184,401 | (287,881) |
| Impact of: | | |
| Exempt income | (2,196) | (977,840) |
| Income not subject to tax | (650,217) | (2,865) |
| Expenses not deductible for tax purposes | 738,792 | 934,908 |
| Tax losses utilised | (340,415) | - |
| Foreign tax credit | 55,708 | 266,942 |
| Deferred tax not recognised | <u>13,927</u> | <u>66,736</u> |
| Income tax charge | <u>-</u> | <u>-</u> |

Deferred income tax

Deferred income tax asset amounting to USD 13,927 (2010: USD 68,082) has not been recognised in the financial statements based on the Company's policy for recognition of deferred income tax, as described in Note 2.4 (e).

12. RELATED PARTY TRANSACTIONS

Name of related parties where control exists irrespective of whether transaction have occurred or not

| | | |
|--------------------------------|---|--|
| Ultimate Holding Company | : | GMR Holding Private Limited |
| Holding Company | : | GMR Infrastructure Limited |
| Name of other related parties. | | |
| Subsidiaries | : | GMR Infrastructure (Cyprus) Limited GMR Infrastructure (UK) Limited GMR Infrastructure Overseas S.L.U GMR International (Malta) Limited GMR Infrastructure (Singapore) Pte Limited GMR Male International Airport Private Limited GMR Infrastructure Investments (Singapore) Pte. Ltd. |

Name of related parties where control exists irrespective of whether transaction have occurred or not.

| | | |
|-------------------------------------|---|--|
| Other entities where control exists | : | GMR Infrastructure (Global) Limited GMR Energy (Global) Limited GMR Energy Projects (Mauritius) Limited Island Power Company Pte. Limited Island Power Supply Pte. Limited |
| Other Related Parties | : | GMR Aviation Private Limited GMR Hyderabad International Airport Private Limited GMR Holding (Malta) Limited GMR Infrastructure (Malta) Limited |

| | 2011 USD | 2010 USD |
|--|--------------------|-------------------|
| <u>(a) Investments made during the year</u> | | |
| (i) GMR Male International Airport Private Limited | 23,100,000 | - |
| (ii) GMR Infrastructure Investments (Singapore) Pte. Ltd | 68 | - |
| | <u>23,100,068</u> | <u>-</u> |
| <u>(b) Deposit on shares</u> | | |
| At beginning of year | | |
| <u>Paid during the year</u> | | |
| (i) GMR Infrastructure (Cyprus) Limited | 126,396,451 | 75,367,678 |
| (ii) GMR International (Malta) Limited | 68,865 | - |
| (iii) GMR Infrastructure (Singapore) Pte Limited | 1,000,000 | - |
| (iv) GMR Infrastructure (UK) Limited | 4,179,834 | - |
| | <u>131,645,150</u> | <u>75,367,678</u> |

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 FOR THE YEAR ENDED 31 MARCH 2011

31.

12. RELATED PARTY TRANSACTIONS (CONTINUED)

| | 2011 USD | 2010 USD |
|--|-------------|-------------|
| <i>(b) Deposit on shares (continued)</i> | | |
| <i>Refund received during the year</i> | | |
| <i>(i) GMR Infrastructure (UK) Limited</i> | 6,265,600 | - |
| <i>(ii) GMR Infrastructure (Cyprus) Limited</i> | 8,500,000 | - |
| At end of year | 14,765,600 | - |
| At end of year | | |
| <i>(c) Amounts due from related parties</i> | | |
| <i>(i) GMR Male International Airport Private Limited - Subsidiary</i> | | |
| At beginning of year | - | - |
| Success fee receivable during the year | 10,000,000 | - |
| Expenses paid on behalf of the company | 8,850 | - |
| Refund made during the year | (5,750) | - |
| At end of the year | 10,003,100 | - |
| <i>(ii) GMR Energy Projects (Mauritius) Limited - Affiliate</i> | | |
| Expenses paid by the Company | 10,600 | - |
| At end of the year | 10,600 | - |
| Total amounts due from related parties | 10,013,700 | - |

The amounts due from related parties are unsecured, interest free and repayable on demand.

| | 2011 USD | 2010 USD |
|--|---------------|-------------|
| <i>(d) GMR Infrastructure Limited - Parent</i> | | |
| At beginning of year | 100,000,000 | - |
| Subscription monies advanced during the year | - | 100,000,000 |
| Amount converted into stated capital during the year | (100,000,000) | - |
| At end of the year (Note 8) | - | 100,000,000 |

| | 2011 USD | 2010 USD |
|--|-------------|-------------|
| <i>(e) Amount due to subsidiary</i> | | |
| <i>GMR Infrastructure (UK) Limited</i> | | |
| At beginning of year | 159,273 | - |
| Amount advanced during the year | 176,148 | 159,273 |
| Amount repaid during the year | (347,617) | - |
| Exchange difference | 12,196 | - |
| At end of the year | - | 159,273 |

The amounts due to related parties are unsecured, interest free and repayable on demand.

GMR INFRASTRUCTURE (MAURITIUS) LIMITED
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 FOR THE YEAR ENDED 31 MARCH 2011

32.

12. RELATED PARTY TRANSACTIONS (CONTINUED)

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------|
| | USD | USD |
| <i>(f) Loan payable to parent - GMR Infrastructure Limited</i> | | |
| At start of the year | - | - |
| Addition during the year | 58,000,000 | - |
| Repayment during the year | (6,900,000) | - |
| Interest expense during the year | 1,599,062 | - |
| At end of the year (Note 9(iii)) | <u>52,699,062</u> | <u>-</u> |
| The loan payable to parent is unsecured, bears interest at 11.75% per annum and is repayable within 12 months | | |
| | <u>2011</u> | <u>2010</u> |
| | USD | USD |
| <i>(g) Amount due to other related party</i> | | |
| <i>(i) GMR Aviation Private Limited - Other related party</i> | | |
| Travelling expenses incurred during the year | 817,096 | - |
| At end of the year | <u>817,096</u> | <u>-</u> |
| <i>(ii) GMR Hyderabad International Airport Private Limited - Other related party</i> | | |
| Travelling expenses incurred during the year | 591,238 | - |
| At end of the year | <u>591,238</u> | <u>-</u> |
| Total amounts due to related parties | <u>1,408,334</u> | <u>-</u> |
| <i>(h) Deposit on shares - subsidiaries</i> | | |
| GMR Infrastructure (Cyprus) Limited | 322,107,340 | 204,210,889 |
| GMR Infrastructure (UK) Limited | 8,987,825 | 11,073,592 |
| GMR International (Malta) Limited | 89,892 | 21,027 |
| GMR Infrastructure (Singapore) Pte Limited | 10,960,558 | 9,960,558 |
| | 342,145,615 | 225,266,066 |
| <i>(i) Key management personnel</i> | | |
| Directors fees | 3,857 | 2,502 |
| <i>(j) Corporate guarantee outstanding as at year end on loan taken by the Company</i> | | |
| GMR Infrastructure Limited | 87,214,080 | 82,421,440 |
| <i>(k) Performance guarantee given on behalf of a subsidiary and outstanding as at year end</i> | | |
| GMR Infrastructure (Malta) Limited | 250,000,000 | - |

13. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. This note presents information about the Company's exposure to each of the said risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors 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 measures and controls and to monitor risks and adherence to limits. Risks management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

The Company's exposure to the various types of risks associated to its activity and financial instruments is detailed below. Investment in subsidiaries have not been included for disclosure purposes as they are not covered under IFRS 7.

(a) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) *Currency risk*

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has assets and liabilities denominated in Indian Rupees ("INR"), Great Britain Pound sterling ("GBP") and US Dollars. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to INR and GBP may change in a manner, which has a material effect on the reported value of the Company's assets which are denominated in INR and GBP.

Sensitivity analysis

The following table indicates the approximate change in the Company's post-tax profit and equity in response to reasonable possible changes in the foreign exchange rates to which the Company has significant exposure at the reporting date, with all other variables held constant.

| | Increase/(decrease) in Foreign exchange rates | Effect on post tax profit (loss)/ gain | | Effect on equity (loss)/ gain | |
|---------------------|--|---|-----------|----------------------------------|-----------|
| | | 2011 | 2010 | 2011 | 2010 |
| | | USD | USD | USD | USD |
| Depreciation of INR | +2% | 16,342 | - | - | - |
| Appreciation of INR | -2% | (16,342) | - | - | - |
| Depreciation of GBP | +5% | 151,076 | (724,434) | (186,147) | (724,434) |
| Appreciation of GBP | -5% | (86,708) | 724,434 | - | 724,434 |

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2011 and 2010 including the effect of hedge accounting.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) *Market risk (continued)*

(i) *Currency risk (Continued)*

Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

| | Financial assets 2011 USD | Financial liabilities 2011 USD | Financial assets 2010 USD | Financial liabilities 2010 USD |
|-----------------------------|------------------------------------|---|------------------------------------|---|
| United States dollars (USD) | 362,069,507 | 56,048,217 | 329,240,881 | 7,453,989 |
| Great Britain Pound (GBP) | 260 | 76,800,688 | - | 72,309,203 |
| Indian Rupees (INR) | - | 744,352 | - | - |
| | <u>362,069,767</u> | <u>133,593,257</u> | <u>329,240,881</u> | <u>79,763,192</u> |

Investment in subsidiaries amounting to USD 90,729,995 (2010 - USD 67,629,927) and prepayments amounting to USD 2,493 (2010 - USD 1,553) have not been included in financial instruments.

(ii) *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company's income and operating cash flows are to some extent dependent of changes in interest rates. The only significant interest bearing financial assets and liabilities held by the Company are loan payable on which interest may fluctuate in amount, due to changes in market interest rates.

The Company's interest rate risk arises from interest received on cash at bank, loans granted and interest paid on loans payable. Based on the assumption that the interest rate had been 0.5% higher or lower on the applicable interest rate, post-tax profits and equity would have been USD 65,057 higher or lower (2010: USD 519,874).

The Company's finance and operating expenses are met by equity finance and loans. The loan granted by ICICI Bank UK PLC is secured. The loan carries interest at 12 month GBP LIBOR plus 3.50% margin per annum and is repayable in 3 equal instalments falling due on 17 August 2013, 17 August 2014 and 17 August 2015 respectively. However, the ICICI Bank UK PLC has a call option exercisable as in August 2011 and 2012 for full repayment of loan.

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swap. Such interest rate swap has the economic effect of converting borrowings at floating rates to fixed rate. The Company has an interest rate swap contract with ICICI Bank UK PLC to exchange the floating-rate interest against fixed rate.

(iii) *Price risk*

Equity price risk is the risk of unfavourable changes in fair values of equities as the result of changes in the value of individual shares. The Company has no exposure to price risk at year end.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) *Credit risk*

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. With respect to credit risk arising from financial assets which comprise of cash and cash equivalents and amounts due from a related parties, the Company's exposure arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets at the reporting date.

Cash and cash equivalents are maintained with reputable banks and amounts due to the Company in the form of loans granted or other amounts due from related parties are mainly to subsidiaries where there is no significant credit risk. The Company evaluates the concentration of risk with regard to deposit on shares and amounts due from related parties as low as the counter parties are subsidiaries.

(c) *Liquidity risk*

The Company manages liquidity risk by maintaining adequate cash reserves to meet its obligations as they fall due and through financing from related parties.

The maturity profile of the financial instruments is summarised as follows:

| | More than 1 year USD | Within 1 year USD | Total USD |
|----------------------------------|----------------------------|-------------------------|--------------|
| <i>2011</i> | | | |
| Loan payable | - | 129,499,750 | 129,499,750 |
| Derivative financial liabilities | - | 2,228,588 | 2,228,588 |
| Amounts due to related parties | - | 1,408,334 | 1,408,334 |
| Accruals | - | 456,585 | 456,585 |
| | - | 133,593,257 | 133,953,257 |
| <i>2010</i> | | | |
| Loan payable | 72,149,930 | - | 72,149,930 |
| Derivative financial liabilities | - | 7,433,789 | 7,433,789 |
| Amounts due to related parties | - | 159,273 | 159,273 |
| Accruals | - | 20,200 | 20,200 |
| | 72,149,930 | 7,613,262 | 79,763,192 |

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

| | Carrying amount | | | Fair value | | |
|---|--------------------|-------------------------|--------------------|--------------------|-------------------------|--------------------|
| | 2011 USD | 2010 Restated USD | 2009 USD | 2011 USD | 2010 Restated USD | 2009 USD |
| Financial assets | | | | | | |
| Cash and cash equivalent | 9,910,453 | 103,974,815 | 3,173,798 | 9,910,453 | 103,974,815 | 3,173,798 |
| <i>Loans and receivables</i> | | | | | | |
| Deposit on shares | 342,145,614 | 225,266,066 | 141,583,611 | 342,145,614 | 225,266,066 | 141,583,611 |
| Amounts due from related parties | 10,013,700 | - | 993,690 | 10,013,700 | - | 993,690 |
| Amounts due from third parties | - | - | 30,000 | - | - | 30,000 |
| Total | <u>362,069,767</u> | <u>329,240,881</u> | <u>145,781,099</u> | <u>362,069,767</u> | <u>329,240,881</u> | <u>145,781,099</u> |
| Financial liabilities | | | | | | |
| <i>Carried at amortized cost</i> | | | | | | |
| Loan payable (non-current) | - | 72,149,930 | - | - | 72,149,930 | - |
| Loan payable (current) | 129,499,750 | - | - | 129,499,750 | - | - |
| Amounts due to related parties | 1,408,334 | 159,273 | - | 1,408,334 | 159,273 | - |
| Accruals | 456,585 | 20,200 | 20,500 | 456,585 | 20,200 | 20,500 |
| <i>Financial liabilities at fair value through other comprehensive income</i> | | | | | | |
| Derivative financial liabilities | 2,228,588 | 7,433,789 | - | 2,228,588 | 7,433,789 | - |
| Total | <u>133,593,257</u> | <u>79,763,192</u> | <u>20,500</u> | <u>133,593,257</u> | <u>79,763,192</u> | <u>20,500</u> |

Prepayments have not been included in financial assets.

All financial assets and liabilities as above, with the exception of other non-current financial liabilities, are short term in nature. The carrying value of such financial instruments is not expected to be materially different from the fair value. The management believes that the fair value of the non-current loan payable to be equivalent to the carrying amount as it represents market determined floating interest rate loan.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) *Fair value estimation*

The Company does not carry any financial assets and liabilities that are traded in active markets (such as publicly traded derivatives and trading securities).

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. For instruments for which there is no active market, the Company may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry.

The Company adopted the amendment to IFRS 7, effective 01 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value, measured at 31 March 2011, is observable:

| | <u>Level 1</u> USD | <u>Level 2</u> USD | <u>Level 3</u> USD | <u>Total</u> USD |
|----------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| 2011 | | | | |
| Derivative financial liabilities | - | - | 2,228,588 | 2,228,588 |
| 2010 | | | | |
| Derivative financial liabilities | - | - | 7,433,789 | 7,433,789 |

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) *Fair value estimation (Continued)*

Reconciliation of fair value measurements of Level 3 financial instruments is disclosed below

| | <u>Financial liability</u> USD |
|--|-----------------------------------|
| As at 1 April 2010 | 7,433,789 |
| Fair value change recognized in profit or loss | <u>(5,205,201)</u> |
| As at 31 March 2011 | <u>2,228,588</u> |

(f) *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 management considers issued and paid up ordinary shares to be comprising the capital of the Company.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

There has been no change in the objectives, policies for managing capital as compared to previous year.

Gearing ratio

The Company's management reviews the capital structure on a regular basis and as part of this review the management considers the cost of capital and the risks associated with each class of capital. The gearing ratio is managed such that it is a maximum of 2:1. Considering that the Company is looking at new investment opportunities, it is currently lower.

The gearing ratio at the end of year was as follows:

| | <u>2011</u> USD | <u>2010</u> USD |
|---------------------------|--------------------|----------------------|
| Debt | 129,499,750 | 72,149,930 |
| Cash and cash equivalents | <u>(9,910,453)</u> | <u>(103,974,815)</u> |
| Net debt | <u>119,589,297</u> | (31,824,885) |
| Equity | <u>319,208,999</u> | <u>317,109,169</u> |
| Net debt to equity ratio | 37.46% | (10.04%) |

As at 31 March 2011, the Company has not defaulted in any terms and conditions of the ICICI Bank UK PLC loan.

14. PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended 31 March 2010, the accounting for the cash flow hedge and the derivative financial liability was inappropriately recorded. The exchange gain, the ineffective portion of the cash flow hedge, the derivative financial liability and the cash flow hedge should have been USD 473,401, USD 3,461, USD 7,433,789 and USD 1,384,792 respectively.

The effects of the correction of error on exchange gain, the ineffective portion of the cash flow hedge, the derivative financial liability and the cash flow hedge is shown below:

| | As previously reported | Adjustment | As restated |
|---|------------------------|-------------|-------------|
| Exchange gain | 6,518,937 | (6,045,536) | 473,401 |
| Derivative financial liability | 3,372,922 | 4,060,867 | 7,433,789 |
| Net loss on cash flow hedge - ineffective portion | 434,241 | (430,780) | 3,461 |
| Cash flow hedge | (2,938,681) | 1,553,889 | (1,384,792) |

The prior year adjustment did not impact on the financial position as at 1 April 2009.

15. PARENT AND ULTIMATE PARENT

The directors consider GMR Infrastructure Limited, a public limited company listed on the Stock Exchange in India and GMR Holding Private Limited, a private company based in India and as the Company's parent and ultimate parent respectively.

16. EVENTS AFTER THE REPORTING DATE

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