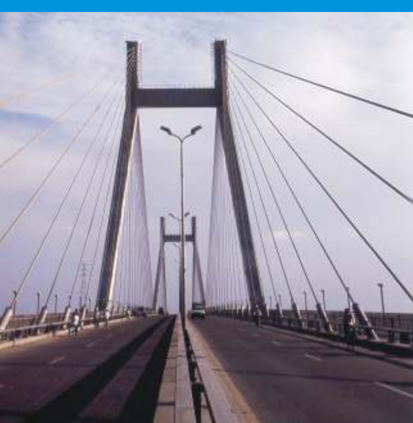
IIFCL

Building Foundations of Growth



Annual Report 2009-10

Vision

"Provide innovative financing solutions to promote and develop world class infrastructure in India."

Mission

"To adopt best practices in financing infrastructure and develop core competencies in facilitating infrastructure development; Develop a team of highly engaged employees to deliver services in a professional manner and to the satisfaction of all stakeholders."

IIFCL

From the

Chairman's Desk

Gentlemen,

It gives me great pleasure to welcome you to the Fifth Annual General Meeting of the India Infrastructure Finance Company Ltd. The audited annual accounts of the company for the year ended March 31, 2010 together with the Directors' Report are with you and with your permission, I take them as read.

I take this opportunity to share with you the macro economic developments and the performance of the company during the financial year 2009-10. The Macroeconomic and Monetary Developments First Quarter Review 2010-11 brought out by Reserve Bank of India states that the International Monetary Fund (IMF) has revised the global growth projection for the year 2010 to 4.6%. However, the recovery process continues to remain uneven across countries. While due to strong rebound, the emerging market economies are normalizing their monetary policy, the advanced economies have been slow in their response to such normalization in view of new risks that have emerged.

As per Central Statistical Organisation (CSO) data, Indian economy has shown remarkable recovery in 2009-10 with a growth of 6%, 8.6%, 6.5%, and 8.6% in the four quarters of the year respectively. With better performance of manufacturing sector and exports, the growth during the year 2009-10 has been 7.4% compared to 6.7% recorded in previous year when economy was reeling under the knock-on effects of global financial crisis.

The progress of monsoon so far suggests that agricultural sector will show good performance during 2010-11. As per CSO data, Index of Industrial Production (IIP) of manufacturing registered a growth of 10.9% during 2009-10, while services sector has shown a rebound from Q4 of 2009-10 after some moderation in the previous quarter. As per RBI, the GDP growth during 2010-11 is expected at 8.5%.

Infrastructure sector has been the key to the economic rebound. In the Union Budget 2010-11, Government made allocation of ₹ 1,73,552 crore for infrastructure development which accounts for around 46% of total plan outlay. It also allowed tax deduction of an additional amount of ₹ 20,000 for investment in long-term infrastructure bonds as notified by the Central Government.

As per Planning Commission's Mid Term Appraisal of the 11th Five Year Plan, India needs to double its investment requirement in infrastructure from ₹ 20,54,205 crore estimated in 11th Plan (2007-12) to ₹ 40,99,240 crore in the 12th Plan (2012-17). Further, during the 12th Plan period, at least 50% of the investment would have to come from the private sector and by 2015-16, the share of private investment in infrastructure is projected to surpass public investment.

Brief review of performance of infrastructure sectors

In the road sector, National Highways Authority of India (NHAI) formulated Work Plans I & II for awarding around 12,000 Kms each during the years 2009-10 and 2010-11. In 2009-10, NHAI awarded 41 BOT (toll and annuity) road projects to the tune of 3,360 Kms. As per NHAI, till 31st July 2010, of the total length of 48,642 Kms under the National Highways Development Plan (NHDP), 12,895 Kms has been 4-laned and 9,066 Kms is under implementation. The balance for award is 26,355 Kms.

Towards ramping up the NHDP by removing procedural hurdles in implementation, B K Chaturvedi Committee was constituted by the government. Some of the recommendations made by the committee have already been implemented. To expedite land acquisition process, NHAI is setting up 192 Special Land Acquisition Units (SLAU) in various States of which 72 such units have already been set up. Further, to ensure support from the states in the matters of land acquisition, providing right of way, removal of encroachments, shifting of utilities, rehabilitation and maintenance of local law and order, etc for timely implementation of highway projects, 18 states have signed the State Support Agreement with the Ministry of Road Transport and Highways.

The National Electricity Policy stipulates that the government will provide 1 unit of power to each household in the country by 2012, for which capacity addition of 78,700 MW had been proposed in the 11th Plan. However, this target has now been scaled down to 62,374MW following the mid-term appraisal of the Plan. According to Central Electricity Authority (CEA), till 31st July 2010, capacity of 31,341 MW (40% of the initial target of 78,700 MW) has been added, taking the total installed capacity to 1,63,670 MW. The government has also modified the Mega Power Policy to facilitate quicker capacity addition. Thermal power projects with capacity of 1000 MW or more or a hydro power project with capacity of 500 MW would be covered under the policy. These projects would get fiscal benefits on purchase of goods provided the power purchasing states have regulatory commissions and they would carry out distribution reforms. Unbundling of power distribution and transmission has been taken up in most states. Nine UMPPs have been identified for development under the international competitive bidding route of which four have been awarded. Central Electricity Regulation Commission announced long and medium-term open access and connectivity regulations for providing non-discriminatory open access to transmission and distribution systems required for inter-State sale of power, market development and protecting the interests of the consumer.

Over the years, Indian ports have witnessed a strong growth in traffic, while capacity constraints and limited modernization have exerted pressure on their efficiency and productivity. According to Ministry of Shipping, traffic handled by major ports has increased from 530.5 million tonnes per annum (MTPA) in 2008-09 to 560.97 MTPA in 2009-10, while capacity has increased from 574.77 MTPA to 599 MTPA in 2009-10. Though, the average turnaround time has decreased from 3.93 days in 2007-08 to 3.87 days in 2008-09, it is still high compared to Hong Kong where average turnaround time is 10 hours. The National Maritime Development Programme (NMDP) envisages enhancing cargo handling capacity in major ports by 402.91 MT by 2011-2012. In 2009-10, 13 projects involving a project cost of ₹ 2653 crore have been awarded which are expected to add capacity of 65.65 MTPA. A new regulatory body has been proposed to be set up under the new legislation called Major Ports Regulatory Authority (MPRA) Act, 2009 which will have the major ports under its purview. The MPRA would not only have the power to set tariffs for facilities and services provided at ports, but will also monitor performance standards and norms of Port Authorities and Private Operators and can impose penalties in case of non-compliance.

The civil aviation sector slowed down in 2008 under the impact of global economic crisis and steep rise in fuel prices. Sharp decline in air traffic had also impacted on non-aeronautical revenues of airport operators. Signs of revival of industry were visible during 2009. According to traffic data of Airports Authority of India (AAI), cargo and passengers traffic handled by airports registered growth rates of 34.5%, and 20.5% respectively in May 2010 over May 2009. Several initiatives have been taken by government for development of airport infrastructure to match the future growth in traffic. AAI has taken up modernization and expansion of the airports at Chennai and Kolkata at a cost of ₹ 1808 crore and ₹ 1943 crore respectively. These are likely to be completed by April 2011 and June 2011 respectively. Modernisation of Delhi Airport has been completed by June 2010 and Mumbai airport is likely to be completed by 2012. 35 non-metro airports are being upgraded and modernized by AAI, in addition to 13 airports being taken up for upgradation, in a time-bound manner. AAI has also undertaken the city side development of 24 specific airports under Public Private Partnership model. Further, as per the monitorable targets and milestones for award of Greenfield airports, Ministry of Civil Aviation has granted 'in-principle' approval for setting up of 11 Greenfield airports.

To create a level playing field and foster healthy competition amongst all major airports, encourage investment in airport facilities, regulate tariffs of aeronautical services, user charges and monitoring of set performance standards in respect of major airports, an Independent regulatory Authority, namely, Airports Economic Regulatory Authority (AERA) has been established and has become operational.

A major initiative taken by the government for infrastructure development is the setting up of a High Level National Transport Development Policy Committee, headed by Dr Rakesh Mohan to create a policy environment for encouraging competitive pricing and coordination between alternative modes of transport and develop an integrated and sustainable transport system for the next two decades.

To enhance flow of finance for infrastructure projects, Reserve Bank of India took various initiatives. These include allowing banks to classify their investments in non-SLR long-term bonds issued by infrastructure companies having a residual maturity of more than 7 years under the 'Held to maturity' (HTM) category and reduction in provisioning requirement for infrastructure loan accounts in 'sub-standard' category. RBI has also allowed banks to treat annuities under build-operate-transfer model in respect of road/highway projects and toll collection rights as tangible securities, where there are provisions to compensate the project sponsor if a certain level of traffic is not achieved. Further, as a measure of liberalization of extant norms, RBI has permitted Infrastructure Finance Companies to avail External Commercial Borrowings up to 50% of their owned funds under the automatic route subject to compliance with prudential guidelines.

IIFCL's performance

Against this backdrop, I would now like to focus on the performance of the company during the year. The highlights of performance during 2009-10 are as under:

- During the year, the sanctions amounted to ₹ 5,616 crore in 32 projects.
- On cumulative basis, the sanctions as on 31.3.2010 were ₹ 24,375 crore in 139 projects involving project cost of ₹ 2,00,883 crore.
- At the end of March 2010, 125 projects with project cost of ₹ 1,73,252 crore had achieved financial closure.
- During the year, the company made disbursements of ₹ 5,095 crore as compared to ₹ 3,197 crore during 2008-09.
- Cumulative disbursement was ₹ 9,976 crore in 106 cases including refinance of ₹ 1,500 crore.
- Net profit (available for distribution) was ₹ 95.90 crore as on 31st March 2010 compared to ₹ 69.98 crore as on 31st March 2009, representing a growth of 37%.
- Balance Sheet size has increased by 30% from ₹ 15,855.69 crore as at end of March 2009 to ₹ 20,569.10 crore as at end of March 2010.
- Total income increased by 150% from ₹ 634.86 crore to ₹ 1585.40 crore, while total expenses grew by 178% mainly on account of cost of borrowing, from ₹ 485.15 crore at the end of March 2009 to ₹ 1348.07 crore at the end of March 2010.
- Profit before Tax was ₹ 237.91 crore at the end of March 2010 compared to ₹ 150.53 crore at the end of March 2009.

Resource Mobilization

During the year, the company mobilized ₹ 3000 crore by way of issuance of bonds. The company continued to pursue with the bilateral/multilateral institutions for long term resources. Asian Development Bank, under the India Infrastructure Project Financing Facility (IIPFF) –II sanctioned loan of USD 700 million to be drawn in tranches. With USD 500 million sanctioned under IIPFF-I, the total loan sanctioned by ADB stood at USD 1.2 billion. The company has already availed USD 404 million out of the facility. During the year, World Bank sanctioned a loan of USD 1195 million and USD 5 million as grant for capacity building. In respect of bilateral institutions, Kreditanstalt fur Wiederaufbau (KfW) has sanctioned a loan of Euro 50 million, while Japan Bank for International Cooperation (JBIC) has sanctioned loan of USD 75 million as part of the Project Development Fund for the development of Delhi-Mumbai Industrial corridor.

Refinance

As part of the fiscal stimulus package, IIFCL was permitted to raise ₹ 10,000 crore during 2008-09 to provide refinance to banks for their infrastructure loans. The company has implemented the Refinance Scheme under which 60% of the loans provided by banks to eligible projects would be refinanced by IIFCL subject that banks would not charge more than 2.50 % over and above the rate of refinance. As the Scheme did not elicit the desired response, efforts were taken to modify the Scheme. The modifications, inter-alia included expansion in coverage of projects (to competitively bid power projects including UMPPs and railway projects in addition to road and port projects where competitive bids have been submitted on or after 31st January 2009) and eligible institutions.

Takeout finance

Following the announcement of the Hon'ble Finance Minister in the Union Budget 2009-10, the company, after consultations with various stakeholders, introduced the Takeout Finance Scheme. The Scheme is aimed at addressing the asset liability mismatch of banks and the prudential exposure norm constraints banks face while lending to infrastructure projects. Besides circulation of the Scheme, meetings have been held with banks and appraising institutions as part of awareness building. Due diligence of proposals received from banks is being undertaken.

Risk management

The company has implemented the risk management framework developed with the help of CRISIL Infrastructure and Risk Solutions. All credit proposals are subject to risk rating under this framework before placing them to the Board for consideration. Further, the MIS for risk management for identification and mitigation of market, credit and operational risks is being developed. The company would make efforts to strengthen risk management which would help in protecting asset quality and strengthening the fundamentals.

Environment and Social Safeguards

IIFCL as a socially responsible organization recognizes that implementation of infrastructure projects involve various environmental and social risks. Efforts need to be made to avoid and mitigate such risks to ensure that infrastructure development is achieved in a sustainable and inclusive manner. As part of its commitment to this objective, the company is engaged in evolving an Environment and Social Safeguard Framework (ESSF) which is aimed at addressing the environmental and social impacts of infrastructure projects. The ESSF would also meet the requirements of the development partners.

Off-shore subsidiary

IIFC (UK) which is the wholly-owned subsidiary of the company provides foreign currency loans to infrastructure projects in India. IIFC (UK), since commencement of operations in April 2008 has received 36 proposals with loan request of USD 5 billion. The company till end March 2010 has sanctioned 13 proposals to the tune of USD 1.6 billion and disbursed USD 67.5 million. During the year 2009-10, the company earned a Profit After Tax of USD 14.04 million.

IIFCL's role

Notwithstanding the knock-on effects of the global economic crisis, the Indian economy has continued to register reasonable growth during the year. For the infrastructure sector, the year was particularly difficult because of heightened risk perception amongst lenders and slow pipeline of projects which were offered for bidding. Despite these difficulties, IIFCL has continued its progress. Disbursements to sanctioned projects improved significantly. On the back of such strong performance, the company is confident that it would play an important role in financing infrastructure projects and maintain a healthy business growth in the years ahead. As part of its business strategy, the company would focus on introduction of innovative financing solutions, take up organization redesign and business expansion.

Acknowledgements

I take this opportunity to acknowledge the guidance and support provided by the Hon'ble Prime Minister, Hon'ble Finance Minister, Hon'ble Deputy Chairman of the Planning Commission, Hon'ble Minister of State for Finance, Member Secretary, Planning Commission, Finance Secretary and Secretary, Department of Financial Services, Ministry of Finance. The officials of the Department of Financial Services, Department of Economic Affairs in the Ministry of Finance and Planning Commission have provided close cooperation and support for which I am grateful. The guidance and the support provided by the Comptroller and Auditor General of India, Reserve Bank of India and the statutory auditors are acknowledged by the company.

The company continues to remain a lean organization. The staff of the company has shown dedication and missionary zeal in helping the company to improve its performance. I would like to place on record my appreciation of their contribution. I am confident that the company would continue to benefit from their cooperation in the future.

The humungous investment needs of the infrastructure sector would pose challenges of resource mobilization both from public as well as private sector. IIFCL recognizes that it has a special role to play in channelising all available resources for infrastructure development which in turn would help realizing the growth potential of the economy.

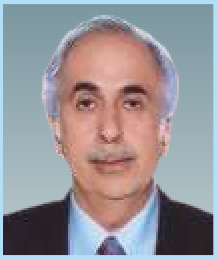
S K Goel
Chairman & Managing Director

IIFCL

Board of Directors

Shri S K Goel
Chairman & Managing Director

Smt. Sudha Pillai
Member Secretary
Planning Commission
Government of India



Shri Ashok Chawla
Finance Secretary
Government of India

Shri N Balasubramanian
Ex-CMD
SIDBI

Prof. G Raghuram
Professor
Indian Institute of Management
Ahmedabad

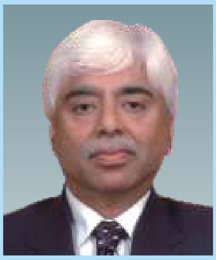
Shri Raman Sidhu
Expert Banker

Shri Pradeep Kumar
CEO

Chief General Managers

Shri S R Bansal

Shri R. Rajagopalan



Shri Sanjeev Ghai

CONTENTS

STATUTORY AUDITORS
M/s P. R. Mehra & Co., Charted Accountants
H.O. 56, Darya Ganj
New Delhi – 110002
Phone : +91-11-23274910, 23271236

REGISTERED OFFICE
HT House, 8th Floor,
18 & 20, Kasturba Gandhi Marg, New Delhi- 110001
Phone: +91-11-23730270, 23708263
Fax: +91-11-23730251

BANKERS:
Dena Bank • Punjab National Bank • State Bank of India
• State Bank of Travancore • Oriental Bank of Commerce

IIFCL

NOTICE

NOTICE IS HEREBY GIVEN THAT THE FIFTH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED WILL BE HELD ON 27TH SEPTEMBER 2010, MONDAY AT 12.30 P.M AT 8TH FLOOR, HT HOUSE, 18 & 20 K G MARG, NEW DELHI-110001 .

ORDINARY BUSINESS:

1) To receive, consider and adopt the Fifth Audited Balance Sheet as on 31.03.2010 and the Profit and Loss Account for the year ended 31.03.2010 together with the Reports of the Directors and the Auditors thereon.

2) Pursuant to Section 619(2) of Companies Act, 1956, the Auditors of a Government Company are to be appointed or re-appointed by the Comptroller and Auditor General of India (C&AG) and in terms of Section 224(8) (aa) of the Companies Act, 1956, their remuneration has to be fixed by the Company in Annual General Meeting. The Members of the Company in the 4th Annual General Meeting held on 5th August 2009 authorized the Board of Directors to fix the remuneration of Statutory Auditors for the financial year 2009-10. Accordingly, the Board of Directors fixed audit fee of ₹ 2,50,000/- plus service tax for the Statutory Auditors for the financial year 2009-10. Further, the Statutory Auditors of the Company for the year 2010-11 will be appointed by C&AG of India, the members may authorize the Board of Directors to fix an appropriate remuneration of Auditors as may be deemed fit by the Board.

SPECIAL BUSINESS:

3) **TO CONSIDER AND IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATIONS, THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION: -**

"RESOLVED THAT pursuant to Section 94(1)(a) & 16 of the Companies Act, 1956 & other applicable provisions if any, the Authorized Capital of the Company be increased from ₹ 5000,00,00,000/- (Rupees Five Thousand Crore) divided into ₹ 500,00,00,000/- (Rupees Five Hundred Crores) Equity Shares of ₹ 10/- (Rupees Ten) each to ₹ 8000,00,00,000/- (Rupees Eight Thousand Crore) divided into ₹ 800,00,00,000/- (Rupees Eight Hundred Crore) equity Shares of ₹ 10/- (Rupees Ten) by creation of ₹ 300,00,00,000/- (Rupees Three Hundred Crore) equity shares of ₹ 10/- each ranking pari-passu with the existing shares and that the Authorized Share Capital Clause of the Memorandum of Association of the Company be and is hereby deleted and substituted by the following new clause :

III. The authorized share capital of the Company is ₹ 8000,00,00,000/- (Rupees Eight Thousand Crore) divided into ₹ 800,00,00,000/- (Rupees Eight Hundred Crore) Equity Shares of ₹ 10/- (Rupees Ten) each."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do such other acts and deeds as may be necessary for giving effect to this resolution."

By Order of the Board of Directors
FOR INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

Renu

Place: New Delhi
Date: 06.09.2010

K RENU
COMPANY SECRETARY

REGISTERED OFFICE
8th Floor, HT House,
18 & 20 K G Marg,
New Delhi

NOTES: -

1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2) PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACTS, 1956

Item No. 3

The Board vide its resolution dated 14th July, 2009 has approved the increase in Authorized Capital from ₹ 2, 000 crore to ₹ 5, 000 crore which has also been approved in the Annual General Meeting of the shareholders held on 5th August, 2009. The approval of the Government however is pending. The Board was informed of the same in the 32nd Meeting held on 1st June 2010.

Pending approval of the Government of India, the authorized share capital of the Company as on date is ₹ 2,000 crore although approved by the Board of Directors and shareholders to ₹ 5,000 crore.

The Company so far has sanctioned an aggregate loan of ₹ 21,713 crore covering 149 projects (till 31st July 2010).

The capital build plan for IIFCL is aimed to ensure that:

1. Reasonable growth of IIFCL's lending portfolio is possible.
2. IIFCL has the ability to take adequate single / group exposures in large infrastructure projects.
3. The exposure limits of IIFCL would be able to accommodate the existing outliers within the exposure caps in a reasonable timeframe, i.e. by end of March 2014.
4. Reasonable return on capital is generated.

₹ crore

Particulars	**2011**	**2012**	**2013**	**2014**	**Total**
Capital Infusion by GoI	2400	1500	1500	1300	6700

In order to enable IIFCL to increase its capital as per the capital infusion plan, it is proposed that the authorized capital of the Company be raised from ₹ 5,000 crore to ₹ 8,000 crore

None of the Directors is in any way concerned or interested in this resolution proposed to be passed, except as shareholders of the Company. However, the shareholding of the Company is also in fiduciary capacity, on behalf of the Government of India.

This resolution is therefore placed, for your approval.

BY ORDER OF THE BOARD
FOR INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

Renu

K RENU
COMPANY SECRETARY

PLACE: New Delhi
DATED: 06.09.2010

Directors' Report

To

The Members

The Directors' of India Infrastructure Finance Co Ltd have great pleasure in presenting the Fifth Annual Report with the audited statements of accounts along with the comments of the auditors and the Comptroller and Auditor General of India for the financial year ended 31st March, 2010.

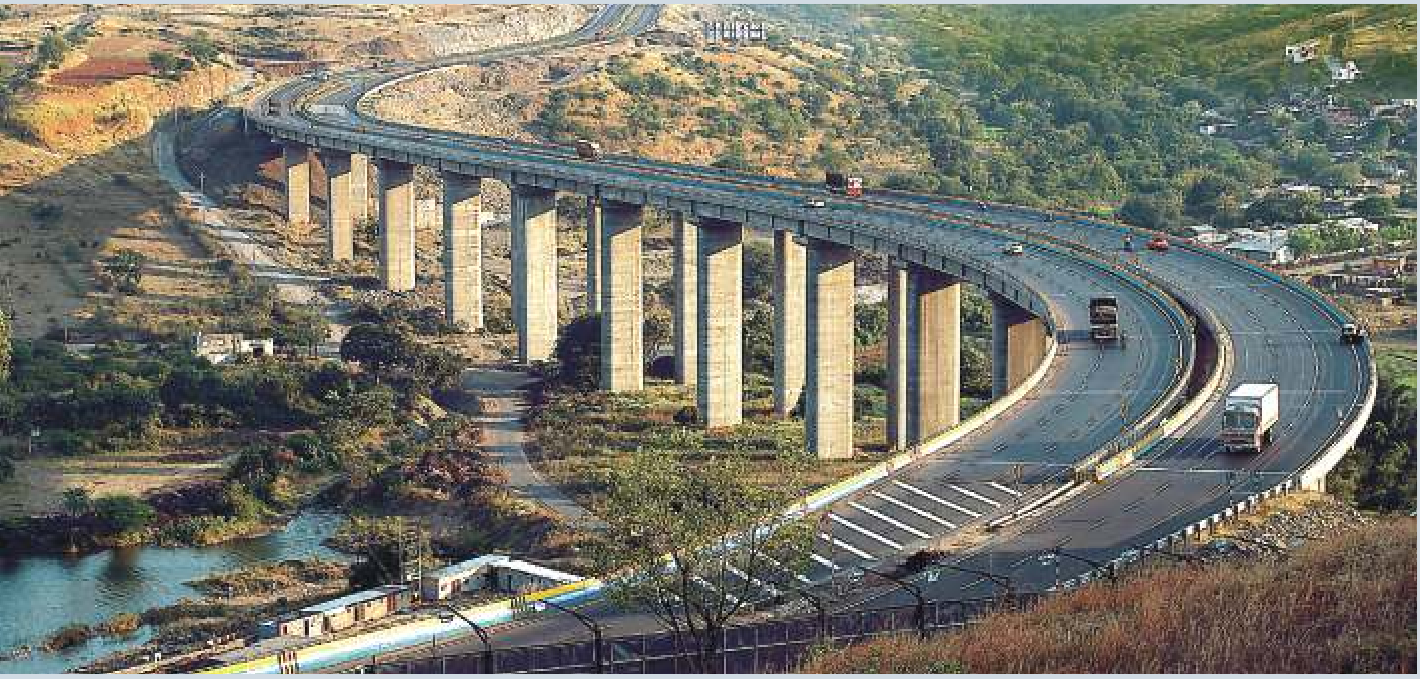
Financial Results

The company has been earning profits since its inception in April 2006. Continuing its performance, the company earned Profit After Tax of ₹ 95.90 crore as on 31st March 2010 compared to ₹ 69.98 crore as on 31st March 2009, representing a growth of 37%.

₹ crore

Item	31.3.2010	31.3.2009	Growth
Total Income	1585.40	634.86	150%
Total Expenses	1348.07	485.15	178%
Operating Profit	237.33	149.71	59%
Prior period adjustment	0.57	0.82	
Profit Before Tax	237.90	150.53	58%
Provision for Tax/FBT	78.25	50.89	54%
(Less)/Add: Deferred Tax Provision	(5.90)	1.01	
Reserves	57.85	30.67	89%
Net Profit	95.90	69.98	37%

Total income grew by 150% from ₹ 634.86 crore to ₹ 1585.40 crore, while total expenses grew from ₹ 485.15 crore at the end of March 2009 to ₹ 1348.07 crore at the end of March 2010, i.e, by 178% mainly on account of cost of borrowing. Profit before Tax was ₹ 237.90 crore at the end of March 2010 compared to ₹ 150.53 crore at the end of March 2009. Net Worth increased to ₹ 2086.45 crore at the end of March 2010 as against ₹ 1433.01 crore at the end of March 2009.



During the year, the company has made provision of ₹ 27.94 crore for Bad & doubtful assets. Additionally, during the year, the company provided ₹ 28.54 crore towards Capital Reserve.

Operational Performance

Sanctions

Within a short span of 4 years since its establishment, the company has carved a niche for itself in infrastructure financing with a strong and diverse project portfolio. Since its inception in April 2006, the company received 254 proposals, of which 139 projects have been sanctioned to the tune of ₹ 24,375 crore involving a project cost of ₹ 2,00,883 crore. The sector-wise cumulative sanctions are as under:

Cumulative sanctions (As on 31st March 2010)

₹ crore

Sector	No. of Projects	Project Cost	Loan Sanctioned
Road	75	69,261	9,809
Power	24	1,07,125	11,429
Airport	2	14,716	2,150
Port	7	5,234	860
Urban Infra & PMDO*	31	4,547	127
Total	**139**	**2,00,883**	**24,375**

* Pooled Municipal Debt Obligations

Pooled Municipal Debt Obligations (PMDO) Facility

Pooled Municipal Debt Obligations Facility (PMDO) has a corpus of ₹ 2750 crore created by 4 sponsors namely IL&FS, IIFCL, IDBI Bank and Canara Bank along with 14 other banks. IIFCL has a total commitment of ₹ 150 crore in the facility. Since its inception in 2008, the facility has sanctioned loan of ₹ 127 crore to 30 projects involving a project cost of ₹ 4,477 crore. The sanctioned projects include financing Municipal Corporations, development of common infrastructure for SMEs, Solid Waste Management and Power Production, Waste Water treatment on PPP basis, other urban infrastructure such as City Bus Transport, etc. The facility has been instrumental in structuring these projects in a bankable format and providing commercial bank credit for such projects at reasonable rate of interest and tenor. At the end of March 2010, IIFCL had disbursed ₹ 39.43 crore in 17 projects involving a project cost of ₹ 2291.83 crore.

Pan-India coverage

IIFCL's loans are spread across 139 projects in 22 states of the country of which disbursements have been made in 106 projects across 19 states.

In terms of number of projects sanctioned, Maharashtra had the maximum at 22, followed by Tamil Nadu (19),Gujarat (17) and Andhra Pradesh (17). In value terms, maximum amount of loans were sanctioned in Gujarat at ₹ 5,237 crore, followed by Maharashtra (₹ 3492 crore) and Uttar Pradesh (₹ 2520 crore).

Cumulative State-wise Sanctions (As on 31st March 2010)

₹ crore

S.No.	State	No. of Projects	Project Cost	Amount
1	Andhra Pradesh	17	7694.77	1109.89
2	Arunachal Pradesh	1	12879.00	1800.00
3	Chhattisgarh	2	866.00	165.00
4	Delhi	4	9669.87	1108.68
5	Goa	1	832.00	40.00
6	Gujarat	17	40542.65	5236.82
7	Haryana	2	2501.05	495.00
8	Himachal Pradesh	2	999.00	183.00
9	Jharkhand	2	3769.18	404.00
10	Kerala	2	1438.72	200.00
11	Karnataka	5	5222.31	611.18
12	Madhya Pradesh	11	24565.63	1259.24
13	Maharashtra	22	25597.22	3491.69
14	Orissa	2	2562.50	490.00
15	Pondicherry	2	733.62	112.50
16	Punjab	4	5528.10	480.00
17	Rajasthan	4	9848.32	860.81
18	Sikkim	2	8900.00	940.00
19	Tamil Nadu	19	8468.90	1485.32
20	Uttarakhand	2	2259.00	430.00
21	Uttar Pradesh	10	19733.28	2520.00
22	West Bengal	6	6272.11	952.24
	Total	**139**	**200883.23**	**24375.36**

Mode-wise sanctions

The company has kept a strong focus on financing public-private partnership (PPP) projects. Of the 109 projects sanctioned (excluding those under PMDO), 93 projects, i.e. 85% of total number of projects were under PPP mode.

Mode-wise cumulative sanctions (excluding PMDO) as on 31st March 2010

Mode	No. of projects	Amount Sanctioned ₹ crore	% share to total no. of projects sanctioned
PPP	93	18339.50	85
Non-PPP	13	4833.00	12
PSU	3	1090.00	3
TOTAL	**109**	**24262.50**	**100**

The cumulative mode-wise, sector-wise, number of projects sanctioned as on 31st March 2010 is as under:-

Sector	Road	Power	Airport	Port	Urban Infra	Total
PPP	74	10	2	6	1	93
Non-PPP		12		1		13
PSU	1	2				3
PMDO					30	30
Total	**75**	**24**	**2**	**7**	**31**	**139**

Financial Closure

As on 31st March 2010, out of 139 sanctioned projects, 125 projects i.e. 90% had achieved financial closure. Sector-wise details of financial closure achieved are as under:

Financial Closure Achieved (As on 31st March 2010)

₹ crore

Sector	No. of Projects	Project Cost	Sanctioned Amount	Amount Allocated
Road	64	55,971	8,394	5,858
Power	23	94,246	9,629	8,634
Airport	2	14,716	2,150	848
Port	5	3,772	580	476
Urban Infra	1	70	14	14
PMDO	30	4,477	113	113
Total	**125**	**1,73,252**	**20,880**	**15,943**

Disbursements

During the year 2009-10, disbursement amounted to ₹ 5095 crore (including refinance) compared to ₹ 3197 crore during 2008-09, registering a growth of 59%. Cumulative disbursements at the end of March 2010 stood at ₹ 9976 crore, including refinance of ₹ 1500 crore.

Sector-wise Cumulative Disbursement (As on 31st March 2010)

₹ crore

Sector	No. of Projects	Project Cost	Amount Disbursed
Road	60	51,353.13	3,507.06
Power	21	88,146.02	3,971.61
Airport	2	14,715.80	664.51
Port	5	3,771.66	285.62
Urban Infra & PMDO	18	2,362.16	47.37
Sub-total	**106**	**1,60,348.77**	**8,476.17**
Refinance			
1.Power Finance Corporation		-	630.00
2. Rural Electrification Corporation		-	870.00
Sub-total			1500.00
Grand-Total	**106**	**1,60,348.77**	**9,976.17**

Achievement of CoD

At the end of March 2010, Commercial Operation Date (CoD) has been achieved in 18 projects which included 16 road projects and 2 port projects.

Adoption of prudential norms

Although not required, the company, voluntarily has adopted prudential norms relating to asset classification and provisioning. Earlier, the company had created provision on standard assets @ 0.40% as prescribed by RBI for commercial banks. During the year under review, the company adopted norms for asset classification and provisioning, as per CRISIL report of "Developing Management Systems with special emphasis on risk assessment and regulatory norms that govern IIFCL" after approval of the Board of Directors of the company, with effect from 1st April, 2009. As on 31st March 2010, the company had NIL Non-performing Advances (NPAs). In conformity with CRISIL-prescribed framework, the company made provision based on internal credit rating of loan accounts and provision for bad & doubtful debts at the end of March 2010 amounting to ₹ 47.60 crore. Besides, the company has created Infrastructure Reserve u/s 36(1) (viii) of Income Tax Act, 1961. During the year, the company transferred ₹ 26.40 crore to infrastructure reserve taking the cumulative total to ₹ 43.42 crore as on 31st March 2010.

Refinance

The Government of India approved the Refinance Scheme of IIFCL on 06.2.2009 for providing refinance to Banks for projects in Road and Port sectors where competitive bids have been submitted on or after 31st January 2009. IIFCL had raised ₹ 10,000 crore through tax free bonds before 31.3.2009 for such refinancing. IIFCL has been making consistent efforts with banks and other eligible institutions for providing refinance. However, with the liquidity position remaining comfortable and due to subdued credit expansion, IIFCL did not receive any response from banks for refinance. To make the Scheme more effective, various modifications were made, with the due approval of the government. Under the modified Refinance Scheme, projects in roads, ports, railways and competitively bid power projects including UMPPs have been covered. Further, refinance has been extended to NBFCs which are listed under Section 45-I (c) of RBI Act and also notified as Public Financial Institutions under Section 4 A (2) of the Companies Act, 1956 subject to condition that IIFCL would follow RBI exposure norms for bank lending to NBFCs. In further modification, IIFCL was permitted to utilize ₹ 3000 crore for lending operations and to provide refinance upto ₹ 1500 crore to Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) in respect of the projects in which sanctions were issued on or after 31st January 2009. The amount of ₹ 4500 crore stands utilized.

Take-out Finance

Takeout financing is an internationally accepted practice of releasing long-term funds for financing infrastructure projects. It can be used to effectively address asset-liability mismatch of commercial banks arising out of financing infrastructure projects and also to free up capital for financing new projects. Following the announcement made by Hon'ble Finance Minister, while presenting the Budget 2009-10, IIFCL evolved Takeout Finance Scheme, after consultations with key stakeholders. The Scheme has since been introduced and various steps have been taken for building awareness amongst banks and other eligible institutions.

Credit Enhancement

ICRA Management Consulting Services Limited (IMaCs) was appointed by IIFCL to conduct a study on Credit Enhancement. The report has since been submitted and the same was studied internally at IIFCL. IIFCL has proposed to undertake a study for empirically arriving at the Probability of Default (PD) and Loss Given Default (LGD) in the infrastructure sector.

Infrastructure Credit Guarantee Fund

To study the feasibility of introducing a Infrastructure Credit Guarantee Fund, the company engaged the services of Dun & Bradstreet. The consultants after studying the need for such fund, its scope, pricing and suitability to launch such product, concluded that it may not be feasible for IIFCL to set up an infrastructure credit guarantee fund as the banks expressed limited need for credit guarantee because their need will arise only in a few high risk projects with poor rating and not interested in guarantee for the whole portfolio. Based on the study and conclusions thereof, the proposal to set up such Fund was not taken up by the company.

Resource Mobilisation

Domestic Resources

During the year, the company made efforts to mobilize long term resources from the market as well as from the multilateral/bilateral institutions. The company raised ₹ 3000 crore by way of domestic bonds having a tenor of 15 years in five tranches. The company mobilized ₹ 500 crore each in the first and second tranche at an interest of 8.10% p.a. and 7.90% p.a. respectively. Further, ₹ 600 crore and ₹ 400 crore were raised through bonds at an interest rate of 8.12% p.a. each in the third and fourth tranche. Thereafter, in the fifth tranche, ₹ 1000 crore was raised at an interest rate of 8.55% p.a.

External Resources

Under the India Infrastructure Project Financing Facility (IIPFF-I), Asian Development Bank (ADB) had sanctioned USD 500 million loan. During 2009-10, ADB sanctioned additional loan of USD 700 million under the India Infrastructure Project Financing Facility –II. Thus the total loan sanctioned by ADB to the company is USD 1.2 billion. Out of USD 500 million under the IIPFF-I, the company has availed USD 404 million for financing 27 highway projects and 2 airports (modernization of Delhi and Mumbai airports). The first tranche of loan of USD 210 million out of USD 700 million line of credit under IIPFF-II from ADB became effective from 17th March 2010.

During the year, the company successfully negotiated with World Bank for the USD 1195 million line of credit for promotion of PPP based infrastructure projects and the loan became effective on 5th November 2009. Besides, World Bank has approved 4 grant proposals to facilitate recipient-executed grants of USD 5 million to IIFCL under component –II relating to capacity building. To avail the loan facility, the company has submitted two power transmission projects to the World Bank for approval.

To ensure compliance of eligible sub-projects with World Bank requirements, the company has engaged the services of three consultants in the area of procurement, environmental and social safeguards. Besides, to strengthen in-house capacity in these areas, the company has recruited three permanent staff.

During the year, KfW sanctioned loan of Euro 50 million and the loan agreement was signed on 5th February 2010. KfW has given in-principle approval to finance two hydel power projects where IIFCL commitment is Euro 29 million and company has availed Euro 25 million out of the line of credit. The remaining amount of Euro 21 million would be utilized towards financing projects which would be sanctioned by the company in the future.

Delhi-Mumbai Industrial Corridor (DMIC) is a joint initiative of Government of Japan and India, which involves development of self-sustained industrial investment nodes with world-class infrastructure. A special purpose vehicle viz., Delhi Mumbai Industrial Corridor Development Corporation (DMICDC) has been established for implementing the project. IIFCL and Japan Bank for International Cooperation (JBIC) have signed an MoU for mutual cooperation in implementing the project. As per the MoU, JBIC has sanctioned an untied loan of USD 75 million for the project and IIFCL shall act as the intermediary financial institution for on-lending to DMICDC for the Project Development Fund.

During the year, Reserve Bank of India approved the Medium Term Note (MTN) programme of the company for raising External Commercial Borrowing of USD 1 billion up to a tenor of 10 years, to be raised in tranches during FY 2010-11 and 2011-12.

India Infrastructure Finance Initiative

The company has participated in the India Infrastructure Finance Initiative along with IDFC and Citigroup to facilitate capital investments of USD 5 billion into infrastructure assets. IIFCL has contributed ₹ 36.46 crore to the equity of the fund out of its commitment of ₹ 100 crore. The fund has achieved final closing with total capital commitment of USD 927 million.

MoU signed during the year

During the year, the company entered into Memorandum of Understanding (MoU) with IREDA, taking the total number of MoU signed since April 2006 to 29. The MoU arrangement is expected create deal flows, opportunities to participate in loan syndication and related financial services.

Environment and Social Safeguards

IIFCL recognizes that financing of infrastructure projects could result in environmental and social risks which need to be mitigated. As a responsible corporate citizen, the company has been making efforts to ensure that the projects financed comply with the national policy guidelines, laws, regulations, statutory and other requirements. The company has evolved an Environmental and Social Safeguards Framework (ESSF) to minimize negative externalities of infrastructure development projects to environment and society. The company is making efforts to enhance the ESSF in order to meet the requirements of

its development partners. An Environment and Social Safeguards Management Unit (ESMU) is being set up and an MIS tracking system to ensure that the projects financed with the help of multilateral funding comply with all the safeguard requirements during the project cycle.

Human Resource Management

IIFCL continues to be a lean organization with total staff strength of 30. Considering the growth in the volume of business and the increasing role of IIFCL in financing infrastructure sector, the company has, after due approval of the government, made fresh recruitment of 27 officers through All-India based Recruitment process. The company also came out with an offer for absorption to retain the existing staff on deputation, following which 5 have been absorbed during the year 2009-10.

As part of enhancing skills and productivity of officers, the company provided training to its officers both within the country and abroad. Officers of the company participated in various workshops/seminars/conference and training programmes conducted by top management institutions and industry associations.

Information Technology

To strengthen the operations, the company is under process of implementation of an integrated IT system with the help of its consultants. The system is under process of implementation in credit, resources, treasury, accounts, HR, Board etc. The project is in advanced stages of implementation and is expected to be completed by end of 2010.

Risk Management

IIFCL has adopted the CRISIL's Integrated Risk Management Framework after due approval of the Board. The Risk Assessment Model (RAM) software procured from CRISIL is being used by the company for risk rating of credit proposals. Group and single party exposure limits have been fixed as percent of total portfolio and are based on the project risk rating. Credit Risk Management was introduced in the company for the first time in the Financial Year 2009-2010 and IIFCL has introduced a system of risk rating of all projects prior to sanction and an MIS reporting system. Further, during the year, two meetings of operational level risk management committee were held. Based on the advice of CRISIL, IIFCL is making efforts to migrate to established best practices in credit risk management and is taking up model revalidation. Further, a Risk Rating Committee has been set up which will review and approve the credit risk rating awarded to a project.

Internal Control

The company has strong internal control systems through internal audit on a regular basis. Prompt action is taken on the observations of the Internal Auditor's report and the same along with the action taken are placed before the Audit Committee of the Board at regular intervals.

GoI Contribution of capital

During the year, Government of India contributed ₹ 500 crore towards the paid up capital of the company, and total paid up capital at the end of March 2010 was ₹ 1800 crore.

Rating of the Company

CRISIL, Fitch Ratings and ICRA have rated the company's domestic borrowing programme and have assigned “AAA (SO) Stable” (indicating the highest degree of safety with regard to timely payment of interest and principal), “AAA (ind) SO" and "LAAA (SO)" respectively. Standard and Poor's has awarded “BBB-” with negative outlook as issuer rating to IIFCL which is on par with sovereign rating.

Service Quality

To ensure quality of service, the company is working towards obtaining ISO 9001:2008 certification.

IIFCL Brand

In recognition of the contributions made to infrastructure financing, IIFCL has been chosen as the “Most Admired Infrastructure Financier” by KPMG-Infrastructure Today Awards 2010.

Website

The company has hosted its website www.iifcl.org to showcase its performance. The user-friendly website provides detailed information regarding the schemes of finance, the progress achieved and other related information.

Off-shore subsidiary

IIFCL has set up, its wholly owned subsidiary, IIFC (UK), at London with the objective of borrowing up to USD 5 billion from the Reserve Bank of India and on-lending to Indian companies implementing infrastructure projects in the country for the purpose of meeting their capital expenditure outside India. The company began its operations from April 2008. The company

sanctioned USD 338 million in 5 proposals during the year. On cumulative basis, IIFC (UK) has so far sanctioned USD 1.6 billion to 13 infrastructure projects in the power sector and the mass rapid transport (metro rail) sectors. The company disbursed USD 67.53 million in 4 cases during the year. During the year, the company commenced ratings of the projects based on CRISIL Risk Assessment Model followed by IIFCL and has adopted the exposure norms as prescribed by RBI for Financial Institutions/Scheduled Commercial Banks. Besides, the company has developed a comprehensive monitoring and review mechanism of its activities.

Dividend

During 2009-10, the company earned a Profit After Tax of ₹ 95.90 crore. Keeping with the expanding business of the company, it is imperative that its fundamentals are strengthened. Accordingly, the management has decided to plough back the profits and the company has not declared any dividend.

Board of Directors

The Board of Directors of the company are:

No.	Name and Designation	Category	Remarks
1.	Shri S K Goel Chairman & Managing Director	Whole Time Director	Appointed w.e.f . 24th June 2010.
2.	Smt. Sudha Pillai Member Secretary Planning Commission Government of India	Government Nominee Director	Appointed w.e.f. 19th October 2009.
3.	Shri Ashok Chawla Finance Secretary Government of India	Government Nominee Director	
4.	Shri N.Balasubramanian Ex-Chairman & Managing Director SIDBI	Part-Time Non-Official Director	
5.	Prof G Raghuram Professor Indian Institute of Management Ahmedabad	Part-Time Non-Official Director	Ceased the office on 5th September 2009, reappointed w.e.f. 20th July 2010.
6.	Shri Raman Sidhu Expert Banker	Part-Time Non-Official Director	Appointed w.e.f. 14th June 2010.
7.	Shri Pradeep Kumar CEO	Whole-Time Director	

Shri S.S. Kohli demitted the office of the Chairman and Managing Director w.e.f . 09.4.2010. The Board wishes to place on record its appreciation of his contribution to the company. Smt. Ravneet Kaur, Joint Secretary, Ministry of Finance, Government of India was given additional charge of the post of Chairperson and Managing Director till the new Chairman and Managing Director of IIFCL was appointed. She held the post till 24th June 2010 on which date Shri S K Goel took charge as Chairman and Managing Director of IIFCL. The Board also wishes to place on record its appreciation of Smt Ravneet Kaur's contribution to the company.

Dr Subas Pani, Secretary, Planning Commission ceased to hold the post from 19th October 2009. In his place, the Government of India appointed Smt Sudha Pillai, Member Secretary, Planning Commission as a Director on the Board of IIFCL.

Shri Raman Sidhu, Expert Banker, have been appointed part-time non-official Director w.e.f. 14th June 2010.

Prof G Raghuram- Professor, Indian Institute of Management Ahmedabad had completed his term as part-time Director on 5th September 2009. The Government of India has reappointed him w.e.f. 20th July 2010.

The Board welcomes all the new Directors on the Board of the Company.

Directors' Responsibility Statement

Pursuant to the requirement under section-217 (2AA) of the Company Act-1956 with respect to a Director's Responsibility Statement.

It is hereby confirmed:-

(a) That in the preparation of Annual Accounts for the Financial Year ended 31.03.2010 the applicable Accounting Standard had been followed along with the proper explanation relating to material departure.

(b) That the Directors had adopted such Accounting Policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the Financial year and of the profit or loss of the company for the year under review.

(c) That the Directors had taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

(d) That the Directors had prepared the accounts for the Financial Year ended 31-03-2010 on going concern basis.

Corporate Governance

IIFCL, as a socially responsible corporate citizen is committed to adopting best practices in corporate governance. The company recognizes that transparency, ethical behavior, integrity and protection of interests of all stakeholders form the keystones of governance. Accordingly, the company has established strong internal controls. The observations in the Internal Auditor's report are promptly attended to and the report along with the actions taken thereon is placed before the Audit Committee of the Board.

The company has a three tier system of audit viz., internal audit, statutory audit and audit by the Comptroller and Auditor General of India.

The company has adopted prudential norms relating to asset classification and provisioning as per CRISIL report on risk management with effect from April 1, 2009. Accordingly, provisioning for standard assets is based on the internal credit risk rating of the loan accounts.

Financing of infrastructure projects involves various risks and to identify, manage and mitigate such risks, the company has put in place a risk management framework which would address credit and market risks. All credit proposals are subject to internal risk rating before being placed to the Board for consideration. At the Board level, besides Audit Committee, the Risk Mitigation and Management Committee (RMMC) has been set up to guide and support the implementation of the risk management framework.

The Environmental and Social Safegaurds Framework (ESSF) of the company would help in ensuring that the projects financed comply with all the national laws, regulations and policies prescribed by the government and other statutory authorities. This would help in a large measure to mitigate environmental and social risks and enable sustainable and inclusive development.

Regular reports on the economy, performance of the company and other operational matters are placed to the Board of Directors.

Board Meetings during the year

The Board of Directors of the company provides leadership and strategic direction and brings forth their objective judgment, independence of management and exercises control over the company, while ensuring accountability to stakeholders.

During the year under review, the Board of Directors met 8 times on 27th April 2009, 14th July 2009, 1st September 2009, 20th October 2009, 15th December 2009, 26th December 2009, 8th February 2010, and 30th March 2010.

Audit Committee of the Board

The Board of Directors has constituted an Audit Committee of the following Directors under Section 292(A) of the Companies Act, 1956.

No.	Name	Designation
1.	Shri Balasubramanian	Chairman
2.	Shri Raman Sidhu	Member
3.	Shri Pradeep Kumar	Member

During the year 2009-10, the Audit Committee of the Board met 6 times on 27th April 2009, 14th July 2009, 1st September 2009, 20th October 2009, 15th December 2009 and 6th February 2010.

Risk Mitigation & Management Committee of the Board

No.	Name	Designation
1.	Shri S K Goel	Chairman
2.	Shri N Balasubramanian	Member
3.	Shri Raman Sidhu	Member
4.	Shri Pradeep Kumar	Member

Remuneration Committee for Performance Linked Incentive Scheme for CMD and Whole Time Director (WTD)

No.	Name	Designation
1.	Smt Sudha Pillai	Chairperson
2.	Shri N Balasubramanian	Member
3.	Shri Raman Sidhu	Member

Right to Information Act, 2005

During the year under review, the Company had received 5 applications and one appeal under the Right to Information Act, 2005. The Company has disposed off all the applications and appeals and no application/appeal is pending under the same.

Deposits

During the year under review, the Company has not accepted any deposits under Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975.

Conservation of energy

The Company does not fall in the category of power intensive industries and hence consumption of power is not significant. However, adequate measures have been taken to conserve energy consumption in the office premises.

Technology Absorption

The Company is engaged in providing financial assistance to infrastructure projects to aid the development of economy which does not involve any technology absorption.

Foreign exchange earnings and outgo

Information in accordance with Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988:

₹ lacs

		31.3.2010	**31.3.2009**
Total Foreign exchange used	:	₹ 2954.79	₹ 1407.09
Total Foreign exchange earned	:	₹ 292.87	₹ 234.63

Particulars of Employees

All the employees, except 16, have been taken on deputation from various Public Sector Banks/Financial Institutions. While the Officers' Service Regulations have been implemented, the process of absorption of the staff is under process.

The Company had no employees during the year under review whose particulars are required to be given under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees Rules 1975).

Bond Trustee

The Company's bonds are listed with BSE and NSE. The Company, in line with the requirement of SEBI, appointed the following Trustees:

Particulars	Amount (₹ crore)	Trustee	Listing on Stock Exchange
8.10% IIFCL 2024	500	IDBI Trusteeship Services Ltd, Asian Building, 17 R Kamani Marg, Ballard Estate, Mumbai 400001	BSE & NSE
7.90% IIFCL 2024	500	-do-	BSE & NSE
8.12% IIFCL 2024	600	-do-	BSE
8.12% IIFCL 2024	400	-do-	BSE & NSE
8.55% IIFCL 2024	1000	-do-	BSE

Statutory Auditors

M/s P R Mehra & Co. Chartered Accountants, were appointed by the Office of Comptroller & Auditor General of India as Statutory Auditors of IIFCL for the financial year 2009-10.

COMMENTS OF THE STATUTORY AUDITORS/COMPTROLLER & AUDITOR GENERAL OF INDIA ON ANNUAL ACCOUNTS

The audited statement of accounts along with the report of auditors is appended with comments of the Statutory Auditors and Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956, as an annexure to this Report.

Official Language

Efforts were made during the year towards encouraging use of Hindi in official transactions as also to ensure compliance of provisions of Official Language Act, 1963.

Acknowledgements

The Board of Directors wishes to place on record their appreciation of dedication, hard work and the efforts of the employees of the company. The Directors are thankful to all the stakeholders including the Central Government, State Governments, Banks, Financial Institutions, Employees, Customers and Shareholders for their continued support and cooperation. The Board is also thankful to the Auditors of the Company, the Comptroller and Auditor General of India for their valuable guidance and advice.

By order of the Board of Directors

FOR INDIA INFRASTRUCTURE FINANCE COMPANY LTD.

S K GOEL
Chairman and Managing Director

Place : New Delhi
Date : 06.09.2010

IIFCL

Auditor's Report

TO THE MEMBERS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

1. We have audited the attached Balance sheet of India Infrastructure Finance Company Limited as at 31st March, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

4. Without qualifying our opinion, attention is invited to —

   a. Note No. B (17a) of schedule XX regarding provision for entire Mark to Market (M2M) loss of ₹ 3929.46 lacs (as computed by counter party banks) on certain derivatives i.e. Interest Rate Swaps as on 31st March, 2010 which resulted into provision being made during the current year for M2M loss amounting to ₹ 2802.95 Lacs relating to previous year since only 25% i.e. ₹ 1126.51 Lacs of such M2M loss of ₹ 4506.02 Lacs as on 31st March, 2009 was provided during the year ended 31st March, 2009.

   b. Note No. B (11b) of schedule XX regarding creation of deferred tax liability of ₹ 501.71 Lacs relating to previous years due to increase in special infrastructure reserve for earlier years by ₹ 605.78 Lacs and on account of deduction claimed in taxable income in earlier year for bad & doubtful debts of ₹ 870.26 Lacs.

   c. Note No. B (13) of schedule XX regarding accounting for prior period income of ₹ 116.33 Lacs since the difference between the rupee conversions of foreign currency loan on the date of receipt of such loans vis-à-vis the spot rates on the date of swap transactions was credited to Foreign Exchange Fluctuation Reserve instead of crediting the same to income.

5. Further to our comments in the 'Annexure' referred to in paragraph 3 above, we report that:

   a. Section 45-(IA)(1)(a), under Chapter III-B, of The Reserve Bank of India Act, 1934 (RBI Act, 1934) stipulates that notwithstanding anything contained in this chapter or in any other law for the time being in force, no non-banking financial company (NBFC) shall commence or carry on the business of a non-banking financial institution without obtaining a certificate of registration issued under this Chapter. Section 45 Q, under Chapter III-B, of the RBI Act, 1934 stipulates that the provisions of this Chapter shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law. Further as per paragraph 2(iv) of Master Circular no. DNBS (PD) CC. No. 148/03.02.004/2009-10 dated 1-7-2009 of RBI dated 01.07.2009 on exemptions from the provisions of RBI Act, 1934, a Govt. company, which is an NBFC, is not exempted from the provisions of section 45-1A of the RBI Act, 1934.

      In our opinion, the company, being a Non-Banking Financial Company, is carrying on the business of a non-banking financial institution without obtaining a certificate of registration from the Reserve Bank of India which has resulted in non-compliance with the provisions of section 45-(IA)(1)(a), under Chapter III-B, of the RBI Act, 1934. (Refer Note No.B (19) of Schedule XX).

   b. As per the announcement issued by The Institute of Chartered Accountants of India (ICAI) regarding 'Accounting for Derivatives' the company is required to provide for losses in respect of all outstanding derivatives contracts at the balance sheet date by marking them to market except in respect of forward contracts which are to be accounted for in accordance with the provisions of AS-11, 'The Effects of Changes in Foreign Exchange Rates'.

In our opinion, the company has not provided for such mark to market losses, amount not ascertained, on certain outstanding derivative contracts, i.e. Interest Rate Swaps, referred to in note 17(b) of schedule XX.

c. As per Accounting Standard-11 (AS-11) i.e. 'The Effects of Changes in Foreign Exchange Rates', foreign currency loan taken (to the extent hedged) and outstanding forward exchange contracts should be restated at the exchange rates prevailing at the reporting date and difference should be taken to profit & loss account whereas the company has restated the above loan at the date of inception of the forward contract and difference taken to Profit & loss account as stated in note B(22) of schedule XX. Had the company complied with AS-11, loan liability and foreign currency receivable account as on 31st March, 2010 would have been lower by ₹ 3941.23 Lacs each. However, there would be no impact on the profit for the year as the loss on forward contracts totally offsets the gain on the principal amount of hedged loan.

d. Few of the balances shown under Infrastructure loans and other debit/ credit balances are subject to confirmation and reconciliation. The impact on the Company's accounts is not ascertainable at this stage. (Refer Note No. B (29) of Schedule XX)

e. Provision for gratuity, leave encashment, sick leave and leave travel concession are accounted for on estimation basis for employees which are on deputation and not on actuarial basis as prescribed in Accounting Policy No. A(7.2) and Note no. B(3) of schedule XX)

6. Further to above, we report that:

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

(c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

(d) **Subject to our observations in paragraph 5(c&e) above,** in our opinion, the Balance sheet, the profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

(e) The requirements of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 relating to disqualification of directors are not applicable to the Company, being a Government company, in terms of Notification No. G.S.R.829(E), dated 21.10.2003 issued by Ministry of Finance, Department of Company Affairs.

7. **Subject to our observations in paragraph 5 above,** in our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the Accounting Policies and Notes thereon in Schedule No. XX, give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of Balance Sheet, of the state of affairs of the company as at March 31st 2010.

(b) In the case of Profit and Loss account, of the profit of the Company for the year ended on that date; and

(c) In the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

Place : New Delhi
Dated : 1st June, 2010

For P.R. Mehra & Co.
(Chartered Accountants)

Ashok Malhotra
Partner
(Membership No. 82648)

ANNEXURE TO THE AUDITOR'S REPORT TO THE MEMBERS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

Referred to in paragraph 3 of our audit report of even date:

(i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.

c) The Company has not disposed off a substantial part of fixed assets during the year.

(ii) The nature of business of the Company does not require it to hold inventories and as such clause 4(ii) of the Companies (Auditor's Report) Order, 2003 ('Order') is not applicable.

(iii) a) The Company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the company has not granted any loans, secured or unsecured, to parties listed in the registers maintained under Section 301 of the Companies Act, 1956, the provision of clause 4(iii) (b), (c) and (d) of the Order are not applicable to the company.

b) The Company has not taken any loans secured or unsecured from the companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the company has not taken any loans, secured or unsecured, from parties listed in the registers maintained under Section 301 of the Companies Act, 1956, the provision of clause 4(iii) (f) and (g) of the Order are not applicable to the Company.

(iv) In our opinion, and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for sale of services. Further during the course of our audit we have neither come across nor have we been informed of any significant continuing failure to correct major weaknesses in the internal control system with regard to purchase of fixed assets and sale of services.

(v) To the best of our knowledge and belief and according to the information and explanation given to us, there are no contracts or arrangements the particulars of which need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 and paragraph (v) (b) of the order is not applicable.

(vi) The Company has not accepted any deposits from the public within the meaning of the Rule 2(b) of the Companies (Acceptance of Deposits) Rules 1975.

(Vii) In our opinion, the internal audit functions carried out during the year by an external agency appointed by the management have been commensurate with the size of the Company and the nature of its business.

(viii) According to the information and explanation given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act 1956.

(ix) a) According to the information and explanation given to us and on the basis of our examination of the books of accounts, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Service Tax, Cess and other material statutory dues as applicable with the appropriate authorities **except for provident fund dues relating to employees of the company (other than on deputation).**

b) According to the information and explanation given to us, no undisputed amounts in respect of Provident Fund, Income Tax, Service Tax, Cess and other material statutory dues applicable to the company was in arrears as of March 31st , 2010 for a period of more than six months from the date they became payable **except provident fund liability of ₹ 2.42 Lacs relating to employees of company, other than on deputation, which is not deposited due to pendency of Govt. of India approval for formation of approved provident fund trust of the Company.**

c) According to the information and explanation given to us, there are no dues outstanding on account of Income Tax/ Service Tax/ Cess that have not been deposited on account of disputes.

(x) The Company has no accumulated losses as on 31st March, 2010. The Company has not incurred cash losses for the financial year ended 31st of March, 2010 and in the immediately preceding financial year.

(xi) According to the information and explanation given to us, and on the basis of our examination of the books of accounts, the Company has not defaulted in repayment of dues to any financial institutions or bank or debenture holders.

(xii) According to the information and explanation given to us, and on the basis of our examination of the books of accounts, the company has not granted any loans and advances on the basis of prime security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.

(xiii) The Company is not a chit fund, nidhi, mutual benefit or a society. Accordingly, clause 4(xiii) of the Order is not applicable.

(xiv) a) According to the information and explanation given to us, and on the basis of our examination of the books of accounts generally, proper records have been maintained of the contracts and transactions and timely entries have been made therein in respect of the securities, debentures and other investments dealt with or traded by the company.

b) The securities, debentures and other securities have been held by the company, in its own name except to the extent of the exemption, if any, granted under Section 49 of the Act.

(xv) In our opinion and according to the information and explanation given to us, the company has not given any guarantees for loans taken by others from bank or financial institutions.

(xvi) To the best of our knowledge and belief and according to the information and explanation given to us, in our opinion, term loans availed by the Company were , prima facie, applied by the Company during the year for the purpose for which the loans were obtained, other than for temporary deployment pending application.

(xvii) According to the information and explanations given to us and based on the overall examination of the Balance Sheet of the Company, we report that funds raised on short term basis have, prima facia, not been used for long term investment.

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.

(xix) As all debentures and bonds issued are guaranteed by Govt. of India but are unsecured, creation of security or charge does not arise.

(xx) The company has not raised any money by public issues during the year.

(xxi) To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the company was noticed or reported during the year.

Place : New Delhi
Dated : 1st June, 2010

For P.R. Mehra & Co.
(Chartered Accountants)

Ashok Malhotra
Partner
(Membership No. 82648)

IIFCL

Balance Sheet

As at 31st March, 2010

(₹)

DESCRIPTION			Schedule No.	As on 31st March, 2010	As on 31st March, 2009
I	SOURCES OF FUNDS				
	(1)	**Shareholder's Funds**			
	(i)	Share Capital	I	18,000,000,000.00	10,000,000,000.00
	(ii)	Reserve and Surplus	II	2,864,514,757.34	1,339,498,118.86
	(iii)	Share Application Money (Pending Allotment)		-	3,000,000,000.00
	(2)	**Loan Funds**			
	(i)	Secured Loans		-	-
	(ii)	Unsecured Loans	III	184,743,754,938.45	144,193,542,280.28
	(3)	**Defferred tax liability (Net of Asset)**	IV	82,820,028.90	23,824,367.15
		TOTAL		**205,691,089,724.69**	**158,556,864,766.29**
II	APPLICATIONS OF FUNDS				
	(1)	**Fixed Assets**	V		
	(I)	Gross Block		15,909,398.69	15,057,856.09
		Less : Depreciation		7,331,373.68	4,204,824.45
		Net Block		**8,578,025.01**	**10,853,031.64**
	(ii)	Capital Work -in-Progress		1,282,638.90	1,042,638.90
	(2)	**Investments**	VI	55,102,571,640.14	9,631,573,323.45
	(3)	**Infrastructure Loans**	VII	98,560,846,058.36	49,150,834,947.14
	(4)	**Current Assets, Loans & Advances**	VIII		
	(i)	Cash & Bank Balances		54,871,722,860.24	100,660,236,265.49
	(ii)	Other Current Assets		1,121,847,808.10	1,227,405,447.46
	(iii)	Loans & Advances		778,158,135.00	485,552,415.37
				56,771,728,803.34	102,373,194,128.32
	Less: Current Liabilities and Provisions		IX		
	(i)	Current Liabilities		3,623,650,035.69	2,045,816,153.18
	(ii)	Provisions		1,130,267,405.37	574,218,573.98
				4,753,917,441.06	2,620,034,727.16
	(5)	**Net Current Assets**		52,017,811,362.28	99,753,159,401.16
	(6)	**Miscellaneous Expenditure to the extent not written off or adjusted**	X	-	9,401,424.00
Notes to the Accounts			XX		
				205,691,089,724.69	**158,556,864,766.29**

Signed in terms of our report of even date

For P.R. Mehra & Co.
Chartered Accountants

For India Infrastructure Finance Company Ltd.

Ashok Malhotra
(Partner)
Membership no. 082648

Ravneet Kaur
(Chairperson and Managing Director)

Pradeep Kumar
(C.E.O.)

Place: New Delhi
Dated: 01.06.2010

K. Renu
(Company Secretary)

Profit and Loss Account

For The Year Ended On 31st March, 2010

(₹)

	DESCRIPTION	Schedule No.	For the year ended 31st March, 2010	For the year ended 31st March, 2009
I	INCOME			
	Income from Operations	XI	15,485,493,533.35	6,262,640,442.58
	Other Income	XII	368,553,542.48	85,505,734.90
	Add: Deferred income on account of Depreciation			
	Charged on Fixed assets acquired out of Government Grant		-	408,377.02
	TOTAL INCOME (A)		**15,854,047,075.83**	**6,348,554,554.50**
II	EXPENDITURE			
	Cost of Borrowings	XIII	12,729,495,155.57	4,349,673,674.24
	Bond servicing Expenses	XIV	336,897,427.45	61,720,789.00
	Bond Issue Expenses	XV	22,748,212.00	269,329,325.93
	Lease Rent		27,960,798.00	15,177,489.00
	Payments to and provisions for employees	XVI	30,592,596.31	18,494,044.45
	Establishment and other Expenses	XVII	48,025,769.02	20,377,389.37
	Marked to Market Losses on Derivatives		280,295,445.80	112,650,622.20
	(See note no: 17(a))			
	Provision for decline in value of investments (Net of gains)		-	1,650,117.75
	Depreciation	V	4,680,119.00	2,404,511.68
	TOTAL EXPENDITURE (B)		**13,480,695,523.15**	**4,851,477,963.62**
III	PROFIT FOR THE YEAR ENDED 31ST MARCH, 2010		**2,373,351,552.68**	**1,497,076,590.88**
IV	ADD : PRIOR PERIOD ADJUSTMENTS	XVIII	5,701,140.79	8,233,939.55
V	PROFIT BEFORE TAX		**2,379,052,693.47**	**1,505,310,530.43**
	(Less)/Add : Provision for taxes :- Current Year :-			
	Income Tax		(782,045,021.77)	(452,700,894.00)
	Interest		(328,300.64)	(4,937,931.23)
	- Earlier Year :-			
	Income Tax		(89,020.00)	(50,804,916.97)
	- Fringe Benefit Tax		(2,000.18)	(15,505.55)
	(Less)/Add : Deferred Tax			
	- Current Year :-		(8,824,901.75)	10,052,915.53
	- Earlier Year :-		(50,170,760.00)	-
	(Less)/Add : Provision for Fringe benefit tax		-	(439,910.82)
VI	Profit After Tax Available For Appropriations	XIX	**1,537,592,689.13**	**1,006,464,287.39**
VII	Basic & Diluted Earning per Share of ₹10/- each		0.99	1.09
VIII	Significant Accounting Policies and Notes to the Accounts	XX		

Signed in terms of our report of even date

For P.R. Mehra & Co.
Chartered Accountants

For India Infrastructure Finance Company Ltd.

Ashok Malhotra
(Partner)
Membership no. 082648

Ravneet Kaur
(Chairperson and Managing Director)

Pradeep Kumar
(C.E.O.)

Place: New Delhi
Dated: 01.06.2010

K. Renu
(Company Secretary)

IIFCL

Schedules Forming Part of the Accounts

	As on 31st March, 2010 (₹)	As on 31st March, 2009 (₹)
SCHEDULE - I		
AUTHORISED CAPITAL		
2,000,000,000 equity shares of ₹ 10/- each	20,000,000,000.00	20,000,000,000.00
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
18,00,000,000 equity shares of ₹ 10/- each (Previous year 1,000,000,000 Equity Shares of ₹ 10/- each)	18,000,000,000.00	10,000,000,000.00
TOTAL	**18,000,000,000.00**	**10,000,000,000.00**

Schedules Forming Part of the Accounts

(₹)

	Opening Balance as on 01.04.2009	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance as on 31.03.2010
SCHEDULE - II				
RESERVES & SURPLUS				
Description				
(i) Reserve for Bad & doubtful loan assets (See note 20)	196,603,339.79	279,430,027.66	-	476,033,367.45
(ii) Special Infrastructure Reserve created u/s 36(1) (viii) of Income Tax Act, 1961	170,134,862.14	264,033,581.57	-	434,168,443.71
(iii) Capital Reserve for Fixed Assets (See note 26)	943,279.90	-	943,279.90	-
(iv) Foreign Exchange Fluctuation Reserve (See note 13)	11,632,770.75	-	11,632,770.75	-
(v) Capital Reserve (profit on sale of HTM securities)	29,970,277.26	28,544,106.62	-	58,514,383.88
(vi) Staff Welfare Reserve	-	6,500,000.00	-	6,500,000.00
(vii) Profit and Loss Account	930,213,589.02	959,084,973.28	-	1,889,298,562.30
Total	**1,339,498,118.86**	**1,537,592,689.13**	**12,576,050.65**	**2,864,514,757.34**
Previous Year	321,809,437.74	1,019,389,588.14	1,700,907.02	1,339,498,118.86

*Includes ₹ 60,578,061.57 relating to earlier years

Schedules Forming Part of the Accounts

(₹)

	As on 31st March, 2010	As on 31st March, 2009
SCHEDULE - III		
UNSECURED LOANS		
(A) BONDS		
(a) Long Term Loans		
(i) Guaranteed by Government of India & redeemable at Par Non Convertible 8.70% Bonds - Redemption on 02/09/2016 5000 Bonds of Face Value ₹ 10 Lacs each	5,000,000,000.00	5,000,000,000.00
(ii) Guaranteed by Government of India & redeemable at Par Non Convertible 8.82% Bonds - Redemption on 19.12.2022 2000 Bonds of Face Value ₹ 10 Lacs each	2,000,000,000.00	2,000,000,000.00
(iii) Guaranteed by Government of India & redeemable at Par Non Convertible 8.68% Bonds - Redemption on 18.12.2023 2000 Bonds of Face Value ₹ 10 Lacs each	2,000,000,000.00	2,000,000,000.00
(iv) Guaranteed by Government of India & redeemable at Par Non Convertible 9.35% Bonds - Redemption on 17.11.2023 2000 Bonds of Face Value ₹ 10 Lacs each	2,000,000,000.00	2,000,000,000.00
(v) Guaranteed by Government of India & redeemable at Par Non Convertible 6.85% Bonds(Tax Free) - Redemption on 22.01.2014 73693 Bonds of Face Value ₹ 10 Lacs each	73,693,000,000.00	73,693,000,000.00
(vi) Guaranteed by Government of India & redeemable at Par Non Convertible 6.85% Bonds (Tax Free) - Redemption on 20.03.2014 263070 Bonds of Face Value ₹ 1 Lacs each	26,307,000,000.00	26,307,000,000.00
(vii) Guaranteed by Government of India & redeemable at Par Non Convertible 7.90% Bonds (Taxable) - Redemption on 28.04.2024 5000 Bonds of Face Value ₹ 10 Lacs each (Previous Year NIL)	5,000,000,000.00	-
(viii) Guaranteed by Government of India & redeemable at Par Non Convertible 8.10% Bonds (Taxable) - Redemption on 08.04.2024 5000 Bonds of Face Value ₹ 10 Lacs each (Previous Year NIL)	5,000,000,000.00	-
(ix) Guaranteed by Government of India & redeemable at Par Non Convertible 8.12% IIFCL Taxable Bonds Series VII - Redemption on 12.08.2024 6000 Bonds of Face Value ₹ 10 Lacs each (Previous Year NIL)	6,000,000,000.00	-
(x) Guaranteed by Government of India & redeemable at Par Non Convertible 8.12% IIFCL Taxable Bonds Series VIII - Redemption on 24.08.2024 4000 Bonds of Face Value ₹ 10 Lacs each (Previous Year NIL)	4,000,000,000.00	-
(xi) Guaranteed by Government of India & redeemable at Par Non Convertible 8.55% IIFCL Taxable Bonds Series IX - Redemption on 03.11.2024 10000 Bonds of Face Value ₹ 10 Lacs each (Previous Year NIL)	10,000,000,000.00	-
TOTAL A	**141,000,000,000.00**	**111,000,000,000.00**
(B) OTHER BORROWINGS		
(a) Long Term		
i) Loans - LIC of India(Guaranteed by Govt. of India)	10,000,000,000.00	10,000,000,000.00
ii) Loan -NSSF	15,000,000,000.00	15,000,000,000.00
iii) Loan ADB (Guaranteed by Govt. of India)	18,608,587,447.45	8,193,542,280.28
iv) Loan World Bank (Guaranteed by Govt. of India)	135,167,491.00	-
TOTAL B	**43,743,754,938.45**	**33,193,542,280.28**
TOTAL (A+B)	**184,743,754,938.45**	**144,193,542,280.28**

Notes to Schedule - III

1. Long Term Loans due for repayment within one year	NIL	NIL

(₹)

	As on 31st March, 2010	As on 31st March, 2009
SCHEDULE - IV		
Deferred TAX ASSETS / LIABILITY(Net of Assets)		
(I) Deferred tax Liability		
(i) On account of Special Infrastructure Reserve Created u/sec 36(1)(viii) of Income Tax Act,1961	144,219,903.00	57,828,839.65
(ii) On Account of Deduction claimed for bad & doubtful debts	70,004,826.00	-
(iii) On Account of Foreign Exchange Fluctuation	-	4,393,309.72
Net Deferred Tax liability	214,224,729.00	62,222,149.37
(II) Deferred tax Assets		
(i) On Account of Depreciation	877,840.10	107,835.74
(ii) On Account of Provision for Contingencies	130,526,860.00	38,289,946.48
(iii) On Account of Provision for Standard Assets		
Net Deferred Tax Assets	131,404,700.10	38,397,782.22
Net Deferred Tax Liability	**82,820,028.90**	**23,824,367.15**

SCHEDULE - V
FIXED ASSETS

(₹)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2009	Additions	Deductions/ Transfers	**As on 31.03.2010**	As on 01.04.2009	For the Period	Deductions/ Transfers	**As on 31.03.2010**	**As on 31.03.2010**	As on 31.03.2009
A. FIXED ASSETS :										
CAR	3,497,355.00	1,394,918.00	1,158,825.00	3,733,448.00	1,058,921.98	628,449.24	683,568.66	1,003,802.56	2,729,645.44	2,438,433.02
MOTOR BIKE	37,683.57	-	-	37,683.57	801.89	9,548.75	-	10,350.64	27,332.93	36,881.68
COMPUTER HARDWARE	1,860,141.20	1,146,611.66	760,863.00	2,245,889.86	1,179,717.56	521,393.54	593,052.75	1,108,058.35	1,137,831.51	680,423.64
COMPUTER SOFTWARES	170,770.64	426,314.00	5,030.00	592,054.64	131,307.32	171,402.04	3,948.28	298,761.08	293,293.56	39,463.32
FURNITURE & FIXTURES	5,078,517.85	41,332.19	164,964.50	4,954,885.54	1,245,136.57	711,030.56	93,538.53	1,862,628.60	3,092,256.94	3,833,381.28
PAINTINGS & SCULPTURES	14,850.00	-	7,000.00	7,850.00	14,839.00	-	6,995.09	7,843.91	6.09	11.00
OFFICE EQUIPMENTS	1,097,940.50	327,636.75	412,787.50	1,012,789.75	298,204.15	207,436.31	172,466.46	333,174.00	679,615.75	799,736.35
AIR CONDITIONER	534,489.20	24,200.00		558,689.20	55,607.91	67,285.75	-	122,893.66	435,795.54	478,881.29
SUB-TOTAL (A)	**12,291,747.96**	**3,361,012.60**	**2,509,470.00**	**13,143,290.56**	**3,984,536.38**	**2,316,546.19**	**1,553,569.77**	**4,747,512.80**	**8,395,777.76**	**8,307,211.58**
LEASEHOLD IMPROVEMENTS	2,766,108.13	-	-	2,766,108.13	220,288.07	2,363,572.81	-	2,583,860.88	182,247.25	2,545,820.06
SUB-TOTAL (B)	**2,766,108.13**	**-**	**-**	**2,766,108.13**	**220,288.07**	**2,363,572.81**	**-**	**2,583,860.88**	**182,247.25**	**2,545,820.06**
GRAND TOTAL (A+B)	**15,057,856.09**	**3,361,012.60**	**2,509,470.00**	**15,909,398.69**	**4,204,824.45**	**4,680,119.00**	**1,553,569.77**	**7,331,373.68**	**8,578,025.01**	**10,853,031.64**
Previous Year	**4,531,106.98**	**10,616,363.35**	**89,614.24**	**15,057,856.09**	**1,854,767.26**	**2,404,511.68**	**54,454.50**	**4,204,824.45**	**10,853,031.64**	**2,676,339.72**

Note: Additional depreciation to the extent of ₹ 20,69,048.46 has been provided on Leasehold improvements, in lieu of the fact that the company has already served notice to the landlord of leasehold premises for vacation of the same on or before 15-05-2010.

SCHEDULE - VI

(₹)

	Number of	Face	As on 31st March,2010	Number of	Face	As on 31st March, 2009
INVESTMENTS	Number of	Face		Number of	Face	
I LONG TERM	Shares	Value		Shares	Value	
(A) Equity Shares - Unquoted (Fully Paid) (Trade)						
Subsidiaries						
(i) Investment in India Infrastructure Finance Company UK Ltd.	50,000,000	$1	2,339,479,558.58	21,000,001	$1	1,005,769,604.57
		(A)	2,339,479,558.58			1,005,769,604.57
	Number of	Face		Number of	Face	
	Units	Value		Units	Value	
(B) Venture Capital Units (Unquoted) (Trade)						
(i) IDFC Project Equity Domestic Investors Trust II (Fully Paid)	3,574,500	₹ 100	357,450,000.00	2,488,000	₹ 100	248,800,000.00
		(B)	357,450,000.00			248,800,000.00
	Number of	Face		Number of	Face	
	Units	Value		Units	Value	
(C) Government Securities (Unquoted) (Non-Trade)						
(i) 6.05% GOI 2019	2,000,000	₹ 100	198,182,380.00	-		
(ii) 6.35% GOI 2020	7,500,000	₹ 100	684,896,105.00	-		
(iii) 6.90% GOI 2019	2,000,000	₹ 100	195,391,564.00	-		
(iv) 7.76% SL (KA) 2019	500,000	₹ 100	51,777,042.00	-		
(v) 7.85% SL (AP) 2019	1,000,000	₹ 100	100,297,913.00	-		
(vi) 8.27% SL (KE) 2019	1,000,000	₹ 100	101,113,465.00	-		
(vii) 8.43% SL (WB) 2019	1,500,000	₹ 100	160,938,616.00	-		
(viii) 8.48% SL (TN) 2019	2,500,000	₹ 100	257,552,301.00	-		
(ix) 8.57% SDL (UP) 2019			-	1,000,000	₹ 100	101,065,307.00
(x) 8.59% SDL (UP) 2019			-	2,633,300	₹ 100	265,392,629.00
		(C)	1,750,149,386.00			366,457,936.00
TOTAL LONG TERM INVESTMENTS (A + B + C)			**4,447,078,944.58**			**1,621,027,540.57**

(₹)

	Number of Bonds	Face Value	As on 31st March,2010	Number of Bonds	Face Value	As on 31st March, 2009
II CURRENT INVESTMENTS						
(A) Bonds (Quoted) (Trade)						
(i) 7.15% REC 2012	150	₹ 1,000,000	150,000,000.00			-
(ii) 7.70% REC 2014	100	₹ 1,000,000	100,000,000.00			-
(iii) 8.38% PFC Bonds			-	300	₹ 1,000,000	300,000,000.00
(iv) 8.75% OBC Tier II			-	200	₹ 1,000,000	200,000,000.00
(v) 8.90% PNB Bonds	200	₹ 1,000,000	200,000,000.00	200	₹ 1,000,000	200,000,000.00
(vi) 10.60% IRFC Bonds	50	₹ 1,000,000	50,088,912.00	50	₹ 1,000,000	50,088,912.00
(vii) 11.00% PFC Bonds	50	₹ 1,000,000	56,845,437.50			-
(viii) 11.25% PFC Bonds	100	₹ 1,000,000	115,528,600.00	500	₹ 1,000,000	458,447,800.00
		(A)	672,462,949.50			1,208,536,712.00
(B) Bonds (Quoted) (Non-Trade)						
(i) 8.83% Neyveli Lignite Corp. Ltd.	100	₹ 1,000,000	100,000,000.00	100	₹ 1,000,000	100,000,000.00
		(B)	100,000,000.00			100,000,000.00
(C) Mutual Funds (Unquoted) (Non-Trade)	Number of Units	Face Value		Number of Units	Face Value	
(i) UTI Liquid Cash Growth Option				1,372,487.710	₹ 1,000	1,984,195,188.63
(ii) UTI Fixed Income Interval Monthly Plan-I	83,168,382.708	₹ 10	1,000,000,000.00			-
(iii) UTI Short Term Income Fund Retail	190,949,016.613	₹ 10	3,000,000,000.00			-
(iv) UTI Treasury Advantage Fund Growth	25,941,346.528	₹ 1,000	32,086,555,788.54	3,397,894.461	₹ 1,000	4,000,000,000.00
(v) UTI Treasury Advantage Fund Growth-II	9,157,207.818	₹ 1,000	11,326,445,957.52			-
		(C)	47,413,001,746.06			5,984,195,188.63
(D) Certificate of Deposit with Scheduled Banks (Trade)						
(i) United Bank of India	20,000	₹ 100,000	1,972,219,000.00			-
(ii) Punjab National Bank	5,000	₹ 100,000	497,809,000.00			-
(iii) IDBI Bank			-	5,000	₹ 100,000	490,140,000.00
(iv) ICICI Bank			-	2,500	₹ 100,000	229,324,000.00
		(D)	2,470,028,000.00			719,464,000.00
TOTAL CURRENT INVESTMENTS (A + B + C + D)			50,655,492,695.56			8,012,195,900.63
GRAND TOTAL (I + II)			55,102,571,640.14			9,633,223,441.20
Less: Provision for diminution in the value of Investments (Net of Gains)			-			1,650,117.75
TOTAL			55,102,571,640.14			9,631,573,323.45
(1) Aggregate amount of quoted investments						
Cost			772,462,949.50			1,308,536,712.00
Market Value			773,815,400.00			1,421,695,000.00
(2) Aggregate amount of unquoted investments - Cost			54,330,108,690.64			8,324,686,729.20

DETAILS OF INVESTMENTS ACQUIRED AND SOLD DURING THE YEAR

(₹)

Sr. No:	Particulars	Number of Bonds	Face Value	Amount in ₹
	Government Securities (Non-Trade)			
1	6.05% GOI 2019	2,000,000.000	₹ 100	198,000,000.00
2	6.35% GOI 2020	2,500,000.000	₹ 100	229,745,000.00
3	6.90% GOI 2019	4,000,000.000	₹ 100	385,643,750.00
4	8.19% SL (AP) 2019	2,000,000.000	₹ 100	197,839,491.20
5	8.30% SL (MH) 2019	1,500,000.000	₹ 100	165,047,200.00
	(A)			1,176,275,441.20
	Bonds (Quoted) (Trade)			
6	8.60% PFC 2019	200.000	₹ 1,000,000	198,185,800.00
7	Bonds 8.55 IRFC 15-01-2019	100.000	₹ 1,000,000	101,126,500.00
8	Bonds 8.65% IRFC 2024	100.000	₹ 1,000,000	98,610,200.00
9	11.00% PFC Bonds	150.000	₹ 1,000,000	169,749,200.00
10	11.25% PFC Bonds	800.000	₹ 1,000,000	933,353,150.00
	(B)			1,501,024,850.00
	Mutual Funds (Unquoted) (Non-Trade)			
16	LIC MF INCOME PLUS FUND GROWTH	4,878,250,841.486	₹ 10	59,170,100,579.36
17	LIC MF INCOME PLUS FUND GROWTH-II	1,057,061,656.892	₹ 10	12,831,415,189.02
18	LIC MF LIQUID FUND	4,246,669,751.168	₹ 10	70,581,848,575.79
19	LIC MF LIQUID FUND-II	869,913,492.549	₹ 10	14,458,872,448.87
20	SBI MF Premier Liquid Fund	115,390,512.162	₹ 10	1,655,534,760.05
21	SBI MF SHF Ultra Short Term Fund Growth	140,451,745.376	₹ 10	1,655,689,337.49
22	UTI Liquid Cash Growth Option	86,145,440.363	₹ 1,000	128,431,707,595.82
23	UTI Liquid Cash Growth Option -II	68,365,620.616	₹ 1,000	102,419,233,009.22
24	UTI Treasury Advantage Fund Growth	68,704,734.627	₹ 1,000	83,057,008,135.49
25	UTI Treasury Advantage Fund Growth - II	77,841,888.230	₹ 1,000	95,164,317,021.18
	(C)			569,425,726,652.29
	Certificate of Deposit with Scheduled Banks (Trade)			
	CD - IDBI Bank	5,000.000	₹ 100,000	471,887,500.00
	(D)			471,887,500.00
	(A + B + C + D)			**572,574,914,443.49**

(₹)

	As on 31st March, 2010	As on 31st March, 2009
SCHEDULE - VII		
INFRASTRUCTURE LOANS (ASSETS)		
(A) ASSISTED CONCERNS	-	-
(B) OTHER INSTITUTIONS	98,560,846,058.36	49,150,834,947.14
TOTAL	98,560,846,058.36	49,150,834,947.14
Notes:		
1. The above amounts include:-		
(i) Interest and other charges accrued but not due	283,674,738.00	137,651,947.00
(ii) Interest and other charges accrued and due	78,705,275.48	89,647,139.29
2. Considered good	98,560,846,058.36	49,150,834,947.14
Considered doubtful	-	-

(₹)

	As on 31st March, 2010	As on 31st March, 2009
SCHEDULE - VIII		
CURRENT ASSETS, LOANS & ADVANCES		
(1) CURRENT ASSETS		
(A) Cash and Bank Balances		
(a) Cash in hand	59,549.97	46,617.28
(b) Balances with Scheduled Banks		
(i) Current Accounts in India	88,338,310.27	114,414,504.21
(ii) Fixed Deposit Accounts	54,783,325,000.00	100,545,775,144.00
	54,871,722,860.24	100,660,236,265.49
(B) Other Current Assets		
(i) Interest accrued on Govt. Securities	20,488,252.57	1,269,140.68
(ii) Interest accrued on Certificate of Deposits	12,518,765.00	19,572,404.00
(iii) Interest accrued on Bonds	27,815,931.00	32,554,573.27
(iv) Interest accrued on FDRs	1,028,738,580.99	1,171,306,681.78
(v) Other Current Assets	32,286,278.54	2,702,647.73
	1,121,847,808.10	1,227,405,447.46
(2) LOANS & ADVANCES		
Advances Recoverable in Cash or in Kind OR For Value to be Received (Unsecured Considered Good)		
(i) Irrigation and Water Resources Finance Corporation Ltd.	381,661.76	23,165,524.76
(ii) Advance Tax paid	744,238,000.00	402,676,000.00
(iii) Tax deducted at source	1,933,085.11	8,936,666.11
(iv) Advance FBT	-	537,123.00
(v) Income Tax Recoverable 2006-07	27,819,955.00	27,908,975.00
(vi) Income Tax Refundable 2008-09	201,515.00	-
(vii) PHRD grant receivable	-	16,029,353.50
(viii) Expenses Incurred on behalf of subsidiary	5,020.26	2,719,875.00
(ix) Interest Recoverable on Swaps	3,578,897.87	3,578,898.00
TOTAL	**778,158,135.00**	**485,552,415.37**
*Maximum amount outstanding during the year	2,900,399.00	2,719,875.00

(₹)

	As on 31st March, 2010	As on 31st March, 2009
SCHEDULE - IX		
CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES		
(i) Interest accrued but not due on bonds and borrowings	3,475,606,586.46	1,692,055,229.74
(ii) Unexpired income on swaps	41,747,505.36	48,242,748.27
(iii) LC Commission received In Advance	485,443.67	603,023.00
(iv) Interest Excess Recovered	8,072,741.80	3,886,641.61
(v) Duties & Taxes payable	3,034,190.31	6,545,829.24
(vi) PF deducted on behalf of employees	509,086.98	111,531.76
(vii) Unclaimed Interest on 8.70% Bonds	156,078.00	69,078.00
(ix) Other Liabilities	7,828,287.12	4,861,016.58
(x) Commitment Charges Payable	5,082,593.99	3,348,135.43
(xi) Management Fee Payable	5,058,489.00	-
(xii) Bond Application Money Refundable	-	1,900,000.00
(xiii) Government Guarantee fees payable	75,005,292.00	42,590,119.55
(xiv) Managerial Remuneration Payable	1,063,741.00	-
(xv) Stamp Duty Payable	-	241,602,800.00
TOTAL	**3,623,650,035.69**	**2,045,816,153.18**
(B) PROVISIONS		
(i) Provision for Income Tax (See note 7)	730,172,576.64	457,638,825.23
(ii) Provision for Fringe Benefit Tax	-	439,910.82
(iii) Proposed Wage Revision	5,100,000.00	2,100,000.00
(iv) Leave Fare Concession	551,000.00	561,000.00
(v) Gratuity	808,348.74	808,348.73
(vi) Leave Encashment	689,411.99	19,867.00
(vii) Provision for Marked to Market Losses on Derivatives (See note 17(a))	392,946,068.00	112,650,622.20
TOTAL	**1,130,267,405.37**	**574,218,573.98**

(₹)

	As on 31st March, 2010	As on 31st March, 2009
SCHEDULE - X		
(A) MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
(a) Stamp duty on Bonds		
Opening balance	-	22,844,336.93
Stamp duty paid on Bonds	-	-
Less : Written off during the period/year	-	(22,844,336.93)
	-	-
(b) Stamp duty on Shares		
Opening balance	9,200,000.00	1,600,000.00
Stamp duty paid on Shares	-	10,000,000.00
Less : Written off during the period/year	(9,200,000.00)	(2,400,000.00)
	-	9,200,000.00
(c) Defferred Revenue Expenses		
Opening balance	-	3,455,467.00
Defferred Revenue Expenses incurred during the year		-
Less : Written off during the period/year		(3,455,467.00)
	-	-
(d) Stamp Duty on Lease Deed		
Opening balance	201,424.00	-
Stamp Duty on lease deed incurred during the year	-	242,800.00
Less : Written off during the period/year	(201,424.00)	(41,376.00)
	-	201,424.00
TOTAL	**-**	**9,401,424.00**

(₹)

	As on 31st March, 2010	As on 31st March, 2009
SCHEDULE - XI		
INCOME FROM OPERATIONS		
(a) On Lending Operations		
(i) Interest on Loans and Advances	7,088,793,975.94	3,087,817,521.84
(ii) Interest on PMDO Investments*	33,833,034.15	7,955,164.64
(iii) Interest on Loans and Advances under Refinancing Scheme	9,678,083.00	-
(b) On Investment Operations		
(i) Interest on Bonds **	111,445,370.54	53,078,559.20
(ii) Interest on Government securities & Bank securities ***	69,786,130.05	39,057,819.91
(iii) Interest earned on CD	19,251,272.40	158,606,009.64
(iv) Profit on Sale of Government / Bank Securities	28,544,106.62	2,191,742.41
(v) Amortization of Premium Paid on HTM Securities	(1,829,768.00)	(1,144,477.92)
(vi) Amortization of Discount Received on HTM Securities	1,810,049.00	-
(vii) Dividend on Liquid Mutual Fund	-	220,894,664.30
(ix) Growth in value of UTI Liquid	1,531,628,915.67	325,229,619.47
(x) Profit on Sale of CD	4,700,088.60	10,799,335.58
(xi) Profit on Sale of Bonds	12,755,437.81	67,171,255.00
(xii) Growth in SBI Premier Liquid Fund	12,517,592.67	-
(xiii) Growth in Value of LIC MF	627,123,279.16	-
(xiv) Reversal in the provision for dimunition in the value of investments	1,650,117.75	-
(c) Interest / discount on other deposits		
(i) Interest on Bank FDR ****	5,933,805,847.99	2,290,983,228.51
TOTAL	**15,485,493,533.35**	**6,262,640,442.58**

* Includes TDS of ₹ NIL (previous year ₹ 1,09,646/-)

** Includes TDS of ₹ 46,609/- (previous year ₹ 1,41,647/-)

*** Includes TDS of ₹ NIL (previous year ₹ 40,19,076/-)

**** Includes TDS of ₹ NIL (previous year ₹ 7,62,025/-)

(₹)

		Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XII			
OTHER INCOME			
(i)	Miscellaneous Income *	133,810.50	342,305.00
(ii)	Short and Excess	-	61.57
(iii)	Gain on Interest rate Swaps	6,495,242.91	5,029,175.73
(iv)	Upfront Fees **	61,870,230.00	60,456,921.00
(v)	Commission Received on L/C ***	16,929,389.94	8,027,851.96
(vi)	Liquidated Damages	421,787.00	115,344.00
(vii)	Commitment Charges ****	21,104,126.16	3,832,139.00
(viii)	Provision for contingencies written back	-	5,008,129.00
(ix)	Foreign Exchange Fluctuation	63,449,617.97	2,693,807.64
(x)	Stamp Duty on Bonds written back	191,546,240.00	-
(xi)	Surplus on organising Infrastructure Conference (Net of Expenses of ₹ 27,52,352/-)	6,603,098.00	-
	TOTAL	**368,553,542.48**	**85,505,734.90**

* Includes TDS of ₹ 2,266/- (previous year ₹ 2,266/-)

** Includes TDS of ₹ 15,12,962/- (previous year ₹ 33,01,992/-)

*** Includes TDS of ₹ 2,54,776/- (previous year ₹ 1,37,475/-)

**** Includes TDS of ₹ Nil (previous year ₹ 4,62,539/-)

(₹)

	Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XIII		
COST OF BORROWINGS		
(A) Fixed		
(i) Interest on Bonds & Debentures	9,439,483,280.21	1,743,997,080.84
Less: Interest Saving on Bonds	(12,560,555.87)	(12,560,555.87)
(ii) Interest on Bonds Application Money	32,065,907.97	87,608,243.44
(B) Others		
(i) Interest on Bank Borrowings	7,835.00	23,365,801.00
(ii) Guarantee Fees to GOI for loans	148,492,542.00	56,377,392.00
(iii) Interest on (NSSF)	1,350,000,000.00	1,350,000,000.00
(iv) Interest on loan from LIC	856,000,000.00	855,999,999.00
(v) Interest on loan from ADB	125,551,851.20	124,365,332.54
(vi) Interest on Interest Swaping Transactions on ADB Loan	633,366,758.73	107,093,867.09
(vii) Interest on loan from World Bank	311,741.00	-
(viii) Commitment charges to ADB	16,074,680.33	13,426,514.20
(ix) Upfront Fees on Loan from World Bank	134,855,750.00	-
(x) Commitment charges to KFW	786,876.00	-
(xi) Management Fee on KFW Loan	5,058,489.00	-
TOTAL	**12,729,495,155.57**	**4,349,673,674.24**

(₹)

		Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XIV			
Bonds Servicing Expenses			
(i)	Listing Fee	253,472.00	50,726.00
(ii)	Guarantee Fees to GOI	330,702,916.45	59,950,334.00
(iii)	Bond Holder Trusteeship Fees	149,247.00	34,808.00
(iv)	Surveillance/ Rating Fee	5,574,525.00	1,649,589.00
(v)	Other Expenses	217,267.00	35,332.00
	TOTAL	**336,897,427.45**	**61,720,789.00**

(₹)

	Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XV		
Bonds Issue Expenses		
(i) Listing Fee	434,945.00	62,267.00
(ii) Bond Holder Trusteeship fees	16,233.00	287,530.00
(iii) Stamp Duty	21,144,000.00	261,447,136.93
(iv) Rating Fee	1,094,034.00	5,620,000.00
(v) Other Expenses	59,000.00	1,912,392.00
TOTAL	**22,748,212.00**	**269,329,325.93**

(₹)

		Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XVI			
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES			
(i)	Salaries and Allowances	18,495,290.24	13,263,950.39
(ii)	Director's Remuneration	5,881,162.03	1,063,782.00
(iii)	Contribution to Provident, Pension and other Funds	769,073.65	975,199.97
(iv)	Reimbursements	2,745,900.34	1,906,575.09
(v)	Contract Services Payment	2,701,170.05	1,284,537.00
	TOTAL	**30,592,596.31**	**18,494,044.45**

(₹)

	Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XVII		
ESTABLISHMENT AND ADMINISTRATION EXPENSES		
(i) Advertisement Expenses	3,846,921.70	775,704.49
(ii) Auditors' Remuneration	525,000.00	473,750.00
(iii) Bank & Other Charges & Interest	3,132,767.07	314,311.02
(iv) Books and Newspaper	404,355.50	59,302.00
(v) Business promotion & development Expenses	3,544,399.50	483,987.25
(vi) Car Running and Maintenance Expenses	1,256,756.17	860,894.24
(vii) CCIL Charges	90,447.00	13,861.00
(viii) Directors' Sitting Fees	140,000.00	120,000.00
(ix) Directors Foreign Travelling	562,451.00	624,746.00
(x) Directors Travelling	411,644.36	136,558.65
(xi) Power & Fuel Exps.	1,457,719.52	882,071.96
(xii) Fees for Seminars	796,550.00	54,493.50
(xiii) Filling fees	10,700.00	28,502.00
(xiv) Honorarium	-	15,000.00
(xv) Insurance	115,643.50	76,907.77
(xvi) Loss on Sale of Fixed Assets	12,620.34	30,159.74
(xvii) Miscellaneous Expenses	2,714.87	8,474.07
(xviii) Miscellaneous Expenses Written off	9,200,000.00	2,400,000.00
(xix) Miscellaneous Expenses Written off on lease deed	201,424.00	41,376.00
(xx) Motorcycle Running & Maintenance	22,402.59	1,893.00
(xxi) Office Expenses	1,316,584.33	735,794.86
(xxii) Other Tours, traveling & Conveyance Expenses	2,592,390.51	2,003,198.75
(xxiii) Postage & Telegram	130,876.00	139,840.00
(xxiv) Printing & Stationary	1,285,869.02	834,380.60
(xxv) Professional Fees	4,761,568.00	6,913,533.00
(xxvi) Repairs and Maintenance	2,182,820.10	737,425.35
(xxvii) Short & Excess	19.32	-
(xxviii) Subscription A/c	865,604.67	705,752.60
(xxix) Telephone Expenses	1,053,788.95	905,471.52
(xxx) Stamp duty on Shares	5,000,000.00	-
(xxxi) Recruitment Expenses	3,101,731.00	-
TOTAL	**48,025,769.02**	**20,377,389.37**

(₹)

	Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XVIII		
PRIOR PERIOD ADJUSTMENTS		
Prior Period Income:		
(i) Interest & Other Charges	3,935,898.00	-
(ii) Foreign Exchange Fluctuation Gain (see note 13)	13,330,449.79	10,704,108.00
(iii) Miscellaneous Income	204,794.00	16,872.00
Sub Total	17,471,141.79	10,720,980.00
Prior Period Expenses:		
(i) Amortisation of Profit on Derivatives	-	417,640.00
(ii) Interest & other Charges	10,295,751.44	1,753,396.45
(iii) TDS	-	188,454.00
(iv) Miscellaneous Expenses	1,474,249.56	127,550.00
Sub Total	**11,770,001.00**	**2,487,040.45**
Prior Period Adjustment (Net)	**5,701,140.79**	**8,233,939.55**

(₹)

		Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XIX			
APPROPRIATIONS			
(i)	Transfer towards Reserve for Bad & Doubtful loan assets (See note 20)	279,430,027.66	128,977,822.02
(ii)	Transfer towards reserve for profit on sale of HTM securitites	28,544,106.62	29,970,277.26
(iii)	Transfer to Special Infrastructure Reserve created under U/s 36(1) (viii) of Income Tax Act, 1961	264,033,581.57	147,670,513.18
(iv)	Transferred to Staff Welfare Reserve	6,500,000.00	-
(v)	Balance Carried to Balance Sheet	959,084,973.28	699,845,674.93
	TOTAL	**1,537,592,689.13**	**1,006,464,287.39**

SCHEDULE – XX – Notes to the Accounts

Significant Accounting Policies and Notes to the Accounts

(A) SIGNIFICANT ACCOUNTING POLICIES

1. The Financial accounts have been prepared on the going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated.

2. **RECOGNITION OF INCOME / EXPENDITURE**

2.1. Upfront fee income on loans granted is considered as income in cases where loan documents have been signed on allocated amount and same is accounted for on accrual basis. Similarly, upfront fee expenses on loans sanctioned to the company is considered as expense, where loan documents have been executed and same is accounted for on accrual basis.

2.2. Any gain or loss except interest accrued for the contract period till date of termination, on the terminated swap is deferred and recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability. Interest on swaps till date of termination and/or till balance sheet date is recognized on accrual basis.

2.3. Commitment charges on loans taken by the company are accounted for as an expense when the drawings are less than the loans amounts sanctioned as per the loans agreements.

2.4. Recoveries in borrower's accounts are appropriated as per the loan agreements.

2.5. Dividend is accounted on an accrual basis when right to receive the dividend is established.

2.6. Income from investment in schemes of growth of mutual funds is accounted for on the basis of actual instance of sale.

2.7. Prior period income/ expense of ₹ 5000/- or below is charged to their regular heads of account.

3. **RESERVE / PROVISIONS AGAINST LOANS AND OTHER CREDIT FACILITIES**

(i) The company has adopted norms for asset classification and provisioning as per the CRISIL report of "Developing Management Systems with special emphasis on risk assessment and regulatory norms that should govern IIFCL" as per approval of the Board of Directors of the company. The norms are applicable with effect from 1st April, 2009. The provisioning for standard assets as per the framework has been made under the head "Reserve for bad & doubtful loan assets". Provisioning norms for standard assets, which are based on internal credit rating, are as follows:-

a. Grades 1 – 3 : 0.4% of the total outstanding amount for each asset.

b. Grades 4 – 10 : 0.7% of the total outstanding amount for each asset.

c. Unrated : 0.7% of the total outstanding amount for each asset.

(ii) A Loan account where the interest and/ or principal installment remain overdue for a period of more than 90 days is classified as Non Performing Assets (NPA).

a. Sub-standard assets: Accounts which have remained as NPA for a period less than or equal to 12 months. Additionally, those assets where loan terms regarding principal and interest have been renegotiated after the start of repayments. A provision of 10% on total outstanding shall be made without any allowance for guarantee or securities available. An additional provision of 10% shall be made for the unsecured portion of the exposure.

b. Doubtful assets: Accounts which remain as NPA for a period more than 12 months. The provisions for unsecured portion of the loan shall be 100%. For the secured portions, a provision of 20%, 50% and 100% for a period of classification as "doubtful" for up to 1 year, 1 - 3 years and more than 3 years respectively, shall be created.

c. Loss Accounts: An account where loss has been identified by IIFCL or by the auditors, but the amount has not been fully written off. Either provisions at 100% of the outstanding shall be created or it the asset shall be written off from the books.

d. Any provision required for NPA accounts shall be charged to Profit & Loss A/c and the same will be netted off from Loan Assets.

4. INVESTMENTS

4.1. Long Term Investments

a. Unquoted Investments: In Foreign subsidiary and Venture Capital Units, are carried at cost.

b. Quoted investments in Government securities: Each scrip is carried at its acquisition cost or at amortized cost, if acquired at a premium over the face value. Any premium on acquisition is amortized over the remaining maturity period of the security on constant yield basis. Such amortization of premium is adjusted against income under the head "Income from Investment Operations". A provision is made for diminution, other than temporary, in value of such Investments.

4.2. Current Investments

a. Quoted Bonds – Each scrip is revalued at the market price or fair value based on yield to maturity method and only the net depreciation is provided for and net appreciation if any is ignored.

b. Mutual Funds – valued at lower of cost or net asset value at the year end.

c. Certificate of deposits – valued at cost. The difference between face value and cost is taken to income over the remaining maturity period of certificate of deposit on constant yield basis.

5. FOREIGN EXCHANGE TRANSACTIONS

5.1. Expenses and income in foreign currency are accounted for at the exchange rates prevailing on the date of transactions.

5.2. The following balances are translated in Indian currency at the exchange rates prevailing on the date of closure of accounts.

a. Foreign Currency Loan liability to the extent not hedged and Loan granted in foreign currency.

b. Expenses or Incomes accrued but not due on foreign currency loans granted /borrowings.

c. Contingent Liability in respect of Letter of Credit issued in foreign currency.

5.3. Foreign Currency Loan liability to the extent hedged, are translated in Indian currency at the spot exchange rates prevailing on the date of hedging transactions.

5.4. The actual/translation gain/loss (net) on foreign currency loan assets, liabilities and income & expenditure are charged / credited to profit and loss account.

6. **FIXED ASSETS AND DEPRECIATION**

6.1. Fixed assets are carried at cost less accumulated deprecation.

6.2. Fixed assets acquired out of grant are shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognized in the profit and loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge.

6.3. The additions to fixed assets are being capitalized on the basis of bills approved.

6.4. Depreciation of fixed assets other than leasehold improvement is provided at the rates and manner provided in schedule XIV of the Companies Act, 1956 following written down value method. Depreciation on individual assets having cost ₹ 5000/-or less is charged at 100% as prescribed in the aforesaid schedule.

6.5. Depreciation on leasehold improvement is provided following even spread method over the period of lease.

7. **RETIREMENT BENEFITS**

7.1 In respect of defined contribution scheme like provident fund, in respect of employees on deputation, respective contributions are remitted to parent organization and in respect of employees other than deputation, company is yet to create approved recognized fund and hence employees and employer contribution are shown under current liabilities. However, a fixed deposit has been made in the name of IIFCL Employees Provident Fund after closure date of accounts amount equal to the Employer's Contribution, Employees Contribution and interest thereon.

7.2 Since many of the Employees of the Company are on deputation, it is not possible for the company to calculate actuarial valuation of leave encashment, gratuity and other retirement benefits payable to employees on deputation & therefore company will not be able to follow Accounting Standard AS-15 issued by the Institute of Chartered Accountants of India. However, company has provided amount of retirement benefit payable to parent organization on estimated basis for deputation employees. Further for the employees other than on deputation, company has taken a gratuity scheme of LIC through trust in the name of IIFCL employees Group Gratuity Assurance Scheme.

8. **DERIVATIVE ACCOUNTING**

8.1 Wherever the company has entered into forward contract or an instrument i.e., in substance of a forward exchange contract, the difference between the forward rate and the exchange rate on the date of forward exchange contract is recognized as income or expenses over the life of the contract as per AS-11.

8.2 Hedging taken on foreign currency loans is adjusted on FIFO basis after adjusting for the Loans given in foreign currency (i.e. natural hedge).

8.3 The accounting of the derivative transactions are done as per RBI guidelines, which are as under:-

a. Interest Rate Swap which hedges interest bearing assets or liability should generally be accounted for like the hedge of the asset or liability.

b. The swap that is accounted for like a hedge should be accounted for on accrual basis except the swap designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In that case the swap should be marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability.

c. Gains or losses on the termination of swaps should be recognized when the offsetting gain or loss is recognized on the designated asset or liability. This implies that any gain or loss on the terminated swap would be deferred and recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.

8.4 In respect of interest rate swap entered by the company to hedge its borrowing costs which include JPY coupon only swap on equal amount of underline, the company is providing mark to market loss as on Balance Sheet Date.

9. **TAXES ON INCOME**

9.1 Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on expected outcome of assessments/appeals and on the basis of changes adopted by the company in accounting policies & estimates.

9.2 Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or subsequently enacted as on the Balance Sheet date.

9.3 Deferred tax assets are recognized and reassessed at each reporting date and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

10. **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

10.1 A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical valuation and past experience. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. No provision is recognized for liabilities whose future outcome cannot be ascertained with reasonable certainties. Such contingent liabilities are not recognized but are disclosed in the schedule of contingent liability on the basis of judgment of the management/independent expert. These are reviewed at each balance sheet date and adjusted to reflect the current management estimate.

10.2 Contingent assets are not recognized in the financial statements as this may result in the recognition of income that may never be realized.

(B) **NOTES TO THE ACCOUNTS**

1. Contingent Liabilities not provided for in respect of:

Sr. no.	Particulars	As on 31-03-2010	As on 31-03-2009
(a)	Estimated amount of contract remaining to be executed on capital account (net of advances)	85.60 lacs	72.00 lacs
(b)	Uncalled liability on account of capital commitment in respect of Venture Capital Units of IDFC Project Equity Domestic Investors Trust II	6408.00 lacs	7512.00 lacs
(c)	Letter of Comfort for issue of Letter of Credit (LC)	39,791.90 lacs	29,970.40 lacs

The company has issued letters of comfort to respective banks for issue of LC to respective borrower within term loan sanctioned.

(d) In respect of cess on turnover or gross receipt of company U/S 441A of Companies Act, 1956, to be levied @ not less than 0.005% and not more than 0.1% on the value of the annual turnover or gross receipt whichever is higher. No provision has been made, as the cess rate & the date from which it is applicable has not been notified so far by the Govt. Though no such notification has been issued so far, the Company may have to pay cess minimum of ₹ 11.89 lacs and maximum of ₹ 237.90 lacs if levied from the financial year 2005-06 being the year in which company was incorporated.

2. Additional information required as in Part II of Schedule VI (₹ in lacs)

PARTICULARS	Year ended 31st March, 2010	Year ended 31st March, 2009
Expenditure in Foreign Currencies (Actual outgo)		
- Interest on borrowings	1515.80	1243.51
- Upfront fees on borrowings	1348.56	0.00
- Commitment Charges	62.70	131.86
- Foreign Traveling	6.44	10.01
- Other Expenses	21.29	21.17
-Capital Expenditure	0.00	0.54
TOTAL	**2954.79**	**1407.09**
Earnings in Foreign Currencies		
- Interest	292.87	234.63
Auditors remuneration:		
- Statutory Audit Fee	2.50	2.50
- Tax Audit Fee	0.63	0.63
- Other Matters	2.12	1.61
TOTAL	**5.25**	**4.74**
Managerial		
Salary and allowances	56.64	10.64
- Perquisites	2.29	0.95
- Provision for Leave encashment	4.68	0.00
- Contribution to PF and other funds	0.00	0.12
- Sitting fee to Directors	1.40	1.20
TOTAL	65.01	12.91

3. Provision for Gratuity, leave encashment, Sick leave and leave travel concession are accounted for on estimated basis for deputation employees and not on Actuarial basis as prescribed by AS-15. In respect of other employees Gratuity contribution of ₹ 94,366/- is made through the trust in the name of IIFCL employees Group Gratuity Assurance Scheme maintained with Life Insurance Corporation of India.

4. The Company's main business is to provide finance for Infrastructure Projects and the company does not have more than one reportable segment in terms of Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

5. **Disclosures of Related Parties and related party transactions:**

A) <u>Managerial Remuneration and related party disclosure</u>

i) Key managerial personnel/ Board of directors
- Shri S. S. Kohli - Chairman and Managing Director
(Tenure upto 9th April 2010)
- Shri Pradeep Kumar - Whole time director and C.E.O.

ii) Wholly owned Subsidiary Company: India Infrastructure Finance Company (UK) Limited

B) Transactions during the year with related parties:

a)	Directors Remuneration	₹ 46.32 lacs (Previous Year ₹ 8.86 lacs)
	Perquisites	₹ 2.29 lacs (Previous Year ₹ 0.95 lac)
	(To Shri S.S.Kohli)	
b)	Directors Remuneration and perquisites	₹ 15.00 lacs (Previous Year ₹ 1.78 lacs)
	(To Shri Pradeep Kumar)	
c)	Investment in Subsidiary	₹ 13,337.10 lacs (Previous Year ₹ 10,057.70 lacs)

C) Balances as at 31st March 2010 (₹ In lacs)

PARTICULARS	As on 31.03.2010	As on 31.03.2009
Investment	23,394.80	10,057.70
Amount recoverable from subsidiary on account of expenses made on behalf of subsidiary	0.05	27.20
Managerial Remuneration payable	10.63	NIL
Leave Encashment (provision)	4.68	NIL

6. **Investment in Venture Capital Units**

During the year, the company has invested ₹ 1158.00 lacs in Venture Capital Units of IDFC Project Equity Domestic Investors Trust II promoted by the company along-with IDFC, Citi Bank (cumulative amount of investment by the company is ₹ 3646.00 lacs). Out of total commitment of ₹ 10,000 lacs, the company has contributed as investor in the venture and does not have joint control. Since the venture has confirmed that there is no distributable profit in the fund for the FY 2009-10, no income is accounted for in relation to such investments. However the company has received a sum of ₹ 71.50 lacs in respect of units redemption during the FY 2009-10.

7. **Details of provisions as required in AS-29.** (₹ In lacs)

PARTICULARS	Financial year 2009-10	Financial year 2008-09
Income Tax		
Opening Balance	4,576.39	617.28
Addition during the year	7,301.73	4,576.39
Amount paid/utilized during the year	4,576.39	617.28
Closing Balance	7,301.73	4,576.39
Fringe Benefit Tax		
Opening Balance	4.40	4.38
Addition during the year	0.00	4.40
Amount paid/utilized during the year	4.40	4.38
Closing Balance	0.00	4.40
Proposed Wage Revision (Note no: 24)		
Opening Balance	21.00	0.00
Addition during the year	30.00	21.00
Amount paid/utilized during the year	0.00	0.00
Closing Balance	51.00	21.00
Leave Fare Concession		
Opening Balance	5.61	0.00
Addition during the year	3.52	8.10
Amount paid/utilized during the year	3.62	2.49
Closing Balance	5.51	5.61
Gratuity		
Opening Balance	8.08	4.75
Addition during the year	0.00	3.73
Amount paid/utilized during the year	0.00	0.40
Closing Balance	8.08	8.08
Leave Encashment		
Opening Balance	0.20	1.76
Addition during the year	12.17	2.65
Amount paid/utilized during the year	5.48	4.21
Closing Balance	6.89	0.20
Marked to Market Losses on Derivatives (Note no:17)		
Opening Balance	1,126.51	0.00
Addition during the year	2,802.95	1,126.51
Amount paid/utilized during the year	0.00	0.00
Closing Balance	3,929.46	1,126.51

8. **Provisions of Accounting Standard (AS-19)**

a) Financial Lease: NIL

b) Operating Lease: The Company has taken office premises under operating lease with varying lease periods and disclosure requirements are as under:- (₹ In lacs)

Period	Year ended 31.03.2010	Year ended 31.03.2009
Total of future minimum lease payments (Gross Investment)	6,558.83	1480.80
Present value of lease payments	4623.53	1096.42
Maturity profile of total of future minimum lease payments		
Not later than one year	621.47	155.91
Later than one year but not later than five year	2,732.29	692.35
Later than five year	3,205.07	632.54
Total	**6558.83**	**1480.80**

Net present value is calculated taking 10 Year G-Sec Yield as on 31.03.2010 of 7.77% (previous year 7.13% as on 31.03.09)

9. In terms of Accounting Standard 20 issued by the Institute of Chartered Accountants of India, Earning per share (Basic & Diluted) and keeping in view remarks of the CAG Auditors in respect of previous year Balance Sheet EPS (Basic & Diluted) is worked out as follows :-

		Year ended 31.03.2010		Year ended 31.03.2009	
	Particulars	Amount ₹ In lacs	Shares (*)	Amount ₹ In lacs	Shares (*)
	Nominal Value of share (₹)		10/-		10/-
	Number of Equity Share (No. in lacs)		18,000		13,000
(i)	Net Profit (Total)	15,375.93		10,064.64	
(ii)	Earning Per Share	0.99		1.09	

(*) EPS for the current year has been calculated on weighted average number of equity shares of 1,552,054,794.52 (Previous Year 924,657,534.25)

10. The financial statements are consolidated as per Accounting Standard 21 on "Consolidated Financial Statements" as notified by Companies (Accounting Standards) Rules, 2006. The audited financial statements and Statement pursuant to section 212 of The Companies Act, 1956 for the period from 1st April 2009 to 31st March 2010 of the subsidiary company India Infrastructure Finance Company (UK) Limited duly approved by its Board of Directors are attached.

11. a. In terms of Accounting Standard -22 on "Accounting for Taxes on Income", income tax expense for the current period is determined on the basis of taxable income and the tax credit computed in accordance with the provisions of the Income Tax Act 1961 and based on expected outcome of assessments / appeals and also on the basis of changes adopted by the company in Accounting estimates during the current financial year having effect on deferred tax asset/liability.

Deferred tax liability or asset is recognized on timing differences which is reversible between the accounting income and the taxable income for the year and quantified using the tax rates and provisions, enacted or subsequently enacted as on balance sheet date.

Deferred tax assets if any, are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

b. During the year, the company has created deferred tax liability of ₹ 589.96 lacs net of deferred tax asset. The aforesaid amount includes deferred tax liability of ₹ 501.71 lacs pertaining to prior periods (₹ 205.91 lacs pertains to increase in Special Infrastructure Reserve created u/s 36(1)(viii) of Income Tax Act,1961 by ₹ 605.78 lacs and

₹ 295.80 lacs pertains to non-creation of deferred tax liability on deduction for bad & doubtful debts u/s 36(1)(viia)(c) Income Tax Act,1961 by ₹ 870.26 lacs claimed by the company in its Return of Income).

12. During the year, the company has allotted 8,000 lacs equity number of shares of ₹ 10/- each aggregating ₹ 80,000 lacs to Government of India. Accordingly issued and paid up share capital has increased from ₹ 100,000 lacs to ₹ 180,000 lacs.

13. During the previous year, the company has accounted for the difference between the rupee conversions of foreign currency loan on the date of receipt of such loans vis-à-vis the spot rates prevailing on the date of swap transactions by credit to Foreign Exchange Fluctuation Reserve under "Reserves & Surplus" and debit to Foreign Exchange Fluctuation account in Profit & Loss account. During the current year, the company has reversed the Foreign Exchange Fluctuation Reserve amounting to ₹ 116.33 lacs and included the same in 'Foreign Exchange Fluctuation gain' under 'Prior period income'.

14. During the year, the company has raised ₹ 300,000 lacs by issue and allotment of five categories of bonds i.e. 5,000 7.90% bonds with face value of ₹ 10 lacs each, 5,000 8.10% bonds with face value of ₹ 10 lacs each, 6,000 8.12% bonds (series VII) with face value of ₹ 10 lacs each, 4,000 8.12% bonds (series VII) with face value of ₹ 10 lacs each & 10,000 8.55% bonds with face value of ₹ 10 lacs each.

15. Based on information available with the company, there are no suppliers/service providers who are registered as Micro, Small and Medium undertakings under "The Micro, Small and Medium Enterprises Development Act 2006" as on 31st March, 2010 hence the company has no outstanding liability towards Micro, Small and Medium Enterprises.

16. Fixed assets possessed by the company are treated as 'Corporate Assets' and not 'Cash Generating Units' as defined by Accounting Standard -28 on "Impairment of Assets". As on 31st March 2010, there were no events or change in circumstances, which indicate any impairment in the assets.

17. **Derivative Transactions**

    a) During the previous years, the company had entered into two interest rate swap transactions to hedge its borrowing costs which include JPY coupon only swap on equal amount of underline where the company has taken five years fixed forward cover and fully hedged its currency risk for five years. Hitherto, the company was spreading Mark-to-market loss of ₹ 4,506.02 lacs (as at 31st March 2009) equally over a period of four years commencing from financial year 2008-09 till 2011-12. i.e. in the year in which AS-30 shall become mandatory. To reflect the fair value of the contract, the company has now decided to provide for the entire Mark-to-market loss on the above swap transactions amounting to ₹ 3,929.46 lacs as at 31st March 2010, which resulted in charge to Profit & Loss account of ₹ 2,802.95 lacs.

Sr. No.	Particulars	Currency Derivatives	Interest rate derivatives
1.	Derivatives (Notional Principal Amount)		
	a) For hedging (₹)	NIL	10,000.00 lacs
	b) For trading	NIL	NIL
2.	Marked to market positions [1]		
	a) Asset (₹)	NIL	(3,929.46 lacs)
	b) Liability (₹)	NIL	NIL

    b) The company has undertaken composite contracts i.e. Interest Rate Swap cum forward exchange contracts to hedge risks relating to floating interest rates as well as foreign exchange fluctuations on foreign currency borrowings from Asian Development Bank (ADB) of USD 313,515,000 corresponding ₹ 145,416.76 lacs up to 31st March 2010 (Previous Year USD 160,767,000 corresponding ₹ 72,609.87 lacs). As per the Mark-to-Market (M2M) valuations furnished by the counter party banks, the net M2M loss as on 31st March 2010 on the above composite contracts amounts to ₹ 2,390.84 lacs (gross loss ₹ 4,313.82 lacs less gross gain ₹ 1,922.98 lacs). On account of RBI Circular No. MPD.BC.187/07.01.279/1999-2000 dated July 7, 1999, the above M2M losses on these Interest Rate Swaps (IRS) has not been accounted for in the books of accounts, since as per RBI guidelines the underlying liability designated with swap is not carried at lower of cost or market value in the financial statements. Further, the M2M loss relating only to IRS cannot be computed separately and provided for as required by the announcement of ICAI on 'Accounting for Derivatives' as the company had entered into composite contracts for hedging.

18. As on Balance Sheet date, the company is having unexpired incomes of ₹ 417.48 lacs (previous year ₹ 482.43 lacs) on account of terminated swaps which are deferred and recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.

19. As per the Office Memorandum of Government of India dated 23rd April, 2007, IIFCL would be regulated directly by the Government of India and under a "sui-generis" regulatory regime. Accordingly, an Oversight Committee has been constituted by the Government of India. In order to obviate dual regulation, as IIFCL is regulated by Government of India, the company is not required to register as Non Banking Financial Company with RBI.

20. Hitherto, the company was creating Reserve for bad & doubtful loan assets at 0.40% of the total outstanding amount for each loan asset. The company has now adopted norms for asset classification and provisioning as per CRISIL report of "Developing Management Systems with special emphasis on risk assessment and regulatory norms that should govern IIFCL" as per approval of the Board of Directors of the company. The norms are applicable with effect from 1st April, 2009. The provisioning for standard assets as per the framework has been made under the head "Reserve for bad & doubtful loan assets". Provisioning norms for standard assets, which are based on internal credit rating, are as follows;

    a. Grades 1 – 3 : 0.4% of the total outstanding amount for each asset.

    b. Grades 4 – 10 : 0.7% of the total outstanding amount for each asset.

    c. Unrated : 0.7% of the total outstanding amount for each asset.

    Accordingly, the company has during the current year created Reserve for bad & doubtful loan assets of ₹ 2,794.30 lacs (previous year ₹ 1289.78 lacs) with cumulative balance of ₹ 4,760.33 lacs (previous year - ₹ 1966.03 lacs) as on Balance Sheet date. In view of the above change, there is an increase in Reserve for Standard Loan Assets amounting to ₹ 817.90 lacs.

21. Since, the bond liability is fully guaranteed by Government of India and also the company is notified as Public financial institution vide notification no S.O.143(E)(F.NO.3/5/2008 Dated 14th January 2009 of Central Government, it is not required to create Bond Redemption Reserve in respect of bonds by virtue of the Department of Company Affairs' circular of 18/04/2002 according to which the financial institution within the meaning of section 4A of the companies act 1956 were not required to create bond redemption reserve in case of privately placed bonds.

22. The foreign exchange gain of ₹ 634.50 lacs (previous year ₹ 26.94 Lacs) includes ₹ 181.53 lacs relating to the exchange difference income arising due to, difference between exchange rate prevailing on the date of receipt of such foreign currency loans vis-à-vis the spot rates prevailing on the date on which hedging transactions were undertaken.

23. The loans made by the company are considered as good in nature and recoverable as on 31.03.2010 and considered secured against future cash flows of the projects financed on non-recourse basis in case of road projects and in case of other projects are additionally secured against hypothecation of fixed assets and mortgage of immovable properties. As on Balance Sheet date, the company has financed 4 projects namely Cyberabad Expressways Ltd., Western UP Tollways Limited, Hyderabad Expressways Pvt. Ltd. and Pondicherry Tindivanam Tollways Ltd. with total outstanding of ₹ 23,201.34 lacs in which one of the promoter is Maytas Infra Ltd. and as on balance sheet date, there is no material overdue in these accounts and total outstanding amount is considered good and recoverable in all accounts.

24. The pay revision of the employees of the company is due w. e. f. 01/11/2007. Pending revision of pay, a provision of ₹ 30.00 lacs (previous year ₹ 21.00 lacs) has been made for the period 01/04/2009 to 31/03/2010 (cumulative provision till 31st March 2010 is ₹ 51.00 lacs) on estimated basis taking base of 17.50% increase in last revision made from 01/11/02 for next 5 years.

25. During the year, the company has changed its accounting policy in relation to Amortization of expenses relating to allotment of shares and execution of lease agreements. Previously expenses relating to allotment of shares were deferred over a period of five years and the expenses in relation to execution of lease agreement were amortized over the period of lease agreement. The company has now changed its accounting policy in relation thereto. During the current year, opening balance of miscellaneous expenditure of ₹ 94.01 lacs, have been fully written off. Had the company followed the past practice "Establishment and Administration Expenses" in Profit & Loss account would have been lower by ₹ 69.46 lacs and "Miscellaneous Expenditure" in Balance Sheet would have been higher by ₹ 69.46 lacs. Profit before tax would have been higher by ₹ 69.46 lacs.

26. During the year, the company has changed its accounting policy for treatment of grants relating to acquisition of Fixed Assets and depreciation thereon. Previously grants relating to specific Fixed Assets were credited to Capital Reserve for Fixed Assets. These grants were treated as deferred income and recognized in the Profit and Loss account over the useful life of assets in the proportion in which depreciation on related assets was charged. The company has now changed its accounting policy in relation thereto. Fixed assets acquired out of grant are now shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognized in the profit and loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge. The company has acquired fixed assets amounting to ₹ 34.83 lacs during the current year on which grant received amount to ₹ 33.18 lacs. Had the said change not been made, Fixed Assets would have been higher by a sum of ₹ 58.11 lacs and Accumulated Depreciation thereon would have been higher by a sum of ₹ 21.18 lacs. Capital Reserve for Fixed Assets as appearing under "Reserves and Surplus" would have been higher by a sum of ₹ 36.93 lacs. Deferred income on account of Depreciation charged on fixed assets acquired out of Grant would have been higher by a sum of ₹ 5.68 lacs and depreciation for the year would have been higher by a sum of ₹ 5.68 lacs. There is no impact on the Profit before tax for the year.

27. During the year the company has written back Stamp Duty payable on Bonds amounting to ₹ 1,915.46 lacs in view of the concession granted by the Collector of Stamps, Government of NCT of Delhi vide notification dated 18th & 19th August 2009.

28. During the year the company has transferred an amount of ₹ 65 lacs to Staff Welfare Reserve from out of the distributable profits of the company. The said amount has been approved by the board of directors in its meeting held on 30th March 2010.

29. Few of the balances appearing under Infrastructure Loans and various debit and credit balances as on the Balance Sheet date are subject to confirmation and reconciliation and in the opinion of management, no material impact of such reconciliation on financial statements is anticipated. During the year, the company has sent letters seeking confirmation of balances as on 31st March 2010 to borrowers and banks; however, confirmation in few cases are yet to be received.

30. Previous year figures have been re-grouped /re-arranged wherever practicable to make them comparable to the current year presentation.

31. Balance sheet abstracts and Company's General Business profile as per Part IV of Schedule VI of the Companies Act 1956 is enclosed as per appendix.

32. Schedule I to XX form an integral part of Balance Sheet and Profit & Loss Account.

Signed in terms of our report of even date

For P. R. Mehra & Co.
Chartered Accountants

For India Infrastructure Finance Company Ltd.

Ashok Malhotra
(Partner)
Membership No: 082648

Ravneet Kaur
(Chairperson and Managing Director)

Pradeep Kumar
(C.E.O.)

Place: New Delhi
Date: 1st June 2010

K.Renu
(Company Secretary)

Statement Pursuant to Section 212 of the Company Act, 1956, Relating to Subsidiary Company

NAME OF THE SUBSIDIARY: INDIA INFRASTRUCTURE FINANCE COMPANY (UK) LIMITED

1.	The Financial year of the subsidiary ended on	March 31, 2010
2.	(a) Number of Shares held by India Infrastructure Finance company limited (holding company) as On 31.03.10	50,000,000 Equity share of One USD each (₹ 2,339,479,558.58)
	(b) Extent of interest of the holding company at the End of the financial year of the subsidiary	100%
3.	Date from which it become a subsidiary	Feb.7, 2008
4.	The net aggregate amount of profit /(loss) and reserve of the subsidiary so far as it concerns the members of the holding company.	₹ 697,316,705.96 (USD 14,711,313)
	(a) Dealt with in the holding company's accounts by way of dividend on the shares held in subsidiary	
	(i) For the financial year of the subsidiary company	NIL
	(ii) For the previous financial year of the subsidiary since it became the holding company's subsidiary	NIL
	(b) Not dealt with in the holding company's accounts:	
	(i) For the financial year of the subsidiary	NIL
	(ii) For the previous financial years of the subsidiary since it became the holding company's subsidiary	NIL

Cash Flow Statement

For The Year Ended 31st March, 2010

(₹)

			Year ended 31st March,2010	Year ended 31st March,2009
A	CASH FLOW FROM OPERATING ACTIVITIES			
	(i)	Net Profit/(Loss) before Tax & Extraordinary Items	2,379,052,693.47	1,505,310,530.43
		Adjustments for:		
	(ii)	Depreciation	4,680,119.00	2,404,511.68
	(iii)	Provision/write offs	288,066,471.04	144,186,397.80
	(iv)	Loss on sale of assets	12,620.34	30,159.74
	(v)	Unexpired gain on Interest Swaps	(6,495,242.91)	2,060,766.27
	(vi)	Amortization of Foreign Exchange Fluctuation Profit on Hedging	-	(1,292,530.00)
	(vii)	Deferred Revenue Expenditure	-	(242,800.00)
	(viii)	Previous Years Swap loss written back	-	(5,008,129.00)
	(ix)	Stamp Duty on Bonds written back	(191,546,240.00)	-
	(x)	Foreign Exchange Profit on borrowings	(82,039,625.21)	-
	(xi)	Interest / other charges paid on IIFCL Bonds/ Loans	12,729,495,155.57	4,349,673,674.24
	(xii)	Bonds issue and servicing expenses	359,645,639.45	331,050,114.93
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		15,480,871,590.75	6,328,172,696.09
	(i)	Cash Flow From Lending of Funds	(49,410,011,111.22)	(32,228,029,943.66)
	(ii)	Sale of/ (Addition) to Investments (Including Application Money)	(44,027,007,963.93)	3,045,093,204.12
	(iii)	(Increase)/decrease in Current Assets, Loans & Advances	147,182,922.91	(1,087,654,418.23)
	(iv)	Increase/(decrease) in Current Liabilities	1,779,534,910.42	1,571,322,490.02
	CASH FLOW BEFORE EXTRAORDINARY ITEM		(76,029,429,651.07)	(22,371,095,971.66)
	EXTRAORDINARY ITEM		-	-
	CASH FLOW FROM OPERATIONS BEFORE TAX		(76,029,429,651.07)	(22,371,095,971.66)
	(i)	Taxes paid	(844,601,505.18)	(412,324,204.11)
	CASH FLOW BEFORE TRANSFER FROM RESERVES		(76,874,031,156.25)	(22,783,420,175.77)
	(i)	TRANSFER FROM CAPITAL RESERVE OF FIXED ASSETS	-	(408,377.02)
		NET CASH FROM OPERATIONS	(76,874,031,156.25)	(22,783,828,552.79)
	B	CASH FLOW FROM INVESTING ACTIVITIES		
	(i)	Purchase of / Advance for Fixed Assets (including Leased Assets)	(3,601,012.60)	(11,288,177.25)
	(ii)	Sale proceed of Fixed Assets	-	5,000.00
	(iii)	(Increase) / Decrease in Investments in Sub/ JVs (Net)	(1,442,359,954.01)	(1,254,569,563.57)
	NET CASH FROM INVESTING ACTVITIES		(1,445,960,966.61)	(1,265,852,740.82)
	C	CASH FLOW FROM FINANCING ACTIVITIES		
	(i)	Issue of share capital	5,000,000,000.00	5,000,000,000.00
	(ii)	Loans borrowed	40,550,212,658.17	109,217,332,094.28
	(iii)	Foreign Exchange difference on ADB borrowings	70,406,854.46	12,925,300.75
	(iv)	Expenses incidental to finance / borrowings	-	(10,000,000.00)
	(v)	Interest / other charges paid on IIFCL Bonds/ Loans	(12,729,495,155.57)	(4,349,673,674.24)
	(vi)	Bonds issue and servicing expenses	(359,645,639.45)	(331,050,114.93)
	NET CASH FROM FINANCING ACTIVITIES		32,531,478,717.61	109,539,533,605.86
	NET CHANGE IN CASH & CASH EQUIVALENT (A+B+C)		(45,788,513,405.25)	85,489,852,312.25
	Add: Opening Cash and Cash Equivalent		100,660,236,265.49	15,170,383,953.23
	Closing Cash and Cash Equivalent		54,871,722,860.24	100,660,236,265.49
	Closing Cash and Cash Equivalent Comprises of :-			
		1 Cash in hand	59,549.97	46,617.28
		2 Current Accounts in India	88,338,310.27	114,414,504.21
		3 Fixed Deposit Accounts	54,783,325,000.00	100,545,775,144.00
		TOTAL	**54,871,722,860.24**	**100,660,236,265.49**

Notes: 1. Figures for previous year have been regrouped and rearrange to make them comparable wherever considered necessary.

Signed in terms of our report of even date

For P.R. Mehra & Co.
Chartered Accountants

Ashok Malhotra
(Partner)
Membership no. 082648

Place: New Delhi
Dated: 01.06.2010

For India Infrastructure Finance Company Ltd.

Ravneet Kaur
(Chairperson and Managing Director)

Pradeep Kumar
(C.E.O.)

K. Renu
(Company Secretary)

Balance Sheet Abstract & Company's General Business Profile

(₹ in Lacs)

I	Registration Details			State Code		55
	Registration No.	:	144520			
	Balance Sheet Date	:	31.03.2010			
II	Capital raised during the period (Amount in ₹ Lacs)					
	Public Issue	:	NIL	Rights Issue	:	NIL
	Bonus Issue	:	NIL	Private Placement	:	80,000.00
				(incl. share app. Money of ₹ 30,000 Lacs received in last year but converted into share capital during the year)		
III	Position of Mobilization and Deployment of Funds (Amount in Lacs)					
	Total Liabilites	:	2,056,910.90	Total Assets	:	2,056,910.90
	Sources of Funds					
	Paid Up Capital	:	180,000.00	Reserve & Surplus	:	28,645.15
	Secured Loans	:	NIL	Unsecured Loans	:	1,847,437.55
	Deferred Tax Liability	:	828.20			
	Application of Funds					
	Net Fixed Assets	:	98.61	Investments	:	551,025.72
	Loans	:	985,608.46	Net Current Assets	:	520,178.11
	Accumulated Losses	:	NIL	Misc. Expenditure	:	-
IV	Performance of Company (Amount in Lacs)					
	Turnover	:	158,540.47	Total Expendiure (Net of prior period adjustment of ₹ 57.01 lacs)	:	134,749.94
	+/- Profit/Loss Before Tax	:	23,790.53	+/- Profit/Loss After Tax	:	15,375.93
	Earning per Share in ₹	:		Dividend Rate%	:	NIL
V.	Generic names of three Principal products/services of the Company					
	Item Code No. (ITC Code)	:	NA			
	Product Description	:	Financial Services			
	Item Code No. (ITC Code)	:	NA			
	Product Description	:				
	Item Code No. (ITC Code)	:	NA			
	Product Description	:				

For P.R. Mehra & Co.
Chartered Accountants

For India Infrastructure Finance Company Ltd.

Ashok Malhotra
(Partner)
Membership no. 082648

Ravneet Kaur
(Chairperson and Managing Director)

Pradeep Kumar
(C.E.O.)

Place: New Delhi
Dated: 01.06.2010

K. Renu
(Company Secretary)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of India Infrastructure Finance Company Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting frame work prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the comptroller and Auditor General of India under section 619(2) of the companies act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the companies Act 1956, based on independent audit in accordance with the auditing and assurances standards prescribed by their professional body, the institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 01 June 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the companies Act, 1956 of the financial statements of India Infrastructure Finance Company Limited, New Delhi, for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. **On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors report under Section 619(4) of the Companies Act, 1956.**

For and on the behalf of the
Comptroller & Auditor General of India

Place: New Delhi
Dated: 19 July 2010

(M.K. Biswas)
Principal Director of Commercial Audit
& Ex- officio Member Audit Board III,
New Delhi

Consolidated Financial Results
of
India Infrastructure Finance Company Ltd.
and Its Subsidiary
India Infrastructure Finance Company (UK) Ltd.

IIFCL

Auditor's Report

TO THE BOARD OF DIRECTORS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED AND IT'S SUBSIDIARY

1. We have examined the attached Consolidated Balance sheet of India Infrastructure Finance Company Limited ("The Company") and its subsidiary ("The Group") as at 31st March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statements of the group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. We did not audit the financial statements of the subsidiary, whose financial statements reflect net total assets of ₹ 142062. 90 lacs As at March 31, 2010, total revenues of ₹ 11253.24 lacs and net cash outflows amounting to ₹ 20519.83 for the year ended on that date. These financial statements have been audited by another auditor whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.

4. Without qualifying our opinion, attention is invited to –

   a. Note No. B (13a) of schedule XX regarding provision made by the company for entire Mark to Market (M2M) loss of ₹ 3926.46 Lacs (as computed by counter party banks) on certain derivatives i.e. Interest Rate Swaps as on 31st March 2010, which resulted into provision being made during the current year for M2M loss amounting to ₹ 2802.95 Lacs relating to previous year since only 25% i.e. ₹ 1126.51Lacs of such M2M loss of ₹ 4506.02 Lacs as on 31st March, 2009 was provided during the year ended 31st March, 2009.

   b. Note No. B (10b) of schedule XX regarding creation of deferred tax liability of ₹ 507.71 Lacs by the company relating to previous years due to increase in special infrastructure reserve for earlier years by ₹ 605.78 Lacs and on account deduction claimed in taxable income in earlier year for bad and doubtful debts of ₹ 870.26 Lacs.

   c. Note No. B (11) of schedule XX regarding accounting for prior period income of ₹ 116.33 Lacs since the difference between the rupee conversions of foreign currency loan on the date of receipt of such loans vis-à-vis the spot rates on the date of swap transactions was credited to Foreign Exchange Fluctuations Reserve instead of crediting the same to income.

5. Further to our comments in paragraph3 above, we report that:

   a) Section 45-(IA)(1)(a), under Chapter III-B, of the Reserve Bank of India Act, 1934) stipulates that notwithstanding anything contained in this Chapter or in any other Law for the time being in force, no non-banking financial company (MBFC) shall commence or carry on the business of non-banking financial institution without obtaining a certificate of registration issued under this Chapter. Section 45 Q, under Chapter III-B of the RBI Act, 1934 stipulates that the provision of this chapter shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any other instrument having effect by virtue of any such law. Further as per paragraph 2(iv) of Master Circular no. DNBS (PD) CC No. 148/03.02.004/2009-10 dated 1-7-2009 of RBI dated 01.07.2009 on exemptions from the provisions of RBI Act, 1934, a Govt. Company, which is an NBFC, is not exempted from the provisions of section 45-1A of the RBI Act, 1934.

In our opinion, the company, being a Non-Banking Financial Company, is carrying on the business of a Non-Banking Financial Institution without obtaining a certificate of registration from the Reserve Bank of India has resulted in non-compliance with the provisions of section 45-(IA)(1)(a), under Chapter III-B, of the RBI Act, 1934. (Refer Note No. B (20) of Schedule XX)

b) As per the announcement issued by The Institute of Charted Accountants of India (ICAI) regarding 'Accounting for Derivatives' the company is required to provide for losses in respect of all outstanding derivative contracts at the balance sheet date by marking them to market except in respect of forward contracts which are to be accounted for in accordance with the provisions of AS-11. 'The Effects of Changes in Foreign Exchange Rates'.

In our opinion, the company has not provided for such mark to market losses, amount not ascertained, on certain outstanding derivatives contracts, i.e. Interest Rate Swaps, referred to in note 13 (b) of schedule XX.

(c) As per Accounting Standard-11 (AS-11) i.e.' The effects of Changes in Foreign Exchange Rates', foreign current loan taken (to the extent hedged) and outstanding forward exchange contracts should be restated at the exchange rates prevailing at the reporting date and differences should be taken to profit & loss account where as the company has restated the above loan at the date of inception of the forward contract and difference taken to profit & loss account as stated in note B(16) of schedule XX. Had the company complied with AS-11, loan liability and foreign currency receivable account as on 31st March, 2010 would have been lower by ₹ 3941.23 Lacs each. However, there would be no impact on the profit for the year as the loss on forward contracts totally offsets the gain on the principal amount of hedged loan.

(d) Few of the balances shown under Infrastructure loans and other debit/ credit balances are subject to confirmation and reconciliation. The impact on the company's accounts is not ascertainable at this stage. (Refer Note No. B (19) of schedule XX)

(e) Provision for gratuity, leave encashment, sick leave and leave travel concession are accounted for by the company on estimation basis for employees which are on deputation and not on actuarial basis as prescribed in Accounting Standars-15 i.e. ' Employee Benefits'. (Refer Accounting Policy No. A (8.2) and Note no. B (3) of schedule XX).

6. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standards 21 (Consolidated Financial Statements), issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the company and its subsidiary included in the consolidated financial statements.

7. Based on our audit and on consideration of the report of the other auditor on the separate financial statements of the subsidiary and to the best of our information and according to the explanations given to us, we are of the opinion that the aforesaid consolidated financial statements, subject to our comments in paragraph 5, give a true and fair view in conformity with the accounting principles generally accepted in India.

   a) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of the Group as at March 31st, 2010.

   b) In the case of the Consolidated Balance Sheet Profit and Loss Account, of the consolidated profit of the group for the year ended on that date, and

   c) In the case of the Consolidated Cash Flow Statement, of the Cash flows of the group for the year ended on that date.

Place: New Delhi
Dated: 1st June, 2010

For P.R. Mehra & Co.
(Chartered Accountants)

Consolidated Balance Sheet

As at 31st March, 2010

(₹)

DESCRIPTION	Schedule No.	As on 31st March,2010	As on 31st March, 2009
I SOURCES OF FUNDS			
(1) Shareholder's Funds			
(i) Share Capital	I	18,000,000,000.00	10,000,000,000.00
(ii) Reserve and Surplus	II	3,446,103,867.58	1,437,428,915.19
(iii) Share Application Money (Pending Allotment)		-	3,000,000,000.00
(2) Loan Funds			
(i) Secured Loans		-	-
(ii) Unsecured Loans	III	196,028,754,938.45	156,931,042,280.28
(3) Defferred tax liability (Net of Asset)	IV	83,041,846.86	24,357,100.35
TOTAL		217,557,900,652.89	171,392,828,295.82
II APPLICATIONS OF FUNDS			
(1) Fixed Assets	V		
(I) Gross Block		19,967,936.09	17,690,187.84
Less : Depreciation		8,929,013.70	4,862,843.70
Net Block		11,038,922.39	12,827,344.14
(ii) Capital Work -in-Progress		1,282,638.90	1,042,638.90
(2) Investments	VI	52,763,092,081.56	8,625,803,718.88
(3) Infrastructure Loans	VII	101,216,588,442.76	49,150,834,947.14
(4) Current Assets, Loans & Advances	VIII		
(i) Cash & Bank Balances		66,658,694,556.44	114,499,191,248.94
(ii) Other Current Assets		1,136,429,878.84	1,254,620,797.56
(iii) Loans & Advances		778,158,135.00	485,552,415.37
		68,573,282,570.28	116,239,364,461.87
Less: Current Liabilities and Provisions	IX		
(i) Current Liabilities		3,630,299,473.67	2,059,736,610.28
(ii) Provisions		1,377,084,529.33	586,709,628.83
		5,007,384,003.00	2,646,446,239.11
(5) Net Current Assets		63,565,898,567.28	113,592,918,222.76
(6) Miscellaneous Expenditure to the extent not written off or adjusted	X	-	9,401,424.00
Notes to the Accounts	XX	217,557,900,652.89	171,392,828,295.82

Signed in terms of our report of even date

For P.R. Mehra & Co.
Chartered Accountants

For India Infrastructure Finance Company Ltd.

Ashok Malhotra
(Partner)
Membership no. 082648

Ravneet Kaur
(Chairperson and Managing Director)

Pradeep Kumar
(C.E.O.)

Place: New Delhi
Dated: 01.06.2010

K. Renu
(Company Secretary)

Consolidated Profit and Loss Account

For The Year Ended On 31st March, 2010

(₹)

DESCRIPTION	Schedule No.	As on 31st March,2010	As on 31st March,2009
I INCOME			
Income from Operations	XI	16,008,284,545.39	6,296,482,825.53
Other Income	XII	970,929,079.10	118,012,112.28
Add: Deferred income on account of Depreciation Charged on Fixed assets acquired out of Government Grant		-	408,377.02
TOTAL INCOME (A)		16,979,213,624.49	6,414,903,314.83
II EXPENDITURE			
Cost of Borrowings	XIII	12,905,014,568.63	4,359,453,723.55
Bond servicing Expenses	XIV	336,897,427.45	61,720,789.00
Bond Issue Expenses	XV	22,748,212.00	269,329,325.93
Lease Rent		31,368,486.60	18,972,051.53
Payments to and provisions for employees	XVI	41,323,402.30	23,786,413.49
Establishment and other Expenses	XVII	56,750,868.35	25,266,058.64
Marked to Market Losses on Derivatives (See note no : 1(a)3)		280,295,445.80	112,650,622.20
Provision for decline in value of investments (Net of gains)		-	1,650,117.75
Depreciation	V	5,747,151.91	3,062,530.92
TOTAL EXPENDITURE (B)		13,680,145,563.04	4,875,891,633.01
III PROFIT FOR THE YEAR ENDED 31ST MARCH, 2010		3,299,068,061.45	1,539,011,681.82
IV ADD PRIOR PERIOD ADJUSTMENTS	XVIII	5,701,140.79	8,233,939.55
V PROFIT BEFORE TAX		3,304,769,202.24	1,547,245,621.37
(Less)/Add Provision for taxes :			
-Current Year : -			
Income Tax		(1,041,122,301.72)	(465,191,948.85)
Interest		(328,300.64)	(4,937,931.23)
-Earlier Year : -			
Income Tax		(89,020.00)	(50,804,916.97)
Fringe Benefit Tax		(2,000.18)	(15,505.55)
(Less)/Add Deferred Tax			
-Current Year : -		(8,561,822.46)	9,520,182.34
-Earlier Year : -		(50,170,760.00)	-
(Less)/Add Provision for Fringe benefit tax		-	(439,910.82)
VI Profit After Tax Available For Appropriations	XIX	2,204,494,997.24	1,035,375,590.29
VII Basic & Diluted Earning per Share of ₹10/- each		1.42	1.12
VIII Significant Accounting Policies Notes to the Accounts	XX		
Signed in terms of our report of even date			

For P.R. **Mehra & Co.**
Chartered Accountants

Ashok Malhotra
(Partner)
Membership no. 082648

Place: New Delhi
Dated: 01.06.2010

For India Infrastructure Finance Company Ltd.

Ravneet Kaur
(Chairperson and Managing Director)

Pradeep Kumar
(C.E.O.)

K. Renu
(Company Secretary)

Schedules Forming Part of the Accounts

(₹)

	As on 31st March, 2010	As on 31st March, 2009
SCHEDULE - I		
AUTHORISED CAPITAL		
2,000,000,000 equity shares of ₹ 10/- each	20,000,000,000.00	20,000,000,000.00
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
18,00,000,000 equity shares of ₹ 10/- each	18,000,000,000.00	10,000,000,000.00
(Previous year 1,000,000,000 Equity Shares of ₹ 10/- each)		
TOTAL	**18,000,000,000.00**	**10,000,000,000.00**

	Opening Balance as on 01.04.2009 during the year	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance as on 31.03.2010
SCHEDULE - II RESERVES & SURPLUS Description				
(i) Reserve for Bad & doubtful loan assets (See note 15)	196,603,339.79	279,430,027.66	-	476,033,367.45
(ii) Special Infrastructure Reserve created u/s 36(1) (viii) of Income Tax Act, 1961	170,134,862.14	264,033,581.57	-	434,168,443.71
(iii) Capital Reserve for Fixed Assets (See note 18)	943,279.90	-	943,279.90	-
(iv) Foreign Exchange Fluctuation Reserve (See note 11)	11,632,770.75	-	11,632,770.75	-
(v) Capital Reserve (profit on sale of HTM securitites)	29,970,277.26	28,544,106.62	-	58,514,383.88
(vi) Staff Welfare Reserve	-	6,500,000.00	-	6,500,000.00
(viii) Foreign Currency Translation Difference Reserve	69,019,493.43		184,747,089.15	(115,727,595.72)
(vii) Profit and Loss Account	959,124,891.92	1,627,490,376.34	-	2,586,615,268.26
Total	**1,437,428,915.19**	**2,205,998,092.19**	**197,323,139.80**	**3,446,103,867.58**
Previous Year	**321,809,437.74**	**1,117,320,384.49**	**(1,700,907.02)**	**1,437,428,915.19**

*Includes ₹ 60,578,061.57 relating to earlier years

(₹)

	As on 31st March, 2010	As on 31st March, 2009
SCHEDULE - III		
UNSECURED LOANS		
(A) BONDS		
(a) Long Term Loans		
(i) Guaranteed by Government of India & redeemable at Par Non Convertible 8.70% Bonds - Redemption on 02/09/2016 5000 Bonds of Face Value ₹ 10 Lacs each	5,000,000,000.00	5,000,000,000.00
(ii) Guaranteed by Government of India & redeemable at Par Non Convertible 8.82% Bonds - Redemption on 19.12.2022 2000 Bonds of Face Value ₹ 10 Lacs each	2,000,000,000.00	2,000,000,000.00
(iii) Guaranteed by Government of India & redeemable at Par Non Convertible 8.68% Bonds - Redemption on 18.12.2023 2000 Bonds of Face Value ₹ 10 Lacs each	2,000,000,000.00	2,000,000,000.00
(iv) Guaranteed by Government of India & redeemable at Par Non Convertible 9.35% Bonds - Redemption on 17.11.2023 2000 Bonds of Face Value ₹ 10 Lacs each	2,000,000,000.00	2,000,000,000.00
(v) Guaranteed by Government of India & redeemable at Par Non Convertible 6.85% Bonds(Tax Free) - Redemption on 22.01.2014 73693 Bonds of Face Value ₹ 10 Lacs each	73,693,000,000.00	73,693,000,000.00
(vi) Guaranteed by Government of India & redeemable at Par Non Convertible 6.85% Bonds (Tax Free) - Redemption on 20.03.2014 263070 Bonds of Face Value ₹ 1 Lacs each	26,307,000,000.00	26,307,000,000.00
(vii) Guaranteed by Government of India & redeemable at Par Non Convertible 6.85% Bonds (Tax Free) - Redemption on 19.03.2019 250 Bonds of Face Value USD 1 million each	11,285,000,000.00	12,737,500,000.00
(viii) Guaranteed by Government of India & redeemable at Par Non Convertible 7.90% Bonds (Taxable) - Redemption on 28.04.2024 5000 Bonds of Face Value ₹ 10 Lacs each (Previous Year NIL)	5,000,000,000.00	-
(ix) Guaranteed by Government of India & redeemable at Par Non Convertible 8.10% Bonds (Taxable) - Redemption on 08.04.2024 5000 Bonds of Face Value ₹ 10 Lacs each (Previous Year NIL)	5,000,000,000.00	-
(x) Guaranteed by Government of India & redeemable at Par Non Convertible 8.12% IIFCL Taxable Bonds Series VII - Redemption on 12.08.2024 6000 Bonds of Face Value ₹ 10 Lacs each (Previous Year NIL)	6,000,000,000.00	-
(xi) Guaranteed by Government of India & redeemable at Par Non Convertible 8.12% IIFCL Taxable Bonds Series VIII - Redemption on 24.08.2024 4000 Bonds of Face Value ₹ 10 Lacs each (Previous Year NIL)	4,000,000,000.00	-
(xii) Guaranteed by Government of India & redeemable at Par Non Convertible 8.55% IIFCL Taxable Bonds Series IX - Redemption on 03.11.2024 10000 Bonds of Face Value ₹ 10 Lacs each (Previous Year NIL)	10,000,000,000.00	-
TOTAL A	**152,285,000,000.00**	**123,737,500,000.00**
(B) OTHER BORROWINGS		
(a) Long Term		
i) Loans - LIC of India(Guaranteed by Govt. of India)	10,000,000,000.00	10,000,000,000.00
ii) Loan -NSSF	15,000,000,000.00	15,000,000,000.00
iii) Loan ADB (Guaranteed by Govt. of India)	18,608,587,447.45	8,193,542,280.28
iv) Loan World Bank (Guaranteed by Govt. of India)	135,167,491.00	-
TOTAL B	**43,743,754,938.45**	**33,193,542,280.28**
TOTAL (A+B)	**196,028,754,938.45**	**156,931,042,280.28**
Notes to Schedule - III		
1. Long Term Loans due for repayment within one year	NIL	NIL

(₹)

	As on 31st March, 2010	As on 31st March, 2009
SCHEDULE - IV		
Deferred TAX ASSETS / LIABILITY(Net of Assets)		
(I) Deferred tax Liability		
(i) On account of Special Infrastructure Reserve Created u/sec 36(1)(viii) of Income Tax Act,1961	144,219,903.00	57,828,839.65
(ii) On Account of Deduction claimed for bad & doubtful debts	70,004,826.00	-
(iii) On Account of Foreign Exchange Fluctuation	-	4,393,309.72
Net Deferred Tax liability	214,224,729.00	62,222,149.37
(II) Deferred tax Assets		
(i) On Account of Depreciation	656,022.14	(424,897.46)
(ii) On Account of Provision for Contingencies	130,526,860.00	38,289,946.48
(iii) On Account of Provision for Standard Assets		
Net Deferred Tax Assets	131,182,882.14	37,865,049.02
Net Deferred Tax Liability	83,041,846.86	24,357,100.35

SCHEDULE - V
FIXED ASSETS

(₹)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2009	Additions	Deductions/ Transfers	As on 31.03.2010	As on 01.04.2009	For the Period	Deductions/ Transfers	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
A. FIXED ASSETS : CAR	3,497,355.00	1,394,918.00	1,158,825.00	3,733,448.00	1,058,921.98	628,449.24	683,568.66	1,003,802.56	2,729,645.44	2,438,433.02
MOTOR BIKE	37,683.57	-	-	37,683.57	801.89	9,548.75	-	10,350.64	27,332.93	36,881.68
COMPUTER HARDWARE	1,860,141.20	1,146,611.66	760,863.00	2,245,889.86	1,179,717.56	521,393.54	593,052.75	1,108,058.35	1,137,831.51	680,423.64
COMPUTER SOFTWARES	170,770.64	426,314.00	5,030.00	592,054.64	131,307.32	171,402.04	3,948.28	298,761.08	293,293.56	39,463.32
FURNITURE & FIXTURES	7,070,000.50	425,744.43	392,059.97	7,103,684.96	1,742,969.02	1,105,696.97	169,680.49	2,678,985.50	4,424,699.46	5,327,031.48
PAINTINGS & SCULPTURES	14,850.00	-	7,000.00	7,850.00	14,839.00	-	6,995.09	7,843.91	6.09	11.00
OFFICE EQUIPMENTS	1,738,789.60	1,669,603.81	485,865.68	2,922,527.73	458,390.95	879,802.81	223,736.64	1,114,457.12	1,808,070.61	1,280,398.65
AIR CONDITIONER	534,489.20	24,200.00	-	558,689.20	55,607.91	67,285.75	-	122,893.66	435,795.54	478,881.29
SUB-TOTAL (A)	14,924,079.71	5,087,391.90	2,809,643.65	17,201,827.96	4,642,555.63	3,383,579.10	1,680,981.91	6,345,152.82	10,856,675.14	10,281,524.08
LEASEHOLD IMPROVEMENTS	2,766,108.13	-	-	2,766,108.13	220,288.07	2,363,572.81	-	2,583,860.88	182,247.25	2,545,820.06
SUB-TOTAL (B)	2,766,108.13	-	-	2,766,108.13	220,288.07	2,363,572.81	-	2,583,860.88	182,247.25	2,545,820.06
GRAND TOTAL (A+B)	17,690,187.84	5,087,391.90	2,809,643.65	19,967,936.09	4,862,843.70	5,747,151.91	1,680,981.91	8,929,013.70	11,038,922.39	12,827,344.14
Previous Year	4,531,106.98	13,248,695.10	89,614.24	17,690,187.84	1,854,767.26	3,062,530.92	54,454.50	4,862,843.70	12,827,344.14	2,676,339.72

Note: Additional depreciation to the extent of ₹ 20,69,048.46 has been provided on Leasehold improvements, in lieu of the fact that the company has already served notice to the landlord of leasehold premises for vacation of the same on or before 15-05-2010.

SCHEDULE - VI

(₹)

	Number of Units	Face Value	As on 31st March,2010	Number of Units	Face Value	As on 31st March, 2009
INVESTMENTS						
I LONG TERM						
(A) Venture Capital Units (Unquoted) (Trade)						
(i) IDFC Project Equity Domestic Investors Trust II (Fully Paid)	3,574,500	₹ 100	357,450,000.00	2,488,000	₹ 100	248,800,000.00
		(B)	357,450,000.00			248,800,000.00
	Number of Units	Face Value		Number of Units	Face Value	
(B) Government Securities (Unquoted) (Non-Trade)						
(i) 6.05% GOI 2019	2,000,000	₹ 100	198,182,380.00			-
(ii) 6.35% GOI 2020	7,500,000	₹ 100	684,896,105.00			-
(iii) 6.90% GOI 2019	2,000,000	₹ 100	195,391,564.00			-
(iv) 7.76% SL (KA) 2019	500,000	₹ 100	51,777,042.00			-
(v) 7.85% SL (AP) 2019	1,000,000	₹ 100	100,297,913.00			-
(vi) 8.27% SL (KE) 2019	1,000,000	₹ 100	101,113,465.00			-
(vii) 8.43% SL (WB) 2019	1,500,000	₹ 100	160,938,616.00			-
(viii) 8.48% SL (TN) 2019	2,500,000	₹ 100	257,552,301.00			-
(ix) 8.57% SDL (UP) 2019			-	1,000,000	₹ 100	101,065,307.00
(x) 8.59% SDL (UP) 2019			-	2,633,300	₹ 100	265,392,629.00
		(C)	1,750,149,386.00			366,457,936.00
TOTAL LONG TERM INVESTMENTS (A + B)			2,107,599,386.00			615,257,936.00

(₹)

	Number of Bonds	Face Value	As on 31st March,2010	Number of Bonds	Face Value	As on 31st March, 2009
II CURRENT INVESTMENTS						
(A) Bonds (Quoted) (Trade)						
(i) 7.15% REC 2012	150	₹ 1,000,000	150,000,000.00			-
(ii) 7.70% REC 2014	100	₹ 1,000,000	100,000,000.00			-
(iii) 8.38% PFC Bonds			-	300	₹ 1,000,000	300,000,000.00
(iv) 8.75% OBC Tier II			-	200	₹ 1,000,000	200,000,000.00
(v) 8.90% PNB Bonds	200	₹ 1,000,000	200,000,000.00	200	₹ 1,000,000	200,000,000.00
(vi) 10.60% IRFC Bonds	50	₹ 1,000,000	50,088,912.00	50	₹ 1,000,000	50,088,912.00
(vii) 11.00% PFC Bonds	50	₹ 1,000,000	56,845,437.50			-
(viii) 11.25% PFC Bonds	100	₹ 1,000,000	115,528,600.00	500	₹ 1,000,000	458,447,800.00
		(A)	672,462,949.50			1,208,536,712.00
(B) Bonds (Quoted) (Non-Trade)						
(i) 8.83% Neyveli Lignite Corp. Ltd.	100	₹ 1,000,000	100,000,000.00	100	₹ 1,000,000	100,000,000.00
		(B)	100,000,000.00			100,000,000.00
(C) Mutual Funds (Unquoted) (Non-Trade)	Number of Units	Face Value		Number of Units	Face Value	
(i) UTI Liquid Cash Growth Option				1,372,487.710	₹ 1,000	1,984,195,188.63
(ii) UTI Fixed Income Interval Monthly Plan-I	83,168,382.708	₹ 10	1,000,000,000.00			-
(iii) UTI Short Term Income Fund Retail	190,949,016.613	₹ 10	3,000,000,000.00			-
(iv) UTI Treasury Advantage Fund Growth	25,941,346.528	₹ 1,000	32,086,555,788.54	3,397,894.461	₹ 1,000	4,000,000,000.00
(v) UTI Treasury Advantage Fund Growth-II	9,157,207.818	₹ 1,000	11,326,445,957.52			-
		(C)	47,413,001,746.06			5,984,195,188.63
(D) Certificate of Deposit with Scheduled Banks (Trade)						
(i) United Bank of India	20,000	₹ 100,000	1,972,219,000.00			-
(ii) Punjab National Bank	5,000	₹ 100,000	497,809,000.00			-
(iii) IDBI Bank			-	5,000	₹ 100,000	490,140,000.00
(iv) ICICI Bank			-	2,500	₹ 100,000	229,324,000.00
		(D)	2,470,028,000.00			719,464,000.00
TOTAL CURRENT INVESTMENTS (A + B + C + D)			50,655,492,695.56			8,012,195,900.63
GRAND TOTAL (I + II)			52,763,092,081.56			8,627,453,836.63
Less: Provision for diminution in the value of Investments (Net of Gains)			-			1,650,117.75
	TOTAL		52,763,092,081.56			8,625,803,718.88
(1) Aggregate amount of quoted investments						
Cost			772,462,949.50			1,308,536,712.00
Market Value			773,815,400.00			1,421,695,000.00
(2) Aggregate amount of unquoted investments - Cost			51,990,629,132.06			7,318,917,124.63

DETAILS OF INVESTMENTS ACQUIRED AND SOLD DURING THE YEAR

(₹)

Sr. No:	Particulars	Number of Bonds	Face Value	Amount in ₹
	Government Securities (Non-Trade)			
1	6.05% GOI 2019	2,000,000.000	₹ 100	198,000,000.00
2	6.35% GOI 2020	2,500,000.000	₹ 100	229,745,000.00
3	6.90% GOI 2019	4,000,000.000	₹ 100	385,643,750.00
4	8.19% SL (AP) 2019	2,000,000.000	₹ 100	197,839,491.20
5	8.30% SL (MH) 2019	1,500,000.000	₹ 100	165,047,200.00
	(A)			1,176,275,441.20
	Bonds (Quoted) (Trade)			
6	8.60% PFC 2019	200.000	₹ 1,000,000	198,185,800.00
7	Bonds 8.55 IRFC 15-01-2019	100.000	₹ 1,000,000	101,126,500.00
8	Bonds 8.65% IRFC 2024	100.000	₹ 1,000,000	98,610,200.00
9	11.00% PFC Bonds	150.000	₹ 1,000,000	169,749,200.00
10	11.25% PFC Bonds	800.000	₹ 1,000,000	933,353,150.00
	(B)			1,501,024,850.00
	Mutual Funds (Unquoted) (Non-Trade)			
16	LIC MF INCOME PLUS FUND GROWTH	4,878,250,841.486	₹ 10	59,170,100,579.36
17	LIC MF INCOME PLUS FUND GROWTH-II	1,057,061,656.892	₹ 10	12,831,415,189.02
18	LIC MF LIQUID FUND	4,246,669,751.168	₹ 10	70,581,848,575.79
19	LIC MF LIQUID FUND-II	869,913,492.549	₹ 10	14,458,872,448.87
20	SBI MF Premier Liquid Fund	115,390,512.162	₹ 10	1,655,534,760.05
21	SBI MF SHF Ultra Short Term Fund Growth	140,451,745.376	₹ 10	1,655,689,337.49
22	UTI Liquid Cash Growth Option	86,145,440.363	₹ 1,000	128,431,707,595.82
23	UTI Liquid Cash Growth Option -II	68,365,620.616	₹ 1,000	102,419,233,009.22
24	UTI Treasury Advantage Fund Growth	68,704,734.627	₹ 1,000	83,057,008,135.49
25	UTI Treasury Advantage Fund Growth - II	77,841,888.230	₹ 1,000	95,164,317,021.18
	(C)			569,425,726,652.29
	Certificate of Deposit with Scheduled Banks (Trade)			
	CD - IDBI Bank	5,000.000	₹ 100,000	471,887,500.00
	(D)			471,887,500.00
	(A + B + C + D)			572,574,914,443.49

(₹)

	As on 31st March,2010	As on 31st March, 2009
SCHEDULE - VII		
INFRASTRUCTURE LOANS (ASSETS)		
(A) ASSISTED CONCERNS	-	-
(B) OTHER INSTITUTIONS	101,216,588,442.76	49,150,834,947.14
TOTAL	101,216,588,442.76	49,150,834,947.14
Notes:		
1. The above amounts include:-		
(i) Interest and other charges accrued but not due	287,494,213.96	137,651,947.00
(ii) Interest and other charges accrued and due	78,705,275.48	89,647,139.29
	-	-
2. Considered good	101,216,588,442.76	49,150,834,947.14
Considered doubtful	-	-

(₹)

	As on 31st March,2010	As on 31st March, 2009
SCHEDULE - VIII		
CURRENT ASSETS, LOANS & ADVANCES		
(1) CURRENT ASSETS		
(A) Cash and Bank Balances		
(a) Cash in hand	60,317.35	46,922.98
(b) Balances with Scheduled Banks		
(i) Current Accounts in India	88,338,310.27	114,414,504.21
(ii) Fixed Deposit Accounts	66,570,295,928.82	114,384,729,821.75
	66,658,694,556.44	114,499,191,248.94
(B) Other Current Assets		
(i) Interest accrued on Govt. Securities	20,488,252.57	1,269,140.68
(ii) Interest accrued on Certificate of Deposits	12,518,765.00	19,572,404.00
(iii) Interest accrued on Bonds	27,815,931.00	32,554,573.27
(iv) Interest accrued on FDRs	1,042,179,151.41	1,197,844,244.03
(v) Other Current Assets	33,427,778.86	3,380,435.58
	1,136,429,878.84	1,254,620,797.56
		(₹)
(2) LOANS & ADVANCES		
Advances Recoverable in Cash or in Kind OR For Value to be Received (Unsecured Considered Good)		
(i) Irrigation and Water Resources Finance Corporation Ltd.	381,661.76	23,165,524.76
(ii) Advance Tax paid	744,238,000.00	402,676,000.00
(iii) Tax deducted at source	1,933,085.11	8,936,666.11
(iv) Advance FBT	-	537,123.00
(v) Income Tax Recoverable 2006-07	27,819,955.00	27,908,975.00
(vi) Income Tax Refundable 2008-09	201,515.00	-
(vii) PHRD grant receivable	-	16,029,353.50
(viii) Expenses Incurred on behalf of subsidiary *	5,020.26	2,719,875.00
(ix) Interest Recoverable on Swaps	3,578,897.87	3,578,898.00
TOTAL	778,158,135.00	485,552,415.37
*Maximum amount outstanding during the year	2,900,399.00	2,719,875.00

(₹)

	As on 31st March,2010	As on 31st March, 2009
SCHEDULE - IX		
CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES		
(i) Interest accrued but not due on bonds and borrowings	3,477,221,966.50	1,700,601,124.19
(ii) Unexpired income on swaps	41,747,505.36	48,242,748.27
(iii) LC Commission received In Advance	485,443.67	603,023.00
(iv) Interest Excess Recovered	8,072,741.80	3,886,641.61
(v) Duties & Taxes payable	4,146,710.75	8,053,745.44
(vi) PF deducted on behalf of employees	509,086.98	111,531.76
(vii) Unclaimed Interest on 8.70% Bonds	156,078.00	69,078.00
(ix) Other Liabilities	11,749,824.62	8,727,663.03
(x) Commitment Charges Payable	5,082,593.99	3,348,135.43
(xi) Management Fee Payable	5,058,489.00	-
(xii) Bond Application Money Refundable	-	1,900,000.00
(xiii) Unamortised discount on Forward Exchange Contracts	-	-
(xiv) Government Guarantee fees payable	75,005,292.00	42,590,119.55
(xv) Managerial Remuneration Payable	1,063,741.00	-
(xvi) Stamp Duty Payable	-	241,602,800.00
TOTAL	3,630,299,473.67	2,059,736,610.28
(B) PROVISIONS		
(i) Provision for Income Tax (See note 6)	976,989,700.60	470,129,880.08
(ii) Provision for Fringe Benefit Tax	-	439,910.82
(iii) Proposed Wage Revision	5,100,000.00	2,100,000.00
(iv) Leave Fare Concession	551,000.00	561,000.00
(v) Gratuity	808,348.74	808,348.73
(vi) Leave Encashment	689,411.99	19,867.00
(vii) Provision for Marked to Market Losses on Derivatives (See note 13(a))	392,946,068.00	112,650,622.20
TOTAL	1,377,084,529.33	586,709,628.83

(₹)

	As on 31st March,2010	As on 31st March, 2009
SCHEDULE - X		
(A) MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
(a) Stamp duty on Bonds		
Opening balance	-	22,844,336.93
Stamp duty paid on Bonds	-	-
Less : Written off during the period/year	-	(22,844,336.93)
	-	-
(b) Stamp duty on Shares		
Opening balance	9,200,000.00	1,600,000.00
Stamp duty paid on Shares	-	10,000,000.00
Less : Written off during the period/year	(9,200,000.00)	(2,400,000.00)
	-	9,200,000.00
(c) Defferred Revenue Expenses		
Opening balance	-	3,455,467.00
Defferred Revenue Expenses incurred during the year	-	-
Less : Written off during the period/year	-	(3,455,467.00)
	-	-
(d) Stamp Duty on Lease Deed		
Opening balance	201,424.00	-
Stamp Duty on lease deed incurred during the year	-	242,800.00
Less : Written off during the period/year	(201,424.00)	(41,376.00)
	-	201,424.00
TOTAL	-	9,401,424.00

(₹)

	Year ended 31st March, 2010	Year ended 31st March,2009
SCHEDULE - XI		
INCOME FROM OPERATIONS		
(a) On Lending Operations		
(i) Interest on Loans and Advances	7,112,010,130.28	3,087,817,521.84
(ii) Interest on PMDO Investments *	33,833,034.15	7,955,164.64
(iii) Interest on Loans and Advances under Refinancing Scheme	9,678,083.00	-
(b) On Investment Operations		
(i) Interest on Bonds **	111,445,370.54	53,078,559.20
(ii) Interest on Government securities & Bank securities ***	69,786,130.05	39,057,819.91
(iii) Interest earned on CD	19,251,272.40	158,606,009.64
(iv) Profit on Sale of Government / Bank Securities	28,544,106.62	2,191,742.41
(v) Amortization of Premium Paid on HTM Securities	(1,829,768.00)	(1,144,477.92)
(vi) Amortization of Discount Received on HTM Securities	1,810,049.00	-
(vii) Dividend on Liquid Mutual Fund	-	220,894,664.30
(ix) Growth in value of UTI Liquid	1,531,628,915.67	325,229,619.47
(x) Profit on Sale of CD	4,700,088.60	10,799,335.58
(xi) Profit on Sale of Bonds	12,755,437.81	67,171,255.00
(xii) Growth in SBI Premier Liquid Fund	12,517,592.67	-
(xiii) Growth in Value of LIC MF	627,123,279.16	-
(xiv) Reversal in the provision for dimunition in the value of investments	1,650,117.75	-
(c) Interest / discount on other deposits	-	-
(i) Interest on Bank FDR ****	6,433,380,705.69	2,324,825,611.46
TOTAL	16,008,284,545.39	6,296,482,825.53

* Includes TDS of ₹ NIL (previous year ₹ 1,09,646/-)

** Includes TDS of ₹ 46,609/- (previous year ₹ 1,41,647/-)

*** Includes TDS of ₹ NIL (previous year ₹ 40,19,076/-)

**** Includes TDS of ₹ NIL (previous year ₹ 7,62,025/-)

(₹)

		Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XII			
OTHER INCOME			
(i)	Miscellaneous Income *	133,810.50	342,305.00
(ii)	Short and Excess	-	61.57
(iii)	Gain on Interest rate Swaps	6,495,242.91	5,029,175.73
(iv)	Upfront Fees **	664,403,509.76	92,596,721.00
(v)	Commission Received on L/C ***	16,929,389.94	8,027,851.96
(vi)	Liquidated Damages	421,787.00	115,344.00
(vii)	Commitment Charges ****	21,104,126.16	3,832,139.00
(viii)	Provision for contingencies written back	-	5,008,129.00
(ix)	Foreign Exchange Fluctuation	63,291,874.83	3,060,385.02
(x)	Stamp Duty on Bonds written back	191,546,240.00	-
(xi)	Surplus on organising Infrastructure Conference (Net of Expenses of ₹ 27,52,352/-)	6,603,098.00	-
	TOTAL	970,929,079.10	118,012,112.28

* Includes TDS of ₹ 2,266/- (previous year ₹ 2,266/-)

** Includes TDS of ₹ 15,12,962/- (previous year ₹ 33,01,992/-)

*** Includes TDS of ₹ 2,54,776/- (previous year ₹ 1,37,475/-)

**** Includes TDS of ₹ Nil (previous year ₹ 4,62,539/-)

(₹)

	Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XIII		
COST OF BORROWINGS		
(A) Fixed		
(i) Interest on Bonds & Debentures	9,439,483,280.21	1,743,997,080.84
Less: Interest Saving on Bonds	(12,560,555.87)	(12,560,555.87)
(ii) Interest on Bonds Application Money	32,065,907.97	87,608,243.44
(B) Others	-	-
(i) Interest on Bank Borrowings	145,838,545.59	31,067,002.13
(ii) Guarantee Fees to GOI for loans	178,181,244.47	58,456,240.18
(iii) Interest on (NSSF)	1,350,000,000.00	1,350,000,000.00
(iv) Interest on loan from LIC	856,000,000.00	855,999,999.00
(v) Interest on loan from ADB	125,551,851.20	124,365,332.54
(vi) Interest on Interest Swaping Transactions on ADB Loan	633,366,758.73	107,093,867.09
(vii) Interest on loan from World Bank	311,741.00	-
(viii) Commitment charges to ADB	16,074,680.33	13,426,514.20
(ix) Upfront Fees on Loan from World Bank	134,855,750.00	-
(x) Commitment charges to KFW	786,876.00	-
(xi) Management Fee on KFW Loan	5,058,489.00	-
TOTAL	12,905,014,568.63	4,359,453,723.55

(₹)

	Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XIV		
Bonds Servicing Expenses		
(i) Listing Fee	253,472.00	50,726.00
(ii) Guarantee Fees to GOI	330,702,916.45	59,950,334.00
(iii) Bond Holder Trusteeship Fees	149,247.00	34,808.00
(iv) Surveillance/ Rating Fee	5,574,525.00	1,649,589.00
(v) Other Expenses	217,267.00	35,332.00
TOTAL	336,897,427.45	61,720,789.00

(₹)

	Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XV		
Bonds Issue Expenses		
(i) Listing Fee	434,945.00	62,267.00
(ii) Bond Holder Trusteeship fees	16,233.00	287,530.00
(iii) Stamp Duty	21,144,000.00	261,447,136.93
(iv) Rating Fee	1,094,034.00	5,620,000.00
(v) Other Expenses	59,000.00	1,912,392.00
TOTAL	22,748,212.00	269,329,325.93

(₹)

	Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XVI		
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
(i) Salaries and Allowances	23,334,012.48	16,377,378.73
(ii) Director's Remuneration	11,672,276.88	3,155,623.84
(iii) Contribution to Provident, Pension and other Funds	870,042.55	1,062,298.83
(iv) Reimbursements	2,745,900.34	1,906,575.09
(v) Contract Services Payment	2,701,170.05	1,284,537.00
TOTAL	41,323,402.30	23,786,413.49

(₹)

		Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XVII			
ESTABLISHMENT AND ADMINISTRATION EXPENSES			
(i)	Advertisement Expenses	3,846,921.70	775,704.49
(ii)	Auditors' Remuneration	1,245,691.06	789,821.98
(iii)	Bank & Other Charges & Interest	3,389,153.08	513,210.47
(iv)	Books and Newspaper	404,355.50	59,302.00
(v)	Business promotion & development Expenses	3,870,519.09	2,009,226.45
(vi)	Car Running and Maintenance Expenses	1,256,756.17	860,894.24
(vii)	CCIL Charges	90,447.00	13,861.00
(viii)	Directors' Sitting Fees	140,000.00	120,000.00
(ix)	Directors Foreign Travelling	562,451.00	624,746.00
(x)	Directors Travelling	411,644.36	136,558.65
(xi)	Power & Fuel Exps.	1,457,719.52	882,071.96
(xii)	Fees for Seminars	796,550.00	54,493.50
(xiii)	Filling fees	10,700.00	28,502.00
(xiv)	Honorarium	-	15,000.00
(xv)	Insurance	141,562.17	104,777.57
(xvi)	Loss on Sale of Fixed Assets	12,620.34	30,159.74
(xvii)	Miscellaneous Expenses	862,683.20	91,762.07
(xviii)	Miscellaneous Expenses Written off	12,022,524.68	2,400,000.00
(xix)	Miscellaneous Expenses Written off on lease deed	201,424.00	41,376.00
(xx)	Motorcycle Running & Maintenance	22,402.59	1,893.00
(xxi)	Office Expenses	1,316,584.33	735,794.86
(xxii)	Other Tours, traveling & Conveyance Expenses	3,194,121.50	2,355,496.87
(xxiii)	Postage & Telegram	130,876.00	139,840.00
(xxiv)	Printing & Stationary	1,614,267.17	978,550.56
(xxv)	Professional Fees	7,081,953.96	8,859,919.28
(xxvi)	Repairs and Maintenance	2,265,940.25	737,425.35
(xxvii)	Short & Excess	19.32	-
(xxviii)	Subscription A/c	865,604.67	705,752.60
(xxix)	Telephone Expenses	1,433,644.69	1,199,918.00
(xxx)	Stamp duty on Shares	5,000,000.00	-
(xxxi)	Recruitment Expenses	3,101,731.00	-
	TOTAL	56,750,868.35	25,266,058.64

(₹)

		Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XVIII			
PRIOR PERIOD ADJUSTMENTS			
	Prior Period Income:		
(i)	Interest & Other Charges	3,935,898.00	-
(ii)	Foreign Exchange Fluctuation Gain (see note 11)	13,330,449.79	10,704,108.00
(iii)	Miscellaneous Income	204,794.00	16,872.00
	Sub Total	17,471,141.79	10,720,980.00
	Prior Period Expenses:		
(i)	Amortisation of Profit on Derivatives	-	417,640.00
(ii)	Interest & other Charges	10,295,751.44	1,753,396.45
(iii)	TDS	-	188,454.00
(iv)	Miscellaneous Expenses	1,474,249.56	127,550.00
	Sub Total	11,770,001.00	2,487,040.45
	Prior Period Adjustment (Net)	5,701,140.79	8,233,939.55

(₹)

		Year ended 31st March, 2010	Year ended 31st March, 2009
SCHEDULE - XIX			
APPROPRIATIONS			
(i)	Transfer towards Reserve for Bad & Doubtful loan assets (See note 15)	279,430,027.66	128,977,822.02
(ii)	Transfer towards reserve for profit on sale of HTM securitites	28,544,106.62	29,970,277.26
(iii)	Transfer to Special Infrastructure Reserve created under U/s 36(1) (viii) of Income Tax Act, 1961	264,033,581.57	147,670,513.18
(iv)	Transferred to Staff Welfare Reserve	6,500,000.00	-
(v)	Balance Carried to Balance Sheet	1,625,987,281.39	728,756,977.83
	TOTAL	2,204,494,997.24	1,035,375,590.29

SCHEDULE – XX – Notes to the Accounts

Significant Accounting Policies and Notes to the Accounts

(A) SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1.1 The Consolidated Financial Statements comprise the individual audited financial statements of India Infrastructure Finance Company Limited and audited financial statements of its subsidiary India Infrastructure Finance Company (UK) Limited, as on March 31, 2010 and for the period ended on that date. The Consolidated Financial Statements have been prepared on the following basis:

i) The Financial statements of the Company and its subsidiary have been consolidated on a line by line basis by adding together the book values of like items of Assets, Liabilities, Income and Expenses, after eliminating intra–group transactions resulting in unrealized profits or losses as per Accounting Standard 21 on "Consolidated Financial Statements" as notified by the Companies (Accounting Standards) Rules, 2006.

ii) The audited financial statements of the subsidiary are for the period from 1st April 2009 to 31st March 2010.

iii) The assets and liabilities, both monetary and non-monetary, of the foreign subsidiary are translated at the closing exchange rate.

iv) Income and expense items of the foreign subsidiary are translated at average exchange rate during the period.

v) All resulting exchange difference is accumulated in a foreign currency translation reserve.

1.2 The Financial Statements of the following subsidiary have been Consolidated as per Accounting Standard 21 on "Consolidated Financial Statements" as notified by the Companies (Accounting Standards) Rules, 2006:

Name of Subsidiary	Country of Incorporation	Current Year Proportion of Ownership Interest (%)	Previous Year Proportion of Ownership Interest (%)
IIFC (U.K.) Limited	United Kingdom	100%	100%

1.3 The subsidiary company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2. The Financial accounts have been prepared on the going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated.

3. RECOGNITION OF INCOME / EXPENDITURE

3.1. Upfront fee income on loans granted is considered as income in cases where loan documents have been signed on allocated amount and same is accounted for on accrual basis. Similarly, upfront fee expenses on loans sanctioned to the company is considered as expense, where loan documents have been executed and same is accounted for on accrual basis.

3.2. Any gain or loss except interest accrued for the contract period till date of termination, on the terminated swap is deferred and recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability. Interest on swaps till date of termination and/or till balance sheet date is recognized on accrual basis.

3.3. Commitment charges on loans taken by the company are accounted for as an expense when the drawings are less than the loans amounts sanctioned as per the loans agreements.

3.4. Recoveries in borrower's accounts are appropriated as per the loan agreements.

3.5. Dividend is accounted on an accrual basis when right to receive the dividend is established.

3.6. Income from investment in schemes of growth of mutual funds is accounted for on the basis of actual instance of sale.

3.7. Prior period income/ expense of ₹ 5000/- or below is charged to their regular heads of account.

4. RESERVE / PROVISIONS AGAINST LOANS AND OTHER CREDIT FACILITIES

(i) The company has adopted norms for asset classification and provisioning as per the CRISIL report of "Developing Management Systems with special emphasis on risk assessment and regulatory norms that should govern IIFCL", as per approval of the Board of Directors of the company. The norms are applicable with effect from 1st April, 2009.

The provisioning for standard assets as per the framework has been made under the head "Reserve for bad & doubtful loan assets". Provisioning norms for standard assets, which are based on internal credit rating, are as follows:-

a. Grades 1 – 3	:	0.4% of the total outstanding amount for each asset.
b. Grades 4 – 10	:	0.7% of the total outstanding amount for each asset.
c. Unrated	:	0.7% of the total outstanding amount for each asset.

(ii) A Loan account where the interest and/ or principal installment remain overdue for a period of more than 90 days is classified as Non Performing Assets (NPA).

a. Sub-standard assets: Accounts which have remained as NPA for a period less than or equal to 12 months. Additionally, those assets where loan terms regarding principal and interest have been renegotiated after the start of repayments. A provision of 10% on total outstanding shall be made without any allowance for guarantee or securities available. An additional provision of 10% shall be made for the unsecured portion of the exposure.

b. Doubtful assets: Accounts which remain as NPA for a period more than 12 months. The provisions for unsecured portion of the loan shall be 100%. For the secured portions, a provision of 20%, 50% and 100% for a period of classification as "doubtful" for up to 1 year, 1 - 3 years and more than 3 years respectively, shall be created.

c. Loss Accounts: An account where loss has been identified by IIFCL or by the auditors, but the amount has not been fully written off. Either provisions at 100% of the outstanding shall be created or it the asset shall be written off from the books.

d. Any provision required for NPA accounts shall be charged to Profit & Loss A/c and the same will be netted off from Loan Assets.

5. INVESTMENTS

5.1. Long Term Investments

a. Unquoted Investments: In Foreign subsidiary and Venture Capital Units, are carried at cost.

b. Quoted investments in Government securities: Each scrip is carried at its acquisition cost or at amortized cost, if acquired at a premium over the face value. Any premium on acquisition is amortized over the remaining maturity period of the security on constant yield basis. Such amortization of premium is adjusted against income under the head "Income from Investment Operations". A provision is made for diminution, other than temporary, in value of such Investments.

5.2. Current Investments

a. Quoted Bonds – Each scrip is revalued at the market price or fair value based on yield to maturity method and only the net depreciation is provided for and net appreciation if any is ignored.

b. Mutual Funds – valued at lower of cost or net asset value at the year end.

c. Certificate of deposits – valued at cost. The difference between face value and cost is taken to income over the remaining maturity period of certificate of deposit on constant yield basis.

6. FOREIGN EXCHANGE TRANSACTIONS

6.1. Expenses and income in foreign currency are accounted for at the exchange rates prevailing on the date of transactions.

6.2. The following balances are translated in Indian currency at the exchange rates prevailing on the date of closure of accounts.

a. Foreign Currency Loan liability to the extent not hedged and Loan granted in foreign currency.

b. Expenses or Incomes accrued but not due on foreign currency loans granted /borrowings.

c. Contingent Liability in respect of Letter of Credit issued in foreign currency.

6.3. Foreign Currency Loan liability to the extent hedged, are translated in Indian currency at the spot exchange rates prevailing on the date of hedging transactions.

6.4. The actual/translation gain/loss (net) on foreign currency loan assets, liabilities and income & expenditure are charged / credited to profit and loss account.

7. FIXED ASSETS AND DEPRECIATION

7.1 Fixed assets are carried at cost less accumulated deprecation.

7.2 Fixed assets acquired out of grant are shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognized in the profit and loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge.

7.3 The additions to fixed assets are being capitalized on the basis of bills approved.

7.4 Depreciation of fixed assets other than leasehold improvement is provided at the rates and manner provided in schedule XIV of the Companies Act, 1956 following written down value method. Depreciation on individual assets having cost ₹ 5000/-or less is charged at 100% as prescribed in the aforesaid schedule.

7.5 Depreciation on leasehold improvement is provided following even spread method over the period of lease.

7.6 In case of Subsidiary, Depreciation on fixed assets is charged using Straight Line Method on following bases:

a) Plant and equipments : 25%

b) Fixture and Fittings : 25%

8. RETIREMENT BENEFITS

8.1 In respect of defined contribution scheme like provident fund, in respect of employees on deputation, respective contributions are remitted to parent organization and in respect of employees other than deputation, company is yet to create approved recognized fund and hence employees and employer contribution are shown under current liabilities. However, a fixed deposit has been made in the name of IIFCL Employees Provident Fund after closure date of accounts amount equal to the Employer's Contribution, Employees Contribution and interest thereon.

8.2 Since many of the Employees of the Company are on deputation, it is not possible for the company to calculate actuarial valuation of leave encashment, gratuity and other retirement benefits payable to employees on deputation & therefore company will not be able to follow Accounting Standard AS-15 issued by the Institute of Chartered Accountants of India. However, company has provided amount of retirement benefit payable to parent organization on estimated basis for deputation employees. Further for the employees other than on deputation, company has taken a gratuity scheme of LIC through trust in the name of IIFCL employees Group Gratuity Assurance Scheme.

9. DERIVATIVE ACCOUNTING

9.1 Wherever the company has entered into forward contract or an instrument i.e., in substance of a forward exchange contract, the difference between the forward rate and the exchange rate on the date of forward exchange contract is recognized as income or expenses over the life of the contract as per AS-11.

9.2 Hedging taken on foreign currency loans is adjusted on FIFO basis after adjusting for the Loans given in foreign currency (i.e. natural hedge).

9.3 The accounting of the derivative transactions are done as per RBI guidelines, which are as under:-

a. Interest Rate Swap which hedges interest bearing assets or liability should generally be accounted for like the hedge of the asset or liability.

b. The swap that is accounted for like a hedge should be accounted for on accrual basis except the swap designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In that case the swap should be marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability.

c. Gains or losses on the termination of swaps should be recognized when the offsetting gain or loss is recognized on the designated asset or liability. This implies that any gain or loss on the terminated swap would be deferred and recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.

9.4 In respect of interest rate swap entered by the company to hedge its borrowing costs which include JPY coupon only swap on equal amount of underline, the company is providing mark to market loss as on Balance Sheet Date.

10. TAXES ON INCOME :-

10.1 Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on expected outcome of assessments/appeals and on the basis of changes adopted by the company in accounting policies & estimates.

10.2 Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or subsequently enacted as on the Balance Sheet date.

10.3 Deferred tax assets are recognized and reassessed at each reporting date and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

11. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

11.1 A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical valuation and past experience. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. No provision is recognized for liabilities whose future outcome cannot be ascertained with reasonable certainties. Such contingent liabilities are not recognized but are disclosed in the schedule of contingent liability on the basis of judgment of the management/independent expert. These are reviewed at each balance sheet date and adjusted to reflect the current management estimate.

11.2 Contingent assets are not recognized in the financial statements as this may result in the recognition of income that may never be realized.

(B) NOTES TO THE ACCOUNTS

1. (a) The Subsidiary considered in the preparation of the consolidated financial statements is India Infrastructure Finance Company (U.K.) Limited incorporated at United Kingdom.

   (b) The Consolidated Financial Statements of India Infrastructure Finance Company Limited and Audited Financial Statements of its Subsidiary India Infrastructure Finance Company (UK) Limited are for the period as on ended on 31.03.2010. The audited financial statements of the UK subsidiary are made for the period starting from 1st April 2009 to 31st March 2010.

2. Contingent Liabilities not provided for in respect of:

Sr. no	Particulars	As on 31-03-2010	As on 31-03-2009
(a)	Estimated amount of contract remaining to be executed on capital account (net of advances)	85.60 lacs	72.00 lacs
(b)	Uncalled liability on account of capital commitment in respect of Venture Capital Units of IDFC Project Equity Domestic Investors Trust II	6408.00 lacs 44,110.23 lacs	7512.00 lacs 29,970.40 lacs
(c)	Letter of Comfort for issue of Letter of Credit (LC)		

The company has issued letters of comfort to respective banks for issue of LC to respective borrower within term loan sanctioned.

(d) In respect of cess on turnover or gross receipt of company U/S 441A of Companies Act, 1956, to be levied @ not less than 0.005% and not more than 0.1% on the value of the annual turnover or gross receipt whichever is higher. No provision has been made, as the cess rate & the date from which it is applicable has not been notified so far by the Govt. Though no such notification has been issued so far, the Company may have to pay cess minimum of ₹ 11.89 lacs and maximum of ₹ 237.90 lacs if levied from the financial year 2005-06 being the year in which company was incorporated.

3. Provision for Gratuity, leave encashment, Sick leave and leave travel concession are accounted for on estimated basis for deputation employees and not on Actuarial basis as prescribed by AS-15. In respect of other employees Gratuity contribution of ₹ 94,366/- is made through the trust in the name of IIFCL employees Group Gratuity Assurance Scheme maintained with Life Insurance Corporation of India.

4. The Company's main business is to provide finance for Infrastructure Projects and the company does not have more than one reportable segment in terms of Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

5. Disclosures of Related Parties and related party transactions:

A) Managerial Remuneration and related party disclosure

i) Key managerial personnel/ Board of directors

- Shri S. S. Kohli (Tenure upto 9th April 2010)	-	Chairman and Managing Director
- Shri Pradeep Kumar	-	Whole time director and C.E.O.

ii) Directors of the subsidiary

- Shri S. S. Kohli (Tenure upto 9th April 2010)	-	Chairman
- Sh. N.K. Madan	-	Managing Director

B) Transactions during the year with related parties:

a)	Directors Remuneration	₹ 46.32 lacs (Previous Year ₹ 8.86 lacs)
	Perquisites	₹ 2.29 lacs (Previous Year ₹ 0.95 lac)
	(To Shri S.S.Kohli)	
b)	Directors Remuneration and perquisites (To Shri Pradeep Kumar)	₹ 15.00 lacs (Previous Year ₹ 1.78 lacs)
c)	Directors Remuneration and perquisites of Subsidiary Company	₹ 58.35 lacs (Previous Year ₹ 31.56 lacs)

C) Balances as at 31st March 2010 (₹ In lacs)

Particulars	As on 31.03.2010	As on 31.03.2009
Managerial Remuneration payable	10.63	NIL
Leave Encashment (provision)	4.68	NIL

6. Details of provisions as required in AS-29. (₹ In lacs)

PARTICULARS	Financial year 2009-10	Financial year 2008-09
Income Tax		
Opening Balance	4,701.30	617.28
Addition during the year	9,644.99	4,701.30
Amount paid/utilized during the year	4,576.39	617.28
Closing Balance	9,769.90	4,701.30
Fringe Benefit Tax		
Opening Balance	4.40	4.38
Addition during the year	0.00	4.40
Amount paid/utilized during the year	4.40	4.38
Closing Balance	0.00	4.40
Proposed Wage Revision (see note no: 25)		
Opening Balance	21.00	0.00
Addition during the year	30.00	21.00
Amount paid/utilized during the year	0.00	0.00
Closing Balance	51.00	21.00
Leave Fare Concession		
Opening Balance	5.61	0.00
Addition during the year	3.52	8.10
Amount paid/utilized during the year	3.62	2.49
Closing Balance	5.51	5.61
Gratuity		
Opening Balance	8.08	4.75
Addition during the year	0.00	3.73
Amount paid/utilized during the year	0.00	0.40
Closing Balance	8.08	8.08
Leave Encashment		
Opening Balance	0.20	1.76
Addition during the year	12.17	2.65
Amount paid/utilized during the year	5.48	4.21
Closing Balance	6.89	0.20
Marked to Market Losses on Derivatives (Note no: 18)		
Opening Balance	1,126.51	0.00
Addition during the year	2,802.95	1,126.51
Amount paid/utilized during the year	0.00	0.00
Closing Balance	3,929.46	1,126.51

7. DEPRECIATION

The company has followed Written Down Value (WDV) Method for the purpose of calculating depreciation at the rates prescribed in Schedule XIV of the Companies Act, 1956, except in case of Fixed Assets of subsidiary company, wherein Straight Line Method (SLM) has been used at the rate of 25%. Under Gross Block, 'Furniture & Fixtures' amounting to ₹ 71.04 lacs includes a sum of ₹ 21.49 lacs wherein SLM method for calculating depreciation has been used. Depreciation charged on 'Furniture & Fixtures' during the year amounting to ₹ 11.06 lacs includes a sum of ₹ 3.95 lacs charged on SLM method. Furthermore, 'Office Equipment' amounting to ₹ 29.33 lacs includes a sum of ₹ 19.10 lacs wherein SLM method for calculating depreciation has been used. Depreciation charged on 'Office Equipment' during the year amounting to ₹ 8.80 lacs includes a sum of ₹ 6.72 lacs charged on SLM method.

8. Provisions of Accounting Standard (AS-19)

a) Financial Lease: NIL

b) Operating Lease: The Company has taken office premises under operating lease with varying lease periods and disclosure requirements are as under:-

(₹ In Lacs)

Period	Year ended 31.03.2010	Year ended 31.03.2009
Total of future minimum lease payments (Gross Investment)	6,558.83	1480.80
Present value of lease payments	4,623.53	1,096.42
Maturity profile of total of future minimum lease payments		
Not later than one year	621.47	155.91
Later than one year but not later than five year	2,732.29	692.35
Later than five year	3,205.07	632.54
Total	6,558.83	1,480.80

Net present value is calculated taking 10 Year G-Sec Yield as on 31.03.2010 of 7.77% (previous year 7.13% as on 31.03.09)

9. In terms of Accounting Standard 20 issued by the Institute of Chartered Accountants of India, Earning per share (Basic & Diluted) and keeping in view remarks of the CAG Auditors in respect of previous year Balance Sheet EPS (Basic & Diluted) is worked out as follows :-

		Year ended 31.03.2010		Year ended 31.03.2009	
	Particulars	Amount ₹ In lacs	Shares (*)	Amount ₹ In lacs	Shares (*)
	Nominal Value of share (₹)		10/-		10/-
	Number of Equity Share (No. in lacs)		18,000		13,000
(i)	Net Profit (Total)	22,044.95		10,353.76	
(ii)	Earning Per Share	1.42		1.12	

(*) EPS for the current year has been calculated on weighted average number of equity shares of 1,552,054,794.52 (Previous Year 924,657,534.25)

10. a. In terms of Accounting Standard -22 on "Accounting for Taxes on Income", income tax expense for the current period is determined on the basis of taxable income and the tax credit computed in accordance with the provisions of the Income Tax Act 1961 and based on expected outcome of assessments / appeals and also on the basis of changes adopted by the company in Accounting estimates during the current financial year having effect on deferred tax asset/liability.

Deferred tax liability or asset is recognized on timing differences which is reversible between the accounting income and the taxable income for the year and quantified using the tax rates and provisions, enacted or subsequently enacted as on balance sheet date.

Deferred tax assets if any, are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

b. During the year, the company has created deferred tax liability of ₹ 587.33 lacs net of deferred tax asset. The aforesaid amount includes deferred tax liability of ₹ 501.71 lacs pertaining to prior periods (₹ 205.91 lacs pertains to increase in Special Infrastructure Reserve created u/s 36(1)(viii) of Income Tax Act,1961 by ₹ 605.78 lacs and ₹ 295.80 lacs pertains to non-creation of deferred tax liability on deduction for bad & doubtful debts u/s 36(1)(viia)(c) Income Tax Act,1961 by ₹ 870.26 lacs claimed by the company in its Return of Income).

11. During the previous year, the company has accounted for the difference between the rupee conversions of foreign currency loan on the date of receipt of such loans vis-à-vis the spot rates prevailing on the date of swap transactions by credit to Foreign Exchange Fluctuation Reserve under "Reserves & Surplus" and debit to Foreign Exchange Fluctuation account in Profit & Loss account. During the current year, the company has reversed the Foreign Exchange Fluctuation Reserve amounting to ₹ 116.33 lacs and included the same in 'Foreign Exchange Fluctuation gain' under 'Prior period income'.

12. Fixed assets possessed by the company are treated as 'Corporate Assets' and not 'Cash Generating Units' as defined by Accounting Standard-28 on "Impairment of Assets". As on 31st March 2010, there were no events or change in circumstances, which indicate any impairment in the assets.

13. Derivative Transactions

    a) During the previous years, the company had entered into two interest rate swap transactions to hedge its borrowing costs which include JPY coupon only swap on equal amount of underline where the company has taken five years fixed forward cover and fully hedged its currency risk for five years. Hitherto, the company was spreading Mark-to-market loss of ₹ 4,506.02 lacs (as at 31st March 2009) equally over a period of four years commencing from financial year 2008-09 till 2011-12. i.e. in the year in which AS-30 shall become mandatory. To reflect the fair value of the contract, the company has now decided to provide for the entire Mark-to-market loss on the above swap transactions amounting to ₹ 3,929.46 lacs as at 31st March 2010, which resulted in charge to Profit & Loss account of ₹ 2,802.95 lacs.

Sr.No.	Particulars	Currency Derivatives	Interest rate derivatives
1.	Derivatives (Notional Principal Amount)		
	a) For hedging (₹)	NIL	10,000.00 lacs
	b) For trading	NIL	NIL
2.	Marked to market positions [1]		
	a) Asset (₹)	NIL	(3,929.46 lacs)
	b) Liability (₹)	NIL	NIL

    b) The company has undertaken composite contracts i.e. Interest Rate Swap cum forward exchange contracts to hedge risks relating to floating interest rates as well as foreign exchange fluctuations on foreign currency borrowings from Asian Development Bank (ADB) of USD 313,515,000 corresponding ₹ 145,416.76 lacs up to 31st March 2010 (Previous Year USD 160,767,000 corresponding ₹ 72,609.87 lacs). As per the Mark-to-Market (M2M) valuations furnished by the counter party banks, the net M2M loss as on 31st March 2010 on the above composite contracts amounts to ₹ 2,390.84 lacs (gross loss ₹ 4,313.82 lacs less gross gain ₹ 1,922.98 lacs). On account of RBI Circular No. MPD.BC.187/07.01.279/1999-2000 dated July 7, 1999, the above M2M losses on these Interest Rate Swaps (IRS) has not been accounted for in the books of accounts, since as per RBI guidelines the underlying liability designated with swap is not carried at lower of cost or market value in the financial statements. Further, the M2M loss relating only to IRS cannot be computed separately and provided for as required by the announcement of ICAI on 'Accounting for Derivatives' as the company had entered into composite contracts for hedging.

14. As on Balance Sheet date, the company is having unexpired incomes of ₹ 417.48 lacs (previous year ₹ 482.43 lacs) on account of terminated swaps which are deferred and recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.

15. Hitherto, the company was creating Reserve for bad & doubtful loan assets at 0.40% of the total outstanding amount for each loan asset. The company has adopted norms for asset classification and provisioning as per CRISIL report of "Developing Management Systems with special emphasis on risk assessment and regulatory norms that should govern IIFCL" as per approval of the Board of Directors of the company. The norms are applicable with effect from 1st April, 2009. The provisioning for standard assets as per the framework has been made under the head "Reserve for bad & doubtful loan assets". Provisioning norms for standard assets, which are based on internal credit rating, are as follows;

    a. Grades 1 – 3 : 0.4% of the total outstanding amount for each asset.
    b. Grades 4 – 10 : 0.7% of the total outstanding amount for each asset.
    c. Unrated : 0.7% of the total outstanding amount for each asset.

    Accordingly, the company has during the current year created Reserve for bad & doubtful loan assets of ₹ 2,794.30 lacs (previous year ₹ 1289.78 lacs) with cumulative balance of ₹ 4,760.33 lacs (previous year - ₹ 1966.03 lacs) as on Balance Sheet date.

In view of the above change, there is an increase in Reserve for Standard Loan Assets amounting to ₹ 817.90 lacs.

The aforesaid provision has not been created on the 'Infrastructure Loans' of ₹ 26,557.42 lacs (($ 588.33 lacs) previous year NIL) granted by UK subsidiary company.

16. The foreign exchange gain of ₹ 632.92 lacs (previous year ₹ 30.60 lacs) includes ₹ 181.53 lacs relating to the exchange difference income arising due to, difference between exchange rate prevailing on the date of receipt of such foreign currency loans vis-à-vis the spot rates prevailing on the date on which hedging transactions were undertaken.

17. During the year, the company has changed its accounting policy in relation to Amortization of expenses relating to allotment of shares and execution of lease agreements. Previously expenses relating to allotment of shares were deferred over a period of five years and the expenses in relation to execution of lease agreement were amortized over the period of lease agreement. The company has now changed its accounting policy in relation thereto. During the current year, opening balance of miscellaneous expenditure of ₹ 94.01 lacs, have been fully written off. Had the company followed the past practice "Establishment and Administration Expenses" in Profit & Loss account would have been lower by ₹ 69.46 lacs and "Miscellaneous Expenditure" in Balance Sheet would have been higher by ₹ 69.46 lacs. Profit before tax would have been higher by ₹ 69.46 lacs.

18. During the year, the company has changed its accounting policy for treatment of grants relating to acquisition of Fixed Assets and depreciation thereon. Previously grants relating to specific Fixed Assets were credited to Capital Reserve for Fixed Assets. These grants were treated as deferred income and recognized in the Profit and Loss account over the useful life of assets in the proportion in which depreciation on related assets was charged. The company has now changed its accounting policy in relation thereto. Fixed assets acquired out of grant are now shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognized in the profit and loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge. The company has acquired fixed assets amounting to ₹ 34.83 lacs during the current year on which grant received amount to ₹ 33.18 lacs. Had the said change not been made, Fixed Assets would have been higher by a sum of ₹ 58.11 lacs and Accumulated Depreciation thereon would have been higher by a sum of ₹ 21.18 lacs. Capital Reserve for Fixed Assets as appearing under "Reserves and Surplus" would have been higher by a sum of ₹ 36.93 lacs. Deferred income on account of Depreciation charged on fixed assets acquired out of Grant would have been higher by a sum of ₹ 5.68 lacs and depreciation for the year would have been higher by a sum of ₹ 5.68 lacs. There is no impact on the Profit before tax for the year.

19. Few of the balances appearing under Infrastructure Loans and various debit and credit balances as on the Balance Sheet date are subject to confirmation and reconciliation and in the opinion of management, no material impact of such reconciliation on financial statements is anticipated. During the year, the company has sent letter seeking confirmation of balances as on 31st March 2010 to borrowers and banks; however, confirmation in few cases are yet to be received.

20. As per the Office Memorandum of Government of India dated 23rd April, 2007, IIFCL would be regulated directly by the Government of India and under a "sui-generis" regulatory regime. Accordingly, an Oversight Committee has been constituted by the Government of India. In order to obviate dual regulation, as IIFCL is regulated by Government of India, the company is not required to register as Non Banking Financial Company with RBI.

21. Since, the bond liability is fully guaranteed by Government of India and also the company is notified as Public financial institution vide notification no S.O.143(E)(F.NO.3/5/2008 Dated 14th January 2009 of Central Government, it is not required to create Bond Redemption Reserve in respect of bonds by virtue of the Department of Company Affairs' circular of 18/04/2002 according to which the financial institution within the meaning of section 4A of the companies act 1956 were not required to create bond redemption reserve in case of privately placed bonds.

22. Previous year figures have been re-grouped /re-arranged wherever practicable to make them comparable to the current year presentation.

23. Schedule I to XX form an integral part of Balance Sheet and Profit & Loss Account.

Signed in terms of our report of even date

For P. R. Mehra & Co.
Chartered Accountants

For India Infrastructure Finance Company Ltd.

Ashok Malhotra
(Partner)
Membership No: 082648

Ravneet Kaur
(Chairperson and Managing Director)

Pradeep Kumar
(C.E.O.)

Place: New Delhi
Date: 01.06.2010

K.Renu
(Company Secretary)

Consolidated Cash Flow Statement

For The Year Ended 31st March, 2010

(₹)

			Year ended 31st March, 2010	Year ended 31st March, 2009
A		**CASH FLOW FROM OPERATING ACTIVITIES**		
	(i)	Net Profit/(Loss) before Tax & Extraordinary Items	3,304,769,202.24	1,547,245,621.37
		Adjustments for:	-	-
	(ii)	Depreciation	5,747,151.91	3,062,530.92
	(iii)	Provision/write offs	288,066,471.04	144,186,397.80
	(iv)	Loss on sale of assets	12,620.34	30,159.74
	(v)	Unexpired gain on Interest Swaps	(6,495,242.91)	2,060,766.27
	(vi)	Amortization of Foreign Exchange Fluctuation Profit on Hedging	-	(1,292,530.00)
	(vii)	Deferred Revenue Expenditure	-	(242,800.00)
	(viii)	Previous Years Swap loss written back	-	(5,008,129.00)
	(ix)	Stamp Duty on Bonds written back	(191,546,240.00)	-
	(x)	Foreign Exchange Profit on unhedged borrowings	(82,039,625.21)	-
	(xi)	Interest / other charges paid on Bonds/ Loans	12,905,014,568.63	4,359,453,723.55
	(xii)	Bonds issue and servicing expenses	359,645,639.45	331,050,114.93
		OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**16,583,174,545.49**	**6,380,545,855.58**
	(i)	Cash Flow From Lending of Funds	(52,065,753,495.62)	(32,228,029,943.66)
	(ii)	Sale of/ (Addition) to Investments (Including Application Money)	(44,027,007,963.93)	3,045,093,204.12
	(iii)	(Increase)/decrease in Current Assets, Loans & Advances	159,816,202.27	(1,114,191,980.48)
	(iv)	Increase/(decrease) in Current Liabilities	1,771,952,976.06	1,585,242,947.12
		CASH FLOW BEFORE EXTRAORDINARY ITEM	(77,577,817,735.73)	(22,331,339,917.32)
		EXTRAORDINARY ITEM	-	-
		CASH FLOW FROM OPERATIONS BEFORE TAX	(77,577,817,735.73)	(22,331,339,917.32)
	(i)	Taxes paid	(856,385,577.35)	(413,001,991.96)
		CASH FLOW BEFORE TRANSFER FROM RESERVES	(78,434,203,313.08)	(22,744,341,909.28)
	(i)	TRANSFER FROM CAPITAL RESERVE OF FIXED ASSETS	-	(408,377.02)
		NET CASH FROM OPERATIONS	(78,434,203,313.08)	(22,744,750,286.30)
B		**CASH FLOW FROM INVESTING ACTIVITIES**		
	(i)	Purchase of / Advance for Fixed Assets (including Leased Assets)	(5,027,218.25)	(13,920,509.00)
	(ii)	Sale proceed of Fixed Assets	-	5,000.00
	(iii)	(Increase) / Decrease in Investments in Sub/ JVs (Net)	(108,650,000.00)	(248,800,000.00)
		NET CASH FROM INVESTING ACTVITIES	(113,677,218.25)	(262,715,509.00)
C		**CASH FLOW FROM FINANCING ACTIVITIES**		
	(i)	Issue of share capital	5,000,000,000.00	5,000,000,000.00
	(ii)	Loans borrowed	40,550,212,658.17	121,954,832,094.28
	(iii)	Foreign Exchange difference on ADB borrowings	70,406,854.46	12,925,300.75
	(iv)	Expenses incidental to finance / borrowings	-	(10,000,000.00)
	(v)	Interest / other charges paid on Bonds/ Loans	(12,905,014,568.63)	(4,359,453,723.55)
	(vi)	Bonds issue and servicing expenses	(359,645,639.45)	(331,050,114.93)
		NET CASH FROM FINANCING ACTIVITIES	**32,355,959,304.55**	**122,267,253,556.55**
D		**EFFECT OF FOREIGN EXCHANGE TRANSLATION DIFFERENCE**	(1,648,575,465.72)	69,019,493.46
		NET CHANGE IN CASH & CASH EQUIVALENT (A+B+C+D)	(47,840,496,692.50)	99,328,807,254.71
		Add: Opening Cash and Cash Equivalent	114,499,191,248.94	15,170,383,994.23
		Closing Cash and Cash Equivalent	66,658,694,556.44	114,499,191,248.94
		Closing Cash and Cash Equivalent Comprises of :-		
	1	Cash in hand	60,317.35	46,922.98
	2	Current Accounts in India	88,338,310.27	114,414,504.21
	3	Fixed Deposit Accounts	66,570,295,928.82	114,384,729,821.75
		TOTAL	66,658,694,556.44	114,499,191,248.94

Notes: 1. Figures for previous year have been regrouped and rearrange to make them comparable wherever considered necessary.

Signed in terms of our report of even date

For P.R. Mehra & Co.

Chartered Accountants

Ashok Malhotra

(Partner)

Membership no. 082648

Place: New Delhi

Dated: 01.06.2010

For India Infrastructure Finance Company Ltd.

Ravneet Kaur

(Chairperson and Managing Director)

Pradeep Kumar

(C.E.O.)

K. Renu

(Company Secretary)

India Infrastructure Finance Company (UK) Limited

Financial Statements and Directors' Report

31 March 2010

Officers and Professional Advisers

For the Year Ended 31 March 2010

The board of directors	Ms. Ravneet Kaur Chairperson (appointed 9 April 2010) Mr. S S Kohli Chairman (7 February 2008 to 9 April 2010) Dr. N K Madan Director (appointed 7 February 2008) (assumed charge as MD on 8 September 2008) Mr. S S Mundra Director, Government of India Nominee (appointed 27 June 2008)
Registered office	87 Gresham Street London EC2V 7NQ Tel: 020 7600 6564 Fax: 020 7776 8958 Website: www.iifc.org.uk Email: info@iifc.org.uk
Company Secretary	Jordan Company Secretaries Ltd 21 St. Thomas Street Bristol BS1 6JS
Current auditor	King & King Chartered Accountants Roxburghe House, 273/287 Regent Street London W1B 2HA
Accountants	Leadenhall Financial Management Ltd 45b Brecknock Road London N7 0BT
Bankers	Bank of Baroda 32 City Road London EC1Y 2BD Bank of India 63 Queen Victoria Street London EC4N 4UA

Directors' Report

For the Year Ended 31 March 2010

The directors have the pleasure in presenting the annual report and the audited financial statements for the year ended 31 March 2010. These financial statements have been prepared in accordance with the Companies Act 2006 and applicable International Financial Reporting Standards.

RESULTS AND DIVIDENDS

The profit before taxation for the year ended 31 March 2010 amounted to USD 19,501,044 (2008-09: USD 918,040) and the profit after taxation is USD 14,048,892 (2008-09: USD 662,421).

The directors do not recommend the payment of any dividend for the period ended 31 March 2010. The balance of profit in the sum of USD 14,048,892 will be retained in reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

Pursuant to the decision of the Government of India, India Infrastructure Finance Company (UK) Limited was incorporated on 7 February, 2008 with the Registrar of Companies of England and Wales at London under the UK Companies Act 1985. IIFC (UK) Limited is a subsidiary company of India Infrastructure Finance Company Limited (IIFCL), which, in turn, is a wholly owned enterprise of the Government of India. IIFCL, established in January 2006, provides long term rupee loans to Indian companies implementing infrastructure projects in India.

IIFC (UK) Limited has been set-up with the objective of providing long term loans in foreign currency to Indian Companies implementing infrastructure projects in India for their import of capital equipment and machinery. The Company lends under the Government of India Scheme for Infrastructure Financing through IIFCL (SIFTI). The amount of loan to be considered by IIFC (UK) Limited does not exceed 20 percent of the total project cost and 80 percent of the lead bank's loan amount, whichever is lower. For seeking loan from IIFC (UK) Limited, the project company normally approaches a debt arranger or a lead bank/financial institution to arrange debt funding. Such institution syndicates the entire debt by approaching prospective lenders including IIFC (UK) Limited which participates only in foreign currency loan component of the project. The loans are required to be disbursed directly to the standard overseas supplier(s) for the capital equipment and components. Such lending is treated as External Commercial Borrowing by the project and is, therefore, subject to compliance of the extant Reserve Bank of India guidelines in this regard.

The authorised capital of IIFC (UK) Limited is USD 500 million. Paid-up and issued share capital of the Company, as on March 31, 2009 was USD 21,000,001, which increased to USD 50,000,000 as at 31 March, 2010. IIFCL subscribed equity capital of USD 28,999,999 on 17 February, 2010.

IIFC (UK) Limited has, so far, received a cumulative number of 36 proposals for aggregate loan request of over USD 5 billion, of which 13 proposals with an aggregate loan of USD 1.579 billion had been approved by end of March 2010. Disbursement of the loan by the Company commenced from August 2009 and by end of March 2010 IIFC (UK) Limited had disbursed an amount of USD 58.75 million and issued a letter of comfort (LoC) of USD 9.56 million, leading to an aggregate credit of USD 68.31 million. The general pattern of disbursement of loans in the infrastructure projects reflects draw-downs in the range of 5-10 percent of the approved loans in the first year, followed by 40-50 percent of the loans in the next year. Typically, the disbursement of loans for import of capital equipment takes place, upon substantial completion of civil construction work at the project site.

For raising resources, IIFC (UK) Limited issues 10 year US dollar denominated bonds to the Reserve Bank of India (RBI). These bonds carry floating rate of interest linked to 6 Month USD LIBOR. The borrowings of IIFC (UK) Limited from the RBI are guaranteed by the Government of India (GoI). The RBI has approved an aggregate amount up to USD 5 billion to IIFC (UK) Limited to be drawn over a period of 3 years. The first tranche of USD 250 million was drawn from the RBI on 19 March 2009.

IIFC (UK) Limited is a non-deposit taking, whole-sale lending entity. Since such lending is not a regulated activity in the United Kingdom, the Company is not under the regulatory ambit of Financial Services Authority. However, for compliance of the Money Laundering Regulations 2007, the Company is registered with Financial Services Authority as "Annex-I Financial Institution" with effect from 31 March 2009.

FINANCIAL RESULTS

The financial statements for the reporting year ended 31 March 2010 are placed at pages 10 to 23. The profit after taxation for the year is USD 14,048,892 (2008-09: USD 662,421). For the financial year 2009-10, weighted average Earning Per Share of USD 1 each was USD 0.57.

IIFCL

KEY PERFORMANCE INDICATORS

India's objective of achieving the double-digit sustained level of economic growth requires quantum jump in infrastructure sector capital formation. The level of investment in infrastructure, which increased from 4.5 percent of gross domestic product in 2003-04 to over 6 percent in 2007-08, needs to be further up-scaled to 9 percent by the terminal year of the Eleventh Five-Year Plan, if the required targets of GDP growth are to be achieved. Reaching the target of an infrastructure investment of 9 percent of GDP is an extremely challenging task and requires multi-faceted initiatives.

Creation of IIFC (UK) Limited and allocation of an amount of USD 5 billion out of foreign exchange reserves by the RBI are amongst the important initiatives taken by the Government of India. IIFC (UK) Limited has quickly responded to the mandate given to it and created a niche for itself in a short span by mobilising a strong project pipeline. The Company effectively started its operations from September 2008 and, by the end of March 2010, accorded approval to cumulative number of 13 proposals with an aggregate loan of USD 1.579 billion. Sixteen proposals for aggregate loan request of over USD 2 billion were not considered due to their non-compliance with SIFTI and other norms. In the financial year 2009-10, eight proposals for aggregate loan request of USD 1280 million were considered, of which final approvals at USD 338 million could be effected.

During the year under review, the Company commenced ratings of the projects based on the Internal Risk Assessment Model followed in India Infrastructure Finance Company Limited. In mid-march 2010, IIFCL advised IIFC (UK) Limited to sanction loans to the projects, for the present, within the exposure norms laid down by the reserve bank of India for Financial Institutions/Scheduled Commercial Banks i.e. 25 per cent of Net Owned Funds (NOF) for single entity exposure and 55 per cent of NOF for the group exposure. The said exposure norms were implemented forthwith by IIFC (UK) Limited. A status of the proposals considered/approved is given as under :

The status of sanctions in 2009 and 2010 is shown on the following page.

Sl. No	Sector/Mode	No. of projects	Loan Requested (USD Million)	Loan Sanctioned (USD Million)	Capacity (MW)	Project Cost (USD Million)
	Sanctions FY 2008-09					
1	**Power Sector**	**6**	**1350**	**1081**	**12710**	**12530**
	Public Sector	1	225	225	1200	1229
	PPP Sector	3	875	616	8110	8244
	Private Sector	2	250	240	3400	3057
2	**MRTS-Metro Rail**	**2**	**170**	**160**	**35 KM**	**1161**
	PPP Sector	2	170	160	35 KM	1161
	Total	**8**	**1520**	**1241**	**12710 MW 35KM**	**13691**

Sl. No	Sector/Mode	No. of projects	Loan Requested (USD Million)	Loan Sanctioned (USD Million)	Capacity (MW)	Project Cost (USD Million)
	Sanctions FY 2009-10					
1	**Power Sector**	**4**	**830**	**304**	**5820**	**5606**
	Public Sector	-	-	-	-	-
	PPP Sector	2	530	240	3300	3386
	Private Sector	2	300	64	2520	2220
2	**Ports Sector**	**1**	**40**	**34**	**15 MTPA**	**325**
	PPP	1	40	34	15 MTPA	325
	Total	**5**	**870**	**338**	**5820MW 15MTPA**	**5931**
	Cases considered, but withdrawn	**3**	**410**	**-**		**3962**
	Total	**8**	**1280**	**338**		

Of the nine projects approved up to June 2009, financing documents had been executed in respect of 6 cases with aggregate loan of USD 946 million and disbursement of loan commenced in 4 cases during the year.

The cost of projects assisted by the Company in the Power, Metro Rail and Port sectors aggregate around USD 20 billion. These projects shall create additional power generation capacity of 18530MW, 35 kilometres of Metro Rail in Delhi and Mumbai and 15MT per annum port capacity of cargo handling.

The performance of the Company on profitability front has been encouraging with profits before taxation at USD 19,501,044 during 2009-10 (USD 918,040 in FY 2008-09).

The directors thankfully acknowledge the support of the Government of India, Reserve of Bank of India and India Infrastructure Finance Company Limited. The directors also acknowledge with thanks the guidance extended by Mr. S. S. Kohli during his tenure.

In terms of non financial Key Performance Indicators, the Company has the necessary infrastructure and other required facilities for its operations in the near future.

FUTURE DEVELOPMENTS

As stated above, achieving infrastructure spending at the level of 9 percent of GDP by the year 2011-12 is an extremely challenging task and requires concerted efforts to channelize long term funds to the infrastructure sectors at a much larger scale. The role of private sector participation is also expected to expand significantly. The structural impediments in financial system coupled with global credit crisis constrained the flow of capital to the sector, particularly the long term foreign currency funds. Such a scenario provides tremendous business opportunities to IIFC (UK) Limited, which is engaged in the sole business of providing long term foreign currency loans to infrastructure projects in India.

In medium term, IIFC (UK) Limited aims to accelerate the quantum of assistance to infrastructure projects eligible under SIFTI and utilize the allocation of USD 5 billion made by the Reserve of Bank of India. RBI's agreeing to the GoI's proposal for this allocation is an extremely important initiative and an opportunity for the infrastructure sector and IIFC (UK) Limited to have full use of the same. Inflow of proposals for loans aggregating over USD 5 billion, in a short span, is testimony to the pressing needs of such funds by the sector and the effective role being played by IIFC (UK) Limited in financing thereof.

Considering the dimensions of the infrastructure deficit and funding needs of the sector in India, IIFC (UK) Limited is poised to bridge this gap with the amount of committed resources and support from the Government of India. The Company would strive for expansion of the business domain of the Company by covering more infrastructure activities and relaxations in the existing lending norms under SIFTI. The support provided to the Company in the initial years of its establishment is expected to place the Company at a much stronger footing in the coming years and provide impetus to the infrastructure development in the country.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

King & King Chartered Accountants & Statutory Auditors have signified their willingness to be re-appointed under Section 487(2) of the Companies Act 2006.

Approved by the Board on 11 May 2010
and signed on its behalf by

Dr. N K Madan
Managing Director

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires faithful representation of the effect of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out on the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all situations, a fair presentation will be achieved by complying with all applicable IFRSs. In preparing these financial statements, the directors are also required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board on 11 May 2010
and signed on its behalf by

Dr. N K Madan
Managing Director

Independent Auditor's Report to the Shareholders of India Infrastructure Finance Company (UK) Limited

For the Year Ended 31 March 2010

We have audited the financial statements of India Infrastructure Finance Company (UK) Limited for the year ended 31 March 2010 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the company's shareholders, as a body, in accordance with Section 495, 496 & 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, set out on page 106, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL ACCOUNTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

BASIS OF OPINION

We conducted our audit work in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in preparation of the financial statements, and of whether the accounting policies are appropriate for the company's circumstances consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give a reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.
- the information given in the Directors' report is consistent with the financial statements

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006, we required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all of the information and explanations we require for our audit.

R C Patel (Senior Statutory Auditor)
For and on behalf of:
King & King Chartered Accountants & Statutory Auditor
Roxburghe House, 273-287 Regent Street
London W1B 2HA

11 May 2010

Income Statement

For The Year Ended 31 March, 2010

	Notes	2010 $	2009 $
Revenue		**12,692,901**	700,000
Other operating income		**11,013,059**	737,082
Marketing costs		**(6,870)**	(29,936)
Administrative expenses		**(497,250)**	(284,082)
OPERATING PROFIT	3	**23,201,840**	1,123,064
Finance costs	6	**(3,700,796)**	(205,024)
PROFIT BEFORE TAX		**19,501,044**	918,040
Income tax expense	7	**(5,452,152)**	(255,619)
PROFIT FOR THE YEAR/PERIOD		**14,048,892**	662,421

Statement of Changes in Equity

For The Year Ended 31 March, 2010

31 March 2010	Issued capital $	Retained earnings $	Total equity $
Balance at 1 April 2009	21,000,001	662,421	21,662,422
Profit for the year	-	14,048,892	14,048,892
Total recognised income for the year	-	14,048,892	14,048,892
Issue of share capital	28,999,999	-	28,999,999
Balance at 31 March 2010	50,000,000	14,711,313	64,711,313

31 March 2009	Issued capital $	Retained earnings $	Total equity $
Profit for the year	-	662,421	662,421
Total recognised income for the year	-	662,421	662,421
Issue of share capital	21,000,001	-	21,000,001
Balance at 31 March 2009	21,000,001	662,421	21,662,422

Statement of Financial Position

As At 31 March, 2010

	Notes	2010 $	2009 $
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	**54,517**	38,750
Loans and receivables	10	**58,748,846**	-
		58,803,363	38,750
CURRENT ASSETS			
Trade and other receivables	11	**407,655**	534,158
Cash and cash equivalents	13	**261,120,330**	271,618,351
		261,527,985	272,152,509
TOTAL ASSETS		**320,331,348**	272,191,259
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	14	**50,000,000**	21,000,001
Retained profits		**14,711,313**	662,421
TOTAL EQUITY		**64,711,313**	21,662,422
NON CURRENT LIABILITIES			
Interest bearing borrowings	15	**250,000,000**	250,000,000
Deferred tax payables	16	**4,914**	10,456
		250,004,914	250,010,456
CURRENT LIABILITIES			
Trade and other payables	17	**5,615,121**	518,381
TOTAL EQUITY AND LIABILITIES		**320,331,348**	272,191,259

Approved by the Board on 11 May 2010 and signed on its behalf by

....	....	....
Ms. Ravneet Kaur	**Dr. N K Madan**	**Mr. S S Mundra**
Chairperson	Managing Director	Director – Government of India Nominee

Company registration number: 06496661

Statement of Cash Flows

For The Year Ended 31 March, 2010

	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Total operating Profit–after tax	**14,048,892**	662,421
ADJUSTMENTS TO RECONCILE TO PROFIT FROM OPERATIONS		
Interest income	**(10,523,992)**	(732,389)
Income tax expense	**5,452,152**	255,619
	(5,071,840)	(476,770)
ADJUSTED PROFIT FROM OPERATIONS	**8,977,052**	185,651
NON-CASH ADJUSTMENTS		
Depreciation	**22,478**	12,915
CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL	**8,999,530**	198,566
DECREASE IN WORKING CAPITAL		
Increase in loan and other receivables	**(58,622,343)**	(534,158)
(Decrease)/Increase in trade and other payables	**(360,954)**	273,218
DECREASE IN WORKING CAPITAL	**(58,983,297)**	(260,940)
CASH FLOWS USED IN OPERATING ACTIVITIES	**(49,983,767)**	(62,374)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire property, plant and equipment	**(38,245)**	(51,665)
Interest received, classified as investing	**10,523,992**	732,389
NET CASH FLOWS FROM INVESTING ACTIVITIES	**10,485,747**	680,724
	(39,498,020)	618,350
CASH FLOWS FROM FINANCING ACTIVITIES		
Gross proceeds from issue of equity share capital	**28,999,999**	21,000,001
Gross proceeds from bond issued	**-**	250,000,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	**28,999,999**	271,000,001
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(10,498,021)**	271,618,351
Cash and cash equivalents as at 1 April 2009	**271,618,351**	-
CASH AND CASH EQUIVALENTS AS AT 31 MARCH 2010	**261,120,330**	271,618,351

The comparatives have been restated with reference to interest income, income tax expense, trade and other payables and cash flows from other financing activities for a more accurate comparison with the current year figures.

Notes to the Financial Statements

As At 31 March, 2010

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The company's financial statements for the year were authorised for issue on 11 May 2010 and the statement of financial position signed on the board's behalf by Ms. Ravneet Kaur, Dr N K Madan and Mr S S Mundra. India Infrastructure Finance Company (UK) Limited is a limited company incorporated and domiciled in England & Wales.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the company are set out in note 2.

2. ACCOUNTING POLICIES

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. All such revenue is reported net of discounts and value added and other sales taxes.

Exceptional items

Exceptional items are presented in the financial statements where there are material items of income and expense which, because of their nature and the expected rarity of the circumstances which generate them, they should be presented separately to shareholders so as to enhance their judgement of the current year's financial performance and its comparability with prior years.

Interest expense recognition

Expense is recognised as interest accrues, using the effective interest method, to the net carrying amount of the financial liability.

Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's net carrying amount.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred income tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it furthers excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method, on the following bases:

Plant and machinery 25%

Fixtures and fittings 25%

Financial risk management objectives and policies

The objective of the company's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

The company manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processed during the years ended 31 March 2010 and 31 March 2009.

Trade and other receivables

Trade and other receivables are recognised by the company and carried at original invoice amount less an allowance for any uncollectible or impaired amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being bad.

Other receivables are recognised at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of six months or less.

Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Deferred tax

Deferred tax is provided in full, using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than as a business combination) or other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interest in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is determined using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

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

Deferred tax assets and liabilities are offset when they relate to income taxed levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Notes to the Financial Statements

For The Year Ended 31 March, 2010

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	2010	2009
	$	$
Depreciation of property, plant and equipment	22,478	12,915
Auditor's remuneration - audit services	12,146	3,442
Auditor's remuneration - non-audit services	3,036	3,442
	15,182	6,884

	2010	2009
	$	$
Included in administrative expenses:		
Employee benefits expense	226,054	68,542
Depreciation and amortisation	22,478	12,915
	248,532	81,457

4. EMPLOYEE EXPENSES

	2010	2009
	$	$
Wages and salaries	102,864	32,919
Other employee benefits	114,956	34,891
Post employment expense for provident fund (India)	1,524	732
Social security costs	6,710	-
	226,054	68,542

The average monthly number of employees during the year was made up as follows:

	2010	2009
	No.	No.
Administration	3	2

5. DIRECTORS' REMUNERATION

	2010	2009
	$	$
Remuneration	122,915	46,142
Contributions to provident fund (India)	921	582

6. FINANCE COSTS

	2010	2009
	$	$
Other financing instruments – RBI borrowings	3,072,054	167,731
Foreign exchange differences	3,323	(7,984)
Other – Government of India guarantee costs	625,419	45,277
	3,700,796	205,024

7. INCOME TAX

Components of income tax expense

	2010	2009
	$	$
Current income tax expense		
Current income tax charge	5,457,694	245,163
Deferred income tax expense		
Relating to origination and reversal of temporary differences	(5,542)	10,456
Income tax expense reported in income statement	5,452,152	255,619

Notes to the Financial Statements

For The Year Ended on 31st March, 2010

Reconciliation of income tax charge to accounting profit		**2010**		**2009**
Profit before tax	**% age**	**$**	**% age**	**$**
Tax at the domestic income tax rate of	**28.00**	**5,460,292**	30.00	271,610
Tax effect of capital allowances		**(9,872)**		(719)
Tax effect of non deductible expenses		**1,732**		-
Tax effect of change in tax rates	**-**	**-**		(15,272)
Tax expense using effective rate	**27.96**	**5,452,152**	27.84	255,619

The comparative figure for the tax effect of capital allowances have been restated for a more accurate comparison with the current year

8. PROPERTY, PLANT AND EQUIPMENT

At 31 March 2010

	Plant and equipment	**Fixtures and fittings**	**Total**
	$	**$**	**$**
Cost			
At 1 April 2009	12,578	39,087	51,665
Additions	29,729	8,516	38,245
At 31 March 2010	42,307	47,603	89,910
Depreciation			
At 1 April 2009	(3,144)	(9,771)	(12,915)
Charge for year	(14,164)	(8,314)	(22,478)
At 31 March 2010	(17,308)	(18,085)	(35,393)
Net book value			
At 1 April 2009	9,434	29,316	38,750
At 31 March 2010	24,999	29,518	54,517
At 31 March 2009			
Cost			
Additions	12,578	39,087	51,665
Depreciation			
Charge for year	(3,144)	(9,771)	(12,915)
Net book value			
At 31 March 2009	9,434	29,316	38,750

9 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk

The Company extends financial assistance in terms of Scheme for Infrastructure Financing through IIFCL, a scheme framed by the Government of India. IIFC (UK) Limited considers only those projects which are found commercially viable based on the appraisal done by the reputed appraising institutions. All the proposals are processed by the Company for their compliance with SIFTI. All the proposals are approved by the Board of Directors of the Company.

SIFTI and other guidelines provide that the Company can lend up to a maximum of 20 percent of the estimated project cost and 80 percent of the exposure taken by the Lead Bank/Institution in the project, whichever is lower. As per SIFTI, monitoring and supervision of the projects is done by the Lead Bank/Institution, reports of which are made available to IIFC (UK) Limited. The project assets, cash flows and other benefits accruing from project documents such as liquidated damages, insurance claims are charged to IIFC (UK) Limited on a pari passu basis with other term lenders to the project.

IIFC (UK) Limited is mandated to provide long term foreign currency loans for financing the import of capital equipment and machinery by Indian companies implementing infrastructure projects in India. During the year under review, the company commenced ratings of the projects obtained from Internal Risk Assessment Model followed in the parent company to, inter alia, arrive at single project and group exposure limits.

IIFC (UK) Limited has also commenced, for the present, approval of loans within the exposure norms as laid down by the Reserve Bank of India for Financial Institutions/Scheduled Commercial Banks i.e. 25 percent of Net Owned Funds/Capital Funds of IIFCL and IIFC (UK) Limited for single entity exposure and 55 percent of Net Owned Funds/Capital Funds for group exposure.

Liquidity risk

IIFC (UK) Limited has got in place an approval to draw an aggregate amount up to USD 5 billion from the Reserve Bank of India, of which first tranche of USD 250 million has already been drawn. Further funds can be drawn at a monthly interval corresponding to the extent of incremental deployment. These funds are repayable in bullet payment on 10 year maturity, with a prepayment facility without any financial penalty. The loans sanctioned by IIFC (UK) Limited stipulate repayment in instalments ensuring steady cash flows over period of time. Hence, IIFC (UK) Limited has an assured availability of funds and does not perceive any liquidity risk in short to medium term.

Market risk

IIFC (UK) Limited does not have a trading book. The borrowing and lending are based on Libor linked floating rates and are in US Dollar denomination, the accounting currency of the company. Hence, IIFC (UK) does not have any market risk in its business.

Capital Management	**2010**	2009
	$	$
Interest bearing loans and borrowings	**(250,000,000)**	(250,000,000)
Less: Cash and short term deposits	**261,120,330**	271,618,351
Net funds – excess of cash and cash equivalents over borrowings	**11,120,330**	21,618,351
Equity including reserves brought forward	**50,662,421**	21,000,001
Total capital	**50,662,421**	21,000,001

The Company has an authorised capital of USD 500 million, of which an amount of USD 50 million has already been subscribed by the holding company. The holding company is also committed to subscribe the paid-up capital as business of IIFC (UK) Limited grows. During the financial year 2009-10, the Company has added reserves of USD 14,048,892 to its net-worth. As such, the Company does not perceive any difficulty in capital management.

10 FINANCIAL INSTRUMENTS

	Carrying amount		Fair value	
	2010	2009	**2010**	2009
	$	$	**$**	$
Financial assets				
Cash and cash equivalents	**261,120,330**	271,618,351	**261,120,330**	271,618,351
Loans and receivables	**58,748,846**		**58,748,846**	
Trade and other receivables	**407,655**	534,158	**407,655**	534,158
Financial liabilities				
Fixed rate borrowings	**(250,000,000)**	(250,000,000)	**(250,000,000)**	(250,000,000)

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	$	$
Current		
Other receivables	**398,785**	525,334
Tax receivables	**8,870**	8,824
	407,655	534,158

Movements in the provision for other receivables were as follows:

	2010	2009
	$	$
In respect of VAT recoverable	**(8,870)**	(8,824)

12. RELATED PARTY TRANSACTIONS

Ultimate controlling party

The company is a wholly owned subsidiary of India Infrastructure Finance Company Limited, a company incorporated in India. The financial statements will be consolidated with those of its parent company and are publicly available in India

Key management compensation

	2010	2009
	$	$
Wages and salaries	**40,189**	18,616
Short term employee benefits	**79,689**	26,944
Post employment benefits: Defined contribution	**921**	582
Social security costs	**2,116**	-
	122,915	46,142

13. CASH AND CASH EQUIVALENTS

	2010	2009
	$	$
Cash on hand	**17**	6
Cash at bank	**261,120,313**	271,618,345
	261,120,330	271,618,351

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 March 2010.

	2010	2009
	$	$
Cash on hand	**17**	6
Cash at bank	**261,120,313**	271,618,345
	261,120,330	271,618,351

14 SHARE CAPITAL

Authorised share capital

		2010		2009
	Ordinary shares	**$**	Ordinary shares	$
Ordinary share capital	**500,000,000**	**500,000,000**	500,000,000	500,000,000

Issued share capital

		2010		2009
	No.	**$**	No.	$
Issued and fully paid				
Ordinary share capital				
At 1 April 2009	**21,000,001**	**21,000,001**		-
New issues of share capital	**28,999,999**	**28,999,999**	21,000,001	21,000,001
At 31 March 2010	**50,000,000**	**50,000,000**	21,000,001	21,000,001

All issued share capital is classified as equity.

15. FINANCIAL LIABILITIES

	2010	2009
	$	$
Bonds issued	**250,000,000**	250,000,000

Bonds issued

The Bonds issued refer to a ten year bond maturing on 19 March 2019 bearing interest linked to the USD Six month LIBOR. The bond is secured by a sovereign guarantee. The bond is repayable on maturity by way of a bullet payment. An option to prepay the bond earlier is available without any financial penalties.

Bank loans and other borrowings

	2010	2009
	$	$
Other fixed rate borrowing	**250,000,000**	250,000,000

16. DEFERRED TAX

	Statement of financial position		Income statement	
	2010	2009	**2010**	2009
	$	$	**$**	$
Deferred tax liabilities				
Relating to depreciation	**(4,914)**	(10,456)	**(5,542)**	10,456

17. TRADE AND OTHER PAYABLES

	2010	2009
	$	$
Accrued liabilities	**147,307**	273,218
Tax payable	**5,467,814**	245,163
	5,615,121	518,381

18. OTHER COMMITMENTS AND CONTINGENCIES

The company has issued a letter of comfort in the sum of USD 9,566,518 on behalf of a customer for a loan to be disbursed post the balance sheet date.

Excerpts from the Union Budget Speech 2010-11 by Shri Pranab Mukherjee Hon'ble Finance Minister

"Accelerated development of high quality physical infrastructure, such as roads, ports, airports and railways is essential to sustain economic growth. While addressing the policy gaps in this sector, I propose to maintain the thrust for upgrading infrastructure in both rural and urban areas. In the Budget for 2010-11, I have provided ₹1,73,552 crore, which accounts for over 46 per cent of the total plan allocations, for infrastructure development in the country."

"Government established the India Infrastructure Finance Company Limited (IIFCL) to provide long term financial assistance to infrastructure projects . . . . IIFCL has also been authorised to refinance bank lending to infrastructure projects. ***. . . the take-out financing scheme announced in the last Budget is expected to initially provide finance for about ₹ 25,000 crore in the next three years."***

भारत संरचना वित्त कम्पनी लिमिटेड
(भारत सरकार का उपक्रम)

India Infrastructure Finance Company Limited
(A Govt. of India Enterprise)

हिन्दुस्तान टाइम्स हाऊस, 8वीं मंजिल 18-20, कस्तूरबा गांधी मार्ग, नई दिल्ली–110 001
HT House, 8th Foor, 18 & 20, Kasturba Gandhi Marg, New Delhi – 110 001.
Website: www.iifcl.org

IIFCL