Infrastructure India plc

Report & Accounts
For the year ended 31 March 2014

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Joint statement from the Chairman and the Chief executive

We are pleased to report Infrastructure India plc's ("IIP, the "Company" and together with its subsidiaries the "IIP Group") annual results for the twelve-month period ended 31 March 2014.

Net Asset Value decreased marginally to £212.3 million (£0.62/share) as at 31 March 2014, driven principally by a decrease in the valuation of Shree Maheshwar Hydel Power Corporation Limited ("SMH") due to the uncertainties that persist with the project.

In the past fiscal year, an unprecedented combination of slowing growth, difficult credit markets, record lows for the Rupee, policy uncertainty and a national election has impeded the government institutions on which infrastructure as an asset class relies to function properly. The outcome of the elections, which dominated the latter half of the fiscal year, was a clear signal for the need for productivity-boosting reforms and a new central government committed to change and progress.

Vikram Logistic and Maritime Services Private Limited ("VLMS"), the largest holding in the portfolio, experienced continued delays in the disbursement of approved debt from public sector banks and the lack of timely access to this debt prevented commencement of operations at Nagpur terminal during the fiscal year. However, the Company's small hydro and wind assets performed largely in-line with expectations during the period, as did the toll road, with traffic growth trending upward during the second half of the year. For the large hydro, SMH, the Government of India continued to guide discussions amongst stakeholders. While the project's largest lenders have not yet supported a much needed restructuring of existing project debt, IIP is hopeful that new leadership at the Ministry of Finance and the Ministry of Power, both taking an active role in advancing discussions, will oversee tangible progress for stakeholders in the coming year.

Financial performance

The value of the IIP Group's investments in its subsidiaries was flat at £221.3 million for the period ended 31 March 2014 (£221.0 million 30 September 2013). Currency rates remain at historical lows with the INR per GBP rate of 99.42 on 31 March 2014 being only marginally stronger than 101.17 in September 2013 against 82.56 at the end of March 2013. The risk-free rate, based on the Indian 10-year bond, increased from 8.76 per cent in September to 8.80 per cent in March 2014 (7.96 per cent in March 2013).

Transport

VLMS, a supply chain transportation and container infrastructure company with a large operational road and rail transportation fleet, is the largest asset in the IIP portfolio and one of the largest privately owned logistics businesses in India. VLMS' ability to complete construction and commence operations at its terminals was hampered during the fiscal year by delayed disbursement of approved debt from public sector banks. In addition, the need to service project loans and on-going operational expenses significantly strained the company's liquidity. VLMS commenced discussions with its two lender consortia to restructure existing bank facilities. These ongoing discussions include a meaningful reduction in the rate of interest and an extension of tenor but require an infusion of equity. At present, there is no guidance on timing or outcome of such discussions, but the equity component is addressed through the proceeds of the IIP placing announced in August 2014.

New investments by IIP near the end of the fiscal year and in the months following enabled VLMS to meet debt obligations, complete construction of the Nagpur terminal and complete critical land acquisition and consolidation at Bangalore and Palwal. The loan facilities announced in May and June, totalling US$16.2 million, were subsequently repaid from the proceeds of the August 2014 placing. On 18 July 2014, VLMS commenced domestic container operations at Nagpur, receiving and handling its first factory-stuffed containers and loading the first container train, which departed the terminal at Nagpur, with 86 containers, on 30 July 2014. The proceeds of the Placing announced in August allow further investment into VLMS to complete and commission all four new terminal facilities, with Bangalore scheduled for completion in the last quarter of the current fiscal year. With a large geographic footprint and the ability to deliver multi-modal logistics solutions we expect VLMS to be a strong competitor in the Indian logistics market.

Western MP Infrastructure & Toll Roads Private Limited ("WMP") performed largely as expected. Early in the fiscal year, traffic growth showed some slowing. However, this trend reversed and for the second half of the year, toll revenue data demonstrated consistent growth. Total toll revenue for the year increased by 9.2 per cent. IIP continues to maintain its conservative view of traffic growth and have maintained previous assumptions for long-term traffic growth rates. The majority of traffic that utilise the toll road is multi-axle and in an effort to eliminate revenue slippage from over-loaded vehicles, WMP completed the installation of four weighbridges in February 2014. A further four are planned for this year. The potential impact of these weighbridges on revenues has not yet been determined or included in assumptions at this time. WMP also plans an additional check-post to mitigate leakage of toll revenue.

Energy

India Hydropower Development Company ("IHDC") saw consistent and steady monsoon rainfall in Maharashtra and Himachal Pradesh during 2013. The favourable monsoon and the addition of the 4 MW Panwi project, commissioned in April 2013, resulted in a 12.5 per cent increase in total production from IHDC's six operational projects in the full fiscal year. Construction at the Raura project in Himachal Pradesh remains on-track for commercial operations in 2017 and IHDC has received approval from the State Government to enhance capacity at Melan to 9 MW.

Subsequent to the year-end, as announced by IIP on 7 August 2014, IHDC's Darna Plant in Maharashtra suffered extensive damage as a result of heavy monsoon rainfall in the catchment area and abnormally high inflows to the Darna reservoir. The damage to the plant includes the collapse of an external wall of the outer structure and water damage to electromechanical equipment. The Company was pleased to report that no personnel were injured. The Darna plant, accounting for 7.9 per cent of IHDC's installed capacity, is currently out of operation. The plant is insured against property damage and resulting loss of operating revenue. IHDC is working with the insurer to verify the scope of coverage. Management anticipate that it will take between six and twelve months to complete repairs and re-commission the plant.

Indian Energy Limited ("IEL"), with two operating wind farms, performed largely as expected during the fiscal year. Theni, in Tamil Nadu, faced significant grid availability issues and although the state government is taking steps to strengthen grid infrastructure, the positive impact for Theni is likely to take up to 24 months as the grid upgrades are rolled out. At Gadag in Karnataka, a lower wind regime affected overall production during the fiscal year but, operationally, both projects continue to perform well with machine availability at Gadag over 99 percent and machine availability at Theni over 98 percent during the year. Post period end, IEL successfully refinanced its senior debt on the Gadag project, reducing overall interest by one percentage point and extending tenor. The terms of the new facility allow IEL to draw approximately INR160 million (approximately £1.6 million) for investment in new renewable energy projects. This is the first step in IEL's efforts to implement a limited expansion plan.

SMH continues to be discussed amongst its stakeholders including IIP. However, during the fiscal year none of the meetings coordinated by the Ministry of Finance achieved any meaningful progress in arriving at a viable solution to complete the project. In February 2014, the project was entrusted to a special task force of the National Manufacturing Competitive Council; a group mandated to resolve issues related to projects of national importance. Post period end, following the election, the Ministry of Power, under its new leadership, is also taking an active role in advancing discussions and meetings have re-commenced with key stakeholders. The project's existing lenders have insisted that the project's promoter demonstrate the ability to invest additional equity prior to any agreement on a restructuring of existing project debt. Given the considerable uncertainty that remains with the terms and timing of the project, the valuation assumptions were adjusted to reflect this and result in a 43 per cent reduction in net present value.

Company liquidity and financing

At the end of the period, the IIP Group had cash available of £2.8 million. Subsequent to the year-end, in August 2014, the Company raised approximately US$102 million, before expenses, by way of a placing of new ordinary shares. The net proceeds of the placing should provide the Group with sufficient cash resources to fund the business until at least 31 December 2015.

In April 2013, IIP announced that it had entered into a working capital loan facility with GGIC Ltd for up to US$17 million. The proceeds of the placing will not be used for the early repayment of this facility, which falls due in April 2017, and the repayment schedule remains in place. The facility is now fully drawn.

A continuation vote was proposed in accordance with the Articles of Association at the Company's annual general meeting held on 26 September 2013 and it was resolved that the Company would continue in its current form for a further five years when a similar resolution will be proposed. The asset management arrangements were also extended at this time.

Takeover Code

Following changes to the City Code on Takeovers and Mergers (the "Takeover Code") in the United Kingdom, AIM quoted companies with their registered office in the Isle of Man now automatically fall within the regulation of the Takeover Code and as a result, IIP became subject to the Takeover Code with effect from 30 September 2013.

Subsequent events

Loan facility

In May 2014, the Company entered into an unsecured loan facility with Cedar Valley Financial Ltd for up to US$8.1 million. This facility was extended in June 2014 to US$16.2 million in aggregate. The majority of the proceeds from both facilities were invested into VLMS to meet immediate financial and working capital needs and towards capital expenditure at VLMS' Nagpur terminal. The loan facilities were repaid, in accordance with the terms, from the net proceeds of the placing completed in August 2014.

Placing of ordinary shares

In July 2014, IIP announced a proposal to raise up to US$102 million, before expenses, by way of a placing of new ordinary shares at a price of £0.18 per share. On 20 August 2014, IIP entered into a Subscription Agreement with Barnet Holdings Ltd ("Barnet Holdings"), an affiliate of the Company's indirect shareholder GGIC Ltd. ("GGIC"). Barnet Holdings subscribed for 172,739,590 ordinary shares reflecting GGIC's pro rata placing allocation and committed to subscribe for the balance of the shares available under the placing in the event that other existing shareholders did not subscribe. The placing closed on 21 August 2014 with Barnet Holdings taking up all of the placing shares. IIP issued 337,607,041 new ordinary shares and raised approximately US$102 million before expenses. Following the placing, the combined direct and indirect interests of GGIC and Barnet Holdings in the Company represents 75.4 per cent of the issued share capital.

The net proceeds of the placing will be used to provide construction capital for the portfolio and to align the liquidity of VLMS with current trading, to provide working capital to the Group, to strengthen the VLMS balance sheet and to service existing loan facilities as may be needed. Critically, the proceeds will provide VLMS with the ability to complete and commission all four terminal facilities with two facilities, Nagpur and Bangalore, commencing operations this fiscal year. We look forward to updating shareholders on the progress at VLMS as well as developments at the Company's other businesses in the periods to come.

Tom Tribone & Sonny Lulla
September 2014

Infrastructure overview

The most significant change to the Indian infrastructure landscape since IIP last reported is the election of a new central government with a clear mandate for change and progress. Elected on the promise of reviving India's slowing economy, the new government acknowledges that improving infrastructure is an important step in ushering in a policy regime that will result in higher growth and lower inflation.

The new government's first Budget Speech in July had a clear focus on manufacturing and infrastructure, both seen as key sectors in promoting sustained growth. The Minister of Finance announced various initiatives including Infrastructure Investment Trusts to attract long-term finance and a fund for warehouse infrastructure with a recognition that increasing warehousing capacity is vital. There were significant allocations for national highways, rural roads, ports, new airports in smaller cities and the development of smart cities. The budget also included tax holidays for power projects, funds for strengthening grid infrastructure and fresh support for all classes of renewable energy.

In transport, one of the first moves of the new government was to consolidate the ministries of Surface Transport, Shipping and Ports under one minister. This should result in better coordination and implementation of policies across the sector. Development of the Dedicated Freight Corridor ("DFC") is progressing with construction underway on both the Western DFC and the Eastern DFC. This involves construction of six freight corridors providing much needed infrastructure and, crucially, capacity, allowing higher freight throughput. VLMS, with its large rail-linked terminals, is strategically well placed to benefit from the DFC. Target commissioning dates are 2018 for the Western DFC and 2019 for the Eastern DFC.

In energy, the new government announced its desire to provide power to every home by 2019 (around two thirds of households currently have access to power), which means significant investment and incentives for the sector are required, with renewable energy a priority for the new administration. India suffers a current peak deficit of approximately 5%, and demand continues to grow.

The new government has acknowledged the need to address stalled infrastructure projects, particularly in the power sector, not only for the much-needed additional capacity, but as they represent a significant portion of public sector banks' nonperforming assets. In July 2014, the Reserve Bank of India released guidance to commercial banks for long-term infrastructure loans to better reflect the long gestation and large capital investment of infrastructure projects along with repayment tenor bearing some correspondence to asset cash flows. The guidance suggests that loans be based on the economic life of the project, up to 25 years, with the ability to periodically refinance.

Although it is too early to gauge whether the ambitions of the new government will result in tangible results, the focus and sentiment are currently positive for the infrastructure sector and broader macro-economic landscape.

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

Description	Supply chain transportation and container infrastructure company with a large operational road and rail transportation fleet; developing four large container terminals across India		
Promoter	A subsidiary of IIP		
Date of investment	**3 March 2011**	**15 October 2011**	**January 2012-March 2014**
Investment amount	£34.8m (implied)	£58.4m (implied)	£39.2 million
Aggregate percentage interest	37.4%	99.9%	99.9%
Investment during the period	£3.9 million		
Valuation as at 31 March 2014	**£155.6 million**		
Project Debt: Equity	65:35		

Key developments

- On 18 July 2014, VLMS commenced domestic operations at its Borkhedi facility in Nagpur. VLMS management hopes to commence EXIM operations at Borkhedi in October 2014.
- VLMS management began discussions with lenders to restructure its debt. Significant progress has been achieved to date on this proposal, culminating in the recent in principle approval of the restructuring package by the joint lenders forum (JLF) in a meeting on 12 August 2014.
- Investment of proceeds from IIP's August 2014 Placing allows construction at all VLMS terminals to be expedited.

Investment details

VLMS is a supply chain transportation and container infrastructure company headquartered in Bangalore and Gurgaon with material presence in central, northern and southern India. VLMS provides a broad range of logistics services including trucking, handling, customs clearing and bonded warehousing. It is constructing four large container terminals in Bangalore, Chennai, Nagpur and Palwal (in the National Capital Region). During the reporting period, the Company invested approximately £3.9 million.

Developments

During the fiscal year ended 31 March 2014, financial constraints affected the progress of construction on VLMS projects and the profitable operations of its trains and trucking fleet. With limited and severely delayed disbursements of sanctioned debt, a significant portion of the equity invested by IIP and the debt funds released by VLMS' lender consortia were used to service the principal and interest obligations to the lenders. This put a strain on the availability of funds to meet essential working capital needs.

New investments by IIP near the end of the fiscal year and in the months following, enabled the company to continue to meet its debt service obligations and keep its accounts in good standing with its lenders, achieve targeted construction progress at Nagpur, complete much of the critical land acquisition and consolidation at Bangalore and Palwal, and meet essential working capital needs.

On 18 July 2014, VLMS commenced domestic operations at its Borkhedi facility in Nagpur. Although heavy rains in the area impacted the stuffing and loading of containers, the first train of loaded containers left the Borkhedi terminal on 30 July 2014. Subject to timely infusion of funds, VLMS management hopes to commence export-import operations at Borkhedi in October 2014. With new equity infusions from IIP's August 2014 capital raise, construction activity will be accelerated and the commissioning of VLMS' remaining terminals are expected to be achieved during 2015. The new equity funds will also be used to meet essential working capital needs of the business.

On the financing front, VLMS management began discussions on a proposal with lenders to restructure its debt. Significant progress has been achieved to date on this proposal, and the terms approved in principle by the Joint Lenders Forum are now being processed by individual banks for internal approval before the restructuring can be implemented. Based on past history, it is not possible to clearly predict whether or how soon these individual approvals can be processed and the restructuring implemented.

Valuation

The valuation for VLMS does not account for the restructuring of existing debt and assumes investment of fresh equity funds by IIP to complete the construction at its terminals. Given the mitigation of the financing uncertainty (from banks) as a result of the equity infusion from IIP, the "construction" risk premium of 6 per cent has been used for the valuation. In accordance with the Company's stated valuation methodology, as at 31 March 2014, VLMS was valued, on a pre-money basis, at £155.6 million.

Shree Maheshwar Hydel Power Corporation Limited ("SMHPCL")

Description	400MW hydropower project on the Narmada River near Maheshwar in Madhya Pradesh	
Promoter	Entegra Limited	
Date of investment	**June 2008**	**September 2011**
Investment amount	£13.2 million	£16.5 million
Aggregate percentage interest	20.5%	17.7%
Investment during the period	Nil	
Valuation as at 31 Mar 2014	**£14.1 million**	
Project Debt:Equity	80:20	

Key developments

- No meaningful progress was made at stakeholder meetings coordinated by the Ministry of Finance during the fiscal year
- The Ministry of Power, under its new leadership, is now also taking an active role in advancing discussions and meetings have re-commenced
- Considerable uncertainty remains with the terms and timing of the project
- Valuation assumptions adjusted to reflect the uncertainty and result in a 43 per cent reduction in net present value

Investment details

SMHPCL is constructing a 400MW hydropower project (ten turbines of 40MW each) situated on the Narmada River near Maheshwar, in the south-western region of Madhya Pradesh. The project is intended to provide electricity, reduce peaking power shortages, and supply drinking water to the city of Indore. Civil works are largely complete with 27 gates and three of the ten turbines installed. IIP owns a 17.7 per cent interest in the project and has certain downside protections provided by the developer. There was no additional investment by the Company during the reporting period.

Current status of the project and financing update

During the year ending 31 March 2014, company officials had various meetings with project stakeholders, many of these meetings being coordinated by the Government of India's Ministry of Finance. However, none of these meetings achieved any meaningful progress in arriving at a viable solution to complete the project. In February 2014, the project was entrusted to a special task force of the national Manufacturing Competitive Council; a group mandated to resolve issues related to projects of national importance.

Following the election, the Ministry of Power, under its new leadership is also taking an active role in advancing discussions and meetings have re-commenced with key stakeholders. At the last meeting, all stakeholders concurred that the best solution was to find an acceptable way to complete the project and representatives of the state government (Madhya Pradesh) confirmed their intention of buying all or part of the primary energy from the project as well as permitting the project to sell power to third parties. While discussions amongst stakeholders continue, the project's inability to secure additional capital has put it in an impaired working capital position where it is unable to meet its day-to-day operating expenses. As such, we believe there will be financing developments in respect of the project in the near future.

The combined involvement of central and state governments, energy authority and banks in resolving financing issues and completing the project will inevitably lead to a dilution of IIP's holding. This has been reflected in the valuation of the asset.

Valuation

Several assumptions were adjusted to account for the considerable uncertainty that remains with the terms and timing of the project. The resulting value for the SMHPCL investment as at 31 March 2014 is £14.09 million (£23.6 million 30 September 2013; £35.0 million 31 March 2013). Currency devaluation and changes in the risk-free rate during the reporting period have also contributed to the reduction in value.

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

Description	125km four lane toll road in western Madhya Pradesh, with a 25 year concession which commenced in April 2008		
Promoter	Essel Group		
Date of investment	**30 September 2008**	**14 October 2009**	**24 June 2010**
Investment amount	£11.3 million	£0.9 million	£0.3 million
Aggregate percentage interest	26.0%	26.0%	26.0%
Investment during the period	Nil		
Valuation as at 31 March 2014	**£22.3 million**		
Project Debt:Equity	68:32		

Key developments

- In Fiscal Year 2013 – 2014 ("FY14"), toll revenue increased by 9.2 per cent to INR1,127 million.
- In the first two months of Fiscal Year 2014 – 2015 ("FY15"), traffic growth has been largely flat.
- The company is installing several weighbridges to ensure that appropriate toll is levied on multi-axle vehicles

Investment details

WMPITRL operates a 125km toll road in the central Indian state of Madhya Pradesh on a Build-Own-Transfer (BOT) basis for a term of 25 years. There was no additional investment into the project during the reporting period.

Project update

In FY14, total toll revenue increased by 9.2 per cent overall to INR1,127 million, maintaining the performance trend identified at the half year. In the first two months of FY15 (April and May 2014), traffic growth has largely remained flat, which appears to replicate the traffic pattern observed at the start of the reporting period.

WMPITRL management is in the process of implementing steps to ensure that appropriate toll is levied on multi-axle vehicles by installing several weighbridges on the toll road. These, along with plans for an additional check-post, are expected to improve toll collection when fully implemented.

Valuation

As of June 2013, the asset has been fully operational (both Toll Plaza 1 and Toll Plaza 2) for more than two years. In accordance with IIP's stated methodology, a 2 per cent of risk premium is applied over the risk free rate of 8.80 per cent. Traffic growth assumptions have been maintained. As at 31 March 2014, the asset was valued at £22.3 million and the change in value from previous periods is largely reflective of movements in the currency and risk-free rates.

India Hydropower Development Company LLC (“IHDC”)

Description	A company that develops, owns and operates small hydropower projects with six fully operational plants (62 MW of installed capacity), and a further 21 MW of installed capacity under development or construction		
Promoter	Dodson-Lindblom International Inc		
Date of investment	**3 March 2011**	**January 2012**	**May 2012**
Investment amount	£25.7m (implied)	£0.3 million	£1.05 million
Aggregate percentage interest	50.0%	50.0%	50.0%
Investment during the period	Nil		
Valuation as at 31 Mar 2014	**£20.2 million**		
Project Debt:Equity	62:38		

Key developments

- Consistent and steady rainfall in Maharashtra and Himachal Pradesh and the commissioning of the 4 MW Panwi project resulted in a 12.5 per cent increase in total production for the fiscal year
- Construction at 8 MW Raura project has re-commenced after issues relating to work disruptions by local villagers were resolved
- Approval received to enhance capacity at Melan to 9 MW
- Darna (4.9 MW) in Maharashtra suffered extensive damage as a result of very heavy monsoon rainfall and abnormally high inflows to the Darna reservoir and is currently out of operation
- IHDC is working with the insurer to process its claim and initiate repairs

Investment details

The IHDC portfolio currently includes an installed capacity of approximately 62 MW across six projects – Bhandardara Power House I, Bhandardara Power House II, and Darna in Maharashtra; Birsinghpur in Madhya Pradesh; and Sechi and Panwi in Himachal Pradesh. IHDC has an additional 21 MW under development and construction with planned capacity at two sites having been revised upwards. In addition, IHDC has a pipeline of identified projects for future development.

Project update

IHDC generated 145.6 Gwh during the fiscal year ending 31 March 2014 (a 12.5 per cent increase) against 129.4 Gwh during the year ending March 2013. This increase can be mainly attributed to the commissioning of Panwi (4.0 MW) in Himachal Pradesh and favourable monsoon inflows.

Maharashtra

IHDC’s projects in Maharashtra have been operating as expected; the generation at Bhandardara and Darna projects (until July 2014) was higher than the previous year due to consistent and steady monsoon rainfall in the state. Overall, the production from these three projects was approximately 100.3 Gwh during FY14 (a 4.5 per cent increase) against 95.8 Gwh the previous year.

On 30 July 2014, Darna (4.9 MW) in Maharashtra suffered extensive damage as a result of very heavy monsoon rainfall in the catchment area and abnormally high inflows to the Darna reservoir. The Darna plant accounts for 7.9 per cent of IHDC's installed capacity and is currently out of operation. The damage to the plant includes the collapse of an external wall of the outer structure and water damage to electromechanical equipment. No personnel were injured. The plant is insured against property damage and resulting loss of operating revenue and IHDC is working with the insurer to process its claim for coverage. Management anticipates that it will take six to twelve months to complete repairs and re-commission the plant.

Madhya Pradesh

The Birsinghpur project, located on the cooling water return canal in the Sanjay Gandhi Thermal Power Station in Madhya Pradesh, produced 14.5 GWh during the fiscal year. The project continues to operate as expected.

Himachal Pradesh

IHDC's 4.5 MW Sechi hydropower project generated 19.2 Gwh during FY14 (a 9.5 per cent increase) against 17.4 Gwh from the previous period. The 4 MW Panwi hydropower project, commissioned in May 2013, produced 11.5 GWh in FY14 (11 months). Excessive silt accumulation from torrential rains in June 2013 affected production during the year.

The 8 MW Raura project had some work disruptions early in the reporting period due to flood-related damage to the access road and a work stoppage by villagers. These issues have since been resolved and work at the site has re-commenced. No material impacts to the completion schedule are currently anticipated.

In August 2014, IHDC received approval from the State Government to enhance the capacity at Melan to 9 MW. Revisions to the design and development of the project will be shortly underway.

Valuation

The IHDC portfolio was valued in accordance with the Company's stated valuation methodology, by using a composite risk premium of 3.3 per cent over the risk-free rate of 8.80 per cent. The composite risk premium is computed using a MW based weighted average of risk premia of individual assets related to their stage of operation. The value for the IHDC investment as at 31 March 2014 is £20.16 million (£19.2 million 30 September 2013; £25.1 million 31 March 2013).

Indian Energy Limited ("IEL")

Description	An independent power producer focused on renewable energy, with 41.3 MW installed capacity over two operating wind farms	
Promoter	IIP	
Date of investment	**21 September 2011**	**October 2011 – December 2012**
Investment amount	£10.6m (implied)	£0.9 million
Aggregate percentage interest	100.0%	100.0%
Investment during the period	Nil	
Valuation as at 31 Mar 2014	**£11.3 million**	
Project Debt:Equity	60:40	

Key developments

- Refinanced senior debt for Gadag project, reducing overall interest rate by one percentage point and extending tenor
- Terms of the new Gadag facility allow investment of excess proceeds in new renewable projects
- Grid availability issues continue in Tamil Nadu which affected generation at Theni

Investment details

IEL is an independent power producer that owns and operates wind farms in India, with 41.3 MW of installed capacity across two wind farms in the states of Karnataka and Tamil Nadu.

Project update

The 16.5 MW Theni project in Tamil Nadu faced persistent grid availability issues during the reporting period. Theni had an average grid availability of 82% (as low as 65% during peak monsoon months) resulting in sub-P90 generation in the full fiscal year. Currently, Theni sells power to five industrial customers under a Group Captive Scheme in the nearby industrial belt at a current tariff of INR5.58 kWh.

The Government of Tamil Nadu, through TNEB Limited, is currently in the process of strengthening grid infrastructure and enforcing power scheduling regulations to resolve the grid stability issues. Although TNEB is making progress, the positive impact for Theni is likely to take up to 24 months.

Generation from IEL's 24.8 MW Gadag project in Karnataka was at the sub-P90 level during FY14 due to a lower than normal wind regime. Gadag currently sells power to Karnataka's leading power distribution company at a tariff of INR 3.40 per kWh.

IEL has successfully refinanced its senior debt on the Gadag project with a new debt facility from the Bank of Baroda. The new loan carries an annual interest rate of 12.25 per cent, which is 100 basis points lower than the previous loan, and an extended repayment schedule. The terms of the new loan allow IEL to draw approximately INR 160 million (approximately £1.6 million) for investment in a new renewable energy project. This is the first step in IEL's efforts to implement a limited expansion plan.

Production during the current fiscal year (2014-15) is off to a slow start at both projects as a result of delayed and weaker than normal monsoon winds.

Valuation

As at 31 March 2014, the IEL assets were valued in accordance with the Company's stated valuation methodology by applying a 2 per cent risk premium above the risk-free rate of 8.80 per cent. The risk premium of 2 per cent representing "normal operations" is utilised for both projects, as they have been operational for over two years. The value for the IEL investment as at 31 March 2014 is £11.28 million (£11.15 million 30 September 2013; £14.41 million 31 March 2013).

Directors' Report

The Directors have pleasure in presenting their report and financial statements of the Group for the year ended 31 March 2014.

Principal activity and incorporation

The Company is a closed-ended investment company, incorporated on the 18 March 2008 in the Isle of Man as a public limited company under the 2006 Companies Act. It was admitted to the Official List of the London Stock Exchange on 30 June 2008, and subsequently moved to a listing on AIM, a market maintained by the London Stock Exchange on 16 November 2010.

The Company's investment objective is to provide shareholders with both capital growth and income by investing in assets in the Indian infrastructure sector, with particular focus on assets and projects related to energy and transport.

Results and dividends

The Group's results for the year ended 31 March 2014 are set out in the Consolidated Statement of Comprehensive Income.

A review of the Group's activities is set out in the Joint Statement from the Chairman and the Chief Executive report.

The Directors do not recommend the payment of a dividend (2013: nil)

Directors

The Directors of the Company during the year and up to the date of this report were as follows:

Tom Tribone	Chairman
Rahul Sonny Lulla	Chief Executive
Timothy Walker	Non Executive Director and Audit Committee Chairman
Robert Venerus	Non Executive Director
Timothy Stocks (resigned on 27 March 2014)	Non Executive Director
Madras Seshamani Ramachandran	Non Executive Director
Vikram Viswanath	Non Executive Director

Directors' interests in the shares of the Company are detailed in note 18.

Company Secretary

The secretary of the Company during the year and to the date of this report was Philip Scales.

Auditors

Our auditors, KPMG Audit LLC, being eligible have expressed their willingness to continue in office.

On behalf of the Board

Sonny Lulla
Director
24 September 2014

Statement of Directors' Responsibilities

In Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

The Group financial statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards as adopted by the EU have been followed, 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 Group will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time its financial. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

The Directors confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Directors’ Report includes a fair view of the development and performance of the business and position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

On behalf of the Board

Sonny Lulla
Director
24 September 2014

Corporate Governance Statement

The Combined Code does not directly apply to companies incorporated within the Isle of Man but the Board of Infrastructure India PLC has developed its internal procedures to be in line with the recommendations of the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Company Alliance (“**QCA Guidelines**”) where appropriate and these are monitored on a regular basis. The Directors will continue to comply with the relevant requirements of the QCA Guidelines to the extent that they consider it appropriate having regard to the Company’s size and the nature of its operations. The Board is not presently aware of any respects in which it will depart from its current approach and considers that the Company has complied with this approach to corporate governance throughout the accounting year.

Responsibilities of the Board

The Board of Directors is responsible for the determination of the investment policy of the Company and for its overall supervision via the investment policy and objectives that it has set out. The Board is also responsible for the Company’s day-to-day operations; however, since the Board members are all non-executive, in order to fulfil these obligations, the Board has delegated operations through arrangements with the Investment Adviser and Administrator.

All but one of the Directors are non-executive directors and therefore there is no nomination committee. The Company has not established a remuneration committee as it is satisfied that any issues can be considered by the Board or the Audit Committee.

The Board intends to meet formally at least four times each year. At each Board meeting the financial performance of the Company and all other significant matters are reviewed so as to ensure the Directors maintain overall control and supervision of the Company’s affairs. The Board receives investment reports from the Asset Manager and Valuation and Portfolio Services Adviser and management accounts from the Administrator. The Board maintains regular contact with all its service providers and are kept fully informed of investment and financial controls and any other matters that should be brought to the attention of the Directors. The Directors also have access where necessary to independent professional advice at the expense of the Company.

Audit Committee

The Audit Committee is a sub-committee of the board and it meets formally at least twice each year. It makes recommendations to the Board which retains the right of final decision. The Audit Committee has primary responsibility for reviewing the financial statements and the accounting policies, principles and practices underlying them, liaising with the external auditors and reviewing the effectiveness of internal controls.

The terms of reference of the Audit Committee covers the following:

- The composition of the Committee, quorum and who else attends meetings.
- Appointment and duties of the Chairman.
- Duties in relation to external reporting, including reviews of financial statements, shareholder communications and other announcements.
- Duties in relation to the external auditors, including appointment/dismissal, approval of fee and discussion of the audit.

In addition, the Company’s administrator (IOMA Fund and Investment Management Limited) has a number of internal control functions including a dedicated Compliance Officer who monitors compliance with all statutory and regulatory requirements and presents a report to the Board at each meeting.

Report of the Independent Auditors, KPMG Audit LLC, to the members of Infrastructure India plc for the year ended 31 March 2014

We have audited the financial statements of Infrastructure India plc for the year ended 31 March 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity and the Consolidated 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 (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, 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 statements

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 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.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the EU.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

24 September 2014

Consolidated Statement of Comprehensive Income for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Interest income on bank balances		1	9
Movement in fair value on investments at fair value through profit or loss	12	(49,009)	28,737
Foreign exchange gain/(loss)		339	(424)
Asset management and valuation services	7	(4,662)	(4,263)
Other administration fees and expenses	6	(1,261)	(1,499)
Operating (loss)/profit		(54,592)	22,560
Finance costs	8	(383)	(1,774)
(Loss)/profit before taxation		(54,975)	20,786
Taxation		-	-
(Loss)/profit for the year		(54,975)	20,786
Other comprehensive income		-	-
Total comprehensive (loss)/income		(54,975)	20,786
Basic and diluted (loss)/earnings per share (pence)	10	(16.0)p	7.1p

The Directors consider that all results derive from continuing activities.

The notes on pages 21 to 32 form an integral part of the financial statements.

Consolidated Statement of Financial Position at 31 March 2014

	Note	2014	2013
		£'000	**£'000**
Non-current assets			
Investments at fair value through profit or loss	12	221,356	266,500
Total non-current assets		221,356	266,500
Current assets			
Debtors and prepayments		14	11
Cash and cash equivalents		2,762	2,128
Total current assets		2,776	2,139
Total assets		224,132	268,639
Liabilities			
Long term loans & borrowings	16	(10,202)	-
		(10,202)	-
Current liabilities			
Trade and other payables	15	(1,342)	(1,321)
Current loans & borrowings	16	(245)	-
Total current liabilities		(1,587)	(1,321)
Total liabilities		(11,789)	(1,321)
Net assets		212,343	267,318
Equity			
Ordinary shares	13	3,427	3,427
Share premium	13	226,711	226,711
Retained earnings		(17,795)	37,180
Total equity		212,343	267,318

The notes on pages 21 to 32 form an integral part of the financial statements.

These financial statements were approved by the Board on 24 September 2014 and signed on their behalf by

Sonny Lulla	Tim Walker
Chief Executive	Director

Consolidated Statement of Changes in Equity for the year ended 31 March 2014

	Share capital £'000	Share premium £'000	Retained profit £'000	Total £'000
Balance at 1 April 2012 (restated)	2,188	188,757	16,394	207,339
Total comprehensive income for the year				
Profit for the year	-	-	20,786	20,786
Total comprehensive income for the year (restated)	**-**	**-**	**20,786**	**20,786**
Contributions by and distributions to owners				
Issue of ordinary shares	1,239	39,648	-	40,887
Share issue costs	-	(1,694)	-	(1,694)
Total contributions by and distributions to owners of the Company	**1,239**	**37,954**	**-**	**39,193**
Balance at 31 March 2013	**3,427**	**226,711**	**37,180**	**267,318**
Balance at 1 April 2013	**3,427**	226,711	37,180	267,318
Total comprehensive income for the year				
Loss for the year	-	-	(54,975)	(54,975)
Total comprehensive income for the year	**-**	**-**	**(54,975)**	**(54,975)**
Balance at 31 March 2014	**3,427**	**226,711**	**(17,795)**	**212,343**

The notes on pages 21 to 32 form an integral part of the financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
(Loss)/profit for the year		(54,975)	20,786
Adjustments:			
Interest income on bank balances		(1)	(9)
Finance costs		383	1,774
Movement in fair value on investments at fair value through profit or loss	12	49,009	(28,737)
Foreign exchange (gain)/loss		(339)	424
		(5,923)	(5,762)
Increase/(decrease) in creditors and accruals		20	(134)
(Increase)/decrease in debtors and prepayments		(3)	11
Net cash utilised by operating activities		**(5,906)**	**(5,885)**
Cash flows from investing activities			
Purchase of investments	12	(3,865)	(21,936)
Interest received		1	9
Cash utilised by investing activities		**(3,864)**	**(21,927)**
Cash flows from financing activities			
Proceeds from issue of shares (less share issue costs)		-	39,193
Loans received	16	10,202	-
Loans repaid		-	(15,615)
Loan interest paid	16	(138)	(1,774)
Net cash generated from financing activities		**10,064**	**21,804**
Increase/(decrease) in cash and cash equivalents		**294**	**(6,008)**
Cash and cash equivalents at the beginning of the year		2,128	8,560
Effect of exchange rate fluctuations on cash held		340	(424)
Cash and cash equivalents at the end of the year		**2,762**	**2,128**

The notes on pages 21 to 32 form an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 March 2014

1. General information

The Company is a closed-end investment company incorporated on 18 March 2008 in the Isle of Man as a public limited company. The address of its registered office is IOMA House, Hope Street, Douglas, Isle of Man. The Company is listed on the AIM market of the London Stock Exchange.

The Company and its subsidiaries (together the Group) invest in assets in the Indian infrastructure sector, with particular focus on assets and projects related to energy and transport.

The Company has no employees.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The Group has adopted IFRS 13 Fair Value Measurement, with application date of 1 April 2013. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

The financial statements were authorised for issue by the Board of Directors on 24 September 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value in the statement of financial position.

(c) Functional and presentation currency

These financial statements are presented in Sterling, which is the Company's functional currency. All financial information presented in Sterling has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3. Summary of significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries and subsidiary undertakings). Control is achieved where the

Company has power over an investee, exposure or rights to variable returns and the ability to exert power to affect those returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

As an investment entity under the terms of the amendments to IFRS 10 the Company is not permitted to consolidate its controlled portfolio entities. The consolidated financial statements incorporate the financial statements of the Company and the financial statements of the intermediate investment holding companies. Control is achieved where the Company has the power to govern the financial and operating policies of an entity company so as to obtain benefits from its activities.

The Directors consider the Company to be an investment entity as defined by IFRS 10 as it meets the following criteria as determined by the accounting standard:

- Obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

3.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Directors are of the opinion that the Group is engaged in a single segment of business being investment in infrastructure assets in one geographical area, being India.

3.3 Income

Dividend income from investments is recognised when the right to receive payment has been established, normally the ex-dividend date.

Interest income is recognised using the effective interest method.

3.4 Expenses

All expenses are accrued for on an accruals basis and are presented as revenue items except for expenses that are incidental to the disposal of an investment which are deducted from the disposal proceeds.

3.5 Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.6 Foreign currency transactions

Transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Sterling at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Sterling at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to Sterling at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

3.7 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are offset if there is a legally enforceable right to set off the recognised amounts and interests and it is intended to settle on a net basis.

3.8 Investments

Investments of the Group are categorised as at fair value through profit or loss and are measured at fair value. Unrealised gains and losses arising from revaluation are taken to the profit or loss.

The Group has taken advantage of an exemption in IAS 28, Investments in Associates, which permits investments in associates held by venture capital organisations, investment funds and similar entities to account for such investments at fair value through profit or loss.

The fair value of unquoted securities is estimated by the Directors using the most appropriate valuation techniques for each investment.

Securities quoted or traded on a recognised stock exchange or other regulated market are valued by reference to the last available bid price.

3.9 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.10 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity instruments are recorded at the proceeds received, net of issue costs.

3.11 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.12 Share issue costs

The share issue costs of the Company directly attributable to the Placing that would otherwise have been avoided have been taken to the share premium account.

3.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved.

3.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3.15 Interest expense

Interest expenses for borrowings are recognised within "finance costs" in the statement of comprehensive income using the effective interest rate method.

Future changes in accounting policies

A number of new standards, amendments to standards and interpretation are not yet effective for year ended 31 March 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the measurement of the amounts recognized on the Company's financial statements; however, IFRS 9, Financial Instruments ("IFRS9") may change the classification of financial assets. A first effective date for IFRS 9 is yet to be announced.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Risk management is carried out by the Board of Directors. The Board identifies and evaluates financial risks in close co-operation with the Asset Manager.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Indian Rupee ("INR"). Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

Net assets denominated in Indian Rupee at the year-end amounted to £221 million (2013: £267 million), representing the Group's investments in Indian Companies.

At 31 March 2014, had the exchange rate between the Indian Rupee and Sterling increased or decreased by 10% with all other variables held constant, the increase or decrease respectively in net assets would amount to approximately £20.1 million (2013: £26.7 million). This exposure is unhedged.

(ii) Market price risk

The Group is exposed to market risk arising from its investment in unlisted Indian infrastructure companies. These investments present a risk of capital loss. The Board is responsible for the selection of investments and monitoring exposure to market risk. All investments are in Indian infrastructure projects.

If the value of the Group's investment portfolio had increased by 5%, the Group's net assets would have increased by £11.1 million (2013: £13.3 million). A decrease of 5% would have resulted in an equal and opposite decrease in net assets.

(iii) Cash flow and fair value interest rate risk and sensitivity

The Group's cash and cash equivalents are invested at short term market interest rates.

The table below summarises the Group's exposure to interest rate risks. It includes the Groups' financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities.

	Less than 1 month	01-Mar months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
31 March 2014	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets							
Investments at fair value through profit or loss	-	-	-	-	-	221,356	221,356
Trade and prepayments	-	-	-	-	-	14	14
Cash and cash equivalents	2,762	-	-	-	-	-	2,762
Total financial assets	2,762	-	-	-	-	221,370	224,132
Financial liabilities							
Trade and other payables	-	-	-	-	-	(1,342)	(1,342)
Loans and borrowings	-	-	(245)	(10,202)	-	-	(10,447)
Total financial liabilities	-	-	(245)	(10,202)	-	(1,342)	(11,789)
Total interest rate sensitivity gap	2,762	-	(245)	(10,202)	-	220,028	212,343

31 March 2013	Less than 1 month £'000	01-Mar months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
Financial assets							
Investments at fair value through profit or loss	-	-	-	-	-	266,500	266,500
Trade and prepayments	-	-	-	-	-	11	11
Cash and cash equivalents	2,128	-	-	-	-	-	2,128
Total financial assets	2,128	-	-	-	-	266,511	268,639
Financial liabilities							
Trade and other payables	-	-	-	-	-	1,321	1,321
Total financial liabilities	-	-	-	-	-	-	-
Total interest rate sensitivity gap	2,128	-	-	-	-	266,511	268,639

(b) Credit risk

Credit risk arises on investments, cash balances and debtor balances. The amount of credit risk is equal to the amounts stated in the statement of financial position for each of these assets. Cash balances are limited to high-credit-quality financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding.

Residual undiscounted contractual maturities of financial liabilities:

31 March 2014	**Less than 1 month** £'000	**1-3 months** £'000	**3 months to 1 year** £'000	**1-5 years** £'000	**Over 5 years** £'000	**No stated maturity** £'000
Financial liabilities						
Trade and other payables	-	-	1,342	-	-	-
Loans and borrowings	-	-	245	10,202	-	-
Total	-	-	1,587	10,202	-	-

31 March 2013	**Less than 1 month** £'000	**1-3 months** £'000	**3 months to 1 year** £'000	**1-5 years** £'000	**Over 5 years** £'000	**No stated maturity** £'000
Financial liabilities						
Trade and other payables	-	-	1,321	-	-	-
Loans and borrowings	-	-	-	-	-	-
Total	-	-	1,321	-	-	-

5. Critical accounting estimates and assumptions

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

Determining fair values

The determination of fair values for financial assets for which there is no observable market prices requires the use of valuation techniques as described in accounting policy 3.8. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical judgements in applying the Company's accounting policies

Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed in accounting policy 3.8. The Company measures fair value using the following hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category included instruments valued using: quoted market prices in active markets for similar instruments: quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

The Group holds investments in several unquoted Indian infrastructure companies. The Directors' valuations of these investments, as shown in note 12, are based on a discounted cash flow methodology, prepared by the Company's Asset Manager (Franklin Park Management).

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

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurements are categorised:

	Level 1	Level 2	Level 3
	£'000	£'000	£'000
Financial assets at fair value through profit or loss (note 12)			
Shree Maheshwar Hydel Power Corporation Ltd	-	-	13,091
Western MP Infrastructure & Toll Road Pvt. Ltd	-	-	21,267
India Hydropower Development Company, LLC	-	-	20,161
Vikram Logistic and Maritime Services Private Ltd	-	-	155,562
Indian Energy Limited	-	-	11,275
	-	-	221,356

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	£'000
Fair value brought forward	266,500
Movement in fair value	(49,009)
Additional capital injected	3,865
Fair value at year end	221,356

If the determined discount rates were increased by 1% per annum, the value of unlisted equity securities would fall by £14,9 million (2013: £29.0 million).

6. Other administration fees and expenses

	2014 Group £'000	2013 Group £'000
Audit fees	85	84
Legal fees	110	302
Loan arrangement fee (see note 16)	111	0
Corporate advisory fees	146	143
Consultancy fees	124	243
Other professional costs	42	35
Administration fees	147	170
Directors' fees (note 14)	280	260
Insurance costs	12	12
Other costs	204	250
	1,261	**1,499**

7. Investment management, advisory and valuation fees

Franklin Park Management, LLC (the "Asset Manager" or "FPM") is the exclusive provider of asset management and related services and is paid an annual management fee of 2% of the value of the Group's assets from time to time. Other service providers may be sub-contracted to the Asset Manager as needed.

Fees for the period ended 31 March 2014 were £4,662,000 (31 March 2014: £4,263,000).

8. Finance costs

	2014 £'000	2013 £'000
Loan interest expense (note 16)	383	1,774
	383	1,774

9. Taxation

There is no liability for income tax in the Isle of Man. The Company is subject to tax at a rate of 0%.

The Group is subject to income tax in Mauritius at the rate of 15% on the chargeable income of Mauritian subsidiaries. They are, however, entitled to a tax credit equivalent to the higher of the foreign tax paid and a deemed credit of 80% of the Mauritian tax on their foreign source income. No provision has been made in the accounts due to the availability of tax losses.

10. (Loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2014	2013
(Loss)/ profit attributable to shareholders (£ thousands)	(54,975)	20,786
Weighted average number of ordinary shares in issue (thousands)	342,660	293,779
Basic and diluted (loss)/earnings per share (pence)	(16.0)p	7.1p

There is no difference between basic and diluted (loss)/earnings per share.

11. Investments in subsidiaries

Since incorporation, for efficient portfolio management purposes, the Company has established or acquired the following subsidiary companies split by companies that are consolidated and companies that are held at fair value through profit or loss in line with the revised accounting standard IFRS 10 (see note 3.1):

Consolidated subsidiaries	**Country of incorporation**	**Ownership interest**
Infrastructure India HoldCo	Mauritius	100%
Power Infrastructure India	Mauritius	100%
Roads Infrastructure India	Mauritius	100%
Power Infrastructure India (Two) (previously Roads Infrastructure India (Two))	Mauritius	100%
Distribution and Logistics Infrastructure India	Mauritius	100%
Non-consolidated subsidiaries held at fair value through profit or loss		
Vikram Logistic and Maritime Services Private Limited sub group (VLMS):		
Vikram Logistic and Maritime Services Private Limited	India	99.9%
Freightstar Private Limited	India	99.9%
Indian Energy Limited sub group (IEL):		
Indian Energy Limited	Guernsey	100%
Indian Energy Mauritius	Mauritius	100%
Indian Energy Management	United Kingdom	100%
Belgaum Wind Farms Pvt	India	100%
iEnergy Wind Farms (Theni) Pvt	India	100%
iEnergy Renewables Pvt	India	100%

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

At 31 March 2014, the Group held five investments in unlisted equity securities. Four of the investments are held by the Company's wholly owned subsidiaries in Mauritius and one is held directly by the Company.

The investments are recorded at fair value as follows:

	SMHPCL	WMPITRL	IHDC	VLMS	IEL	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 March 2014						
Fair value brought forward	34,011	25,311	25,108	167,659	14,411	266,500
Additional capital invested	-	-	-	3,865	-	3,865
Fair value adjustment	(20,920)	(4,044)	(4,947)	(15,962)	(3,136)	(49,009)
Balance as at 31 March 2014	13,091	21,267	20,161	155,562	11,275	221,356

	SMHPCL £'000	WMPITRL £'000	IHDC £'000	VLMS £'000	IEL £'000	Total £'000
Year ended 31 March 2013						
Fair value brought forward	34,717	28,981	25,411	114,909	11,809	215,827
Additional capital invested	-	-	1,019	20,623	294	21,936
Fair value adjustment	(706)	(3,670)	(1,322)	32,127	2,308	28,737
Balance as at 31 March 2013	34,011	25,311	25,108	167,659	14,411	266,500

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

All investments have been fair valued by the Directors as at 31 March 2014 using discounted cash flow techniques, as described in note 5. The discount rate adopted for the investments is the risk free rate (based on the Indian government 9-10 year bond yields) plus a risk premium of 2% for WMPITRL, 7% for SMHPCL, 3.3% for IHDC, 6% for VLMS and 2% for IEL.

As at 31 March 2014, the Company had pledged 51% of the shares in VLMS, totalling 66,677,000 shares of INR 10 each, as part of the terms of a term loan within the underlying investment entity. In addition, the Company had provided a non-disposal undertaking of 51% of the shares in IEL, totaling 25,508,980 shares of 1 penny each, as part of the terms of a loan agreement within the underlying investment entity.

13. Share capital

	No. of shares Ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
Balance at 31 March 2014 and 31 March 2013	342,660,000	3,427	226,711

Company has authorised share capital of 500,000,000 ordinary shares of £0.01 each.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board manages the Group's affairs to achieve shareholder returns through capital growth and income.

Group capital comprises share capital and reserves.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

14. Directors' fees and Directors' interests

The Directors had the following interests in the shares of the Company at 31 March 2014:

	2014	2013	
Vikram Viswanath	42,488,993	42,488,993	Ordinary Shares
Timothy Walker	181,667	181,667	Ordinary Shares
Sonny Lulla	350,000	350,000	Ordinary Shares

Tom Tribone is a director of GGIC Ltd ("GGIC"). GGIC has an interest in 175,324,980 shares in the Company, being 51.17% of the issued share capital of the Company.

Details of the Directors' remuneration in the year are as follows:

	2014 £'000	2013 £'000
Timothy Walker	90	80
Madras Seshamani Ramachandran	90	80
Vikram Viswanath	50	50
Timothy Stocks (resigned on 27 March 2014)	50	50
	280	260

15. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	1,246	1,204
Accruals and other payables	96	117
	1,342	1,321

16. Loans and borrowings

On 8 April 2013, the Company entered into a working capital loan facility agreement with GGIC Ltd (formerly Guggenheim Global Infrastructure Company Limited) ("GGIC") for up to £10,202,000 (US$17 million).

Under the Facility the Company may request one or more loans in a number of advances of no less than US$4 million each. The proceeds of the Loans may be utilised to fund the costs and expenses associated with the management of IIP and its non-Indian subsidiaries, and to pay the interest and other expenses associated with the Facility. The Loans are available to the Company until 10 April 2016.

The Loans are repayable on 10 April 2017 and attract an interest rate of 7.5% per annum, payable semi-annually during the Facility period. An arrangement fee of £111,000 (US$170,000) has been paid in respect of the Facility and an additional commitment fee, payable semi-annually in arrears, of 0.5% per annum is payable on the available, but undrawn, portion of the Facility.

As at 31 March 2014 the loan had become fully drawn and had accrued interest of £383,000 (US$589,000) including the additional 0.5% interest on the undrawn amount during the year. The amount of accrued interest outstanding as at 31 March 2014 amounted to £245,000 (US$395,000).

17. Distribution

During the year, the Company paid £nil distribution (2013: nil).

18. Related party transactions

Management services

As described in note 7, FPM is party to a Management Services Agreement with the Company. The executive management team of FPM consists of Tom Tribone, Robert Venerus and Sonny Lulla, who are also directors of the Company.

Fees payable to FPM in respect of management services for the year ending 31 March 2014 amounted to £4,662,000 (2013: £4,263,000). The amount of management fees outstanding as at 31 March 2014 amounted to £1,099,000 (2013: £1,071,000).

Legal fees

Tim Stocks is a member of Taylor Wessing LLP who acts as legal adviser to the Company. Legal fees paid to Taylor Wessing for year ended 31 March 2014 were £25,889 (2013: £75,157). Tim Stocks resigned from Board of the Company on 27 March 2014.

19. Net Asset Valuation (NAV)

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

	2014 £'000	2013 £'000
Net assets (£'000)	212,343	267,318
Number of shares in issue (note 15)	342,660,000	342,660,000
NAV per share	£0.62	£0.78

20. Subsequent events

In May 2014, IIP entered into an unsecured loan facility for US$8.1 million for investment into VLMS to meet immediate financial and working capital needs and towards capital expenditure at its Nagpur terminal. In June 2014, the loan facility was extended to US$16.2 million, in aggregate, and both facilities were repaid from the proceeds of the US $102 million placing announced in August 2014.

In August 2014, the Company placed 337,607,041 new ordinary shares of 1p each at a price of 18 pence per share to raise approximately US$102 million (before expenses). Following the placing, the Company has 680,267,041 of ordinary shares in issue. Funds raised through the placing were utilised to repay the Company's secured loan facility US$16.8 million, fund a portion of the remaining equity needed to complete the acquisition and integration of Freightstar by VLMS and to fund the Company's working capital needs.

21. Ultimate controlling party

The ultimate controlling party during the period was GGIC.

Company Information

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Rahul Sonny Lulla
Timothy Walker
Robert Venerus
Madras Seshamani Ramachandran
Vikram Viswanath

Company Secretary
Philip Scales

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