Infrastructure India plc

Report & Accounts
For the year ended 31 March 2018

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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") audited annual results for the year ended 31 March 2018.

Net Asset Value decreased to £188.8 million (£0.28 per share) as at 31 March 2018 compared to 30 September 2017 (£237.8 million and £0.35 per share), principally as a result of delayed completion schedules for Distribution Logistics Infrastructure Limited ("DLI") and the associated change to underlying DLI business assumptions.

During the fiscal year, funding constraints overshadowed progress at IIP's largest asset, DLI. Without sufficient completion capital, DLI has been unable to further progress construction at its terminals and has instead focussed on streamlining existing operations. The terminal at DLI's Nagpur facility, however, continues to increase its market share and acquire new customers but the inability to complete Phase 2 construction has held back growth in bulk cargo, auto logistics and warehousing.

On a macro front, the Goods and Services Tax ("GST"), one of India's most significant recent fiscal reforms, was formally launched on 1 July 2017 and its implementation has crystallised some anticipated volatility which is particularly evident within the small and medium enterprise segment. The Indian Government is taking steps to reduce the complexities and regulatory bottlenecks of GST, including a standard rate for multimodal transportation services, which is expected to reduce the cost of logistics.

In August 2018, the Indian Government opened a 200 km section of the Western Dedicated Freight Corridor ("DFC"), connecting Delhi, Haryana and Jaipur. The Western DFC will ultimately connect the capital Delhi with the economic hub of Mumbai. The DFC project – including Western and Eastern corridors – will provide much needed capacity and allow higher freight throughput at greater speed. The Government's emphasis on increasing manufacturing and exports has made logistics and the ability to efficiently move goods a key consideration in achieving sustained growth. DLI, with its large rail-linked terminals is strategically well placed to benefit from the DFC.

Subsequent to the year end, IIP entered an agreement for the sale of its 100% interest in Indian Energy Limited, for a cash consideration of approximately £3.97 million (at the prevailing exchange rate on 27 April 2018). However, following an unduly protracted process and attempts by ReNew to amend the agreed contractual terms of the sale, on 14 September 2018, IIP withdrew from the proposed transaction as the long stop date had lapsed without the remaining conditions precedent to the SPA having been satisfied. IIP's small hydro assets continue to perform in line with expectations while uncertainty and legal challenges remain at the large hydro project.

On 31 July 2018, IIP announced that it had entered into conditional proposed financing agreements (the "Proposed Financing") for up to $125 million with PSA International, a global port group, and Gateway Partners. The transaction includes the issue of convertible preference shares in Distribution Logistics Infrastructure India ("DLII") for a consideration of $75 million and the sale of 24% of DLI for a consideration of $50 million. The net proceeds of the DLII convertible preference shares will be used to provide construction and working capital to DLI.

Financial performance

The value of the IIP Group's investments held by its subsidiaries was £223.0 million for the period ended 31 March 2018 (£261.5 million 30 September 2017 and £296.0 million 31 March 2017). Currency rates weakened at the end of the fiscal year with GBP:INR rate of 90.81 as at 31 March 2018 against 87.44 in September 2017 and 80.82 in March 2017. The risk-free rate, based on the Indian 10-year bond, increased to 7.40% as at 31 March 2018 from 6.66% on 30 September 2017 and 6.68% on 31 March 2017.

Total investment during the full fiscal year was £13.6 million, all of which was advanced by the Group to DLI to fund some construction, working capital and debt obligations during the period.

Transport

DLI is a supply chain transportation and container infrastructure company and one of the largest private operators in India with a nationwide network of terminals and a quality road and rail transportation fleet. The reported funding constraints at DLI meant no material construction progress was achieved during the year. This has pushed back completion schedules and resulted in revisions to business assumptions.

Operations at Nagpur have however continued to show steady progress and the terminal has gained significant traction in the Export-Import ("Exim") segment. DLI has captured over 30% market share and new marketing initiatives have stimulated further volume. DLI management are in active discussions with importers and manufacturers to secure both Exim and domestic cargo.

IIP has continued to provide working capital and debt service support to DLI over the past year. The net proceeds of the DLII convertible preference shares which will be issued on completion of the Proposed Financing would be used to provide sufficient capital to enable DLI to complete, commission and ramp up all of its terminal facilities. The partnership with PSA, which is one of the leading global port groups, would also provide DLI with the additional expertise and know-how of an established global platform and enhanced marketing opportunities.

Energy

India Hydropower Development Company's ("IHDC") overall production was higher than the same period last year. This was the result of higher water release at the Maharashtra projects and increased generation at Birsinghpur. Subsequent to the year end, the Raura project experienced flash floods in July 2018 which affected roads and bridges leading to the site. The project itself had limited damage, which is insured, but the restoration work will push back completion. IHDC management are targeting commissioning of the plant by the current year end.

Indian Energy Limited ("IEL") has two operating wind farms, Theni, in Tamil Nadu, and Gadag, in Karnataka and overall energy production remained steady over the previous year. Subsequent to the year end, in April 2018, IIP announced the sale of IEL to ReNew Power Services Limited ("ReNew") for a cash consideration of approximately £3.97 million (at the prevailing exchange rate on 27 April 2018). However, following an unduly protracted process and attempts by ReNew to amend the agreed contractual terms, including a reduction in the agreed consideration, the Group withdrew from the proposed transaction on 14 September 2018 as the long stop date under the SPA had lapsed without the remaining conditions precedent having been satisfied.

At SMH, litigation continues amongst the various stakeholders with hearings being scheduled. There is no clarity or certainty of the outcome of any of the legal petitions and IIP continues to engage in discussions with all interested parties.

Company liquidity and financing

As at 31 March 2018, the IIP Group had cash available of £3.4 million.

During the fiscal year, the Company has extended the maturity of, and enlarged the size of, the fully drawn US$17.0 million working capital loan facility from GGIC (the "Working Capital Loan"). A further US$4.5 million was made available to the Company on 19 September 2017 and the fully drawn down Working Capital Loan, now totalling US$21.5 million, is repayable, pursuant to a maturity extension announced on 18 September 2018, with the associated interest payment, on 18 October 2018.

On 30 June 2017, IIP entered into an US$8 million unsecured bridging loan facility (the "Bridging Loan") with Cedar Valley Financial, an affiliate of GGIC. The Bridging Loan was subsequently increased to US$18.0 million in November 2017, to US$21.0 million in January 2018, to US$23.0 million in February 2018, to US$26.0 million in March 2018, to US$28.0 million in April 2018, to US$34.0 million in May 2018, to US$40.4 million in June 2018 and to $43.4 million in August 2018. As announced by the Company on 18 September 2018, the maturity of the Bridging Loan was recently extended such that the Bridging Loan now matures on the earlier of: (i) 15 days following completion of the Proposed Financing; and (ii) 18 October 2018.

The Company remains in discussions with Cedar Valley and GGIC in relation to the possible partial repayment of the Bridging Loan and the Working Capital Loan following the completion of the Proposed Financing and with a view to further extending the maturity of both the Bridging Loan and the Working Capital Loan.
As discussed above, on 31 July 2018, IIP announced that it had entered into conditional proposed financing agreements where up to $125 million before expenses (approximately £95.5 million at the prevailing exchange rate when reported), would be made available to the Group from PSA International and Gateway Partners. The Proposed Financing was approved by IIP shareholders at the IIP extraordinary general meeting held on 24 August 2018.

We believe that the Proposed Financing is in the interests of IIP shareholders and will provide much needed capital which will enable DLI to complete construction at its terminals. The inability to advance construction at DLI has had a negative impact on value in recent years. Notwithstanding the positive effects of the Proposed Financing, the resulting dilution of the Group's interest in DLI will have a corresponding effect on future Net Asset Value. Taking into account the $50 million IIP will receive for the disposal of a stake in DLI, the dilution from the transaction will represent a reduction of IIP's NAV of approximately £40-50 million, which will be reflected in IIP's unaudited interim report for the six months to 30 September 2018, should the financing conclude by then.

We look forward to updating shareholders on progress at DLI as well as developments at the Company's other businesses in the periods to come.

Tom Tribone & Sonny Lulla
20 September 2018

REVIEW OF INVESTMENTS

Distribution Logistics Infrastructure Private Limited ("DLI")

Description	Supply chain transportation and container infrastructure company with a large operational road and rail fleet; developing four large container terminals across India.		
Promoter	A subsidiary of IIP		
Date of investment	**3 Mar 2011**	**15 Oct 2011**	**Jan 12- Sep17**
Investment amount	£34.8m (implied)	£58.4m (implied)	£117.5 million
Aggregate percentage interest	37.4%	99.9%	99.9%
Investment during the period	£13.6 million		
Valuation as at 31 March 18	**£191.5 million**		
Project debt outstanding as at 31 March 2018	£74.6 million		

Key developments

- During the fiscal year, delays in funding affected the completion schedule of the Bangalore, Palwal and Chennai terminals.
- Operations at Nagpur have continued to show steady progress and the terminal maintains good market share.
- On 31 July 2018, IIP entered into conditional proposed financing agreements ("Proposed Financing") with PSA International and Gateway Partners for up to $125 million.
- The transaction includes the issue of convertible preference shares in Distribution and Logistics Infrastructure India ("DLII"), DLI's parent company, for a consideration of $75 million and the sale of 24% of DLI for a consideration of $50 million.

Investment details

DLI is a supply chain transportation and container infrastructure company headquartered in Bangalore and Gurgaon with a material presence in central, northern and southern India. DLI provides a broad range of logistics services including rail freight, trucking, handling, customs clearing and bonded warehousing with terminals located in the strategic locations of Nagpur, Bangalore, Palwal (in the National Capital Region) and Chennai.

Developments

Implementation of GST in July 2017 has affected the sales of goods in the small and medium enterprises segment and the sector is yet to recover completely. DLI management expects volumes to pick up as regulatory bottlenecks are relieved. The GST Council recently standardised the GST rate for multimodal transportation services and such simplifications are expected to reduce the logistics costs for customers as well as increase the volume for multimodal transportation service providers.

Due to delays in funding, construction work at all locations have not made meaningful progress. However, operations at Nagpur have continued to show steady progress and the terminal has maintained over 30% Exim market share.

During the period IIP focussed on finalising the Proposed Financing which was announced after the year end in July 2018. IIP has entered into conditional agreements whereby up to $125 million (approximately $95.5 million when reported), would be made available to the Group. The net proceeds of the CPS will be used to provide sufficient capital to enable DLI to complete, commission and ramp up all of its terminal facilities.

Valuation

Revised business and construction-related assumptions used for the valuation were based on a detailed review and update of the budget prepared by DLI's management team. These assumptions were discussed with the prospective investors and include assumptions relating to project completion costs, business volume and realisation. These assumptions are reflected in the financial model used for the valuation.

As at 31 March 2018, the NPV of future IIP cash flows for DLI using the above assumptions is £191.5 million, representing an approximate 12% decrease on the period ending 30 September 2017. The bulk of the impact relates to changes in business assumptions that account for completion delays, higher funding requirements to cover unforeseen cost overruns and slower ramp up assumptions. A positive impact of period roll-over has been offset by depreciation of the Indian Rupee against Sterling, the increase in the risk free rate, and revised business assumptions. It is anticipated that post completion of the Proposed Financing, IIP's reduced stake in DLI will be worth between approximately £80 million and 110 million.

India Hydropower Development Company LLC ("IHDC")

Description	IHDC develops, owns and operates small hydropower projects with six fully operational plants (62 MW of installed capacity), and a further 30 MW of capacity under development or construction.		
Promoter	Dodson-Lindblom International Inc. ("DLZ")		
Date of investment	**Mar 2011**	**Jan 2012**	**May 2012**
Investment amount	£25.7 million	£0.3 million	£1.1 million
Aggregate % interest	50%	50%	50%
Investment during the period	Nil		
Valuation as at 31 March 2018	**£20.9 million**		
Project debt outstanding as at 31 Mar 2018	£9.8 million		

Key developments

- Overall generation from IHDC's projects was 144 GWh during the period against 122.9 GWh in the prior year.
- The increase in production is primarily a result of higher water releases in Maharashtra and increased generation at Birsinghpur.
- Flash floods near the Raura project are expected to delay the commissioning of the plant, but IHDC management are confident that operations will start by the current year end. Preliminary assessment shows that key project structures are not damaged.

Investment details

The IHDC portfolio has installed capacity of approximately 62 MW across six projects – Bhandardara Power House I ("BH-I"), Bhandardara Power House II ("BH-II") and Darna in Maharashtra; Birsinghpur in Madhya Pradesh; and Sechi and Panwi in Himachal Pradesh. IHDC has an additional 25 MW of capacity under development and construction with planned capacity at three sites having been revised upwards.

Project update

Overall generation from all of IHDC's projects was 144 GWh during the period against 122.9 GWh in the prior year. This increase in production is attributed to higher water release in Maharashtra and increased generation at Birsinghpur. IHDC's projects in Himachal Pradesh also produced higher than historical average levels.

Panwi continues to encounter excessive silt accumulation resulting from construction of an upstream project. IHDC has held numerous discussions with the upstream project developer for an equitable solution. This will involve allowing the upstream project to utilise a portion of land allotted to Panwi to enable them to re-design the project in a manner that minimises siltation at Panwi.

Flash flooding near the Raura project in mid-July 2018 affected roads and bridges leading to the site. A preliminary damage assessment indicated that the trench weir was unaffected but upstream and downstream protection work around the project was washed away. The damage is insured and IHDC is in the process of filing a claim. Raura's power house is underground and there was no impact on the civil structures or equipment. Excavation of the debris is underway and will be followed by restoration work which may take an additional 30 days. IHDC management is currently targeting commissioning by the year end.

Valuation

The IHDC portfolio was valued in accordance with the Company's stated valuation methodology by using a composite risk premium of 3.23% over the risk-free rate of 7.40%. The composite risk premium is computed using a MW-based weighted average of risk premia of individual assets related to their stage of operation. Adjustments were made to tariff estimates to account for current market data. The value for the IHDC investment as at 31 March 2018 is £20.9 million (£24.8 million 30 September 2017; £29.0 million 31 March 2017).

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	**Sep 2011**	**Oct 2011 – Dec 2012**
Investment amount	£10.6 million	£0.9 million
Aggregate % interest	100%	100%
Investment during the period	Nil	
Valuation as at 31 March 2018	**£4.0 million**	
Project debt outstanding as at 31st March 2018	£9.0 million	

Key developments

- Overall generation from IEL's two projects was steady at 72.2 GWh during the period against 72.3 GWh in the prior year.
- In April 2018, IIP entered an agreement for the sale of its 100% interest in IEL to ReNew Power Services Private Limited ("ReNew").
- The sale of IEL did not proceed, following an unduly protracted process and attempts by ReNew to amend the agreed contractual terms of the sale.

Investment details

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

Project update

The overall generation from IEL's two projects was steady at 72.2 GWh during the period against 72.3 GWh in the prior year. There were some delays in generator maintenance at both projects caused by O&M service providers.

On 27 April 2018, IIP announced that it had agreed the sale of its 100% interest in the share capital of IEL (the "Disposal") to ReNew Power Services Private Limited ("ReNew"). The cash consideration was INR 364 million (approximately £4.0 million when reported). Following an unduly protracted process and attempts by ReNew to seek to amend the agreed contractual terms, on 14 September 2018, following the remaining conditions precedent not having been met by the long stop date under the SPA, the IIP Group withdrew from the proposed transaction and the sale of IEL to ReNew will not proceed.

Valuation

Due to the significant uncertainties surrounding the valuation assumptions, the Directors have considered the last proposed sale price of £4.0 million in order to determine the fair valuation of the investment.

Shree Maheshwar Hydel Power Corporation Limited ("SMH")

Description	400MW hydropower project on the Narmada River near Maheshwar in Madhya Pradesh.	
Promoter	Entegra Limited	
Date of investment	**Jun 2008**	**Sep 2011**
Investment amount	£13.2 million	£16.5 million
Direct and indirect % interest	20.5%	31.2%
Investment during the period	Nil	
Valuation as at 31 March 2018	**£6.6 million**	
Project Debt Outstanding as at 31 March 2018	£313.4 million	
Key developments	• Litigation between the promoter and the lenders continues with hearings being scheduled.	

Investment details

SMH is constructing a 400MW hydropower project (ten turbines of 40MW each) situated on the Narmada River near Maheshwar, in the southwestern region of Madhya Pradesh. The project is intended to produce peaking power and to supply drinking water to the city of Indore. Civil works are largely complete with 27 gates and three of the ten turbines installed.

Current status of the project and financing update

During the fiscal year, a number of petitions were filed and the legal landscape for the project is currently complex. Ultimately, this just adds to the uncertainty, but pending clarity on litigation, there remains some scope for the project to potentially obtain completion finance. Under these circumstances, IIP remains cautious with regard to remaining value but will continue to act, as appropriate, to protect its interests and remains engaged with all parties.

Valuation

Forecast assumptions were again adjusted to account for the continuing uncertainty on the terms and timing of project completion and the higher risk premium of 8% was retained. The value of IIP's investment in SMH as at 31 March 2018 was £6.6 million (£8.4 million 30 September 2017; £10.0 million 31 March 2017). The value of IIP's stake in the project remains largely dictated by the actions and timelines associated in reaching a viable plan to complete the project, and depending on the outcome of some legal proceedings, there remains a risk that the value of the investment could be reduced to zero.

Directors' Report

The Directors have pleasure in presenting their report and financial statements of the Group for the year ended 31 March 2018.

Principal activity and incorporation

The Company is a closed-ended investment company, incorporated on 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 operated 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 2018 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 (2017: 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
Madras Seshamani Ramachandran	Non-Executive Director

Directors' interests in the shares of the Company are detailed in note 14.

Company Secretary

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

On behalf of the Board

Sonny Lulla
Director
20 September2018

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 Group and Parent Company financial statements in accordance with applicable law and regulations.

The Directors are required to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Isle of Man Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Sonny Lulla
Director
20 September 2018

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 (FIM Capital 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 2018

1 Disclaimer of opinion

We were engaged to audit the financial statements of Infrastructure India plc ("the Company") for the year ended 31 March 2018 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, including the accounting policies in note 3. 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.

We do not express an opinion on the financial statements. Due to the significance of the possible combined effect of the uncertainties described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

In seeking to form an opinion on the financial statements, we have considered the implications of the significant uncertainties disclosed in the financial statements concerning the following matters:

- The Group had £3.4m cash and cash equivalents and net current liabilities of £34.3m at 31 March 2018. As announced by the Company on 31 July 2018, the Company agreed a conditional proposed financing with PSA International and Gateway Partners pursuant to which up to US$125m (approximately £95.5m), before expenses, would be made available to the Group (the "Proposed Funding"). The new funding would enable the Company to repay the working capital loan and bridging loan (together totalling US$47.5m as at 31 March 2018 and increased to US$64.9m by 23 August 2018) as well as provide significant additional working capital and construction capital which is required by Distribution Logistics Infrastructure Private Ltd ("DLI") and provide for the Group's general working capital needs. The bridging loan is repayable on the earlier of: (i) 15 days following the completion of the Proposed Funding; and (ii) 18 October 2018. The working capital loan is repayable on 18 October 2018. As at the date of these financial statements the Proposed Funding has not been finalised. Therefore, there is significant uncertainty regarding the going concern of the Group and the Company.
- As stated above, DLI (valued by the Directors at £191.5m at 31 March 2018), the Group's largest investment, requires the provision of significant additional working capital and construction finance. This is planned to be provided by the Proposed Funding. The provision of this additional finance is critical to DLI's business mode and hence its valuation. As further stated above, as at the date of these financial statements the Proposed Funding has not been finalised. Therefore, there is significant uncertainty regarding the valuation of the Group's investment in DLI, which is dependent upon further funding being available. In addition, the completion of the Proposed Funding will significantly affect the relative share of the Group's interest in DLI, leading to a significant dilution. The holding value of £191.5m as at 31 March 2018 does not reflect any dilution of the holding which will arise upon conclusion of the Proposed Funding, but any such adjustment could have a material impact on the value of the investment in DLI. It is not currently possible to reliably estimate what this impact may be.
- The valuation of the Group's other portfolio companies may also be affected by the availability of working capital at Group level, as such entities may require additional funding and if this is not available their business plans may be adversely affected. In particular, if additional funding is not provided, the Group may need to realise certain investments on a 'quick-sale' basis.

There is potential for the uncertainties to interact with one another such that we have not been able to obtain sufficient appropriate audit evidence regarding the possible effect of the uncertainties taken together.

2 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page [A], the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, due to the significance of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We have fulfilled our ethical responsibilities under, are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard.

3 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Section 80(c) of the Isle of Man Companies Act 2006. 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.

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

20 September 2018

Consolidated Statement of Comprehensive Income for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Interest income on bank balances		-	2
Movement in fair value on investments at fair value through profit or loss	12	(86,521)	(36,764)
Foreign exchange gains/(loss)		2,416	(1,589)
Gain on disposal of investments		-	2,151
Asset management and valuation services	7	(5,536)	(5,612)
Other administration fees and expenses	6	(1,709)	(1,019)
Operating loss		(91,350)	(42,831)
Finance costs	8	(1,861)	(1,028)
Loss before taxation		(93,211)	(43,859)
Taxation	9	-	-
Loss for the year		(93,211)	(43,859)
Other comprehensive income		-	-
Total comprehensive loss		(93,211)	(43,859)
Basic and diluted loss per share (pence)	10	(13.70)p	(6.4)p

The Directors consider that all results derive from continuing activities.

The notes referred to above form an integral part of the financial statements.

Consolidated Statement of Financial Position
at 31 March 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Investments at fair value through profit or loss	12	223,034	295,991
Total non-current assets		223,034	295,991
Current assets			
Debtors and prepayments		15	28
Cash and cash equivalents		3,431	1,522
Total current assets		3,446	1,550
Total assets		226,480	297,541
Current liabilities			
Trade and other payables	15	(1,585)	(1,529)
Current loans and borrowings	16	(36,127)	(14,033)
Total current liabilities		(37,712)	(15,562)
Total liabilities		(37,712)	(15,562)
Net assets		188,768	281,979
Equity			
Ordinary share capital	13	6,803	6,803
Share premium	13	282,787	282,787
Retained earnings		(100,822)	(7,611)
Total equity		188,768	281,979

The notes referred to above form an integral part of the financial statements.

These financial statements were approved by the Board on 20 September 2018 and signed on their behalf by

Sonny Lulla
Chief Executive

Tim Walker
Director

Consolidated Statement of Changes in Equity
for the year ended 31 March 2018

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2016	6,803	282,787	36,248	325,838
Total comprehensive loss for the year				
Loss for the year	-	-	(43,859)	(43,859)
Total comprehensive loss for the year	-	-	(43,859)	(43,859)
Balance at 31 March 2017	6,803	282,787	(7,611)	281,979
Balance at 1 April 2017	6,803	282,787	(7,611)	281,979
Total comprehensive loss for the year				
Loss for the year	-	-	(93,211)	(93,211)
Total comprehensive loss for the year	-	-	(93,211)	(93,211)
Balance at 31 March 2018	6,803	282,787	(100,822)	188,768

The notes referred to above form an integral part of the financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Loss for the year		(93,211)	(43,859)
Adjustments:			
Finance Income		-	(2)
Finance costs		1,861	1,028
Movement in fair value on investments at fair value through profit or loss	12	86,521	36,764
Accrued shares expense		-	18
Foreign exchange loss		(2,416)	1,589
Gain on disposal of investments		-	(2,151)
		(7,245)	(6,613)
Increase/(decrease) in trade and other payables		54	(143)
Decrease in debtors and prepayments		13	43
Net cash utilised by operating activities		(4,762)	(6,713)
Cash flows from investing activities			
Purchase of investments	12	(13,564)	(18,612)
Interest received		-	2
Disposal of investments	12	-	22,526
Cash (utilised by)/raised from investing activities		(13,564)	3,916
Cash flows from financing activities			
Loans received		22,651	-
Loan interest paid	16	-	(964)
Net cash raised from/(utilised by) financing activities		20,651	(964)
Increase/(decrease) in cash and cash equivalents		**1,909**	**(3,761)**
Cash and cash equivalents at the beginning of the year		1,522	5,162
Effect of exchange rate fluctuations on cash held		-	121
Cash and cash equivalents at the end of the year		3,431	1,522

The notes referred to above form an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 March 2018

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.

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 financial statements were authorised for issue by the Board of Directors on 20 September 2018.

(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, unless otherwise indicated.

d) Going concern

The Group had £3.4 million cash and cash equivalents and net current liabilities of £34.3 million at 31 March 2018. As announced on 31 July 2018, the Company agreed a conditional proposed financing with PSA International and Gateway Partners (the "Proposed Funding") pursuant to which up to US$125.0 million (approximately £95.5 million), before expenses, would be made available to the Group. The new funding would enable the Company to repay the working capital and Bridging Loans detailed in note 16 as well as provide additional working capital and construction capital to DLI and provide for the Group's general working capital needs. As at the date of these financial statements, the Proposed Funding has not been finalised. However the Directors consider the Proposed Funding will be finalised and have therefore prepared the financial statements on a going concern basis. However, these conditions indicate the existence of a material uncertainty that may cast significant doubt of over the Group's ability to continue as a going concern. The Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

(e) 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 Consolidated Financial Statements, the Company is not permitted to consolidate its controlled portfolio entities.

The Directors consider the Company to be an investment entity as defined by IFRS 10 Consolidated Financial Statements 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 on an accrual basis using the effective interest method.

3.4 Expenses

All expenses are recognised 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.

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.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

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.

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 Group after deducting all of its liabilities.

Financial liabilities are initially recognised at fair value less any directly attributable transactions costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Equity instruments are recorded at proceeds received net issue costs.

3.11 Provisions

A provision is recognised when the Group 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 profit or loss using the effective interest rate method.

3.16 Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

3.17 Standards issued but not yet adopted

There are no standards or interpretations with an effective date on or after 1 April 2018 that are likely to have a significant effect on the financial statements.

4. Capital and financial risk management

Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and other long term loans as shown in the consolidated statement of financial position, less cash and cash equivalents.

The following table summarises the capital of the Group:

	2018 £'000	2017 £'000
Long and short term loans and borrowings	36,127	14,033
Less: cash and cash equivalents	(3,431)	(1,522)
Net debt	32,696	12,511
Total equity	188,768	281,979
Total capital	**221,465**	**294,490**
Gearing ratio	**14.8%**	**4.2%**

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 £223.0 million (2017: £296.0 million), representing the Group's investments in Indian Companies. At 31 March 2018, 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 £22.3 million (2017: £29.6 million). This exposure is unhedged.

Net liabilities denominated in USD at the year-end amounted to £32.7 million (2017: £12.5 million), principally comprising loans and borrowings less cash and cash equivalents. At 31 March 2018, had the exchange rate between the USD and Sterling increased or decreased by 10% with all other variables held constant, the increase or decrease respectively in net liabilities would amount to approximately £3.3 million (2017: £1.3 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 due to factors that affect the overall performance of the financial markets. These investments present a risk of capital loss. The Board is responsible for the selection of investments and monitoring exposure to market price risk. All investments are in Indian infrastructure projects.

If the value of the Group's investment portfolio had increased by 10%, the Group's net assets would have increased by £22.3 million (2017: £29.6 million). A decrease of 10% 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. Loans and borrowings attract fixed interest rates as detailed in note 16.

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.

31 March 2018	Less than 1 month £'000	0 to 1 month £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
Financial assets							
Investments at fair value through profit or loss	-	-	-	-	-	223,034	223,034
Trade and prepayments	-	-	-	-	-	15	15
Cash and cash equivalents	3,431	-	-	-	-	-	3,431
Total financial assets	3,431	-	-	-	-	223,049	226,480
Financial liabilities							
Trade and other payables	-	-	-	-	-	(1,585)	(1,585)
Loans and borrowings	-	-	(36,127)	-	-	-	(36,127)
Total financial liabilities	-	-	(36,127)	-	-	(1,585)	(37,712)
Total interest rate sensitivity gap	3,431	-	(36,127)	-	-		

31 March 2017	Less than 1 month £'000	0 to 1 month £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
Financial assets							
Investments at fair value through profit or loss	-	-	-	-	-	295,991	295,991
Trade and prepayments	-	-	-	-	-	28	28
Cash and cash equivalents	1,522	-	-	-	-	-	1,522
Total financial assets	1,522	-	-	-	-	296,019	297,541
Financial liabilities							
Trade and other payables	-	-	-	-	-	(1,529)	(1,529)
Loans and borrowings	-	-	(14,033)	-	-	-	(14,033)
Total financial liabilities	-	-	-	-	-	(1,529)	(15,562)
Total interest rate sensitivity gap	1,522	-	(14,033)	-	-		

(b) Credit risk

Credit risk may arise from a borrower failing to make required payments 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. All the cash balances are held with various Barclays bank accounts. The Standard & Poor's credit rating of Barclays Bank plc is A- (Negative).

(c) Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet short term financial demands. 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 2018	Less than 1 month £'000	0 to 1 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	No stated maturity £'000
Financial liabilities						
Trade and other payables	-	-	1,585	-	-	-
Loans and borrowings	-	-	36,127	-	-	-
Total	-	-	37,712	-	-	-

31 March 2017	Less than 1 month £'000	0 to 1 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	No stated maturity £'000
Financial liabilities						
Trade and other payables	-	-	1,529	-	-	-
Loans and borrowings	-	-	14,033	-	-	-
Total	-	-	15,562	-	-	-

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 Group's accounting policies

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.8. The Group 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 Group 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 or recent transaction prices, prepared by the Company's Asset Manager (Franklin Park Management). The valuations are inherently uncertain and realisable values may be significantly different from the carrying values in the financial statements.

The methodology is principally based on company-generated cash flow forecasts 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 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss (note 12)			
Shree Maheshwar Hydel Power Corporation Ltd	-	-	6,643
India Hydropower Development Company, LLC	-	-	20,870
Distribution Logistics Infrastructure Private Ltd	-	-	191,513
Indian Energy Limited	-	-	4,008
	-	-	223,034

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	295,991
Additional capital injected	13,564
Movement in fair value	(86,521)
Fair value at year end	223,034

If the determined discount rates were increased by 1% per annum, the value of unlisted equity securities would fall by £31 million (2017: £30 million).

6. Other administration fees and expenses

	2018 **£'000**	**2017** **£'000**
Audit fees	59	77
Legal fees	332	87
Corporate advisory fees	188	136
Consultancy fees	134	200
Other professional costs	194	6
Administration fees	147	151
Directors' fees (note 14)	180	180
Insurance costs	9	9
Loan arrangement related fees	235	-
Travel and entertaining	134	86
Other costs	97	87
	1,709	**1,019**

7. Investment management, advisory and valuation fees

On 14 September 2016, the Company entered into a revised and restated management and valuation and portfolio services agreement (the "New Management Agreement") with Franklin Park Management, LLC ("Franklin Park" or the "Asset Manager"), the Company's existing asset manager, to effect a reduction in annual cash fees payable by IIP to the Asset Manager. The other terms of the New Management Agreement were unchanged from those of the prior agreement between the parties.

Under the New Management Agreement, the Asset Manager is entitled to a fixed annual management fee of £5,520,000 per annum (the "Annual Management Fee"), payable quarterly in arrears. In addition to the Annual Management Fee, the Asset Manager will be issued with 605,716 new ordinary shares in the Company annually (the "Fee Shares"). The Fee Shares will be issued free of charge, on 1 July of each calendar year for the duration of the New Management Agreement.

Fees for the year ended 31 March 2018 were £5,536,000 (31 March 2017: £5,612,000). The fee included £16,000 expense for the accrued shares relating to the Fee Shares during the year.

The amount of management fees outstanding as at 31 March 2018 amounted to £1,398,000 (2017: £1,482,841).

8. Finance costs

	2018 £'000	2017 £'000
Loan interest expense (note 16)	1,861	1,028
	1,861	**1,028**

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. Basic and diluted loss per share

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

	2018	2017
Loss attributable to shareholders (£ thousands)	(93,211)	(43,859)
Weighted average number of ordinary shares in issue (thousands)	680,267	680,267
Basic loss per share	(13.70)p	(6.4) p

There is no difference between basic and diluted loss per share.

11. Investments in subsidiaries

Since incorporation, for efficient portfolio management purposes, the Company has established or acquired the following subsidiary companies, with certain companies being consolidated and others held at fair value through profit or loss in line with the Amendments to IFRS 10 Consolidated Financial Statements (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)	Mauritius	100%
Distribution and Logistics Infrastructure India	Mauritius	100%
Hydropower Holdings India*	Mauritius	100%
India Hydro Investments*	Mauritius	100%

Non-consolidated subsidiaries held at fair value through profit or loss

Distribution & Logistics Infrastructure sub group:		
Distribution Logistics Infrastructure Private Limited	India	99.9%
Freightstar Private Limited	India	99.9%
Deshpal Realtors Private Limited	India	99.8%
Bhim Singh Yadav Property Private	India	99.9%
Indian Energy Limited sub group (IEL):		
Indian Energy Limited	Guernsey	100%
Indian Energy Mauritius Limited	Mauritius	100%
Belgaum Wind Farms Pvt Limited	India	100%
iEnergy Wind Farms (Theni) Pvt Limited	India	74%
iEnergy Renewables Pvt Limited	India	100%
India Hydropower Development Company sub group (IHDC):		
India Hydropower Development Company LLC	Delaware	50%
Franklin Park India LLC	Delaware	100%

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

At 31 March 2018, the Group held four investments in unlisted equity securities. Three 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 £'000	WMPITRL £'000	IHDC £'000	DLI £'000	IEL £'000	Total £'000
Balance at 1 April 2016	9,394	20,375	26,009	266,221	12,519	334,518
Additional capital injection	-	-	-	18,612	-	18,612
Disposal	-	(20,375)	-	-	-	(20,375)
Fair value adjustment	595	-	2,990	(38,390)	(1,959)	(36,764)
Balance as at 31 March 2017	9,989	-	28,999	246,443	10,560	295,991
Additional capital invested	-	-	-	13,564	-	13,564
Fair value adjustment	(3,346)	-	(8,129)	(68,494)	(6,552)	(86,521)
Balance as at 31 March 2018	6,643	-	20,870	191,513	4,008	223,034

(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) Distribution Logistics Infrastructure ("DLI")
(v) Indian Energy Limited ("IEL")

The investments in SMHPCL, IHDC and DLI have been fair valued by the Directors as at 31 March 2018 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 8% for SMHPCL, 3.2% for IHDC, and 7% for DLI. (2017: risk premium was 8% for SMHPCL, 3.2% for IHDC, and 7% for DLI). The investment in IEL has been fair valued based on the post year-end sales price – see note 20.

All the investments valued using discounted cash flow techniques are inherently difficult to value due to the individual nature of each investment and as a result, valuations may be subject to substantial uncertainty. SMHPCL and DLI are still in the construction or 'ramp-up' phase. DLI requires significant additional funding to complete its planned business model and there is no assurance this will be available. See note 2(d) regarding the conditional proposed financing of the Group, including additional funding for DLI. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date.

As at 31 March 2018, the Company had pledged 51% of the shares in DLI, 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, totalling 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 2018	680,267,041	6,803	282,787

As detailed in note 7, the Asset Manager is entitled 605,716 new ordinary shares in the Company annually (the "Fee Shares"). The Fee Shares will be issued free of charge, on 1 July of each calendar year for the duration of the New Management Agreement. As at 31 March 2018, the accrued shares were 1,058,758 (including prior year accrued Fee Shares not yet issued) and the accrued expense is £34,000 (2017: 18,000).

14. Directors' fees and Directors' interests

The Directors had the following interests in the shares of the Company at 31 March 2018:

Timothy Walker	481,667	Ordinary Shares
Sonny Lulla	1,000,000	Ordinary Shares

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

	2018 £'000	2017 £'000
Timothy Walker	90	90
Madras Seshamani Ramachandran	90	90
	180	180

15. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	91	76
Accruals and other payables	1,494	1,453
	1,585	1,529

16. Loans and borrowings

	Capital £'000	Interest £'000	Total £'000
Balance as at 1 April 2017	13,546	487	14,033
Loans drawn-down	22,651	-	22,651
Interest charge for the year	-	1,861	1,861
Foreign currency loss	(2,329)	(89)	(2,418)
Balance as at 31 March 2018	33,868	2,259	36,127

On 8 April 2013, the Company entered into a working capital loan facility agreement with GGIC Ltd ("GGIC") for up to US$ 17.0 million. The loans were originally repayable on 10 April 2017. During the year, a further US$4.5 million was made available to, and drawn-down on 19 September 2017, with the fully drawn-down working capital loan now totalling US$21.5 million. Subsequent to year-end the loan maturity has been extended to 18 October 2018 (note 20). The working capital loan has an interest rate of 7.5% per annum, payable semi-annually during the facility period. The Company's ultimate controlling party during the year was GGIC and affiliated parties.

In addition, and on 30 June 2017, the Company entered into an US$8.0 million unsecured bridging loan facility with Cedar Valley Financial ("Cedar Valley"), an affiliate of GGIC. A further US$18.0 million was made available to, and drawn down by, the Company during the year, with the fully drawn-down bridging loan, now totalling US$26.0 million. Subsequent to year-end the loan maturity has been extended to 18 October 2018 (note 20). The bridging loan has an interest rate of 12% per annum, payable semi-annually during the facility period. Cedar Valley's ultimate controlling party during the year was GGIC and affiliated parties. See note 20 regarding further extensions to this facility after the year-end.

Accrued interest relating to these loans as at the year-end amounted to £2.3 million (2017: £0.6 million).

17. Related party transactions

Management services and Directors' fees

Franklin Park Management LLC ("FPM") is beneficially owned by certain Directors of the Company, namely Messrs Tribone, Lulla and Venerus, and receives fees in its capacity as Asset Manager as described in note 7.

As detailed in note 7, fees payable to FPM in respect of management services for the year ending 31 March 2018 amounted to £5,536,000 (31 March 2017: £5,612,000). The fee included £16,000 expense for the accrued shares relating to the Fee Shares during the year. The amount of management fees outstanding as at 31 March 2018 amounted to £1,398,000 (2017: £1,482,841).

Loans and borrowings

See note 16 regarding loans from GGIC and Cedar Valley Financial, including interest charged in the year and accrued at the year-end.

Administrator

FIM Capital Limited provides administration services including financial accounting services to the Company. The fees paid to the Administrator for the year amounted to £120,000 (2017: £120,000). The amount outstanding as at year end is £30,000 (2017: £30,000).

18. Net Asset Valuation (NAV) per share

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.

	2018 £'000	2017 £'000
Net assets (£'000)	188,768	281,979
Number of shares in issue (note 13)	680,267,041	680,267,041
NAV per share	0.28	£0.41

There is no difference between basic and diluted NAV per share

19. Contingent Liabilities

In April 2016, Power Infrastructure India (PII) (a subsidiary owning the Company's investment in SMHPCL) completed the transfer in its favour of the escrowed shares, pursuant to the share escrow and pledge agreements between PII and certain other Mauritius entities owned by the promoter. In the aggregate, PII owns, directly and indirectly, 31.2% of the shares of SMHPCL prior to the dilutive effects of the lender's actions as discussed in the past investment reports.

The escrowed shares are held in a Mauritius company with a third party debt of £11.6 million. PII disputes this loan on the basis that under the share escrow and pledge agreements, no valid, binding or enforceable loan arrangement are capable of coming into force in the Mauritius entity holding the escrow shares without the consent of PII.

Therefore, Board disputes the loan in the Mauritius company and remains fully committed to resolving the misunderstanding with the parties concerned. The Directors do not consider it necessary to provide for the third party debt of £11.6 million in the financial statements.

20. Subsequent events

Loan extensions

Since the period end, the fully drawn down unsecured bridging loan facility with Cedar Valley Financial, is now totalling US$43.4 million and is now repayable, together with the associated interest payment, on the earlier:
(i) completion of the Proposed Financing; and (ii) 18 October 2018.

A further US$4.5 million of the working capital loan facility from GGIC (the "Working Capital Loan") was made available to the Company on 19 September 2017 and the fully drawn down Working Capital Loan, now totalling US$21.5 million, is repayable, pursuant to a maturity extension announced on 18 September 2018, with the associated interest payment, on 18 October 2018.

Conditional proposed financing

As announced on 31 July 2018, the Company agreed a conditional proposed financing with PSA International and Gateway Partners pursuant to which up to US$125.0 million (approximately £95.5 million), before expenses, will be made available to the Group. The new funding would enable the Company to repay the working capital loan and the Bridging Loan as well as provide additional working capital and construction capital to DLI and provide for the Group's general working capital needs.

The proposed financing will see:

- the issue by Distribution and Logistics Infrastructure India Limited ("DLII"), DLI's parent company, of up to 7,500 convertible preference shares in DLII's capital (the "DLII CPS") for an aggregate consideration of up to US$75.0 million; and
- the sale by the Group of existing ordinary shares in DLII representing 24% of DLII's issued ordinary share capital ("Sale Shares") currently held by the Group for a consideration of US$50.0 million.

IIP is currently interested in 100% of the share capital of DLI. Following the disposal of the Sale Shares, IIP's interest in DLI will be reduced to 76%. On conversion of the DLII CPS, which will take place based upon an enterprise valuation of DLI at 7.5x EBITDA for the 12 months ending 30 June 2021, IIP's interest in DLI will be reduced to a minimum of 20% and a maximum of 49%.

However, shareholders should note that on conversion of the DLII CPS following of the occurrence of a default under any of the agreements, IIP's interest in DLI could be reduced to zero.

Asset sale

On 27 April 2018, IIP's wholly owned subsidiary Indian Energy (Mauritius) Limited entered into a share purchase agreement for the sale of Indian Energy Limited (IEL) for INR 364 million (approx. £4.0 million). As at 31 March 2018, IEL's carried value is £4.0 million.

However, following an unduly protracted process and attempts by the buyer to amend the agreed contractual terms, including a reduction in the agreed consideration, the Group withdrew from the proposed transaction on 14 September 2018 as the long stop date under the SPA had lapsed without the remaining conditions precedent having been satisfied.

There were no other significant subsequent events.

21. Ultimate controlling party

The ultimate controlling party during the year was GGIC and affiliated parties.

22. Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

Company Information

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Rahul Sonny Lulla
Timothy Walker
Robert Venerus
Madras Seshamani Ramachandran

Company Secretary
Philip Scales

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