Infrastructure India plc

Report & Accounts
For the year ended 31 March 2017

Table of Contents

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 2017.

Net Asset Value decreased to £282.0 million (£0.41 per share) as at 31 March 2017 compared to 30 September 2016 (£330.7 million and £0.48 per share), principally as a result of delayed completion schedules for Distribution Logistics Infrastructure Limited ("DLI"). This offset the strengthening of the Indian Rupee against Sterling at the end of the period and a decrease in the Indian 10-year bond yield which serves as the risk-free rate.

During the fiscal year, the terminal at DLI's Nagpur facility was successfully ramping up with strong local export activity and a growing market share, but margins across the sector remain tight and construction at all terminals slowed due to delays in funding which has pushed back the completion schedules. The logistics sector, however, remains extremely attractive and despite the delays, DLI is well positioned in the market.

IIP completed the sale of its entire 26% interest in Western MP Infrastructure & Toll Roads Private Limited ("WMP"), realising £22.5 million in cash, and IIP's wind and small hydro continue to perform largely in-line with expectations, although business assumptions have been revised, in particular tariff projections for IEL.

On a macro front, the market has largely recovered from the immediate aftershock of demonetisation but certain sectors remain fragile from consequential liquidity issues. The Goods and Services Tax ("GST"), India's biggest fiscal reform, was formally launched on 1 July 2017 and although its implementation may create some short term volatility, it is expected to be beneficial to economic growth over the long term. The GST has created a common national market and is anticipated to significantly boost India's manufacturing and the 'Make in India' initiative. The Indian government has committed further investment in infrastructure to build and upgrade railways, roads and ports.

Financial performance

The value of the IIP Group's investments held by its subsidiaries was £296.0 million for the period ended 31 March 2017 (£330.7 million 30 September 2016 and £334.5 million 31 March 2016). Currency rates strengthened at the end of the fiscal year with GBP: INR rate of 80.82 as at 31 March 2017 against 86.66 in September 2016 and 94.97 in March 2016. The risk-free rate, based on the Indian 10-year bond, decreased to 6.68% as at 31 March 2017 from 6.82% on 30 September 2016 and 7.47% on 31 March 2016.

Total investment during the full fiscal year was £18.6 million, which was advanced to DLI to fund construction and working capital.

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. Following regulatory approval from the Customs Commissioner, its Nagpur facility has been successfully ramping up with the terminal maintaining around 30% local market share for exports despite competitive pricing from other operators. However, the tight margins across the sector were challenging and DLI was not able to generate an operating profit during the fiscal year. Construction at all terminals slowed due to lack of funding which has pushed back the completion schedules.

While the impact of demonetisation on overall economic activity in India has largely recovered, some of DLI's key customers are continuing to transport reduced freight volumes. Growth is however picking up and DLI has also received certain key approvals necessary to increase import volumes to the Nagpur facility.

In addition to focusing on mitigating operating losses, DLI's focus continues to be on arranging the funding needed to complete its remaining three terminals, with its Palwal (National Capital Region) and Anekal (Bangalore) standing close to completion but unable to commence material operations without further investment.

IIP announced in April 2016 that an agreement had been signed for the sale of its interest in WMP. IIP invested in WMP in 2008 through its wholly owned subsidiary Roads Infrastructure India ("RII"), which held a 26% interest in the asset. IIP's total investment in WMP amounted to £12.5 million, with the remaining 74% owned by Essel Infra. On 7 April 2016, RII entered into a binding agreement for sale of its entire 26% interest in WMP to an affiliate of Essel Infra for an agreed cash consideration on INR 2,030 (£22.5 million received). The transaction completed on 28 June 2016.

Energy

India Hydropower Development Company's ("IHDC") overall production was lower than the same period last year. This was the result of lower water release at Bhandardara I and Bhandardara II, lower generation at Birsinghpur and some disruption to production at Panwi due to silting from upstream construction. Civil works are progressing at Raura, which remains on-track for commercial operations to commence in this fiscal year. IHDC plans to construct an additional 4.9 MW plant adjacent to its Bhandardara I project.

Indian Energy Limited ("IEL") has two operating wind farms, Theni, in Tamil Nadu, and Gadag, in Karnataka. Overall energy production was higher than the previous year as a result of better monsoon winds and improved grid availability at the Theni project. Recent reductions in bulk tariffs for Solar and Wind projects in India put pressure on IEL's negotiated Group Captive tariffs at Theni.

At SMH, following the invocation of the pledge of the promoter's shares and conversion of a portion of the sub-debt, the lenders now control the project. In June, the National Company Law Tribunal ("NCLT") questioned the validity of Power Finance Corporation's ("PFC") invocation of a pledge of promoter shares. PFC has challenged the verdict, and IIP is engaged in discussions with all interested parties.

Asset Management Agreement

On 15 September 2016, IIP announced that it had entered a revised and restated management and valuation and portfolio services agreement (the "New Agreement") with Franklin Park Management LLC (the "Asset Manager"), the Company's existing asset manager, to effect a reduction in annual cash fees. Under the New Agreement, the Asset Manager is entitled to a fixed annual management fee of £5,520,000 per annum and 605,716 new ordinary shares per annum, issued free of charge. Under the prior agreement, the Asset Manager was entitled to an annual management fee of 2% of the value of the Group's assets, less adjustment for increase in assets purchased from the proceeds of the placing completed in 2014. On a like-for-like basis, the terms of the New Agreement result in a significant cash saving for IIP.

Company liquidity and financing

As at 31 March 2017, the IIP Group had cash available of £1.5 million.

Since the period end, the Company has extended the maturity of, and enlarged the size of, the fully drawn US$17 million working capital loan facility from GGIC (the "Working Capital Loan"). As a result, a further US$4.5 million was made available to, and drawn down by, the Company on 19 September 2017 and the fully drawn down Working Capital Loan, now totalling US$21.5 million, is repayable, together with the associated interest payment, on 31 December 2017.

In addition, 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. Following a recent extension, the Bridging Loan matures on the earlier of: (i) on demand by Cedar Valley Financial; and (ii) 31 December 2017.

As announced by the Company on 19 September 2017, the Company is in advanced and exclusive negotiations with a third party provider of finance in relation to a potential financing. 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.

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

Tom Tribone & Sonny Lulla
27 September 2017

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- Sep 16**
Investment amount	£34.8m (implied)	£58.4m (implied)	£93.5 million
Aggregate percentage interest	37.4%	99.9%	99.9%
Investment during the period	£18.6 million		
Valuation as at 31 March 2017	**£246.4 million**		
Project debt outstanding as at 31 March 2017	£85.7 million		

Key developments

- DLI is working with existing lenders to improve the release of working capital.
- Delays in funding have affected the completion schedule of the Bangalore, Palwal and Chennai terminals.
- DLI is in advanced discussions with other industry operators for strategic business alliances that are expected to increase volumes at Nagpur.

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

Demonetisation, lower freight volumes and delays in funding affected DLI's operating performance during the fiscal year. While the impact of demonetisation on overall economic activity in India has largely recovered, some of DLI's key customers are continuing to transport reduced freight volumes. Although growth is picking up, DLI is in advanced discussions with other operators to form strategic alliances which should increase throughput at Nagpur. DLI has now added customers and received certain key approvals necessary to increase import volumes to DLI's Nagpur facility. This will help to increase return cargo volumes and therefore increase profitability.

The Government of India has approved the creation of a regulatory authority for controlling freight rates charged by Indian Railways, which is positive news for the industry. In addition, Indian Railways has relaxed the limits for carrying restricted commodities – mainly steel products – from 30 containers to 50 containers per train. This is expected to improve profitability on DLI's domestic routes.

DLI continues to work with existing lenders to improve the release of working capital. However, delays in completion funding have affected the completion of works at all terminals.

Valuation

The NPV of future IIP cash flows for DLI as at 31 March 2017 is £246.4 million (£275.1million 30 September 2016; £266.2 million 31 March 2016). The bulk of the impact relates to changes in business assumptions that account for completion delays, regulatory hurdles and overall economic and sector-specific headwinds. These factors offset an appreciation of the Indian Rupee and a reduction in the risk-free rate since 30 September 2016.

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 2017	**£29 million**		
Project debt outstanding as at 31 March 2017	£8.9 million		

Key developments

- Overall generation for the fiscal year was 123 GWh versus 152 GWh the previous year.
- IHDC plans to construct 4.9MW Bhandardara-1A (BH-I(A)) a new project adjacent to the existing BH-I project in Maharashtra.
- BH-I(A) will benefit from operational synergies with IHDC's other Maharashtra projects and is estimated to be operational in 2019.
- Raura project construction is progressing as scheduled with expected commissioning this calendar year.

Investment details

The IHDC portfolio has an 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 30 MW of capacity under development and construction with planned capacity at three sites having been revised upwards.

Project update

Overall generation for the year ending 31 March 2017 from all of IHDCs projects was 123 GWh versus 152 GWh the previous year. The reduced production was mainly a result of lower water release at BH-I & BH-II and lower generation at Birsinghpur due to shutdowns at the Sanjay Gandhi Thermal plant. IHDC's projects in Himachal Pradesh have produced at historically average levels.

In March 2017, IIP and DLZ agreed that IHDC would construct Bhandardara-IA (BH-I(A)), a 4.9 MW project adjacent to IHDC's existing Bhandardara I project (BH-I). The new project will be allocated water for generation after the BH-I project has generated 36 MUs annually. BH-I(A)'s estimated generation will be 15 MUs at a 75% dependable yield. Being adjacent to BH-I, the project is expected to benefit from operational synergies from IHDC's other Maharashtra projects (BH-I, BH-II, & Darna). BH-I(A) is expected to be commissioned during 2019. The estimated project cost is US$ 4 million (Rs.28.5 crores) with equity (approximately 30%) funded through IHDC's internal accruals. Given the small marginal cost associated with running the project and a relatively low incremental project cost, the project earns an attractive rate of return.

During the year, Panwi experienced some disruption to production as a result of excessive silt from the construction of an upstream project. IHDC is in discussion with the upstream project developer to arrive at an equitable solution to the issue.

Due to frequent shutdowns of the thermal plant where the Birsinghpur project is located, production at Birsinghpur was again affected during the fiscal year. IHDC anticipates this trend to continue in the short term, but expects that production will revert to historically average levels. A new PPA was signed with VE Commercial Vehicles ("Volvo") at a tariff of INR 4.97/KWh. The tariff is linked to the industrial consumer tariff.

Construction at the Raura project is progressing as scheduled with most civil work in the final stages of completion. IHDC is on track to commission Raura this fiscal year.

Having received the approval to increase Melan's project capacity to 10MW, IHDC is awaiting the final Technical Economic Clearance ("TEC"). Additional clearances for the revised capacity such as the forest land clearance from the Ministry of Environment & Forests are to be initiated after the TEC is received.

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 6.82%. 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 production estimates to account for climate change impacts and short-term disruption of production from some of IHDCs smaller run-of-river projects. The value for the IHDC investment as at 31 March 2017 is £29 million (£28.6 million 30 September 2016; £26.0 million 31 March 2016).

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 2017	**£10.6 million**	
Project debt outstanding as at 31 March 2017	£11 million	

Key developments

- Overall production at the end of the fiscal year was 20% higher at 72.96 million kWh.
- Better monsoon winds and improved grid availability at the Theni project contributed to the increased production.
- Grid availability at Theni was approximately 93% for the year against 84%the previous year.
- The Gadag project performed in line with expectations.

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 in the states of Karnataka and Tamil Nadu.

Project update

Production at IEL’s two projects – Gadag and Theni – was approximately 20% higher at 72.96 million kWh in for the fiscal year versus 60.66 million kWh the previous year.

The higher generation was a result of better monsoon winds and improved grid availability at the Theni project. Grid availability at Theni was approximately 93%, an 11% improvement on the previous year. IEL expects this trend to continue and to stabilise at 95%-97% in the coming 2-3 years.

Recent reductions in bulk tariffs for Solar and Wind projects in India have put competitive pressures on IEL’s negotiated Group Captive tariffs at Theni. However, the industrial tariff in Tamil Nadu continues to escalate. IEL has negotiated with customers to limit the tariff reduction at Theni, which is now agreed at an average of INR 5.40/kWh against INR 5.73/kWh. IEL expects continued downward pressure on the Group Captive tariffs, countering the increases in industrial tariffs.

Valuation

The IEL assets were valued in accordance with the Company’s stated valuation methodology by applying a 2% risk premium above the risk-free rate of 8.68%, yielding a valuation of £10.6 million as at 31 March 2017 (£15.6 million 30 September 2016; £12.5 million 31 March 2016; £11.3 million 30 September 2015).

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 2017	**£10.0 million**	
Project Debt Outstanding as at 31 March 2017	£343.1 million	

Key developments

- The lenders have not yet provided a sustainable plan for completion of the project or detailed financial projections.
- In June, the National Company Law Tribunal rejected the lenders claims of oppression and mismanagement and questioned the validity of the invocation of a pledge of promoter shares.

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

Despite repeated requests to the new company management appointed by the lenders, no sustainable plan for completion of the project or detailed financial projections have been provided. It is understood that the lenders wish to invest INR 600 crores as an interim measure to revive the project, followed by significant additional debt, resulting in a revised project cost of over INR 8,000 crores. None of the project costs or revised debt estimates have been independently verified. IIP analysis indicates that it will be necessary for the lenders to substantially restructure the debt in order to make the project viable. While there is no way to estimate the terms of such restructuring, previous assumptions are being retained, with the exception of the implementation schedule.

In January 2017, Power Finance Corporation ("PFC"), the lead lender, had instituted proceedings at the National Company Law Tribunal ("NCLT") in relation to SMH, citing oppression and mismanagement by promoters. On 15 June 2017, the NCLT dismissed PFC's claim of oppression and mismanagement. In the order, the judge said the failure to repay debt or infuse equity did not amount to acts of oppression and that PFC's allegation of siphoning funds was vague and without material to substantiate the same. The order also questioned the validity of the invocation of a pledge of promoter shares. PFC has challenged the verdict and IIP is engaged in discussions with all interested 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 2017 was £10.0 million (£11.4 million 30 September 2016; £9.4 million 31 March 2016). 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.

Directors' Report

The Directors have pleasure in presenting their report and financial statements of the Group for the year ended 31 March 2017.

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 2017 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 (2016: 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
27 September 2017

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 position. 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
27 September 2017

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 2017

We were engaged to audit the financial statements of Infrastructure India plc for the year ended 31 March 2017 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. In addition, we read the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Basis for disclaimer of opinion on financial statements

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 Company requires significant new funding to repay the US$21.5 million working capital loan facility provided by the majority shareholder, GGIC Ltd, in April 2013 (repayable on 31 December 2017) and the US$8.0 million bridging loan facility provided by Cedar Valley Financial in June 2017 (repayable at the earlier of being demanded and 31 December 2017) as well as funding the Group's and Company's general working capital needs. The Company is continuing its discussions with GGIC Ltd and other third party providers of finance. There is uncertainty as to whether this finance will be provided and on what terms.
- The Company's largest investment, Distribution Logistics Infrastructure Private Ltd ("DLI") (valued by the Directors at £246.4m at 31 March 2017), requires the provision of significant additional working capital and construction finance. The provision of this additional finance is critical to DLI's business model. Further, if such additional finance is available, the terms of such finance may significantly affect the valuation of the Group's interest in DLI.
- 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.

Report of the Independent Auditors (Continued)

Disclaimer of opinion on financial statements

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

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN
27 September 2017

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Interest income on bank balances		2	-
Movement in fair value on investments at fair value through profit or loss	12	(36,764)	(39,275)
Foreign exchange loss		(1,589)	(514)
Gain on disposal of investments	12	2,151	-
Asset management and valuation services	7	(5,612)	(5,911)
Other administration fees and expenses	6	(1,019)	(1,175)
Operating loss		(42,831)	(46,875)
Finance costs	8	(1,028)	(864)
Loss before taxation		(43,859)	(47,739)
Taxation	9	-	-
Loss for the year		(43,859)	(47,739)
Other comprehensive income		-	-
Total comprehensive loss		(43,859)	(47,739)
Basic and diluted loss per share (pence)	10	(6.4)p	(7.0)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 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Investments at fair value through profit or loss	12	295,991	334,518
Total non-current assets		295,991	334,518
Current assets			
Debtors and prepayments		28	71
Cash and cash equivalents		1,522	5,162
Total current assets		1,550	5,233
Total assets		297,541	339,751
Non-current liabilities			
Long term loans and borrowings	16	-	(11,837)
Total non-current liabilities		-	(11,837)
Current liabilities			
Trade and other payables	15	(1,529)	(1,654)
Current loans and borrowings	16	(14,033)	(422)
Total current liabilities		(15,562)	(2,076)
Total liabilities		(15,562)	(13,913)
Net assets		281,979	325,838
Equity			
Ordinary share capital	13	6,803	6,803
Share premium	13	282,787	282,787
Retained earnings		(7,611)	36,248
Total equity		281,979	325,838

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

These financial statements were approved by the Board on 27 September 2017 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 2017

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2015	**6,803**	**282,787**	**83,987**	**373,577**
Total comprehensive income for the year				
Loss for the year	**-**	**-**	**(47,739)**	**(47,739)**
Total comprehensive loss for the year	**-**	**-**	**(47,739)**	**(47,739)**
Balance at 31 March 2016	**6,803**	**282,787**	**36,248**	**325,838**
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**

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

Consolidated Statement of Cash Flows
for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss for the year		(43,859)	(47,739)
Adjustments:			
Finance Income		(2)	-
Finance costs		1,028	864
Movement in fair value on investments at fair value through profit or loss	12	36,764	39,275
Accrued shares expense		18	-
Foreign exchange loss		1,589	514
Gain on disposal of investments		(2,151)	-
		(6,613)	(7,086)
Decrease in trade and other payables		(143)	(30)
Decrease in debtors and prepayments		43	237
Net cash utilised by operating activities		**(6,713)**	**(6,879)**
Cash flows from investing activities			
Purchase of investments	12	(18,612)	(5,155)
Interest received		2	-
Disposal of investments	12	22,526	-
Cash raised/(utilised) from investing activities		**3,916**	**(5,155)**
Cash flows from financing activities			
Loan interest paid	16	(964)	(871)
Net cash utilised by financing activities		**(964)**	**(871)**
Decrease in cash and cash equivalents		**(3,761)**	**(12,905)**
Cash and cash equivalents at the beginning of the year		5,162	18,213
Effect of exchange rate fluctuations on cash held		121	(146)
Cash and cash equivalents at the end of the year		**1,522**	**5,162**

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

Notes to the Financial Statements for the year ended 31 March 2017

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, however, the Company's subsidiaries Distribution Logistics Infrastructure Limited and Indian Energy Limited had together approximately 320 employees as at 31 March 2017.

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 27 September 2017.

(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 £1.5 million cash and cash equivalents and net current liabilities of £14.0 million at 31 March 2017. Post year-end, as detailed on note 20, the Company entered into an US$ 8.0 million unsecured bridging loan facility with Cedar Valley, an affiliate of GGIC. The loan was fully drawn down on 30 June 2017 and was be used to provide additional working capital to the Group.

The Directors expect to be able to raise additional finance as required, though 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 financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

The financial statements have been prepared on a going concern basis which assumes that the Group and the Company will raise sufficient resources to enable them to continue operating for the foreseeable future.

(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 2017 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:

	2017 £'000	**2016 £'000**
Long and short term loans and borrowings	14,033	12,259
Less: cash and cash equivalents	(1,522)	(5,162)
Net debt	12,511	7,097
Total equity	281,977	325,838
Total capital	**294,488**	**332,935**
Gearing ratio	**4.2%**	**2.1%**

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 £296.0 million (2016: £334.5 million), representing the Group's investments in Indian Companies. At 31 March 2017, 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 £29.6 million (2016: £30.6 million). This exposure is unhedged.

Net assets denominated in USD at the year-end amounted to £0.03 million (2016: £4.8 million), comprising cash and cash equivalents. At 31 March 2017, 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 assets would amount to approximately £1.4 million (2016: £0.8 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 5%, the Group's net assets would have increased by £14.8 million (2016: £16.7 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. Loans and borrowings attract a fixed interest rate of 7.5% per annum, payable semi-annually during the Facility period (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 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)	-	-	-	-

31 March 2016	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	-	-	-	-	-	334,518	334,518
Trade and prepayments	-	-	-	-	-	71	71
Cash and cash equivalents	5,162	-	-	-	-	-	5,162
Total financial assets	5,162	-	-	-	-	334,589	339,751
Financial liabilities							
Trade and other payables	-	-	-	-	-	(1,654)	(1,654)
Loans and borrowings	-	-	(422)	(11,837)	-	-	(12,259)
Total financial liabilities	-	-	-	-	-	(1,654)	(13,913)
Total interest rate sensitivity gap	5,162	-	(422)	(11,837)	-	-	-

(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 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	-	-	-

31 March 2016	**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	-	-	1,654	-	-	-
Loans and borrowings	-	-	422	11,837	-	-
Total	-	-	2,076	11,837	-	-

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, 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 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss (note 12)			
Shree Maheshwar Hydel Power Corporation Ltd	-	-	9,989
India Hydropower Development Company, LLC	-	-	28,999
Distribution Logistics Infrastructure Private Ltd	-	-	246,443
Indian Energy Limited	-	-	10,560
	-	-	295,991

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	334,518
Additional capital injected	18,612
Movement in fair value	(36,764)
Disposal	(20,375)
Fair value at year end	295,991

If the determined discount rates were increased by 1% per annum, the value of unlisted equity securities would fall by £30 million (2016: £34 million).

6. Other administration fees and expenses

	2017 **£'000**	**2016** **£'000**
Audit fees	77	74
Legal fees	87	38
Corporate advisory fees	136	125
Consultancy fees	200	199
Other professional costs	6	245
Administration fees	151	142
Directors' fees (note 14)	180	205
Insurance costs	9	10
Other costs	173	137
	1,019	**1,175**

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 are 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.

Under the prior agreement, the Asset Manager was entitled to an annual management fee of 2% of the value of the Group's assets less adjustment for increase in assets purchased from the proceeds of the placing completed by the Company in 2014. Fees for the year ended 31 March 2016 under the previous agreement were £5,910,000.

Fees for the year ended 31 March 2017 were £5,612,000 (31 March 2016: £5,910,900). The fee included £18,000 expense for the accrued shares relating to the Fee Shares.

The amount of management fees outstanding as at 31 March 2017 amounted to £1,398,000 (2016: £1,482,841).

8. Finance costs

	2017 £'000	2016 £'000
Loan interest expense (note 16)	1,028	864
	1,028	**864**

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.

	2017	2016
Loss attributable to shareholders (£ thousands)	(43,859)	(47,739)
Weighted average number of ordinary shares in issue (thousands)	680,267	680,267
Basic loss per share	(6.4) p	(7.0) 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 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 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%

*As detailed in note 19, Power Infrastructure India (PII) (a subsidiary owning the Company's investment in SMHPCL) completed the transfer in its favour of the escrowed shares, which are held through Hydropower Holdings India and India Hydro Investments, during the year.

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

At 31 March 2017, 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 £'000	WMPITRL £'000	IHDC £'000	DLI £'000	IEL £'000	Total £'000
Balance at 1 April 2015	9,480	25,405	23,099	298,097	12,557	368,638
Additional capital injection	-	-	-	5,155	-	5,155
Fair value adjustment	(86)	(5,030)	2,910	(37,031)	(38)	(39,275)
Balance as at 31 March 2016	9,394	20,375	26,009	266,221	12,519	334,518
Additional capital invested	-	-	-	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

(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")

On 28 June 2016, the Company completed the sale of its entire 26% interest in WMPITRL for cash consideration of INR 2,030 (£22.5 million). The investment was valued at £20,375,000 as at 31 March 2016. Therefore profit of £2,151,000 was realised in the current year.

All investments have been fair valued by the Directors as at 31 March 2017 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, 7% for DLI and 2% for IEL (2016: risk premium was 8% for SMHPCL, 3.2% for IHDC, 7% for DLI and 2% for IEL).

All investments particularly those in construction phase are inherently difficult to value due to the individual nature of each investment and as a result, valuations may be subject to substantial uncertainty. 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 2017, 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 1 April 2016	680,267,041	6,803	282,787
Accrued shares during the year	-	-	-
Balance at 31 March 2017	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 2017, the accrued shares were 413,716 and the accrued expense is £18,000 (2016: nil).

14. Directors' fees and Directors' interests

The Directors had the following interests in the shares of the Company at 31 March 2017:

Timothy Walker	481,667	Ordinary Shares
Sonny Lulla	650,000	Ordinary Shares

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

	2017 £'000	2016 £'000
Timothy Walker	90	90
Madras Seshamani Ramachandran	90	90
	180	180

15. Trade and other payables

	2017 £'000	2016 £'000
Trade payables	76	62
Accruals and other payables	1,453	1,592
	1,529	1,654

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 US$ 17 million. The loans were originally repayable on 10 April 2017 and as detailed on note 20, the maturity date of the loan has been extended to 31 December 2017. The loans attract 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.

As at 31 March 2017 the Company had fully drawn down the loan facility and had interest payable of US$ 1.3 million during the year (2016: US$ 1.3 million). The amount of accrued interest outstanding as at 31 March 2017 amounted to US$ 0.6 million (2016: US$ 0.6 million).

	Capital £'000	Interest £'000	Total £'000
Balance as at 1 April 2016	11,837	422	12,259
Charge in the year	-	1,028	1,028
Paid in the year	-	(964)	(964)
Foreign currency loss	1,709	1	1,710
Balance as at 31 March 2017	13,546	487	14,033

17. Related party transactions

Management services and directors' fees

As described in note 7, FPM is party to a Management Services Agreement with the Group. The executive management team of FPM consists of Tom Tribone, Robert Venerus and Sonny Lulla, who are also directors of the Company. See note 14 for Directors' fee and Directors' interest details.

As detailed in note 7, fees payable to FPM in respect of management services for the year ending 31 March 2017 amounted to £5,612,128 (2016: £ 5,910,858). The amount of management fees outstanding as at 31 March 2017 amounted to £1,380,000 (2016: £1,482,841).

Loans and borrowings

As detailed in note 16, the Company has a fully drawn US$ 17 million working capital loan facility with GGIC. As per note 20, a further US$4.5 million was made available to, and drawn down by, the Company on 19 September 2017 and the fully drawn down working capital Loan, now totalling US$21.5 million, is repayable, together with the associated interest payment, on 31 December 2017.

As per note 20, subsequent to year-end the Company entered into an US$8 million unsecured bridging loan facility with Cedar Valley Financial, an affiliate of GGIC. Following a recent extension, the bridging loan matures on the earlier of: (i) on demand by Cedar Valley Financial; and (ii) 31 December 2017.

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 (2015: £120,000). The amount outstanding as at year end is £30,000 (2016: £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.

	2017	**2016**
	£'000	**£'000**
Net assets (£'000)	281,997	325,838
Number of shares in issue (note 13)	680,267,041	680,267,041
NAV per share	£0.41	£0.48

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, 35.4% of the shares of SMHPCL prior to the dilutive effects of the lender actions as discussed in the investment report.

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

Since the period end, the Company has extended the maturity of, and enlarged the size of, the fully drawn US$17 million working capital loan facility from GGIC. As a result, a further US$4.5 million was made available to, and drawn down by, the Company on 19 September 2017 and the fully drawn down working capital loan, now totalling US$21.5 million, is repayable, together with the associated interest payment, on 31 December 2017.

In addition, and on 30 June 2017, IIP entered into an US$8 million unsecured bridging loan facility with Cedar Valley Financial, an affiliate of GGIC. Following a recent extension, the bridging loan matures on the earlier of: (i) on demand by Cedar Valley Financial; and (ii) 31 December 2017.

As announced by the Company on 19 September 2017, the Company is in advanced and exclusive negotiations with a third party provider of finance in relation to a potential financing. 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.

There are no arrangement or commitment fees payable by the Company in relation to the loan.

There were no other significant subsequent events.

21. Ultimate controlling party

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

21. 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

Registered Office
IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

Incorporated in the Isle of Man. Company No. 002457V

Directors
Tom Tribone (Chairman)
Rahul Sonny Lulla
Timothy Walker
Robert Venerus
Madras Seshamani Ramachandran

Company Secretary
Philip Scales

Administrator and Registrar
FIM Capital Limited
IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

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

Asset Manager
Franklin Park Management LLC
2711 Centerville Road
Suite 400
Wilmington
DE 19808
United States of America

Nominated Adviser (NOMAD) and Joint Broker
Smith & Williamson Corporate Finance Limited
25 Moorgate
London
EC2R 6AY

Joint Broker
N+1 Singer
One Bartholomew Lane
London
EC2N 2AX

Website www.iiplc.com