Infrastructure India plc

Interim results

for the six months ended 30 September 2016

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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") unaudited interim results for the six-month period ended 30 September 2016.

Net Asset Value remained stable at £325.6 million (£0.48 per share) when compared to 31 March 2016 and 30 September 2015, principally as a result of continued softer forecasted markets for Distribution Logistics Infrastructure Limited ("DLI") and restrictions in DLI funding during the period due to delays in the restructuring of DLI bank debt. These negative impacts are offset by 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 first half of the year, DLI commenced some initial domestic and export-import ("Exim") operations at its Bangalore terminal facility. The terminal at Nagpur is successfully ramping up with strong local export activity and a growing market share, but margins across the sector are tight and remaining construction at Bangalore and Palwal was slower than anticipated due to funding delays from the restructuring of DLI's bank debt which was undertaken during the period and completed following the period end. IIP completed the sale of its entire 26% interest in Western MP Infrastructure & Toll Roads Private Limited ("WMP"), realising £22.4 million in cash, and IIP's wind and small hydro continue to perform largely in-line with expectations. For the large hydro, Shree Maheshwar Hydel Power Corporation Limited ("SMH"), there has been limited data and no further clarity from the SMH lenders on actions or plans to revive the project.

Indian economic growth predictions for 2016-2017 from the World Bank are strong at 7.6%, rising to 7.7% for 2017-2018. Growth is expected to be supported by a rebound in agriculture, demand from urban households and stimulating policies such as the Goods and Services Tax ("GST"). The GST, which has now been approved by Parliament, will create a single national market. The Indian government remains committed to implementing GST by April 2017 and although it is a vital reform, there is evidence that industry is waiting for clarity on implementation and GST rules and rates before investing in related infrastructure such as warehousing hubs. Subsequent to the period end, the demonetisation and official withdrawal of certain higher value currency denominations from circulation – announced by the Government of India in November – has curtailed domestic economic activity. India is overwhelmingly a cash economy with an estimated 90% of daily transactions completed in cash and the lack of available legal tender has impeded both households and commerce. With many goods transacted in cash, the disruption was immediately evident in the logistics sector and DLI experienced a 52% drop in volumes immediately following the announcement. Volumes have started to improve and this is anticipated to continue. Analysts' current expectations are that a recovery and adjustment across the sector will take anywhere from two months to two quarters.

Financial performance

As at 30 September 2016, the value of the IIP Group's investments in its subsidiaries was £330.7 million (£334.5 million 31 March 2016; £331.6 million 30 September 2015). Currency rates strengthened at the end of the period with a GBP:INR rate of 86.66 as at 30 September 2016 against 94.97 in March 2016 and 100.28 in September 2015. The risk-free rate, based on the Indian 10-year bond, decreased to 6.82% as at 30 September 2016 from 7.47% on 31 March 2016 and 7.54% on 30 September 2015.

Total investment during the first six months of the fiscal year was £13.6 million, which was advanced to DLI primarily to fund working capital needs, interest payments, and capital expenditures.

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 Nagpur facility has been successfully ramping up with the terminal gaining around 25% local market share for exports despite competitive pricing from other operators. However, the tight margins across the sector were challenging and DLI was unable to generate an operating profit during the reporting period. Given these market conditions, the company is focussed on implementing its business plan and commissioning the remaining terminals on schedule in order for DLI to be able to sustain itself financially and meet its potential, which remains significant.

During the period, DLI received regulatory approval from the Customs Commissioner to commence export-import operations at its Nagpur terminal facility, enabling DLI to ramp-up operations through its own customs bonded area. Construction at Bangalore and Palwal terminals continues towards completion, which is now anticipated in early 2017. Also during the period, the 10% Port Congestion Surcharge was removed and this is expected to have a positive impact across the sector. Road rates however continue to remain depressed due to supply outweighing demand and the intense competition has impacted domestic cargo movement by rail. DLI has also witnessed strong competition from new operators that led to some irrational pricing at certain terminals accessed by DLI when moving export cargo in northern India. DLI has had to review and discontinue several unprofitable routes.

After some frustrating delays with approvals and documentation – which impacted the availability of much needed working capital during the period – DLI completed a restructuring of its bank debt in October 2016. The flexible scheme allows DLI the opportunity to extend repayment periods if required, a reduced interest rate of approximately 11% in the initial years and an enhanced working capital facility, to support DLI's ramp-up plans. Also subsequent to the period end, the demonetisation and official withdrawal of certain currency denominations from circulation in November had an impact on operations at DLI as the limited availability of cash restricted transactions and dramatically decelerated cargo movements.

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 whereby RII agreed the sale of its entire 26% interest in WMP to an affiliate of Essel Infra for an agreed cash consideration on INR 2,030 (£22.4 million). The transaction completed on 28 June 2016 and the net proceeds realised from the disposal provided the Group with additional working capital resources.

Energy

India Hydropower Development Company's ("IHDC") overall production was lower than the same period last year, due to lower reservoir discharges in Maharashtra and frequent shutdowns of the thermal power plant and cooling canal where the Birsinghpur project is located. Overall production however was in line with the historical average. Construction at Raura is progressing on schedule and much of the civil works are in the final stages of completion. The project remains on-track for commercial operations to commence in calendar year 2017. IHDC has requested approval from the Government of Himachal Pradesh for enhanced capacity at the Melan project, which is currently in development.

Overall production at Indian Energy Limited ("IEL") was higher than the same period last year due to better monsoon winds and improved grid availability at the Theni project. Grid availability at Theni improved to 95% during the period, up from 75% last year, as a result of grid strengthening measures implemented by the State of Tamil Nadu. IEL has also successfully extended the CER (Certified Emission Reduction) crediting period for the Gadag project by 7 years to 2023. Although this does not have a material impact due to the current low trading price of CERs, the extension allows IEL to trade accumulated CERs should the emissions market improve.

Following the invocation of the pledge of the promoter's shares and conversion of a portion of the sub-debt, the lenders of SMH now control 51% of the company. The conversion of a portion of the sub-debt by Power Finance Corporation Ltd ("PFC"), the lead lender, has resulted in a dilution of IIP's holding in SMH from 35.4% to 31.2%. PFC has arranged additional debt funding of INR 200 (approximately £2.3 million on 30 September 2016), but only a quarter of these funds have been released into the project. This, along with a lack of clear direction, has resulted in the resignation of some key SMH executives. While PFC is beginning to participate in SMH affairs, it is unclear what approach will be taken to revive the project and the promoter continues to challenge the lenders actions. IIP is engaged with the lenders to obtain clarity on future plans for the project as well as relevant financial data and timelines.

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 at current net asset value levels.

Company liquidity and financing

At the end of the period, the IIP Group had cash available of £9.9 million. IIP's current liquidity position is expected to provide the Group with sufficient cash resources to fund the business until approximately April 2017, when IIP's US$17 million working capital loan comes due. The Board is currently exploring options for refinancing or repayment of this loan.

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
14 December 2016

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 March 2011**	**15 October 2011**	**January 2012-March 2016**
Investment amount	£34.8m (implied)	£58.4m (implied)	£79.9 million
Aggregate percentage interest	37.4%	99.9%	99.9%
Investment during the period	£13.6 million		
Valuation as at 30 September 2016	**£275.1 million**		
Project debt outstanding as at 30 September 2016	£78.8 million		

Key developments

- DLI received regulatory approval from the Customs Commissioner to commence export-import operations at its Nagpur terminal facility, enabling DLI to ramp-up operations through its own customs bonded area.
- In October 2016, DLI successfully executed financial restructuring with its existing lenders, which includes longer repayment periods, a reduced interest rate in the initial years and an enhanced working capital facility.
- Construction activities at all of DLI's terminals have been slower than planned due to delays in receipt of funds during the restructuring of bank debt.
- Demonetisation and official withdrawal of certain currency denominations from circulation had an impact on operations at DLI as the limited availability of cash restricted transactions and dramatically decelerated cargo movements.

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

DLI's operating performance during the last six months was impacted by both macro and sector-specific headwinds. This included intense competition from relatively new players, oversupply in the road division and lack of growth in exports. However, prospects appear to be improving for the sector with the passage of the Goods & Services Tax ("GST") by the Indian Parliament and the removal of port congestion charge which is likely to help transportation of export-import cargo by rail.

DLI received all required regulatory approvals from the Customs Commissioner in August 2016 to commence export-import operations at its Nagpur terminal facility, enabling DLI to ramp-up operations through its own customs bonded area. Quick ramp-up in exports at Nagpur has resulted in 25% market share in two months in the local area. While the export cargo continues to ramp-up, imports have been slower than expected, largely as a result of time required to comply with statutory obligations to enable the transition of import cargo from shipping companies to DLI. DLI's team is working with its customers to expedite the completion of such formalities and expects to see an improvement in the import cargo volumes to its Nagpur facility in the near future.

In October 2016, DLI successfully executed documents relating to a flexible structuring of the project debt with its existing lenders. This revised structuring was anticipated early in the fiscal year and the delay in completion of the banking approvals and related documentation impacted the availability of much needed working capital facilities to support the company's operations and ramp-up. Under the flexible structuring scheme, DLI's liquidity should improve due to longer repayment periods if required and a reduced interest rate of approximately 11% in the initial years. DLI's lenders have also agreed to enhance DLI's working capital facility, which is expected to now support DLI's ramp-up plans. However, the demonetisation and official withdrawal of certain currency denominations from circulation in November had an impact across the sector, as the limited availability of cash restricted transactions and dramatically decelerated cargo movements. In the immediate aftermath of the announcement, DLI experienced a 52% drop in volumes. Volumes have started to improve and this is anticipated to continue.

Overall, construction activities at all of DLI's terminals have been slower than planned due to delays in receipt of funds needed to complete construction. These delays affected completion of construction activities at Palwal and Bangalore. At Chennai, construction is expected to pick-up during 2017 following the delays last fiscal year from flooding and re-configuration of the site. Following the flexible structuring of its debt, DLI management is expecting additional funding to be available to complete both terminals, with commissioning now anticipated beginning in early 2017.

Valuation

The NPV of future IIP cash flows for DLI as at 30 September 2016 is £275.1 million (£266.2 million 31 March 2016; £261.9 million 30 September 2015). 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. An appreciation of the Indian Rupee and a reduction in the risk-free rate since 31 March 2016 offset the delays and softer market conditions observed in the first half of the reporting period. The impact of demonetisation is expected to be short term.

India Hydropower Development Company LLC (“IHDC”)

Description	IHDC is a company that develops, owns and operates small hydropower projects with six fully operational plants (62 MW of installed capacity), and a further 21 MW of capacity under development or construction.		
Promoter	Dodson-Lindblom International Inc.		
Date of investment	**March 2011**	**January 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 30 September 2016	**£28.6 million**		
Project debt outstanding as at 30 September 2016	£11.2 million		

Key developments

- Overall production at IHDC’s projects was lower than the same period last year, with 72 GWhs generated against 88.5 GWhs.
- This was a result of lower production from IHDC’s projects in Maharashtra during the first quarter of the current fiscal year due in part to frequent shutdowns of the thermal power plant at Birsinghpur.
- Production from July to September was generally at historical average levels.
- Raura project construction is progressing as scheduled with expected commissioning during calendar year 2017.

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 21 MW of capacity under development and construction with planned capacity at two sites having been revised upwards.

Project update

The overall generation from all of IHDC’s projects was 72 GWh for the first six months (April-September) of the fiscal year against 88.5 GWh in the same period last year.

The bulk of the reduction was a result of lower production from IHDC’s projects in Maharashtra during the first quarter of the current fiscal year. These dam based projects depend on the release of water stored in the reservoir from the previous year’s monsoon inflows. Poor monsoon inflows in 2015 due to an extended El Nino resulted in lower discharges from the reservoirs during the first quarter of the current fiscal year. Production from July to September was at or better than historical averages for this period for the Maharashtra projects and is reflective of near normal monsoon inflows in 2016. IHDC’s projects in Himachal Pradesh have produced at about historical average levels. Incremental hydrologic changes due to long-term climate change impacts are expected have a moderating influence on production from IHDC’s run-of-river projects in the long term.

Between the months of June and August 2016, frequent shutdowns of the thermal power plant where the Birsinghpur project is located, resulted in lower production. These shutdowns are reportedly due to competitive pricing pressures from other newer large thermal plants in the vicinity.

Construction at the 12 MW Raura project is progressing as scheduled with most civil work in late stages of completion. IHDC expects to commission the project in calendar year 2017.

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 as discussed in the update. The value for the IHDC investment as at 30 September 2016 is £28.6 million (£26.0 million 31 March 2016; £24.7 million 30 September 2015).

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	**September 2011**	**October 2011 – December 2012**
Investment amount	£10.6 million	£0.9 million
Aggregate % interest	100%	100%
Investment during the period	Nil	
Valuation as at 30 September 2016	**£15.6 million**	
Project debt outstanding as at 30 September 2016	£10.4 million	

Key developments

- Overall production was higher than the same period last year.
- Better monsoon winds and improved grid availability at the Theni project contributed to the increased production.
- Grid strengthening measures undertaken by Tamil Nadu Electricity Board (TNEB) resulted in improved grid availability at Theni of 95% during the period against 75% for the same period 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

IEL's two projects – Gadag and Theni – generated 54.5 million KWhs in the first six months of the fiscal year, approximately 17% higher than 46.6 million KWhs generated during the same period last year.

This increased energy production was due to improved monsoon winds, which were a result of the receding effects of El Nino weather patterns and enhanced grid availability at the Theni project. As a result of the grid strengthening and renewable energy generation forecasting measures undertaken by TNEB, grid availability at Theni improved to 95% during the period against 75% for the same period last year.

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 6.82%, yielding a valuation of £15.6 million as at 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	**June 2008**	**September 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 30 September 2016	**£11.4 million**	
Project Debt Outstanding as at 30 September 2016	£320 million	

Key developments

- Power Finance Corporation Ltd (“PFC”), the lead lender, has arranged additional debt funding of INR 200 million (approximately £2.3 million on 30 September 2016), but only a quarter of these funds have been released.
- PFC is beginning to participate more in SMH affairs but it is yet unclear what approach will be taken to revive the project.

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

Following the invocation of the pledge of the promoter’s shares and conversion of a portion of the sub-debt, the lenders now control 51% of the shareholding of SMH. The conversion of a portion of the sub-debt by the lead lender, PFC, has resulted in dilution of IIP’s shareholding in SMH from 35.4% to 31.2%. PFC has arranged additional debt funding of INR 200 (approximately £2.3 million on 30 September 2016), but only a quarter of these funds have been released. This, along with a lack of clear direction, has resulted in the resignation of some key executives.

While PFC is beginning to participate in SMH affairs, it is unclear what approach will be taken to revive the project, and the promoter continues to challenge the lenders actions. IIP is engaged with the lenders to obtain clarity on future plans for the project as well as relevant financial data and timelines.

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 30 September 2016 was £11.4 million (£9.4 million 31 March 2016; £8.6 million 30 September 2015), largely attributable to the appreciation of the Indian Rupee against the Pound sterling and the reduction in the risk free rate during the six-month period. 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.

Consolidated Statement of Comprehensive Income
for the period ended 30 September 2016

	Note	(Unaudited) 6 months ended 30 September 2016 £'000	(Unaudited) 6 months ended 30 September 2015 £'000	(Audited) Year ended 31 March 2016 £'000
Interest income on bank balances		2	1	
Movement in fair value on investments at fair value through profit or loss	10	2,974	(40,191)	(39,275)
Foreign exchange (loss)/gain		(1,119)	(205)	(514)
Gain on disposal of investments	10	1,845	-	-
Asset management and valuation services	8	(2,847)	(2,935)	(5,911)
Other administration fees and expenses	7	(595)	(479)	(1,175)
Operating loss		260	(43,809)	(46,875)
Finance costs	14	(477)	(419)	(864)
Loss before taxation		(217)	(44,228)	(47,739)
Taxation		-	-	-
Loss for the period		(217)	(44,228)	(47,739)
Other comprehensive income		-	-	-
Total comprehensive loss		(217)	(44,228)	(47,739)
Basic and diluted loss per share (pence)	9	(0.0)	(6.5)	(7.02)

The Directors consider that all results derive from continuing activities.

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Financial Position

as at 30 September 2016

	Note	(Unaudited) 6 months ended 30 September 2016 £'000	(Unaudited) 6 months ended 30 September 2015 £'000	(Audited) Year ended 31 March 2016 £'000
Non-current assets				
Investments at fair value through profit or loss	10	330,744	331,577	334,518
Total non-current assets		330,744	331,577	334,518
Current assets				
Debtors and prepayments		103	37	71
Cash and cash equivalents		9,926	11,223	5,162
Total current assets		10,029	11,260	5,233
Total assets		340,773	342,837	339,751
Non-current liabilities				
Loans and borrowings	14	(13,098)	(11,237)	(11,837)
Total non-current liabilities		(13,098)	(11,237)	(11,837)
Current liabilities				
Trade and other payables		(1,590)	(1,853)	(1,654)
Current loans and borrowings		(464)	(398)	(422)
Total current liabilities		(2,054)	(2,251)	(2,076)
Total liabilities		(15,152)	(13,488)	(13,913)
Net assets		325,621	329,349	325,838
Equity				
Ordinary shares	11	6,803	6,803	6,803
Share premium	11	282,787	282,787	282,787
Retained earnings		36,031	39,759	36,248
Total equity		325,621	329,349	325,838

The accompanying notes form an integral part of the financial statements.

These financial statements were approved by the Board on 14 December 2016 and signed on their behalf by

Sonny Lulla
Chief Executive

Tim Walker
Director

Consolidated Statement of Changes in Equity

for the period ended 30 September 2016

	Share capital £'000	Share premium £'000	Retained profit £'000	Total £'000
Balance at 1 April 2015	6,803	282,787	83,987	373,577
Total comprehensive income for the period				
Loss for the period	-	-	(44,228)	(44,228)
Total comprehensive income for the period	**-**	**-**	**(44,228)**	**(44,228)**
Balance at 30 September 2015	**6,803**	**282,787**	**39,759**	**329,349**
Balance at 1 April 2015	6,803	282,787	83,987	373,577
Total comprehensive income for the period				
Loss for the period	-	-	(47,739)	(47,739)
Total comprehensive income for the period	**-**	**-**	**(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 income for the period				
Loss for the period	-	-	(217)	(217)
Total comprehensive income for the period	**-**	**-**	**(217)**	**(217)**
Balance at 30 September 2016	**6,803**	**282,787**	**36,031**	**325,621**

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows
for the period ended 30 September 2016

	Note	(Unaudited) 6 months ended 30 Sep 2016 £'000	(Unaudited) 6 months ended 30 Sep 2015 £'000	(Audited) Year ended 31 Mar 2016 £'000
Cash flows from operating activities				
Loss for the period		(218)	(44,228)	(47,739)
Adjustments:				
Interest income on bank balances		(2)	-	-
Finance costs		477	419	864
Movement in fair value on investments at fair value through profit or loss	10	(2,974)	40,191	39,275
Foreign exchange loss		1,119	205	514
		(3,443)	(3,413)	(7,086)
(Decrease)/increase in creditors and accruals		(32)	3	(30)
Increase/ (decrease) in debtors and prepayments		(64)	437	237
Net cash utilised by operating activities		**(3,539)**	**(2,973)**	**(6,879)**
Cash flows from investing activities				
Funding of investment companies	10	(13,627)	(3,130)	(5,155)
Net disposal proceeds on sale of investment	10	22,220	-	-
Interest received		2	-	-
Cash utilised by investing activities		**8,595**	**(3,130)**	**(5,155)**
Cash flows from financing activities				
Loans received		-	9,591	-
Loans repaid		-	(9,591)	-
Loan interest repaid		(449)	(988)	(871)
Net cash generated from financing activities		**(449)**	**(988)**	**(871)**
Increase/(decrease) in cash and cash equivalents		**4,607**	**(7,091)**	**(12,905)**
Cash and cash equivalents at the beginning of the period		5,162	18,213	18,213
Effect of exchange rate fluctuations on cash held		157	101	(146)
Cash and cash equivalents at the end of the period		**9,926**	**11,223**	**5,162**

The accompanying notes form an integral part of the financial statements.

Selected notes to the interim consolidated financial statements
for the six months ended 30 September 2016

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 quoted on the AIM market of the London Stock Exchange.

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

The Company has no employees.

2. Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2015.

These interim consolidated financial statements were approved by the Board of Directors on 10 December 2015.

3. 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 period are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

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

4. Significant accounting policies

The accounting policies applied by the Group in these interim consolidated financial statements, including the change in accounting policy as described in note 3, are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2016.

5. Critical accounting estimates and assumptions

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

Actual results may differ from these estimates. In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2016.

During the six months ended 30 September 2016 management reassessed its estimates in respect of:

(a) *Estimate of fair value of unquoted investments*

The Group holds partial ownership interests in unquoted Indian infrastructure companies or groups of companies. The Directors' valuations of these investments, as shown in note 10, are based on a discounted cash flow methodology, prepared by the Company's Valuation and Portfolio Services Adviser.

(b) *Estimate of fair value of subsidiaries*

As described in note 4, the Company's investments in subsidiaries have been fair valued in the Company Statement of Financial Position. Their valuation is arrived at by applying the unquoted investment valuation referred to above to their respective net assets.

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.

6. Financial risk management policies

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 March 2016.

7. Other administration fees and expenses

	6 months ended 30 September 2016	**6 months ended 30 September 2015**	**Year ended 31 March 2016**
	£'000	**£'000**	**£'000**
Audit fees	51	48	74
Legal fees	191	92	277
Corporate advisory fees	82	69	125
Consultancy fees	15	32	199
Other professional costs	6	3	6
Administration fees	86	71	142
Directors' fees	90	110	205
Insurance costs	5	3	10
Other costs	69	51	137
	595	479	1,175

8. Investment management, advisory and valuation fees and performance 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 period ended 30 September 2016 were £2,847,382 (30 September 2015: £2,935,014). There were no performance fees paid during the period (30 September 2015: nil).

9. Basic and diluted loss per share

The basic and diluted loss per share is calculated by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

There are no dilutive potential ordinary shares and therefore diluted loss per share is the same as basic loss per share.

	Group 30 September 2016	Group 30 September 2015	Group 31 March 2016
Loss for the period (£ thousands)	(217)	(44,228)	(47,739)
Weighted average number of shares (thousands)	680,267	680,267	680,267
Basic and diluted loss per share (pence)	(0.0)p	(6.5)p	(7.0)p

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

Investments, consisting of unlisted equity securities, 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 injection	-	-	-	13,627	-	13,627
Disposal of investment	-	(20,375)	-	-	-	(20,375)
Fair value adjustment	2,052	-	2,552	(4,710)	3,080	2,974
Balance as at 30 September 2016	11,446	-	28,561	275,138	15,599	330,744

(i) Shree Maheshwar Hydel Power Corporation Ltd ("SMHPCL")
(ii) Western MP Infrastructure and Toll Road Pvt Ltd ("WMPITRL")
(iii) Distribution & Logistics Infrastructure (DLI)
(iv) India Hydropower Development Company LLC ("IHDC")
(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 (£22.4 million). The investment was valued at £20,375,000 as at 31 March 2016 against net proceeds of £22.2 million, making a profit on disposal of £1,845,000.

All investments have been fair valued by the Directors as at 30 September 2016 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.

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 30 September 2016, 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.

11. Share capital and share premium

	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
Issued during the period	-	-	-
Balance at 30 September 2016	680,267,041	6,803	282,787

Company has authorised share capital of 680,267,041 ordinary shares of £0.01 each.

12. Net asset value per share

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

	Group 30 September 2016	**Group 30 September 2015**	**Group 31 March 2016**
Net assets (£'000)	325,621	329,348	325,838
Number of shares in issue	680,267,041	680,267,041	680,267,041
NAV per share	£0.48	£0.48	£0.48

13. Group entities

Since incorporation, for efficient portfolio management purposes, the Company has established or acquired the following subsidiary companies split by companies that are consolidated and companies that are held at fair value through profit or loss in line with the revised accounting standard IFRS 10 (see note 3):

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 (formerly VLMS):		
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%

14. 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 are repayable on 10 April 2017 and 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 30 September 2016 the Company had fully drawn down the loan facility and had accrued interest payable of US$602,000.

15. Related party transactions

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 8.

16. Subsequent events

There were no significant subsequent events.