Infrastructure India plc

Interim results

for the six months ended 30 September 2018

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JOINT STATEMENT FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE

We are pleased to report Infrastructure India plc's ("IIP, the "Company" and together with its subsidiaries the "IIP Group") unaudited interim results for the six-month period ended 30 September 2018.

Net Asset Value decreased to £145.3 million (£0.21 per share) when compared to 31 March 2018 (£188.8 million, £0.28 per share) and 30 September 2017 (£237.8 million, £0.35 per share), principally as a result of funding constraints at Distribution Logistics Infrastructure Limited ("DLI") and therefore revisions to completion schedules. The Indian Rupee also weakened against Sterling during the period. In addition, IIP increased its level of debt to support DLI prior to completion of the Proposed Financing.

On 31 July 2018, IIP announced that it had entered into conditional proposed financing agreements (the "Proposed Financing") for up to $125 million with PSA International, a global port group, and Gateway Partners (together, the "Investors"). The Proposed Financing, which was approved by IIP shareholder in August 2018, includes the issue of convertible preference shares in DLI India ("DLII") for a consideration of $75 million and the sale of 24% of DLI for a consideration of $50 million. The transaction is expected to complete in December and the net proceeds of the DLII convertible preference shares will be used to provide construction and working capital to DLI. While dilutive to NAV, the Board believes that in addition to the capital investment, the partnership with PSA and Gateway will be beneficial to DLI in expanding its presence in key markets.

DLI maintained good market share in the Export-Import ("Exim") segment in Nagpur during the period and continues to gain momentum in the domestic segment. Funding constraints have continued to overshadow progress and DLI has, as a result, focussed on improving its existing operations. IIP's wind and small hydro performed as expected during the period. For the large hydro, Shree Maheshwar Hydel Power Corporation Limited ("SMH"), litigation between the promoter and lenders continues to dominate the project.

In October 2018, Indian Railways announced a 5% increase in haulage charges to apply from November 2018, although it is expected that this cost will be passed on to customers. The benefits of the Goods and Service Tax – implemented in July 2017 – have been slow to materialise for the logistics sector due to the administrative complexity of the new tax system, although this is expected to improve in the medium term. However, the reduction in interstate check-points on roads has resulted in significantly improved transit times.

Financial performance

As at 30 September 2018, the value of the IIP Group's investments in its subsidiaries was £200.0 million (£223.0 million 31 March 2018; £261.5 million 30 September 2017). The Indian Rupee weakened at the end of the period with a GBP:INR rate of 94.21 as at 30 September 2018 against 90.81 in March 2018 and 87.44 in September 2017. The risk-free rate, based on the Indian 10-year bond, increased to 8.02% as at 30 September 2018 from 7.40% on 31 March 2018 and 6.66% on 30 September 2017.

Total investments during the first six months of the fiscal year were £11.3 million, all of which was advanced to DLI - primarily to cover DLI debt obligations and operating expenses. IIP funded these additional investments through increases in existing IIP debt facilities during the period.

Transport

DLI is a supply chain transportation and container infrastructure company and one of the largest private operators in India with a nationwide network of terminals and a quality road and rail transportation fleet. As previously reported, funding constraints overshadowed construction progress during the period. However, DLI's operational terminal at Nagpur maintained momentum, retaining over 30% market share in the Exim segment and gaining further traction in the domestic segment. The inability to complete Phase 2 construction at Nagpur has held back growth in bulk cargo, auto logistics and warehousing.

DLI has undertaken a detailed review of the business and construction plans and completed discussions with the incoming Investors on an agreed business plan on which the valuation of DLI as at 30 September 2018 is based.

IIP has continued to provide capital during the period to DLI to cover debt obligations and some operating expenses. The net proceeds of the DLII convertible preference shares will provide sufficient capital to enable DLI to complete, commission and ramp up all of its terminal facilities, resulting in a fully operational nationwide network including four owned terminals at Nagpur, Bangalore, Palwal and Chennai.

Energy

India Hydropower Development Company's ("IHDC") overall production was higher than the same period last year due to higher reservoir releases in Maharashtra and increased generation at Birsinghpur. Flash floods in July 2018 near the Raura project in Himachal Pradesh have pushed out the completion schedule for that project. Restoration work to damaged roads and bridges required following the flooding is now completed and IHDC is targeting project commission around the calendar year end.

Overall production at Indian Energy Limited ("IEL") was marginally lower than the same period last year. During the period, IIP announced the sale of IEL to ReNew Power Services Limited ("ReNew") for a consideration of approximately £3.97 million (at the prevailing exchange rate on 27 April 2018) but withdrew from the transaction due to an unduly protracted process and attempts by ReNew to seek to amend the agreed contractual terms.

For SMH, litigation continues amongst various stakeholders. There remains no clarity or certainty of the outcome of any of the legal petitions and IIP is engaging with all interested parties.

Company liquidity and financing

As at 30 September 2018, the IIP Group had unaudited cash available of £1.7 million.

During the period, the Company extended the maturity of the fully drawn US$21.5 million working capital loan facility from GGIC (the "Working Capital Loan") to 18 October 2018 and then to 18 November 2018. Subsequent to the period end, further extensions were announced such that the Working Capital Loan is now repayable, together with the associated interest payment, on 14 December 2018.

IIP also extended, and enlarged, the unsecured bridging loan facility provided by Cedar Valley Financial, an affiliate of GGIC (the "Bridging Loan"). During the period the Bridging was increased from US$26.0 million to US$45.4 million and, subsequent to enlargements and extensions since the period end, the fully drawn Bridging Loan principle currently stands at US$48.4 million and now matures on the earlier of: (i) 15 days following completion of the Proposed Financing; and (ii) 14 December 2018.

The Company remains in discussions with Cedar Valley Financial and GGIC, Ltd. in relation to a further short extension of the maturities of the existing $48.4m bridging loan and existing $21.5m working capital loan, both of which currently mature on 14 December 2018, and, following the completion of the Proposed Financing, in relation to the partial repayment of the bridging loan and the working capital loan and with a view to further extending the maturity of both loans.

IIP announced on 31 July 2018, that it had entered into conditional proposed financing agreements where up to $125 million before expenses (approximately £95.5 million at the prevailing exchange rate when reported), would be made available to the Group from PSA International and Gateway Partners. The Proposed Financing was approved by IIP shareholders at the IIP extraordinary general meeting held on 24 August 2018 and the transaction is expected to complete in December 2018.

As reported, the Board believes that the Proposed Financing is in the interests of IIP shareholders, providing much needed capital to DLI to complete construction at its terminals. The inability to advance construction at DLI has had a negative impact on value in recent years. Notwithstanding the positive effects of the Financing, it is important to note that the resulting dilution of the Group's interest in DLI will have a corresponding effect on future Net Asset Value.

Initial analysis of the impact of the Financing for IIP on a pro forma basis indicates that IIP's share of the net present value of DLI to be approximately £89 million, excluding the c.£38 million ($50 million) of proceeds from the sale of 24% of DLI. This analysis is based on IIP's shareholding of 76% pre-conversion and 39% post-conversion in June 2021 and calculated on current financial estimates.

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

Tom Tribone & Sonny Lulla
12 December 2018

REVIEW OF INVESTMENTS

Distribution Logistics Infrastructure Private Limited ("DLI")

Description	Supply chain transportation and container infrastructure company with a large operational road and rail fleet; developing four large container terminals across India.		
Promoter	A subsidiary of IIP		
Date of investment	**3 Mar 2011**	**15 Oct 2011**	**Jan 12- Mar 18**
Investment amount	£34.8m (implied)	£58.4m (implied)	£124.0 million
Aggregate percentage interest	37.4%	99.9%	99.9%
Investment during the period	£11.3 million		
Valuation as at 30 Sep 18	**£168.7 million**		
Project debt outstanding as at 30 Sep 2018	£70.6 million		

Key developments

- During the period, DLI completed all secretarial and compliance related conditions precedent for the Proposed Financing and sought approvals from the lenders and Indian Railways.
- Delays in funding have affected the completion schedule of the Bangalore, Palwal and Chennai terminals.
- Operations at Nagpur have maintained the good momentum seen in previous periods, retaining over 30% market share in the Export-Import segment.
- DLI continues to focus on streamlining and improving existing operations and acquiring new and high quality customers.

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

During the reporting period, DLI completed all secretarial and compliance related conditions precedent for the Proposed Financing and sought approvals from the lenders and Indian Railways.

In October 2018, Indian Railways announced a hike of 5% in haulage charges effective from November 2018, which is the first increase in four years. DLI is currently monitoring the reaction from other logistic companies, but DLI management expects that the cost will be passed on to customers.

The anticipated benefits to the logistics sector following implementation of a Goods and Services Tax ("GST") have been slow to materialise. The multiplicity of taxes and the complexity of processes has held back several major corporates from changes in distribution networks, which has impacted the consolidation of parcel size and investments in mother warehouses. The industry expects some rationalisation of multiple rates and simplification of processes to occur over the next two years. This would have a positive impact on the logistics sector.

However, DLI management does expect some volume to pick up in the short and medium term as various bottlenecks are relieved. The GST council recently standardised the GST rate for multimodal transportation services. Such simplifications are expected to reduce the logistics costs for customers and increase the volume for multimodal transportation services providers.

Due to delays in funding, construction work at all locations did not make meaningful progress. IIP infused approximately £11.3 million during the reporting period, which has primarily been used to meet debt obligations, clearing past liabilities to complete CPs for the transaction closing, and operating expenses. Operations at Nagpur have maintained momentum, with the terminal retaining over 30% market share in the Export-Import segment and traction building in the domestic segment. DLI has focused on streamlining and improving existing operations and acquiring new and high quality customers. For example, in March 2018, DLI commenced a single train per month for an Indian conglomerate which has now increased to five trains per month.

Valuation

Revised business and construction-related assumptions used for the valuation were based on a detailed review and update of the budget which was prepared by DLI management during the period. Also, during the period, discussions with the Investors on an agreed business plan were completed. The detail of which has been comprehensively captured for the current valuation exercise. Some of the key elements of the agreed business plan include provision of 20% of the balance project cost as contingencies, license fees due to PSA, and revised realisation assumptions.

As at 30 September 2018, the NPV of future IIP cash flows for DLI using the assumptions described above is £168.7 million, representing an approximate 12% decrease since 31 March 2018. The bulk of the impact relates to changes in business assumptions that account for completion delays, lower cash flows on the account of the license fees due to PSA, and slower ramp up assumptions. A positive impact of period roll-over has been offset by depreciation of the Indian Rupee against Sterling, the increase in risk free rate, and revised business assumptions.

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 30 Sep 2018	**£21.1 million**		
Project debt outstanding as at 30 Sep 2018	£9.8 million		

Key developments

- Overall generation from IHDC's projects was 108.8 GWh in the first half against 101.5 GWh during the same period last year.
- The increase in production is primarily a result of higher water releases in Maharashtra and increased generation at Birsinghpur.
- Flash floods in July near the Raura project pushed out the completion schedule. Restoration work to damaged roads and bridges is finished and IHDC is targeting project commission around the calendar year end.

Investment details

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

Project update

Overall generation from IHDC's projects was 108.8 GWh in the first half against 101.5 GWh during the same period last year. This increase in production is attributed to higher water release in Maharashtra and increased generation at Birsinghpur.

Flash floods in mid-July 2018 in Himachal Pradesh near the Raura project resulted in delays in the project's commissioning schedule as roads and bridges leading to the project needed repair. IHDC management is currently targeting commissioning around the calendar year end.

In June 2018, new legislation led to additional charges (cross subsidy charges, additional surcharge an additional wheeling charges) being imposed on the Birsinghpur Project. This impacts the net billable tariff and IHDC is currently appealing these charges in the High Court with the next court hearing scheduled for January 2019. IHDC is closely monitoring the proceedings and evaluating alternatives.

Valuation

The IHDC portfolio was valued in accordance with the Company's stated valuation methodology by using a composite risk premium of 3.36% over the risk-free rate of 8.02%. The composite risk premium is computed using a MW-based weighted average of risk premia of individual assets related to their stage of operation. Adjustments were made to tariff estimates to account for current market data. The value for the IHDC investment as at 30 September 2018 is £21.1 million (£20.9 million 31 March 2018; £24.8 million 30 September 2017).

Indian Energy Limited ("IEL")

Description	An independent power producer focused on renewable energy, with 41.3 MW installed capacity over two operating wind farms.	
Promoter	IIP	
Date of investment	**Sep 2011**	**Oct 2011 – Dec 2012**
Investment amount	£10.6 million	£0.9 million
Aggregate % interest	100%	100%
Investment during the period	Nil	
Valuation as at 30 Sep 2018	**£4.69 million**	
Project debt outstanding as at 30 Sep 2018	£9.0 million	

Key developments

- Overall generation from IEL's two projects was 52.7 GWh in the first half against 54.3 GWh during the same period last year.
- In April 2018, IIP had entered an agreement for the sale of its 100% interest in IEL to ReNew Power Services Private Limited ("ReNew").
- In September 2018, following an unduly protracted process and attempts by ReNew to seek to amend the agreed contractual terms of the Disposal. IIP withdrew from the proposed transaction and the sale of IEL to ReNew did not proceed.

Investment details

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

Project update

Overall generation from IEL's two projects was 52.7 GWh in the first half against 54.3 GWh during the same period last year. There were some delays in generator maintenance at both projects caused by O&M service providers.

On 27 April 2018, IIP announced that it had entered into a share purchase agreement ("SPA") whereby the IIP Group had agreed to the sale, subject to regulatory and other approvals, of its 100% interest in the share capital of IEL to ReNew, for a cash consideration of INR 364 million (approximately £3.97 million when reported). Following an unduly protracted process and attempts by ReNew to seek to amend the agreed contractual terms, the Board confirmed that on 14 September 2018, with the remaining conditions precedent to the SPA not having been met by the long stop date, the IIP Group withdrew from the proposed transaction and the sale of IEL to ReNew did not proceed.

Valuation

As the transaction described above was announced in April immediately following the last period end, IEL was valued at the agreed sale price of £4.0 million. The valuation for the period ended 30 September 2018 was calculated in line with the Company's stated methodology by applying a 2.0% risk premium above the risk-free rate of 8.02%. Assumptions were also revised to account for market conditions for small projects, yielding a valuation of £4.69 million.

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 30 Sep 2018	**£5.6 million**	
Project Debt Outstanding as at 30 Sep 2018	£313.4 million	

Key developments

- Litigation between the promoter and the lenders continues with hearings being scheduled as well as deferred
- The promoter continues to work to obtain completion finance, pending clarity on litigation.

Investment details

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

Current status of the project and financing update

During the period, hearings related to a number of petitions filed were deferred and there continues to be a lack of information from the lender-controlled management. The legal landscape for the project remains complex. Pending clarity on litigation, there does remain some scope for the project to potentially obtain completion finance and the promoter continues to work to raise this capital which would entail debt restructuring. Given there is little clarity on the legal outcome or completion finance, IIP remains cautious with regard to remaining value but will continue to act, as appropriate, to protect its interests and remains engaged with all parties.

Valuation

Forecast assumptions were again adjusted to account for the continuing uncertainty on the terms and timing of project completion and the higher risk premium of 8% was retained. The value of IIP's investment in SMH as at 30 September 2018 was £5.6 million (£6.6 million 31 March 2018; £8.4 million 30 September 2017). The value of IIP's stake in the project remains largely dictated by the actions and timelines associated in reaching a viable plan to complete the project, and depending on the outcome of some legal proceedings, there remains a risk that the value of the investment could be reduced to zero.

Consolidated Statement of Comprehensive Income
for the period ended 30 September 2018

	Note	(Unaudited) 6 months ended 30 September 2018 £'000	(Unaudited) 6 months ended 30 September 2017 £'000	(Audited) Year ended 31 March 2018 £'000
Movement in fair value on investments at fair value through profit or loss	10	(34,333)	(40,060)	(86,521)
Foreign exchange (loss)/gain		(2,927)	15	2,416
Asset management and valuation services	8	(2,766)	(2,760)	(5,536)
Other administration fees and expenses	7	(1,127)	(764)	(1,709)
Operating loss		(41,153)	(43,569)	(91,350)
Finance costs	14	(2,283)	(602)	(1,861)
Loss before taxation		(43,436)	(44,171)	(93,211)
Taxation		-	-	-
Loss for the period		(43,436)	(44,171)	(93,211)
Other comprehensive income		-	-	
Total comprehensive loss		(43,436)	(44,171)	(93,211)
Basic and diluted loss per share (pence)	9	(6.38)p	(6.49) p	(13.70)p

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 2018

	Note	(Unaudited) 6 months ended 30 September 2018 £'000	(Unaudited) 6 months ended 30 September 2017 £'000	(Audited) Year ended 31 March 2018 £'000
Non-current assets				
Investments at fair value through profit or loss	10	200,032	261,501	223,034
Total non-current assets		200,032	261,501	223,034
Current assets				
Debtors and prepayments		49	64	15
Cash and cash equivalents		1,650	1,887	3,431
Total current assets		1,699	1,951	3,446
Total assets		201,731	263,452	226,480
Current liabilities				
Trade and other payables		(334)	(1,539)	(1,585)
Current loans and borrowings	14	(56,064)	(24,105)	(36,127)
Total current liabilities		(56,398)	(25,644)	(37,712)
Total liabilities		(56,398)	(25,644)	(37,712)
Net assets		145,333	237,808	188,768
Equity				
Ordinary shares	11	6,803	6,803	6,803
Share premium	11	282,787	282,787	282,787
Retained earnings		(144,257)	(51,782)	(100,822)
Total equity		145,333	237,808	188,768

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

These financial statements were approved by the Board on 12 December 2018 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 2018

	Share capital £'000	Share premium £'000	Retained profit £'000	Total £'000
Balance at 1 April 2017	6,803	282,787	(7,611)	281,979
Total comprehensive loss for the period	-	-	(93,211)	(93,211)
Balance at 31 March 2018	**6,803**	**282,787**	**(100,822)**	**188,768**
Balance at 1 April 2018	6,803	282,787	(100,822)	188,768
Total comprehensive loss for the period	-	-	(43,436)	(42,436)
Balance at 30 September 2018	**6,803**	**282,787**	**(144,258)**	**145,332**

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

Consolidated Statement of Cash Flows

for the period ended 30 September 2018

	Note	(Unaudited) 6 months ended 30 Sep 2018	(Unaudited) 6 months ended 30 Sep 2017	(Audited) Year ended 31 Mar 2018
		£'000	£'000	£'000
Cash flows from operating activities				
Loss for the period		(43,436)	(44,171)	(93,211)
Adjustments:				
Interest income on bank balances		-	-	-
Finance costs		2,283	602	1,861
Movement in fair value on investments at fair value through profit or loss	10	34,333	40,060	86,521
Accrued share expense		-	-	-
Foreign exchange loss/(gain)		2,927	-	(2,416)
		(3,893)	(3,509)	(7,245)
Increase/(decrease) in creditors and accruals		(1,251)	8	54
(Increase)/decrease in debtors and prepayments		(34)	(36)	13
Net cash utilised by operating activities		**(5,178)**	**(3,537)**	(7,178)
Cash flows from investing activities				
Funding of investment companies	10	(11,331)	(5,570)	(13,564)
Cash utilised by investing activities		**(11,331)**	**(5,570)**	(13,564)
Cash flows from financing activities				
Loans received		14,634	9,472	22,651
Net cash generated from financing activities		**14,634**	**9,472**	22,651
Increase/(decrease) in cash and cash equivalents		**(1,875)**	**365**	**1,909**
Cash and cash equivalents at the beginning of the period		3,431	1,522	1,522
Effect of exchange rate fluctuations on cash held		94	-	-
Cash and cash equivalents at the end of the period		**1,650**	**1,887**	**3,431**

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 2018

1. General information

The Company is a closed-end investment company incorporated on 18 March 2008 in the Isle of Man as a public limited company. The address of its registered office is IOMA House, Hope Street, Douglas, Isle of Man. The Company is 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 2018.

The Company's auditors did not express an opinion on the consolidated financial statements of the Group as at and for the year ended 31 March 2018 due to the significance of the possible combined effect of the uncertainties described in the 'basis for the auditor's disclaimer of opinion' set out in its report, as it was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

These interim consolidated financial statements were approved by the Board of Directors on 12 December 2018.

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 2018.

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 2018.

During the six months ended 30 September 2018 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 2018.

7. Other administration fees and expenses

	6 months ended 30 September 2018	**6 months ended 30 September 2017**	**Year ended 31 March 2018**
	£'000	**£'000**	**£'000**
Audit fees	38	35	59
Legal and consultancy fees	260	316	466
Corporate advisory fees	87	115	188
Other professional costs	95	7	194
Administration fees	80	74	147
Directors' fees	90	90	180
Insurance costs	9	9	9
Loan arrangement related fees	404	-	235
Other costs	64	118	231
	1,127	**764**	**1,709**

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 as at that time. 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 £5.5 million 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 (see note 11).

Fees including accrued Fee Shares for the period ended 30 September 2018 were £ 2.8 million (30 September 2017: £2.8 million). There were no performance fees paid during the period (30 September 2017: 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 2018	Group 30 September 2017	Group 31 March 2018
Loss for the period (£ thousands)	(43,436)	(44,171)	(93,211)
Weighted average number of shares (thousands)	680,267	680,267	680,267
Basic and diluted loss per share (pence)	(6.38)p	(6.49) p	(13.70)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 2018	6,643	-	20,870	191,513	4,008	223,034
Additional capital injection	-	-	-	11,331	-	11,331
Fair value adjustment	(1,093)	-	261	(34,179)	678	(34,333)
Balance as at 30 September 2018	5,550	-	21,131	168,665	4,686	200,032

(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")

All investments have been fair valued by the Directors as at 30 September 2018 using discounted cash flow techniques, as described in note 5. The discount rate adopted for the investments is the risk free rate (based on the Indian government 9-10-year bond yields) plus a risk premium of 8% for SMHPCL, 3.4% 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 2018, the Company had pledged 47.8% 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 2018	680,267,041	6,803	282,787
Issued during the period	-	-	-
Balance at 30 September 2018	680,267,041	6,803	282,787

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

As detailed in note 8, 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 30 September 2018, the accrued shares were 1,362,446, all of which are pending issuance.

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 2018	Group 30 September 2017	Group 31 March 2018
Net assets (£'000)	145,332	237,808	188,768
Number of shares in issue	680,267,041	680,267,041	680,267,041
NAV per share	£0.21	£0.35	0.28

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

	Capital £'000	Interest £'000	Total £'000
Balance as at 1 April 2018	33,868	2,259	36,127
Loans drawn-down	14,634	-	14,634
Interest charge for the period	-	2,283	2,283
Foreign currency loss	2,847	173	3,020
Balance as at 30 September 2018	51,349	4,715	56,064

On 8 April 2013, the Company entered into a working capital loan facility agreement with GGIC Ltd ("GGIC") for up to US$17.0 million. The loans were originally repayable on 10 April 2017. The fully drawn-down working capital loan now totals US$21.5 million. Subsequent to period-end the loan maturity has been extended to 14 December 2018 (note 16). The working capital loan has an interest rate of 7.5% per annum, payable semi-annually during the facility period. The Company's ultimate controlling party during the period was GGIC and affiliated parties.

In addition, and on 30 June 2017, the Company entered into an US$8.0 million unsecured bridging loan facility with Cedar Valley Financial ("Cedar Valley"), an affiliate of GGIC. The fully drawn down unsecured bridging loan facility with Cedar Valley Financial, is now totalling US$48.4 million. Subsequent to period-end the loan maturity has been extended to 14 December 2018 (note 16). The bridging loan has an interest rate of 12% per annum, payable semi-annually during the facility period. Cedar Valley's ultimate controlling party during the period was GGIC and affiliated parties.

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

Conditional proposed financing

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

The proposed financing will see:

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

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

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

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

Loan extensions

Since the period end, the fully drawn down unsecured bridging loan facility with Cedar Valley Financial, is now totalling US$48.4 million and is now repayable, together with the associated interest payment, on the earlier of: (i) completion of the Proposed Financing; and (ii) 14 December 2018.

The fully drawn down working capital loan facility from GGIC (the "Working Capital Loan"), now totalling US$21.5 million, is repayable, pursuant to a maturity extension announced on 19 November 2018, with the associated interest payment, on 14 December 2018.

There were no significant subsequent events.

17. 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.