Infrastructure India plc

Interim results

for the six months ended 30 September 2019

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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 2019.

Net Asset Value increased to £149.1 million (£0.22 per share) when compared to 31 March 2019 (£106.0 million, £0.16 per share) and 30 September 2018 (£145.3 million, £0.21 per share), principally as a result of strengthening of the Indian Rupee (INR) against Sterling (GBP), a decrease in the risk-free rate in asset valuations and revisions to business assumptions at Distribution Logistics Infrastructure Limited ("DLI"), including changes to the Indian infrastructure tax regime.

On 2 April 2019, IIP announced that it had agreed a debt facility of up to US$105 million with IIP Bridge Facility LLC (the "Financing"), an affiliate of GGIC Ltd. The Financing is a secured four-year term loan provided to IIP's wholly owned Mauritian subsidiary, Infrastructure India Holdco, and matures on 1 April 2023. The Financing, which has been drawn in tranches, is expected to provide sufficient capital to enable DLI to commission, ramp up and complete all of its existing terminal facilities as well as to meet other DLI lender requirements and to provide additional working capital to the Group. IIP has drawn down US$75 million of the Financing to-date and intends to draw the remaining US$30 million, conditionally available to it under the Financing, in one further tranche in December 2019. The proceeds will be used to progress construction and to meet operating overheads at DLI as well as to provide working capital to the Group.

IIP announced on 20 June 2019 that the Asset Management Agreement with Franklin Park Management LLC (the "Asset Manager") had been extended. The Group has re-appointed the Asset Manager to provide investment advisory, valuation and portfolio services to the Group on an exclusive basis. The extension follows the Financing on 2 April 2019 and aligns the minimum term of the Asset Manager's appointment with the maturity of the IIP's loans and provides for continuity of Group asset management whilst these loans remain outstanding.

Following the Financing completed in April, the subsequent deployment of capital has allowed steady construction progress to be made at DLI during the first half of the fiscal year, with construction works at Nagpur now almost complete. DLI's terminals at Bangalore and Palwal are currently on track for completion by the end of Q1 2020.

The macro landscape during the period softened with declining growth momentum. The slowing growth of the Indian economy has been evident in the logistics sector which is exposed to key industrial and consumer markets. The Indian government is implementing a range of initiatives from tax cuts to infrastructure spending, alongside easing of monetary policy, to arrest the deceleration. Growth is largely expected to pick up during 2020.

During the period, DLI saw slackening of freight traffic in direct correlation with the slowdown in Indian economic growth, with weaker movement of certain manufactured goods and some commodities. Freight traffic handled by Indian Railways was marginally down during the period. In an effort to support industry, Indian Railways has deferred its Busy Season Charge ("BSC") of 15% and this is expected to give some impetus to cement, steel, grain and fertilizer loading. The BSC is usually levied from 1 October to 30 June each year on freight, although container traffic is exempt.

IIP's wind and small hydro assets performed largely as expected during the period. For the Company's large hydro asset, Shree Maheshwar Hydel Power Corporation Limited ("SMH"), uncertainty remains as there is little visibility on progress by the promoter, Entegra, to arrange completion financing for the project – a requirement in achieving any settlement with the SMH lenders.

Financial performance

As at 30 September 2019, the value of the IIP Group's investments in its subsidiaries was £259.2 million (£179.4 million 31 March 2019; £200.0 million 30 September 2018). The Indian Rupee strengthened at the end of the period with a GBP:INR rate of 86.92 as at 30 September 2019 against 90.28 as at 31 March 2019 and 94.21 as at 30 September 2018. The risk-free rate of return, based on the Indian 10-year bond, decreased to 6.68% as at 30 September 2019 from 7.35% as at 31 March 2019 and 8.02% as at 30 September 2018.

Total investments during the first six months of the fiscal year were £22.7 million, all of which was advanced to DLI to fund construction as well as some debt cover and operating expenses.

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 the Financing in April and deployment of the first tranches of capital, construction at DLI's terminals is underway with most works tracking largely to schedule. Recent heavy rains at Bangalore and Palwal slowed construction but did not impact overall schedules.

Works at Nagpur, including a Private Freight Terminal ("PFT") and additional warehousing should be completed before the calendar year end. DLI is actively marketing the PFT and DLI expects an uptick in bulk cargo volumes as these facilities ramp up. Nagpur has expanded commodity freight with the addition of sugar and cotton exports during the period and the terminal maintains strong market share of the export-import market of around 40%.

The terminals at Bangalore and Palwal are both expected to be completed and to commence initial commercial operations by the end of the current fiscal year. Completion of the terminal at Chennai, along with its Free Trade Warehousing Zone, is expected to be later in 2020, as the team work through the regulatory approvals required for the facility.

Energy

India Hydropower Development Company's ("IHDC") overall production was lower than the same period last year due to delayed and inconsistent monsoon inflows and lower production from the Bhandardara projects during the first quarter. At Panwi, an upstream landslide caused silting which had an impact on production during the period. The Raura project, which was commissioned in September 2019, is resolving early production teething issues.

IHDC is in discussions with various off-takers for Raura's power, but full generation and a permanent tariff will not be achieved until the Himachal Pradesh State Electricity Board completes a required transmission line and substation, which is currently expected to be achieved during the first half of 2020.

Overall production at Indian Energy Limited ("IEL") was marginally lower than the same period last year, with both of IEL's projects impacted by issues with O&M contractors and timely maintenance and replacement of parts. The offtake at Theni – which sells power under a Group Captive Scheme with commercial customers – has been affected by lower customer demand in the automotive and textile sectors. There was also some grid curtailment imposed at both of IEL's sites during the period.

For SMH, there is currently little visibility around the progress of completion financing being arranged by the promoter, Entegra, although a new Chairman and several executives have been appointed. In July 2019, the SMH board approved entry into an MOU between SMH and the promoter, whereby the promoter will be provisionally handed back equity acquired by the lenders and given management control of SMH. The promoter must provide funding to meet the most immediate needs of SMH and will have 12 months to raise finance to complete the project as well as conclude a settlement with the lenders. Although this is potentially a path forward, IIP maintains a cautious outlook.

Company liquidity and financing

As at 30 September 2019, the IIP Group had unaudited cash available of £28.3 million.

The US$105 million financing with IIP Bridge Facility LLC, announced on 2 April 2019, is a secured four-year term loan provided to IIP's wholly owned Mauritian subsidiary, Infrastructure India Holdco, and matures on 1 April 2023. The Financing is expected to provide sufficient capital to enable DLI to commission, ramp up and complete all of its existing terminal facilities as well as meeting other DLI lender requirements and provide additional working capital to the Group. IIP has drawn down US$75 million of the Financing to-date, with the remaining US$30 million scheduled for drawdown in December 2019.

Alongside the Financing, and during the period, the Company extended the maturity of the working capital loan facility provided to the Company by GGIC Ltd. ("GGIC") (the "Working Capital Loan") and extended and enlarged the unsecured bridging loan facility provided to the Company by Cedar Valley Financial, an affiliate of GGIC (the "Bridging Loan").

The Working Capital Loan was originally provided to the Company in April 2013 by GGIC in an amount of US$17 million and increased to US$21.5 million in September 2017. The Working Capital Loan carried an interest rate of 7.5% per annum on its principal amount. The Company and GGIC agreed to extend the maturity of the Working Capital Loan to 30 June 2023 and increase its interest rate to 15% per annum from 1 April 2019.

The Bridging Loan was originally provided to the Company in June 2017 by Cedar Valley Financial in an amount of US$8.0 million and was subsequently increased in multiple tranches to US$64.1 million in March 2019. The Bridging Loan carried an interest rate of 12.0% per annum on its principal. The Company and Cedar Valley Financial agreed to extend the maturity of the Bridging Loan which will now mature on 30 June 2023 and increase its interest rate to 15% per annum from 1 April 2019. IIP utilised US$7.5 million of the funds from the Financing to repay the Cedar Valley Financial bridging loan (together with accrued interest) in accordance with its terms such that the remaining principal under the bridging loan (following this partial repayment) amounts to US$56.6 million.

We look forward to updating shareholders on progress at DLI, particularly with the upcoming completion of construction across Nagpur, Bangalore and Palwal, as well as developments at the Company’s other investments in the periods to come.

Tom Tribone & Sonny Lulla
11 December 2019

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- Sept 2019**
Investment amount	£34.8m (implied)	£58.4m (implied)	£146.7 million
Aggregate percentage interest	37.4%	99.9%	99.9%
Investment during the period	£22.7 million		
Valuation as at 30 Sep 2019	**£222.8 million**		
Project debt outstanding as at 30 Sep 2019	£74.8 million		

Key developments

- In April 2019, IIP agreed a loan facility for up to US$105 million with IIP Bridge Facility LLC.
- The loan amount is expected to be sufficient to complete DLI construction, meet debt obligations and provide working capital.
- Following completion of the agreed financing and deployment of the first tranches, construction is underway and business assumptions have been revised.
- The terminal at Nagpur has expanded commodity freight with the addition of sugar and cotton exports.
- Nagpur maintains strong local market share of around 40%.

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

IIP secured a loan facility of up to $105 million from affiliates of GGIC in April 2019 (the "Financing"). During the first half of the fiscal year to 30 September 2019, IIP invested £22.7 million in DLI. The capital is being utilised for construction works as well as well as debt servicing and some operating expenses.

DLI construction is underway, with most works tracking largely to schedule. Heavy rains affected progress at Bangalore and to some extent at Palwal but neither has impacted the overall delivery schedules.

During the period, Indian economic growth slowed which was evident in the logistics sector. Growth of containerised trade slowed, impacted by global as well as domestic factors, including rural consumer distress, tightening liquidity and a slowdown in key manufacturing sectors. This macro environment impacted DLI's performance in the first half of the fiscal year with weaker movement of certain manufactured goods and some commodities. In an effort to support industry, Indian Railways has deferred its Busy Season Charge of 15% and this is expected to give some impetus to cement, steel, grains and fertilizer loading and movement. Other government organisations are also providing incentives to boost activity.

Works at Nagpur, including a Private Freight Terminal ("PFT") and additional warehousing should be completed before the calendar year end. DLI expect ramp-up of the PFT – which should take around 6 months to be fully operational – to begin shortly and are actively marketing the PFT for bulk cargo. Nagpur has expanded commodity freight with the addition of sugar and cotton exports during the period and the terminal maintains strong market share of the local export-import market of around 40%.

Valuation

Revised business and construction-related assumptions have been applied, based on a detailed review and update of the budget prepared by DLI's management team, along with revisions to tax computations as a result of changes in the Indian infrastructure tax regime. For valuation purposes, the funding date was 1 April 2019.

As at 30 September 2019, the net present value of future IIP cash flows for DLI using updated assumptions in respect of the above mentioned items, is £222.8 million. The bulk of the impact relates to the positive impact of period roll-over, lower risk-free rate and appreciation of INR against GBP. Some of the gains were offset by revised income tax computations, moderation in margin assumptions, and delayed projected commissioning for the terminal and Free Trade Warehousing Zone at Chennai.

Description	IHDC develops, owns and operates small hydropower projects with seven fully operational plants (74 MW of installed capacity), and a further 18 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 2019	**£24.1 million**		
Project debt outstanding as at 30 Sep 2019	£5.9 million		

Key developments

- Overall generation from IHDC's projects was lower than the corresponding period last year, largely as a result of inconsistent monsoon inflows, lower production at the Bhandardara projects and an upstream landslide at Panwi causing silt.
- The plant at Raura was commissioned in September 2019 and IHDC are currently selling the power into the wholesale market whilst in discussions with various offtakers.
- Upstream dams have been completed at Darna and it is expected that generation will now improve in-line with expected design energy.

Investment details

The IHDC portfolio has installed capacity of approximately 74 MW across seven projects – Bhandardara Power House I (“BH-I”), Bhandardara Power House II (“BH-II”), Darna in Maharashtra; Birsinghpur in Madhya Pradesh; and Sechi, Panwi and Raura in Himachal Pradesh. IHDC has an additional 18 MW of capacity under development and construction with planned capacity at two sites having been revised upwards.

Project update

Overall generation from IHDC's projects was 81.3 GWh during the first 6 months of the fiscal year against 108 GWh in the same period last year. Lower production was largely a result of inconsistent monsoon inflows, lower production at the Bhandardara projects and silting at Panwi following an upstream landslide.

The Raura plant was commissioned on 9 September 2019 and the team are currently working through early production teething issues. These are expected to be largely resolved by the year end. IHDC are currently selling Raura’s power into the wholesale market and are exploring options for a longer term PPA, but full generation and a permanent tariff will not be achieved until the Himachal Pradesh State Electricity Board completes the transmission line and substation. This is expected in the first half of 2020.

In June 2018, following new legislation, additional charges were imposed at Birsinghpur, impacting the net billable tariff. IHDC has filed an appeal with the Madhya Pradesh Electricity Regulatory Commission and will also approach the Appellate Tribunal of Electricity. IHDC is closely monitoring the proceedings and evaluating alternatives, but the overall impact is not material.

Valuation

The IHDC portfolio was valued in accordance with the Company's stated valuation methodology by using a composite risk premium of 2% over the risk free rate of 6.68%. 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 2019 is £24.1 million (£21.0 million 31 March 2019; £21.1 million 30 September 2018).

Indian Energy Limited (“IEL”)

Description	An independent power producer 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 2019	**£6.1 million**	
Project debt outstanding as at 30 Sep 2019	£7.9 million	

Key developments

- Overall generation from IEL's two projects was marginally lower than the previous period.
- Both projects have been impacted by issues with O&M contractors and timely maintenance and replacement of parts.
- The offtake at Theni – which has a Group Captive Scheme with commercial customers – has been affected by lower customer demand in automotive and textile sectors.
- There was some grid curtailment during the period which resulted in generation loss at both projects.

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 50.6 GWh during the period ending 30 September 2019 against 52 GWh last year. Asset aging and delays in generator maintenance at both projects caused by O&M service providers had an impact on production during the period. At Theni, the failure of a critical component resulted in loss of generation whilst awaiting repairs. Also at Theni, there was lower demand from offtakers in the automotive and textile sectors. Theni sells power under a Group Captive Scheme to commercial industrial customers.

Valuation

Adjustments were made to operating expenses and tariffs to account for changes observed in the last reporting period. The net present value of future cash flows for IIP, after accounting for these adjustments, was £6.1 million as at 30 September 2019 (£5.4 million 31 March 2019; £4.7 million 30 September 2018). There was a positive impact from a lower risk-free rate and appreciation of INR against GBP.

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 2019	**£6.1 million**	
Project Debt Outstanding as at 31 Sep 2019	£263.6 million	

Key developments

- In July 2019, SMH approved entry into an MOU with the promoter and lead lender which opens up a potential path to completion.

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, although the site and equipment have suffered from a lack of maintenance for several years.

Current status of the project and financing update

Since entry into the MOU in July 2019, IIP has not been appraised of any progress on behalf of the promoter, Entegra, in relation to securing completion finance. The promoter has appointed a new Chairman and several executives at SMH having been provisionally handed back equity acquired by the lenders and given management control of the company. The promoter must provide funding to meet the most immediate needs of SMH and will have 12 months from July 20129 to raise finance to complete the project as well as conclude a settlement with the lenders.

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 2019 was £6.1 million (£5.6 million 30 September 2018; £5.1 million 31 March 2019), with a positive impact from a lower risk-free rate and appreciation of INR against GBP. 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 there remains the risk that the investment could be reduced to zero.

Consolidated Statement of Comprehensive Income
for the period ended 30 September 2019

	Note	(Unaudited) 6 months ended 30 September 2019 £'000	(Unaudited) 6 months ended 30 September 2018 £'000	(Audited) Year ended 31 March 2019 £'000
Movement in fair value on investments at fair value through profit or loss	10	57,163	(34,333)	(65,061)
Foreign exchange (loss)/gain		(3,214)	(2,927)	(2,939)
Asset management and valuation services	8	(2,790)	(2,766)	(5,531)
Other administration fees and expenses	7	(1,757)	(1,127)	(3,960)
Operating profit/(loss)		49,402	(41,153)	(77,491)
Finance costs	14	(6,335)	(2,283)	(5,249)
Profit/(loss) before taxation		43,067	(43,436)	(82,740)
Taxation		-	-	-
Profit/(loss) for the period		43,067	(43,436)	(82,740)
Other comprehensive income		-	-	
Total comprehensive income		43,067	(43,436)	(82,740)
Basic and diluted loss per share (pence)	9	6.32p	(6.38)p	(12.16)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 2019

	Note	(Unaudited) 6 months ended 30 September 2019 £'000	(Unaudited) 6 months ended 30 September 2018 £'000	(Audited) Year ended 31 March 2019 £'000
Non-current assets				
Investments at fair value through profit or loss	10	259,233	200,032	179,376
Total non-current assets		259,233	200,032	179,376
Current assets				
Debtors and prepayments		64	49	98
Cash and cash equivalents		28,328	1,650	1,652
Total current assets		28,392	1,699	1,750
Total assets		287,625	201,731	181,126
Current liabilities				
Trade and other payables		(1,658)	(334)	(1,751)
Current loans and borrowings	14	-	(56,064)	(73,347)
Total current liabilities		(1,658)	(56,398)	(75,098)
Long term liabilities				
Loans and borrowings	14	(136,832)	-	-
Total long term liabilities		(136,832)	-	-
Total liabilities		(138,490)	(56,398)	(75,098)
Net assets		149,135	145,333	106,028
Equity				
Ordinary shares	11	6,821	6,803	6,803
Share premium	11	282,808	282,787	282,787
Retained earnings		(140,494)	(144,257)	(183,562)
Total equity		149,135	145,333	106,028

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

These financial statements were approved by the Board on 11 December 2019 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 2019

	Share capital £'000	Share premium £'000	Retained profit £'000	Total £'000
Balance at 1 April 2018	6,803	282,787	(100,822)	188,768
Total comprehensive income for the period				
Loss for the period	-	-	(43,436)	(42,436)
Total comprehensive loss for the period	-	-	(43,436)	(42,436)
Balance at 30 September 2018	**6,803**	**282,787**	**(144,258)**	**145,332**
Balance at 1 April 2018	6,803	282,787	(100,822)	188,768
Total comprehensive income for the year				
Loss for the year	-	-	(82,740)	(82,740)
Total comprehensive loss for the year	-	-	(82,740)	(82,740)
Balance at 31 March 2019	**6,803**	**282,787**	**(183,562)**	**106,028**
Balance at 1 April 2019	**6,803**	**282,787**	**(183,562)**	**106,028**
Contributions by and distributions to owners				
Issued of ordinary shares	18	21	-	39
Total contributions by and distributions to owners of the Company	18	21	-	39
Total comprehensive income for the period				
Profit for the period	-	-	43,067	43,067
Total comprehensive income for the period	**-**	**-**	**43,067**	**43,067**
Balance at 30 September 2019	**6,821**	**282,808**	**(140,494)**	**149,135**

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

Consolidated Statement of Cash Flows
for the period ended 30 September 2019

	Note	(Unaudited) 6 months ended 30 Sep 2019 £'000	(Unaudited) 6 months ended 30 Sep 2018 £'000	(Audited) Year ended 31 Mar 2019 £'000
Cash flows from operating activities				
Profit/(loss for the period		43,067	(43,436)	(82,740)
Adjustments:				
Finance costs		6,371	2,283	5,249
Movement in fair value on investments at fair value through profit or loss	10	(57,163)	34,333	65,061
Accrued share expense		39	-	-
Foreign exchange loss/(gain)		3,214	2,927	2,939
		(4,472)	(3,893)	(9,491)
(Decrease)/increase in creditors and accruals		(92)	(1,251)	166
Decrease/(increase) in debtors and prepayments		33	(34)	(83)
Net cash utilised by operating activities		**(4,531)**	**(5,178)**	(9,408)
Cash flows from investing activities				
Funding of investment companies	10	(22,694)	(11,331)	(21,403)
Cash utilised by investing activities		**(22,694)**	**(11,331)**	(21,403)
Cash flows from financing activities				
Loans received		59,625	14,634	28,959
Loans repaid		(5,781)	-	-
Interest paid		(36)	-	-
Net cash generated from financing activities		**53,808**	**14,634**	28,959
Increase/(decrease) in cash and cash equivalents		**26,583**	**(1,875)**	**(1,852)**
Cash and cash equivalents at the beginning of the period		1,652	3,431	3,431
Effect of exchange rate fluctuations on cash held		93	94	73
Cash and cash equivalents at the end of the period		**28,328**	**1650**	**1,652**

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 2019

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 2019.

These interim consolidated financial statements were approved by the Board of Directors on 11 December 2019.

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 are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2019.

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 2019.

During the six months ended 30 September 2019 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

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 2019.

7. Other administration fees and expenses

	6 months ended 30 September 2019	**6 months ended 30 September 2018**	**Year ended 31 March 2019**
	£'000	**£'000**	**£'000**
Audit fees	23	38	69
Legal fees	43	260	180
Corporate advisory fees	53	87	201
Consultancy fees	275	95	59
Other professional costs	843	-	2,475
Administration fees	80	80	164
Directors' fees	90	90	180
Insurance costs	5	9	9
Loan arrangement related fees	209	404	463
Travel and entertaining	55	64	109
Other costs	81	-	51
	1,757	**1,127**	**3,960**

8. Investment management, advisory and valuation fees and performance fees

On 14 September 2016, the Company entered into a revised and restated management, 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 2019 were £2,790,000 (30 September 2018: £2,766,000).

There were no performance fees paid during the period (30 September 2018: nil).

The Company announced on 20 June 2019 that the asset management agreement with Franklin Park had been extended. The extension follows the debt facility agreement on 2 April 2019 (see note 14) and aligns the minimum term of the Asset Manager's appointment with the maturity of the Company's loans and provides for continuity of the asset management whilst these loans remain outstanding.

9. Basic and diluted earnings per share

The basic and diluted earnings per share is calculated by dividing the earnings 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 earnings per share is the same as basic loss per share.

	Group 30 September 2019	**Group 30 September 2018**	**Group 31 March 2019**
Profit/(loss) for the period (£ thousands)	43,067	(43,436)	(82,740)
Weighted average number of shares (thousands)	681,630	680,267	680,267
Basic and diluted earnings per share (pence)	6.32	(6.38)p	(12.16)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	**IHDC £'000**	**DLI £'000**	**IEL £'000**	**Total £'000**
Balance at 1 April 2019	5,115	20,959	147,870	5,432	179,376
Additional capital injection	-	-	22,694	-	22,694
Fair value adjustment	1,032	3,117	52,272	742	57,163
Balance as at 30 September 2019	6,147	24,076	222,836	6,174	259,233

(i) Shree Maheshwar Hydel Power Corporation Ltd ("SMHPCL")
(ii) Distribution & Logistics Infrastructure (DLI)
(iii) India Hydropower Development Company LLC ("IHDC")
(iv) Indian Energy Limited ("IEL")

All investments have been fair valued by the Directors as at 30 September 2019 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) of 6.68% plus a risk premium of 8% for SMHPCL, 3.02% 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 2019, 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	1,817,148	18	21
Balance at 30 September 2019	682,084,189	6,821	282,808

Company has authorised share capital of 682,084,189 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 1 July 2019, the accrued shares were 1,817,148 (including prior year accrued Fee Shares not yet issued). On 10 July 2019, the Company issued a total of 1,817,148 ordinary shares to the Asset Manager in respect of shares that had accrued up to 1 July 2019.

As at 30 September 2019, the accrued shares from 1 July 2019 to 30 September 2019, were 151,429 and the accrued share based payment expense for the period is £3,000.

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 2019	Group 30 September 2018	Group 31 March 2019
Net assets (£'000)	149,135	145,332	106,028
Number of shares in issue	682,084,189	680,267,041	680,267,041
NAV per share	£0.22	£0.21	£0.16

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%
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 2019	65,668	7,679	73,347
Loans drawn-down	59,625	-	59,625
Interest charge for the period	-	6,335	6,335
Capitalised loan interest	5,002	(5,002)	-
Loans repaid	(5,781)	-	(5,781)
Loan interest paid	-	(36)	(36)
Foreign currency loss	3,182	160	3,342
Balance as at 30 September 2019	127,696	9,136	136,832

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 increased to US$21.5 million in September 2017. The working capital loan has an interest rate of 7.5% per annum, payable semi-annually during the facility period. The Company's ultimate controlling party during the year was GGIC and affiliated parties.

In addition, and on 30 June 2017, the Company entered into an US$8.0 million unsecured bridging loan facility with Cedar Valley Financial ("Cedar Valley"), an affiliate of GGIC and the loan was subsequently increased in multiple tranches to US$64.1 million. The bridging loan has an interest rate of 12% per annum, payable semi-annually during the facility period. Cedar Valley's ultimate controlling party during the year was GGIC and affiliated parties.

The Company arranged further debt facility of up to US$105 million (approximately £80.2 million) with IIP Bridge Facility LLC (the "Lender"), an affiliate of GGIC on . The Loan is a secured four-year term loan provided to the Company's wholly owned Mauritian subsidiary, Infrastructure India Holdco, and matures on 1 April 2023. The loan carries an interest rate of 15% (increasing to 18% per annum in the event of default) and payable at maturity, and is secured on all assets of Infrastructure India Holdco, including 100% of the issued share capital of Distribution Logistics Infrastructure India ("DLII"), DLI's Mauritian parent company.

At 30 September 2019, US$75 million has been drawn to date and a further US$30 million remains available to the Group under the Facility. US$7.5 million of the drawn down proceeds was applied towards the repayment the GGIC Loan.

In accordance with the requirements of the loan above maturity of both the GGIC loan and the Cedar Valley loan have been extended to 30 June 2023 and will carry an interest rate of 15% per annum from 2 April 2019.

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.

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.

16. Subsequent events

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.