India Infrastructure Finance Company (UK) Limited

Report and Financial Statements

Year Ended

31 March 2021

Company Number 06496661

India Infrastructure Finance Company (UK) Limited

Company Information

Directors	Mr Pankaj Jain (resigned 29 May 2020) Chairman and Director, Government of India Nominee
	Mr Padmanabhan Raja Jaishankar Chairman
	Mr Anand Madhukar (resigned 7 December 2020) Director, Government of India Nominee
	Mr Lalit Kumar Chandel (appointed 7 December 2020) Director, Government of India Nominee
	Mr Sharad Chandak Director, Government of India Nominee
	Mr Manoj Ladwa Non-Executive Director
	Mr Naresh Goyal (resigned 4 April 2021) Managing Director
	Mr Rakesh Kumar (appointed 4 April 2021) Managing Director
Company secretary	Vistra Company Secretaries Limited First Floor Templeback 10 Temple Back Bristol BS1 6FL
Registered number	06496661
Registered office	Third Floor 72 King William Street London EC4N 7HR
Current Auditor	Mazars LLP Tower Bridge House St Katharine’s Way London E1W 1DD
Accountants	Leadenhall Financial Management Limited 311 Regents Park Road, London N3 1DP

Company Information (continued)

Bankers	State Bank of India 15 King Street London EC2V 8EA
	Bank of India 63 Queen Victoria Street London EC4N 4UA
	Punjab National Bank (Int'l) Limited 1 Moorgate London EC2R 6AB
	Bank of Baroda 32 City Road London EC1Y 2BD
	Canara Bank 10 Chiswell Street London EC1Y 4UG
	Union Bank of India (UK) Limited 85 Queen Victoria Street London EC4V 4AB
	Bank of Baroda Dubai Main Branch P O Box 3162 Dubai

India Infrastructure Finance Company (UK) Limited

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India Infrastructure Finance Company (UK) Limited

Strategic Report
for the Year Ended 31 March 2021

This Strategic Report should be read in conjunction with the Directors' report where some of the requirements of this report have been discussed.

Financial highlights

The financial statements for the reporting year ended 31 March 2021 are placed at pages 23 - 59. Total income for the year ended 31 March 2021 is $84,340,017 (2020 - $104,845,875). Operating profit of the company for the year ended 31 March 2021 before capital impairment loss amounted to $20,435,024 (2020 - $19,660,605) and the profit after taxation is $6,568,260 (2020 – $2,858,611).

Table: 1

	Key data (Figures in $million)	31 March 2021	31 March 2020
1.	Gross Sanctions	270	28.73
2.	Disbursements	193.54	NIL
3.	Total Income (net of revenue impairment)	53.50	82.31
4.	Operating profit (net of revenue Impairment)	20.43	19.66
5.	Net profit	6.57	2.86
6.	Return on Assets (Post Tax)	0.36%	0.16%
7.	Earnings Per Share (Face Value $1)	0.09%	0.04%

The performance of the company during the year has been as follows:

- India Infrastructure Finance Company (UK) Limited ("IIFC (UK) Limited") introduced Refinance Scheme and approved proposals amounting to $270,000,000. With this the cumulative gross and net approvals for aggregate loans, net of cancellations reached $4,558.65 million and $4,264.47 respectively for 45 projects under direct lending and 2 institutions under Refinance, including in principal approvals as of 31 March 2021.
- The cumulative disbursements at year end stand at $2,251.50 million.
- The Total Income (net of revenue impairment) amounted to $53,504,330 330 (2020 - $82,310,024). The reduction in income is mainly on account of decrease in 6 months USD Libor rates (all the loans provide by the company are linked to 6 months USD Libor rate). With impairment loss provisions of $55,823,209 (Capital - $14,041,618 and Revenue - $41,781,591) for the year, the profit after tax of $6,568,260 has been recorded (2020 - $2,858,611).
- The finance cost decreased to $31,402,283 (2020 - $61,107,588) mainly on account of decrease in 6 months USD Libor rates (from about 1.20% in April 2020 to about 0.20% in March 2021). All of company's long term liabilities are linked to USD 6 months Libor rates.

In addition to the support from India Infrastructure Finance Company Limited ("IIFCL") (parent company), IIFC (UK) Limited has been raising funds by issuing long term USD denominated bonds subscribed by the Reserve Bank of India (RBI). The USD denominated Bonds subscribed by the RBI are fully Guaranteed by the Government of India. The time period for availability of such facility to IIFC (UK) Limited is till 5th March 2023. During the year 2020-21, no additional funds have been raised and the net principal outstanding subscription of Bonds by RBI towards Bonds issued by IIFC (UK) Limited stands at $1,863 million as at 31 March 2021.

Principal activity and review of business

IIFC (UK) Limited is a subsidiary company of IIFCL, which, in turn, is a wholly owned enterprise of the Government of India (GOI). IIFC (UK) Limited provides long term loans in foreign currency for development of infrastructure projects in India. The company lends under the Government of India approved Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle called the India Infrastructure Finance Company Limited “SIFTI”. SIFTI is modified from time to time by the Government of India.

Principal activity and review of the business (continued)

The sectors broadly covered for financing under SIFTI include:

S. No.	Category	Infrastructure sub-sectors
1.	Transport and Logistics	Roads And Bridges Ports[1] Shipyards[2] Inland Waterways Airport Railway Track Including Electrical & Signalling System, Tunnels, Viaducts, Bridges Railway Rolling Stock Along With Workshop And Associated Maintenance Facilities Railway Terminal Infrastructure Including Stations And Adjoining Commercial Infrastructure Urban Public Transport (Except Rolling Stock In Case Of Urban Road Transport) Logistics Infrastructure[3]
2	Energy	Electricity Generation Electricity Transmission Electricity Distribution Oil Pipelines Oil/Gas/Liquefied Natural Gas (Lng) Storage Facility[4] Gas Pipelines[5]
3.	Water and Sanitation	Solid Waste Management Water Supply Pipelines Water Treatment Plants Sewage Collection, Treatment And Disposal System Irrigation (Dams, Channels, Embankments, Etc.) Storm Water Drainage System Slurry Pipelines
4.	Communication	Telecommunication (Fixed Network) [6] Telecommunication Towers Telecommunication & Telecom Services
5.	Social and Commercial Infrastructure	Education Institutions (Capital Stock) Sports Infrastructure[7] Hospitals (Capital Stock) [8] Tourism Infrastructure Viz. (I) Three-Star Or Higher Category Classified Hotels Located Outside Cities With Population Of More Than 1 Million, (Ii) Ropeways And Cable Cars Common Infrastructure For Industrial Parks And Other Parks With Industrial Activity Such As Food Parks, Textile Parks, Special Economic Zones, Tourism Facilities And Agriculture Markets Post-Harvest Storage Infrastructure For Agriculture And Horticultural Produce Including Cold Storage Terminal Markets Soil-Testing Laboratories Cold Chain[9] Affordable Housing[10]

Principal activity and review of the business (continued)

Notes:

(1) Includes Capital Dredging
(2) "Shipyard" is defined as a floating or land-based facility with the essential features of waterfront, turning basin, berthing and docking facility, slipways and/or ship lifts, and which is self sufficient for carrying on shipbuilding/ repair/breaking activities.
(3) "Logistics Infrastructure" means and includes Multimodal Logistics Park comprising Inland Container Depot (ICD) with minimum investment of Rs. 50 crore and minimum area of 10 acres, Cold Chain Facility with minimum investment of Rs. 15 crore and minimum area of 20,000 sft, and/or Warehousing Facility with investment of minimum Rs. 25 crore and minimum area of 1 lakh sq ft.
(4) Includes strategic storage of crude oil.
(5) Includes city gas distribution network.
(6) Includes optic fibre/wire/cable networks which provide broadband / Internet.
(7) Includes the provision of Sports Stadia and Infrastructure for Academies for Training/Research in Sports and Sports-related activities.
(8) Includes Medical Colleges, Para Medical Training Institutes and Diagnostics Centres.
(9) Includes cold room facility for farm level pre-cooling, for preservation or storage of agriculture and allied produce, marine products and meat.
(10) "Affordable Housing" is defined as a housing project using at least 50% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) for dwelling units with carpet area@ of not more than 60 square meters. @ "Carpet Area" shall have the same meaning as assigned to it in clause (k) of section 2 of the Real Estate (Regulation and Development) Act, 2016.

The following sectors are added as applicable in case of IIFC (UK) Limited.

- Mobile telephony services/ companies providing cellular services
- Mining
- Exploration and
- Refining

FED Master Direction No.5/2018-19 dated 26 March, 2019 also defined Infrastructure Sector as given in the Harmonised Master List of Infrastructure sub-sectors approved by Government of India vide Notification F. No. 13/06/2009-INF as amended / updated from time to time and for the purpose of External Commercial Borrowings (ECB), "Exploration, Mining and Refinery" sectors are deemed as in the infrastructure sector. Modifications relating to infrastructure subsectors in SIFTI are automatic as and when changes are made by the Government of India and RBI (ECB Guidelines).

Principal activity and review of the business (continued)

In financing to infrastructure projects directly, so far, IIFC (UK) Limited has participated only in funding the import component of the infrastructure project by way of a foreign currency loan within prescribed limits. In view of this, the origination of eligible projects has been restricted to a few selected sectors which have adequate import content, namely Energy - Electricity Generation, Transmission and Distribution, Gas pipelines and LNG storage facility, Metro Rail, Seaport and Airport etc. Recently, IIFC (UK) Limited has also initiated considering providing foreign currency loans to eligible institutions in India under the Government of India approved New Refinance scheme.

Principal risks and uncertainties

In order to manage risk effectively, its nature and potential impact must be understood. IIFC (UK) Limited's current activities and markets expose it to a variety of risks. The principal risks are as follows:

Credit Risk

Credit Risk is the risk of loss arising from a counterparty failing to meet its repayment or performance obligations in accordance with agreed terms. The level of exposure to Credit Risk is a function of the quantum of the IIFC (UK) Limited's aggregate lending (and analogous activities) and the creditworthiness of its customers and counterparts.

Liquidity Risk

Liquidity Risk is the risk that IIFC (UK) Limited fails to maintain sufficient liquidity to remain solvent and/or meet regulatory thresholds.

Market Risk

Market Risk is the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices.

Information on principal risks and uncertainties which comprise financial risks are given in note 11.

Operational risk

Operational risk is defined as the potential risk of financial loss resulting from inadequate or failed internal process systems, people or external events.

Major sources of operational risks for the company are identified as IT security, internal and external fraud, process errors, money laundering risks and external events like failure of transportation, non-availability of utilities.

The company has identified each of such possible eventualities and established mitigation processes and internal controls. Such processes and procedures are reviewed periodically.

The company conducts its operations under the Government of India approved Scheme popularly known as SIFTI. The scheme stipulates a series of operational norms which the company follows in its lending operations. All the lending powers vest with the Board of Directors. The company has an investment policy in place which is based on the terms and conditions issued by the Government of India and the Reserve Bank of India.

Operational risk (continued)

To address the risks relating to money laundering, the company has put into place a comprehensive Anti-Money Laundering/Anti Bribery Policy; a maker-checker for all financial transactions; a system for the review and monitoring of activities at the Board and management level; record retention; and an internal control process to ensure that the Board, the Government of India and the Reserve Bank of India and promoter companies are kept informed of the company's operations.

The company also draws on the policies of its parent company to identify operational risk in terms of credit risk, corporate governance, fraud detection and prevention and the compliance code of conduct.

Operating norms

In lending to infrastructure projects directly, IIFC (UK) Limited typically participates in consortium/syndicated lending to eligible infrastructure projects in India. The company lends under the Government of India approved Scheme for financing viable infrastructure projects through a SPV called IIFCL "SIFTI".

In addition, lending by IIFC (UK) Limited is treated as External Commercial Borrowing (ECB) by the RBI. Therefore, the facilities extended by IIFC (UK) Limited are to be in compliance to parameters such as minimum maturity and permitted end-uses, as per the master framework of RBI for External Commercial Borrowings.

In lending to infrastructure projects directly, so far IIFC (UK) Limited has participated only in funding the import component of the infrastructure project by way of a foreign currency loan within prescribed limits. In view of this, the origination of eligible projects has been restricted to a few selected sectors which have adequate import content, namely Energy - Electricity Generation, Transmission and Distribution, Gas pipelines and LNG storage facility, Metro Rail, Seaport and Airport etc. In lending to infrastructure projects directly, typically, IIFC (UK) Limited considers the sanction of loan to a project based on the appraisal of Lead Bank or of reputed appraising institutions/banks/international financial institutions. Recently, IIFC (UK) Limited has also initiated providing foreign currency loans to eligible institutions in India under the Government of India approved New Refinance scheme.

In addition, an internal risk assessment is also undertaken for the identification and mitigation of various risks. The guidelines as provided in SIFTI and other schemes and other operating norms also provide adequate checks and balances to limit the company's exposure to the projects/groups as per the prescribed limits. Accordingly, IIFC (UK) Limited's lending to any Project Company does not exceed 20 percent of the total cost of the project. IIFC (UK) Limited accords priority in lending to Public Private Partnership (PPP) projects.

Besides the above stipulations, the company adheres to the exposure norms for approval of loans to a single borrower and group as approved by its Board.

IIFC(UK) Limited considers loans to the projects directly usually as a part of the consortium/syndicate, Typically, the Lead Institution regularly monitors and evaluates the compliance of the project with agreed milestones and performance levels. IIFC (UK) Limited may also carry out regular monitoring of projects on its own.

Further, as a part of due diligence exercise, during the construction phase, the lenders usually appoint specialised agencies such as Lenders' Independent Engineer "LIE". A LIE is generally a reputed Consultancy/Engineering firm with relevant experience in evaluating large infrastructure projects.

Risk management

In case of direct Project funding, usually, the LIE and/or other specialised agency carries out an independent study of the project, examines the project cost and related aspects, the project design and technical viability issues. Typically, the Lead institution appraises the project and its debt requirements. In the pre-financial closure stage, the LIE monitors the construction process and generates monitoring reports to enable the lenders to monitor progress in the project.

The company undertakes monitoring and review of its portfolio on a regular basis, including the reviews undertaken by the risk committee and Board of Directors.

Going concern basis

The company has adequate resources to continue its operations for the foreseeable future despite having a negative net worth position. The company has received sufficient operational support from the parent company from time to time and the same is expected to continue. Also, the company have the facility to draw funds under the Reserve Bank of India Subscription Agreement until March 2023 under the present arrangement. Furthermore, the company maintains adequate funds to finance loan disbursements as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Sanction of loans

IIFC (UK) Limited has, after cancellations and reductions, made cumulative loan sanctions from incorporation to 31 March 2021 to 45 projects under Direct Lending and 2 Institutions under New Refinance Scheme with sanction amounting to $4,265 million. The status of the activity and sector gross approvals at 31 March 2021 are presented in Table 2 and Table 3 below.

Table: 2 **(Figures in USD Million)**

Activity/Sector	No. of Projects	Net Loan Approvals	Share in Total (%)
Fertilizers	**1**	**85**	**2%**
Private	1	85	**2%**
Gas Pipelines/LNG Storage/Refinery/Exploration	**6**	**858**	**20%**
Private	2	155	**4%**
Private Competitive bidded	1	72	**2%**
Public	3	631	**15%**
MRTS - Metro Rail	**3**	**188**	**4%**
PPP	3	188	**4%**
Port	**4**	**272**	**6%**
PPP	3	204	**5%**
Private	1	68	**2%**
Power	**30**	**2,466**	**58%**
PPP	8	1,008	**24%**
Private	11	1,246	**29%**
Private Competitive bidded	11	212	**5%**
Telecommunications	**1**	**126**	**3%**
Private	1	126	**3%**
Total	**45**	**3,995**	**94%**
New Refinancing Scheme loans	**2**	**270**	**6%**
Grand Total	**47**	**4,265**	**100%**

Sanction of loans (continued)

Table: 3 **(Figures in USD Million)**

Sector/Activity	No. of Projects	Net Loan Approvals	Share in Total (%)
PPP	**14**	**1,400**	**33%**
MRTS - Metro Rail	3	188	**4%**
Port	3	204	**5%**
Power	8	1,008	**24%**
Private	**16**	**1,680**	**39%**
Fertilizers	1	85	**2%**
Gas Pipelines/LNG Storage/Refinery/Exploration	2	155	**4%**
Port	1	68	**2%**
Power	11	1,246	**29%**
Telecommunications	1	126	**3%**
Private Competitive bids	**12**	**284**	**7%**
Gas Pipelines/LNG Storage/Refinery/Exploration	1	72	**2%**
Power	11	212	**5%**
Public	**3**	**901**	**21%**
Gas Pipelines/LNG Storage/Refinery/Exploration	3	631	**15%**
Total	**45**	**3,995**	**94%**
New Refinancing Scheme loans	2	270	**6%**
Grand Total	**47**	**4,265**	**100%**

Sanction of loans (continued)

Disaggregated information in respect of the net loan approvals (after cancellations) for the periods ended 31 March 2010 to 31 March 2021 are furnished in Table 4 below.

Table: 4 **(Figures in USD Million)**

Year	Approvals during the Year	Cumulative approvals	Power	Gas Pipelines/ LNG Storage/ Refinery/ Exploration	Metro Rail	Ports	Telecommu -nications	Fertilizer Manufac turing	Refina nce
2008-09	597	597	473	-	124	-	-	-	
%		100%	79%		21%				
2009-10	257	854	730	-	124	-	-	-	
%		100%	85%		15%				
2010-11	Sanctions Cancelled	854	730	-	124	-	-	-	
%		100%	85%		15%				
2011-12	348	1,202	885	-	124	109	-	85	
%		100%	74%		10%	9%		7%	
2012-13	498	1,700	1,251	-	188	177	-	85	
%		100%	74%		11%	10%		5%	
2013-14	375	2,075	1,501	125	188	177	-	85	
%		100%	72%	6%	9%	9%		4%	
2014-15	598	2,673	1,754	365	188	202	80	85	
%		100%	66%	14%	7%	8%	3%	3%	
2015-16	375	3,048	2,011	437	188	202	126	85	
%		100%	66%	14%	6%	7%	4%	3%	
2016-17	583	3,631	2,314	717	188	202	126	85	
%		100%	64%	20%	5%	6%	3%	2%	
2017-18	194	3,825	2,438	717	188	272	126	85	
%		100%	64%	19%	5%	7%	3%	2%	
2018-19	141	3,966	2,438	858	188	272	126	85	
2019-20	**29**	**3,995**	**2,466**	**858**	**188**	**272**	**126**	**85**	
%		100%	62%	21%	5%	7%	3%	2%	
2020-21	**270**	**4,265**	**2,466**	**858**	**188**	**272**	**126**	**85**	**270**
%		100%	58%	20%	4%	6%	3%	2%	6%

Note: the cancellations have been adjusted in net sanctions in the financial year in which the loan was sanctioned.

During the year ended 31 March 2021, the company approved credit proposals totalling $270 million as compared to total loan approvals of $29 million during the year ended 31 March 2020. The sanctions were made under the New Refinance Scheme.

Disbursement of loans

As at 31 March 2021, cumulative disbursements from incorporation to date aggregated $2,251.50 million. The details of the cumulative disbursement of loans at 31 March 2021 are shown in Table 4 below.

Table: 5 **(Figures in USD million)**

Sector/Activity	No. of Projects	Net Loan Approved	Disbursement
Fertilizers	**1**	**85**	**70**
Private	1	85	70
Gas Pipelines/LNG Storage/Refinery/Exploration	**6**	**858**	**71**
Private	2	155	-
Private Competitive bidded	1	72	71
Public	3	631	-
MRTS - Metro Rail	**3**	**188**	**179**
PPP	3	188	179
Port	**4**	**272**	**143**
PPP	3	204	109
Private	1	68	34
Power	**30**	**2,466**	**1,618**
PPP	8	1,008	687
Private	11	1,246	829
Private Competitive bidded	11	212	102
Telecommunications	**1**	**126**	**-**
Private	1	126	-
Total	**45**	**3995**	**2081**
Refinance (to institutions)	2	270	170
Public	**2**	**270**	**170**
Grand Total	**47**	**4,265**	**2,251**

Impairment of assets

An objective tool has been developed for assessment of expected credit losses “ECL” in the accounts. IIFC (UK) Limited, as a prudent lender, in addition to impairments calculated as per the objective model developed, considers accelerated impairments on a case-to-case basis, depending on the expected recovery scenario. ECLs are recognised as impairments in the Statement of Profit and Loss.

Total capital impairment of $14,041,618 (2020: $19,542,797) has been provided during the year. Accelerated impairments have been recognised on a two accounts including one PPP project with provision of termination payment and one project which is presently under NCLT.

In addition, in all the stage 3 accounts, interest income has also been impaired in case the same has not been received. An amount of $41,781,591 ($43,254,594 minus recovery from bad debts amounting to $1,473,003) has been booked as impairment of interest and other receivables during the year as compared to $38,613,724 booked in the previous year.

Total amount of impairment including both capital and interest during the year is $55,823,209 (2020: $58,156,521.)

Impact of Brexit

IIFC (UK) Limited's principal activities involve facilitating the funding of infrastructure projects located in India. IIFC (UK) Limited has raised funds from the Reserve Bank of India and all its lending has been in US Dollars. The activities and operations of IIFC (UK) have no direct links to the European Union. Therefore, the Brexit has not had a material impact on the operations of IIFC(UK).

Future developments

The Government of India is aiming to achieve a GDP of $5 trillion by 2024-25. In order to achieve this target the Government of India have focused on infrastructure sector in the 2021-22 union budget. The national infrastructure pipeline (NIP) has been expanded to cover 7,400 projects with a projected total infrastructure investment of 111 Lakh Crore during the 2020-2025 financial years, which will become a vital lever for economic revival and building long-term competencies. The capital expenditure in Union Budget for 2021-22 was increased to 5.5 Lakh Crore compared to 4.12 lakh crore in 2020-21.This is expected to create a strong pipeline of viable infrastructure projects for funding by IIFC(UK) Limited.

COVID-19 hit the world and the outbreak has been declared a public health emergency by the World Health Organization. Many countries including India had to implement lockdowns to contain the spread of the deadly virus. In present times, when the businesses have globally interconnectivity, this poses significant challenges to the infrastructure sector in India. Temporary shutdowns, decrease in demand, slowed pace of investment, increase in the cost of capital, increased working capital cycle etc. may be some of the potential risks emanating from this unprecedented crisis. India had imposed a nationwide lockdown on 25 March 2020. In India, the lockdown was slowly eased, and by 1 June, most non-essential services had been allowed to operate in non-containment zones in the country, subject to policies made by states. Since the situation is still evolving and is rapidly changing, its impact on some of the sectors may be temporary or may potentially have longer term repercussions. World over, various governments have taken significant measures to contain the impact of Covid 19 on businesses. The Government of India has also taken measures in this regard including announcing a package of about RS 20 Lakh Crore including an infusion of liquidity of Rs 90,000 cr in Electricity Discoms through Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) as a part of the Atmanirbhar Bharat Abhiyan. The Reserve Bank of India has also provided some general relief to Indian businesses, which include debt moratorium and recalibration of working capital cycle.

The Second wave of the Covid-19 has again disrupted India during April 2021 and many states have gone for lockdowns that will further impact their infrastructure development. The situation due to Covid 19 is still evolving with a focus on the immunisation programme, but as infrastructure projects are more like public utility projects, while there may be temporary cash flow issues, long term impacts due to Covid 19 may be manageable with the revival of the economy and the steps taken by governments.

For most of the stressed assets, the lenders are considering a resolution plan, and many asset resolution plans are expected to be implemented during 2021-22. However, the implementation of these resolution plans may be impacted due to Covid 19.

Future developments (continued)

In order to explore the potential for raising funds outside the RBI facility through listed USD bond issuances, IIFC (UK) Limited had initiated steps to reregister itself as a Public Limited Company (PLC), however due to its negative net asset position this could not be undertaken during the year. IIFC (UK) Limited is expecting significant capital injection in 2021-22. Government of India has recently approved modifications in SIFTI, the New Refinance Scheme and Credit Enhancement Scheme and the same has also been adopted by IIFC (UK) Limited and it has begun considering approvals based on these modified schemes. These changes are expected to enhance the scope of business opportunities for IIFC (UK) Limited. Under the New Refinance Scheme, IIFC (UK) Limited has already disbursed USD 170 million and expects more sanctions and disbursements during the year.

The Indian economy has been one of the fastest growing economies in the world and while a slowdown due to Covid 19 is expected in first half of 2021-22, the Indian economy is expected to bounce back sharply. With economic reforms undertaken by the Government of India, the creation of the National Infrastructure pipeline with target of investments to the tune of more than Rs 100 Lakh cr in next five years along with the measures to contain the effects of Covid 19, IIFC (UK) Limited expects to see significant new business opportunities arise.

With the foregoing, IIFC (UK) Limited is expected to emerge stronger during this fiscal year. The Directors thankfully acknowledge the support of the Government of India, the Reserve Bank of India and India Infrastructure Finance Company Limited.

Section 172 (1) Statement for the Year Ended 31 March 2021

Section 172 of the Companies Act 2006 requires a Director of a company to act in good faith to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard to the company's reputation, a range of stakeholders and required resources in addition to shareholders, and to the long-term success of the company.

In the following section we detail the key stakeholders in the company and resources on which it relies for long-term success. We look at the interests of these parties, how we have engaged with them and, where significant decisions have been made during the year, how that engagement has influenced our decisions. In doing this the Directors consider themselves to be fulfilling their duty under section 172 of the Companies Act 2006.

Stakeholders

Having given careful consideration to these matters, the Directors have concluded that the key factors and stakeholders to consider and the reasons we have considered them are as follows:

Financial stakeholders

Our financial shareholders provide our financial capital which allows us to engage in our principal activity of making long-term loans.

Our shareholder is India Infrastructure Finance Company Limited (IIFCL), which is, itself, owned by the Government of India.

Our other principal financial stakeholders, through holdings of bonds we have issued, are the Reserve Bank of India and the Government of India, which guarantees those bonds. To date we have raised USD 2.5bn under this arrangement and have an approval which allows for issuance of up to USD 5bn.

These stakeholders expect us to facilitate the development of infrastructure sector through financing as per SIFTI and other Government of India approved schemes.

We engage with our shareholder through providing regular business updates and the minutes of all our Board meetings are also placed in the Board meetings of our parent company IIFCL. Also, through our AGM, which usually all board members attend. We also engage with our bondholder through periodic updates about funds deployed and other information including our audited financial statements and Annual Report.

Section 172 (1) Statement for the Year Ended 31 March 2021 (continued)

Customers
Lending to our customers is the reason for our existence as a company. Communications with customers happen throughout the year both formally and informally including both direct communication and discussions through lending consortia. Since lending to infrastructure projects is typically for very long periods and during which the economic and regulatory environment may change, various amendments in the terms of loans may occasionally be required and the Board considers such requests for modifications on a case to case basis keeping in mind, inter alia, the interest of the company and the impact on development of the infrastructure sector in India.

Employees
The company has only three employees and therefore it is possible to have continuing two-way communication with employees without an extensive formal structure. Engagement with employees and their feedback is almost on ongoing basis.

Long-term success and high business standards
The company strives to maintain high business standards at all times as this is key to its relationships with its financial stakeholders and customers. Continuing high business standards are key to its ability to maintain its relationship with the shareholder and bondholder and managing risk and thus to the long-term success of the company.

Impact of views of stakeholders and consideration of resources on decisions made during the year
To illustrate the consideration of the Directors in regard to the stakeholders above we note below some of the decisions made by the board during the year and their effect on the parties and matters above.

Equity increase: Having considered among other things, the effect of the provisions required by IFRS 9 on the company's equity it was determined that the company should seek additional equity from its shareholder. The additional equity contributes positively to the perceived stability of the business for customers. Though the company continues to have a negative net equity position the Directors believe that the positive cash flow being generated by the company, the support from the Government of India, the Reserve Bank of India and the parent company and the approval for extension of the bond issuance noted below also support the company's stability and growth.

Subscription Agreement for Bond issuance to Reserve Bank of India: The Reserve Bank of India has extended the subscription agreement until March 2023 which enables it to continue to raise funds under the agreement and contributes to its ability to augment its operations as noted above.

Decisions relating to employees: The Directors of the company considered the effects of the COVID-19 pandemic on employees and, having considered government advice and maintaining that safety of our staff is paramount, instituted appropriate safety measures to protect Directors and employees while the pandemic continues. These include remote working / providing facilities to work from home etc. In view the increasing workload and need to augment growth, the company has also decided to recruit additional employees.

Deferrals of interest and principal due to COVID-19: The global pandemic COVID-19 has affected most countries and many businesses across the globe. Due to the pandemic and the lockdown instituted because of it in many countries including India, the Reserve Bank of India also allowed banks/financial institutions the option of offering a moratorium on payments of interest and principal on lending. The company also provided a similar option where requested by borrowers. Only a few borrowers requested such a deferral. During the deferral interest continued to accrue. This is not expected to have any material impact on the liquidity position of the company as all the borrowers have paid/are paying the interest accrued during period of moratorium.

Section 172 (1) Statement for the Year Ended 31 March 2021 (continued)

In addition the Government of India approved changes in schemes SIFTI, the New Refinance Scheme and Credit Enhancement Scheme which were adopted by the Board of the company. In terms of the New Refinance Scheme, the company's Board has sanctioned loans amounting to USD 270 Million to two eligible institution out of which IIFC(UK) has released funds of USD 170 million to one of the eligible institutions during the year.

This report was approved by the board and signed on its behalf.

Rakesh
....
Mr Rakesh Kumar
Managing Director

Date: 10/6/2021

....
Mr P. R. Jaishankar
Chairman

Date: 10/6/2021

Directors' Report
for the Year Ended 31 March 2021

The Directors have the pleasure of presenting the annual report and the audited financial statements for the year ended 31 March 2021. These financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Dividends

A dividend of $Nil (2020 - $Nil) was paid in the year.

Internal control and financial reporting

The Directors are responsible for establishing effective internal control and for reviewing its effectiveness. Processes have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication.

Such processes are designed to contain and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The processes that the Directors have established are designed to provide effective internal control within the company.

Such processes for the on-going identification, evaluation and management of the significant risks faced by the company have been in place throughout the year and up to the date of approval of the financial statements for the year ended 31 March 2021.

The Directors and management of the company have adopted policies which set out the Board's attitude to risk and internal control. Key risks identified by the Directors are formally reviewed and assessed by the Risk Committee of the board of Directors on an ongoing basis. The minutes are placed before the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an on-going basis by means of procedures such as physical controls, credit and other authorisation limits. The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

There are well established budgeting processes in place and reports are presented regularly to the Board detailing the variances against budget and prior year, and other performance data.

Board of Directors

Three meetings of the Board of Directors were held during the year on 22 July 2020, 3 November 2020 and 10 March 2021. The Directors who served during the year are shown on page 1. During the year, Mr. Lalit Kumar Chandel, Economic Adviser, Department of Financial Services, Ministry of Finance, Government of India, has been appointed as the Government of India Nominee Director on the Board of IIFC (UK) Limited. Mr. Rakesh Kumar has replaced Mr. Naresh Goyal as Managing Director and Mr. Naresh Goyal has ceased to be a Director on the Board of IIFC (UK) Limited, from the same date.

Directors' Report (continued)
for the Year Ended 31 March 2021

Qualifying third party indemnity provisions

The company has put in place a qualifying third party indemnity provision for the Directors.

Going Concern

Please refer to the considerations relating to going concern on page 7 of the Strategic Report.

Matters covered in the Strategic Report

Information required for disclosure in the Directors' report in relation to financial risk management objectives and policies, exposure to risk and future developments are in the Strategic Report.

Statement as to disclosure of information of auditors

In so far as the Directors are aware:

- there is no relevant audit information of which the company's auditor is unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given, and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors

The Directors who have held office from 1 April 2020 to the date of this report are as follows:

Mr Pankaj Jain (resigned 29 May 2020)
Mr Padmanabhan Raja Jaishankar (appointed 29 May 2020)
Mr Anand Madhukar (resigned 7 December 2020)
Mr Lalit Kumar Chandel (appointed 7 December 2020)
Mr Sharad Chandak
Mr Manoj Ladwa
Mr Naresh Goyal (resigned 4 April 2021)
Mr Rakesh Kumar (appointed 4 April 2021)

Auditors

Mazars LLP has been approved as auditors during the year and has indicated willingness to be re- appointed under Section 487(2) of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

T Rakesh

Mr Rakesh Kumar
Managing Director

Date: 10/6/2021

Mr P. R. Jaishankar (signature)

Mr P. R. Jaishankar
Chairman

Date: 10/6/2021

Directors' Responsibilities Statement
for the Year Ended 31 March 2021

The Directors are responsible for preparing the Strategic Report, Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are also required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of India Infrastructure Finance Company (UK) Limited

Opinion

We have audited the financial statements of India Infrastructure Finance Company (UK) Limited (the ‘company’) for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

- give a true and fair view of the state of the company’s affairs as at 31 March 2021 and of its profit for the year then ended; and
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of India Infrastructure Finance Company (UK) Limited (continued)

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the Members of India Infrastructure Finance Company (UK) Limited (continued)

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, anti-bribery, money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias through judgements and assumptions in significant accounting estimates, in particular in relation to Credit Risk in relation to the allowance for impairment losses.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Independent Auditor's Report to the Members of India Infrastructure Finance Company (UK) Limited (continued)

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

David Allen

David Allen (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House

St. Katharine's Way,

London

E1W 1DD

Date 10 June 2021

India Infrastructure Finance Company (UK) Limited

Statement of Comprehensive Income
for the Year Ended 31 March 2021

	Note	2021 $	2020 $
Finance income	4	**84,340,017**	104,845,875
Finance costs	5	**(31,402,283)**	(61,107,588)
Net finance income		**52,937,734**	43,738,287
Other operating income		**10,945,903**	16,077,872
Administrative expenses	6	**(1,667,022)**	(1,541,833)
Impairment loss on financial assets	11	**(55,823,209)**	(58,156,521)
Profit before tax		**6,393,406**	117,805
Income tax credit	9	**174,854**	2,740,806
Profit after tax		**6,568,260**	2,858,611
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**6,568,260**	2,858,611

The notes on pages 27 to 59 form part of these financial statements.

India Infrastructure Finance Company (UK) Limited

Statement of Financial Position
as at 31 March 2021
Company Number 06496661

	Note	2021 $	2020 $
Assets			
Non-current assets			
Property, plant and equipment	10	**51,945**	64,251
Loans and receivables	12	**1,226,236,757**	1,178,393,055
		1,226,288,702	1,178,457,306
Current assets			
Loans and receivables	12	**140,722,383**	89,075,793
Interest and other receivables	13	**1,638,062**	4,485,967
Cash and cash equivalents		**463,242,281**	555,671,266
		605,602,726	649,233,026
Total assets		**1,831,891,428**	1,827,690,332
Equity			
Issued capital and reserves			
Issued share capital	17	**75,000,000**	75,000,000
Retained earnings		**(124,648,880)**	(131,217,140)
Total equity		**(49,648,880)**	(56,217,140)
Non-current liabilities			
Interest bearing borrowings	19	**1,863,000,000**	1,863,000,000
Interest and other payables	20	**17,691,821**	17,691,821
		1,880,691,821	1,880,691,821
Current liabilities			
Interest and other payables	21	**848,487**	3,215,651
		848,487	3,215,651
Total equity and liabilities		**1,831,891,428**	1,827,690,332

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Rakesh

Mr Rakesh Kumar
Managing Director
Date: 10/6/2021

Mr P. R. Jaishankar
Chairman
10/6/21

The notes on pages 27 to 59 form part of these financial statements.

India Infrastructure Finance Company (UK) Limited

Statement of Changes in Equity
for the Year Ended 31 March 2021

	Issued share capital	Accumulated losses/Profit	Total equity
	$	**$**	**$**
At 1 April 2019	**50,000,000**	**(134,075,751)**	**(84,075,751)**
Profit for the year	-	2,858,611	2,858,611
Issue of ordinary shares	**25,000,000**	-	25,000,000
At 31 March 2020	**75,000,000**	**(131,217,140)**	**(56,217,140)**
Profit for the year	-	**6,568,260**	**6,568,260**
At 31 March 2021	**75,000,000**	**(124,648,880)**	**(49,648,880)**

The notes on pages 27 to 59 form part of these financial statements.

India Infrastructure Finance Company (UK) Limited

Statement of Cash Flows
for the Year Ended 31 March 2021

	2021 $	2020 $
Cash flows from operating activities		
Profit for the year	**6,568,260**	2,858,611
Adjustments for:		
Depreciation of property, plant and equipment	**17,793**	17,323
Loss on disposal of property, plant and equipment	**453**	-
Income tax credit	**(174,854)**	(2,740,806)
(Increase)/decrease in loan and other receivables (current and non-current)	**(96,642,387)**	149,067,593
Decrease in interest and other payables	**(2,367,164)**	(54,253,913)
Income tax received	**174,854**	2,442,069
Net cash flows generated from operating activities	**(92,423,045)**	**97,390,877**
Cash flows from investing activities		
Purchase of property, plant and equipment	**(5,940)**	(2,880)
Net cash flows used in investing activities	**(5,940)**	(2,880)
Cash flows from financing activities		
Proceeds from issue of shares	**-**	25,000,000
Net cash generated from financing activities	**-**	25,000,000
Net (decrease)/increase in cash and cash equivalents	**(92,428,985)**	122,387,997
Cash and cash equivalents at beginning of year	**555,671,266**	433,283,269
Cash and cash equivalents at the end of year	**463,242,281**	555,671,266
Interest received	**53,739,994**	78,946,117
Interest paid	**33,528,950**	62,939,793

The notes on pages 27 to 59 form part of these financial statements.

1. Corporate information

Authorisation of financial statements

The company's financial statements for the year were authorised for issue on 10 June 2021 and the statement of financial position signed on behalf of the Board of Directors. India Infrastructure Finance company (UK) Limited is a private company limited by shares and incorporated and domiciled in England and Wales. The address of the registered office is given on the company information page.

A description of the company’s principal activities and the nature of its operations are given in the Directors’ report and the Strategic Report.

The principal accounting policies adopted by the company are set out in note 2. The policies have been consistently applied to all the years presented, unless otherwise stated.

2. Accounting policies

2.1 Basis of preparation and statement of compliance with IFRS

The company's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are presented in US Dollar, which is the company’s functional currency.

Basis of measurement

The financial statements have been prepared on a historical cost basis.

Critical accounting judgements and sources of estimation uncertainty

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or in the year of the revision and future periods if the revision affects both current and future years. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

2. Accounting policies (continued)

2.2 Changes in accounting standards

a) New standards, interpretations and amendments effective from 1 January 2020

The adoption of the following mentioned amendments in the current year have not had a material impact on the company's financial statements for the year ended 31 March 2021:

	EU effective date – periods beginning on or after
Amendments to IAS 1 and IAS 8*: Amendment in the definition of Material clarify the definition of 'material' and align the definition used in the Conceptual Framework*	1 January 2020
Amendments to IFRS 3 *Business Combinations*: *Amendment to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3*	1 January 2020
Conceptual Framework (Revised) and amendments to related references in IFRS Standards	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020

b) New standards, interpretations and amendments in issue but not yet effective

Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the company as they are either not relevant to the company's activities or require accounting which is consistent with the company's current accounting policies.

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the company's financial statements.

	EU effective date – periods beginning on or after
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions	1 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IAS 1, Presentation of financial statements' on classification of liabilities	1 January 2021
Amendments to IAS 1: *Classification of Liabilities as Current or Non-Current*	Expected to be adopted 1 January 2022

2. Accounting policies (continued)

2.3 Going concern

The company has adequate resources to continue its operations for the foreseeable future despite having a negative net worth position. The company has received sufficient operational support from the parent company, the Government of India and the Reserve Bank of India from time to time (the Reserve Bank of India has extended the validity of Subscription Agreement till 5 March 2023, this would enable raising of funds by IIFC (UK) Limited from RBI) and the same is expected to be continued to be received. Furthermore, the company maintains adequate funds to finance loan disbursements and to repay its liabilities as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

2.4 Foreign currency and foreign currency translation

The US Dollar is regarded as being the functional currency, which is also the presentation currency of the company.

Transactions in foreign currencies are recorded in US Dollars at the HMRC rate of exchange prevailing at the rates ruling at the end of the month in which the transaction arose. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2.5 Revenue recognition

Interest income and expense for all interest bearing financial instruments are recognised in the Statement of Comprehensive Income using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The method applies where the loan repayment term is shortened for the same cash flow. When calculating the effective interest rate, the company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

Upfront fees charged on execution of the loan are recognised over the life of the loan using the effective interest rate method.

2. Accounting policies (continued)

2.6 Finance costs

IIFC (UK) Limited issues bonds, subject to the terms and conditions in the subscription agreement, which are subscribed to by the Reserve Bank of India (RBI). Under the guarantee agreement with Government of India (GOI); GOI provides an unconditional, irrevocable and non-transferable guarantee in favour of the Bank for due repayment of the principal amount of the bond(s) and payment of interest as specified in the subscription agreement.

A guarantee fee is recognised in respect of fees paid to the GOI under the Guarantee Fee Agreement. The GOI has guaranteed the due and timely repayment of the principal amount and payment of normal interest accrued for the bonds subscribed to by Reserve Bank of India as per the subscription agreement. The guarantee fee is recognised in the accounts per amounts stated in the agreement.

2.7 Other operating income

Surplus funds pending deployment in the principal business activity are invested mainly in fixed deposits with banks. Other Operating Income is the income earned on such investments.

2.8 Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses.
Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Short leasehold property	- 10%
Plant and equipment	- 25%
Fixtures and fittings	- 25%

The estimated useful lives and residual values are reviewed annually.

2. Accounting policies (continued)

2.9 Financial instruments

Recognition and initial measurement

Financial assets and liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. The company holds only basic financial instruments, which comprise cash and cash equivalents, loans and other receivables interest bearing borrowings and other payables. All financial instruments are initially recognised at fair value at the date of initial recognition (including transaction costs, other than financial instruments held at fair value through profit and loss).

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification.

Classification of financial assets

IFRS 9 defines three measurement categories:
• Measured at amortised cost;
• Measured at fair value through other comprehensive income ("FVTOCI"); and
• Measured at fair value through profit or loss ("FVTPL").

IFRS 9 applies one classification approach for all types of financial assets. Two criteria are used to determine how financial assets should be classified and measured:

- Business model
  How an entity manages its financial assets in order to generate cash flows by collecting contractual cash flows, selling financial assets or both. Factors considered in determining the business model for a group of assets include, for example, past experience and on how the cash flows for these assets were collected; and

- SPPI test
  Whether contractual cash flows are consistent with a basic lending arrangement; that is whether cash flows are solely comprised of payments of principal and interest ("SPPI"). If assets pass the SPPI test, and are within a business model that holds to collect contractual cash flows, they are measured at amortised cost. If assets pass the SPPI test, and are within a business model that holds to collect contractual cash flows and for sale, they are measured at FVTOCI. If an asset does not meet the criteria for amortised cost or FVTOCI, it is measured at FVTPL.

All of IIFC (UK) Limited's financial assets are classified as measured at amortised cost.

Financial liabilities

All financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities at amortised cost are recognised initially at fair value, which equates to issue proceeds net of transaction costs incurred.

2. Accounting policies (continued)

De-recognition of financial assets and liabilities

Financial assets are de-recognised when the rights to receive cash flows from the assets have expired; or where the company has transferred its contractual right to receive the cash flows of the financial assets and either (i) substantially all the risks and rewards of ownership have been transferred; or (ii) substantially all the risks and rewards have neither been retained nor transferred but control is transferred.

Financial liabilities are de-recognised when they are extinguished, i.e. when the obligation is discharged or cancelled or expired.

Impairment of financial assets

Under IFRS 9, the company assesses on a forward-looking basis the expected credit losses (“ECL”) associated with the assets carried at amortised cost and FVOCI and recognises a loss allowance for such losses at each reporting date.

Impairment provisions are driven by changes in credit risk of loans and securities, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly. All risk of default and expected credit losses calculations incorporate forward looking and macroeconomic information.

An objective tool has been developed for assessment of impairment in the accounts. Expected Credit Losses are calculated as the product of the three risk drivers namely; the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The expected credit loss of each year is calculated and discounted to the present value. The future expected losses are discounted by the effective interest rate (“EIR”), which is equal to the lending rate for each account.

It is calculated on a loan by loan basis and aggregated for accounting and overall risk measurement purposes.

Exposure at Default (“EAD”)
Exposure at default is the amount due to the IIFC (UK) Limited at the time of default. EAD is expressed as the monetary amount outstanding.

Loss Given Default (“LGD”)
Loss given default is the expected proportion of a loan that would be lost should default occur. LGD is expressed as a percentage representing the amount of the EAD that IIFC (UK) Limited expects to lose in the event of default.

Probability of default (“PD”)
Probability of default is a statistical estimate of the likelihood of a borrower defaulting. It is determined through the IIFC (UK) Limited’s rating models. In accordance with the provisions of IFRS 9 the PD for credit exposures where credit quality is being maintained in accordance with expectation is limited to a 12-month horizon. Where a material deterioration in credit quality is identified the 12-month horizon will be extended to the full remaining life of the facility.
Default is defined as non-payment of debt, where that debt is 90 days past due. In the event of default, two states of resolution are assumed namely, cure and possession. Cure typically means that a default is resolved without resort to security enforcement or recovery actions. Possession typically means a default is resolved through security enforcement or other recovery measures. Cure % is determined through an analysis of how historical defaults were resolved.

In the event of a loss leading to possession, LGD is determined based on assessment of fixed asset

2. Accounting policies (continued)

collateral. LGD is calculated as the complement of the recovery rate. LGD is calculated for each year of the lifetime of an account. Recovery estimates are based on the estimation of amounts received from collateral. The value of the fixed assets is determined as per latest valuation report available. If valuation report is not available, the latest available balance sheet is assessed. The assessment of fixed collateral is based on three aspects:

- Haircuts
- Time to possession
- Assessment date

For prudence, a haircut is applied to assess the recovery. This haircut is determined as the estimated difference between the market value of an asset and the actual value of an asset at the point of possession.

Staging framework

Each account is allocated a stage as per IFRS 9 framework. The stage of an account indicates a corresponding measurement technique in calculation of ECL. These stages are listed as the following:

- Stage 1
- Stage 2
- Stage 3

Each loan is categorised as either stage 1, 2, or 3 as follows:

Stage 1 – Performing loans
Loans that have had no significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. Loans in this category would typically be loans on which repayments are being received and there are no other indicators of a significant increase in credit risk. 12 month expected credit losses are recognised relating to losses expected on defaults which may occur within the next 12 months.

Stage 2 – Underperforming loans
Loans that have had a “significant increase in credit risk” (“SICR”) since initial recognition but that do not have objective evidence of impairment. Doubtful loans can at the discretion of management be classified as non-performing based on a review of available evidence. Lifetime expected credit losses are recognised relating to losses expected on defaults which may occur at any point in a loan’s lifetime.

Stage 3 – Credit impaired loans
Loans that have objective evidence of impairment at the reporting date. Lifetime expected credit losses are recognised relating to losses expected on defaults which may occur at any point in a loan’s lifetime.

The staging framework uses readily available information at an account level to determine if a SICR event has occurred. The staging framework incorporates four staging approaches, namely:

- 30 day plus staging approach
- Quantitative staging approach
- Qualitative staging approach
- Probation periods

2. Accounting policies (continued)

30 day plus staging approach

This approach utilises the data regarding number of days in arrears. Performing accounts, accounts with zero to less than 30 days in arrears, are classified as Stage 1. A 12-month ECL is applied to all Stage 1 accounts. Accounts that have arrears for 30+ days but less than 90 days are categorised as Stage 2. These accounts are allocated a lifetime ECL. All accounts which are due for 90+ days will be classified as Stage 3 and the IFRS 9 approach followed for determining the ECL.

Quantitative staging approach

The quantitative approach involves the determination of SICR using customer credit ratings. For all accounts, ratings at origination were compared to current ratings. Those accounts that have experienced ratings downgrade by three notches or more and had a current rating worse than “A” are deemed to have SICR and assigned a Stage 2 status.

In addition to the criteria mentioned above, loan accounts for which stress is imminent, but which are not captured by the above, are also classified as either Stage 2 or 3 depending on available information.

Probation periods

The final staging framework approach involves the use of probation periods for previously delinquent/defaulted accounts that are now performing. The migration of accounts from Stage 3 to Stage 1 is subject to a probation period of 12 months. This is to ensure that accounts don’t jump between Stage 1 and Stage 3 if a re-default occurs soon after the initial default. Similarly, accounts that move from Stage 2 to Stage 1 are subject to a probation period of 3 months. In cases where resolution has been implemented with change in promoter the respective account has been recognised as Stage 1 without a probation period.

COVID 19 deferment: Cashflows of some of the projects have been impacted due to the COVID 19 pandemic and a few projects have requested a deferment in payment of interest and principal. For such projects which have requested a deferment and were standard (not in Stage 3) as at 1 March 2020, such deferment has been considered and the period of deferment has not been considered as period of default.

Accelerated Impairments

IIFC (UK), as a prudent lender, in addition to impairments calculated as per the objective model developed, considers accelerated impairments on a case-to-case basis, depending on the expected recovery scenario.

Accelerated impairments are proposed in such exceptional cases, as additional impairments over and above as calculated by the objective model, where there might be circumstances which could affect recovery prospects. In such cases, Management takes a case-by-case view on accelerated impairments as a prudent measure.

The accelerated impairment depends broadly on inter alia, the status of the project, the promoter’s ability to infuse the funds, tangible security, cash flow and concessions available, termination payments in respect of PPP projects, steps taken by the consortium for recovery and Management judgement.

2. Accounting policies (continued)

The impairment to be made to loan accounts ranges from 10% to 100%, taking into consideration the factors mentioned above. In respect of cases where the financial asset has been non-performing for a significant amount of time i.e. more than 4-5 years, and the fixed asset collateral is not expected to be recovered, the entire financial asset is written off (derecognised). However if the financial assets continues to be recognised for any reason, an ECL of 100% of the gross value of the financial asset is provided.

Measurement of ECLs

The measurement of expected credit losses to be recognised on the company’s financial assets requires judgement by the Directors. The methodology and key judgements applied are described in the accounting policy above.

2.10 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is charged to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is determined using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxed levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets are recognised for taxable losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The company did not recognise deferred tax asset of $39,187,886 (2020: $41,152,759) in respect of losses that can be carried forward against future taxable profits.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank in current accounts, other short term deposits.

The short term deposits generally have maturities of a year or less; however, they can be redeemed (subject to interest income being forfeited partially) and there is no significant risk of change in value as a result of an early withdrawal. These are therefore treated as cash equivalents since they form an integral part of the company's cash management. The bank overdrafts are shown within interest bearing borrowings in current liabilities in the statement of financial position.

2.12 Share capital

2. Accounting policies (continued)

Called up share capital reserve represents the nominal value of the shares issued.

2.13 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Critical accounting judgements and key sources of estimation uncertainty

In application of the accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources and may make necessary provisions in accordance with their assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

In preparing these financial statements the Directors have made the following judgements:

Impairment of financial assets

Under IFRS 9, the company is required to perform an impairment assessment of the company’s financial assets on a forward-looking basis. Impairment provisions are driven by changes in credit risk of loans and securities, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly. All risk of default and expected credit losses calculations incorporate forward looking and macroeconomic information.

Sensitivity analysis has been undertaken with variations in some of the assumptions made for calculation of expected credit losses wherein it is estimated that with a 10% variation either ways in the probability of default, the Expected credit losses may increase or decrease by about $0.3 million; with 10% variation either ways in the cure rates, the expected credit losses may increase or decrease by about $2 million and with variation of 10% either ways in LGD hair-cut, the expected credit losses may increase by about $13 million or decrease by about $9 million. Such sensitivity analysis has been undertaken in isolation and with a combination of any of these and/or variation in any other assumption may affect the expected credit losses more significantly.

4. Finance income

The company undertakes the business of commercial financial lending from the United Kingdom.

The company has one class of business and all other services are ancillary to this. The Chief Operating Decision Maker of the company is the Board of Directors. The Board reviews all of the information for the business as a whole as these ancillary activities do not have their own standalone reporting environment and protocols internally.

Revenue analysis

Revenue is derived from lending to borrowers located in India. Income is derived from:

	2021 $	2020 $
Interest on term loans	**22,266,555**	38,823,490
Interest on impaired term loans	**43,254,594**	47,748,781
Late payment interest and charges	**16,307,813**	13,572,948
Fee income	**2,511,055**	4,700,656
	84,340,017	104,845,875

5. Finance costs

	2021 $	2020 $
Interest on borrowings	**18,890,686**	49,273,446
Interest on overdrafts	**1,102,575**	591,437
Guarantee fee	**11,409,022**	11,242,705
	31,402,283	61,107,588

6. Profit or loss

Profit or loss is stated after charging:

	2021 $	2020 $
Employee remuneration and benefit expenses (note 7)	**332,066**	313,852
Depreciation and amortisation	**17,792**	17,323
Auditors' remuneration - audit services	**100,250**	83,152
Auditors' remuneration	**13,906**	11,833
- Taxation compliance services		
- Corporate finance services	**11,642**	8,315
- Other services	**10,064**	9,295
Total Auditors' remuneration	**135,861**	112,596
Rent and rates	**37,328**	40,331
Lease expenses	**170,023**	93,261
Foreign exchange loss	**11,578**	120,800

7. Employee expenses

	2021 $	2020 $
Gross wages and salaries	**257,543**	238,565
Other employee benefits	**39,087**	41,941
Post-employment expenses for provident fund (India)	**2,289**	2,249
Social security costs	**33,146**	31,097
	332,065	313,852

The average monthly number of employees during the year was as follows:

	2021 No.	2020 No.
Management	**1**	1
Administration	**2**	2

	3	3

8. Directors' remuneration

	2021 **$**	**2020** **$**
Gross wages and salaries	**115,561**	114,773
Other employee benefits	**32,299**	35,200
Post-employment expenses for provident fund (India)	**4,383**	4,349
Social security costs	**14,897**	17,987
	167,140	172,309

The Directors' remuneration above relates to two Directors. The Directors are considered to be the key management personnel. The company defines key management personnel as being individuals who have authority to directly plan and control business operations.

9. Income tax

	2021 **$**	**2020** **$**
Current income tax expense		
Current tax on profits for the year	**-**	-
Adjustments in respect of previous periods	**7,374**	174,854
Foreign tax in respect of previous periods	**(182,228)**	(2,915,660)
Total current tax credit	**(174,854)**	(2,740,806)
Total deferred tax	**-**	-
Taxation on loss on ordinary activities	**(174,854)**	(2,740,806)

9. Income tax (continued)

Factors affecting tax charge for the year

	2021 $	2020 $
Profit on ordinary activities before tax	**6,393,406**	117,805
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**1,214,747**	22,383
Effects of:		
Expenses not deductible for tax purposes	**2,333**	2,333
Income not taxable for tax purposes	**(149,698)**	(162,574)
Foreign tax credits	**-**	(1,263,892)
Adjustments to brought forward values	**597,060**	2,169,680
Adjustments to tax charge in respect of prior periods - current tax	**(182,228)**	(2,915,660)
Adjustments to tax charge in respect of prior periods - deferred tax	**1,034**	-
Temporary differences not recognised in the computation	**299,395**	(194,610)
Adjustments to opening deferred tax to average rate of 19%	**-**	(4,333,483)
Current tax (prior period) exchange difference arising on movement between opening and closing spot rates	**7,376**	174,854
Deferred tax not recognised in respect of tax losses	**(1,964,873)**	3,760,163
Total tax credit for the year	**(174,854)**	(2,740,806)

The company has trading losses carried forward of $114,951,669 (2020 - $111,768,838). Deferred tax assets are recognised for taxable losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The company did not recognise deferred tax asset of $39,187,886 2020 - $41,152,759) that can be carried forward against future taxable profits.

The effect of changes to the corporation tax rates substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016) includes reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. However, at Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. There were no other factors that may affect future tax charges.

10. Property, plant and equipment

	Short leasehold property $	Plant and machinery $	Fixtures and fittings $	Total $
Cost				
At 1 April 2020	**122,799**	**42,252**	**63,888**	**228,939**
Additions	**-**	**5,940**	**-**	**5,940**
Disposals	**-**	**(1,434)**	**-**	**(1,434)**
At 31 March 2021	**122,799**	**46,758**	**63,888**	**233,445**
Depreciation				
At 1 April 2020	**73,680**	**38,491**	**52,517**	**164,688**
Charge for the year	12,280	2,670	2,843	17,793
Disposals	**-**	(981)	-	(981)
At 31 March 2020	**85,960**	**40,180**	**55,360**	**181,500**
Net book value				
At 31 March 2021	**36,839**	**6,578**	**8,528**	**51,945**
At 31 March 2020	49,119	3,761	11,371	64,251

10. Property, plant and equipment (continued)

In respect of prior year:

	Short leasehold property $	Plant and machinery $	Fixtures and fittings $	Total $
Cost				
At 1 April 2019	**122,799**	39,372	63,888	226,059
Additions	**-**	2,880	-	2,880
At 31 March 2020	**122,799**	**42,252**	**63,888**	**228,939**
Depreciation				
At 1 April 2019	**61,400**	**37,238**	**48,727**	**147,365**
Charge for the year	**12,280**	1,253	3,790	17,323
At 31 March 2020	**73,680**	**38,491**	**52,517**	**164,688**
Net book value				
At 31 March 2020	**49,119**	**3,761**	**11,371**	**64,251**
At 31 March 2019	61,399	2,134	15,161	78,694

11. Financial risk management objectives and policies

The Board of Directors have overall responsibility of risk management of the company. The Board has formed a Risk Management Committee (RiMC) for overseeing the risk management function. The role and responsibilities of the RiMC are set out below.

The objective of the company's Risk Management Strategy is to ensure that the company maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

Risk Management Committee (RiMC)

The RiMC is formed as an executive committee of the Board of Directors (the Board) and is responsible for:

- Oversight of management of Operational Risk, Market Risk, Credit Risk and residual risks;
- Recommending the modification of policies and submitting for the approval of the Board; and
- Periodically apprising the Board on risk management issues.

Risk Governance

The Board, presently comprising of five Directors, is responsible for governance and approval of all loan proposals. The Board is also responsible for the periodical review of assets, finalising provisioning requirements, taking stock of any breaches in any of the policies and identifying the resolution. The Board is also responsible for periodic review of business strategy and expansion plans and has the responsibility of oversight of the compliance aspects of the company. The status of the required compliance is reviewed by the Board periodically.

Compliance

The Board supports the management in fulfilling their regulatory obligations and helps to maintain the company as a ‘fit and proper’ institution in whatever form of business it undertakes; by helping to ensure compliance with the voluntary codes, principles, rules and regulations established by the various financial services regulatory organisations.

The Board sets the overall regulatory governance arrangements and provides information, advice and guidance to business on financial services regulations. It also monitors business activities to ensure that improper conduct and failures to comply with regulatory requirements are brought to the attention of management for appropriate corrective action.

The Board provides a focal point to coordinate communications and consultations with regulatory authorities and also carries out review of business against applicable rules, guidance and the company’s internal policies and procedure.

11. Financial risk management objectives and policies (continued)

Credit risk

The company extends financial assistance in accordance with the terms of a Government of India approved Scheme for Financing Viable Infrastructure Projects through IIFCL (SIFTI) and other schemes approved by the Government of India and adopted by the Board of Directors. IIFC (UK) Limited conducts its business operations within the broad contours laid down under the SIFTI. In financing infrastructure projects directly, IIFC (UK) Limited considers only those projects which are found commercially viable based on the appraisal undertaken by reputable appraising institutions. All the proposals are processed by the company for their compliance with SIFTI/other respective schemes and other guidelines. All the proposals are approved by the Board of Directors of the company.

The carrying value of financial assets along with the irrevocable lending commitments (such as outstanding Letters of Comforts) recorded in the financial statements represents the company's maximum exposure to credit risk.

The top five exposures per company as at 31 March 2021 are as follows:

Sr. No	Company	Country of exposure	Type of account	Amount of loan $
1	Sasan Power Limited	India	Syndication	229,526,691.57
2	REC Ltd	India	Refinance	170,000,000.00
3	Adani Power Rajasthan Limited	India	Syndication	152,100,000.00
4	Lalitpur Power Generation Company Limited	India	Syndication	133,290,000.00
5	M.B Power (Madhya Pradesh) Ltd.	India	Syndication	114,912,927.72

In accordance with paragraph 5.2 of SIFTI, for a project to be eligible for funding from IIFC (UK) Limited, it should be implemented (developed, financed and operated for the project term) by:

i. a Public Sector Company, or
ii. a Private Sector Company selected under a Public Private Partnership (PPP) initiative, or
iii. a Private Sector Company.

The projects awarded under the PPP route are accorded priority for lending.

Only such projects, which are implemented by the borrower company directly, or through a special purpose vehicle on a nonrecourse basis, and where an escrow account or other suitable mechanism for securing servicing of debt obligations (e.g. DSRA) is in place, are eligible for financing by IIFC (UK) Limited.

In financing infrastructure projects directly, IIFC (UK) Limited considers approval of loans to a project based on the appraisal of the Lead Bank or of any other reputed appraising banks and international financial institutions. The company considers only those projects which are found to be commercially viable and these proposals are reviewed for their compliance with SIFTI and other guidelines.

11. Financial risk management objectives and policies (continued)

The SIFTI guidelines and other operating norms provide adequate checks and balances to limit the company's exposure to the projects/groups as per the prescribed limits. In accordance with terms of paragraph 7.2 of SIFTI, the total lending by IIFC (UK) Limited to any Project Company shall not exceed 20 percent of the total cost of the project. Besides following the above stipulations, the company adheres to the exposure norms for approval of loans to a single borrower and Group as approved by its Board.

Cash and cash equivalents are held with branches/subsidiaries of Indian public sector banks where the majority shareholding is directly/indirectly held by the Government of India. The company has no exposure to the real estate sector as at 31 March 2021 (2020 - $Nil).

Exposure to credit risk and availability of collateral security

The table below presents the company's maximum exposure to credit risk of its on Balance Sheet financial instruments at 31 March 2021, before taking into account any collateral held or other credit enhancements. For on-Balance Sheet instruments, the maximum exposure to credit risk is the carrying amount reported in the Statement of Financial Position.

The company does not have any outstanding letters of comforts at the year end and since the company has ability to not disburse the undisbursed sanctions based on the situation prevailing at the time any disbursement is sought, the same are not treated as commitment to lend or off balance sheet exposures. The company's exposure to credit risk is spread across different sectors.

In providing financing to infrastructure projects directly, IIFC (UK) Limited considers sanction of loans primarily based on the Credit Risk Assessment of the Lead Bank or of reputed appraising instructions/banks/international financial institutions. In addition, internal risk rating is also undertaken based on the appraisal of the Lead Bank/reputed appraising instructions/banks/international financial institutions of the Consortium and IIFC (UK) Limited places reliance on this. Sanction of loan to institutions under the New Refinance Scheme is subject to many checks including an External Credit rating of at least A+.

11. Financial risk management objectives and policies (continued)

	2021 $	2020 $
On-balance sheet exposure		
Loans and advances to customers	**1,377,812,587**	1,280,395,248
Off-balance sheet exposure		
Commitment to lend	**-**	-
Total exposure subject to credit risk	**1,377,812,587**	1,280,395,248

Impairment provisions	2021 $	2020 $
Balance at beginning of the year	**325,479,860**	384,584,109
Provisions recognised	**55,823,209**	58,156,521
Utilised in the year	**-**	(117,260,770)
Balance at the end of the year	**381,3030,069**	325,479,860

Collateral

Infrastructure Projects are typically implemented on a non-recourse basis by Special Purpose Vehicles (SPVs). While the security package for different projects is different, generally, the security for IIFC (UK) Limited, as a part of a consortium includes first ranking *pari-passu* charge on Borrower's:

- All immovable properties, present and future including land, plant and machinery, equipment, furniture, fixtures, vehicles and all other movable assets to the extent permissible.
- Cash, receivables and other assets under various contracts.
- All rights, titles, interests, benefits, claims and demands, whatsoever of the Borrower in the project documents, letters of credit, guarantees, performance bonds, insurance contracts, insurance proceeds.
- Trust and retention account, debt service reserve account and other bank accounts of the Borrower.
- Pledge of equity shares

Further, typically, in case of Public Private Partnership (PPP) Projects, there is an availability of the termination payment in Concession Agreement which is also treated as a part of the Security package.

Wherever required, as a part of risk mitigation, other securities usually in the form of personal/corporate guarantees, undertakings from the promoters/sponsors etc. are also envisaged.

The requirement for collateral is not a substitute for the ability to pay, which is the primary consideration for any lending decisions.

The collateral, along with guarantees, safeguard against the credit risk, however, the primary consideration for lending to infrastructure projects is commercial viability in terms of expected future cash flows of the Project.

11. Financial risk management objectives and policies (continued)

	Total $	Individually impaired loans (stage 3) $
Outstanding at 31 March 2021	1,589,075,287	468,737,629
Outstanding at 31 March 2020	1,477,616,332	471,732,550

The movement for the allowance for credit losses is set out in the table below.

Opening Capital Impairment at 1 April 2019	**294,939,053**
Impairments as per ECL - Specific	**19,542,797**
12 Month ECL for Assets classified under Stage 1	*(631,179)*
Lifetime ECL for Assets classified under Stage 2	*14,124,769*
Lifetime ECL for Assets classified under Stage 3	*6,049,207*
Impairments adjusted against loan loss during the year/reversed and no longer required	**(117,260,768)**
Closing Impairment at 31 March 2020	**197,221,082**
Impairments as per ECL - Specific	**14,041,618**
12 Month ECL for Assets classified under Stage 1	*(1,631,685)*
Lifetime ECLfor Assets classified under Stage 2	*(8,318,699)*
Lifetime ECLfor Assets classified under Stage 3	*23,992,001*
Impairments adjusted against loan loss during the year/reversed and no longer required	**-**
Closing Impairment at 31 March 2021	**211,262,700**

11. Financial risk management objectives and policies (continued)

Allowance provision under IFRS 9 by stage showing key movements between each stage

As on 31st March 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Total Exposure	948,502,292	171,835,365	468,737,629	1,589,075,287
Impairment Allowance	1,098,279	10,966,401	199,198,020	211,262,700
ECL%	0.12%	6.38%	42.50%	13.29%

As on 31st March 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Total Exposure	826,896,518	178,987,264	471,732,550	1,477,616,332
Impairment Allowance	2,729,964	19,285,099	175,206,019	197,221,082
ECL%	0.33%	10.77%	37.14%	13.35%

	USD **Stage 1**	**USD** **Stage 2**	**USD** **Stage 3**	**USD** **Total**
Opening loss allowance at 1st April 2019	**1,426,496**	**5,060,441**	**288,452,116**	**294,939,053**
Financial Assets transferred:				
From Stage 1 to Stage 2	(99,890)	99,890		**-**
Increase/(Decrease) in ECL	1,303,468	14,224,658	(113,246,097)	(97,717,971)
New Financial Assets Originated	-	-	-	**-**
Closing Loss Allowance at 31st March 2020	**2,630,074**	**19,384,989**	**175,206,019**	**197,221,082**
Comprised of:				
Loans and Advances to customers	2,630,074	19,384,989	175,206,019	197,221,082
Opening loss allowance at 1st April 2020	**2,630,074**	**19,384,989**	**175,206,019**	**197,221,082**
Financial Assets transferred:				
Increase/(Decrease) in ECL	(1,630,074)	(8,418,589)	23,992,002	13,943,339
New Financial Assets Originated	98,279	-	-	**98,279**
Closing Loss Allowance at 31st March 2020	1,098,279	10,966,400	199,198,021	211,262,700
Comprised of:				
Loans and Advances to customers	1,098,279	10,966,400	199,198,021	211,262,700
Total by stage and asset class	**1,098,279**	**10,966,400**	**199,198,021**	**211,262,700**

As at 31 March 2021, impairment allowance totalled USD 211.26 Mn (2020: 197.22 Mn).

11. Financial risk management objectives and policies (continued)

The Gross carrying amount of financial instrument and thus the maximum exposure to loss is as follows:

	Financial Assets 2021 USD
Stage 1	948,502,292
Stage 2	171,835,365
Stage 3	468,737,629
Total Gross Financial Assets	1,589,075,287
Less: Capital Impairment	211,262,700
Financial Assets net of ECL	1,377,812,587

	Financial Assets 2020 USD
Stage 1	826,896,518
Stage 2	178,987,264
Stage 3	471,732,550
Total Gross Financial Assets	1,477,616,332
Less: Capital Impairment	197,221,082
Financial Assets net of ECL	1,280,395,250

Liquidity risk

IIFC (UK) Limited has in place an approval to draw an aggregate amount up to $5 billion from the Reserve Bank of India. Funds can be drawn in two tranches in a calendar month corresponding to the extent of incremental deployment. These funds are repayable in bullet payments on a 10 year maturity, with a prepayment facility without any financial penalty. At 31 March 2021 IIFC (UK) Limited has drawn $2,500 million and has repaid/prepaid $637 million and the Principal outstanding amount as on 31 March 2020 is $1,863 million. The loans sanctioned by IIFC (UK) Limited stipulate repayment in instalments ensuring steady cash flows over period of time. Also, significant equity contribution from parent company is expected during this fiscal year. Therefore, IIFC (UK) Limited does not perceive any liquidity risk in the short term.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of the bonds liability:

	Bonds $	**Interest on bonds $**	**Total $**
31 March 2021			
Less than one year	423,000,000	10,209,741	433,209,741
In more than one year but not more than two years	277,000,000	9,343,984	286,343,984
In more than two years but not more than three years	231,000,000	8,862,470	239,862,470
In more than three years but not more than five years	532,000,000	8,375,060	540,375,060
Over five years	400,000,000	13,082,080	413,082,080

11. Financial risk management objectives and policies (continued)

31 March 2020

	Bonds $	Interest on bonds $	Total $
Less than one year	-	30,176,644	30,176,644
In more than one year but not more than two years	423,000,000	29,697,022	452,697,022
In more than two years but not more than three years	277,000,000	24,029,248	301,029,248
In more than three years but not more than five years	231,000,000	20,993,244	251,993,244
Over five years	932,000,000	56,684,932	988,684,932
Total	1,863,000,000	161,581,091	2,024,581,091

Market risk

IIFC (UK) Limited does not have a trading book. The borrowing and lending are based on LIBOR linked floating rates and are in US Dollar denomination, the functional currency of the company.

The company charges floating interest on all loans and receivables linked to LIBOR and pays floating interest on bond liabilities linked to LIBOR. The net exposure to interest rate risk at the balance sheet date was limited to LIBOR movement on the net of borrowings less lending as per below. The Directors consider 100 basis points to be reasonable given the current market conditions and expectation of the maximum likely change in interest rates over the next year.

	2021 $	2020 $
LIBOR linked bonds	**1,863,000,000**	1,863,000,000
Loans and receivables	**1,377,812,587**	1,280,395,250
Net gap subject to interest rate exposure	**485,187,413**	582,604,750
Sensitivities are:		5,826,048
1% movement in LIBOR	**4,851,874**	

11. Financial risk management objectives and policies (continued)

However, the surplus funds (pending utilization) subject to interest rate exposure are held in fixed deposits. With 1% movement, both increase and decrease in USD 6 months Libor, the impact on profit and loss and equity will be $4,851,874.

The company is exposed to minimal foreign exchange risk mainly on account of administrative expenses incurred in the United Kingdom which is the country of operation.

The loans receivables, cash and cash equivalents and borrowings are all denominated in USD and therefore no exchange risk arise on these. As the risk is considered immaterial no sensitivity analysis has been provided.

Capital management

The company's capital consists of share capital and reserves. The company manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders.

	2021 $	2020 $
Interest bearing loans and borrowings	**1,863,000,000**	1,863,000,000
Overdraft	**224**	59,467
Less: cash and short-term deposits	**(8,757)**	(11,563)
Less: fixed deposits with banks	**(463,233,524)**	(555,659,703)
Net debt	**1,399,757,943**	1,307,388,201
Equity including reserves carried forward	**(49,648,880)**	(56,217,140)
Total capital	**(49,648,880)**	(56,217,140)
Capital and net funds	**1,350,209,063**	1,251,171,061
Net funds to equity ratio	**(27.2)**	(22.3)

The company has an authorised share capital of $500,000,000 of which an amount of $75 million has been subscribed by the holding company. During the financial period to 31 March 2021, the company retained earnings ($49,648,880) (2020 - $56,217,140).

The liability of IIFCL is limited to its equity contribution in IIFC (UK) Limited and the fund based commitments of IIFCL to IIFC (UK) Limited.

12. Financial instruments

	Carrying amount		Fair value	
	2021	2020	2021	2020
	$	$	$	$
Financial assets				
Cash and cash equivalents	**463,242,281**	555,671,266	**463,242,281**	555,671,266
Loans and receivables	**1,366,959,140**	1,267,468,850	**1,377,812,587**	1,280,395,250
Interest and other receivables	**1,599,094**	4,421,449	**1,599,094**	4,421,449
Financial liabilities				
Borrowings	**(1,863,813,872)**	(1,865,999,772)	**(1,863,813,872)**	(1,865,999,772)
Non-current:				
Financial assets				
Loans and receivables	**1,226,236,757**	1,178,393,057	**1,237,090,204**	1,188,929,448
Financial liabilities				
Borrowings	**(1,440,000000)**	(1,863,000,000)	**(1,440,000000)**	(1,863,000,000)
Current:				
Financial assets				
Cash and cash equivalents	**463,242,281**	555,671,266	**463,242,281**	555,671,266
Loans and receivables	**140,722,383**	89,075,793	**140,722,383**	91,465,802
Interest and other receivables	**1,599,094**	4,421,449	**1,599,094**	4,421,449
Financial liabilities				
Borrowings	**(423,813,872)**	(2,999,772)	**(423,813,872)**	(2,999,772)

12. Financial instruments (continued)

Provision on impaired financial assets

Loans, receivables and other receivables as in above note include impaired assets as below:

	2021 $	2020 $
Gross balance of impaired assets (Stage 3)	**468,737,629**	471,732,550
Less: Expected credit loss	**(199,198,020)**	(175,206,019)
	269,539,609	296,526,531

Movement in impairment provision during the year:

	2021 $	2020 $
Specific allowances for impairment		
Opening balance	**325,479,860**	384,584,109
Impairment loss for the year: Charge for the year	**55,823,209**	58,156,521
Utilised in the year	**-**	(117,260,770)
	381,303,069	325,470,860
Out of above:		
Opening balance	**325,479,860**	384,584,109
Amounts provided for impairment of loans during the year	**14,041,618**	19,542,797
Amounts provided for impairment of interest and other receivables during the year	**41,781,591**	38,613,724
Utilised in the year on impairment of loans	**-**	(117,260,770)
Closing balance	**381,303.069**	325,470,860

There are no collective allowances for impairment.

12. Financial instruments (continued)

The total charge to profit and loss in respect of impairment is as below:

	2021 $	2020 $
Impairment charge on loans and receivables	**14,041,618**	19,542,797
Impairment charge on interest and other receivables	**41,781,591**	38,613,724
	55,823,209	58,156,521

13. Interest and other receivables

	2021 $	2020 $
Current		
Interest and other receivables	**1,614,421**	4,471,572
Tax receivables	**23,641**	14,395
	1,638,062	4,485,967

Tax receivables comprise:

	2021 $	2020 $
Corporation tax recoverable	**-**	-
Others	**23,641**	14,395
	23,641	14,395

14. Related Party Transactions

Ultimate controlling party and immediate parent company

The company's immediate parent company and ultimate controlling party is India Infrastructure Finance Company Limited, a company incorporated in India.

Transactions with related party

The company is related to IIFCL Projects Limited, a company incorporated in India, by virtue of a common parent company. During the year the company paid $791,728 (2020 - $797,937) to IIFCL Projects Limited, for pre and post sanction services provided in India, including financed projects' rating and monitoring, attending consortium meetings and marketing of the business on behalf of the company. This expenditure was included within administrative expenses and no amounts were outstanding at the year-end (2020 - $Nil).

Mr. Sharad Chandak, the Government of India nominee Director on the Board of IIFC (UK) Limited is the Regional Head of State Bank of India UK Region (SBI UK). IIFC (UK) Limited has banking relationships with SBI UK. As on 31st March 2021, IIFC (UK) Limited held USD 135,746,300 as fixed deposits with SBI UK and the outstanding OD balance of USD 234 out of the sanctioned overdraft facility from SBI UK.

15. Deferred tax

The Finance (No.2) Bill 2016, which provides for reductions in the main rate of corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020 were announced in the July 2016 budget were substantively enacted on 26 October 2016. However, at Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. There were no other factors that may affect future tax charges.

The profit for the year was $6,568,260 (2020 – profit of $2,858,611).

The company has trading losses carried forward of $114,951,669 (2020 - $111,768,838). Deferred tax assets are recognised for taxable losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The company did not recognise deferred tax asset of $39,187,886 (2020 - $41,152,759) that can be carried forward against future taxable profits.

	2021 $	2020 $
Unrecognised deferred tax assets		
Temporary differences relating to short-term provisions for which deferred tax assets have not been recognised:		
- Short term provisions - IFRS 9	**89,155,606**	101,892,121
- Other provision adjustments	**2,148,911**	2,936,793
Unused tax losses and credits	**114,951,699**	111,768,838
	206,256,216	216,597,752
Unrecognised deferred tax assets relating to the above temporary differences	**39,187,886**	41,152,759

16. Cash and cash equivalents

	2021 $	2020 $
Cash at bank in current accounts	**8,757**	11,563
Other short-term deposits with banks	**463,233,524**	555,659,703
	463,242,281	555,671,266

17. Share capital

	2021 $	2020 $
Authorised		
500,000,000- Ordinary shares of $1 each	**500,000,000**	500,000,000
Allotted, called up and fully paid		
75,000,000- Ordinary shares of $1 each	**75,000,000**	75,000,000

18. Reserves

Accumulated losses are all net gains and losses and transactions with owners which are not recognised elsewhere.

19. Financial liabilities

	2021 $	2020 $
Total Bonds issued	**1,863,000,000**	1,863,000,000

The bonds issued refer to nine tranches of ten year bonds maturity at various dates as shown below bearing interest linked to the USD six month LIBOR. The bonds are secured by the sovereign guarantee of the Government of India against an annual guarantee fee. The bonds are repayable on maturity by way of a bullet payment. An option to repay the bond earlier is available without any financial penalties.

Tranche	Issue date	Maturity date	2021 $	2020 $
1st	19 Mar 2009	19 Mar 2019	-	-
2nd	16 Sep 2011	16 Sep 2021	130,000,000	130,000,000
3rd	27 Feb 2012	27 Feb 2022	170,000,000	170,000,000
4th	30 Mar 2012	30 Mar 2022	123,000,000	123,000,000
5th	5 Jul 2012	5 Jul 2022	117,000,000	117,000,000
6th	4 Mar 2013	4 Mar 2023	160,000,000	160,000,000
7th	6 Mar 2013	6 Mar 2024	231,000,000	231,000,000
8th	15 Sep 2014	15 Sep 2024	-	-
9th	26 Mar 2015	26 Mar 2025	532,000,000	532,000,000
10th	29 Jan 2019	29 Jan 2029	400,000,000	400,000,000
			1,863,000,000	1,863,000,000

20. Other payables – non-current

	2021 $	2020 $
Provisions for withholding tax	**17,691,821**	17,691,821
	17,691,821	17,691,821

21. Interest and other payables - current

	2021 $	2020 $
Bank overdrafts	**223**	59,467
Corporation tax	**-**	174,854
Other taxation and social security	**14,182**	5,487
Other payables	**302**	559
Accruals	**833,779**	2,975,284
	848,487	3,215,651

22. Other commitments and contingencies

The company has outstanding commitments of $Nil (2020 - $Nil) under outstanding Letters of Comforts for loans to be disbursed after the financial reporting date.

23. Events after the end of the reporting period

There have been no reportable events after the end of reporting period.