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**India Infrastructure Finance Company (UK) Limited**  
**Annual report and financial statements**  
**For the year ended 31 March 2022**

**Registered number: 06496661**

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## Company information

Company number	06496661
Registered office	Third Floor 72 King William Street London EC4N 7HR
Directors	Mr Padmanabhan Raja Jaishankar <i>Chairman</i>  Mr Lalit Kumar Chandel <i>Director, Government of India Nominee</i>  Mr Sharad Chandak <i>Director, Government of India Nominee</i>  Mr Manoj Ladwa (resigned 18 September 2021) <i>Non-Executive Director</i>  Dr Anand Kumar (appointed 26 January 2022) <i>Non-Executive Director</i>  Mr Rakesh Kumar (appointed 4 April 2021) <i>Managing Director</i>
Secretary	Vistra Company Secretaries Limited First Floor Templeback 10 Temple Back Bristol BS1 6FL
Auditor	Mazars LLP 30 Old Bailey London EC4M 7AU
Accountants	Leadenhall Financial Management Limited 311 Regents Park Road London N3 1DP

## Company information

Bankers	State Bank of India 15 King Street London EC2V 8EA
	Bank of India 63 Queen Victoria Street London EC4N 4UA
	Punjab National Bank (International) 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

## Strategic report

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

### Principal activity and review and analysis of the business

The financial statements for the reporting year ended 31 March 2022 are placed at pages 23 - 57. Finance income for the year ended 31 March 2022 is \$34,536,967 (2021 – \$41,085,423). Operating profit of the company for the year ended 31 March 2022 before capital impairment amounted to \$14,671,554 (2021 – \$18,962,022) and the profit after taxation is \$19,089,985 (2021 – \$6,568,260).

**Table: 1**

Key data (Figures in \$million)	31 March 2022	31 March 2021
	\$m	\$m
Gross Sanctions	100	270
Disbursements	-	193.54
Finance income	34.54	41.09
Total income	37.55	52.03
Operating profit before capital impairment	14.67	18.96
Net profit	19.09	6.57
Return on Assets (Post Tax)	1.27%	0.36%
Earnings Per Share (Face Value \$1)	0.19%	0.09%

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

- India Infrastructure Finance Company (UK) Limited ("IIFC (UK) Limited" or "the company") approved proposals during the year 2021-22 amounting to \$100,000,000 under Refinance Scheme. With this the cumulative gross and net approvals for aggregate loans, net of cancellations reached \$4,658.65 million and \$4,364.47 million respectively for 45 projects under direct lending and 2 institutions under Refinance, including in principal approvals as of 31 March 2022. Net approval is equal to Gross approval in cases where financial closure has not taken place and it is equal to loan allocated where financial closure has been completed.
- The cumulative disbursements at year end stand at \$2,251.50 million.
- The total income amounted to \$37,551,336 (2021 - \$52,031,327). The reduction in income is mainly on account of a decrease in 6 month USD Libor rates (all the loans provided by the company are linked to 6 month USD Libor rates). With impairment loss provisions reversal of \$4,418,431 for the year, a profit after tax of \$19,089,985 has been recorded (2021 - \$6,568,260).
- Finance costs decreased to \$21,100,376 (2021 - \$31,402,283) mainly on account of lower average 6 month USD Libor rates during the year. All of the company's long term liabilities are linked to 6 month USD Libor rates. During the year, the company made the transition from Libor to the secured overnight financing rate ("SOFR") and going forward, all borrowings and loans for the company will be linked to SOFR / Term SOFR.

In addition to the support from India Infrastructure Finance Company Limited ("IIFCL") (the parent company), IIFC (UK) Limited has been raising funds by issuing long term USD denominated bonds subscribed to by the Reserve Bank of India ("RBI"). The USD denominated bonds subscribed to by RBI are fully guaranteed by the Government of India. The period of availability for this facility to IIFC (UK) Limited is until 5 March 2023. During the year 2021-22 no additional funds have been raised from RBI and IIFC (UK) Limited repaid bonds amounting to \$423 million to RBI as per the scheduled maturity of three tranches of bonds. With this, the net principal amount of bonds outstanding, payable to RBI, stands at \$1,440 million as at 31 March 2022.

## Strategic report (continued)

### Principal activity and review of business (continued)

In addition to this, during the year, the company secured a \$100 million bilateral loan facility from the Bank of India, London, out of which company has drawn \$11 million to-date. This is the first borrowing by IIFC (UK) outside the existing RBI and IIFCL facilities.

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 the 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.

S. No.	Category	Infrastructure sub-sectors
1.	Transport and Logistics	Roads And Bridges Ports <sup>1</sup> Shipyards <sup>2</sup> 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 <sup>3</sup>
2.	Energy	Electricity Generation Electricity Transmission Electricity Distribution Oil Pipelines Oil/Gas/Liquefied Natural Gas (Lng) Storage Facility <sup>4</sup> Gas Pipelines <sup>5</sup>
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) <sup>6</sup> Telecommunication Towers Telecommunication & Telecom Services

## Strategic report (continued)

### Principal activity and review of business (continued)

S. No.	Category	Infrastructure sub-sectors
5.	Social and Commercial Infrastructure	<p>Education Institutions (Capital Stock)</p> <p>Sports Infrastructure<sup>7</sup></p> <p>Hospitals (Capital Stock)<sup>8</sup></p> <p>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</p> <p>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</p> <p>Post-Harvest Storage Infrastructure For Agriculture And Horticultural Produce Including Cold Storage</p> <p>Terminal Markets</p> <p>Soil-Testing Laboratories</p> <p>Cold Chain<sup>9</sup></p> <p>Affordable Housing<sup>10</sup></p>

#### 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 sq ft, 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.

## **Strategic report (continued)**

### **Principal activity and review of business (continued)**

The following sectors are added as applicable in the 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 the Infrastructure Sector as given in the Harmonised Master List of Infrastructure sub sectors approved by the 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 to be included 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 in the ECB Guidelines.

In providing 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 loans within prescribed limits. In view of this, the origination of eligible projects has been restricted to a few selected sectors which have an adequate import content, namely Energy - Electricity Generation, Transmission and Distribution, Gas pipelines and LNG storage facility, Metro Rail, Seaport and Airport etc. IIFC (UK) Limited also provides foreign currency loans to eligible institutions in India under the Government of India approved New Refinance Scheme. With additional borrowings outside the RBI facility, the company is now able to consider infrastructure projects with or without an import component under SIFTI.

### **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 respect of 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 10.



## **Strategic report (continued)**

### **Principal activity and review of business (continued)**

#### **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 such as failure of transportation and non-availability of utilities.

The company has identified each 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.

To address the risks relating to money laundering, the company has put in place a comprehensive KYC and 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 compliance with the 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 an 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 comply with parameters, such as minimum maturity and permitted end-uses, as per the master framework of RBI for External Commercial Borrowings.

Furthermore, IIFC (UK) Limited is a non-deposit taking, whole-sale lending entity. Since such lending is not a regulated activity in the United Kingdom, the company is not under the regulatory scope of the Financial Conduct Authority. However, for compliance with the Anti Money Laundering Regulations, the company is registered with the Financial Conduct Authority as an "Annex-I Financial Institution" with effect from 31 March 2009 and has put in place a KYC and Anti-Money Laundering and Anti-Bribery Policy.

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 foreign currency loans 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

## **Strategic report (continued)**

### **Principal activity and review of business (continued)**

considers the sanction of a loan to a project based on the appraisal of the Lead Bank or of reputed appraising institutions/banks/international financial institutions. IIFC (UK) Limited also provides foreign currency loans to eligible institutions in India under the Government of India approved New Refinance Scheme. With additional borrowings outside the RBI facility, the company is now able to consider infrastructure projects with or without an import component under SIFTI.

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 exercises, 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 the 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. During the year, the company has received additional equity of \$25,000,000 from the parent company, and the company has earned a profit of \$19,089,985. With this, the net worth position of the company has improved. The company has received sufficient operational support from the parent company from time to time and this is expected to continue. Also, the company has 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.

## Strategic report (continued)

### Principal activity and review of business (continued)

#### Sanction of loans

IIFC (UK) Limited has, after cancellations and reductions, made cumulative loan sanctions from incorporation to 31 March 2022 to 45 projects under Direct Lending and two institutions under the New Refinance Scheme, with sanctions amounting to \$4,365 million. The status of the activity and sector gross approvals at 31 March 2022 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	14%
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	56%
PPP	8	1,008	23%
Private	11	1,246	29%
Private Competitive bidded	11	212	5%
Telecommunications	1	126	3%
Private	1	126	3%
<b>Total</b>	<b>45</b>	<b>3,995</b>	<b>92%</b>
New Refinancing Scheme loans	3	370	8%
<b>Grand Total</b>	<b>48</b>	<b>4,365</b>	<b>100%</b>

## Strategic report (continued)

### Principal activity and review of business (continued)

#### Sanction of loans (continued)

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

Activity/Sector	No. of Projects	Net Loan Approvals	Share in Total (%)
PPP	14	1,400	32%
MRTS - Metro Rail	3	188	4%
Port	3	204	5%
Power	8	1,008	23%
Private	16	1,680	38%
Fertilizers	1	85	2%
Gas Pipelines/LNG	2	155	4%
Storage/Refinery/Exploration			
Port	1	68	2%
Power	11	1,246	29%
Telecommunications	1	126	3%
Private Competitive bids	12	284	7%
Gas Pipelines/LNG	1	72	2%
Storage/Refinery/Exploration			
Power	11	212	5%
Public	3	901	21%
Gas Pipelines/LNG	3	631	14%
Storage/Refinery/Exploration			
<b>Total</b>	<b>45</b>	<b>3,995</b>	<b>92%</b>
New Refinancing Scheme loans	3	370	8%
<b>Grand Total</b>	<b>48</b>	<b>4,365</b>	<b>100%</b>

## Strategic report (continued)

### Principal activity and review of business (continued)

#### Sanction of loans (continued)

Disaggregated information in respect of the net loan approvals (after cancellations) for the periods ended 31 March 2009 to 31 March 2022 are presented in Table 4 below.

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

Year	Approvals during the Year	Cumulative approvals	Power	Gas Pipelines/ LNG Storage/ Refinery/	Metro	Ports	Tele-Communi-cations	Fertilizer manufact-uring	Refinance
<b>2008-09</b>	597	597	473	-	124	-	-	-	-
%		100%	79%	-	21%	-	-	-	-
<b>2009-10</b>	257	854	730	-	124	-	-	-	-
%		100%	85%	-	15%	-	-	-	-
<b>2010-11</b>	Sanctions cancelled	854	730	-	124	-	-	-	-
%		100%	85%	-	15%	-	-	-	-
<b>2011-12</b>	348	1,202	885	-	124	109	-	85	-
%		100%	74%	-	10%	9%	-	7%	-
<b>2012-13</b>	498	1,700	1,251	-	188	177	-	85	-
%		100%	74%	-	11%	10%	-	5%	-
<b>2013-14</b>	375	2,075	1,501	125	188	177	-	85	-
%		100%	72%	6%	9%	9%	-	4%	-
<b>2014-15</b>	598	2,673	1,754	365	188	202	80	85	-
%		100%	66%	14%	7%	8%	3%	3%	-
<b>2015-16</b>	375	3,048	2,011	437	188	202	126	85	-
%		100%	66%	14%	6%	7%	4%	3%	-
<b>2016-17</b>	583	3,631	2,314	717	188	202	126	85	-
%		100%	64%	20%	5%	6%	3%	2%	-
<b>2017-18</b>	194	3,825	2,438	717	188	272	126	85	-
%		100%	64%	19%	5%	7%	3%	2%	-
<b>2018-19</b>	141	3,966	2,438	858	188	272	126	85	-
<b>2019-20</b>	29	3,995	2,466	858	188	272	126	85	-
%		100%	62%	21%	5%	7%	3%	2%	-
<b>2020-21</b>	270	4,265	2,466	858	188	272	126	85	270
%		100%	58%	20%	4%	6%	3%	2%	6%
<b>2021 22</b>	100	4,365	2,466	858	188	272	126	85	370
%		100%	56%	20%	4%	6%	3%	2%	8%

*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 2022, the company approved credit proposals totalling \$100 million as compared to total loan approvals of \$270 million during the year ended 31 March 2021. The sanctions were made under the New Refinance Scheme.

## Strategic report (continued)

### Disbursement of loans

As at 31 March 2022, cumulative disbursements from incorporation to date aggregated \$4,365 million. The details of the cumulative disbursement of loans at 31 March 2022 are shown in Table 4 below.

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

Activity/Sector	No. of Projects	Net Loan Approvals	Disbursement
Fertilizers	1	85	70
Private	1	85	70
Gas Pipelines/LNG	6	858	71
Storage/Refinery/Exploration			
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	-
<b>Total</b>	<b>45</b>	<b>3,995</b>	<b>2,081</b>
Refinance (to institutions)	3	370	170
Public	3	370	170
<b>Grand Total</b>	<b>48</b>	<b>4,365</b>	<b>2,251</b>

### Impairment of assets

During the year, Fitch Solutions Advisory (formerly IRR Advisory) (A Fitch Group Company) was engaged by IIFC(UK) Limited for the calculation of expected credited losses ("ECL").

Capital impairment of \$10,416,400 (2021: \$14,041,618) has been provided during the year.

The amount of capital impairment reversed, after recoveries of \$14,834,830, amounted to \$4,418,431 (2021: impairment of \$14,041,618).

Refer to note 10 for the full reconciliation of capital impairment provisions.

## **Strategic report (continued)**

### **Effect of the war in Ukraine**

The geopolitical situation in Eastern Europe intensified in late February 2022, with the commencement of Russia's military action against Ukraine. The company has not been directly impacted by the current war in Ukraine and sanctions imposed on the Russian Federation, but may face inflationary pressure on its costs as a result of the worldwide impact on global economies as well as volatility in exchange rates.

### **Future developments**

The Government of India is aiming to achieve a GDP of \$5 trillion by 2024-25. To achieve the target of becoming one of the fastest growing sustainable major economies, the Government of India has thrown light on the infrastructure sector in the 2022-23 union budget. The budget has rightly focused on ramping up the physical, as well as digital infrastructure creation. This will not only transform India's infrastructure stock, but also generate and accelerate employment while keeping India's climate change goals in mind. 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 in building long-term competencies. The capital expenditure allocated in the Union Budget for 2022-23 has been increased to Rs. 7.5 Lakh Crore compared to Rs. 5.5 lakh crore in 2021-22. This is expected to pump up private investment and demand and create a strong pipeline of viable infrastructure projects for funding by IIFC(UK) Limited.

The Union Budget for 2022-2023 has allocated a budget of Rs 3,365 crore for the solar power sector which is a 29 percent increase over the previous year's budget of Rs 2,606 crore. As a part of policy support from the Indian Government, India's solar module manufacturing capacity is set to increase 4x as compared to 2021. Rs 20,000 crore have been allocated to expand the National Highway network by 25,000 km. To further strengthen the logistics infrastructure, four multimodal logistics parks through PPP are to be awarded in FY23. With economic reforms undertaken by the Government of India, the creation of the National Infrastructure pipeline with a 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. As a result, 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.

## **Strategic report (continued)**

### **Section 172 (1) Statement for the Year Ended 31 March 2022**

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 the resources on which it relies for long-term success. We address 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 considered 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 the 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 and 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.

#### **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, during which the economic and regulatory environment may change, various amendments to 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 the 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 an 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



## Strategic report (continued)

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

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.

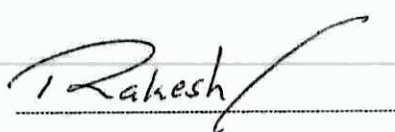
Equity increase: Having considered among other things, the effect of the provisions required by IFRS 9 on the company's equity, it was determined that the company should seek additional equity from its shareholder. The additional equity contributes positively to the perceived stability of the business for customers. Though the company continues to have a negative net worth 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 the 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.

Under the terms of the New Refinance Scheme, the company's Board has sanctioned loans amounting to USD 100 Million to one eligible institution during the year.

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



Mr Rakesh Kumar  
Managing Director

Date 17/6/22



Mr P. R. Jaishankar  
Chairman

Date 17/6/22

## **Directors' report**

The Directors have the pleasure of presenting the annual report and the audited financial statements for the year ended 31 March 2022. These financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Company's registration number is 06496661.

### **Dividend**

A dividend of \$Nil (2021 - \$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 ongoing 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 2022.

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**

Five meetings of the Board of Directors were held during the year on 10 June 2021, 17 August 2021, 28 October 2021, 11 January 2022 and 17 and 18 February 2022. The Directors who served during the year are shown on page 1.

### **Qualifying third party indemnity provisions**

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

## Directors' report (continued)

### Going Concern

Please refer to the considerations relating to going concern in 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 set out in the Strategic report.

### Statement on SECR Reporting

IIFC (UK) Limited conducted an energy audit through an independent agency in order to establish the energy consumption of the company.

On the basis of this, the company has applied the exemption not to report on carbon usage, which is available to low energy users. This is on the basis that the company's UK energy usage is less than 40,000kw per annum.

### Statement as to disclosure of information of auditors

In so far as the Directors are aware:

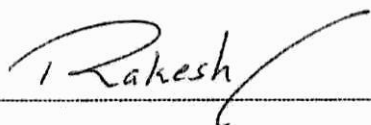
- there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

### Auditor

Mazars LLP has been approved as auditor 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:



Mr Rakesh Kumar  
Managing Director

Date 17/6/22



Mr P. R. Jaishankar  
Chairman

Date 17/6/22

## **Directors' responsibilities statement**

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 UK-adopted International Accounting Standards and 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 UK-adopted International Accounting Standards 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 2022 which comprise 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 UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance 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 director's 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.

### Other information

The other information comprises the information included in the annual report, 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.

## **Independent auditor's report to the members of India Infrastructure Finance Company (UK) Limited (continued)**

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 this gives rise to a material misstatement in the financial statements themselves. 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.

### **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.

## Independent auditor's report to the members of India Infrastructure Finance Company (UK) Limited (continued)

### 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the 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.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the UK Tax legislation and Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

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.

## Independent auditor's report to the members of India Infrastructure Finance Company (UK) Limited (continued)

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](http://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 (Senior Statutory Auditor) for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
30 Old Bailey  
London  
EC4M 7AU

Date: 17 June 2022



## Statement of comprehensive income

For the year ended 31 March 2022

	Note	2022 \$	2021* \$
Finance income	3	34,536,967	41,085,423
Finance costs	4	(21,100,376)	(31,402,283)
Net finance income		13,436,591	9,683,140
Other operating income		3,014,369	10,945,903
Administrative expenses		(1,779,406)	(1,667,022)
Impairment loss on financial assets	10	4,418,431	(12,568,615)
Profit before tax	5	19,089,985	6,393,406
Income tax credit	8	-	174,854
Profit after tax		19,089,985	6,568,260
Other comprehensive income for the year		-	-
Total comprehensive income for the year		19,089,985	6,568,260

\* The prior year has been restated to remove revenue on stage 3 loans that should not have been recognised and also an equal and opposite amount that was recognised through the impairment loss on financial assets line. This is a presentational adjustment which does not affect the result for the year.

## Statement of financial position

As at 31 March 2022

	Note	2022 \$	2021 \$
Non-current assets			
Property, plant and equipment	9	35,888	51,945
Loans and receivables	10	999,371,213	1,226,236,757
		<u>999,407,101</u>	<u>1,226,288,702</u>
Current assets			
Loans and receivables	10	180,364,835	140,722,383
Interest and other receivables	12	1,070,228	1,638,062
Cash and cash equivalents	15	324,318,382	463,242,281
		<u>505,753,445</u>	<u>605,602,726</u>
Total assets		<u>1,505,160,546</u>	<u>1,831,891,428</u>
Equity			
Issued share capital	16	100,000,000	75,000,000
Retained earnings	17	(105,558,895)	(124,648,880)
		<u>(5,558,895)</u>	<u>(49,648,880)</u>
Non-current liabilities			
Interest bearing borrowings	18	1,451,000,000	1,863,000,000
Interest and other payables	19	17,595,816	17,691,821
		<u>1,468,595,816</u>	<u>1,880,691,821</u>
Current liabilities			
Interest and other payables	20	42,123,625	848,487
		<u>42,123,625</u>	<u>848,487</u>
Total equity and liabilities		<u>1,505,160,546</u>	<u>1,831,891,428</u>

These financial statements were approved and authorised for issue by the Board and signed on its behalf by:



Mr Rakesh Kumar

Managing Director

Date 17/6/22



Mr P. R. Jaishankar

Chairman

Date 17/6/22

The notes on pages 27 to 57 are an integral part of these financial statements.

## Statement of changes in equity

For the year ended 31 March 2022

	Issue share capital \$	Retained earnings \$	Total \$
At 31 March 2020	75,000,000	(131,217,140)	(56,217,140)
Profit for the year	-	6,568,260	6,568,260
Other comprehensive income	-	-	-
Total comprehensive income	-	6,568,260	6,568,260
At 31 March 2021	75,000,000	(124,648,880)	(49,648,880)
Profit for the year	-	19,089,985	19,089,985
Other comprehensive income	-	-	-
Total comprehensive income	-	19,089,985	19,089,985
Issue of ordinary shares	25,000,000	-	25,000,000
At 31 March 2022	100,000,000	(105,558,895)	(5,558,895)

## Statement of cash flows

For the year ended 31 March 2022

	2022 \$	2021 \$
Cash flows from operating activities		
Profit for the year	19,089,985	6,568,260
Adjustments for:		
Depreciation of property, plant and equipment	16,057	17,793
Loss on disposal of property, plant and equipment	-	453
Income tax credit	-	(174,854)
Decrease / (Increase) in loan and other receivables (current and non-current)	187,790,926	(96,642,387)
Decrease in interest and other payables	(370,724,862)	(2,367,164)
Income tax received	(96,005)	174,854
Net cash flows generated from operating activities	<u>(163,923,899)</u>	<u>(92,423,045)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(5,940)
Net cash flows used in investing activities	<u>-</u>	<u>(5,940)</u>
Cash flows from financing activities		
Proceeds from issue of shares	25,000,000	-
Net cash flows generated from financing activities	<u>25,000,000</u>	<u>-</u>
Net decrease in cash and cash equivalents	(138,923,899)	(92,428,985)
Cash and cash equivalents at the beginning of the year	463,242,281	555,671,266
Cash and cash equivalents at the end of the year	324,318,382	463,242,281
Interest received	49,002,917	53,739,994
Interest paid	20,748,313	33,528,950

The notes on pages 27 to 57 are an integral part of these financial statements.

## Notes to the financial statements

For the year ended 31 March 2022

### 1 Accounting policies

#### 1.1 General information

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 1. The policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.2 Basis of preparation and statement of compliance with IFRS

The company's financial statements have been prepared in accordance with UK-adopted International Accounting Standards and 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 2.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 1.3 Changes in accounting standards

#### *a) New standards, interpretations and amendments effective from 1 January 2021*

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:

	<b>UK effective date – periods beginning on or after</b>
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions beyond 31 June 2021	1 April 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021

#### *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.

	<b>Not UK adopted but EU endorsed effective date – periods beginning on or after</b>
IFRS 16 Amendment: Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IAS 37 Amendment: Onerous Contracts: Costs of Fulfilling a Contract	1 January 2022
IFRS 3 Amendment: Reference to the Conceptual Framework	1 January 2022
Annual Improvements Cycle 2018 to 2020.	1 January 2022

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 1 Accounting policies (continued)

#### 1.4 Going concern

The company has adequate resources to continue its operations for the foreseeable future despite having a negative net worth position. During the year, the company has received incremental equity of \$25 million from the parent company and the company has earned a profit of \$19.1 million. With this, the net worth of the company has improved. 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 service interest and principal components of its borrowings as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements

#### 1.5 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.

#### 1.6 Revenue

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.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 1 Accounting policies (continued)

#### 1.7 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.

#### 1.8 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.

#### 1.9 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.



## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 1 Accounting policies (continued)

#### 1.10 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.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 1 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.

IIFC(UK) has computed the final ECL after undertaking stress scenarios whose weightages are calculated using historical GDP growth data and the final ECL number is the weighted average of the ECL numbers under three scenarios. Moreover, the effect of macroeconomic factors like GDP growth, IIP, credit growth etc. is factored in the external credit rating of individual project. Such rating is used in calculation of ECL numbers.

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.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 1 Accounting policies (continued)

#### *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.

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

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 1 Accounting policies (continued)

#### 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

#### *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 two notches or more from the rating at origination 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.

#### *Qualitative staging approach:*

In case of loan restructuring or modifications in repayment schedule beyond what is permitted under the norms by the Regulator, the model assumes that there is significant increase in risk and loan is moved to stage 2. Assets for which there is objective evidence of impairment i.e. NPA or Default status as per IIFC (UK) Loan book, D rating has been assigned and are classified as stage 3 assets.

The final staging based on quantitative and qualitative criteria used is as follows:

- Stage 1: 0-30 DPD
- Stage 2: 31-90 DPD or assets affected by the SICR
- Stage 3: 90+ DPD or Insolvency / bankruptcy of borrower or restructuring of loan

Rebuttal: IFRS 9 also permits the Company to rebut this presumption if it has reasonable and supportable information that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. However, in limited circumstances, where the Company does rebut the presumption, it would be done only with clear documentation of the justification for doing so.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 1 Accounting policies (continued)

#### *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.

#### *Accelerated Impairments*

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.

### 1.11 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. Refer to notes 8 and 14 for further details.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 1 Accounting policies (continued)

#### 1.12 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.

#### 1.13 Share Capital

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

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 2 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 estimates:

#### *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.

The assessment of significant increase in risk and the calculation of ECL both incorporate forward-looking information. Three different stress scenarios have been developed i.e. base case, scenario for economic upturn and scenarios for economic downturn. The weightage has been assigned to each scenario by IIFC(UK) based on historical GDP growth data and final number is the weighted average of the ECL numbers under these scenarios.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 3 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:

	2022	2021*
	\$	\$
Interest on terms of loans	13,325,929	22,266,555
Late payment interest and charges	17,868,270	16,307,813
Fee income	3,342,768	2,511,055
	<u>34,536,967</u>	<u>41,085,423</u>

\* The prior year has been restated to remove revenue on stage 3 loans that should not have been recognised and also an equal and opposite amount that was recognised through the impairment loss on financial assets line. This is a presentational adjustment which does not affect the result for the year.

### 4 Finance costs

	2022	2021
	\$	\$
Interest on borrowings	10,043,160	18,890,686
Interest on overdrafts	53,864	1,102,575
Guarantee fee	11,003,352	11,409,022
	<u>21,100,376</u>	<u>31,402,283</u>



## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 5 Profit or loss

This is stated after charging/(crediting):

	2022	2021
	\$	\$
Employee remuneration and benefit expenses (note 6)	421,320	332,065
Depreciation and amortisation	16,056	17,792
Rent and rates	26,402	37,328
Lease expenses	133,396	170,023
Foreign exchange loss	3,984	11,578
Auditors' remuneration		
Audit services	105,014	100,250
Taxation compliance services	9,116	13,906
Other services	10,575	21,706
	<u>124,705</u>	<u>135,862</u>

### 6 Employee expenses

The average monthly number of employees (including executive directors) was:

	2022	2021
Management and administration	1	1
Broking and technical	2	2
	<u>3</u>	<u>3</u>

Their aggregate remuneration comprised:

	2022	2021
	\$	\$
Gross wages and salaries	307,877	257,543
Other employee benefits	87,413	39,087
Post-employment expenses for provident fund (India)	7,883	2,289
Social security costs	18,147	33,146
	<u>421,320</u>	<u>332,065</u>

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 7 Directors' remuneration

Directors' aggregate remuneration comprised:

	2022	2021
	\$	\$
Gross wages and salaries	134,860	115,561
Other employee benefits	57,598	32,299
Post-employment expenses for provident fund (India)	5,381	4,383
	<u>197,839</u>	<u>152,243</u>

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.

### 8 Taxation

The tax charge recognised in profit comprises:

	2022	2021
	\$	\$
<b>Current tax</b>		
Current tax on profits for the year	-	-
Adjustments in respect of previous periods	-	7,374
Foreign tax in respect of previous periods	-	(182,228)
<b>Total current tax</b>	<u>-</u>	<u>(174,854)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior years	-	-
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on loss on ordinary activities</b>	<u>-</u>	<u>(174,854)</u>

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 8 Taxation (continued)

UK of 19%. The differences are reconciled below:

	2022 \$	2021 \$
Profit on ordinary activities before taxation	19,089,985	6,393,406
Corporation tax calculated at 19% (2021: 19%)	3,627,097	1,214,747
Effects of:		
Expenses not deductible for tax purposes	2,485	2,333
Income not taxable for tax purposes	(135,689)	(149,698)
Adjustments to brought forward values	538,583	597,060
Foreign tax credits	-	-
Adjustments to tax charge in respect of prior periods – current tax	-	(182,228)
Adjustments to tax charge in respect of prior periods – deferred tax	(746,758)	1,034
Temporary differences not recognised in the computation	271,518	299,395
Current tax (prior period) exchange differences arising on movement between opening and closing spot rates	-	7,376
Deferred tax not recognised in respect of tax losses	(2,882,562)	(1,964,873)
Other differences	(674,674)	-
<b>Total tax</b>	<b>-</b>	<b>(174,854)</b>

The company has trading losses carried forward of \$113,227,034 (2021: \$114,951,669). 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 \$47,770,065 (2021: \$39,187,886) that can be carried forward against future taxable profits.

On 10 June 2021, Finance Act 2021 enacted that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). Deferred taxes at the balance date have been measured using the new enacted rate and reflected in these financial statements.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 9 Property, plant and equipment

	Short leasehold property \$	Plant and machinery \$	Fixtures and fittings \$	Total \$
Cost				
At 31 March 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
Additions	-	-	-	-
At 31 March 2022	122,799	46,758	63,888	233,445
Depreciation				
At 31 March 2020	73,680	38,491	52,517	164,688
Depreciation	12,280	2,670	2,843	17,793
Disposal	-	(981)	-	(981)
At 31 March 2021	85,960	40,180	55,360	181,500
Depreciation	12,281	1,644	2,132	16,057
At 31 March 2022	98,241	41,824	57,492	197,557
Carrying value				
At 31 March 2022	24,558	4,934	9,396	35,888
At 31 March 2021	36,839	6,578	8,528	51,945

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 10 Financial risk management objectives and policies

The Board of Directors has overall responsibility for the 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 periodic 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 required compliance is reviewed by the Board periodically.

#### *Compliance*

The Board supports 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 procedures.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 10 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 to be 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 comfort) recorded in the financial statements, represents the company's maximum exposure to credit risk.

IIFC (UK) Limited's top five exposures, by company, as at 31 March 2022 are as follows:

Sr. No	Company	Country of exposure	Type of account	Amount of loan \$
1	Sasan Power Limited	India	Syndication	206,926,692
2	REC Ltd	India	Refinance	170,000,000
3	Adani Power Rajasthan Limited	India	Syndication	129,300,000
4	Lalitpur Power Generation Company Limited	India	Syndication	114,390,000
5	M.B Power (Madhya Pradesh) Ltd	India	Syndication	107,252,066

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:

- a public sector company, or
- a private sector company selected under a Public Private Partnership ("PPP") initiative, or
- a private sector company.

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

Only 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.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 10 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 2022 (2021 - \$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 2022, 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 comfort at the year end. Since the company has the ability to not disburse the undisbursed sanctions, based on the situation prevailing at the time any disbursement is sought, these are not treated as commitment to lend or off-balance sheet exposures.

The company's exposure to credit risk is spread across different sectors, as described in the strategic report.

In providing financing to infrastructure projects directly, IIFC (UK) Limited considers the 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, an 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 loans to institutions under the New Refinance Scheme is subject to many checks including requiring an external credit rating of at least A+.

	2022 \$	2021 \$
On-balance sheet exposure:		
Loans and advances to customers	1,187,871,110	1,377,812,587
Off-balance sheet exposure:		
Commitment to lend	-	-
Loans and receivables from customers net of ECL	<u>1,187,871,110</u>	<u>1,377,812,587</u>
Upfront fees received in advance and amortised over the life of the loan	(8,135,062)	(10,853,447)
Carrying amount of loans and receivables per the balance sheet	<u>1,179,736,048</u>	<u>1,366,959,140</u>

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 10 Financial risk management objectives and policies (continued)

#### *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 the 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 PPP Projects, there is an availability of the termination of payments in a 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 credit risk, however, the primary consideration for lending to infrastructure projects is commercial viability in terms of expected future cash flows of the Project.



## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 10 Financial risk management objectives and policies (continued)

#### *Expected credit losses*

The table below shows a reconciliation of the expected credit loss provision.

	\$
Closing impairment at 31 March 2020	197,221,082
Impairments as per ECL – specific, comprising:	14,041,618
12 month ECL for assets classified under Stage 1	(1,631,685)
Lifetime ECL for assets classified under Stage 2	(8,318,699)
Lifetime ECL for 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	<u>211,262,700</u>
Impairments as per ECL – specific, comprising:	10,416,400
12 Month ECL for assets classified under Stage 1	6,125,813
Lifetime ECL for assets classified under Stage 2	(9,140,226)
Lifetime ECL for assets classified under Stage 3	13,430,813
Impairments adjusted against loan loss during the year/reversed and no longer required	(64,604,945)
Closing impairment at 31 March 2022	<u>157,074,155</u>

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 10 Financial risk management objectives and policies (continued)

The table below shows a staging analysis of the capital impairment provision.

	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
31 March 2022				
Total exposure	779,416,967	206,926,692	358,601,606	1,344,945,265
Impairment allowance	7,224,092	1,826,174	148,023,889	157,074,155
ECL %	0.93%	0.88%	41.28%	11.68%
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
31 March 2021				
Total exposure	948,502,292	171,835,365	468,737,629	1,589,075,287
Impairment allowance	1,098,279	10,966,400	199,198,021	211,262,700
ECL %	0.12%	6.38%	42.50%	13.29%

The table below shows a staging analysis and reconciliation of the capital impairment provision.

	USD Stage 1	USD Stage 2	USD Stage 3	USD Total
	\$	\$	\$	\$
1 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
31 March 2021	1,098,279	10,966,400	199,198,021	211,262,700
Financial assets transferred:				
From stage 1 to stage 2	(34,678)	1,826,175	-	1,791,497
From stage 2 to stage 1	4,365,848	(8,090,409)	-	(3,724,561)
From stage 2 to stage 3	-	(2,875,992)	18,887,552	16,011,560
Increase/(decrease) in ECL	1,794,643	-	(5,456,739)	(3,662,096)
Increase/(Decrease) in ECL due to adjustment	-	-	(64,604,945)	(64,604,945)
31 March 2022	7,224,092	1,826,174	148,023,889	157,074,155

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 10 Financial risk management objectives and policies (continued)

The gross carrying amount of loans and receivables from customers and thus the maximum exposure to loss is as follows:

	2022 \$	2021 \$
Loans and receivables from customers		
Stage 1	779,416,967	948,502,292
Stage 2	206,926,692	171,835,365
Stage 3	358,601,606	468,737,629
Total gross financial assets	1,344,945,265	1,589,075,287
Less: capital impairment	(157,074,155)	(211,262,700)
Loans and receivables from customers net of ECL	1,187,871,110	1,377,812,587

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 10 Financial risk management objectives and policies (continued)

#### *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. During the year, no additional funds have been raised from RBI and IIFC(UK) Limited repaid bonds amounting to \$423 million to RBI as per the scheduled maturity of 3 tranches of bonds. With this, the net principal outstanding of bonds payable to RBI stands at \$1,440 million as at 31 March 2022. In addition to this, during the year, the company secured a \$100 million bilateral loan facility from the Bank of India, London, out of which company has drawn down \$11 million to-date. This is the first borrowing by IIFC(UK) Limited outside the RBI facility.

The loans sanctioned by IIFC (UK) Limited stipulate repayment in instalments ensuring steady cash flows over time. Also, a significant equity contribution from the 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 bond and borrowing liabilities:

	Bonds and borrowings \$	Interest on bonds and borrowings \$	Total \$
31 March 2022			
Less than one year	277,000,000	34,147,289	311,147,289
In more than one year but not more than two years	231,000,000	15,870,768	246,870,768
In more than two years but not more than three years	532,000,000	14,328,445	546,328,445
In more than three years but not more than five years	11,000,000	8,915,914	19,915,914
Over five years	400,000,000	8,432,000	408,432,000
Total	1,451,000,000	81,694,416	1,532,694,416
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	386,343,984
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
Total	1,863,000,000	49,873,334	1,912,873,334

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 10 Financial risk management objectives and policies (continued)

#### Market risk

IIFC (UK) Limited does not have a trading book. 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 movements 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.

	2022 \$	2021 \$
Libor linked bonds	(1,451,000,000)	(1,863,000,000)
Loans and receivables	1,187,871,110	1,377,812,587
Net gap subject to interest rate exposure	<u>263,128,890</u>	<u>485,187,413</u>
Sensitivities are:		
1% movement in LIBOR	2,631,289	4,851,874

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 \$2,631,289.

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 arises on these. As the risk is considered immaterial no sensitivity analysis has been provided.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 10 Financial risk management objectives and policies (continued)

#### *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.

	2022 \$	2021 \$
Interest bearing loans and borrowings	1,451,000,000	1,863,000,000
Overdraft	40,904,177	224
Less: cash and short-term deposits	(8,337)	(8,757)
Less: fixed deposits with bank	(324,310,045)	(463,233,524)
Net debt	1,167,585,795	1,399,757,943
Equity including reserves carried forward	(5,558,895)	(49,648,880)
Total capital	(5,558,895)	(49,648,880)
Capital and net funds	1,162,026,900	1,350,109,063
Net funds to equity ratio	(209.0)	(27.2)

The company has an authorised share capital of \$500,000,000 of which an amount of \$100 million has been subscribed by the holding company. As at 31 March 2022, the company held retained losses of \$105,558,895 (2021: \$124,648,880).

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.

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 11 Financial instruments

	Carrying amount		Fair value	
	2022	2021	2022	2021
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	324,318,382	463,242,281	324,318,382	463,242,281
Loans and receivables	1,179,736,048	1,366,959,140	1,187,871,110	1,377,812,587
Interest and other receivables	1,021,625	1,599,094	1,021,625	1,599,094
Financial liabilities				
Borrowings	(1,408,881,055)	(1,863,813,872)	(1,408,881,055)	(1,863,813,872)
The above are analysed as:				
Non-current				
Financial assets				
Loans and receivables	999,371,213	1,266,236,757	1,007,506,275	1,237,090,204
Financial liabilities				
Borrowings	(1,089,762,110)	(1,440,000,000)	(1,089,762,110)	(1,440,000,000)
Current				
Financial assets				
Cash and cash equivalents	324,318,382	463,242,281	324,318,382	463,242,281
Loans and receivables	180,364,835	140,722,383	180,364,835	140,722,383
Interest and other receivables	1,021,625	1,599,094	1,021,625	1,599,094
Financial liabilities				
Borrowings	(319,118,945)	(423,813,872)	(319,118,945)	(423,813,872)

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 12 Interest and other receivables

	2022	2021
	\$	\$
Interest and other receivables	1,012,188	1,614,421
Tax receivables	58,040	23,641
	<u>1,070,228</u>	<u>1,638,062</u>

Tax receivables comprises:

	2022	2021
	\$	\$
Corporation tax recoverable	-	-
Others	58,040	23,641
	<u>58,040</u>	<u>23,641</u>

### 13 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 (2021 - \$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 (2021 - \$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 2022, 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.



## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 14 Deferred tax

	2022 \$	2021 \$
Unrecognised deferred tax assets		
Temporary differences relating to short-term provisions for which deferred tax assets have not been recognised:		
• Short term provision – IFRS 9 transitional provision	76,419,091	89,155,606
• Other provision adjustments	1,434,135	2,148,911
Unused tax losses and credits	113,227,034	114,951,699
	<u>191,080,260</u>	<u>206,256,216</u>
Unrecognised deferred tax assets relating to the above temporary differences	47,770,065	39,187,886

### 15 Cash and cash equivalents

	2022 \$	2021 \$
Cash at bank in current accounts	8,337	8,757
Other short-term deposits with banks	324,310,045	463,233,524
	<u>324,318,382</u>	<u>463,242,281</u>

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 16 Share capital

	2022 \$	2021 \$
<i>Allotted, called up and fully paid</i>		
99,935,995 Ordinary shares of \$1 each (2021: 74,935,995)	99,935,995	74,935,995
50,000 Ordinary shares of £1 each	64,005	64,005
	<u>100,000,000</u>	<u>75,000,000</u>

On 31 March 2022 the Company issued 25,000,000 Ordinary shares of \$1 each, which were paid up in full in exchange for cash consideration.

Ordinary shares of £1 each rank pari-passu in respect of voting rights and carry a right to participate in dividends and any distribution on winding up of the Company. Ordinary shares of \$1 each rank pari-passu in respect of voting rights. Ordinary shares of \$1 each do not carry a right to participate in dividends or any distribution on winding up of the Company.

### 17 Reserves

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

### 18 Financial liabilities

	2022 \$	2021 \$
Total bonds issues	1,440,000,000	1,863,000,000
Loan from Bank of India	11,000,000	-
	<u>1,451,000,000</u>	<u>1,863,000,000</u>

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	2022 \$	2021 \$
2 <sup>nd</sup>	16 Sep 2011	16 Sep 2021	-	130,000,000
3 <sup>rd</sup>	27 Feb 2012	27 Feb 2022	-	170,000,000
4 <sup>th</sup>	30 Mar 2012	30 Mar 2022	-	123,000,000
5 <sup>th</sup>	5 Jul 2012	5 Jul 2022	117,000,000	117,000,000
6 <sup>th</sup>	4 Mar 2013	4 Mar 2023	160,000,000	160,000,000
7 <sup>th</sup>	6 Mar 2013	6 Mar 2024	231,000,000	231,000,000
8 <sup>th</sup>	15 Sep 2014	15 Sept 2024	-	-
9 <sup>th</sup>	26 Mar 2015	26 Mar 2025	532,000,000	532,000,000
10 <sup>th</sup>	29 Jan 2019	29 Jan 2029	400,000,000	400,000,000
Loan from Bank of India	29 Dec 2021	29 Dec 2026	11,000,000	-
			<u>1,451,000,000</u>	<u>1,863,000,000</u>

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 19 Other payables

	2022	2021
	\$	\$
Provision for refunds to borrowers	17,595,816	17,691,821
	<u>17,595,816</u>	<u>17,691,821</u>

The company's loan agreements allow borrowers to a refund of Indian withholding tax in certain circumstances, in particular where the IIFC (UK) Limited has been able to benefit from a UK tax credit in relation to the Indian withholding tax. A provision has been recognised in respect of this where the company has received the benefit of the UK tax credit, however under terms of the arrangement, the borrower would not typically receive payment until the company is satisfied that the UK tax treatment of the credit is unlikely to change. In years where IIFC (UK) Limited has not taken any UK tax credit for Indian withholding tax deducted by borrowers, no provision for refund is made.

### 20 Interest and other payables

	2022	2021
	\$	\$
Bank overdrafts	40,904,177	223
Corporation tax	-	-
Other taxation and social security	4,690	14,182
Other payables	626	302
Accruals	1,214,142	833,779
	<u>42,123,625</u>	<u>848,487</u>

### 21 Other commitments and contingencies

The company has outstanding commitments of \$Nil (2021: \$Nil) under outstanding Letters of Comforts for loans to be disbursed after the financial reporting date.

### 22 Events after the end of the reporting period

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