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**India Infrastructure Finance Company (UK) Limited**  
**Annual report and financial statements**  
**For the year ended 31 March 2024**

**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 Surjith Karthikeyan <i>Director, Government of India Nominee</i> <i>(Appointed 27 March 2024)</i> Mr Kartikeya Misra <i>Director, Government of India Nominee</i> <i>(Resigned 27 March 2024)</i>  Mr Sudhir Sharma <i>Director, Government of India Nominee</i>  Dr Anand Kumar <i>Non-Executive Director</i>  Mr Rakesh Kumar <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 2024 are placed at pages 24-55. Finance income for the year ended 31 March 2024 is \$74,496,142 (2023 – \$71,364,522). Operating profit of the company for the year ended 31 March 2024 before capital impairment amounted to \$15,272,600 (2023 – \$29,637,015) and the profit after taxation is \$12,280,979 (2023 – \$24,440,578).

**Table: 1**

KPIs (Figures in USD Million)	31 March 2024	31 March 2023
	\$m	\$m
Gross Sanctions	150	50
Disbursements	58.48	3.24
Finance income	74.50	71.36
Total income (finance income plus other operating income)	105.23	84.22
Operating profit before capital impairment	15.13	29.64
Net profit	12.28	24.44
Return on Assets (Post Tax)	1.04%	1.81%
Earnings Per Share (Face Value \$1)	\$0.12	\$0.24

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 2023-24 amounting to \$100,000,000 under Direct Lending and \$50,000,000 under Refinance Scheme. Following this, the cumulative gross and net approvals for aggregate loans, net of cancellations reached \$4,858.64 million and \$4,564.46 million respectively for 47 projects under direct lending and 3 institutions under Refinance, including in principal approvals as of 31 March 2024. 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 total income (comprising finance income and other operating income) amounted to \$105,234,724 (2023 - \$84,221,469). The increase in income is mainly on account of an increase in the reference rates (6 month SOFR) (most of the loans provided by the company are linked to 6 month USD SOFR rates). In addition, during 2024, in line with IFRS 9, an amount of \$16,635,919 (2023: \$21,003,698) has been booked as finance income on account of revenue from impaired assets. With impairment loss provision of \$2,848,621 for the year (2023 – loss of \$4,663,013), a profit after tax of \$12,280,979 has been recorded (2023 – \$24,440,578).
- Finance costs increased to \$88,561,557 (2023 - \$53,199,283) mainly on account of increase in reference rates (6 month SOFR) to about 3 times by the end the year. All of the company's long term liabilities at the end of year are linked to 6 month USD SOFR rates. During the year, all the loans for the company have been linked to Term SOFR after cessation of LIBOR rates on 30th June 2023.

## Strategic report (continued)

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

- 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 was until 5 March 2024. IIFC(UK) has requested RBI and government of India for further extension in the validity of the Subscription Agreement. During the year 2023-24 no additional funds have been raised from RBI and IIFC (UK) Limited repaid bonds amounting to \$ 231 million to RBI as per the scheduled maturity during the year. With this, the net principal amount of bonds outstanding, payable to RBI, stands at \$ 932 million as at 31 March 2024.

In addition to this, during the year 2023-24, the company availed \$89 million out of the \$100 million bilateral loan facility from the Bank of India, London. With this, the total borrowings by IIFC(UK) outside RBI facility stands at \$200 million as at 31 March 2024.

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. The following sectors are eligible for financing by IIFC(UK):

S. No.	Category	Infrastructure sub-sectors
1.	Transport and Logistics	<ul style="list-style-type: none"> <li>Roads And Bridges</li> <li>Ports<sup>1</sup></li> <li>Shipyards<sup>2</sup></li> <li>Inland Waterways</li> <li>Airport</li> <li>Railway Track Including Electrical &amp; Signalling System, Tunnels, Viaducts, Bridges</li> <li>Railway Rolling Stock Along With Workshop And Associated Maintenance Facilities</li> <li>Railway Terminal Infrastructure Including Stations And Adjoining Commercial Infrastructure</li> <li>Urban Public Transport (Except Rolling Stock In Case Of Urban Road Transport)</li> <li>Logistics Infrastructure<sup>3</sup></li> <li>Bulk Material Transportation pipelines<sup>4</sup></li> </ul>
2.	Energy	<ul style="list-style-type: none"> <li>Electricity Generation</li> <li>Electricity Transmission</li> <li>Electricity Distribution</li> <li>Oil/Gas/Liquefied Natural Gas (LNG) Storage Facility<sup>5</sup></li> <li>Energy Storage Systems (ESS)<sup>6</sup></li> </ul>
3.	Water and Sanitation	<ul style="list-style-type: none"> <li>Solid Waste Management</li> <li>Water Treatment Plants</li> <li>Sewage Collection, Treatment And Disposal System</li> <li>Irrigation (Dams, Channels, Embankments, Etc.)</li> <li>Storm Water Drainage System</li> <li>Slurry Pipelines</li> </ul>
4.	Communication	<ul style="list-style-type: none"> <li>Telecommunication (Fixed Network)<sup>7</sup></li> <li>Telecommunication Towers</li> <li>Telecommunication &amp; Telecom Services</li> <li>Data Centres<sup>8</sup></li> </ul>

## Strategic report (continued)

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

S. No.	Category	Infrastructure sub-sectors
5.	Social and Commercial Infrastructure	<ul style="list-style-type: none"> <li>• Education Institutions (Capital Stock)</li> <li>• Sports Infrastructure<sup>9</sup></li> <li>• Hospitals (Capital Stock)<sup>10</sup></li> <li>• 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</li> <li>• 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</li> <li>• Post-Harvest Storage Infrastructure For Agriculture And Horticultural Produce Including Cold Storage</li> <li>• Terminal Markets</li> <li>• Soil-Testing Laboratories</li> <li>• Cold Chain<sup>11</sup></li> <li>• Affordable Housing<sup>12</sup></li> <li>• Affordable Rental Housing Plan<sup>13</sup></li> <li>• Exhibition-cum-convention centres<sup>14</sup></li> </ul>

#### 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 acre, 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 Oil, Gas, Slurry, Water supply and Iron Ore Pipelines
5. Includes strategic storage of crude oil.
6. Includes dense charging infrastructure and grid scale Energy Storage Systems (ESS) with a minimum qualifying capacity of 200 MW-Hr, provided that ESS is not being established on merchant basis.
7. Includes optic fibre/wire/cable networks which provide broadband / Internet.
8. Data Centre housed in a dedicated/centralized building for storage and processing of digital data applications with a minimum capacity of 5 MW of IT load.
9. Includes the provision of Sports Stadia and Infrastructure for Academies for Training/Research in Sports and Sports-related activities.
10. Includes Medical Colleges, Para Medical Training Institutes and Diagnostics Centres.
11. Includes cold room facility for farm level pre-cooling, for preservation or storage of agriculture and allied produce, marine products and meat.
12. "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.
13. "Affordable Rental Housing Complex" means a project to be used for rental purpose only for urban migrant/poor (EWS/LIG categories) for a minimum period of 25 years with basic civic infrastructure facilities such as water, sanitation, sewerage/ septage, road, electricity along with necessary social/commercial infrastructure and the initial rent fixed by Local Authority/ Entities based on local survey of surrounding area wherein the project is situated.  
Project means a listed project having at least 40 Dwelling Units of double room or single room or equivalent Dormitory Units or a mix of all three in any ratio but not more than one third of total built up area under double bedrooms units.

## Strategic report (continued)

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

Dwelling Units (DUs) means a unit comprising of double bed room with living area, kitchen, toilet and bathroom of up to 60 square meters carpet area@ or single bed room with living area, kitchen, toilet and bathroom of up to 30 square meters carpet area@.

Dormitory Units means a set of 3 Dormitory Bed with common kitchen, toilet and bathroom in 30 square meters carpet area@ meaning 10 square meters carpet area@ per Dormitory Bed.

@ "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.

14. "Exhibition-cum-Convention Centre" is defined as Exhibition and Convention Centre Projects with minimum built-up floor area\* of 100,000 square metres of exclusively exhibition space or convention space or both combined.

\* Built up floor area includes primary facilities such as exhibition centres, convention halls, auditoriums, plenary halls, business centres, meeting halls etc.

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, IIFC(UK) Limited has participated majorly 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 financing to infrastructure projects other than import component under SIFTI/ other applicable schemes.

### 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 counterparties.



## **Strategic report (continued)**

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

#### **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.

#### **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 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.

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)**

#### **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 majorly 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 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.

## **Strategic report (continued)**

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

#### **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. During the year, the company did not receive any additional equity from the parent company, however owing to the recoveries from bad loans for last two years combined with significant rise in the reference rates of the loan and advances, the company has earned a profit of \$12,280,979. With this, the net worth position of the company has improved to \$31,162,662 during the year. The company has received sufficient operational support from the parent company from time to time and this is expected to continue in future as well. Also, the company has the facility to draw funds under the Reserve Bank of India Subscription Agreement until March 2024 (further extension in Subscription Agreement has been requested to Reserve Bank of India and Government of India) under the present arrangement. Furthermore, the company maintains adequate funds to finance loan disbursements, as and when they fall due. As a result, they are satisfied that the company have adequate resources to continue in business for the foreseeable future, specifically for a period of at least 12 months from when the annual accounts are authorised for issue. Hence, 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 2024 to 47 projects under Direct Lending and 4 sanctions under the New Refinance Scheme, with sanctions amounting to \$4,565 million. The status of the activity and sector gross approvals at 31 March 2024 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	7	908	20%
Private	3	205	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	1%
Power	31	2,566	56%
PPP	8	1,008	23%
Private	12	1,346	29%
Private Competitive bidded	11	212	5%
Telecommunications	1	126	3%
Private	1	126	3%
Total	47	4,145	91%
New Refinancing Scheme loans	4	420	9%
<b>Grand Total</b>	<b>51</b>	<b>4,565</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	31%
MRTS - Metro Rail	3	188	4%
Port	3	204	4%
Power	8	1,008	22%
Private	18	1,830	40%
Fertilizers	1	85	2%
Gas Pipelines/LNG Storage/Refinery/Exploration	3	205	4%
Port	1	68	1%
Power	12	1,346	29%
Telecommunications	1	126	3%
Private Competitive bids	12	284	6%
Gas Pipelines/LNG Storage/Refinery/Exploration	1	72	2%
Power	11	212	5%
Public	3	631	14%
Gas Pipelines/LNG Storage/Refinery/Exploration	3	631	14%
Total	47	4,045	91%
New Refinancing Scheme loans	4	420	9%
<b>Grand Total</b>	<b>51</b>	<b>4,565</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 2024 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
2008-09	597	597	473	-	124	-	-	-	-
%		100%	79%	-	21%	-	-	-	-
2009-10	257	854	730	-	-	-	-	-	-
%		85%	85%	-	-	-	-	-	-
2010-11	Sanctions cancelled	854	-	-	-	-	-	-	-
%		-	-	-	-	-	-	-	-
2011-12	348	1202	885	-	124	109	-	85	-
%		100%	74%	-	10%	9%	-	7%	-
2012-13	498	1700	1251	-	188	177	-	85	-
%		100%	74%	-	11%	10%	-	5%	-
2013-14	375	2075	1,501	125	188	177	-	85	-
%		100%	72%	6%	9%	9%	-	4%	-
2014-15	598	2673	1,754	365	188	202	80	85	-
%		100%	66%	14%	7%	8%	3%	3%	-
2015-16	375	3048	2,011	437	188	202	126	85	-
%		100%	66%	14%	7%	6%	4%	3%	-
2016-17	583	3631	2,314	717	188	202	126	85	-
%		100%	64%	20%	5%	6%	3%	2%	-
2017-18	194	3825	2,438	717	188	272	126	85	-
%		100%	64%	19%	5%	7%	3%	2%	-
2018-19	141	3966	2,438	858	188	272	126	85	-
%		100%	61%	22%	5%	7%	3%	2%	-
2019-20	29	3995	2,466	858	188	272	126	85	-
%		100%	62%	21%	5%	7%	3%	2%	-
2020-21	270	4265	2,466	858	188	272	126	85	270
%		100%	58%	20%	4%	6%	3%	2%	6%
2021-22	100	4365	2,466	858	188	272	126	85	370
%		100%	56%	20%	4%	6%	3%	2%	8%
2022-23	50	4415	2,466	908	188	272	126	85	370
%		100%	56%	20%	4%	6%	3%	2%	9%
2023-24	150	4565	2,566	908	188	272	126	85	430
		100%	56%	20%	4%	6%	3%	2%	9%

## Strategic report (continued)

*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 2024, the company approved credit proposals totalling \$150 million as compared to total loan approvals of \$50 million during the year ended 31 March 2023. The sanctions were made under the Direct Lending and Refinance Scheme.

### Disbursement of loans

As at 31 March 2024, cumulative disbursements from incorporation to date aggregated \$2,313 million. The details of the cumulative disbursement of loans at 31 March 2024 are shown in Table 5 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 Storage/Refinery/Exploration	7	908	86
Private	3	205	-
Private Competitive bidded	1	72	71
Public	3	631	15
MRTS - Metro Rail	3	188	179
PPP	3	188	179
Port	4	272	143
PPP	3	204	109
Private	1	68	34
Power	31	2,566	1,665
PPP	8	1,008	687
Private	12	1,346	876
Private Competitive bidded	11	212	102
Telecommunications	1	126	-
Private	1	126	-
Total	47	4,145	2,143
Refinance (to institutions)	4	420	170
Public	4	420	170
<b>Grand Total</b>	<b>51</b>	<b>4,565</b>	<b>2,313</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 \$2,848,621 (2023: \$4,663,013) has been charged to the income statement during the year.

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 and the war is still going on. 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 in Union Budget FY2024 spelled out three strategic policy priorities of the Government — an ambitious infrastructure development program, clear emphasis on supporting green growth, and achieving a reduction in India's dependence on imported crude. 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 9,737 projects with a projected total infrastructure investment of over 150 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 2023-24 has been increased to Rs. 11,11,111, an 11% increase from estimates of Rs. 10,00,961 Crore in 2023-24. The increase in capital expenditure is driven by higher outlay on transport infrastructure and capital loans to states. 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.

100 critical transport infrastructure projects for last and first mile connectivity for various sectors such as ports, coal, steel will be taken 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, 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 2024

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 2.5 bn under this arrangement and have an approval which allows for issuance of up to USD 5bn. In addition, banks are other major stakeholders with whom the company places the deposits and/or raises funds.

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

## Strategic report (continued)

### Section 172 (1) Statement for the Year Ended 31 March 2024 (continued)

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

Impact of views of stakeholders and consideration of resources on decisions made during the year

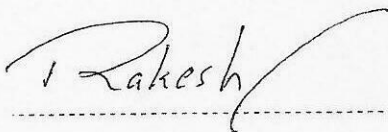
To illustrate the consideration of the Directors in regard to the stakeholders above, we note below some of the decisions made by the Board during the year and their effect on the parties and matters above.

Equity increase: Having considered among other things, the effect of the provisions required by IFRS 9 on the company's equity, it was determined that the company should seek additional equity from its shareholder. The additional equity contributes positively to the perceived stability of the business for customers. During the year, the company further improved its net worth. 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 sought for the extension of the bond issuance noted below also support the company's stability and growth.

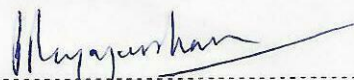
Subscription Agreement for bond issuance to Reserve Bank of India: The Reserve Bank of India has extended the subscription agreement until March 2024, which enables it to continue to raise funds under the agreement and contributes to its ability to augment its operations as noted above. Further extension of the subscription agreement has been requested to Reserve Bank of India and Government of India.

Decisions relating to employees: In the past, the Directors of the company considered the effects of the COVID-19 pandemic on employees and undertook appropriate safety measures to protect Directors and employees during the pandemic situation. The Directors continue to consider the similar situation in future and to accommodate the wellbeing of its employees and families in the best possible way. In order to expand the business activities and need to augment growth, the Directors of the company are considering to increase the resources.

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



Mr Rakesh Kumar  
Managing Director  
Date: 24 May 2024



Mr P. R. Jaishankar  
Chairman  
Date: 24 May 2024

## **Directors' report**

The Directors have the pleasure of presenting the annual report and the audited financial statements for the year ended 31 March 2024. 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 (2023 - \$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 2024.

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**

Four meetings of the Board of Directors were held during the year on 08/09 June 2023, 07/08 September 2023, 28/29 December 2023 and 05 March 2024. 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 November 2020 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:

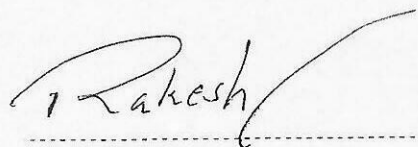
- there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

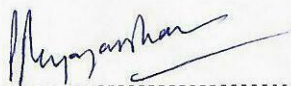
### Auditor

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: 24 May 2024



Mr P. R. Jaishankar  
Chairman  
Date: 24 May 2024

## **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 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including material accounting policy information.

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 2024 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

### 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 17, 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: Financial Conduct Authority (FCA) anti-money laundering regulations.

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 tax legislation and the 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, in particular in relation to, revenue recognition (which we pinpointed to the valuation) 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  
One St Peters Square  
Manchester  
M2 3DE

24 May 2024

## Statement of comprehensive income

For the year ended 31 March 2024

	Note	2024 \$	2023 \$
Finance income	3	74,496,142	71,364,522
Finance costs	4	(88,561,557)	(53,199,283)
Net finance (expense) /income		(14,065,415)	18,165,239
Other interest income		30,738,582	12,856,947
Administrative expenses		(1,543,567)	(1,385,171)
Operating profit		15,129,600	29,637,015
Movement in expected credit loss on financial assets	10	(2,848,621)	(4,663,013)
Profit before tax	5	12,280,979	24,974,002
Income tax	8	-	(533,424)
Profit after tax		12,280,979	24,440,578
Other comprehensive income for the year		-	-
Total comprehensive income for the year		12,280,979	24,440,578

The notes on pages 28 to 55 are an integral part of these financial statements.

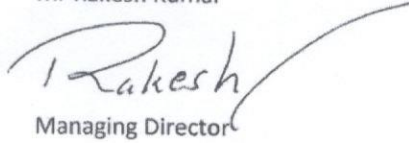
## Statement of financial position

As at 31 March 2024

	Note	2024 \$	2023 \$
Non-current assets			
Property, plant and equipment	9	8,924	20,776
Loans and receivables	10	431,836,582	758,746,163
		<u>431,845,506</u>	<u>758,766,939</u>
Current assets			
Loans and receivables	10	287,921,914	129,175,687
Interest and other receivables	12	18,103,755	16,096,265
Cash and cash equivalents	15	447,278,657	449,106,778
		<u>753,304,326</u>	<u>594,378,730</u>
Total assets		<u>1,185,149,832</u>	<u>1,353,145,669</u>
Equity			
Issued share capital	16	100,000,000	100,000,000
Retained earnings	17	(68,837,338)	(81,118,317)
		<u>31,162,662</u>	<u>18,881,683</u>
Non-current liabilities			
Interest bearing borrowings	18	600,000,000	1,043,000,000
Interest and other payables	19	16,890,323	16,356,899
		<u>616,890,323</u>	<u>1,059,356,899</u>
Current liabilities			
Interest bearing borrowings	18	532,000,000	231,000,000
Interest and other payables	20	5,096,847	43,373,663
Current tax liabilities	20	-	533,424
		<u>537,096,847</u>	<u>274,907,087</u>
Total equity and liabilities		<u>1,185,149,832</u>	<u>1,353,145,669</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: 24 May 2024

Mr P. R. Jaishankar

  
Chairman

Date: 24 May 2024

## Statement of changes in equity

For the year ended 31 March 2024

	Issue share capital \$	Retained earnings \$	Total \$
<b>At 31 March 2022</b>	<b>100,000,000</b>	<b>(105,558,895)</b>	<b>(5,558,895)</b>
Profit for the year	-	24,440,578	24,440,578
Total comprehensive income	-	24,440,578	24,440,578
<b>At 31 March 2023</b>	<b>100,000,000</b>	<b>(81,118,317)</b>	<b>18,881,683</b>
Profit for the year	-	12,280,979	12,280,979
Total comprehensive income	-	12,280,979	12,280,979
<b>At 31 March 2024</b>	<b>100,000,000</b>	<b>(68,837,338)</b>	<b>31,162,662</b>

The notes on pages 28 to 55 are an integral part of these financial statements.

## Statement of cash flows

For the year ended 31 March 2024

	2024 \$	2023 \$
Cash flows from operating activities		
Profit for the year	12,280,979	24,440,578
Adjustments for:		
Depreciation of property, plant and equipment	15,253	15,112
Loss on disposal of property, plant and equipment	1,509	-
Income tax (credit)/expense	-	533,424
Decrease in loan and other receivables (current and non-current)	166,155,864	276,788,161
Increase in interest and other payables	(142,871,905)	(175,749,962)
Income tax received / (paid)	-	(1,238,917)
Net cash flows generated from / (used in) operating activities	35,581,700	124,788,396
Cash flows from investing activity		
Purchase of property, plant and equipment	(4,910)	-
Net cash flows generated from investing activity	(4,910)	-
(Decrease) / increase in cash and cash equivalents	35,576,790	128,287,410
Cash and cash equivalents at the beginning of the year	411,701,867	320,819,368*
Cash and cash equivalents at the end of the year	447,278,657	449,106,778
Interest received	92,071,531	51,937,357
Interest paid	88,561,557	53,199,283
Cash and cash equivalent breakdown:		
Cash and cash equivalents	447,278,657	449,106,778
Bank overdraft	(252)	(37,405,163)
	447,278,405	411,701,615

\* Reclassification to include bank overdraft within the cash and cash equivalents

## Notes to the financial statements

For the year ended 31 March 2024

### 1 Accounting policies

#### 1.1 General information

The company's financial statements for the year were authorised for issue on 24 May 2024 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 ("USD" or "\$"), 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 2024

### 1.3 Changes in accounting standards

#### *a) New standards, interpretations and amendments effective from 1 January 2022*

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 2024

	UK effective date – periods beginning on or after
IFRS 17 Insurance Contracts and Amendments to IFRS 17	1 January 2023
IFRS 17 Insurance Contracts (Amendment): Initial Application of IFRS 17 and IFRS 9 – Comparative information	1 January 2023
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Amendment): Disclosure of Accounting Policies	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Accounting Estimates	1 January 2023
IAS 12 Income Taxes (Amendment): Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 12 Income Taxes (Amendment): International Tax reform – Pillar Two Model Rules	1 January 2023
IAS 16 Leases (Amendment): Lease Liability in a Sale and Leaseback	1 January 2024

#### *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.

	UK adopted (not EU endorsed) effective date –
IAS 1 Presentation of Financial Instruments (Amendment). Classification of Liabilities as Current and Non-Current and Classification of Non-current Liabilities with Covenants	1 January 2024
IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures (Amendment). Supplier Finance arrangements.	1 January 2024

## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 1 Accounting policies (continued)

#### 1.4 Going concern

The company has adequate resources to continue its operations for the foreseeable future. During the year, the company did not receive any additional equity from the parent company, however owing to the recoveries from bad loans for last two years combined with significant rise in the reference rates of the loan and advances, the company has earned a profit of \$12,280,979. With this, the net worth position of the company has improved and stands at \$12,814,415 during the year. The company has received sufficient operational support from the parent company from time to time and this is expected to continue in future as well. Also, the company has the facility to draw funds under the Reserve Bank of India Subscription Agreement until March 2024 (further extension in Subscription Agreement has been requested to Reserve Bank of India and Government of India) under the present arrangement. Furthermore, the company maintains adequate funds to finance loan disbursements, as and when they fall due. As a result they are satisfied that the company have adequate resources to continue in business for the foreseeable future, specifically for a period of at least 12 months from when the annual accounts are authorised for issue. Hence, 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. Interest and other charges related to credit-impaired term loans are recognised as revenue. These charges are calculated by applying the effective interest rate to the amortised cost of the financial asset. It is important to note that discussions regarding recovery still primarily focus on the outstanding principal. Therefore, management does not anticipate recovering the interest and other charges for which an ECL provision has been established.



## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 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.

The company has also made borrowings under interest bearing term loans from Indian public sector banks based in London, United Kingdom.

#### 1.8 Other interest 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 2024

### 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 2024

### 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 2024

### 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 2024

### 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 2024

### 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 2024

### 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.

### 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 2024

### 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:

	2024	2023
	\$	\$
Interest and other charges on term loans	72,246,153	66,930,494
Fee income	2,249,989	4,434,028
	<u>74,496,142</u>	<u>71,364,522</u>

### 4 Finance costs

	2024	2023
	\$	\$
Interest on borrowings	79,910,279	43,637,033
Interest on overdrafts	418,317	518,661
Guarantee fee	8,232,961	9,043,589
	<u>88,561,557</u>	<u>53,199,283</u>



## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 5 Profit or loss

This is stated after charging/(crediting):

	2024	2023
	\$	\$
Employee remuneration and benefit expenses (note 6)	582,927	523,509
Depreciation (note 9)	15,255	15,112
Rent and rates	9,595	19,207
Lease expenses	152,345	136,010
Foreign exchange loss	7,669	1,196
Loss on disposal of property, plant and equipment	1,506	-
Auditors' remuneration		
Audit services	107,393	97,612
Taxation compliance services	10,586	9,597
Other services	11,807	16,488
	<u>129,786</u>	<u>123,697</u>

### 6 Employee expenses

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

	2024	2023
Management and administration	1	1
Broking and technical	2	2
	<u>3</u>	<u>3</u>

Their aggregate remuneration comprised:

	2024	2023
	\$	\$
Gross wages and salaries	385,101	372,911
Other employee benefits	136,465	108,122
Post-employment expenses for provident fund (India)	11,217	8,953
Social security costs	50,144	33,523
	<u>582,927</u>	<u>523,509</u>

\*This includes the remuneration to Directors as provided under Note 7.

## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 7 Directors' remuneration

Directors' aggregate remuneration comprised:

	2024	2023
	\$	\$
Gross wages and salaries	196,224	183,605
Other employee benefits	67,633	59,862
Post-employment expenses for provident fund (India)	6,150	5,051
	<u>270,007</u>	<u>248,518</u>

The Directors' remuneration above relates to two Directors (2023 – two). 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.

Of the above, the highest paid director is Managing Director of the company with the following remuneration:

	2024	2023
	\$	\$
Total emolument	246,268	229,906
Post-employment expenses for provident fund (India)	6,150	5,051
	<u>252,418</u>	<u>234,957</u>

### 8 Taxation

The tax charge recognised in profit comprises:

	2024	2023
	\$	\$
<b>Current tax</b>		
Current tax on profits for the year	-	533,424
<b>Total current tax</b>	<u>-</u>	<u>533,424</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on ordinary activities</b>	<u>-</u>	<u>533,424</u>

## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 8 Taxation (continued)

The differences are reconciled below:

	2024 \$	2023 \$
Profit on ordinary activities before taxation	12,280,979	24,974,002
Corporation tax calculated at 25% (2023: 19%)	3,070,245	4,745,060
Effects of:		
Fixed asset differences	3,070	2,333
Expenses not deductible for tax purposes	(128,482)	(118,847)
Adjustments to brought forward values	1,007,390	120,244
Current tax (current period) exchange differences arising on movement between opening and closing spot rates		8,114
Utilisation of brought forward tax losses		(4,223,481)
Movement in deferred tax not recognised	(3,077,954)	
Other differences	(875,000)	1
<b>Total tax (credit)/charge</b>	<b>-</b>	<b>533,424</b>

The company has trading losses carried forward of \$103,076,653 (2023: \$104,365,908). 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 \$38,574,023 of which \$25,837,508 related to trading losses and \$12,736,515 related to short term temporary timing differences. (2022: \$42,212,607 of which \$26,091,477 related to trading losses and \$16,121,188 related to short term temporary timing differences.) that can be carried forward against future taxable profits.

On 10 June 2021, Finance Act 2021 substantively enacted that from 1 April 2023 the corporation tax rate would be 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 2024

### 9 Property, plant and equipment

	Short leasehold property \$	Plant and machinery \$	Fixtures and fittings \$	Total \$
Cost				
At 31 March 2022	122,799	46,758	63,888	233,445
Additions	-	-	-	-
At 31 March 2023	122,799	46,758	63,888	233,445
Additions	-	4,910	-	4,910
Disposals	-	(3,873)	-	(3,873)
At 31 March 2024	122,799	47,795	63,888	234,482
Depreciation				
At 31 March 2022	98,241	41,824	57,492	197,557
Depreciation charge	12,280	1,233	1,599	15,112
At 31 March 2023	110,521	43,057	59,091	212,669
Depreciation charge	12,278	1,776	1,199	15,253
Disposal	-	(2,364)	-	(2,364)
At 31 March 2024	122,799	42,469	60,290	225,558
Carrying value				
At 31 March 2024	-	5,326	3,598	8,924
At 31 March 2023	12,278	3,701	4,797	20,776

## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 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 2024

### 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 2024 are as follows:

Sr. No	Company	Country of exposure	Type of account	Amount of loan \$
1	REC LTD	India	Refinance	170,000,000
2	Sasan Power Limited	India	Direct Lending	161,726,691
3	KSK Mahanadi Power Company Limited	India	Direct Lending	95,000,000
4	Lalitpur Power Generation Company Limited	India	Direct Lending	69,500,000
5	Mumbai Metro One Private Limited	India	Direct Lending	56,355,551
<b>Total</b>				<b>552,582,242</b>

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 2024

### 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 2024 (2023 - \$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 2024, 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+.

	2024 \$	2023 \$
On-balance sheet exposure:		
Loans and advances to customers	725,180,596	894,005,610
Upfront fees received in advance and amortised over the life of the loan	(5,422,100)	(6,083,760)
Carrying amount of loans and receivables per the balance sheet	<u>719,758,496</u>	<u>887,921,850</u>
Off-balance sheet exposure:		
Commitment to lend	178,851,655	137,467,743

## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 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.

#### *Expected credit losses*

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

	\$
Expected credit loss provision at 31 March 2022	157,074,155
Expected credit loss provision— specific, comprising:	
12 month ECL for assets classified under Stage 1	(4,310,157)
Lifetime ECL for assets classified under Stage 2	(597,317)
Lifetime ECL for assets classified under Stage 3	10,728,361
Impairments adjusted against loan loss during the year/reversed and no longer required	(1,157,865)
Expected credit loss provision at 31 March 2023	<u>161,737,168</u>
Expected credit loss provision— specific, comprising:	
12 month ECL for assets classified under Stage 1	(810,044)
Lifetime ECL for assets classified under Stage 2	(381,728)
Lifetime ECL for assets classified under Stage 3	(6,322,258)
Impairments adjusted against loan loss during the year/reversed and no longer required	10,362,652
Expected credit loss provision at 31 March 2024	<u>164,585,789</u>



## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 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 2023	\$	\$	\$	\$
Total exposure	548,201,493	184,326,692	323,214,594	1,055,742,779
Impairment allowance	1,756,071	1,228,847	158,752,250	161,737,168
ECL %	0.32%	0.67%	49.12%	15.32%
31 March 2024	\$	\$	\$	\$
Total exposure	458,461,141	161,835,758	269,469,486	889,766,385
Impairment allowance	946,027	847,119	162,792,644	164,585,789
ECL %	0.21%	0.52%	60.41%	18.50%

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 2022	\$ 7,224,092	\$ 1,826,174	\$ 148,023,889	\$ 157,074,155
Financial assets transferred:				
From stage 1 to stage 2	-	-	-	-
From stage 2 to stage 1	-	-	-	-
From stage 2 to stage 3	-	-	-	-
Decrease in ECL	(4,310,156)	(597,327)	10,728,361	5,820,878
Decrease in ECL due to adjustment	(1,157,865)	-	-	(1,157,865)
31 March 2023	1,756,071	1,228,847	158,752,250	161,737,168
Financial assets transferred:				
From stage 1 to stage 2	-	-	-	-
-From stage 2 to stage 3	-	-	-	-
-From stage 3 to stage 1	249,862	-	(6,410,776)	(6,160,914)
Decrease/Increase in ECL	(1,059,907)	(381,729)	88,518	(1,353,118)
-Increase in ECL due to interest income from stressed assets	-	-	10,362,652	10,362,652
31 March 2024	946,026	847,118	162,792,644	164,585,789

## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 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:

	2024 \$	2023 \$
Loans and receivables from customers		
Stage 1	458,461,141	548,201,493
Stage 2	161,835,758	184,326,692
Stage 3	269,469,486	323,214,594
Total gross financial assets	889,766,385	1,055,742,779
Less: capital impairment	(164,585,789)	(161,737,168)
Loans and receivables from customers net of ECL	725,180,596	894,005,610

#### Liquidity risk

IIFC (UK) Limited was having in place an approval to draw an aggregate amount up to \$5 billion from the Reserve Bank of India till 05<sup>th</sup> March 2024 and request for further extension has been made with Reserve Bank of India and Government 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 \$231 million to RBI as per the scheduled maturity of 1 tranche of bonds. With this, the net principal outstanding of bonds payable to RBI stands at \$932 million as at 31 March 2024. In addition to this, during 2023-24, the company has drawn \$89 million of bilateral loan facility from the Bank of India, London secured last year.. This is in addition to the outstanding borrowing of \$ 111 million by IIFC (UK) outside the existing RBI line raised till 31<sup>st</sup> March 2023.

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.

## Notes to the financial statements (continued)

For the year ended 31 March 2024

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

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 \$
<b>31 March 2024</b>			
Less than one year	532,000,000	147,204,743	679,204,743
In more than one year but not more than two years	-	40,884,450	40,884,450
In more than two years but not more than three years	11,000,000	40,694,871	51,694,871
In more than three years but not more than five years	589,000,000	57,522,964	646,522,964
Over five years	-	-	-
Total	<u>1,132,000,000</u>	<u>286,307,029</u>	<u>1,418,307,029</u>
<b>31 March 2023</b>			
Less than one year	231,000,000	71,936,571	302,936,571
In more than one year but not more than two years	532,000,000	59,711,239	591,711,239
In more than two years but not more than three years	-	29,406,550	29,406,550
In more than three years but not more than five years	111,000,000	53,414,601	164,414,601
Over five years	400,000,000	22,044,560	422,044,560
Total	<u>1,274,000,000</u>	<u>236,513,521</u>	<u>1,510,513,521</u>

#### Market risk

IIFC (UK) Limited does not have a trading book. Borrowing and lending are based on SOFR 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 SOFR and pays floating interest on bond liabilities linked to SOFR. The net exposure to interest rate risk at the balance sheet date was limited to SOFR 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.

	2024 \$	2023 \$
SOFR linked bonds	(1,132,000,000)	(1,274,000,000)
Loans and receivables	<u>725,180,596</u>	<u>894,005,610</u>
Net gap subject to interest rate exposure	<u>406,819,404</u>	<u>379,994,390</u>
Sensitivities are:		
1% movement in SOFR	4,068,194	3,799,944

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 SOFR, the impact on profit and loss and equity will be \$4,357,010.

## Notes to the financial statements (continued)

For the year ended 31 March 2024

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

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.

#### *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.

	2024 \$	2023 \$
Interest bearing loans and borrowings	1,132,000,000	1,274,000,000
Overdraft	252	37,405,163
Less: cash and short-term deposits	(939,368)	(80,120)
Less: fixed deposits with bank	(446,339,289)	(449,026,658)
Net debt	684,721,595	862,298,385
Equity including reserves carried forward	31,162,662	18,881,683
Total capital	31,162,662	18,881,683
Capital and net funds	715,884,257	881,180,068
Net funds to equity ratio	23.0	46.7

The company has an authorised share capital of \$500 million of which an amount of \$100 million has been subscribed by the holding company. As at 31 March 2024, the company held retained losses of \$68,303,926 (2023: loss of \$81,118,317).

The liability of IIFCL is limited to its equity contribution in IIFC (UK) Limited.

## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 11 Financial instruments

	Carrying amount		Fair value	
	2024	2023	2024	2023
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	447,278,657	449,106,778	447,278,657	449,106,778
Loans and receivables	719,758,496	887,921,850	725,180,596	894,005,610
Interest and other receivables	18,103,755	16,096,265	18,103,755	7,815,054
<b>Financial liabilities</b>				
Interest bearing borrowings	(1,132,000,000)	(1,274,000,000)	(1,132,000,000)	(1,317,369,149)
Interest and other payables	(21,987,170)	(59,607,607)	(21,987,170)	(59,607,607)
The above are analysed as:				
<b>Non-current</b>				
<b>Financial assets</b>				
Loans and receivables	431,836,582	758,746,163	436,012,287	449,106,778
<b>Financial liabilities</b>				
Interest bearing borrowings	(600,000,000)	(1,043,000,000)	(600,000,000)	(1,043,000,000)
Interest and other payables	(16,890,323)	(16,356,899)	(16,890,323)	(16,356,899)
<b>Current</b>				
<b>Financial assets</b>				
Cash and cash equivalents	447,278,657	449,106,778	447,278,657	449,106,778
Loans and receivables	287,921,914	129,175,687	289,168,309	129,175,687
Interest and other receivables	18,103,755	16,096,265	18,103,755	16,096,265
<b>Financial liabilities</b>				
Interest bearing borrowings	(532,000,000)	(231,000,000)	(532,000,000)	(231,000,000)
Interest and other payables	(5,096,847)	(43,250,708)	(5,096,847)	(43,250,708)

## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 12 Interest and other receivables

	2024	2023
	\$	\$
Interest and other receivables	10,876,679	7,802,725
Corporation tax recoverable	7,227,076	8,293,540
	<u>18,103,755</u>	<u>16,096,265</u>

### 13 Related party transactions

#### *Ultimate controlling party and immediate parent company*

The ultimate controlling party is the Government of India and the company's immediate parent company 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 \$224,837 (2023 - \$ 258,615.31) 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.

Shri Sudhir Sharma, Regional Head, State Bank of India (SBI), United Kingdom Region is inducted as the Government of India nominee Director on the Board of India Infrastructure Finance Company (UK) Limited w.e.f. 15th February 2023. IIFC (UK) Limited has banking relationships with SBI UK. As on 31st March 2024, IIFC (UK) Limited held USD 179,699,600 as fixed deposits with SBI UK.

Dr. Anand Kumar, the Non-executive Director on the Board of IIFC(UK) Limited is also serving as the Non-Executive Director in the Board of Union Bank of India (UK) Ltd. IIFC (UK) Limited has banking relationships with UBI UK. As on 31st March 2024, IIFC (UK) Limited held USD 19,660,000.00 (2023 - \$10,000,000) as fixed deposit with UBI UK.

## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 14 Deferred tax

	2024 \$	2023 \$
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	(12,736,515)	63,682,576
• Other provision adjustments	(68,084)	801,896
Unused tax losses and credits	(25,769,163)	104,365,908
	<u>(38,573,762)</u>	<u>168,850,380</u>
Unrecognised deferred tax assets relating to the above temporary differences	(38,574,023)	42,903,465

### 15 Cash and cash equivalents

	2024 \$	2023 \$
Cash at bank in current accounts	939,368	80,120
Other short-term deposits with banks	446,339,289	449,026,658
	<u>447,278,657</u>	<u>449,106,778</u>

### 16 Share capital

	2024 \$	2023 \$
<i>Allotted, called up and fully paid</i>		
99,935,995 Ordinary shares of \$1 each	99,935,995	99,935,995
50,000 Ordinary shares of £1 each	64,005	64,005
	<u>100,000,000</u>	<u>100,000,000</u>

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.

## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 18 Financial liabilities

	2024 \$	2023 \$
Total bonds issues	932,000,000	1,163,000,000
Loan from Bank of India	200,000,000	111,000,000
	<u>1,132,000,000</u>	<u>1,274,000,000</u>

The bonds issued refer to five tranches of ten year bonds maturity at various dates as shown below bearing interest linked to the USD six month SOFR. 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. In addition, the company has also drawn funds from Bank of India on SOFR linked interest rates.

Tranche	Issue date	Maturity date	2024 \$	2023 \$
7 <sup>th</sup>	6 Mar 2014	6 Mar 2024	-	231,000,000
8 <sup>th</sup>	15 Sep 2014	-	-	-
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
Total			<u>932,000,000</u>	<u>1,163,000,000</u>
Loan from Bank of India - I	30 Dec 2021	30 Dec 2026	11,000,000	11,000,000
Loan from Bank of India - II	29 Jun 2022	29 Jun 2027	89,000,000	89,000,000
Loan from Bank of India - III	02 Mar 2023	02 Mar 2028	11,000,000	11,000,000
Loan from Bank of India -IV	20 Jun 2023	20 Jun 2028	89,000,000	-
			<u>200,000,000</u>	<u>111,000,000</u>

### 19 Other payables

	2024 \$	2023 \$
Provision for refunds to borrowers	16,890,323	16,356,899
	<u>16,890,323</u>	<u>16,356,899</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.



## Notes to the financial statements (continued)

For the year ended 31 March 2024

### 20 Interest and other payables

	2024	2023
	\$	\$
Bank overdrafts	252	37,405,163
Corporation tax	-	533,424
Other taxation and social security	17,566	4,514
Other payables	-	656,379
Accruals	5,079,029	5,307,607
	<u>5,096,847</u>	<u>43,907,087</u>

### 21 Other commitments and contingencies

The company has outstanding commitments of \$Nil (2023: \$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.