
India Infrastructure Finance Company (UK) Limited
Annual report and financial statements
For the year ended 31 March 2025

Registered number: 06496661

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Company information

Company number	06496661
Registered office	Third Floor 72 King William Street London EC4N 7HR
Directors	Dr Padmanabhan Raja Jaishankar <i>Chairman</i> Mr Surjith Karthikeyan <i>Director, Government of India Nominee</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	Forvis 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 2025 are placed at pages 24-55. Finance income for the year ended 31 March 2025 is \$55,671,189 (2024 – \$74,496,142). Operating profit of the company for the year ended 31 March 2025 before reversal of capital impairment amounted to \$14,768,092 (2024 – before capital impairment expense \$15,129,600) and the profit after taxation is \$56,927,147 (2024 – \$12,280,979).

Table: 1

KPIs (Figures in USD Million)	31 March 2025	31 March 2024
	\$m	\$m
Gross Sanctions	349	150
Disbursements	150.97	58.48
Finance income	55.67	74.50
Total income (finance income plus other operating income)	77.35	105.23
Operating profit (2024: before capital impairment)	14.77	15.13
Net profit	56.93	12.28
Return on Assets (Post Tax)	7.04%	1.04%
Earnings Per Share (Face Value \$1)	\$0.46	\$0.12

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 2024-25 amounting to \$249 million under Direct Lending and \$100 million under Refinance Scheme. Following this, the cumulative gross and net approvals for aggregate loans, net of cancellations reached \$5,207.64 million and \$4,913.46 million respectively for 50 projects under direct lending and 5 institutions under Refinance, including in principal approvals as of 31 March 2025. 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 \$77,345,133 (2024 - \$105,234,724). The decrease in income is mainly on account of reduction in loan book and softening of SOFR Rates (all of the loans provided by the company are linked to SOFR rates). In addition, during 2025, in line with IFRS 9, an amount of \$1,796,595 (2024: \$11,904,522) has been booked as finance income on account of revenue from impaired assets. With a reversal of impairment loss provision of \$48,438,898 for the year (2024 – loss of \$2,848,621), a profit after tax of \$56,927,147 has been recorded (2024 – \$12,280,979).
- Finance costs decreased to \$61,065,882 (2024 - \$88,561,557) mainly on account of reduction in the total borrowings and softening of reference rates (SOFR). All of the company's long-term liabilities at the end of year are linked to SOFR rates.

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 and this is under consideration. During the year 2024-25 no additional funds have been raised from RBI and IIFC (UK) Limited prepaid/ repaid bonds amounting to \$532 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 \$400 million as at 31 March 2025.

In addition to this, during the year 2024-25, the company availed \$50 million through a bilateral loan facility from Canara Bank, London. With this, the total borrowings by IIFC(UK) outside RBI facility stands at \$250 million as at 31 March 2025.

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"> Roads And Bridges Ports¹ Shipyards² Inland Waterways Airport Railway Track Including Electrical & Signalling System, Tunnels, Viaducts, Bridges Railway Rolling Stock Along With Workshop And Associated Maintenance Facilities Railway Terminal Infrastructure Including Stations And Adjoining Commercial Infrastructure Urban Public Transport (Except Rolling Stock In Case Of Urban Road Transport) Logistics Infrastructure³ Bulk Material Transportation pipelines⁴
2.	Energy	<ul style="list-style-type: none"> Electricity Generation Electricity Transmission Electricity Distribution Oil/Gas/Liquefied Natural Gas (LNG) Storage Facility⁵ Energy Storage Systems (ESS)⁶
3.	Water and Sanitation	<ul style="list-style-type: none"> Solid Waste Management Water Treatment Plants Sewage Collection, Treatment And Disposal System Irrigation (Dams, Channels, Embankments, Etc.) Storm Water Drainage System
4.	Communication	<ul style="list-style-type: none"> Telecommunication (Fixed Network)⁷ Telecommunication Towers Telecommunication & Telecom Services Data Centres⁸

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"> • Education Institutions (Capital Stock) • Sports Infrastructure⁹ • Hospitals (Capital Stock)¹⁰ • Tourism Infrastructure Viz. (I) Three-Star Or Higher Category Classified Hotels Located Outside Cities With Population Of More Than 1 Million, (II) Ropeways And Cable Cars • Common Infrastructure For Industrial Parks And Other Parks With Industrial Activity Such As Food Parks, Textile Parks, Special Economic Zones, Tourism Facilities And Agriculture Markets • Post-Harvest Storage Infrastructure For Agriculture And Horticultural Produce Including Cold Storage • Terminal Markets • Soil-Testing Laboratories • Cold Chain¹¹ • Affordable Housing¹² • Affordable Rental Housing Plan¹³ • Exhibition-cum-convention centres¹⁴

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 bedroom with living area, kitchen, toilet and bathroom of up to 60 square meters carpet area@ or single bedroom 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 loan 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, Mining, Refinery, 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, Mining, Refinery, 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 received an equity of \$50m from the parent company. Also, owing to the recoveries from bad loans for last two years, the company has earned a profit before tax of \$63.21m. With this, the net worth position of the company has improved to \$138.09m 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 had the Reserve Bank of India facility valid till March 2024. Further extension in Subscription Agreement has been requested to Reserve Bank of India and Government of India and is under consideration. The company has also diversified its sources of funds outside RBI line and till date has raised \$250m out of which \$50m has been raised during year 2024-25. Furthermore, the company maintains adequate funds to finance loan disbursements, as and when they fall due. As of 31st March 2025, the company has had net liquid funds amounting to \$379.38m and no major liability is scheduled till year 2028. Accordingly, the liquidity available for next 3 years is sufficient to fund already committed loans and even to consider fresh sanctions. As a result, the directors are satisfied that the company has 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 2025 to 50 projects under Direct Lending and 5 sanctions under the New Refinance Scheme, with sanctions amounting to \$4,914 million. The status of the activity and sector gross approvals at 31 March 2025 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%
Mining	1	49	1%
PPP	1	49	1%
Gas Pipelines /LNG storage /Refinery /Exploration	8	1,008	21%
Private	4	305	6%
Private Competitive bidded	1	72	1%
Public	3	631	13%
MRTS - Metro Rail	3	188	4%
PPP	3	188	4%
Port	4	272	6%
PPP	3	204	4%
Private	1	68	1%
Power	32	2,666	54%
PPP	8	1,008	21%
Private	12	1,346	27%
Private Competitive bidded	12	312	6%
Telecommunications	1	126	3%
Private	1	126	3%
Total	50	4,394	89%
New Refinancing Scheme loans	5	520	11%
Grand Total	55	4,914	100%

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	15	1,449	29%
MRTS - Metro Rail	3	188	4%
Port	3	204	4%
Power	8	1,008	21%
Mining	1	49	1%
Private	19	1930	39%
Fertilizers	1	85	2%
Gas Pipelines/LNG Storage/Refinery/Exploration	4	305	6%
Port	1	68	1%
Power	12	1,346	27%
Telecommunications	1	126	3%
Private Competitive bids	13	384	8%
Gas Pipelines/LNG Storage/Refinery/Exploration	1	72	1%
Power	12	312	6%
Public	3	631	13%
Gas Pipelines/LNG Storage/Refinery/Exploration	3	631	13%
Total	50	4394	89%
New Refinancing Scheme loans	5	520	11%
Grand Total	55	4914	100%

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 2025 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	1,202	885	-	124	109	-	85	-
%		100%	74%	-	10%	9%	-	7%	-
2012-13	498	1,700	1,251	-	188	177	-	85	-
%		100%	74%	-	11%	10%	-	5%	-
2013-14	375	2,075	1,501	125	188	177	-	85	-
%		100%	72%	6%	9%	9%	-	4%	-
2014-15	598	2,673	1,754	365	188	202	80	85	-
%		100%	66%	14%	7%	8%	3%	3%	-
2015-16	375	3,048	2,011	437	188	202	126	85	-
%		100%	66%	14%	7%	6%	4%	3%	-
2016-17	583	3,631	2,314	717	188	202	126	85	-
%		100%	64%	20%	5%	6%	3%	2%	-
2017-18	194	3,825	2,438	717	188	272	126	85	-
%		100%	64%	19%	5%	7%	3%	2%	-
2018-19	141	3,966	2,438	858	188	272	126	85	-
%		100%	61%	22%	5%	7%	3%	2%	-
2019-20	29	3,995	2,466	858	188	272	126	85	-
%		100%	62%	21%	5%	7%	3%	2%	-
2020-21	270	4,265	2,466	858	188	272	126	85	270
%		100%	58%	20%	4%	6%	3%	2%	6%
2021-22	100	4,365	2,466	858	188	272	126	85	370
%		100%	56%	20%	4%	6%	3%	2%	8%
2022-23	50	4,415	2,466	908	188	272	126	85	370
%		100%	56%	20%	4%	6%	3%	2%	9%
2023-24	150	4,565	2,566	908	188	272	126	85	430
%		100%	56%	20%	4%	6%	3%	2%	9%
2024-25	349	4,914	2,666	1057	188	272	126	85	520
%		100%	54%	22%	4%	6%	3%	2%	11%

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 2025, the company approved credit proposals totalling \$349 million as compared to total loan approvals of \$150 million during the year ended 31 March 2024. The sanctions were made under the Direct Lending and Refinance Scheme.

Disbursement of loans

As at 31 March 2025, cumulative disbursements from incorporation to date aggregated \$2,464 million. The details of the cumulative disbursement of loans at 31 March 2025 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	9	1,057	112
Private	4	305	0
Private Competitive bidded	1	72	71
Public	3	631	41
PPP	1	49	0%
MRTS - Metro Rail	3	188	179
PPP	3	188	179
Port	4	272	143
PPP	3	204	109
Private	1	68	34
Power	32	2,666	1,689
PPP	8	1,008	687
Private	12	1,346	876
Private Competitive bidded	12	312	126
Telecommunications	1	126	0
Private	1	126	0
Total	50	4,394	2,194
Refinance (to institutions)	5	520	270
Public	5	520	270
Grand Total	55	4,914	2,464

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").

A reversal of capital impairment of \$48,438,898 (2024: \$2,848,621) 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 US Tariff Developments

During the year, U.S. tariff measures and broader global trade disruptions influenced input costs and market sentiment across emerging economies. While India's infrastructure sector faced moderate inflationary pressure due to higher costs of imported materials and potential exchange rate volatility, the broader impact remained contained. Moody's has noted that India is better positioned than many other emerging markets to withstand such external shocks, supported by robust internal growth drivers, a sizable domestic economy, and relatively low dependence on goods trade. IIFC (UK) is not directly impacted by U.S. tariff changes but remains vigilant to secondary effects, continuing to support infrastructure financing with a focus on resilience and long-term value creation.

Future developments

The Government of India is aiming to achieve a GDP of \$5 trillion by 2025-26. To achieve the target of becoming one of the fastest growing sustainable major economies, the Government of India has in Union Budget FY2025-26 presented a strategic vision to propel India's economic growth, with a strong focus on infrastructure as a catalyst for the Viksit Bharat@2047 (government's initiative to achieve the goal and vision of transforming India into a developed entity by 2047). Despite global economic headwinds, India maintains its position as the fastest-growing major economy, with a GDP growth forecast between 6.3% and 6.8%, in line with IMF projections. The government demonstrates its commitment to infrastructure with an allocation of INR11.21 lakh crore, building on the previous year's INR11.11 lakh crore. A new Asset Monetization Plan is set to unlock value from public assets, while a three-year pipeline for PPP projects will encourage private sector engagement.

Building on the theme of inclusive and economic development and better connectivity across India, the UDAN – Regional Connectivity Scheme aims to revolutionize air travel by adding 120 new destinations and targeting 4 crore passengers over the next decade. The 2025 budget also advances the Purvodaya vision (laid in the budget for 2024), with plans for new and expanded airports in Bihar to enhance connectivity in the eastern region. On the backbone of strong infrastructure, developing 50 top new tourist destinations sites along with world class facilities will further create employment led growth and boost domestic spent.

Towards growth and improving quality of life in rural areas, extension of the Jal Jeevan Mission to achieve 100 percent coverage until 2028 is in line with the theme of 'Sabka Vikas'. Balancing urban development through setting up of Urban Challenge Fund of INR 1 lakh crore will transform cities into growth hubs.

The fourth engine of growth i.e. Exports will require a strong supply chain system and availability of dedicated transportation vessels. Building a strong maritime ecosystem is the need of the hour. Setting up of Maritime Development Fund with INR 25,000 crore to foster private sector participation and expand maritime infrastructure is a step towards building Atmanirbhar Bharat.

These initiatives, along with policy announcements and tax proposals discussed in this alert, outline the government's integrated approach to fortifying India's infrastructure and setting the foundation for a resilient and progressive nation

The increase in capital expenditure is driven by higher outlay on 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.

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 2025

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.

Strategic report (continued)

Section 172 (1) Statement for the Year Ended 31 March 2025 (continued)

Long-term success and high business standards

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

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

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

Equity increase: Having considered among other things, the effect of the provisions required by IFRS 9 on the company's equity, it was determined that the company should seek additional equity from its shareholder. The additional equity contributes positively to the perceived stability of the business for customers. During the year, the company substantially 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 had extended the subscription agreement until March 2024. Further extension of the subscription agreement has been requested to Reserve Bank of India and Government of India and is under consideration.

Decisions relating to employees: The Directors accommodate the wellbeing of its employees and families in the best possible way. In order to expand the business activities and the need to augment growth, the Directors of the company are considering increasing the resources.

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



Mr Rakesh Kumar
Managing Director
Date: 27 May 2025



Dr P. R. Jaishankar
Chairman
Date: 27 May 2025

Directors' report

The Directors have the pleasure of presenting the annual report and the audited financial statements for the year ended 31 March 2025. These financial statements have been prepared in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006.

Dividend

A dividend of \$Nil (2024 - \$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 2025.

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

Six meetings of the Board of Directors were held during the year on 20/21 May 2024, 28 May 2024, 13/14 August 2024, 11/12 November 2024, 23 December 2024 and 17/18 February 2025. 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.

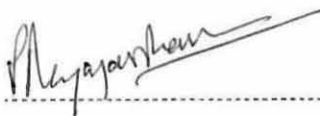
Auditor

Forvis 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: 27 May 2025



Dr P. R. Jaishankar
Chairman
Date: 27 May 2025

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 2025 which comprise the Statement of Comprehensive Income, 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 2025 and of its profit for the year then ended; and
- 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 19, 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 regulation.

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

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as 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:

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

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

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

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

Use of the audit report

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

David Allen

[David Allen \(May 27, 2025 21:05 GMT+4\)](#)

David Allen (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

27 May 2025

Statement of comprehensive income

For the year ended 31 March 2025

	Note	2025 \$	2024 \$
Finance income	3	55,671,189	74,496,142
Finance costs	4	(61,065,882)	(88,561,557)
Net finance (expense)		(5,394,693)	(14,065,415)
Other interest income		21,673,944	30,738,582
Administrative expenses		(1,511,159)	(1,543,567)
Operating profit		14,768,092	15,129,600
Movement in expected credit loss on financial assets	10	48,438,898	(2,848,621)
Profit before tax	5	63,206,990	12,280,979
Income tax	8	(6,279,843)	-
Profit after tax		56,927,147	12,280,979
Other comprehensive income for the year		-	-
Total comprehensive income for the year		56,927,147	12,280,979

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

Statement of financial position

As at 31 March 2025

	Note	2025 \$	2024 \$
Non-current assets			
Property, plant and equipment	9	5,767	8,924
Loans and receivables	10	328,701,952	431,836,582
		328,707,719	431,845,506
Current assets			
Loans and receivables	10	90,483,078	287,921,914
Interest and other receivables	12	6,950,902	18,103,755
Cash and cash equivalents	15	382,236,602	447,278,657
		479,670,582	753,304,326
Total assets		808,378,301	1,185,149,832
Equity			
Issued share capital	16	150,000,000	100,000,000
Retained earnings	17	(11,910,191)	(68,837,338)
		138,089,809	31,162,662
Non-current liabilities			
Interest bearing borrowings	18	650,000,000	600,000,000
Interest and other payables	19	10,189,717	16,890,323
		660,189,717	616,890,323
Current liabilities			
Interest bearing borrowings	18	-	532,000,000
Interest and other payables	20	3,818,932	5,096,847
Current tax liabilities		6,279,843	-
		10,098,775	537,096,847
Total equity and liabilities		808,378,301	1,185,149,832

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

Mr Rakesh Kumar

Managing Director

Date: 27 May 2025



Dr P. R. Jaishankar

Chairman

Date: 27 May 2025



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

Statement of changes in equity

For the year ended 31 March 2025

	Issue share capital \$	Retained earnings \$	Total \$
At 31 March 2023	100,000,000	(81,118,317)	18,881,683
Profit for the year	-	12,280,979	12,280,979
Total comprehensive income	-	12,280,979	12,280,979
At 31 March 2024	100,000,000	(68,837,338)	31,162,662
Profit for the year	-	56,927,147	56,927,147
Total comprehensive income	-	56,927,147	56,927,147
Issue of share capital	50,000,000	-	50,000,000
At 31 March 2025	150,000,000	(11,910,191)	138,089,809

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 2025

	2025 \$	2024 \$
Cash flows from operating activities		
Profit before tax for the year	63,206,990	12,280,979
Adjustments for:		
Depreciation of property, plant and equipment	2,003	15,253
Loss on disposal of property, plant and equipment	1,154	1,509
Decrease in loan and other receivables (current and non-current)	311,726,319	166,155,864
Decrease in interest and other payables	(483,277,663)	(142,871,905)
Decrease in provision for refunds to borrowers	(6,700,606)	-
Net cash flows generated (used in) / from operating activities	(115,041,803)	35,581,700
Cash flows from investing activity		
Purchase of property, plant and equipment	-	(4,910)
Net cash flows generated from investing activity	-	(4,910)
Proceeds from issue of shares	50,000,000	-
Net cash flows generated from financing activities	50,000,000	-
(Decrease) / increase in cash and cash equivalents	(65,041,803)	35,576,790
Cash and cash equivalents at the beginning of the year	447,278,405	411,701,867
Cash and cash equivalents at the end of the year	382,236,602	447,278,657
Interest received	111,314,488	92,071,531
Interest paid	61,065,882	88,561,557
<i>Cash and cash equivalent breakdown:</i>		
Cash and cash equivalents	382,236,602	447,278,657
Bank overdraft	-	(252)
	382,236,602	447,278,405

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

Notes to the financial statements

For the year ended 31 March 2025

1 Accounting policies

1.1 General information

The company's financial statements for the year were authorised for issue on 27 May 2025 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 2025

1.3 Changes in accounting standards

a) New standards, interpretations and amendments effective from 1 January 2024

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 2025:

	UK effective date – periods beginning on or after
IAS 1 Presentation of Financial Instruments (Amendment). Classification of Liabilities as Current and Non-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

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.

Notes to the financial statements (continued)

For the year ended 31 March 2025

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 received an equity of \$50m from the parent company. Also, owing to the recoveries from bad loans for last two years, the company has earned a profit before tax of \$63.21m. With this, the net worth position of the company has improved to \$138.09m 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 had the Reserve Bank of India facility valid till March 2024. Further extension in Subscription Agreement has been requested to Reserve Bank of India and Government of India and is under consideration. The company has also diversified its sources of funds outside RBI line and till date has raised \$250m out of which \$50m has been raised during year 2024-25. Furthermore, the company maintains adequate funds to finance loan disbursements, as and when they fall due. As of 31st March 2025, the company has had net liquid funds amounting to \$379.38m and no major liability is scheduled till year 2028. Accordingly, the liquidity available for next 3 years is sufficient to funds already committed loans and even to consider fresh sanctions. As a result, the directors are satisfied that the company has 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 2025

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 2025

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 2025

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.

With regards to ECL provisioning, Management has engaged an external agency Fitch Solutions for arriving at the ECL provisions in compliance with IFRS-9. For stage three loans the ECL assessment included management overlays to take account of specific borrower / loan details a model can't effectively take account of related to the status of project and recovery prospects.

Notes to the financial statements (continued)

For the year ended 31 March 2025

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 2025

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 2025

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 2025

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.

For the impairment assessment, Management has engaged an external agency Fitch Solutions for arriving at the ECL provisions in compliance with IFRS-9. However, there is significant management judgement involved in the stage 3 ECL assessment to take account of specific borrower / loan details a model can't effectively take account of related to the status of project and recovery prospects.

Notes to the financial statements (continued)

For the year ended 31 March 2025

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:

	2025	2024
	\$	\$
Interest and other charges on term loans	53,500,856	72,246,153
Fee income	2,170,333	2,249,989
	<u>55,671,189</u>	<u>74,496,142</u>

4 Finance costs

	2025	2024
	\$	\$
Interest on borrowings	53,853,148	79,910,279
Interest on overdrafts	7,196	418,317
Guarantee fee	7,205,538	8,232,961
	<u>61,065,882</u>	<u>88,561,557</u>

Notes to the financial statements (continued)

For the year ended 31 March 2025

5 Profit or loss

This is stated after charging/(crediting):

	2025	2024
	\$	\$
Employee remuneration and benefit expenses (note 6)	641,665	582,927
Depreciation (note 9)	2,003	15,253
Rent and rates	-	9,595
Lease expenses	158,331	152,345
Foreign exchange loss	13,542	7,669
Loss on disposal of property, plant and equipment	1,154	1,506
Auditors' remuneration		
Audit services	115,680	107,393
Taxation compliance services	16,334	10,586
Other services	14,540	11,807
	<u>146,554</u>	<u>129,786</u>

6 Employee expenses

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

	2025	2024
Management and administration	1	1
Broking and technical	2	2
	<u>3</u>	<u>3</u>

Their aggregate remuneration comprised:

	2025	2024
	\$	\$
Gross wages and salaries	432,997	385,101
Other employee benefits	141,535	136,465
Post-employment expenses for provident fund (India)	15,301	11,217
Social security costs	51,832	50,144
	<u>641,665</u>	<u>582,927</u>

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

Notes to the financial statements (continued)

For the year ended 31 March 2025

7 Directors' remuneration

Directors' aggregate remuneration comprised:

	2025	2024
	\$	\$
Gross wages and salaries	212,361	196,224
Other employee benefits	69,181	67,633
Post-employment expenses for provident fund (India)	8,978	6,150
	<u>290,520</u>	<u>270,007</u>

The Directors' remuneration above relates to two Directors (2024 – 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:

	2025	2024
	\$	\$
Total emolument	258,729	246,268
Post-employment expenses for provident fund (India)	8,978	6,150
	<u>267,707</u>	<u>252,418</u>

8 Taxation

The tax charge recognised in profit comprises:

	2025	2024
	\$	\$
Current tax		
Current tax on profits for the year	6,279,843	-
Total current tax	<u>6,279,843</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on ordinary activities	<u>6,279,843</u>	<u>-</u>

Notes to the financial statements (continued)

For the year ended 31 March 2025

8 Taxation (continued)

The differences are reconciled below:

	2025 \$	2024 \$
Profit on ordinary activities before taxation	63,206,990	12,280,979
Corporation tax calculated at 25% (2024: 25%)	15,801,748	3,070,245
Effects of:		
Fixed asset differences	-	3,070
Expenses not deductible for tax purposes	1,036	(128,482)
Adjustments to brought forward values	-	1,007,390
Double tax relief adjustment*	1,596,618	-
Utilisation of brought forward tax losses	(7,874,969)	-
Movement in deferred tax not recognised	(3,244,590)	(3,077,954)
Other differences	-	(875,000)
Total tax (credit)/charge	6,279,843	-

*The income reported in the Statement of Comprehensive Income is net of Indian withholding tax (WHT). However, for tax computation purposes, the income is grossed up to include WHT paid by borrowers in India. The company may claim a tax credit for this WHT and, as per loan agreements, may refund the credit to the borrower if utilized.

The company has trading losses carried forward of \$71,581,690 (2024: \$103,076,653). 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 \$27,455,209 of which \$17,895,423 related to trading losses and \$9,559,787 related to short term temporary timing differences (2024: \$38,574,023 of which \$25,837,508 related to trading losses and \$12,736,515 related to short term temporary timing differences) that can be carried forward against future taxable profits.

Notes to the financial statements (continued)

For the year ended 31 March 2025

9 Property, plant and equipment

	Short leasehold property \$	Plant and machinery \$	Fixtures and fittings \$	Total \$
Cost				
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
Disposals	-	(2,920)	-	(2,920)
At 31 March 2025	122,799	44,875	63,888	231,562
Depreciation				
At 31 March 2023	110,521	43,057	59,091	212,669
Depreciation charge	12,278	1,776	1,199	15,253
Disposals	-	(2,364)	-	(2,364)
At 31 March 2024	122,799	42,469	60,290	225,558
Depreciation charge	-	1,104	899	2,003
Disposals	-	(1,766)	-	(1,766)
At 31 March 2025	122,799	41,807	61,189	225,795
Carrying value				
At 31 March 2025	-	3,068	2,699	5,767
At 31 March 2024	-	5,326	3,598	8,924

Notes to the financial statements (continued)

For the year ended 31 March 2025

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 2025

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 2025 are as follows:

S.No.	Company	Country of Exposure	Type of Account	Amount of Loan \$
1	Power Finance Corporation Limited	India	Refinance	100,000,000
2	Serentica Renewables India (4) Pvt. Ltd.	India	Direct Lending - Consortium	71,351,157
3	REC Limited	India	Refinance	70,000,000
4	Mumbai Metro One Pvt Ltd	India	Direct Lending - Consortium	56,355,551
5	Essar Oil Ltd	India	Direct Lending - Consortium	45,587,741
Total				343,294,449

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 2025

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 2025 (2024 - \$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 2025, 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+.

	2025 \$	2024 \$
On-balance sheet exposure:		
Loans and advances to customers	539,170,260	889,766,385
Cash and cash equivalents	382,236,602	447,278,657
Total exposure	<u>921,406,862</u>	<u>1,337,045,042</u>
Off-balance sheet exposure:		
Commitment to lend	370,064,215	178,851,655

Notes to the financial statements (continued)

For the year ended 31 March 2025

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 2023	161,737,168
Expected credit loss provision— specific, comprising:	
12-month ECL for assets classified under Stage 1	(810,045)
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>
Expected credit loss provision— specific, comprising:	
12-month ECL for assets classified under Stage 1	(700,683)
Lifetime ECL for assets classified under Stage 2	(847,118)
Lifetime ECL for assets classified under Stage 3	(48,687,692)
Impairments adjusted against loan loss during the year/reversed and no longer required	1,796,595
Expected credit loss provision at 31 March 2025	<u>116,146,891</u>

Notes to the financial statements (continued)

For the year ended 31 March 2025

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 2024				
Total exposure	458,461,141	161,835,758	297,300,288	917,597,187
Impairment allowance	946,027	847,118	162,792,644	164,585,789
ECL %	0.21%	0.52%	54.76%	17.94%
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
31 March 2025				
Total exposure	354,514,791	-	184,034,215	538,549,006
Impairment allowance	245,344	-	115,901,547	116,146,891
ECL %	0.07%	0.00%	62.98%	21.57%

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 2024	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	(1,059,906)	(381,729)	88,518	(1,353,117)
Increase in ECL due to interest income from stressed assets	-	-	10,362,652	10,362,652
31 March 2024	946,027	847,118	162,792,644	164,585,789
Financial assets transferred:				
From stage 1 to stage 2	-	-	-	-
From stage 2 to stage 3	-	-	-	-
From stage 3 to stage 1	-	-	-	-
(Decrease) in ECL	(700,683)	(847,118)	(48,687,692)	(50,235,493)
Increase in ECL due to interest income from stressed assets	-	-	1,796,595	1,796,595
31 March 2025	245,344	-	115,901,547	116,146,891

Notes to the financial statements (continued)

For the year ended 31 March 2025

10 Financial risk management objectives and policies (continued)

During the reporting period, a previously impaired asset underwent resolution under proceedings initiated with the National Company Law Tribunal (NCLT). As a result of the resolution process, IIFC(UK) was able to recover an amount in the asset. This cash recovery led to a reversal of impairment amounting to USD 57.22 million.

One of IIFC (UK)'s stressed loan exposures was modified pursuant to a resolution approved by the NCLT, resulting in a recovery amount payable over the next two years. The modification did not result in derecognition under IFRS 9. Further recoveries are expected through ongoing court proceedings. The asset continues to be recognized and has been assessed for impairment, with expected credit losses provided accordingly.

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

	2025	2024
	\$	\$
Loans and receivables from customers		
Stage 1	354,514,791	458,461,141
Stage 2	-	161,835,758
Stage 3	184,034,215	297,300,288
Total gross financial assets	538,549,006	917,597,187
Less: capital impairment	(116,146,891)	(164,585,789)
Loans and receivables from customers net of ECL	422,402,115	753,011,398

Liquidity risk

During year 2024-25, the company has drawn \$50m of bilateral loan facility from Canara Bank, London. This is in addition to the outstanding borrowing of \$200m by IIFC (UK) outside the existing RBI line raised till 31st March 2024. As of 31st March 2025, the company has had net liquid funds amounting to \$379.38m and no major liability is scheduled till year 2028.

The net principal outstanding of bonds payable to RBI stands at \$400m as at 31 March 2025. Also, the company had the Reserve Bank of India facility valid for draw till March 2024. Further extension in Subscription Agreement has been requested to Reserve Bank of India and Government of India which is under consideration. The company may face a liquidity risk in long run in case the RBI line is not extended.

Notes to the financial statements (continued)

For the year ended 31 March 2025

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 \$
31 March 2025			
Less than one year	-	33,301,054	33,301,054
In more than one year but not more than two years	11,000,000	33,301,054	44,301,054
In more than two years but not more than three years	89,000,000	29,113,564	118,113,564
In more than three years but not more than five years	550,000,000	17,602,864	567,602,864
Over five years	-	-	-
Total	650,000,000	113,318,536	763,318,536
31 March 2024			
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	1,132,000,000	286,307,028	1,418,307,028

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.

	2025 \$	2024 \$
SOFR linked bonds	(650,000,000)	(1,132,000,000)
Loans and receivables	423,023,369	725,180,596
Net gap subject to interest rate exposure	226,976,631	406,819,404
Sensitivities are:		
1% movement in SOFR	2,269,766	4,068,194

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 \$2,269,766.

Notes to the financial statements (continued)

For the year ended 31 March 2025

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.

	2025 \$	2024 \$
Interest bearing loans and borrowings	650,000,000	1,132,000,000
Overdraft	-	252
Less: cash and short-term deposits	(2,855,497)	(939,368)
Less: fixed deposits with bank	(379,381,105)	(446,339,289)
Net debt	267,763,398	684,721,595
Equity including reserves carried forward	138,089,809	31,162,662
Total capital	138,089,809	31,162,662
Capital and net funds	405,853,207	715,884,257
Capital and net funds to equity ratio	2.9	23.0

The company has an authorised share capital of \$500 million of which an amount of \$150 million (2024: \$100 million) has been subscribed by the holding company. As at 31 March 2025, the company held retained losses of \$11,910,191 (2024: loss of \$68,837,338).

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 2025

11 Financial instruments

	Carrying amount		Fair value	
	2025	2024	2025	2024
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	382,236,602	447,278,657	382,236,602	447,278,657
Loans and receivables	419,185,030	719,758,496	423,023,369	725,180,596
Interest and other receivables	6,950,902	18,103,755	6,950,902	18,103,755
Financial liabilities				
Interest bearing borrowings	(650,000,000)	(1,132,000,000)	(650,000,000)	(1,132,000,000)
Interest and other payables	(20,288,492)	(21,987,170)	(20,288,492)	(21,987,170)
The above are analysed as:				
Non-current				
Financial assets				
Loans and receivables	328,701,952	431,836,582	330,674,840	436,012,287
Financial liabilities				
Interest bearing borrowings	(650,000,000)	(600,000,000)	(650,000,000)	(600,000,000)
Interest and other payables	(10,189,717)	(16,890,323)	(10,189,717)	(16,890,323)
Current				
Financial assets				
Cash and cash equivalents	382,236,602	447,278,657	382,236,602	447,278,657
Loans and receivables	90,483,078	287,921,914	92,361,840	289,168,309
Interest and other receivables	6,950,902	18,103,755	6,950,902	18,103,755
Financial liabilities				
Interest bearing borrowings	-	(532,000,000)	-	(532,000,000)
Interest and other payables	(3,818,932)	(5,096,847)	(3,818,859)	(5,096,847)
Current tax liabilities	(6,279,843)	-	(6,279,843)	-

Notes to the financial statements (continued)

For the year ended 31 March 2025

12 Interest and other receivables

	2025	2024
	\$	\$
Interest and other receivables	2,988,907	10,876,679
Prepayments	3,961,995	7,227,076
	<u>6,950,902</u>	<u>18,103,755</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 parties

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 \$216,593 (2024 - \$229,553) to IIFCL Projects Limited, for pre and post sanction services provided in India, including financed projects' rating and monitoring, attending consortium meetings and marketing of the business on behalf of the company. This expenditure was included within administrative expenses and an amount of \$53,000 was outstanding at the year-end as payable and accrued (2024 - \$6,644,499).

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 \$220,221,868 (2024 - \$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. However, as on 31st March 2025, IIFC (UK) Limited held no fixed deposit with UBI UK (2024 - \$19,660,000.00).

Notes to the financial statements (continued)

For the year ended 31 March 2025

14 Deferred tax

	2025 \$	2024 \$
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	38,209,546	50,946,061
• Other provision adjustments	29,601	273,379
Unused tax losses and credits	71,581,690	103,076,653
	<u>109,820,837</u>	<u>154,296,093</u>
Unrecognised deferred tax assets relating to the above temporary differences at 25% (2024: 25%)	27,455,209	38,574,023

15 Cash and cash equivalents

	2025 \$	2024 \$
Cash at bank in current accounts	2,855,497	939,368
Other short-term deposits with banks	379,381,105	446,339,289
	<u>382,236,602</u>	<u>447,278,657</u>

16 Share capital

	2025 \$	2024 \$
<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
Issued during the year – 50,000,000 Ordinary shares of \$1 each	50,000,000	-
	<u>150,000,000</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.

On 1 October 2024 the company issued 50,000,000 Ordinary shares of \$1 each, which were paid up in full in exchange for cash consideration.

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 2025

18 Financial liabilities

	2025 \$	2024 \$
Total bonds issues	400,000,000	932,000,000
Loan from Bank of India	200,000,000	200,000,000
Loan from Canara Bank	50,000,000	-
	<u>650,000,000</u>	<u>1,132,000,000</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	2025 \$	2024 \$
9 th	26 Mar 2015	26 Mar 2025	-	532,000,000
10 th	29 Jan 2019	29 Jan 2029	400,000,000	400,000,000
Total			<u>400,000,000</u>	<u>932,000,000</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	89,000,000
			<u>200,000,000</u>	<u>200,000,000</u>
Loan from Canara Bank - I	25-Feb-25	25-Feb-28	10,000,000	-
Loan from Canara Bank - II	24-Mar-25	25-Feb-28	24,000,000	-
Loan from Canara Bank - III	27-Mar-25	25-Feb-28	16,000,000	-
			<u>50,000,000</u>	<u>-</u>

Notes to the financial statements (continued)

For the year ended 31 March 2025

19 Other payables

	2025	2024
	\$	\$
Provision for refunds to borrowers	10,189,717	16,890,323
	<u>10,189,717</u>	<u>16,890,323</u>

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

20 Interest and other payables

	2025	2024
	\$	\$
Bank overdrafts	-	252
Other taxation and social security	-	17,566
Accruals	3,818,932	5,079,029
	<u>3,818,932</u>	<u>5,096,847</u>

21 Other commitments and contingencies

The company has outstanding commitments of \$Nil (2024: \$Nil) under outstanding Letters of Comforts for loans to be disbursed after the financial reporting date.

In one of the stressed loan assets, IIFC(UK) made a recovery pursuant to an Indian court order. Subsequently, the order was challenged, and the ruling was delivered in favour of the Concession Authority, where IIFC(UK) was not a party. The matter is currently sub judice and the lenders have approached the court seeking remedial measures.

22 Events after the end of the reporting period

In one of the stressed loan assets, restructuring proposal has been approved and the restructuring agreement has been executed. The plan is pending implementation subject to compliance of pre-conditions which is due to be completed by June 2025. Post implementation, the books of accounts shall be adjusted in line with the restructuring plan.