



KSK Power Ventur plc

ANNUAL REPORT

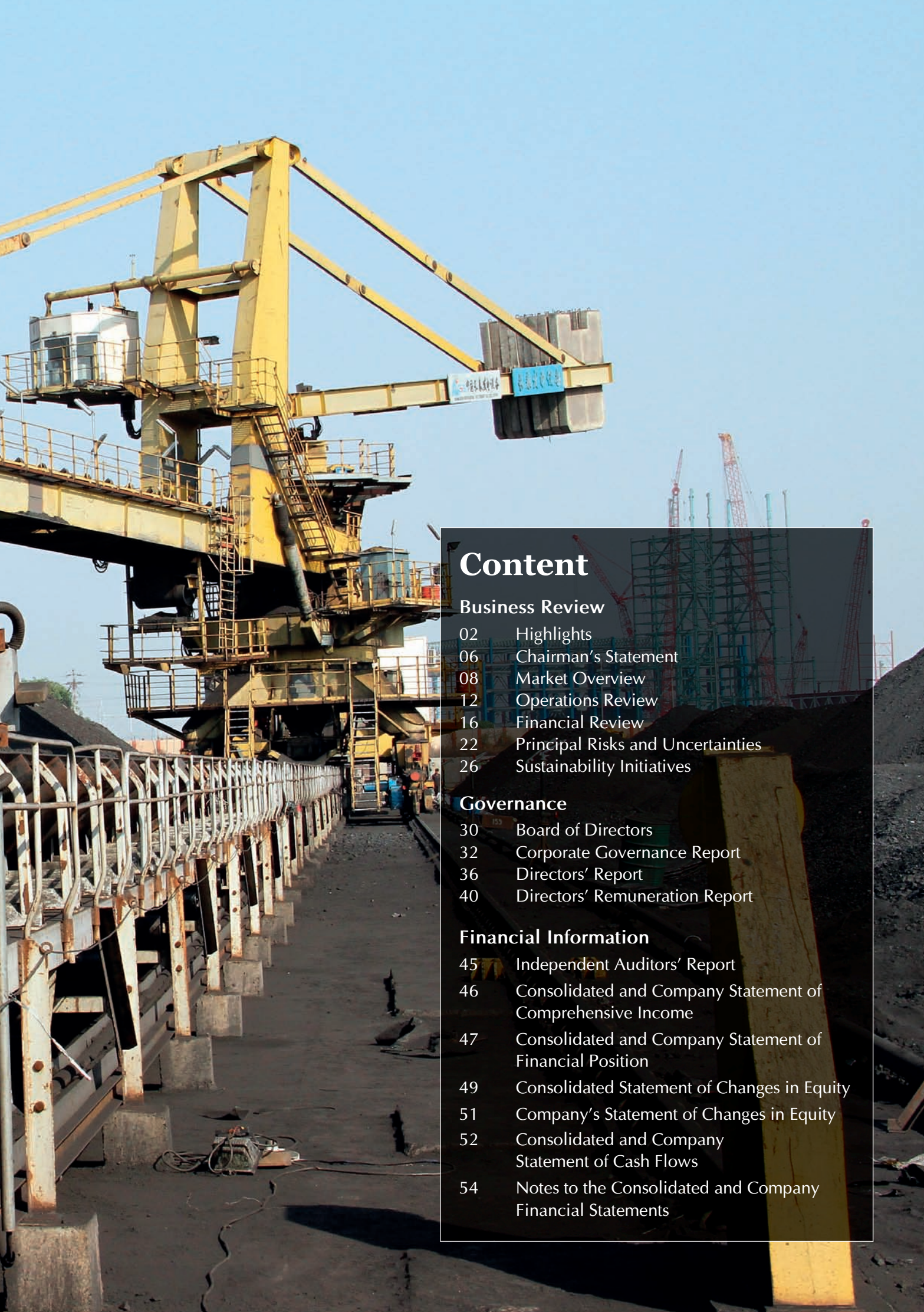
2010 - 11





KSK Power Ventur plc

Combining and balancing initiatives across conventional power generation, mineral interests, hydro and renewable energy opportunities, KSK Power Ventur plc attempts to continuously innovate and re energize itself to emerge as a leading power plant developer.



Content

Business Review

- 02 Highlights
- 06 Chairman's Statement
- 08 Market Overview
- 12 Operations Review
- 16 Financial Review
- 22 Principal Risks and Uncertainties
- 26 Sustainability Initiatives

Governance

- 30 Board of Directors
- 32 Corporate Governance Report
- 36 Directors' Report
- 40 Directors' Remuneration Report

Financial Information

- 45 Independent Auditors' Report
- 46 Consolidated and Company Statement of Comprehensive Income
- 47 Consolidated and Company Statement of Financial Position
- 49 Consolidated Statement of Changes in Equity
- 51 Company's Statement of Changes in Equity
- 52 Consolidated and Company Statement of Cash Flows
- 54 Notes to the Consolidated and Company Financial Statements

Operational Highlights

933 MW

Operating Capacity

▲ Operating capacity increased from 414 MW to 933 MW

▲ Projects aggregating 3720 MW under construction

3720 MW

Under Construction

▲ Construction progress underway at 3600 MW KSK Mahanadi project with boiler drum lifting completed for two units

▲ KSK Dibbin received in principle environmental clearance and land acquisition activity anticipated to be completed shortly

6 GW

Opportunities for Development

▲ Stage-1 Environment clearance (forest) obtained for Gare-Pelma Mine Development and progress on permits and land acquisition underway

▲ More than 6 GW of development opportunities with

▶ Progress in development of 1.8 GW thermal project in Orissa

▶ Progress in detailed project report on hydro projects in Arunachal Pradesh

Financial Highlights

Revenue

226.8 m

2010: 52.9m (↑ 329%)

Gross profit

76.4 m

2010: 26.7m (↑ 186%)

Operating profit

52.5 m

2010: 23.1m (↑127%)

Finance income

23.6 m

2010: 67.8 m (↓ 65%)

Profit after tax

30.1 m

2010: 59.5 m (↓ 49%)

Proceeds from issue of shares

95.5 m

2010: 46.3m (↑ 106%)

Cash generated from operation

24.5 m

2010: 4.2m (↑ 487%)

Cash and bank deposits

367.1 m

2010: 276.9m (↑ 33%)

Investment in property, plant, equipment

1,955.1 m

2010: 1,311.3m (↑ 49%)

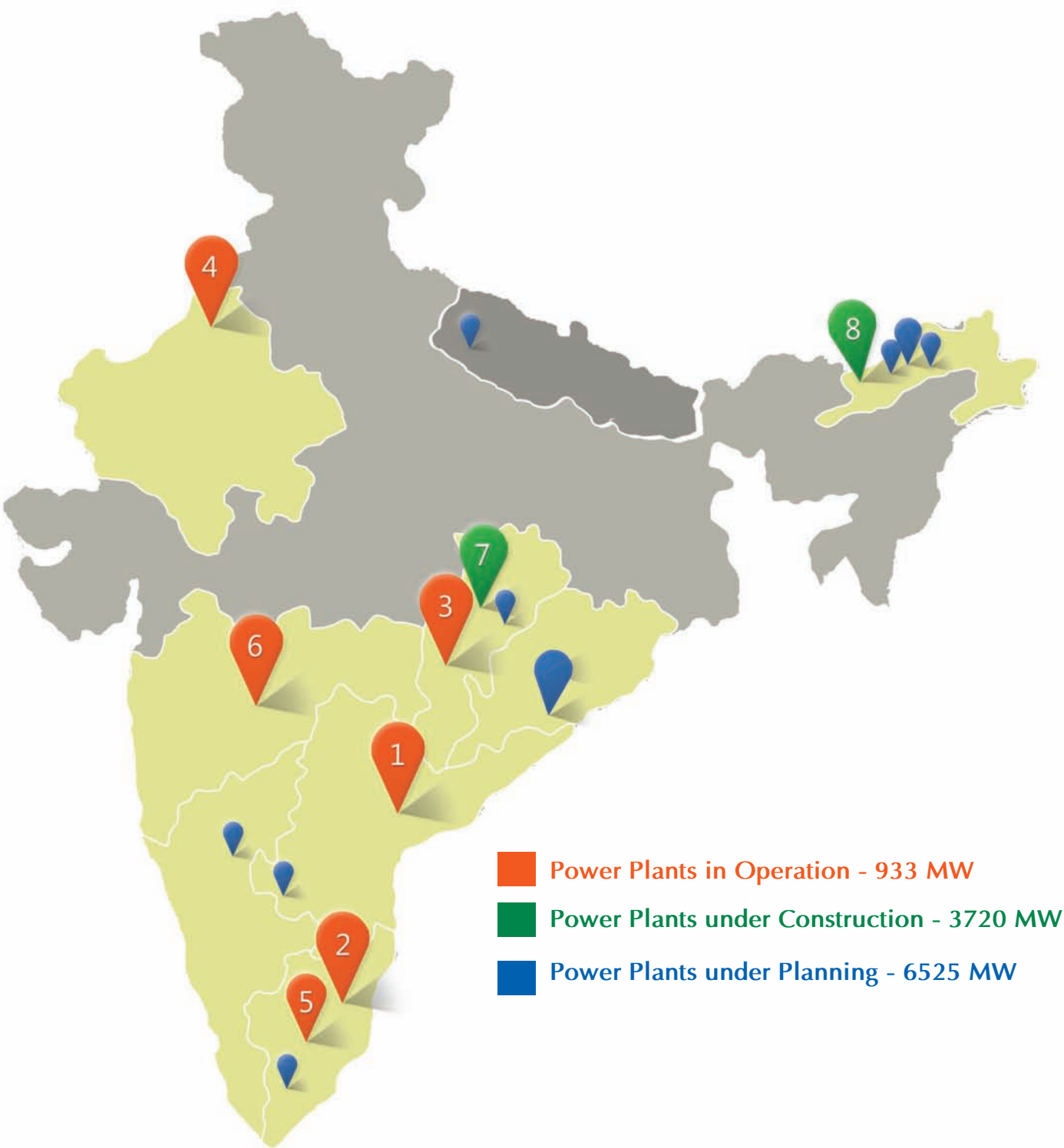
Total assets

2,732.0 m

2010: 1,936.2m (↑ 41%)

All above given figures are in US \$ millions.

Our Presence



Sitapuram Power, Andhra Pradesh 1



Wardha Power, Maharashtra 6



Sai Regency Power, Tamilnadu 2



KSK Mahanadi Power, Chhattisgarh 7



Arasmeta Captive Power, Chhattisgarh 3



V S Lignite Power, Rajasthan 4



KSK Wind Energy, Tamilnadu 5



KSK Dibbin Hydro Power, Arunachal Pradesh 8



Chairman's Statement



“While the power generation business in India has been completely delicensed, the dependence on government controlled sectors such as fuel (coal, oil and natural gas), railway logistics, evacuation infrastructure and other continue even till date. Sustainable and continual progress by power plant developers in India would require them to be innovative, suitably adapt to the changing situations, address government policy asymmetries and have flexible approach on ground for strong and sustainable power generation assets.”

I am pleased to report that this financial year 2010-11 saw the successful commissioning of our various planned power generation assets and the Group's aggregate operating portfolio at close to 1 GW and the wider growth opportunity in the Indian power sector remaining unaltered. However, it also witnessed one of the most turbulent times and volatilities in the Indian power sector during recent periods and associated challenges in fuel supplies, government policy discontinuities and the wider market environment that affected operational efficiencies and immediate financial performance of the Company in particular. This has been across the energy sector in India and all peer companies are witnessing similar challenges.

It is our belief that these developments could be a temporary passing phase as the company has marshalled multiple efforts and strategies to deal and further strengthen the fuel security issues and the fast changing environment and emerge as one of the more stable and stronger player in the Indian power generation landscape. Also, the Company's effort to the alternative coal linkages is expected to actualize shortly and provide necessary impetus to margin improvements. Further, the fuel security of the Group's largest power project initiative, i.e. 3600 MW KSK Mahanadi, validates the Company's belief that confirmed access to fuel is the most important and vital driver for a sustainable and effective power generation business in India.

The Group's key developments during the year and in the recent months at the Indian subsidiaries include:

1. Commissioning the entire 540 MW capacity of Wardha Power project. Unit wise commissioning has been achieved based on e-auction and imported coal supplies (at almost double the anticipated prices) as the committed fuel supplies on cost plus basis by Coal India has not actualized. Based on the representation from the Company, this has now been temporarily mitigated by the authorities through supplies from the common linkage pool and all efforts are

currently on to actualize the planned long term sources i.e cost plus coal block supplies dedicated to the project.

Insofar as the power off take agreements related to this project are concerned, the company persisted with efforts to enforce the performance of the large medium term PPA by the utility counterparty and this has since been upheld by the local regulator. The tariff for these supplies has since been adopted by the regulatory commission and the power supplies are continuing as per power purchase agreement (PPA).

The Company is currently seeking an expedited processing of the open access permissions to commence supplies to the contracted industrial consumers.

2. Significant construction progress in the 3600 MW KSK Mahanadi power project at Nariyara, Chhattisgarh with boiler drum lifting for two units having been achieved in recent months and hydro test targeted to be completed for both the units before end of the current financial year. With continual progress in the construction activity at this project site, the Company anticipates to commission these two units during the second half of 2012 and the balance units thereafter through 2013 and 2014. We believe upon completion, this will be one of the largest single location green field projects in India and reinforce the strong project development capabilities of KSK.

Insofar as fuel security for this large power project is concerned, considerable progress has been achieved on Gare-Pelma Coal block that has been allotted to GIDC. Insofar as Morga-II of GMDC is concerned, the policy uncertainty on account of recent stipulations by the Ministry of Environment and Forests has resulted in extensive diligence on the project and it is anticipated that a solution would be offered by the Indian Government for alternative remedies in case Forest clearance is not provided for Morga-II.

3. The other operating projects have demonstrated sustained generation with Sai Regency providing exceptional performance on plant load factor (PLF) and financial parameters during the current year. We anticipate that industrial customers, who have been experiencing extremely high alternate tariffs from local utilities, would find our power plant tariffs attractive and perform their obligations under their respective PPAs providing the much required sustainability to the underlying project companies.

4. The Group's foray into hydro power generation is marked by significant progress - construction to commence at the 120 MW KSK Dibbin power project and completion of the necessary detailed project reports besides geotechnical studies for the other larger hydro opportunities in the state of Arunachal Pradesh. The Group anticipates collaboration with large reputed hydro power plant developers as potential basis to move forward to the next stage of development of these large hydro initiatives.

5. The year under review witnessed the KSK Energy Company stream of companies progress on various initiatives to support the setup of various ancillary infrastructure that support the power generation assets being developed by KSK Energy Ventures. Notable progress has been achieved in the water infrastructure and the mine development initiatives with respect to KSK Mahanadi project and the current year to witness significant progress in the rail infrastructure supporting the coal transportation needs.

6. Despite continual business progress and sustained business operations of KSK Energy Ventures, the price performance of the Indian subsidiary on the Indian stock markets has not been very encouraging. While the management focus should and has been on the fundamental business, given the significant growth ahead and the opportunity for consolidation of holdings at these lower levels, the Company through its subsidiaries has announced an Open Offer under Indian Takeover Regulations for acquiring additional 20% holding in the Indian subsidiary i.e KSK Energy Ventures Limited. This is in addition to the partial increase in holding during the previous years. The Company anticipates that, following regulatory clearance, this process would be completed during the current quarter and will result in the Company reaching a potential share holding of 74.94% if the entire 20% is offered by the public shareholders.

7. Another new initiative of the Group during the current year has been to formalize the next level of growth of the renewable business with more focused effort on wind power initiatives. Extensive effort on greenfield site identification and development in collaboration with others, the incorporation of a specific renewable subsidiary as well as entering of strategic framework collaboration with

various potential wind equipment suppliers all point to the increasing appetite of the Group to have a substantial wind power generation portfolio in the next few years.


Financial Performance

The Year under review had experienced an enhanced overall financial performance (except for finance income and profit after taxes) notwithstanding the challenging market conditions. This performance during the current year has been, amongst others, due to abnormal rise in fuel costs, shorter machine availabilities and other constraints. While Gross revenue has increased from US\$ 52.9 million to US\$ 226.8 million reflecting the robust underlying growth, operating profits moved up disproportionately from US\$ 23.1 million to US\$ 52.5 million reflecting the margin squeeze primarily on account of rising fuel costs. The decrease in finance income from US\$ 67.8 million to US\$ 23.6 million (primarily on account of exchange gains during previous year) along with increasing finance costs on new generation assets resulted in decrease in profit after tax from US\$ 59.5 million to US\$ 30.1 million. For further details on the financial performance, please refer to the financial review section of this Report.

Outlook

While the Indian economic growth potential and unfulfilled demand for power generation is expected to continue through the coming decade, we anticipate that in the short / medium term the Indian Power sector would go through tumultuous times and fuel security would sway utilities power play. With increasing shortages of supplies from Coal India, we expect only Indian power generators who have been successful in securing their fuel supplies would pass through this phase successfully and infact will have an opportunity to consolidate their position through acquisition of various stranded assets of the smaller one off developers.

Infact, the effort of the Board is to ensure that the management continues to pursue the planned path of construction progress at KSK Mahanadi while pursuing the new development opportunities. We believe this would catapult the Group to close to 5 GW of operating portfolio by 2014 and KSK as one of the larger power developers in the Indian market.

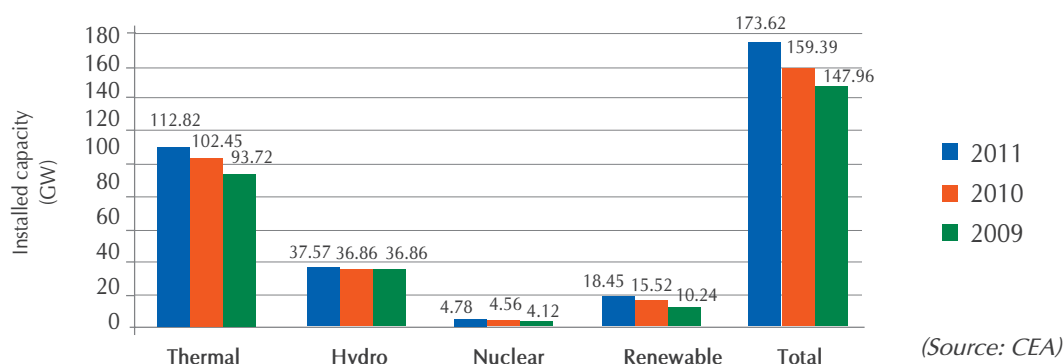


T.L. Sankar, Chairman
26 July 2011

Market Overview

The year under review is historic in additional capacity augmentation as the close to 15 GW of incremental capacity addition has been achieved for the first time in the recent years. However, the country continues to face a peak demand shortage of 10.8%.

The total Installed capacity at the end of the year stands at 174 GW. The installed capacity increases are accounted by the significant increase of thermal sources and marginal increases on account of hydro / nuclear / renewable sources.



The peak demand shortage in the country is estimated at 9.3% with the western region having the maximum peak shortage of 13.4%

Region	Energy(MU) Requirement	Deficit%	Peak Demand(MW)	Deficit%
Northern	22,786	-3.6	36,223	-7.9
Western	25,277	-10.9	38,582	-13.4
Southern	21,131	-4.7	32,327	-7.2
Eastern	8,058	-4	14,442	-6.3
North Eastern	911	-11.3	1,725	-10.3
All India	78,163	-6.4	123,299	-9.3

(Source: CEA, May 2011)

The capacity addition envisaged for the 11th Five-Year Plan and the actual addition from the 10th Five-Year Plan to date is as follows:

Date	Coal	Gas	Diesel	Total	Nuclear	Hydro	RES	Total
End of 10th Plan (31.03.07)	71121	13691	1201	86014	3900	34653	7760	132329
Capacity Addition Plan	52850	6843	0	59693	3380	15627		78700
Proposed at the end of 11th Plan	123971	20534	1201	145707	7280	50280	7760	211029
End of the 4th year of the 11th Plan (1.4.2011)	94653	17706	1199	113559	4780	37567	18454	174361
Capacity Addition Achieved	23532	4014	0	27544	880	2913	10693	42032
Balance to be achieved	29318	2828	0	32148	2500	12713	0	36667

(Source: CEA)

The 11th Plan has been left with an ambitious target of adding another 36 GW of installed capacity in the final year.

The main reasons for delay and slippages of projects are mainly as follows:

- 1) Lack of technological know how in construction of super critical projects
- 2) Governmental Regulations
- 3) Relocation and Rehabilitation (R & R) problems
- 4) Law and order problems
- 5) Delays in Ministry of Environment and Forest (MoEF) Clearances
- 6) Delay in award of works
- 7) Delays in financial closure

Fuel Resources and Power Generation

Coal continues to be the mainstay of Indian power generation capacity expansion and coal supplies are perpetually in shortage vis-à-vis demand.

Description	2009-10	2010-11	2011-12
Total Coal Requirement (MT)	402.4	429.6	480
Coal Availability			
From CIL (MT)	296.4	302	319
From SCCL (MT)	33.4	32	33
From Captive Mines (MT)	22.4	22	22
Total Availability (MT)	352.2	356	374
Gap between Supply & Demand (MT)	-50.2	-73.6	-106

(Source: Ministry of Coal and Company estimates)

Sufficient availability of fuel is going to be a critical ingredient for power plants to run at optimum Plant Load Factor (PLF). During the current financial year 2011-12, the anticipated gap between the requirement and domestic availability of coal has been planned to be met by import of 35 MT of coal. This is to be closely monitored given the significant bottlenecks on port infrastructure and non availability of transportation and logistics infrastructure to enable movement of imported coal to power plant locations.

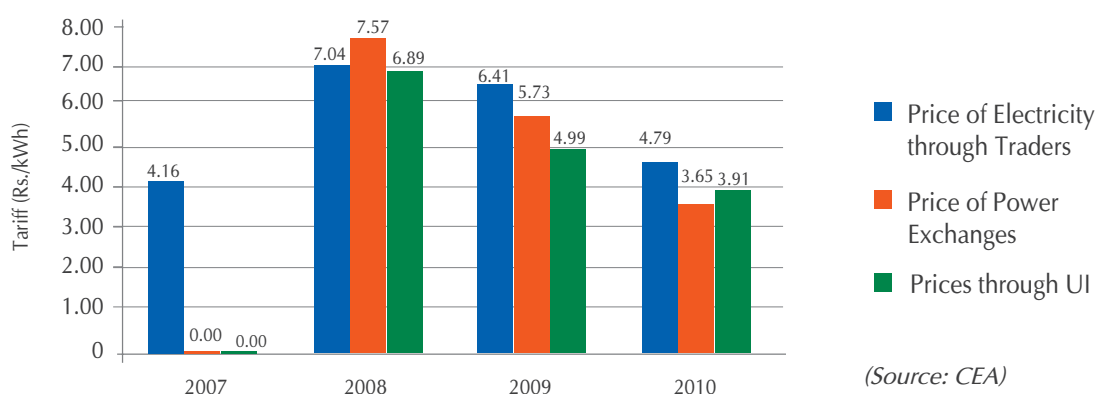
The total energy loss due to shortage of coal is estimated at 7 Billion Units and loss of generation due to poor quality of coal at 7.7 Billion units in the year 2010-11. This loss is expected to increase in the year 2011-12.

Electricity Tariffs and Short Term Markets

The short term power market in India, even though having a small share of the total electricity generation (c.6%) is on an upward trend. Short term power markets in India primarily consist of bilateral trades, trades through power exchanges and Unscheduled Interchange (primarily a settlement mechanism). During the year under review, while bilateral trades accounted for 49% of the market, exchanges accounted for 17% and the balance on account of unscheduled interchange.

While the energy quantity traded has been increasing, the tariffs have witnessed significant reduction on account of slow demand growth, exceptionally good monsoons and utilities resistance to purchase at high prices and resorting to load shedding. Weighted average prices on power exchanges have experienced significant fall since June 2010 and touched an all time low of Rs 2.40 / kWh in Nov 2010, barely sufficient to recover the fuel costs in all new power generation assets based on Imported Coal / Natural Gas / Liquefied Natural Gas (LNG).

While it is anticipated that these prices of short term market are expected to increase in line with fuel inflation and demand growth, the relevant trend indicator could be changes in the bilateral contract markets and lower power supplies on account of fuel shortages.



(Source: CEA)

Market Overview (Continued)

Future Ahead (Beyond 2012)

Maintaining India's GDP growth rate of approximate 9.0 per cent observed over the last three years, the estimated energy requirement for the 12th plan (2012-17) is as follows:

GDP Growth	GDP/Electricity Elasticity	Electricity Generation Required (BU)	Peak Demand (MW)	Installed Capacity (MW)	Capacity Addition Required During 12th Plan (MW)
8%	0.8	1415	215700	280300	70800
	0.9	1470	224600	291700	82200
9%	0.8	1470	224600	291700	82200
	0.9	1532	233300	303800	94300
10%	0.8	1525	232300	302300	92800
	0.9	1597	244000	317000	107500

The next five years could be the defining years for power generation market as there could be significant correction in the developer approach and new capacity creation has to be necessarily based on addressing fuel economics and consistent developer implementation focus.



Operations Review



“The operating environment in India has gone through a significant change during the review period and resulted in hurdles on execution and operational efficiencies. Needless to mention, this situation reiterates the Group’s belief on the necessity for dedicated and hands on approach by the management to address these policy disruptions, contractor and execution bottlenecks and stakeholder challenges. Also the efforts on all the ancillary projects that support power generation activity require additional attention and execution capabilities to handle these time critical support infrastructure.”

Overview

The year under review experienced enhanced generation from earlier operational power plants accompanied by power generation from VS Lignite as well as Wardha Power plant (in a phased manner). Power Generation output more than doubled at 2,793 million units during the current year as against 1,010 million units during the previous year. With sustained fuel supplies and plant availability, this could further double during the current year.

The operating assets and associated developments during the period include:

Arasmeta (Aggregate 86 MW)

Initially a 43 MW coal based power plant located in Gopal Nagar Village of Janjgir - Champa District in Chhattisgarh that commenced commercial operations in the year 2006, it has now been expanded by additional 43 MW. With power off take predominantly by Lafarge India under long term PPA, we anticipate to contract the balance power with other industrial consumers or the local utilities.

Sai Regency (Aggregate 77 MW)

Initially a 58MW combined cycle gas based power plant located in Ramanathapuram village in Tamilnadu which commenced commercial operations in the year 2007, it has now been expanded by additional 19 MW of wind based power generation capacity. Not only has the asset experienced enhanced power generation due to better natural gas availability but also has been successful in making renewable power supplies to the same captive consumers with option to realize additional tariffs through Renewable Energy Certificate (“REC”) mechanism.

Sitapuram (Aggregate 43 MW)

A 43MW coal based power plant located in Dondapadu village, Andhra Pradesh which has commenced commercial operations in the year 2008. The Company depends on fuel supplies from Singareni Collieries Company Limited (“SCCL”) to undertake power supplies to Zuari Cements under long term PPA.

VS Lignite (Aggregate 135 MW)

A 135 MW Lignite based power plant located at Village Gurha, Tehsil Kolayat, District Bikaner in Rajasthan. The power supplies to captive consumers commenced during the year under review, based on lignite produced in a captive lignite mine with balance power sales to the local utility. While the operational performance of the plant during the first year has been satisfactory, given the historical experience of various lignite based projects stabilization in India, the project has not been successful in realizing on cash basis the entire tariffs contracted with industrial customers and is currently pursuing legal remedies to recover the same.

Wardha Power (Aggregate 540MW)

A 4 X 135 MW coal based power plant located at Warora Growth Centre, Chandrapur District in Maharashtra is an important generation asset of the Group with significant profitability potential. The plant operations for Unit 1 and 2 have stabilized during the quarter of Jan-Mar 2011 and the performance of Unit 3 is not reflective of the full potential in view of market related constraints that were subsisting in the Jan-Mar quarter of 2011. Further, the earlier uncertainty of off take by Reliance Infra (which has now been confirmed by the Maharashtra Electricity Regulatory Commission) and the failure of Western Coal Fields to honor the contractual fuel supply obligations (from cost plus coal blocks) and

the resultant continual dependence on e-auction / spot / imported coal supplies have not only eroded the profitability margin associated with the power generated but has also constrained the operational performance. Further, the anticipated power supplies to captive consumers couldn't commence from the second phase on account of the delay of the local utility in providing the mandatory open access, which is expected to be received during the current quarter.

We anticipate that 2011-12 could be a significant year of correction and the coal supplies from alternative coal linkages of Coal India to provide the necessary support to generate necessary revenues and profitability of this very unique asset in the state of Maharashtra.

KSK Wind Energy (Aggregate 52MW)

An aggregation of various wind assets acquired in the state of Tamil Nadu. The current effort is to undertake direct supplies to industrial customers in the state of Tamil Nadu (as against traditional utility supplies on preferential tariff arrangements). The operations are currently outsourced to the manufacturers of the Wind Turbine Generators (WTG) and we plan to build independent competence to undertake the same in the ensuing years.

The two main construction projects of the Group include:

KSK Mahanadi (Aggregate 3600 MW)

A 6 X 600 MW thermal power project being setup in a single location and is scheduled to be commissioned on a unit-wise basis between 2012 and 2014. The site for this project is situated at Nariyara village, Akaltara Tehsil, Janjgir-Champa district, in the state of Chhattisgarh and significant construction activity has commenced and progressed. A committee of the Indian government has opined that the power project has significantly progressed on project commitments and construction.

During the review period, the civil works with respect to boilers, electrostatic precipitators, the chimney, and excavation works with respect to the main power house building, turbine generator foundations, switchyard, coal handling plant, cooling towers and raw water reservoir are in good stage of construction progress with boiler drum lifting for two units achieved during the Apr-Jun quarter 2011.

While, during the current year, the Group has been successful in ensuring necessary environment clearance and development progress of GIDC on the Gare-pelma sector III coal block, the access to coal supplies from GMDC based on Morga-II coal block remains uncertain in the context of the newly notified "No-Go" policy of the Environment Ministry of the Government of India. It is anticipated that, since the federal government at the highest level is seized of the matter of coal supplies from Morga-II or alternatives, the fuel security for these specific units would be sorted in due course of the current year.

KSK Dibbin (Aggregate 120 MW)

A run-of-the-river hydro electric power (HEP) project envisaged on Bichom River (a tributary of Kameng River) in West Kameng District of Arunachal Pradesh. The project is a BOOT (Build, Own, Operate and Transfer) concession for a lease period of 40 years. Having secured necessary clearances, the in-principle environment clearance and necessary permits in place, the current year would witness beginning of construction activity at the project site.

Generation

While the Group would continue its effort in developing new projects (both thermal and hydro power generation) one of the immediate potential projects that have experienced initial progress is the 1.8 GW power project in Orissa based on coal supplies from Naini coal block by Pondicherry Industrial Promotion Development and Investment Corporation (PIPDIC). The ensuing year is expected to witness progress on land acquisition and subsequent effort on finalization of necessary contracts for project construction.

Further, the Group has decided plans to undertake wind energy generation projects initially in India with potential for expansion across other locations. The Group now has incorporated in Singapore a renewable holding company by the name "KSK Green Energy Pte Limited" that is currently indirectly held 100% by the Company and expected to undertake these new initiatives. The Company could at suitable time look forward to participation of other financial investors / strategic partners to take forward this renewable portfolio.

Fuel

The year under review witnessed stabilization of lignite production at the Gurha (E) lignite mine and achievement of peak rated capacity for captive consumption by VS Lignite Power project. Besides successfully extracting lignite within a period of 42 months from the date of block allotment, a record achievement in the Indian mining context, the Company is pleased to note that good quality lignite is being supplied uninterrupted to the power plant and there is currently no dependence on external fuel supplies to support the power plant.

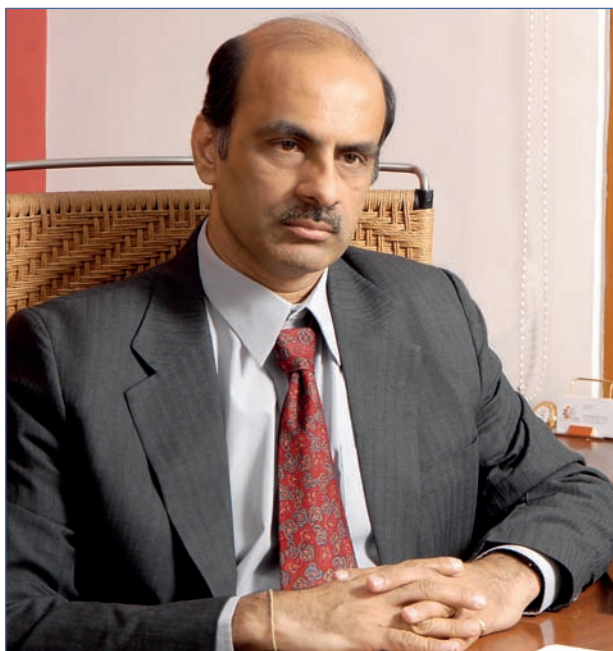
In addition to facilitating the development of 210 MT Gare Pelma Sector III coal block, the Group is currently considering specific coal mine opportunities, outside of India, with a dedicated focus to supplement domestic coal supplies as well as leverage the mining expertise to acquire high opportunity mineral resources of both steam and metallurgical coal specifications.



Gurha East Lignite Mine
Rajasthan



Financial Review



“With 933 MW of operational capacity and multiple efforts, strategies to deal and further strengthen the fuel security of the operating plants, we anticipate the financial performance in the ensuing year to significantly improve. Also, with the support of various banks and institutions we look forward to continue the construction progress at site on the 3600 MW KSK Mahanadi project and 120 MW Dibbin project which are expected to significantly leapfrog the revenue and profitability profile of the Group by 2014.”

(All figures given in the review are in US \$ thousands unless otherwise stated.)

Principal Activity and Overview

KSK Group is primarily engaged in the development, operation and maintenance of power generation assets in India with next level of growth coming through large base load thermal power plants, hydro power opportunities and wind power generation. To support these power generation initiatives, the Group also is currently undertaking business activities in mineral interest, mine development and other support ancillary infrastructure. KSK focused its strategy on the private sector power development market, undertaking entire gamut of development, investment, construction, operation and maintenance of power plants with supplies initially to heavy industries operating in India and now branching out to cater to the needs of utilities and others in the wider Indian power sector.

Income Statement Operating Results:

	Mar 2011	Mar 2010
Revenue	226,800	52,893
Cost of revenue	(150,385)	(26,192)
Gross profit	76,415	26,701
Other operating income	3,357	13,660
Distribution costs	(2,069)	(2,660)
General and administrative expenses	(25,165)	(14,571)
Operating profit	52,538	23,130

Generation, Sales and Revenues

The total revenues of the Group have increased by 329% from US \$ 52,893 during the year ended March 2010 to US \$ 226,800 during the year ended March 2011. Revenues for the Group have been broadly derived from two major activities being power generation US \$ 222,285 (2010: US \$ 43,870) and project development activities US \$ 3,060 (2010: US \$ 8,948).

Power generation activities relate to power generated and sold by the Group entities. Revenues from this activity have increased by 407% primarily on account of operation of two subsidiaries, namely, VS Lignite Power Private Limited (“VSLP”) and Wardha Power Company Limited (“WPCL”) - phase I units which have contributed US \$ 39,670 and US \$ 121,569 respectively, during the year ended March 2011.

In addition to VSLP and WPCL plants, revenues from power generation from other SPVs has indicated an increase of 41%

(from US \$ 43,200 during the year ended March 2010 to US \$ 61,046 during the year ended March 2011). This increase has largely been on account of an increase in the number of units generated from 1,010 million Kwh in March 2010, to 2,793 million Kwh in March 2011 and an increase in the average tariff realisation per unit from INR 3.88 in March 2010 to INR 4.11 in March 2011.

Project development activities primarily represent the fees charged by KSK on the achievement of development and construction milestones of the projects under development. We have experienced decrease from US \$ 8,948 during the year ended March 2010 to US \$ 3,060 reflecting the maturity of the asset portfolio towards construction and operating assets. Project development fees are expected to be far lesser in the coming years and income from sale of energy would be in the mainstay and dominant mix of revenue and profitability henceforth.

Cost of Sales

Cost of revenue indicated an increase of 474% to US \$ 150,385 (2010: US \$ 26,192). A significant portion of the increase in the costs of revenues is largely on account of the costs of revenue attributable to VSLP and WPCL amounting to US \$ 113,393. Excluding the impact of the same, cost of revenues has increased by 42%. This has largely been on account of increase in the average fuel costs per unit from INR 1.52 in March 2010 to INR 1.59 in March 2011.

Other Operating Income

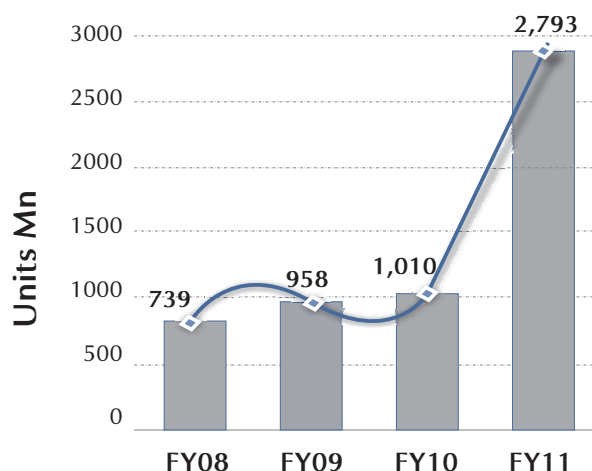
Movement in other operating income from US \$ 13,660 during the year ended March 2010 to US \$ 3,357 during the year ended March 2011 is largely on account of the realisation of management fees amounting to US \$ 10,552 during the previous year by KSK Asset Management Services Private Limited pursuant to a settlement agreement with KSK Emerging India Energy Fund Limited towards claim for loss of potential management fees.

Distribution Cost

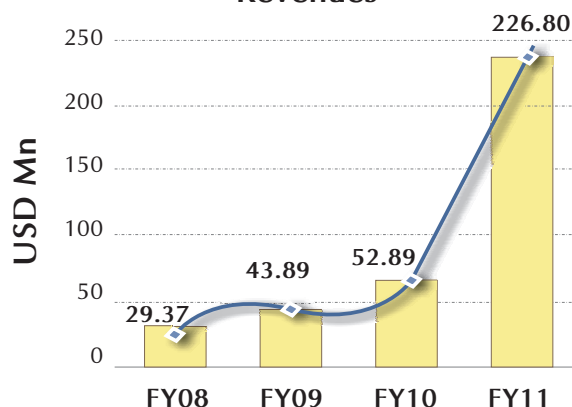
Distribution costs primarily include wheeling charges, transmission charges and load management charges payable to state utilities. As a percentage of the sales, such costs have decreased from 5% in March 2010 to 1% in March 2011 and are a factor of the units generated, load and the type of customer to whom power is being sold (for incurring wheeling charges).

The following charts shows the four year trend in revenues and units generated

Units generated



Revenues



Financial Review (Continued)

General and Administrative Expenses

General and administrative expenses have experienced an upward trend from US \$ 14,571 during the year ended March 2010 to US \$ 25,165 during the year ended March 2011, on account of further capacity addition, requirement to increase the operating base of manpower, infrastructure to handle future growth.

Profit attributable to Equity Shareholders

	Mar 2011	Mar 2010
Operating profit	52,538	23,130
Finance costs	(58,647)	(13,995)
Finance income	23,647	67,849
Profit before tax	17,538	76,984
Income tax income / (expense)	12,569	(17,524)
Profit for the year	30,107	59,460
Attributable to:		
Equity holders of the parent	13,056	32,822
Non-controlling interests	17,051	26,638
Earnings per share		
Basic and diluted (U.S. \$)	0.09	0.24

Operating Profits

Operating profits of the Group have shown a continuous upward trend and have increased from US \$ 23.13 million in FY 2010 to US \$ 52.54 million in FY 2011. This is mainly because the capacity in operations has increased from the previous year. The Group currently has an operating capacity of 933 MW.

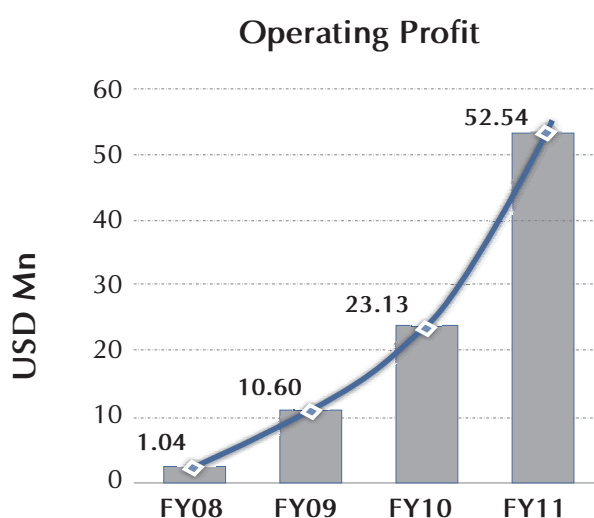
Finance Costs

Movement in finance cost from US \$ 13,995 in March 2010 to US \$ 58,647 in March 2011 is mainly on account of larger debt component on additional operating asset base, increase in interest rates and ancillary cost incurred in connection with the borrowing amounting to US \$ 40,524 mainly on account of higher borrowing levels and net foreign exchange loss amounting to US \$ 2,347.

Finance Income

Finance income during the year ended March 2011 primarily comprises interest income on deposits and other loans and receivables amounting to US \$ 20,692 (US \$ 21,953 during the year ended March 2010), and gain on the disposal of certain held for trading financial assets amounting to US \$ 1,076 (US \$ 1,341 during the year ended March 2010) and unwinding of discount on security deposit amounting to US \$ 1,080 (US \$ 805 during the year ended March 2010).

The following chart shows the four year trend in operating profits of the Group.



The decrease in finance income during the two periods is largely on account of the following:

- ▲ decrease in profit on disposal and re-measurement of investments amounting to US \$ 8,918
- ▲ decrease in net foreign exchange gain of US \$ 34,246 mainly on account of restatement of foreign currency facilities and EPC contractor retention monies on the WPCL and KMPCL power projects during the year ended March 2010

Income Tax

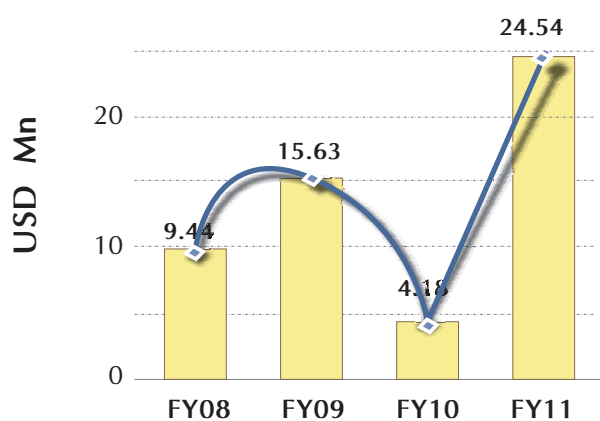
Most of the tax expenditure of the Group is in respect of deferred income taxes, Minimum Alternate Tax (MAT). In India, the Group is availing an exemption under Section 80 IA of the Income Tax Act and is only required to make a provision for the liability under MAT and deferred taxes. The increased tax income during the year ended March 2011 is mainly on account of deferred tax asset on carry forward of losses in WPCL and decrease in tax expense on account of reduced finance income recorded during the previous period. The Group made effective use of various tax benefits available in India and such benefits have resulted in lower effective tax rate in some of our major operating subsidiaries.

Cash Flows

Particulars	March 2011	March 2010
Operating cash flows	73,553	24,085
Changes in working capital assets and liabilities	(41,804)	(10,036)
Tax paid	(7,207)	(9,868)
Net cash generated from operating activities	24,542	4,181
Net cash used in investing activities	(342,382)	(801,392)
Net cash provided by financing activities	342,799	641,672
Effects of exchange rate changes on cash	(1,413)	38,533
Changes in cash and cash equivalents	23,546	(117,006)
Cash and cash equivalent - beginning of year	37,669	154,675
Cash and cash equivalent – end of year	61,215	37,669

KSK's operating cash flow increased from US \$ 24,085 in 2010 to US \$ 73,553 in 2011, an increase of US \$ 49,468. The increase is primarily driven by an increase in operational activity, which has benefited from improved operations of power generation segment. Decrease in taxes paid by US \$ 2,661 is mainly on account of effective use of various tax benefits available in India and such benefits have resulted in lower effective tax rate in some of our major operating subsidiaries.

The following chart shows the four year trend in cash generated from operations.



Cash generated from operation

Net cash used in investing activities has decreased by 57% to US \$ 342,382, largely on account of property plant and equipment by US \$ 289,442 due to initial advance paid to EPC contractor of KMPCL project and restricted cash used for availing short term credit facilities amounting to US \$ 117,451 as well as decrease in purchase and sale of financial instruments, net amounting to US \$ 48,834.

Cash generated from financing activities has decreased by 47% to US \$ 342,799 largely on account of US \$ 105,665 relating to QIP in KSK Energy Ventures Limited in previous year, US \$ 84,425 of additional interest paid reflecting the utilisation of available debt facilities to fund projects under construction and decrease in the net proceeds from borrowings by US \$ 160,657 in line with the strategy to secure long term borrowings by repayment of short term funds.

Financial Review (Continued)

Balance Sheet - Summary

	Mar 2011	Mar 2010
Goodwill	52,460	84,482
Property, plant and equipment	1,955,146	1,311,309
Other non-current assets	144,808	107,745
Current assets	579,547	409,297
Non current assets held for sale	-	23,318
Total assets	2,731,961	1,936,151
Non-current liabilities	897,585	544,902
Current liabilities	983,688	670,778
Total liabilities	1,881,273	1,215,680
Total equity including non-controlling interests	850,688	720,471
Total equity and liabilities	2,731,961	1,936,151

Goodwill reduced by 38% to US \$ 52,460 year on year mainly on account of deemed disposal of WPCL and SRPCPL on business combination achieved in stages amounting to US \$ 31,522.

Property, plant and equipment has increased by US \$ 643,837 in 2011, a 49% year on year growth, largely on account of US \$ 198,957 relating to business combination achieved in stages in respect of SRPCPL and Wardha, acquisition of windmill of US \$ 15,435 and continuous construction and development activities in KMPCL project resulting in addition of US \$ 299,385.

Other non-current assets have increased by US \$ 37,063 year on year primarily as a result of increased deposits with banks amounting to US \$ 28,992 and higher deferred tax assets on account of carry forward of losses in WPCL amounting to US \$ 9,962.

Current assets have increased by US \$ 170,250 to US \$ 579,547 year on year primarily as a result of the following:

- ▲ increase of US \$ 61,287 in cash and bank balances on account of loans drawn towards end of the year pending deployment, funds raised by the Company through private placement.
- ▲ Increase of US \$ 6,882, US \$ 44,032 and US \$ 20,024 in inventories, trade and other receivables and advance to suppliers of raw-material due to an increase in operation capacity on commencement of operations of VSLP and Wardha Phase-I plants.
- ▲ Increase of US \$ 35,996 in Investment and other financial assets mainly due to amount receivable against sale of investment held in Athena Projects Private Limited of US \$ 23,128.

Non-current liabilities have increased by US \$ 352,683, representing a 65% increase year on year primarily due to the following:

- ▲ US \$ 313,438 increase in borrowings in line with funding requirement in respect of projects under construction;
- ▲ US \$ 26,958 increase in trade payable principally in respect of construction works and supply of equipments.
- ▲ US \$ 6,146 increase in deferred revenue on account of security deposit received from customers of VSLP and allotment of preference shares to the customers of WPCL.
- ▲ US \$ 5,642 rise in the deferred tax liabilities driven primarily by the impact of property, plant and equipment as well as business combination acquisitions.

Current liabilities have increased by 312,910, representing a 47% increase year on year primarily driven by an increase in short term funds borrowed for meeting working capital requirements and increase in the current portion of long term debt as well as increase in trade payable on account of higher operational capacity and higher liability in respect of construction works and supply of equipments.

Going Concern

The financial statements have been prepared on going concern basis which assumes the Group will have sufficient funds to continue its operational existence for the foreseeable future. The Group closely monitors and manages its liquidity needs. The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. In assessing the Group's going concern status, the Directors have taken into account financial position of the Group, anticipated future trading performance, its bank and other unutilised debt facilities with respect to projects, the ongoing business receivables and its investment plans. The fund raise during the period further enhanced the capability of the Company to meet its investment needs.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 22 to 24. In addition Note 32 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

As detailed in Note 24, as at 31 March 2011 the Group had interest-bearing loans and borrowings which are due within 12 months of US \$ 787 million. The Group generates sufficient cash flows from its current operations which together with the available cash and cash equivalents and liquid financial asset investments, provide liquidity both in short-term as well as in the long term. Anticipated future cash flows from operation and undrawn committed facilities of US \$ 2,490 million, together with cash and bank deposits of US \$ 367.1 million as at 31 March 2011, are expected to be sufficient to meet the on-going capital investment programme and liquidity requirement of the Group in the foreseeable future.

Principal Risks and Uncertainties

Power Sector

Power generation activity, though delicensed in the Indian context, is a critical business sector in the infrastructure segment and suffers multiple risks and uncertainties, such as:

- ▶ Delays in land acquisition, permits and clearances as well large overhead of coordination with various agencies
- ▶ Shortages in fuel linkages and dependence on e-auction / market based purchase / import of coal
- ▶ Delay in environment permits / forest clearances often for power plants and associated coal blocks
- ▶ Disruptions in mining plans & activities, associated transportation constraints, equipment failure and unexpected maintenance problems
- ▶ Limited availability of domestic power plant equipment and new government regulations on overseas suppliers / contractors' personnel visas / work permits for execution
- ▶ Shortage of skilled manpower within India and inability to augment overseas contractors to meet planned targets
- ▶ Quality concerns of equipment and timely construction to be addressed through high cost resource supplementing, supervision and inspection
- ▶ Challenges in development of support Infrastructure
- ▶ Introduction of new levies, cess, taxes and duties by the government both with respect to power generation, mineral and all other associated business
- ▶ Safety, health and environment risks inherent to the activity of mining and power generation and associated litigation and damage claims
- ▶ Global financial crisis and limitations in availability of capital
- ▶ Limited local rupee debt financing and associated volatility due to credit / liquidity scenarios as well as interest rate risks due to floating interest rate regimes
- ▶ Significant social unrest as well as agitations with respect to proposed assets, political interference and associated reversal of policy positions
- ▶ Exchange rate fluctuations and sustained appreciation of foreign currencies
- ▶ Political, legal and regulatory risks including regional instability, extremism, regional conflicts, embargoes and other forms of resistance that could disrupt all short and medium term plans and targets

The Group

The Group's main business is power generation & development through KSK Energy Ventures Limited, its listed subsidiary in India. Also the Group undertakes mineral development, water infrastructure and other ancillary businesses to power generation through, KSK Energy Company Private Limited, its unlisted subsidiary in India. Its principal risks are therefore related to power generation and associated businesses in that country in general, and also the particular circumstances of the specific electricity projects it is currently constructing or pursuing for development.

Some of the other risks faced by the Group include the following:

Power Project Operations - Availability and Profitability

Given the significant capital outlay involved in construction of power, while all due care would be exercised to tie-up all requisite raw materials and other variables, often there are surprises on the ground. Also, certain factors such as off taker load requirements, fuel quality and grid constraints etc could curtail the generation potential.

Implication

These could significantly alter actual performance vis-à-vis the Target. Further, continuous unavailability could lead to claims from off takers as well as rigidities of PPA mechanism could expose to fuel price and financing cost volatilities and significant impact on EBIDTA, Profitability and Cash flows.

Mitigation

- ▶ The Group has a dedicated Operations team to ensure maximum availability for continuous base load operations
- ▶ New generation technologies, skilled man power / expert O&M contractors' staff to ensure periodic maintenance and trouble shooting responsibilities
- ▶ Adequate spares as well as continuous effort to localize spares procurement
- ▶ Dedicated Fuel tie-ups wherever possible as well as rupee financing and foreign currency financing to leverage arbitrage opportunities
- ▶ Fuel tie-up strategy, timely access to fuel and keeping seasonality factors
- ▶ Industrial off take for robust sales arrangements along with power sales to utilities

Government Policy and Regulations

Though the Electricity Act, 2003 and subsequent policy initiatives to promote independent power generation by private players are progressive, often the disjointed approaches of the individual ministries / departments of the Government and the myopic regulations by the Government / local regulators create uncertainties in the operating environment.

Implication

The Company's construction and operations activities are regulated by multiple permits and clearances, regulations including environment norms, which are continuously evolving or being modified. The failure to obtain or comply with the same would prevent the Group from achieving its growth targets and could lead to financial losses, damages and claims.

Mitigation

- ▶ The need for necessary permits and the evolving landscape are assessed in detail before decisions are made with respect to the project opportunities
- ▶ Close hands on monitoring by the management team of - the business regulatory requirements, compliances thereto and periodic review of status thereof
- ▶ Ability to anticipate governmental policy changes or ad-hoc prescriptions are beyond the control of management. However, KSK continues to have a positive, healthy and working engagement with various stakeholders to proactively prepare and address new regulations for timely clearances and corrective action

Project Execution – Time and Costs

The Company is dependant on various third party contractors to fulfill their contractual obligations and achieve timely completion of the power project construction. Some times third party actions / decisions could hold up performance of certain parties and hence inability to contain cost escalations.

Implication

Project execution delays not only increase the cost of project execution but put significant strain on company resources – financial, manpower and others, often resulting significant loss of opportunity, higher financing costs and other losses.

Mitigation

- ▶ Close monitoring of the project teams through Project Management Group and active contractor engagement to address issues
- ▶ Risk of over runs mitigated through turnkey EPC contracts of Lumpsum Turnkey basis for major part of the project scope

- ▶ Key concerns addressed through periodic review meetings of top management teams – at site and head offices
- ▶ Hands on stakeholder engagement to iron out policy in consistencies, bureaucratic lethargy and red tape

Ability to retain Fiscal / Tax Incentives

The Company is dependant on various fiscal and tax incentives involved with power generation activity.

Implication

Any ad-hoc policy changes, stringent infeasible criteria, reversal of government policy lead to enhanced project costs, unviable debt levels and / or sponsor equity specifications. Also investor returns could significantly alter on account of such changes.

Mitigation

- ▶ Close monitoring of the various incentive regimes and ensuring timely adherence to specifications / norms where timelines are of essence
- ▶ Representation to respective ministries / resort to legal remedies where inequitable levies / withdrawals made by the concerned government / government authority
- ▶ Continuously monitor impact and wherever agreed and applicable pass on the same through tariff mechanism to power consumers

Timely access to Fuel– vital Raw Material

The Company is largely dependant on coal supplies to operate its various facilities. In certain instances it is dependent on supply of Gas, Lignite, Furnace oil / Lubricants to successfully operate its facilities.

Implication

Any mismatches in identification, development, contracting, transportation and supplies of fuel to the power plant would lead to immense financial losses and lost generation opportunity.

Mitigation

- ▶ Develop alternate markets for fuel sourcing, preferably domestic before looking abroad
- ▶ Highly skilled manpower to develop and operate captive mines, wherever dedicated fuel blocks are available
- ▶ Align consumption and storage practices in line with preferences and economics of third party suppliers / service providers / logistics providers
- ▶ Additional investment, wherever required on own infrastructure to support off take points

Principal Risks and Uncertainties (Continued)

Customer Concentration – Asset Specific Customer Base

The Company is dependant on a small number of customers to supply its output and derive its revenue and profitability.

Implication

Since Power Purchase Agreements (PPAs) are the fundamental basis of the off take arrangements, often signed ahead of the time, before project construction completion, and hence are based on certain underlying assumptions and principles with respect to project. If counter parties don't perform contractual obligations or choose to engage in continuous litigation, it puts tremendous strain on the Company resources, cash flows and the operating cycles.

Mitigation

- ▶ Attempt to capture appropriate language remedies for PPA administration and continuous customer interactions for mutual problem addressal
- ▶ Resort to arbitral / judicial remedies wherever contractual non performance or significant overdue positions are getting built
- ▶ Seek performance securities and regulatory directions for enforcement of contractual obligations

Funding Requirements – Incremental Capital Expenditure and Future Growth

The Company operates in capital intensive industry and has significant financing requirements.

Implication

This requires continuous access to, various capital providers of debt and equity, a spectrum of banks, insurance companies, financial insurance, pension funds, and capital markets. Further, timely servicing of interest / returns provide basis for future funding.

Mitigation

- ▶ The Company attempts to maintain a healthy liquidity position through a combination of financing and internal cash accruals from operating projects
- ▶ The Company also maintains, at respective operating companies, working capital facilities from local banks and negotiated positions for seamless rollover of facilities whenever they expire, unless under circumstances
- ▶ The Company attempts to respond to ongoing obligations from the operating cash flows from the business operations and any specific facilities from banks / institutions availed from time to time
- ▶ Further, banking covenants are monitored to ensure repayment schedules in line with anticipated cash flows and moratorium for reserve build up

Local Stakeholder Management – Sustainable Progress

The Company operates multiple power projects in various locations, each with its own set of circumstances, challenges, cultures and local activism levels.

Implication

Since all projects are in remote locations, often closer to potential fuel sources, each of the project sites is faced with unique challenges on local people expectation, community and political under currents, environmental and other activisms. Also concerns of local residents about health, safety, pollution and other hazards.

Mitigation

- ▶ The Company management emphasis on active stake holder engagement at least 6-12 months prior to project initiation, corporate social responsibility initiatives and continual consultation and engagement programs
- ▶ Formal policy on health and safety accompanied by regular review
- ▶ Equipment and tools to monitor emissions from plants and compliances
- ▶ Working with local communities, leaders for review of challenges and solutions to address the same

Fluctuation in Foreign Exchange Rates and Compliance to New Standards

The Company operates in an environment wherein certain part of the capital equipment being purchased, certain specific raw materials could be foreign exchange based while all revenue is in Indian rupees.

Implication

The Company's presentation currency is US Dollars, while majority of revenue and costs are incurred in Indian Rupees. Also, the currency protections in certain contracts provide additional uncertainty to the cost or profit estimates.

Mitigation

- ▶ Wherever applicable enter into forward contracts / appropriate hedge mechanism initiated at appropriate times
- ▶ Formal policies on currency volatility being formulated for implementation
- ▶ Monitoring standard evolution and structure contracts for complianace and minimal variations

Coal handling
Wardha Power Project



Sustainability Initiatives

In 60+ villages at 8 project locations with 7000+ families

Promoting Community Leadership along with opportunities of setting up and operating power plants across 8 locations in 6 Indian states has been an essential ingredient of KSK's growth. The Group believes in sustainability being the core of any community and all initiatives to primarily focus on development of the neighboring communities. The thrust areas continue to be Education, Health, Socio-Economic Empowerment, Infrastructure Development and Cultural & Social Contribution.

It has been the Group's experience that as we move towards larger scale of power generation projects, these sustainability initiatives cannot be looked from the narrow myopic view as a necessary social license to operate but more grand, integral and wholesome philosophy that brings dignity to human life and enables a rounded and sustained effort to build healthy and sustainable communities wherever the business activities are pursued. Below are highlights of some of our sustainability initiatives in the thrust areas:

Our Approach

We value our relationship with the communities in which we operate and seek to facilitate comprehensive development...an approach that gives ample scope to design customized programmes based on felt needs of the immediate community and the local socio-economic-political and cultural context.

The Group carries out community development initiatives through Village Development Advisory Committees (VDACs) to ensure that development is participatory, inclusive and sustainable.

Besides stakeholder consultation, Rehabilitation and Resettlement plan and Socio-Economic survey of the project affected families are the base documents that inform our strategy development.

At policy level the Board takes active interest, through the designated executive teams to provide necessary direction and integration of these sustainability initiatives with core business and other verticals of the enterprise.

Promoting Quality Education

For KSK, power from Knowledge is not just a slogan ...it is a deep felt belief... A belief in the transforming power of 'knowledge'... gained through quality education. This dictum is our guiding force and the reason behind making Education an important thrust area.

Our approach to the issues in education focuses on addressing the critical issues of quality, access, equity in access, infrastructure and bridging the urban-rural disparity in vocational training.

Quality: During the period, 23 additional teachers are supported by KSK in Government schools of our neighboring communities in 3 locations.

Access: During the period, a primary public school has been constructed in Maharashtra. KSK has also provided a school bus facility to 207 children to enable them to attend secondary and higher education.

Equity in Access: During the period, 35 merit scholarships at school level, 28 scholarships to pursue Engineering and Polytechnic and Fee reimbursement for 5 students pursuing

Medical & Management studies have been provided for the children from our neighboring community. Besides scholarships, we have also provided other physical resources such as 15,000 LED study lamps, 1,026 school bags and sports material to 10 schools in the operational area.

Infrastructure: We are committed to providing child friendly environment at our neighboring schools, as a first step towards provided necessary infrastructural facilities in 5 schools.

Vocational Training: We understand the huge gap existing between education and employability of the youth in our neighborhood communities and also realize the potential of vocational training in the growing economy. KSK has established one ITI centre in Chhattisgarh and supported 187 ITI students through fee reimbursement initiative.

Building Healthier Communities

India today faces the problem of massive inequities in access to health care, in a predominantly urban based health care setting which has off late been dominated by growing large private sector.

Alarming, the proportion of people who are unable to access any form of treatment due to inability to pay is quite large and increasing. KSK has two models of health care delivery for its neighboring communities. While mobile clinic model provides preventive services at the door step of the client, mega camp model seeks to address major health concerns of the community. Through mobile clinic, 306 camps have been organized, reaching out to 9,627 patients in the period and 3 mega eye camps have been conducted treating 303 patients.

Facilitating Socio-Economic Empowerment

We believe that economic empowerment of our communities alone can help us ensure sustainability of the development that we undertake.

Under economic empowerment, during the period, we organized training in tailoring for 58 adolescent girls and women.

A photograph of a pond under a clear blue sky. On the right side, a large, leafy tree with green foliage hangs over the water. In the background, across the pond, there is a small, simple building with a brown roof. The water is calm and reflects the sky and the surrounding greenery. The overall scene is peaceful and rural.

Water Harvesting
Pond deepening

Developing Common Property Resources and infrastructure that enhances access to basic services.

Sustainability Initiatives (Continued)

314 milch animals were attended to in veterinary camps, seed distribution and training programmes were organized for 120 farmers and 2 youth were supported to set up own businesses under entrepreneurship initiative.

We are committed to encouraging recruitment from project affected families in all our sites and have so far recruited 2500 locals in 6 project locations.

Developing Rural Infrastructure

We believe that developing infrastructure is essential for eradication of poverty as well as for sustaining and multiplying growth.

We are also committed to developing infrastructural facilities such as roads, sanitation facilities, drinking water facilities and others that improve community's access to basic services and livelihood opportunities.

In 2010-11, KSK has taken up pond deepening works in 10 locations and one canal cleaning done for better water conservation. Drinking water facilities have been significantly improved by installation of 32 hand pumps and repairing of 34 defunct pumps. We have also contributed to rural electrification by fixing 34 street lights and electric poles and improved rural connectivity by laying 24 approach roads. Community toilets were provided for 3 villages and one community hall constructed for common use.

During the year, landscaping was carried out in 5 locations, besides planting 6000 plants and reached out to 7 villages in midsummer through water tankers and by constructing one water tank.

Fostering Culture and Social Contribution

KSK now operates across 8 locations in 6 states and proactively seeks to deepen its communication with local communities. Given the cultural diversity of India, it is essential for us to respect and adhere to the cultures and traditions of each community we work with.

Building relationship for us is sharing and being part of the joys and sorrows of our communities. Thus we support village festivals, religious celebrations, sports & games events, besides extending helping hand in the hour of natural calamities, emergencies etc.

Other initiatives

- ▲ Maintenance of Sitapuram temple
- ▲ Donation of blankets to the elderly during peak winter
- ▲ Sponsorship of sports events
- ▲ Donations to village festivals & religious celebrations in multiple communities during the year
- ▲ Bus passes to children with disabilities





Economic empowerment of women is a key strategy in ensuring inclusive development of sustainable communities.

Board of Directors

T. L. Sankar

Non-Executive Chairman

Mr. T. L. Sankar was appointed as the Chairman (Non-Executive) of the Company in October, 2006. Mr. T. L. Sankar is renowned in India as an energy expert, having received the Padma Bhushan title in India and has more than four decades of experience in the sector, including Secretary of the Fuel Policy Committee (1970-75), Principal Secretary of the Working Group on Energy Policy (1978-79), as a member of the Advisory Board on Energy, Government of India and as a member of the Integrated Energy Policy Committee. Mr. Sankar also served as the Chairman of the Andhra Pradesh State Electricity Board, the state power utility in southern India. Currently, Mr. Sankar is the Chairman of the Expert Committee for the comprehensive review and recommendation of a roadmap for the coal sector in India. He has also served the United Nations as an adviser on energy issues to the governments of Sri Lanka, Tanzania, Jamaica, North Korea and Bangladesh and has headed the Asian Development Bank's Asian Energy Survey.



S. R. Iyer

Non-Executive Director

Mr. Iyer was appointed as a Director (Non-Executive) of the Company in October, 2006. He is the former and first Executive Chairman of Credit Information Bureau (India) Limited initially promoted by the State Bank of India & HDFC Limited. Mr. Iyer has vast knowledge and rich experience in the banking industry. He was earlier the Managing Director of State Bank of Mysore and the Managing Director of the State Bank of India (SBI). He had been a Director on the Boards of all the seven Associate Banks of SBI as also on the Boards of two overseas and six domestic subsidiaries of SBI. He had also served as a Director of National Stock Exchange of India Limited and GE Capital Business Process Management Services Private Limited. Mr. Iyer is presently associated with the National Dairy Development Board as a Member of its Investment Committee.



Vladimir Dlouhy

Non-Executive Director

Mr. Dlouhy was appointed as a Director (Non-Executive) of the Company in August 2009. Mr. Dlouhy studied mathematical economics and econometrics at School of Economics and at Charles University in Prague, later MBA studies at Catholic University in Leuven (Belgium). Started his professional career as University lecturer, in 1983 moved to the Czechoslovak Academy of Sciences as a researcher, later as Deputy Director of the Forecasting Institute. In 1989 was invited to join the first post-communist government and till 1992 served as Minister of Economy of Czechoslovakia and after the split of the country served as Minister of Industry and Trade of the Czech Republic till June 1997. Since his departure from politics in 1997, he joined Goldman Sachs as an International Advisor for Central and Eastern Europe; between 1997 and 2010, in similar capacity, he advised to ABB Chairman of the Advisory Board, Chayton Capital, London, UK. In addition to extensive academic association with various universities and serving as deputy chairman, European group, The Trilateral Commission, he is also an author of numerous publications. Married, fluent in English, Spanish, Russian, speaks also German and French.



K. A. Sastry

Executive Director

Mr. Sastry was appointed as a Director (Executive) of the Company in October 2006. He is a Chartered Accountant and leads the project execution & operations activities of the business in addition being responsible for financial accounting, taxation and human resources functions of KSK. Prior to incorporating KSK, Mr. Sastry had more than a decade of extensive experience in the domains of financial consulting, audit, company law and foreign investment regulations.



S. Kishore

Executive Director

Mr. Kishore was appointed as a Director (Executive) of the Company in October 2006. He is a Chartered Accountant, leads the Business Development & Capital formation initiatives of the Group and has been instrumental along with Mr. Sastry in the rapid growth of KSK over the last decade. Prior to incorporating KSK, Mr. Kishore was a financial advisor & consultant for major domestic as well as international businesses in emerging technology areas and importantly has advised multiple energy companies/ utilities/ market entrants since early nineties. Mr. Kishore has been additionally associated with various reforms and regulatory initiatives of the Government and has served in various committees.



Corporate Governance Report

The Company is incorporated in the Isle of Man and is not subject to any specific corporate governance regime in its place of registration.

In December 1992, the Committee on the Financial Aspects of Corporate Governance ("the Cadbury Committee") published a Code of Best Practice. This was updated by the issue of The Combined Code: Principles of Good Governance and Code of Best Practice ("The Combined Code"). The Combined Code contained recommendations as to best practice, focusing on the control and reporting functions of the Board of Directors. A revised version of the Combined Code has been adopted by the Financial Reporting Council ("The New Code") which applies to accounting periods beginning on or after 29 June 2010 and as a result of the new Listing Regime introduced in April 2010, applies to all companies with a Premium Listing of equity shares regardless of whether they are incorporated in the UK or elsewhere.

As the Company has a secondary listing status (now standard listing) on the London Stock Exchange ("LSE"), the UK Combined Code ("UK Code") does not apply to the Company. Nevertheless, the Directors in the spirit of good practice have always taken note of its provisions and voluntarily complied, whenever it has been appropriate to do so.

Given the size and stage of evolution of the underlying business, it is important to note that the Company strives constantly to maintain a fine balance between maintaining robust corporate governance practices and the rigours of business growth and associated business innovation and approach. Further, it is the Company's belief that corporate governance policies and practices and its periodic review need to be tailored to the size and maturity of the organization. On the voluntary initiative of the Board, the Company is in substantial compliance with all of the material aspects of the Combined Code. Even though the Company being a smaller company below FTSE 350 throughout the year immediately prior to the reporting year, the Board seeks to appoint an additional Non-Executive Director to the Remuneration Committee and Audit Committee to be ready for full compliance to UK Code upon any movement to the professional market. The Nomination Committee has evaluated certain professionals and has been exploring and evaluating suitable professionals for such appointment.

Composition of Board of Directors and Board Balance

The Board currently comprises of an independent non-executive chairman, two executive directors and two independent non-executive directors. The Non-Executive Chairman Mr. T. L. Sankar has more than four decades of experience in the power sector. Mr. S. R. Iyer, an independent non-executive director has rich experience in finance and accounts and has earlier served as the Managing Director of State Bank of India. Mr. Vladimir Dlouhy, the

other independent non-executive director, has rich and distinguished experience in economic and industrial affairs and international corporate businesses. Their independence provides a strong foundation for corporate governance.

The two Executive Directors, Mr. S. Kishore and Mr. K. A. Sastry are the Company's founders and have had extensive knowledge of the Indian power sector for over two decades and have handled prestigious advisory assignments prior to setting up of KSK.

The Board believes it is an effective board that is collectively responsible for the success of the Company and its composition is appropriate for an effective listed company.

Board and Committee Meetings

Set out below is a table showing attendance at Board and committee meetings by the Directors during 2010-11.

Director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Mr. T.L. Sankar	5/5	4/4	2/2	2/2
Mr. S.R. Iyer	5/5	4/4	2/2	2/2
Mr. Vladimir Dlouhy	5/5	4/4	2/2	2/2
Mr. S. Kishore	5/5	-	-	-
Mr. K.A. Sastry	5/5	-	-	-

The Board periodically meets and had in total five meetings during the year. Mr. T. L. Sankar, Mr. S. R. Iyer, Mr. Vladimir Dlouhy, Mr. S. Kishore and Mr. K. A. Sastry have attended all the five meetings. The Board is pleased with the high level of attendance and participation of both executive and non-executive directors at the meetings.

In addition to formal meetings of the Board, the Executive Directors maintained frequent verbal and written communication with the Non-Executive Chairman and other Non-Executive Directors to discuss various developments and issues affecting the Company and its business. Additionally, as a practice the Non-Executive Chairman has independent discussion with the other two Non-Executive Directors, without the presence of executive directors, on the business and any issues related thereto.

Role of the Board

The Board is collectively responsible for long term success of the Company and has ultimate responsibility for the management, direction and performance of the Group and its businesses. The Directors are responsible for the Group's and the Company's system of internal financial control, safeguarding the assets of the Group and the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In carrying out their responsibilities, the Directors have put

in place a framework of controls to ensure ongoing financial performance is monitored in a timely and corrective manner and risk is identified as early as practicably possible. Clear lines of authority, responsibility and financial accounting exist between the relevant heads of department and the Directors.

The Directors review the effectiveness of the system of internal control. Given the organization structure and material business through subsidiaries, such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board meets regularly during the course of the year to review trading performance and budgets, funding, to set and monitor strategy, examine acquisition opportunities and report to shareholders. The Board has a formal schedule of matters specifically reserved to it for decisions.

The roles of Chairman and Executive Directors are separate, and their responsibilities are independently defined.

It is the Chairman's responsibility to ensure that the Board is provided with accurate, timely and clear information in relation to the Group and its business.

Subsidiary Board Structure

The Company operates its power generation business in India through KSK Energy Ventures Limited ("KSKEV"), whose shares are listed on the National Stock Exchange and Bombay Stock Exchange. KSKEV has its own board with 4 of the Company Directors, multiple independent directors, respective committees that undertake all subsidiaries corporate governance requirements and complies with Indian listing requirements. Additionally, such independent directors also sit on the boards of all material subsidiaries of KSKEV.

Senior Independent Director

The Combined Code recommends that the Board should appoint one of its independent non-executive directors to be the Senior Independent Director. The Senior Independent Director should be available to shareholders if they have concerns that contact through the normal channels of chairman or executive directors has failed to resolve or where such contact is inappropriate.

Mr. S.R. Iyer is the Board's existing senior independent director.

Professional Advice

Each Committee and each Director has the authority to seek independent professional advice where necessary to discharge their respective duties in each case at the Company's expense.

In addition, each director and committee has access to the advice of the Company Secretary, Mr. Richard Vanderplank of Cains Fiduciaries Limited.

Share Dealing Code

The Company has adopted a share dealing code which is based on the Model Code for directors dealings contained in the Listing Rules.

Board Committees

Audit, Remuneration and Nomination Committees are the three committees constituted by the Board with their terms of reference clearly defined. To ensure independent decision making and in line with the Combined Code only non-executive directors are made members of the above Committees.

Audit Committee

The Company's Audit Committee comprises of the Non-Executive Directors, being Mr. S. R. Iyer (Chair), Mr. T. L. Sankar and Mr. Vladimir Dlouhy.

The Audit Committee is responsible for a wide range of financial matters and will meet at least three times a year. It monitors the controls that are in place to ensure the integrity of the financial information reported to shareholders including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance.

The Audit Committee also oversees the relationship with the external auditor, reviews the scope and results of audits and provides a forum for reporting by the Group's auditors.

The Audit Committee also focuses on compliance with legal requirements, accounting standards and the Listing Rules and the Disclosure and Transparency Rules including reviewing the summary of financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature, and ensures that an effective system of internal control and risk management systems are maintained.

The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports nevertheless remains with the Board. The Executive Directors attend meetings of the Audit Committee through invitation.

Remuneration Committee

The Company's Remuneration Committee comprises of the Non-Executive Directors being Mr. Vladimir Dlouhy (Chair), Mr. T. L. Sankar and Mr. S. R. Iyer. The Remuneration Committee will meet at least twice a year, considers remuneration policy and the employment terms and remuneration of the Executive Directors and senior management.

The Remuneration Committee's role is advisory in nature and makes recommendations to the Board on the overall remuneration packages for executive directors in order to attract, retain and motivate high quality executives

Corporate Governance Report (Continued)

capable of achieving the Group's objectives. The Remuneration Committee also reviews proposals for the introduction of share plans and other incentive plans, makes recommendations for the grant of awards under such plans as well as advising on the terms of employment of the Executive Directors. None of the Directors participates in any discussion or votes on any proposal relating to his own remuneration.

The Board's policy is to remunerate the Group's senior executives fairly and in such manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel. The remuneration of the Non-Executive Directors is determined by the Chairman and the other Executive Directors outside the framework of the Remuneration Committee.

Nomination Committee

The Company's Nomination Committee comprises of the Non-Executive Directors being Mr. T. L. Sankar (Chair), Mr. S. R. Iyer and Mr. Vladimir Dlouhy which meets at least twice a year. The Nomination Committee considers the structure, size and composition of the Board, retirements and appointments of additional and replacement directors, reviews succession plans for the directors and makes recommendations to the Board on membership of the Board, its committees and other matters within its ambit.

Shareholder Relationships

The objective of the Board is to create increased shareholder value by growing the business in a way that delivers sustainable improvement in earnings over the medium and long term.

The Board regards the Annual General Meeting as an important opportunity to communicate with private investors in particular. Directors make themselves available to shareholders, both before and after the Annual General Meeting and on an ad hoc basis, subject to normal disclosure rules.

The Company is committed to promotion of investor confidence by ensuring information dissemination and trade in securities takes place in an efficient, competitive market.

In addition to meeting ongoing disclosure requirements, as part of Company's investor relationship programme, meetings with analysts and Shareholders are held on regular basis. Field visits to specific power plant locations are facilitated, after due and adequate notice from interested shareholders. The Company announces its annual and half yearly results to the London Stock Exchange in advance of the publication.

Also effort is now made to update relevant and up to date information on the Company's website www.kskplc.co.uk and KSKEV website www.ksk.co.in

Internal Control

The Board is responsible for the effectiveness of the Company's internal control system and is supplied with information to enable it to discharge its duties. Internal control systems are designed to meet the particular needs of the Company and to manage rather than eliminate the risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Combined Code of Corporate Governance

The Board believes that its composition is suitable, having regard to its international stature with a focus on India. Notwithstanding the long tenure of some of the Directors, the Board believes all of the Non-Executive Directors are independent and provide valuable advice and counsel in furthering the business objectives of the Company.

Although the Company is a publicly listed company, it continues to be an early stage power generation company with limited cash flows. The Company has a clear mandate to optimise the allocation of limited resources to support its power projects under construction. As such, the Company strives to maintain a balance between conservation of limited resources and maintaining robust corporate governance practices. As the Company evolves, the Board is committed to address specific Combined Code deficiencies and enhance the Company's corporate governance policies and practices deemed appropriate for the size and maturity of the organisation.



T. L. Sankar

Non Executive Chairman

26 July 2011

Sai Regency Power Project



Directors' Report

The Directors of KSK Power Ventur plc have pleasure in presenting this Directors' Report along with the audited financial statements of the Company and of the Group for the year ended 31 March 2011.

Business Review and Future Developments

KSK is among the leading independent private power generators with its operations focused in India. KSK's portfolio of existing and future power generation assets are diversified across fuel types throughout India. KSK presently has operational power plants capable of generating 933 MW of power and further actively involved in construction of two projects aggregating an additional 3720 MW. The Group's initial foray and plans for independent initiatives into power generation from renewable energy sources marks the beginning of another growth initiative.

A full review of the Company's activities during 2010-11 can be found in the sections of this Annual Report listed below, which are incorporated herein by reference.

Chairman's Statement
Market Overview
Operations Review and Financial Review
Principal Risks and uncertainties
Sustainability Initiatives

Group Structure

The Company currently conducts its business through the following major subsidiaries:

- ▲ KSK Energy Limited, Mauritius - holds the principal investments in the Indian business, predominantly on thermal sources
- ▲ KSK Energy Ventures Limited – indirect subsidiary listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) that has an attractive portfolio of power generation assets across various phases of operation, construction, development and planning. KSK Energy Ventures has a wide shareholder base consisting of large institutional investors, mutual funds, insurance companies, foreign institutional investors, retail investors and others.
- ▲ KSK Energy Company Private Limited - an Indian unlisted indirect subsidiary, that has worked and is working on coal interests and other ancillary businesses that support the Group's power plant initiatives;
- ▲ KSK Green Power plc – 100% subsidiary that is currently exploring potential opportunities in renewable energy through its subsidiary KSK Green Energy Pte. Ltd., Singapore.

Corporate Governance

While compliance to Combined Code is not mandatory (since Standard Listing), the Directors have taken note of all the good practices and prescriptions and chose to voluntarily comply with the Combined Code whenever it has been appropriate to do so. A report on Corporate Governance and compliance to Combined Code is set out on pages 32 to 34.

Relationship Agreement

Prior to the initial listing of the Company shares on the London Stock Exchange and recently on even prior to admission to the main Market, K&S Consulting Group Private Limited (K&S), the ultimate parent entity owned by the Executive Directors, holding substantial interest in the Company, have entered into a Relationship Agreement dated 26 March 2010 with the Company, wherein they have agreed, inter alia, not to exercise voting powers so as to derogate the independence of the Company Board, not to vote on decisions involving any action or potential conflict and undertake any related party transactions at arms length.

The Directors believe that the terms of Relationship Agreement will enable the Company to carry on its business independently from K&S and its associates.

Admission to the Main Market

On 31 March 2010, the Company's shares began trading, through a secondary listing, on the London Stock Exchange's market for listed securities ('Main Market'). Subsequently, with effect from 6 April 2010, the secondary listing was replaced with a standard listing and presently the Company's shares are on the Standard List.

Further, the Directors anticipate that as the business progresses and consolidates, the Company will seek movement to the premium listing on the Main Market, thus further enhancing the Company's profile and liquidity of its ordinary shares while increasing access to capital to fund its future growth plans.

Purchase of Own Shares

The authority to purchase its own shares up to a total aggregate value of 10% of the issued ordinary share capital of the Company was renewed in a resolution at its annual general meeting held on 29 September 2010. The authority conferred will expire on the earlier of the next annual general meeting of the Company and the date which is eighteen months after the date on which this resolution is passed. It is proposed that the same would be taken up for renewal in the ensuing AGM.

No purchase of own shares by the Company occurred during the year ended 31 March 2011.

Share Capital

The Company, during September 2010, raised £62.5 million (before expenses) by way of a placing of 12,254,902 new ordinary shares of 0.1p each in the capital of the Company with institutional investors at a price of 510 pence per share.

Directors

The Directors that served the Office during the year were:

- ▲ Thiruvengadam Lakshman Sankar
- ▲ Subramaniam Ramachandran Iyer
- ▲ Vladimir Dlouhy
- ▲ Kolluri Ayyappa Sastry
- ▲ Sethuraman Kishore

The Biographies of the Directors are set out on pages 30 to 31.

Indemnity Provision for Directors

Subject to the Isle of Man Companies Acts 1931 to 2004, but without prejudice to any indemnity to which a director may otherwise be entitled, every director shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by the Director in the actual or purported execution of his duties. The Company has a directors and officers insurance policy in place.

Change of Registered Office

In accordance with Section 93 of the Companies Act, 1931, as amended by Section 22 of the Companies Act, 1982, that the Registered office of the Company is situated at Fort Anne, Douglas, Isle of Man, IM1 5PD from 1 March 2011.

Re-election of Directors

In accordance with the Articles of Association of the Company, at the next Annual General Meeting of the Company Mr. Vladimir Dlouhy and Mr. S. R. Iyer retire by rotation and, being eligible, offer themselves for re-election.

Directors and their Interests in the Shares of the Company

The Directors interest in shares of the Company is through their respective interest in Sayi Energy Ventur Limited which currently holds 96,778,750 ordinary shares of £0.001 each in the issued share capital of the Company. Mr. S. Kishore and Mr. K.A. Sastry, Executive Directors of the Company are also directors of Sayi Energy Ventur Limited.

Capital Structure and Significant Shareholders

At 31 March 2011 and at the date of this Report, there were 151,789,145 ordinary shares of the Company that were issued and fully paid. Major interests in the share capital of

the Company, i.e. in excess of 3 per cent, as of the date of this Report are as follows:

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares (%)
Scottish Widows Investment Partnership Ltd	18,947,931	12.48
Universities Superannuation Scheme Limited	9,931,424	6.54
M&G Investment Management	6,137,095	4.04
AEGON	5,124,797	3.38
Others	14,869,148	9.80
Total shares in public hands	55,010,395	36.24
Sayi Energy Ventur Limited	96,778,750	63.76
Total outstanding ordinary shares	151,789,145	100.00

Statement of Directors' Responsibilities

The Directors of the Company are responsible for preparing the Annual Report and financial statements in accordance with the applicable laws and International Financial Reporting Standards as adopted by the European Union.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group. In preparing these financial statements, the Directors are required to:

- ▲ Select suitable accounting policies and then apply them consistently;
- ▲ Make judgments and estimates that are reasonable and prudent;
- ▲ State whether applicable accounting standards have been followed; subject to any material departures disclosed and explained in the financial statements; and
- ▲ Prepare the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. The Directors are responsible for ensuring the Directors' Report and other information included in the Annual Report are prepared in accordance with company law of the Isle of Man and are also responsible for ensuring that the Annual Report includes information required by the Rules of the

Directors' Report (Continued)

London Stock Exchange. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

In addition to the above, the Directors are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

Directors Responsibility Statement pursuant to Disclosure and Transparency Rule 4.1.12

The Directors confirm that, to the best of their knowledge:

- (a) the financial statements, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- (b) the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face
- (c) the sections of this Report, including the Chairman's Statement, Financial Review and Principal Risks and Uncertainties, which constitute the Management Report include a fair review of all information required to be disclosed by the Disclosure and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Services Authority of the United Kingdom.

Internal Control and Risk Management Systems

The Board has the ultimate responsibility for the Group's internal control and risk management systems. The Audit Committee monitors internal controls and risk management systems on an annual basis.

Auditors

Grant Thornton UK LLP, Chartered Accountants who were appointed as auditors, retire under the provisions of Section 12(2) of the Companies Act 1982 and are eligible for re-election at the forthcoming Annual General Meeting.

Post Balance Sheet Events

There have not been any significant and material post balance sheet events that have occurred in the Company since 31 March 2011 to the date of this Report except for the following.

On 16 May 2011, pursuant to request from the significant shareholders at KSKEV, namely LB India Holdings Mauritius I Limited (for itself and on behalf of its subsidiaries, all collectively referred to as "Lehman Brothers" "LB Group"), the Group has given its consent to waive the non statutory lock up on the equity shares, thereby enabling

LB Group to sell or pledge the said equity shares at their sole discretion. Further, the Company has amended the Supplementary Development Agreement dated 7 June 2010 replacing the earlier grant of Right of First Refusal ("ROFR") with an amended ROFR that is exercisable over 10,601,415 equity shares of KSKEV (equivalent to 2.85% of KSKEV) and this ROFR could now be exercised by the parties or any nominated alternate third party upto any time on or before 31 May 2013.

On 17 May 2011, the Company's subsidiaries, namely KSK Energy Limited, KSK Energy Company Private Limited and KSK Power Holdings Limited, have made a voluntary offer (the "Open Offer") to the public equity shareholders of KSKEV to acquire up to 74,526,091 fully paid-up equity shares of the Target Company (the "Offer Size") constituting 20% of the Voting Share Capital of KSKEV at a price of Rs. 125.00 (Rupees One Hundred and Twenty Five only) per equity share under the Indian SEBI (SAST) Regulations. We anticipate funding the same as a combination of debt financing and internal funds and expecting completion during the current quarter, subject to necessary regulatory clearances.

Board Committees

Information on the Audit Committee, Nomination Committee and Remuneration Committee is included in the Corporate Governance section of the Annual Report.

Going Concern

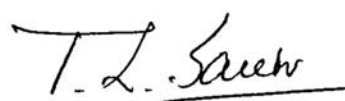
The Directors are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future and therefore, continue to adopt the going concern basis in preparing the financial statements.

Further details on going concern are provided in Financial Review section of the Report.

Results and Dividends

The Group's consolidated operating profit for the year amounted to US \$ 52.53 million compared to US \$ 23.13 million for the year 2009-10 and the net income after tax for the year amounted to US \$ 30.10 million compared to US \$ 59.46 million for the year 2009-10. The Directors, in view of the multiple growth opportunities and funding required for the projects under development, do not recommend payment of dividend.

Approved by the Board of Directors



I. L. Sankar
Non Executive Chairman
26 July 2011

Wardha Power Project



Directors' Remuneration Report

Directors' Emoluments

The Company has a good combination of executive and non-executive directors as more than half of the Board comprises of non-executive directors. Since the Executive Directors of the Company do not draw any remuneration from the Company, the provisions of the Combined Code of Corporate Governance in respect of the directors' remuneration are not relevant except in so far as they relate specifically to non-executive directors.

The Company has a Remuneration Committee comprising of Mr. Vladimir Dlouhy (Non-Executive Director) as Chairman, Mr. T. L. Sankar (Non-Executive Chairman of the Board), Mr. S. R. Iyer (Non-Executive Director).

Details of the Directors' fees were as follows:

Director	Annual Directors' Fees for year ended 31 March 2011 (Amount in USD)	Annual Directors' Fees for year ended 31 March 2010 (Amount in USD)
Mr. T. L. Sankar (Non-Executive Chairman)	50,000	50,000
Mr. Vladimir Dlouhy (Non-Executive Director)	50,000	50,000
Mr. S. R. Iyer (Non-Executive Director)	50,000	50,000
Mr. K. A. Sastry (Executive Director)*	NIL	NIL
Mr. S. Kishore (Executive Director)*	NIL	NIL

* While Executive Directors do not draw any remuneration from the Company, they draw remuneration from KSK Energy Ventures Limited (KSKEV), the Indian Listed subsidiary as detailed below:

	Indian Rupees	Equivalent USD
Mr. K. A. Sastry (Executive Director)	9,000,000	196,074
Mr. S. Kishore (Executive Director)	9,000,000	196,074

No commission has been paid to the Directors during the period under review.

Share Options

The Company has adopted a performance share plan known as KSK Power 2010 Performance Share Plan but was not operated. The Remuneration Committee has not decided any grants so far and currently evolving upon the process of execution of the plan and embark upon a proper mechanism for its implementation.

Directors' Beneficial Interest in Shares

The Directors interest in shares of the Company is through their respective interest in Sayi Energy Ventur Limited as Mr. S. Kishore and Mr. K.A. Sastry, Executive Directors of the Company are also directors of Sayi Energy Ventur Limited.

Share Price Information

- ▲ High for the year – 595.00 P
- ▲ Low for the year – 410.00 P
- ▲ Close for the year –510.00 P

Pension Schemes

No pension schemes exist in the Company.

Service Contracts

The Company has not entered into any service contracts with the Executive Directors, Mr. K. A. Sastry and Mr. S. Kishore and their appointments are regulated as per the terms of the letters of appointments which provides that the appointments are for a period of three years starting 21 August 2009 and are subject to termination upon six months' notice by either party.

The Executive Directors are also the Whole-time Directors of KSKEV and have entered service agreements which provides for the terms relating to the payment of salary and other individual terms. Effective 1 April 2010, the whole-time directors are entitled to salary not exceeding Rs.750,000 per month, inclusive of all perquisites that may be paid or provided as per the policy of KSKEV. The Directors are eligible for commission not exceeding 1.5% of the Net profits of KSKEV in accordance with provisions of the Indian Companies Act.

For the other three Directors Mr. T. L. Sankar, Mr. S. R. Iyer and Mr. Vladimir Dlouhy (the Non-Executive Directors), in view of the non-executive nature of the directorships, there are no service contracts in existence between the Company and the Non-Executive Directors. Each of the Non-Executive Directors were appointed by letters of appointment which sets out the main terms of their appointment and are subject to termination upon three months' notice by either party.



Wardha Power Project



Financial Information

45	Independent Auditors' Report
46	Consolidated and Company Statement of Comprehensive Income
47	Consolidated and Company Statement of Financial Position
49	Consolidated Statement of Changes in Equity
51	Company's Statement of Changes in Equity
52	Consolidated and Company Statement of Cash Flows
54	Notes to the Consolidated and Company Financial Statements

Independent Auditors' Report

Independent auditor's report to the members of KSK Power Ventur plc

We have audited the Group and Parent Company financial statements of KSK Power Ventur plc for the year ended 31 March 2011, which comprise the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU").

This report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. 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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more full in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Audit Practice Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and

adequately disclosed; and the overall presentation of the financial statements. In addition we read all the non-financial information in the Financial Review and Corporate Governance Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- ▲ The financial statements give a true and fair view of the state of the Group and Company's affairs as at 31 March 2011 and of the Group and Parent Company profit for the year then ended; and
- ▲ The Group and Parent Company financial statements have been properly prepared in accordance IFRSs as adopted by the EU and with the requirements of the Isle of Man Companies Acts 1931 to 2004.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2004 requires us to report to you if, in our opinion:

- ▲ Adequate books of account have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- ▲ The financial statements of the Parent Company are not in agreement with the accounting records and returns; or
- ▲ we have not received all the information and explanations we require for our audit.



Grant Thornton UK LLP

Registered Auditor
Chartered Accountants
London
26 July 2011

Consolidated and Company Statement of Comprehensive Income

for the year ended 31 March 2011

(All amount in thousands of US \$, unless otherwise stated)

	Notes	Consolidated		Company	
		2011	2010	2011	2010
Revenue	9	226,800	52,893	-	-
Cost of revenue	10	(150,385)	(26,192)	-	-
Gross profit		76,415	26,701	-	-
Other operating income, net	11	3,357	13,660	-	-
Distribution costs		(2,069)	(2,660)	-	-
General and administrative expenses		(25,165)	(14,571)	(913)	(2,461)
Operating profit / (loss)		52,538	23,130	(913)	(2,461)
Finance costs	12	(58,647)	(13,995)	(4,457)	(1,584)
Finance income	13	23,647	67,849	939	4,958
Profit / (loss) before tax		17,538	76,984	(4,431)	913
Tax income / (expense)	14	12,569	(17,524)	-	-
Profit / (loss) for the year		30,107	59,460	(4,431)	913
Attributable to:					
Equity holders of the parent		13,056	32,822	(4,431)	913
Non-controlling interests		17,051	26,638	-	-
		30,107	59,460	(4,431)	913
Other comprehensive income					
Foreign currency translation differences		(3,487)	78,468	4,723	1,134
Available-for-sale financial assets					
- current year (losses) / gains		(1,838)	9,533	-	-
- reclassification to profit or loss		(155)	(8,266)	-	-
Reclassification of reserve on disposal of interest in joint venture		(1,324)	(1,283)	-	-
Other comprehensive income, net of tax		(6,804)	78,452	4,723	1,134
Total comprehensive income for the year		23,303	137,912	292	2,047
Attributable to:					
Equity holders of the parent		8,748	75,747	292	2,047
Non-controlling interests		14,555	62,165	-	-
		23,303	137,912	292	2,047
Earnings per share					
Weighted average number of ordinary shares for basic and diluted earnings per share		145,745,632	138,541,654		
Basic and diluted (US \$)		0.09	0.24		

(See accompanying notes to the Consolidated and Company financial statements)

Approved by the Board of Directors on 26 July 2011 and signed on behalf by:

S. Kishore
Executive Director

K. A. Sastry
Executive Director

Consolidated and Company Statement of Financial Position

as at 31 March 2011

(All amount in thousands of US \$, unless otherwise stated)

		Consolidated		Company	
	Notes	2011	2010	2011	2010
ASSETS					
Non-current					
Goodwill	15	52,460	84,482	-	-
Property, plant and equipment	16	1,955,146	1,311,309	-	-
Other non-current assets	18	21,532	15,865	-	-
Investments and other financial assets	17	96,875	75,424	180,047	46,318
Trade and other receivables	19	5,693	5,710	-	-
Deferred tax asset	14	20,708	10,746	-	-
		2,152,414	1,503,536	180,047	46,318
Current					
Inventories	20	14,617	7,735	-	-
Trade and other receivables	19	66,171	22,139	166	46
Investments and other financial assets	17	125,492	89,496	12,521	43,978
Cash and short-term deposits	21	338,159	276,872	14,551	13,133
Other current assets	18	35,108	13,055	-	-
		579,547	409,297	27,238	57,157
Non-current assets classified as held for sale	22	-	23,318	-	-
		579,547	432,615	27,238	57,157
Total assets		2,731,961	1,936,151	207,285	103,475
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Issued capital	23	251	232	251	232
Share premium	23	262,705	167,228	194,435	98,958
Foreign currency translation reserve		(260)	968	7,511	2,788
Revaluation reserve		6,219	9,731	-	-
Other reserves		148,842	157,304	-	-
Retained earnings/ (Accumulated deficit)		97,336	81,927	(4,577)	(146)
		515,093	417,390	197,620	101,832
Non-controlling interests		335,595	303,081	-	-
Total equity		850,688	720,471	197,620	101,832
Non-current liabilities					
Trade and other payables	25	29,736	2,778	-	-
Interest-bearing loans and borrowings	24	817,516	504,078	-	-
Provisions	26	2,115	1,984	-	-
Deferred revenue		11,105	4,959	-	-
Employee benefit liability	27	571	203	-	-
Deferred tax liability	14	36,542	30,900	-	-
		897,585	544,902	-	-

Consolidated and Company Statement of Financial Position (Continued)

	Notes	Consolidated		Company	
		2011	2010	2011	2010
Current liabilities					
Trade and other payables	25	187,321	93,620	365	976
Interest-bearing loans and borrowings	24	787,465	568,467	9,300	-
Other current financial liabilities	28	3,184	2,573	-	667
Other current liabilities	29	4,632	4,749	-	-
Taxes payable		1,086	1,369	-	-
		983,688	670,778	9,665	1,643
Total liabilities		1,881,273	1,215,680	9,665	1,643
Total equity and liabilities		2,731,961	1,936,151	207,285	103,475

(See accompanying notes to the Consolidated and Company financial statements)

Approved by the Board of Directors on 26 July 2011 and signed on behalf by:

S. Kishore
Executive Director

K. A. Sastry
Executive Director

Consolidated Statement of Changes in Equity

for the year ended 31 March 2010

(All amount in thousands of US \$, unless otherwise stated)

	Attributable to equity holders of the parent									
	Issued capital (No. of shares)	Issued capital (amount)	Share premium	Foreign currency translation reserve	Revaluation reserve	Other reserves	Retained earnings	Total	Non- controlling interest	Total equity
As at 1 April 2009	128,878,505	216	120,967	(42,639)	9,990	135,505	48,846	272,885	180,267	453,152
Issue of equity shares	10,655,738	16	46,261	-	-	-	-	46,277	-	46,277
Deferred tax on share issue expenses	-	-	-	-	-	(1,532)	-	(1,532)	-	(1,532)
Issuance of equity shares by subsidiary	-	-	-	-	-	37,405	-	37,405	69,117	106,522
Acquisition of non-controlling interest without change in control	-	-	-	-	-	(13,392)	-	(13,392)	(8,468)	(21,860)
Net depreciation transfer for property, plant and equipment	-	-	-	-	(259)	-	259	-	-	-
Transaction with owners	139,534,243	232	167,228	(42,639)	9,731	157,986	49,105	341,643	240,916	582,559
Profit for the year	-	-	-	-	-	-	32,822	32,822	26,638	59,460
Other comprehensive income										
Foreign currency translation differences	-	-	-	42,941	-	-	-	42,941	35,527	78,468
Available for sale financial assets										
- current year gains / (losses)	-	-	-	-	-	9,533	-	9,533	-	9,533
- reclassification to profit or loss	-	-	-	-	-	(8,266)	-	(8,266)	-	(8,266)
Reclassification of reserves on disposal of interest in joint venture	-	-	-	666	-	(1,949)	-	(1,283)	-	(1,283)
Total comprehensive income for the year	-	-	-	43,607	-	(682)	32,822	75,747	62,165	137,912
Balance as at 31 March 2010	139,534,243	232	167,228	968	9,731	157,304	81,927	417,390	303,081	720,471

(See accompanying notes to the Consolidated and Company financial statements)

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 March 2011

(All amount in thousands of US \$, unless otherwise stated)

	Attributable to equity holders of the parent									
	Issued capital (No. of shares)	Issued capital (amount)	Share premium	Foreign currency translation reserve	Revaluation reserve	Other reserves	Retained earnings	Total	Non - controlling interests	Total equity
As at 1 April 2010	139,534,243	232	167,228	968	9,731	157,304	81,927	417,390	303,081	720,471
Issue of equity shares	12,254,902	19	95,477	-	-	-	-	95,496	-	95,496
Deferred tax on share issue expenses	-	-	-	-	-	(967)	-	(967)	-	(967)
Non-controlling interests arising on business combination (see note 7 [b] & 7 [c])	-	-	-	-	-	-	-	-	23,728	23,728
Non-controlling interests arising on conversion of partly paid up share to fully paid up in subsidiary	-	-	-	-	-	-	-	-	7,790	7,790
Issuance of equity shares by a subsidiary	-	-	-	-	-	241	-	241	(177)	64
Non-controlling interest arising on acquisition of subsidiary	-	-	-	-	-	-	-	-	9	9
Acquisition of non-controlling interest without change in control (see note 6)	-	-	-	-	-	(4,656)	-	(4,656)	(14,550)	(19,206)
Transfer of economic interest to non-controlling interest ¹	-	-	-	-	-	-	(1,159)	(1,159)	1,159	-
Net depreciation transfer for property, plant and equipment	-	-	-	-	(128)	-	128	-	-	-
Transaction with owners	151,789,145	251	262,705	968	9,603	151,922	80,896	506,345	321,040	827,385
Profit for the year	-	-	-	-	-	-	13,056	13,056	17,051	30,107
Other comprehensive income	-	-	-	(1,228)	-	-	-	(1,228)	(2,259)	(3,487)
Foreign currency translation differences	-	-	-	-	-	(1,601)	-	(1,601)	(237)	(1,838)
Available-for-sale financial assets	-	-	-	-	-	(155)	-	(155)	-	(155)
- current year gains / (losses)	-	-	-	-	-	-	-	-	-	-
- reclassification to profit or loss	-	-	-	-	(3,384)	(1,324)	3,384	(1,324)	-	(1,324)
Reclassification of reserves on deemed disposal of interest in joint venture	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(1,228)	(3,384)	(3,080)	16,440	8,748	14,555	23,303
Balance as at 31 March 2011	151,789,145	251	262,705	(260)	6,219	148,842	97,336	515,093	335,595	850,688

(See accompanying notes to the Consolidated and Company financial statements)

¹ The group entities have arrangements of sharing of profits with its non-controlling share holders, through which the non controlling shareholders are entitled to a dividend of 0.01% of the face value of the equity share capital held and the same is also reflected in statement of comprehensive income. However, the non controlling interest disclosed in Statement of changes in equity is calculated in the proportion of the actual shareholding as at the reporting date.

Company Statement of Changes in Equity

for the year ended 31 March 2011
(All amount in thousands of US \$, unless otherwise stated)

	Issued capital (No. of shares)	Issued capital (Amount)	Share premium	Foreign currency translation reserve	Accumulated deficit	Total equity
As at 1 April 2009	128,878,505	216	52,697	1,654	(1,059)	53,508
Issue of equity shares	10,655,738	16	46,261	-	-	46,277
Profit for the year	-	-	-	-	913	913
Other comprehensive income						
Foreign currency translation differences	-	-	-	1,134	-	1,134
Total comprehensive income for the year				1,134	913	2,047
Balance as at 31 March 2010	139,534,243	232	98,958	2,788	(146)	101,832
Issue of equity shares	12,254,902	19	95,477	-	-	95,496
Loss for the year	-	-	-	-	(4,431)	(4,431)
Other comprehensive income						
Foreign currency translation differences	-	-	-	4,723	-	4,723
Total comprehensive income for the year				4,723	(4,431)	292
Balance as at 31 March 2011	151,789,145	251	194,435	7,511	(4,577)	197,620

(See accompanying notes to the Consolidated and Company financial statements)

Consolidated and Company Statement of Cash Flows

for the year ended 31 March 2011

(All amount in thousands of US \$, unless otherwise stated)

	Consolidated		Company	
	2011	2010	2011	2010
Cash inflow / (outflow) from operating activities				
Profit / (loss) before tax	17,538	76,984	(4,431)	913
Adjustments				
Depreciation and amortisation	22,341	5,468	-	-
Finance costs	59,311	13,995	4,450	1,584
Finance income	(23,647)	(63,454)	(939)	(2,963)
Provision for impairment of trade receivables	434	964	-	-
Loss on sale of joint venture	-	2,743	-	-
Net, gain on re-measurement of existing equity interest in WPCL and SRPCPL	(1,733)	-	-	-
Gain on bargain purchase	-	(4,964)	-	-
Others	(691)	(7,651)	-	-
Changes in assets / liabilities				
Trade receivables and unbilled revenues	(41,157)	(5,533)	-	-
Inventory	(5,059)	(5,840)	-	-
Other assets	(20,494)	(8,859)	-	5
Trade payables and other liabilities	24,560	10,044	(712)	699
Provisions and employee benefit liability	346	152	-	-
Taxes paid	(7,207)	(9,868)	-	-
Net cash provided by / (used in) operating activities	24,542	4,181	(1,632)	238
Cash inflow / (outflow) from investing activities				
Movement in restricted cash	(31,327)	(148,778)	(10,040)	(3,000)
Proceeds from sale of property, plant and equipment	506	321	-	-
Purchase of property, plant and equipment and other non current assets	(271,953)	(561,395)	-	-
Acquisition of wind mills undertaking	-	(8,482)	-	-
Sale of equity interest in joint venture	-	3,037	-	-
Net cash flow on business combination	(15,650)	3,554	-	-
Purchase of financial instruments	(126,595)	(243,517)	(100,554)	(49,193)
Proceeds from sale of financial instruments	86,260	154,348	160	38,852
Proceeds from finance lease	146	27	-	-
Payment for acquisition related liability	-	(19,042)	-	-
Dividend income	369	589	-	-
Finance income	15,862	17,946	138	543
Net cash used in investing activities	(342,382)	(801,392)	(110,296)	(12,798)
Cash inflow / (outflow) from financing activities				
Proceeds from interest-bearing loans and borrowings	851,117	897,555	9,300	-
Repayment of interest-bearing loans and borrowings	(426,504)	(312,285)	-	(27,810)
Finance costs	(158,171)	(73,746)	(213)	(2,182)
Payment for acquisition of non-controlling interest	(19,206)	(21,860)	-	-

Consolidated and Company Statement of Cash Flows (Continued)

	Consolidated		Company	
	2011	2010	2011	2010
Net proceeds from issue of shares	95,497	46,277	95,497	46,277
Net proceeds from issue of shares in subsidiary to non-controlling interest	66	105,731	-	-
Net cash provided by financing activities	342,799	641,672	104,584	16,285
Effect of exchange rate changes on cash	(1,413)	38,533	(1,277)	6,158
Net increase / (decrease) in cash and cash equivalents	23,546	(117,006)	(8,621)	9,883
Cash and cash equivalents at the beginning of the year	37,669	154,675	10,133	250
Cash and cash equivalents at the end of the year (note 21)	61,215	37,669	1,512	10,133

(See accompanying notes to the Consolidated and Company financial statements)

Notes to the Consolidated and Company Financial Statements

for the year ended 31 March 2011

(All amount in thousands of US \$, unless otherwise stated)

1. Corporate information

1.1. Nature of operations

KSK Power Ventur plc ('the Company' or 'KPVP or parent'), its subsidiaries and joint ventures (collectively referred to as 'the Group') are primarily engaged in the development, operation and maintenance of private sector power projects, currently predominantly through subsidiaries and jointly controlled entities with multiple industrial consumers in India with next level of growth coming through large base load power plant subsidiaries.

KSK focused its strategy on the private sector power development market, undertaking entire gamut of development, investment, construction, operation and maintenance of power plant with supplies initially to heavy industrials operating in India and now branching out to cater to the needs of utilities and others in the wider Indian power sector.

The principal activities of the Group are described in note 9.

1.2. Statement of compliance / responsibility statement

The Consolidated and Company financial statements contained in this document has been prepared in accordance with International Financial Reporting Standard ('IFRS'), and its interpretations as adopted by the European Union (EU) and the provisions of the Isle of Man, Companies Act 1931-2004 applicable to companies reporting under IFRS.

1.3. Financial period

The Consolidated and Company financial statements cover the period from 1 April 2010 to 31 March 2011, with comparative figures from 1 April 2009 to 31 March 2010.

1.4. General information

KSK Power Ventur plc, a limited liability corporation, is the Group's parent Company and is incorporated and domiciled in the Isle of Man. The address of the Company's registered Office, which is also principal place of business, is Fort Anne, Douglas, Isle of Man, IM 1 5PD. The Company's equity shares are listed on the Standard List on the official list of the London Stock Exchange.

The Financial statements were approved by the Board of Directors on 26 July, 2011.

1.5. Basis of consolidation

The Consolidated financial statements incorporate the financial information of KSK Power Ventur plc, its subsidiaries and joint ventures for the year ended 31 March 2011.

A subsidiary is defined as an entity controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is acquired by the Group, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared using same reporting period as the Company, using consistent policies.

All intra-group balances, income and expenses and any resulting unrealized gains arising from intra-group transactions are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and

liabilities of the subsidiary and any non-controlling interests amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed. The fair value of any investment retained in the former subsidiary at the date

when control is lost is regarded as the fair value on initial recognition for subsequent accounting under International Accounting Standard 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

1.6. List of subsidiaries and jointly controlled entities

Details of the Group's subsidiaries and joint ventures, which are consolidated into the Group's Consolidated financial statements, are as follows:

(a) Subsidiaries

Subsidiaries	Immediate parent	Country of incorporation	% shareholding	
			2011	2010
KSK Energy Limited ('KEL')	KPVP	Mauritius	100	100
KSK Asset Management Services Private Limited ('KASL')	KPVP	Mauritius	100	100
KSK Green Power plc ('KGPP') ¹	KPVP	Isle of Man	100	-
KSK Solar Ventures plc ('KSVP')	KPVP	Isle of Man	100	-
KSK Emerging India Energy Private Limited I ('KSKEIEPL I') ³	KASL	Mauritius	100	100
KSK Emerging India Energy Private Limited II ('KSKEIEPL II') ³	KASL	Mauritius	100	100
KSK Green Energy pte Limited ('KGEPL') ¹	KGPP	Singapore	100	-
KSK Wind Energy Halagali Benchi Private Limited ('KWPHBPL') ¹	KGEPL	India	99.96	-
KSK Wind Power Sankonahatti Athni Private Limited ('KWPSAPL') ¹	KGEPL	India	99.96	-
KSK Wind Energy Mothalli Haveri Private Limited ('KWPMHPL') ¹	KGEPL	India	99.96	-
KSK Wind Power Aminabhavi Chikodi Private Limited ('KWACPL') ¹	KGEPL	India	99.96	-
KSK Surya Ventures Limited ('KSVL') formerly KSK Surya Holdings Limited (KSHL)	KEL	Mauritius	100	100
KSK Surya Limited ('KSL')	KEL	Mauritius	100	100
KSK Energy Company Private Limited ('KECPL')	KEL	India	100	100
KSK Energy Ventures Limited ('KEVL' or 'KSK India') (see note 6)	KEL	India	54.94	52.73
KSK Surya Photovoltaic Venture Private Limited ('KSPVPL') ²	KSVL	India	100	100
KSK Energy Resources Private Limited ('KERPL')	KECPL	India	100	100
KSK Mineral Resources Private Limited ('KMRPL')	KECPL	India	100	100
KSK Investment Advisor Private Limited ('KIAPL')	KECPL	India	100	100
KSK Water Infrastructures Private Limited ('KWIPL')	KECPL	India	100	100
KSK Power Transmission Ventures Private Limited ('KPTVPL')	KECPL	India	100	100
KSK Cargo Mover Private Limited ('KC MPL')	KECPL	India	100	100
SN Nirman Infra Projects Private Limited ('SNNIPPL')	KECPL	India	100	100
Marudhar Mining Private Limited ('MMPL')	KECPL	India	100	100
KSK Electricity Financing India Private Limited ('KEFIPL')	KEVL	India	100	100
KSK Vidarbha Power Company Private Limited, ('KVPCPL')	KEVL	India	100	100
KSK Narmada Power Company Private Limited ('KNPCPL')	KEVL	India	100	100
KSK Wind Energy Private Limited ('KWEPL') formerly Bahur Power Company Private Limited ('BPCPL')	KEVL	India	74	100
KSK Wardha Infrastructure Private Limited ('KWIPL') formerly KSK Technology Ventures Private Limited ('KTVPL')	KEVL	India	100	100
Sai Maithili Power Company Private Limited ('SMPCPL')	KEVL	India	100	100
KSK Dibbin Hydro Power Private Limited ('KDHPPL')	KEVL	India	100	100
Kameng Dam Hydro Power Private Limited ('KDHPPL')	KEVL	India	100	100

KSK Mahanadi Power Company Limited ('KSKMPCL')	KEVL	India	99.99	99.99
KSK Upper Subansiri Hydro Energy Private Limited ('KUSHEPL') ¹	KEVL	India	100	-
KSK Jameri Hydro Power Private Limited ('KJHPPL') ¹	KEVL	India	100	-
KSK Dinchang Power Company Private Limited ('KDPCPL') ¹	KEVL	India	100	-
Tila Karnali Hydro Electric Company Private Limited ('TKHECPL') ¹	KEVL	Nepal	80	-
Sai Regency Power Corporation Private Limited ('SRPCPL') ⁴	KEFIPL	India	79.70	-
Wardha Power Company Limited ('WPCL') ⁴	KEFIPL	India	87	-
Field Mining and Ispats Limited ('FMIL')	WPCL	India	85	-

¹ New SPVs incorporated during the year.

- ▲ KSK Green Power plc ('KGPP'),
- ▲ KSK Solar Ventures plc ('KSVP'),
- ▲ KSK Green Energy pte Limited ('KGEPL'),
- ▲ KSK Wind Energy Halagali Benchi Private Limited ('KWPHBPL'),
- ▲ KSK Wind Power Sankonahatti Athni Private Limited ('KWPSAPL'),
- ▲ KSK Wind Energy Mothalli Haveri Private Limited ('KWPMHPL'),
- ▲ KSK Wind Power Aminabhavi Chikodi Private Limited ('KWACPL'),
- ▲ KSK Upper Subansiri Hydro Energy Private Limited ('KUSHEPL'),
- ▲ KSK Jameri Hydro Power Private Limited ('KJHPPL'),
- ▲ KSK Dinchang Power Company Private Limited ('KDPCPL'),
- ▲ Tila Karnali Hydro Electric Company Private Limited ('TKHECPL')

² As at 31 March 2010 all outstanding shares were held by KECPL.

³ As of 13 July 2009 pursuant to settlement agreement between KASL and KSK Emerging India Energy Fund Limited ("KSKEIEF"), entire shares held in KSKEIEPL I and KSKEIEPL II have been transferred by "KSKEIEF" to "KASL". (See note 11)

⁴ During the year the Group has acquired controlling interest in SRPCPL, WPCL. (see note 7)

(b) Joint ventures

Joint ventures	Immediate parent	Country of incorporation	% shareholding	
			2011	2010
Arasmeta Captive Power Company Private Limited ('ACPCPL')	KEFIPL	India	51	51
Sai Regency Power Corporation Private Limited ('SRPCPL')	KEFIPL	India	-	73.92
Sitapuram Power Limited ('SPL')	KEFIPL	India	49	49
VS Lignite Power Private Limited ('VSLPPL')	KEFIPL	India	74	74
Wardha Power Company Limited ('WPCL')	KEFIPL	India	-	74
J R Power Gen Private Limited ('JRP GPL') ¹	KEVL	India	51	51

¹ As of 31 March 2011 the group holds 99.87 percent of the outstanding share capital of JRP GPL, of which 48.87 percent is held temporarily on behalf of the other joint venture partner. According to the contractual agreements and established legal practices, the group will ultimately hold 51 percent in JRP GPL and hence no adjustments have been made for the additional interest held in these financial statements.

The terms of the contractual agreements and established legal practices provides the Group and the joint venture partners (JV partners) to jointly control the key operating decisions to which both parties must agree unanimously. Accordingly, these entities have been treated as jointly controlled entities.

2. Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards as of 1 April 2010, noted below:

IFRS 3 (R) Business Combinations

IFRS 3(R) has been adopted from 1 April 2010. In accordance with the relevant transitional provisions, IFRS 3(R) has been applied prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The impact of the adoption of IFRS 3(R) has been:

- ▲ To allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree. However, in the current period, when accounting for the acquisition of WPCL and SRPCPL, the Group has continued to measure the non-controlling interests at share of the fair value of identifiable net assets of the acquiree at the date of acquisition. Hence, IFRS 3(R) has not impacted the measurement of non-controlling interests.
- ▲ In respect of the business combination achieved in stages, the previously held interest is remeasured to fair value at the acquisition date and a gain or loss is recognized in the income statement. The fair value of the previously held interest is then used to calculate goodwill, along with consideration and non-controlling interest less the fair value of identifiable net assets. In the current period, when accounting for acquisition of WPCL and SRPCPL, the Group has re-measured its earlier equity interest and accordingly de-recognised the goodwill paid on earlier acquisition and has computed the revised goodwill after considering the fair value of previously held interest and also recognised a gain/loss on difference between the carrying value and the fair value of previously held interest.

In the current year, these changes in policies have affected the accounting for the acquisition of WPCL and SRPCPL as follows:

Statement of financial position	31 March 2011
De-recognition of goodwill paid on earlier acquisition of equity interest	(38,354)
Recognition of goodwill relating to fair value of previously held interest	5,935
Reduction in goodwill as a result of adoption of IFRS 3(R)	32,419

	31 March 2011
Gain, net on re-measurement of existing equity interest	1,733
Increase in profit for the period as a result of adoption of IFRS 3(R)	1,733

IFRS 3(R) has also required additional disclosures in respect of the business combinations in the period (see note 7).

IAS 27 (R) Consolidated and Separate Financial Statements (Amended)

IAS 27 (R) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The change in accounting policy was applied from 1 April 2010 and it did not have any impact on the financial position or performance of the Group.

IAS 7 Statement of cash flows

IAS 7 (Amended) requires that cash flow arising from change in the ownership interest of a subsidiary (without loss of control) shall be classified as cash flow from financing activities for annual periods beginning on or after 1 July 2009. This amendment will impact among others, the presentation in the statement of cash flows. The group has applied this amendment retrospectively as required by para 54 of IAS 7 and accordingly classified cash flow arising from change in the ownership interest of a subsidiary (without loss of control) as cash flow from financing activities

3. Standards and interpretations not yet applied

Standards and Interpretations adopted by the European Union as at 31 March 2011

Standard	Description	Effective for in reporting periods starting on or after
IAS 24 (R)	Related party disclosures	1 January 2011
IFRIC 14	Prepayments of a minimum funding requirement - Amendment	1 January 2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010

The management does not expect the application of the other standards to have any material impact on its financial statements when those Standards become effective. The Group does not intend to apply any of these pronouncements early.

Standards and Interpretations issued but not yet adopted by the European Union at the closing date

Standard	Description	Effective for in reporting periods starting on or after
IAS 12	Deferred Tax: Recovery of Underlying Assets – Amendments	1 January 2012
IAS 27 (R)	Separate Financial Statements	1 January 2013
IAS 28 (R)	Investments in associates and joint ventures	1 January 2013
IFRS 7	Transfers of Financial Assets-Amendments	1 July 2011
IFRS 9	Financial Instruments	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
	Improvements to IFRS	some changes effective from 1 July 2010, others effective from 1 January 2011

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

The Group has yet to assess the impact of IFRS 9, IFRS 10 and IFRS 11 on the financial statements. However the management does not intend to apply any of these pronouncements early.

Based on the Group's current business model and accounting policies, management does not expect the application of the above standards, yet to be endorsed by EU, to have any material impact on its financial statements when those Standards become effective. The Group does not intend to apply any of these pronouncements early.

Improvement to IFRSs

Improvements to IFRSs contain amendments to existing standards. The amendments are effective, in most cases for financial periods beginning on or after 1 July 2009 or otherwise for financial period beginning on or after 1 January 2010.

The management does not expect the application of the improvements to have any material impact on its financial statements when those improvements become effective. The Group does not intend to apply any of these pronouncements early.

4. Summary of significant accounting policies

4.1. Basis of preparation

The Consolidated and Company financial statements have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss and available for sale financial assets measured at fair value.

These financial statements have been prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements have been presented in United States Dollars ('US \$'), which is the presentation currency of the Company. All amounts have been presented in thousands, unless specified otherwise.

Balances represent consolidated amounts for the Group, unless otherwise stated.

The financial statements have been prepared on going concern basis which assumes the Group will have sufficient funds to continue its operational existence for the foreseeable future.

As the Group has forecast it will be able to meet its debt facility interest and repayment obligations, and that sufficient funds will be available to continue with the projects development, the Group has assumed the going concern basis of preparation for these financial statements are appropriate.

4.2. Business combinations and goodwill

- ▲ Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.
- ▲ If the business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.
- ▲ Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

- ▲ Goodwill is carried at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.
- ▲ Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

4.3. Interest in joint ventures

Entities whose economic activities are controlled jointly by the Group and by other venturers by virtue of a contractual arrangement or by established legal practices are accounted for using proportionate consolidation to the extent of the Group's economic interest in the entity.

The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its Consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as that of the parent company. Adjustments are made where it is necessary to bring the accounting policies in-line with those of the Group.

Adjustments are made in the Group's Consolidated financial statements to eliminate the Group's share of intra-group balances, income and expenses and unrealized gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognized immediately, if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

4.4. Non-current assets held-for-sale

Non-current assets and disposal groups classified as held-for-sale are measured at lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction rather than through continuous use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management is committed to the sale, which should be expected to qualify for recognition as a completed sale generally within one year from the date of classification.

4.5. Foreign currency translation

The functional currency of the Company and its subsidiaries in Mauritius is the Pound Sterling (£). Each entity in the Group determines its own functional currency and items included in the financial statement of each are measured using that functional currency. However, given the rising trend towards globalization, the Group has selected US \$ as the presentation currency as submitted to the London Stock exchange where the shares of the Company are listed.

At the reporting date the assets and liabilities of the Group and Company are translated into the presentation currency which is US \$ at the rate of exchange ruling at the Reporting date and the statement of comprehensive income is translated at the average exchange rate for the year. Any differences arising from this procedure have been charged/credited to the foreign currency translation reserve in the statement of other comprehensive income.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into functional currency at the foreign exchange rate ruling at that date. Aggregate gains and losses resulting from foreign currencies are included in finance income or costs within the profit or loss. 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at foreign exchange rates ruling at the dates the fair value was determined.

4.6. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in accordance with the relevant agreements, net of discounts, rebates and other applicable taxes and duties.

Sale of electricity

Revenue from the sale of electricity is recognised when earned on the basis of contractual arrangement with the customers and reflects the value of units supplied including an estimated value of units supplied to the customers between the date of their last meter reading and period end.

Income from project development fees

Income from project development activities, with respect to the relevant power generating entities, is recognised when the services are provided by reference to the stage of completion of the contract at the reporting date. The Group's development contracts define milestones for the project

work to be carried out and related revenue is recognised when the conditions applicable to the performance milestone specified in the contract have been fulfilled.

Management fees

Income from management services is recognised as per the terms and conditions of the service agreement on the performance of services.

Interest and dividend

Revenue from interest is recognised as interest accrues (using the effective interest rate method). Revenue from dividends is recognised when the right to receive the payment is established.

4.7. Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the Reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- ▲ Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▲ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- ▲ Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that

Notes to the Consolidated and Company Financial Statements (Continued)

is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- ▲ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each Reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

4.8. Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as:

- ▲ Loans and receivables
- ▲ Financial assets at fair value through profit or loss
- ▲ Available-for-sale financial assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables and quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets is dependent on their classification and it is as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are designated as held for trading carried at fair value through profit or loss upon initial recognition. Financial assets at fair value through profit or loss are carried in the Statement of financial position at fair value with gains or losses recognised in the profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or do not qualify for inclusion in any of the other categories of financial assets. After initial measurement, available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income. Gains and losses arising from financial instruments classified as available-for-sale are recognised in profit or loss only when they are sold or when the investment is impaired. In the case of impairment, any loss previously recognised in equity is transferred to the profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment, any change in their value is recognised in the profit or loss. Receivables are considered for impairment on a case-by-case basis when they are past due at the Reporting date or when objective evidence is received that a specific counterparty will default.

Investment in subsidiaries

In the parent company's financial statements, the investments in subsidiaries are accounted for using the cost method with income from the investment being recognised only to the extent that the parent company receives distributions from accumulated profits of the investee arising after the date of acquisition.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest

rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- ▲ The rights to receive cash flows from the asset have expired; or
- ▲ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4.9. Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as

- ▲ Fair value through profit or loss
- ▲ Loans and borrowings at amortised cost

The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings, financial guarantee contracts.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities at fair value through profit and loss are carried in the Statement of financial position at fair value with gains or losses recognised in the profit or loss.

Loans and borrowings at amortised cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified Group entity fails to make a payment when due in accordance with the terms of the bond. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the Reporting date and the amount recognised less cumulative amortisation.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Notes to the Consolidated and Company Financial Statements (Continued)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

4.10. Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the Reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

4.11. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. The cost includes expenditures that are directly attributable to property plant and equipment such as employee cost, borrowing costs for long-term construction projects etc, if recognition criteria are met. Likewise, when a major inspection is performed, its costs are recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected costs of decommissioning of the asset after its use is included in the costs of the respective asset, if the recognition criteria for provision is met.

Depreciation is computed on straight-line basis over the useful life of the asset based on management's estimate as follows:

Nature of asset	Useful life (years)
Buildings	30
Power stations	15-35
Other plant and equipment	3-7

Assets in the course of construction are stated at cost and not depreciated until commissioned.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

The assets residual values, useful lives and methods of

depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

4.12. Mining assets

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as 'development of mineral assets'. A development of mineral assets is reclassified as a 'mining property' at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. No depreciation is recognized in respect of development properties until they are reclassified as 'mining properties'.

When further development expenditure is incurred in respect of a mining property after the commencement of production, such expenditure is carried forward as part of the mining property when it is probable that additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise such expenditure is classified as a cost of production. Depreciation is charged using the units-of production method, with separate calculations being made for each area of interest. The units of production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

4.13. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessor

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Finance lease receivables are stated in the Statement of financial position at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease. Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment. Unguaranteed residual values are subject to regular review to identify potential impairment.

If there has been a reduction in the estimated unguaranteed residual value, the income allocation is revised and any reduction in respect of amounts accrued is recognized immediately.

Group as a lessee

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.14. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Interest income earned on the temporary investment of specific borrowing pending its expenditure on qualifying assets is deducted from the costs of these assets.

Gains and losses on extinguishment of liability, including those arising from substantial modification from terms of loans are not treated as borrowing costs and are charged to profit or loss.

All other borrowing costs including transaction costs are recognized in the profit or loss in the period in which they are incurred, the amount being determined using the effective interest rate method.

4.15. Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or Group of cash generating units) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

4.16. Cash and short-term deposits

Cash and short-term deposits in the Statement of financial position comprise cash at banks and on hand and short-term deposits.

For the purpose of the Consolidated and Company cash flow statement, cash and cash equivalents consist of cash and readily convertible short-term deposits, net of restricted cash and outstanding bank overdrafts.

4.17. Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials - purchase cost on a first in, first out basis.

Stores and spares - purchase cost on a first in, first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.18. Segment reporting

In identifying its operating segments, management generally follows the Group's service lines, which represent the generation of the power and other related services provided by the Group.

Notes to the Consolidated and Company Financial Statements (Continued)

The activities undertaken by the Power generation segment includes sale of power and other related services. The project management of these power plants is undertaken by the service segment. The accounting policies used by the Group for segment reporting are the same as those used for Consolidated financial statements. Further, income, expenses and assets which are not directly attributable to the business activities of any operating segment are not allocated.

4.19. Earnings per share

The earnings considered in ascertaining the Group's earnings per share (EPS) comprise the net profit for the year attributable to ordinary equity holders of the parent. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

4.20. Other provisions and contingent liabilities

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

The provision for decommissioning costs arose on construction of a power plant and development of mines. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted using appropriate rates.

4.21. Employee benefits

Gratuity

In accordance with applicable Indian laws, the Group provides for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective

employee's salary and the tenure of employment.

Liabilities with regard to the gratuity plan are determined by actuarial valuation, performed by an independent actuary, at each Reporting date using the projected unit credit method. The Group fully contributes all ascertained liabilities to the gratuity fund administered and managed by Life Insurance Corporation of India, a Government of India undertaking which is a qualified insurer.

The Group recognises the net obligation of a defined benefit plan in its statement of financial position as an asset or liability, respectively in accordance with IAS 19, Employee benefits. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to net profit in the statement of comprehensive income in the period in which they arise.

Provident fund

Eligible employees of Group receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the group make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The benefits are contributed to the government administered provident fund, which is paid directly to the concerned employee by the fund. The group has no further obligation to the plan beyond its monthly contributions.

5. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The principal accounting policies adopted by the Group in the Consolidated financial statements are as set out above. The application of a number of these policies required the Group to use a variety of estimation techniques and apply judgment to best reflect the substance of underlying transactions.

The Group has determined that a number of its accounting policies can be considered significant, in terms of the management judgment that has been required to determine the various assumptions underpinning their application in the Consolidated financial statements presented which, under different conditions, could lead to material differences in these statements.

The policies where significant estimates and judgments have been made are as follows:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the Reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- ▲ **Application of business combination accounting rules, including identification of intangible assets acquired in a business combination:** The Group allocates the purchase price of the acquired companies towards the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The Group engages third-party external appraisal firms to assist in determining the fair values of the acquired assets and liabilities. Such valuation requires the Group to make significant estimate and assumptions, especially with respect to identification and valuation of intangible assets. (see note 4.2 and 7);
- ▲ **Estimation of fair value of acquired financial assets and financial liabilities:** While preparing the financial statements the Group makes estimates and assumptions that affect the reported amount of financial assets and financial liabilities. Specifically, the Group make estimates relating to
 - ▶ **Unquoted equity and other instruments at fair value:** The Group engages third-party external appraisal firms to assist in determining the fair values of the unquoted equity and other instruments. Such valuation requires the Group to make significant estimate and assumptions, especially with respect to observable market inputs, i.e. discount rates, foreign currency exchange prices, volatility etc. (see note 4.8 and 17);
 - ▶ **Other financial liabilities:** Liabilities associated with financial guarantee contracts in the Company financial statements are initially measured at fair value and re-measured at each Reporting date. (see note 4.9 and 28);and
- ▲ **Uncollectability of trade receivables:** Analysis of historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required (see note 19).
- ▲ **Impairment tests:** The determination of recoverable amounts of the CGUs assessed in the annual impairment test requires the Group to estimate their fair value net of disposal costs as well as their value-in-use. The assessment of value-in-use requires assumptions to be made with respect to the operating

cash flows of the CGUs as well as the discount rates (see note 4.15 and 15);

- ▲ **Estimation of liabilities for decommissioning costs:** Provisions for decommissioning and restoration costs require assessment of the amounts that the Group will have to pay and assumptions in terms of phasing and discount rate. (see note 4.20 and 26);
 - ▲ **Taxes:** Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of assessment by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax assessment and differing interpretations of tax laws by the taxable entity and the responsible tax authority. The Group assesses the probability for litigation and subsequent cash outflow with respect to taxes. (see note 4.7, 14 and 31);
- Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.(see note 4.7 and 14);
- ▲ **Gratuity benefits:** The cost of defined benefit plans and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. (see note 4.21 and 27); and
 - ▲ **Capitalisation of interest expenditure incurred on general borrowing funds used for construction of qualifying assets:** In respect of the general borrowed funds used for constructing a qualifying asset, management determines the amount of

Notes to the Consolidated and Company Financial Statements (Continued)

borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the average of the borrowing costs applicable to the general borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Actual results can differ from estimates.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the Consolidated financial statements:

- ▲ **Application of joint venture accounting rules, including identification of joint venture:** The terms of the contractual agreements and established legal practices provides the Group and the joint venture partners (JV partners) to jointly control the key operating and financial decisions to which both parties must agree unanimously. The management has judged these entities to be treated as jointly controlled entities and are accounted for using proportionate consolidation to the extent of the Group's economic interest in these entities (see note 4.3).
- ▲ **Consolidation of special purpose entity:** In January 2011, the Group along with third parties formed 4 SPVs namely KWPHBPL, KWPSAPL, KWPMHPL and KWACPL to acquire land and construct and operate wind turbine generators. The group has advanced share application money, which will be converted into equity subsequently, entitling the group an equity interest of more than 90%. Subsequent to the allotment, the group will have the decision making power for all key operating and financial policies of the SPVs. The group is currently exposed to the risk incident to the activities being undertaken in the SPVs. Based on these facts and circumstances, management concluded that the group control these SPVs and therefore, consolidate the entities in its Consolidated financial statements
- ▲ **Useful lives of depreciable assets:** Management reviews the useful lives of depreciable assets at

each reporting date, based on the expected utility of the assets to the Group. The carrying amounts are analysed in note 16. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

- ▲ **Provision:** The Group is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements. None of the provisions will be discussed here in further details so as not to seriously prejudice the Group's position in the related disputes.

6. Acquisition of non-controlling interest

During the month of January 2011, KSK Energy Company Private Limited (KECPL) acquired 8,200,000 shares of KSK Energy Ventures Limited ('KEVL') of face value of Rs. 10 (US \$ 0.22) each at a premium of Rs 98.26 (US \$ 2.13) per share from the Indian domestic market.

Pursuant to the acquisition of the additional equity share, the ownership interest of the Group in KEVL increased from 52.74 percent to 54.94 percent resulting in a 2.21 percent additional interest in subsidiary.

The acquisition of interest in subsidiary from non-controlling interest is accounted as an equity transaction, and accordingly no gain or loss is recognised in the Consolidated statement of comprehensive income. The difference of US \$ 4,656 between the fair value of the net consideration paid (US \$ 19,206) and the amount by which the non-controlling interest (US \$ 14,550) is adjusted and debited to 'other reserve' within Consolidated statement of changes in equity and attributed to the equity holders of the parent.

7. Business combinations

The Group entered into the following business combinations during the year ended 31 March 2011, which are summarised as below:

(a) Acquisition of windmill undertaking

During the year ended 31 March 2011, the Group has acquired 26 windmill undertakings for a total consideration of US \$ 5,194. The acquisition of the aforesaid mentioned

	Amount (US \$)
Tangible assets	15,435
Trade receivables	817
Interest bearing loans and borrowing	(11,058)
Total purchase consideration (A)	5,194
Consideration transferred in previous years (B)	3,341
Acquisition related liability payable (C)	1,853
Net cash flow on acquisition (A-B-C)	-

windmills is accounted as a business combination and accordingly the purchase price was allocated to the assets and liabilities of the business based on their fair values as at the date of the acquisition. The fair values of the recognized assets and liabilities are determined based on purchase price allocation report issued by an independent valuer.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

There are no intangible assets identified in the transaction. Goodwill being immaterial has not been recognized.

From the date of the acquisition, the above acquired windmills have contributed US \$ 2,354 of revenue and US \$ (1,469) of loss before tax of the group. Disclosure of the revenues and profit before tax, if the above business combination had been effected at the beginning of the year was impracticable as the assets acquired form part of the pool of assets available with the acquiree and there are no separate accounting records maintained for the assets acquired in business combination.

(b) Acquisition of Wardha Power Company Limited (WPCL)

Prior to 27 April 2010, the Group owned shares in WPCL representing 74% of the outstanding shares of WPCL which was accounted for as a jointly controlled entity. Effective 27 April 2010 the Group acquired a further 13% of the shares of WPCL and obtained control of WPCL. The Group has acquired WPCL because it significantly increases the Group output in power generation segment that it can offer to its customers. The Group has accounted for this acquisition as a business combination and accordingly the purchase price was allocated to the assets and liabilities of the business based on their fair values as at the date of the acquisition. The fair values of the recognised assets and liabilities were determined based on a purchase price allocation report issued by an independent valuer.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value recognized on acquisition
Property, plant and equipment	546,811
Cash and short-term deposits	23,789
Trade and other receivable	1,196
Inventories	4,654
Financial and other instruments	35,774
Other current and non- current assets	2,507
Deferred tax liability	(15,683)
Interest bearing loans and borrowings	(380,892)
Trade and other payable	(127,952)
Deferred revenue	(4,125)
Other current financial liability	(259)
Other current liabilities	(1,098)
Taxes payable	(585)
Employee benefit liability	(59)
Purchase consideration	(16,164)
Fair value of existing interest	(62,217)
Non-controlling interest	(10,930)
Goodwill	5,234
Consideration transferred settled in cash (A)	(16,164)
Cash and short-term deposit acquired (B)	23,789
Cash and short-term deposit disposed on deemed disposal (C)	17,604
Restricted cash acquired on business combination (D)	4,694
Net cash and short-term deposit acquired on business combination (E=B-C-D)	1,491
Net cash flow on acquisition (A-E)	(14,673)

Notes to the Consolidated and Company Financial Statements (Continued)

A part of the acquisitions cost may be attributed to the existing customer relationships. However, considering the energy deficit in Indian economy, the existing customer contracts at the agreed prices do not bring any additional economic benefit to the Group which requires/warrants the recognition of the customer contracts as intangible assets. Consequently, no value has been ascribed to such intangible assets. These circumstances contributed to the amount of goodwill being recognised.

The revenue and profit before tax recognised in the Consolidated financial statements for year ended 31 March 2011 from the date of acquisition due to the increased equity interest of the Group amounts to US \$ 31,608 and US \$ (1,380) respectively. Further, the revenues and profit before tax for the year ended 31 March 2011 will be the same as mentioned above even if the business combination have affected at the beginning of the year.

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of WPCL with those of the Group. None of the recognised goodwill is expected to be deductible for tax purposes.

The fair value of trade receivables amounts to US \$ 1,196. The gross amount of trade receivable is US \$ 1,196. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

Transaction cost of US \$ 2 has been expensed and included in administrative expenses in Group's Consolidated statement of comprehensive income.

The non-controlling interests in WPCL were measured at their proportionate share (13%) of WPCL's identifiable net assets amounting to US \$ 10,930. Further, the Group recognised a gain of US \$ 5,417 as a result of measuring at fair value its 74% equity interest in WPCL held prior to the acquisition date. The above gain of US \$ 5,417 has been arrived by deducting the difference between US \$ 62,217 of fair value and US \$ 56,800 of carrying value (along with the goodwill of US \$ 21,865 paid on earlier acquisition of stake in WPCL). This gain is included within other operating income in the Consolidated statement of comprehensive income.

(c) Acquisition of additional stake in Sai Regency Power Corporation Private Limited (SRPCPL)

Prior to 30 March 2011, the Group owned shares in SRPCPL representing 73.92% of the shares of SRPCPL. Effective 30 March 2011 the Group acquired a further 5.78% interest in SRPCPL and obtained control of SRPCPL. The Group has acquired SRPCPL because it significantly increases the Group output in power generation segment and to expand wind energy operations. The Group has accounted for this acquisition as a business combinations and accordingly the purchase price was allocated to the assets and liabilities of the business based on their fair values as at the date of the acquisition. The fair values of the recognised assets and liabilities were determined based on a purchase price allocation report issued by an independent valuer.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value recognized on acquisition
Property, plant and equipment	94,964
Cash and short-term deposits	8,092
Trade and other receivable	6,400
Inventories	2,349
Financial and other instruments	1,577
Other current and non- current assets	405
Deferred tax liability	(7,489)
Interest bearing loans and borrowings	(37,217)
Trade and other payable	(2,292)
Deferred revenue	(2,481)
Other current liabilities	(1,193)
Taxes payable	(38)
Employee benefit liability	(26)
Purchase consideration	(5,243)
Fair value of existing interest	(46,610)
Non-controlling interest	(12,798)
Goodwill	1,599
Consideration transferred settled in cash (A)	(5,243)

Cash and short-term deposit acquired (B)	8,092
Cash and short-term deposit disposed on deemed disposal (C)	2,107
Restricted cash acquired on business combination (D)	1,719
Net cash and short-term deposit acquired on business combination (E=B-C-D)	4,266
Net cash flow on acquisition (A-E)	(977)

A part of the acquisitions cost may be attributed to the existing customer relationships. However, considering the energy deficit in Indian economy, the existing customer contracts at the agreed prices do not bring any additional economic benefit to the Group which requires/warrants the recognition of the customer contracts as intangible assets. Consequently, no value has been ascribed to such intangible assets. These circumstances contributed to the amount of goodwill recognised.

Since the effective date of the business combination is 30 March 2011, there are negligible contribution to the revenues and profit before tax of the Group. The Group revenue and profit before tax for the year ended 31 March 2011 would have increased by US \$ 10,996 and US \$ 4,847 if the business combination had been effected at the beginning of the year.

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of SRPCPL with those of the Group. None of the recognised goodwill is expected to be deductible for tax purposes.

The fair value of trade receivables amounts to US \$ 6,400. The gross amount of trade receivable is US \$ 6,400. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

Transaction cost of US \$ 2 has been expensed and is included in administrative expenses in Group's Consolidated statement of comprehensive income.

The non-controlling interests in SRPCPL were measured at their proportionate share (20.7%) of SRPCPL's identifiable net assets amounting to US \$ 12,798. Further, the Group recognised a loss of US \$ 3,684 as a result of measuring at fair value its 73.92% equity interest in SRPCPL held prior to the acquisition date. The above loss of US \$ 3,684 has been arrived at by deducting the difference between US \$ 46,610 of fair value and US \$ 50,294 of carrying value (along with the goodwill of US \$ 16,492 paid on earlier acquisition of stake in SRPCPL). This loss is included within other operating income in the Consolidated statement of comprehensive income.

8. Interest in joint ventures

The share of the assets, liabilities, income and expenses of the jointly controlled entities at 31 March 2011 and 2010 and for the years then ended, which are included in the Consolidated financial statements, are as follows:

	2011	2010
Non-current assets	283,941	761,101
Current assets	42,688	60,119
Total assets	326,629	821,220
Non-current liabilities	107,986	361,777
Current liabilities	67,530	152,438
Total liabilities	175,516	514,215
Revenue	93,803	43,728
Expenses (including tax)	(70,037)	(24,385)
Profit after tax	23,766	19,343

Notes to the Consolidated and Company Financial Statements (Continued)

9. Segment information

The Group has adopted the “management approach” in identifying the operating segments as outlined in IFRS 8. Management has analysed the information that the chief operating decision maker reviews and concluded on the segment disclosure.

For management purposes, the Group is organised into business units based on their services, and has two reportable operating segments as follows:

- ▲ Power generating activities, and
- ▲ Project development activities

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the Consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. There is only one geographical segment as all the operations and business is carried out in India.

Year ended 31 March 2011	Project development activities	Power generating activities	Reconciling/ Elimination	Consolidated
Revenue				
External customer	3,060	222,285	1,455	226,800
Inter-segment	15,466	-	(15,466)	-
Total revenue	18,526	222,285	(14,011)	226,800
Segment operating results (see note (f) below)	13,820	51,438	(10,639)	54,619
Unallocated operating expenses, net (see note (h) below)				(2,081)
Finance costs				(58,647)
Finance income				23,647
Profit before tax				17,538
Tax income / (expense)				12,569
Profit after tax				30,107
Segment assets	14,177	2,359,747	(2,241)	2,371,683
Unallocated assets				360,278
Total assets				2,731,961
Segment liabilities	3,949	212,384	(2,241)	214,092
Unallocated liabilities				1,667,181
Total liabilities				1,881,273
Other segment information:				
Depreciation	451	21,200	690	22,341
Capital expenditure	889	433,012	32,045	465,946

Year ended 31 March 2010	Project development activities	Power generating activities	Reconciling/ Elimination	Consolidated
Revenue				
External customer	8,948	43,870	75	52,893
Inter-segment	25,096	-	(25,096)	-
Total revenue	34,044	43,870	(25,021)	52,893
Segment operating results (see note (f) below)	31,300	11,496	(24,843)	17,953
Unallocated operating income, net (see note (h) below)				5,177
Finance costs				(13,995)
Finance income				67,849
Profit before tax				76,984
Tax income /(expense)				(17,524)
Profit after tax				59,460
Segment assets	13,312	1,592,584	(502)	1,605,394
Unallocated assets				330,757
Total assets				1,936,151
Segment liabilities	3,258	74,049	(502)	76,805
Unallocated liabilities				1,138,875
Total liabilities				1,215,680
Other segment information:				
Depreciation	278	5,000	190	5,468
Capital expenditure	511	755,550	19,741	775,802

Notes to segment reporting:

- (a) Inter-segment revenues are eliminated on consolidation.
- (b) Profit / (loss) for each operating segment does not include finance income and finance costs of US \$ 23,647 and US \$ 58,647 respectively (2010: US \$ 67,849 and US \$ 13,995 respectively).
- (c) Segment assets do not include deferred tax US \$20,708 (2010: US \$ 10,746), financial assets and other investments US \$177,290 (2010: US \$ 155,296), short-term deposits with bank and cash US \$ 62,661 (2010: US \$ 78,371), non-current assets classified as held for sale US \$ Nil (2010: US \$ 23,318) and corporate assets US \$ 99,619 (2010: US \$ 63,026).
- (d) Segment liabilities do not include deferred tax US \$ 36,542 (2010: US \$ 30,900), current tax payable US \$ 1,086 (2010: US \$ 1,369), interest-bearing current and non-current borrowings US \$ 1,604,981 (2010: US \$ 1,072,545) and corporate liabilities US \$ 24,572 (2010: US \$ 34,061)
- (e) The Company operates in one business and geographic segment. Consequently no segment disclosures of the Company are presented.
- (f) Includes loss on disposal of investment in joint venture amounting to US \$ Nil (2010: US \$ 2,743), gain on re-measurement of existing equity interest in WPCL and SRPCPL amounting to US \$ 1,733 (2010: US \$ Nil) and gain on bargain purchase US \$ Nil (2010: US \$ 4,964)
- (g) Revenue from two customers relating to power generating activities represent US \$ 122,832 (2010: US \$ 15,893) of the total revenue.
- (h) Unallocated income, net includes management fees amounting to US \$ Nil (2010: US \$ 10,552) (see note 11).

Notes to the Consolidated and Company Financial Statements (Continued)

10. Depreciation, costs of inventories and employee benefit expenses included in the Consolidated and Company's statements of comprehensive income

(a) Depreciation and costs of inventories included in the Consolidated statements of comprehensive income

	2011	2010
Included in cost of revenue:		
Fuel costs*	75,611	17,888
Depreciation	17,698	3,691
Included in general and administrative expenses:		
Depreciation	4,643	1,777

* excludes alternate energy cost of US \$ 38,500 (2010:US \$ Nil).

(b) Employee benefit expenses

	Consolidated		Company	
	2011	2010	2011	2010
Salaries and wages	18,430	9,889	148	147
Employee benefit costs	806	373	-	-
Others	673	434	-	-
Total	19,909	10,696	148	147
Less: Amount capitalized	(11,384)	(5,731)	-	-
Net employee benefit expense	8,525	4,965	148	147

The employee benefit expenses of the Group form part of the cost of revenues amounting US \$ 2,353 (2010: US \$583) and general and administrative expenses amounting US \$ 6,172 (2010: US \$ 4,382).

The employee benefit expenses in the Company financial statements amounting to US \$ 148 (2010: US \$ 147) forms part of the general and administrative expenses.

(c) Auditor's remuneration for audit services amount to US \$ 85 (2010: US \$ 36)

11. Other operating income, net

Other operating income comprises:

	Consolidated		Company	
	2011	2010	2011	2010
Income from management fees, net ¹	461	11,094	-	-
Loss on disposal of investment in joint venture ²	-	(2,743)	-	-
Gain, net on re-measurement of existing equity interest in WPCL and SRPCPL (see note 7)	1,733	-	-	-
Gain on bargain purchase	-	4,964	-	-
Gain / (loss) on disposal of property, plant and equipment	-	(33)	-	-
Miscellaneous income	1,163	378	-	-
Total	3,357	13,660	-	-

¹ Includes, management fees amounting to US \$ Nil (31 March 2010: US \$ 10,552, net of legal and professional charges of US \$ 2,620) received by KSK Asset Management Services Private Limited, ("KASL") pursuant to a settlement agreement entered into with KSK Emerging India Energy Fund Limited ("KEIEF") towards claims for loss of potential management fees. The claim was settled partly in cash US \$ 5,163 (£3,325), and partly by transfer of the net assets of KSK Emerging India Private Limited I ("KSKEIEPL I") and KSK Emerging India Private Limited II ("KSKEIEPL II") US \$ 8,009 (£4,942). Pursuant to the above, both KSKEIEPL I & KSKEIEPL II have become wholly owned subsidiaries of the Group.

² Loss on disposal of joint venture represents loss on sale of equity interest in RVK Energy Private Limited (RVK) and Kasargod Power Corporation Limited (KPCL).

12. Finance costs

Finance costs comprises of:

	Consolidated		Company	
	2011	2010	2011	2010
Interest expenses on loans and borrowings ¹	48,723	8,155	268	1,352
Other finance costs	1,990	2,034	3	232
Net loss on financial liability at fair value through profit or loss	4,361	2,427	-	-
Foreign exchange loss, net	2,347	-	4,186	-
Unwinding of discounts	1,226	1,379	-	-
Total	58,647	13,995	4,457	1,584

¹ Interest expenses on loans and borrowings includes interest expenses on financial liability at fair value through profit or loss of US \$ Nil (2010: US \$ 1,352) in Consolidated and Company financial statements.

Notes to the Consolidated and Company Financial Statements (Continued)

13. Finance income

The finance income comprises of:

	Consolidated		Company	
	2011	2010	2011	2010
Interest income				
bank deposits	13,973	12,970	91	543
loans and receivables	6,719	8,983	160	48
Dividend income	369	593	-	-
Finance lease income	276	102	-	-
Net gain on designated as held-for-trading financial assets				
on disposed	1,076	1,341	-	-
on remeasurement	1	543	-	-
Unwinding of discount on security deposits	1,080	805	-	-
Foreign exchange gain, net	-	34,246	-	2,845
Guarantee commission from subsidiary	-	-	688	1,522
Reclassification adjustment in respect of available for sale financial assets disposed	155	8,266	-	-
Total	23,649	67,849	939	4,958

14. Tax income / (expense)

The major components of income tax for the year ended 31 March 2011 and 2010

	2011	2010
Current tax	(5,607)	(8,809)
Deferred tax	18,176	(8,715)
Tax income / (expense) reported in the statement of comprehensive income	12,569	(17,524)

Tax reconciliation

Reconciliation between tax expense and the product of accounting profit multiplied by India's domestic tax rate for the years ended 31 March 2011 and 2010 is as follows:

	2011	2010
Accounting profit before taxes	17,538	76,984
Enacted tax rates	33.22%	33.99%
Tax on profit at enacted tax rate	(5,826)	(26,167)
Income exempt or taxed at lower rate	17,880	9,197
Minimum Alternate Tax ('MAT') paid	(3,789)	(1,703)
MAT credit	3,805	2,328
Unutilized tax losses	162	-
Loss on sale of joint venture	113	(932)
Others	224	(247)
Actual tax income / (expense)	12,569	(17,524)

The Company is subject to Isle of Man corporate tax at the standard rate of zero percent. As such, the Company's tax liability is zero. Additionally, Isle of Man does not levy tax on capital gains. However, considering that the Company's operations are entirely based in India, the effective tax rate of the Group has been computed based on the current tax rates prevailing in India. Further, a substantial portion of the profits of the Group's Indian operations are exempt from income taxes, being profits attributable to generation of power in India. Under the tax holiday the taxpayer can utilize an exemption from income taxes for a year of any ten consecutive years out of the fifteen years from the date of commencement of the operations.

The Group is subject to the provisions of 'MAT' under the Indian Income taxes for the year ended 31 March 2011 and 2010. Accordingly, the Group calculated the tax liability for current taxes in India after considering MAT.

The Group has carried forward credit in respect of MAT tax liability paid to the extent it is probable that future taxable profit will be available against which such tax credit can be utilized.

The substantially enacted tax rate as at the reporting date is 33.22% against 33.99% for the previous year. The impact of change in effective tax rate has resulted in decrease of deferred tax liability of US \$ 754.

Deferred income tax at 2011 and 2010 relates to the following:

	2011	2010
Deferred income tax assets		
Share issue expenses	1,923	2,962
Property, plant and equipment	9,880	6,980
Unused tax losses carried forward	33,225	-
MAT credit	7,133	2,468
Others	941	90
	53,102	12,500
Deferred income tax liabilities		
Property, plant and equipment	67,559	31,748
Others	1,377	906
	68,936	32,654
Deferred income tax liabilities, net	(15,834)	(20,154)
Reconciliation of deferred tax liability, net		
	2011	2010
Opening balance as of 1 April 2010	(20,154)	(7,307)
Tax income /(expense) during the period recognized in statement of comprehensive income	18,176	(7,067)
Tax income /(expense) during the period recognized in statement of changes in equity	(984)	(786)
Deferred taxes acquired in business combination	(23,172)	(1,648)
Deemed disposal arising on acquisition achieved in stages	9,815	-
Sale of interest in joint venture entities	-	76
Translation adjustment	485	(3,422)
Closing balance as of 31 March 2011	(15,834)	(20,154)

In assessing the reliability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

Shareholders resident outside the Isle of Man will not suffer any income tax in the Isle of Man on any income distributions to them. Further, dividends are not taxable in India in the hands of the recipient. However, the Company will be subject to a "dividend distribution tax" currently at the rate of 15% (plus applicable surcharge) on the total amount distributed as dividend.

The Group has tax losses in certain entities which arose in India of US \$ 5,662 (2010: US \$ 1,341) that are available for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss-making for some time. The Group evaluated and concluded that it is not probable that deferred tax assets on existing tax losses will be recovered. The subsidiaries have no taxable temporary differences available that could partly support the recognition of these losses as deferred tax assets. If the Group were able to recognise all unrecognised deferred tax assets, profit would increase by US \$ 1,780 (2010: US \$ 397).

As at 31 March 2011 and 2010, there was no recognised deferred tax liability that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures:

Notes to the Consolidated and Company Financial Statements (Continued)

- i. the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future; and
- ii. the Group controls the dividend policy of the jointly controlled entities. The Group has determined that undistributed profits of its jointly controlled entities will not be distributed in the foreseeable future.

The temporary differences associated with investments in subsidiaries and joint ventures, for which deferred tax liability has not been recognised aggregate to US \$ 172,306 (2010: US \$ 125,107).

15. Goodwill and impairment testing

	2011	2010
Opening balance	84,482	73,030
Deemed disposal arising on acquisition achieved in stages (see note 7)	(38,354)	-
Sale of stake in joint venture entities	-	(134)
Goodwill arising on acquisition (see note 7)	6,832	-
Translation adjustment	(500)	11,586
Closing balance	52,460	84,482

The goodwill acquired through business combinations have been allocated to the following cash generating units of the Group, for impairment as follows:

	2011	2010
VS Lignite Power Private Limited	28,690	28,924
J R Power Gen Private Limited	30	30
Wardha Power Company Limited	5,173	21,794
Sitapuram Power Limited	7,284	7,343
Sai Regency Power Corporation Private Limited	1,599	16,627
Arasmata Captive Power Company Private Limited	9,684	9,764
Total	52,460	84,482

The recoverable amount of the cash generating unit at 31 March 2011 was determined using estimated fair value in use.

The calculation was based on a discounted cash flow valuation over five years for each of the power stations, using available market information to reflect the amount that the Group estimates that it could have obtained, at the Reporting date.

Key assumptions used in value-in-use calculations:

The calculation of value-in-use for the cash generating units is most sensitive to the following key assumptions:

- ▲ electricity prices;
- ▲ projected output;
- ▲ fuel costs;
- ▲ other operating costs and investment;
- ▲ growth and discount rates

The Group's approach in determining the key assumptions was as follows:

- ▲ Electricity prices were based on contracted prices for electricity. Projected output was based on expected levels of output over the expected operating lives of the power stations using the Group's own engineering projections which considered historical performance, plant degradation, plant maintenance activity and investment, and allowances for scheduled timings of outages.
- ▲ Fuel costs were based on contracted and projected commodity prices, for coal and gas fuel, and using the Group's own engineering projections for consumption having considered historical consumption data and projected plant performance.
- ▲ Other operating costs and investment was estimated using the Group's own engineering projections, where relevant, and having considered historical performance, plant degradation, plant maintenance activity and investment. The estimates of other operating costs and investment used in the discounted cash flow projection were consistent with those used in the Group's three year business plan. In subsequent periods the growth rate applied to other operating costs fully reflects the expected operating lives of the power stations.
- ▲ Growth rates are based on published industry research. The discount rate reflects the current market assessment of the risks specific to the cash generating units. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry.

The following growth and discount rates have been considered for the purpose of the impairment testing:

	2011	2010
Growth rate	3%	3%
Discount rate	12%	15%

With regard to the assessment of value of the cash generating unit, the Group is of the opinion that based on current knowledge; reasonably possible changes in any of the above key assumptions would not cause the carrying value to exceed the recoverable amount.

16. Property, plant and equipment, net

The property, plant and equipment comprise:

	Land and buildings	Power stations	Mining property	Other plant and equipment	Assets under construction	Total
Cost						
As at 1 April 2009	29,720	85,897	-	4,036	363,035	482,688
Additions	27,857	124,568	10,321	1,738	416,060	580,544
Business combination	7,791	22,940	-	266	164,261	195,258
Disposals	(2,233)	(8,302)	-	(191)	-	(10,726)
Exchange adjustment	4,713	13,394	-	659	57,601	76,367
As at 31 March 2010	67,848	238,497	10,321	6,508	1,000,957	1,324,131
As at 1 April 2010	67,848	238,497	10,321	6,508	1,000,957	1,324,131
Additions	85,256	302,696	-	2,871	75,123	465,946
Business combination (see note 7)	23,549	103,034	-	1,075	529,552	657,210
Disposals / adjustments	(16,501)	(65,240)	-	(1,671)	(369,098)	(452,510)
Exchange adjustment	(617)	(2,099)	(84)	(59)	(9,900)	(12,759)
As at 31 March 2011	159,535	576,888	10,237	8,724	1,226,634	1,982,018
Accumulated depreciation						
As of 1 April 2009	843	8,991	-	1,196	-	11,030
Additions	680	3,672	19	1,162	-	5,533
Disposals	(382)	(5,070)	-	(152)	-	(5,604)
Exchange adjustment	177	1,415	1	270	-	1,863
As at 31 March 2010	1,318	9,008	20	2,476	-	12,822
As at 1 April 2010	1,318	9,008	20	2,476	-	12,822
Additions	3,007	17,202	496	1,636	-	22,341
Disposals / adjustments	(638)	(6,940)	-	(853)	-	(8,431)
Exchange adjustment	22	118	5	(5)	-	140
As at 31 March 2011	3,709	19,388	521	3,254	-	26,872
Net book value						
As at 31 March 2011	155,826	557,500	9,716	5,470	1,226,634	1,955,146
As at 31 March 2010	66,530	229,489	10,301	4,032	1,000,957	1,311,309

Notes to the Consolidated and Company Financial Statements (Continued)

The net book value of land comprises of:

	2011	2010
Freehold	40,753	29,772
Leasehold	19,467	15,207
Total	60,220	44,979

Property, plant and equipment with a carrying amount of US \$ 1,856,855 (2010: US \$ 1,276,076) is subject to security restrictions (note 24)

17. Investments and other financial assets

	Consolidated		Company	
	2011	2010	2011	2010
Current				
Financial assets at fair value through profit or loss				
- held-for-trading	5,638	10,422	-	-
Loans and receivables	102,768	71,686	12,521	16,188
Loans and receivables to JV partners	17,086	7,388	-	-
Loans and receivables to subsidiaries	-	-	-	27,790
	125,492	89,496	12,521	43,978
Non-current				
Available-for-sale investments	12,647	8,526	-	-
Deposit with banks	28,992	-	-	-
Loans and receivables	41,992	38,597	9,225	-
Loans and receivables to JV partners	13,244	28,301	-	-
Loans and receivable to subsidiaries	-	-	124,373	-
Investment in subsidiaries	-	-	46,449	46,318
	96,875	75,424	180,047	46,318
Total	222,367	164,921	192,568	90,296

Financial assets at fair value through profit or loss

The Group has invested in into short-term mutual fund units and equity securities in various companies being quoted on Indian stock market. The fair value of the mutual fund units and equity securities are determined by reference to published data.

Available-for-sale investment

The Group has investments in listed equity securities of various companies being quoted on the Indian and London stock markets respectively. The fair value of the quoted equity shares are determined by reference to published data. The Group holds non-controlling interest (1%-12%) in entities which are in the business of power generation and allied projects. The Group designated these unquoted equity shares as available-for-sale investment in accordance with the documented investment strategy of the Group to manage and evaluate performance of the equity shares on fair value basis. The fair value of unquoted ordinary shares has been estimated using a relative valuation using price earnings ratio / book value method. The valuation requires management to make certain assumptions about the inputs including size and liquidity.

Loans and receivables

This primarily includes interest-bearing inter-corporate deposits of US \$ 42,303 (2010: US \$ 39,950), deferred loan origination costs US \$ 29,493 (2010: US \$ 25,273), security deposit to suppliers US \$ 16,814 (2010: US \$ 13,902), advance for investments US \$ 12,111 (2010: US \$ 12,487) and other financial assets US \$ 44,039 (2010: US \$ 18,671).

Loans and receivables to JV partners

This primarily includes the share application money in the joint venture entities, short-term loans to joint venture partners and redeemable preference share capital held in the joint venture entities redeemable between 5 to 20 years.

Loans and receivable in subsidiaries

Loans and receivable in subsidiary represents inter-corporate deposits given by the Company to its wholly owned subsidiaries and the same is repayable on demand.

Investment in subsidiaries

Investment primarily includes unquoted investments other than trade investments in subsidiaries in the Company financial statements. The Company has invested in 41,839,200 equity shares (2010: 41,839,200) in KEL, 12,000 equity shares (2010: 12,000) in KASL, 100,000,000 equity shares (2010: Nil) in KGPP and 1 equity share (2010: Nil) in KSVP totalling to US \$ 46,449 (2010: US \$ 46,318).

The carrying amounts disclosed above are maximum possible credit risk exposure in relation to these financial assets.

Financial assets amounting of US \$ 162,449 (2010: US \$ 96,707) for the Group is subject to security restrictions (see note 24).

18. Other assets

	Consolidated		Company	
	2011	2010	2011	2010
Current				
Advance to suppliers	23,378	3,354	-	-
Prepayments	5,939	5,135	-	-
Income tax receivable	4,712	3,236	-	-
Other receivables	1,079	1,330	-	-
	35,108	13,055	-	-
Non-current				
Development of mineral assets	3,716	2,806	-	-
Prepayments	17,816	13,059	-	-
	21,532	15,865	-	-
Total	56,640	28,920	-	-

During the year ended 31 March 2011, other current assets of US \$ 144 (2010 US \$ 35) were collectively impaired and written off.

19. Trade and other receivables

	Consolidated		Company	
	2011	2010	2011	2010
Current				
Trade receivables	44,534	6,071	-	-
Unbilled revenues	1,123	1,065	-	-
Net investment in lease receivables	236	167	-	-
Interest accrued	20,278	14,836	166	46
	66,171	22,139	166	46
Non-current				
Trade receivables	2,976	2,778	-	-
Net investment in lease receivables	2,717	2,932	-	-
	5,693	5,710	-	-
Total	71,864	27,849	166	46

Trade receivables are non-interest bearing and are generally due within 7-14 days terms. Out of the above, US \$ 71,698 (2010: US \$ 27,803) has been pledged for security as borrowings (see note 24). During the year ended 31 March 2011, trade receivables of US \$ 290 (2010 US \$ 68) were collectively impaired and written-off.

Notes to the Consolidated and Company Financial Statements (Continued)

Trade receivables as of 31 March 2011 include certain receivables aggregating to US \$ 18,308 (2010: US \$ Nil), recognized based on the terms and conditions implicit in the contracts with customers. The matter is pending with competent authority and for reconciliations. The Company based on the merits of the case and on the opinion from its lawyers is confident about the favorable outcome and realization of the amounts and accordingly believes that these are fully recoverable.

The age analysis of the overdue trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			< 90 days	90-180 days	> 180 days
2011	47,510	4,099	16,848	6,863	19,700
2010	8,849	3,843	3,578	338	1,090

Trade receivables disclosed above include amounts which are past due at the reporting date and are still considered recoverable since, there has not been a significant change in credit quality.

Net investment in lease receivables

The Group has entered into an arrangement which qualifies as finance lease of assets. Such assets are reported as receivables at an amount equal to the net investment in the lease. Lease income is recognised from finance leases over the term of the lease based on the effective interest rate method. There were no contingent rents recognised in the statement of comprehensive income.

As of the reporting date, the present value of future minimum lease payment receivables under non-cancellable finance lease agreements was as follows:

	2011	2010
Gross investment in finance lease contracts	5,729	7,180
Less: Unearned finance revenues	2,776	4,081
Net investment in finance lease contracts	2,953	3,099

As of 31 March 2011 and 2010, the gross investment and present value of receivables relating to future minimum lease payments under non-cancellable finance lease agreements were distributed as follows:

	Gross investment		Present value of receivables relating to future minimum lease payments	
	2011	2010	2011	2010
Not later than one year	547	812	236	167
later than one year and not later than five years	1,649	3,249	597	1,094
later than five years	3,533	3,119	2,120	1,838
Total	5,729	7,180	2,953	3,099

20. Inventories

	2011	2010
Fuel (at cost)	5,697	4,429
Stores and spares (at cost)	8,920	3,306
Total	14,617	7,735

The above, US \$ 14,617 (2010: US \$ 7,735) has been pledged for security as borrowings (see note 24)

21. Cash and short-term deposits

Cash and short-term deposits comprise of the following:

	Consolidated		Company	
	2011	2010	2011	2010
Cash at banks and on hand	60,181	24,933	1,512	7,133
Short-term deposits	277,978	251,939	13,039	6,000
Total	338,159	276,872	14,551	13,133

Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group. They are recoverable on demand.

The Group has pledged a part of its short-term deposits amounting US \$ 266,473 (2010: US \$ 233,137) in order to fulfil collateral requirements (see note 24).

For the purpose of cash flow statement, cash and cash equivalent comprise of:

	Consolidated		Company	
	2011	2010	2011	2010
Cash at banks and on hand	60,181	24,933	1,512	7,133
Short-term deposits	277,978	251,939	13,039	6,000
Less: Restricted cash ¹	(276,944)	(239,203)	(13,039)	(3,000)
Cash and cash equivalent	61,215	37,669	1,512	10,133

¹Include deposits pledged for availing credit facilities from banks and deposits with maturity term of more than three months.

22. Non-current assets held for sale

Pursuant to the "Share sale and purchase agreement" dated 5 April 2010, the Group has sold its investment in Athena Project Private Limited ('Athena'), which was previously classified under non-current assets held for sale, at its carrying value in books, i.e. fair value, less cost to sell. Further, subsequent to the reporting period the Group has also received financial instruments towards the proceeds which are expected to be realised shortly.

23. Issued share capital

Share capital

The Company presently has only one class of ordinary shares. For all matters submitted to vote in the shareholders meeting, every holder of ordinary shares, as reflected in the records of the Company on the date of the shareholders' meeting, has one vote in respect of each share held. All shares are equally eligible to receive dividends and the repayment of capital in the event of liquidation of the Company.

The Company has an authorized share capital of 500,000,000 equity shares (2010: 500,000,000) at par value of US \$ 0.002 (£ 0.001) per share amounting to US \$ 998.

The Company has issued share capital at par value of US \$ 0.002 (£ 0.001) per share.

Reserves

Share premium represents the amount received by the Group over and above the par value of shares issued and the excess of the fair value of share issued in business combination over the par value of such shares. Any transaction costs associated with the issuing of shares are deducted from securities premium, net of any related income tax benefits.

Revaluation reserve comprises gains and losses due to the revaluation of previously held interest of the assets acquired and liabilities assumed in a business combination.

Translation reserve is used to record the exchange differences arising from the translation of the financial statements of the foreign subsidiaries and joint ventures.

Other reserve represents the difference between the consideration paid and the adjustment to net assets on change of controlling interest, without change in control. Any transaction costs associated with the issuing of shares by the subsidiaries are deducted from other reserves, net of any related income tax benefits. Further it also includes the loss / gain on fair valuation of available-for-sale financial instruments.

Retained earnings include all current and prior year results as disclosed in the statement of comprehensive income less dividend distribution.

Notes to the Consolidated and Company Financial Statements (Continued)

24. Interest-bearing loans and borrowings

The borrowings comprise of the following:

	Interest rate (range %)	Final Maturity	2011	2010
Long-term "project finance" loans	10.08 to 14.94	March-26	910,034	520,305
Short-term loans	4.51 to 15.25	March-12	233,133	173,046
Buyers' credit facility	1.67 to 3.14	March-12	318,906	368,583
Cash credit and other working capital facilities	11.00 to 13.50	March-12	113,955	3,500
Redeemable preference shares	14.11	September-15	21,899	-
Share of loan in a joint venture	0.01	February-28	7,054	7,111
Total			1,604,981	1,072,545

Total debt of US \$ 1,604,981 (2010: US \$ 1,072,545) comprised:

- ▲ Long-term "project finance" loans of the Group amounting US \$ 910,034 (2010: US \$ 520,305) is fully secured on the property, plant and equipment and other assets of joint venture and subsidiaries that operate power stations and by a pledge over the promoter's shareholding in equity and preference capital of some of the joint ventures and subsidiaries.
- ▲ The short term loan taken by the Group is secured by the corporate guarantee provided by the Company, short term deposits of the Group and by pledge of shares held in the respective entities.
- ▲ Buyer's credit facility is secured against property, plant and equipment and other assets on pari-passu basis pledge of fixed deposits and corporate guarantee of KEVL. These loans bear interest at LIBOR plus 100 to 250 basis points.
- ▲ Buyers' credit facility, cash credit and other working capital facilities are fully secured against property, plant and equipment and other assets on pari-passu basis with other lenders of the respective entities availing the loan facilities.
- ▲ Redeemable preference shares are due for repayment in 3-5 year.
- ▲ Share of loan in a joint venture relates to Group's percentage of the joint venture preference share and share application money pending allotment contributed by joint venture partners. The preference share is due for repayment in full between 14 to 17 years.

Long-term "project finance" loan contains certain restrictive covenants for the benefit of the facility providers and primarily requires the Group to maintain specified levels of certain financial ratios and operating results. The terms of the other borrowings arrangements also contain certain restrictive covenants primarily requiring the Group to maintain certain financial ratios. As of 31 March 2011, the Group has complied the relevant covenants.

The fair value of borrowings at 31 March 2011 was US \$ 1,606,078 (2010: US \$ 1,073,246). The fair values have been calculated by discounting cash flows at prevailing interest rates.

The borrowings mature as follows:

	Consolidated		Company	
	2011	2010	2011	2010
Current liabilities				
Amounts falling due within one year	787,465	568,467	9,300	-
Non-current liabilities				
Amounts falling due after more than one year but not more than five years	473,727	291,938	-	-
Amounts falling due in more than five years	343,789	212,140	-	-
Total	1,604,981	1,072,545	9,300	-

The Group capitalised finance costs incurred during the year amounting US \$ 99,846 (2010: US \$ 63,667) to property, plant and equipment at an effective interest rate of 12.57% (2010: 12.35%).

25. Trade and other payables

	Consolidated		Company	
	2011	2010	2011	2010
Current				
Trade payables	176,075	65,582	305	976
Acquisition related liability	-	749	-	-
Share application money	714	19,657	-	-
Interest accrued but not due	10,532	7,632	60	-
	187,321	93,620	365	976
Non-current				
Trade payables	29,736	2,778	-	-
	29,736	2,778	-	-
Total	217,057	96,398	365	976

Trade payables are non-interest bearing and are normally settled on 45 days terms.

- ▲ Long-term trade payables are non-interest bearing and will be settled in 1-7 years.
- ▲ Share application money represents application money paid by investor/customers for purchase of equity shares in subsidiaries/joint venture entities as at the reporting date.
- ▲ Interest accrued but not due is normally settled monthly throughout the financial year.

26. Provisions

A provision has been recognised for decommissioning and restoration costs associated with construction of a power plant. The unwinding of the discount on the decommissioning provision is included as a finance costs.

	2011	2010
Non-current		
Opening balance	1,984	1542
Translation difference	(15)	248
Arising during the year	-	-
Unwinding of discount	146	194
Closing balance	2,115	1,984

27. Employee benefit liability

Gratuity

In accordance with applicable Indian laws, the Group provides for gratuity, a defined benefit retirement plan ('The Gratuity Plan') covering eligible employees. The Gratuity Plan provides for a lump sum payment to vested employees on retirement (subject to completion of five years of continuous employment), death, incapacitation or termination of employment of amounts that are based on salary and tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation on the reporting date.

Notes to the Consolidated and Company Financial Statements (Continued)

The following tables summarises the components of net benefit expense recognised in the statement of comprehensive income and the funded status and amounts recognised in the statement of financial position for the plan:

A. Net benefit expense

	2011	2010
Current service cost	590	243
Interest cost on benefit obligation	34	9
Expected return on plan assets	(30)	(14)
Net actuarial (gain)/loss recognized in the year	(277)	28
Past service cost - non vested benefits	108	-
Past service cost - vested benefits	124	-
Change in controlling interest	31	-
Net benefit expense	580	266

B. Benefit (asset)/liability

	2011	2010	2009	2008	2007
Defined benefit obligation	1,245	433	124	83	12
Fair value of plan assets	(495)	(230)	(88)	(45)	-
Unrecognized actuarial gain / (loss) recognized at the end of year	-	-	-	-	-
Unrecognized past service cost - non vested benefit	(179)	-	-	-	-
Benefit liability	571	203	36	38	12

C. Changes in the present value of the defined benefit obligation are as follows:

	2011	2010
Defined benefit obligation as at the beginning of the year	433	124
Interest cost	34	9
Current service cost	590	243
Actuarial (gains) / losses on obligation	(282)	16
Past service cost - non vested benefits	304	-
Past service cost - vested benefits	124	-
Change in controlling interest	40	-
Exchange differences	2	41
Defined benefit obligation as at the end of the year	1,245	433

D. Changes in the fair value of plan assets are as follows:

	2011	2010
Fair value of plan assets as the beginning of the year	230	88
Expected return	30	14
Contributions by employer	205	98
Change in controlling interest	34	-
Actuarial (loss)	(5)	-
Exchange differences	1	30
Fair value of plan assets as the end of the year	495	230

E. Fair value of plan assets

	2011	2010
Fair value of plan assets beginning of the year	230	88
Actual return on plan assets	29	14
Contributions	228	98
Exchange differences	8	30
Fair value of plan assets end of the year	495	230
Funded status	(787)	(199)

F. Past service cost recognized

	2011	2010
Past service cost - non vested benefit	304	-
Past service cost - vested benefit	124	-
Average remaining future service till vesting of the benefit	3	-
Recognized past service cost - non vested benefit	108	-
Recognized past service cost - vested benefit	124	-
Unrecognized past service cost - non vested benefit	196	-
Exchange difference	1	-
Change in controlling interest	18	-
Past service cost	(179)	-

G. The principal assumptions used in determining the obligation towards the Group's plan as shown below:

	2011	2010
Discount rate	8.17%	8.00%
Rate of increase in compensation levels	15.00%	15.00%
Rate of return on plan assets	9.00%	9.00%

The plan assets comprise debt and equity securities through a scheme of cash contribution for a scheme of insurance taken with Life Insurance Corporation of India ('Insurer'), a Government of India undertaking, which is a qualified insurer. The details of the individual category of investments that comprise of the total plan assets have not been provided by the insurer.

Defined contribution plan

In addition to the above, eligible employees receive benefits from a provident fund, a defined contribution plan. The employee and the employer make monthly contributions each to the plan at a specified percentage of the covered employees' salary to a Government recognised provident fund upon retirement or separation, an employee becomes entitled for a lump sum benefit, which is paid directly to the concerned employee by the fund. The Group contributed US \$ 154 to the provident fund during the year ended 31 March 2011 and US \$ 112 during the year ended 31 March 2010.

The Group does not have any further obligation to the provident fund beyond making such contributions.

28. Other current financial liabilities

	Consolidated		Company	
	2011	2010	2011	2010
Financial guarantee contracts	-	-	-	667
Financial instruments at fair value through profit and loss account				
Derivatives not designated as hedge				
- Foreign exchange forward contracts	3,184	2,573	-	-
Total	3,184	2,573	-	667

Notes to the Consolidated and Company Financial Statements (Continued)

29. Other current liabilities

	Consolidated		Company	
	2011	2010	2011	2010
Statutory liabilities	2,811	4,003	-	-
Accruals	973	393	-	-
Others	848	353	-	-
Total	4,632	4,749	-	-

30. Related party transactions

For detail list of subsidiaries and joint ventures see note 1.6

Key management personnel (KMP):

Name of the party	Nature of relationship
T L Sankar	Chairman
S Kishore	Executive Director
K A Sastry	Executive Director
S R Iyer	Director
Vladimir Dlouhy	Director
K. V. Krishnamurthy	Director of parent

Related party transactions during the year

The following table provides the total amount of transactions that have been entered into with related parties and the outstanding balances at the end of the relevant financial year:

Particulars	Consolidated						Company	
	2011			2010			2011	2010
	Joint Venture	Parent	KMP	Joint Venture	Parent	KMP	Subsidiaries	
Transactions ^{1,2}								
Project development fees and corporate support services fees	3,060	-	-	8,948	-	-	-	-
Interest income	2,672	-	-	2,416	-	-	-	-
Interest expense	-	-	-	125	-	-	-	-
Inter-corporate deposits and loans given	18,467	-	-	25,164	-	-	87,200	31,815
Inter-corporate deposits and loans repaid	(8,477)	-	-	(21,494)	-	-	(160)	(7,717)
Loans taken from	368	-	-	6,953	-	-	46	-
Repayment of Loan taken from	-	-	-	(3,684)	-	-	-	-
Lignite excavation income	1,455	-	-	75	-	-	-	-
Finance lease income	276	-	-	102	-	-	-	-
Asset given on lease	-	-	-	2,949	-	-	-	-
Guarantees commission received from subsidiaries	-	-	-	-	-	-	688	1,522
Managerial remuneration ³	-	-	613	-	-	398	148	147

	2011			2010			2011	2010
Balances ^{1,2}								
Interest receivable	4,759	-	-	2,988	-	-	-	-
Interest payable	-	-	-	82	-	-	-	-
Loans and inter corporate deposits receivable	21,772	-	-	27,036	-	-	124,373	27,790
Loans and inter corporate deposits payable	242	-	-	3,466	-	-	-	-
Lease receivable	2,953	-	-	3,099	-	-	-	-
Receivable	1,409	-	-	262	-	-	-	-
Assets under construction	-	5,617	-	-	5,577	-	-	-
Due to key managerial personnel ³	-	-	67	-	-	58	38	38

¹ Outstanding balances at the year end are unsecured, interest-bearing in case of loans and inter-corporate deposits and non-interest bearing in case of other loans and advances and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2011, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2010: US \$ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

² The difference in the movement between the opening outstanding balances, transactions during the year and closing outstanding balances is on account of business combination and exchange adjustments.

³ Remuneration is net of accrual towards Gratuity, a defined benefit plan, which is managed for the Company as a whole. However, the annual accrual of this liability towards key management personnel is not expected to be significant. There are no other long term benefits and termination benefits which are payable to the key management personnel.

31. Commitments and contingencies

Operating lease commitments

The Group has entered into a number of operating leases for land and office facilities. The leases typically run for a period of 1 to 99 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

Non-cancellable operating lease rentals are payable as follows:

	2011	2010
Not later than one year	347	308
Later than one year and not later than five years	300	323
Later than five years	-	-
Total	647	631

During the year ended 31 March 2011, US \$ 1,687 (2010: US \$ 1,006) was recognised as an expense in respect of operating leases.

Capital commitments

As at 31 March 2011, the Group is committed to purchase property, plant and equipment for US \$ 3,196,514 (2010: US \$ 2,797,398). In respect of its interest in a joint venture the Group is committed to incur capital expenditure of US \$ 2,133 (2010: US \$ 34,956).

Other commitments

As of 31 March 2011, the Group has contractual obligations to spend approximately US \$ 6,807 (2010: US \$ 15,576); under purchase obligations which include commitments to purchase a minimum quantity of fuel under the terms of the agreement between the fuel supplier.

However, the Group believes that the obligation to purchase of a minimum quantity of the fuel may not apply in case of reduction in requirement to supply power to its customers.

Notes to the Consolidated and Company Financial Statements (Continued)

Legal claim

- ▲ Sitapuram Power Limited ('SPL') received bills totalling to US \$ 1,754 from Transmission Corporation of AP Limited ('AP Transco') to pay contracted demand charges for the full month without any deference to the period of actual outage (and consequent drawl by SPL from the grid). The Company has contended the basis for the charges levied by SPDCL and along with the captive consumer has filed a petition with Andhra Pradesh Electricity Regulatory Commission ("APERC") for revision of the charges claiming that the levy is unreasonable and APERC has dismissed the petition. The Company has filed an appeal before Appellate Tribunal for Electricity against the order of APERC. The Appellate Tribunal for Electricity has allowed the appeal in favor of the Company vide its judgment dated 19 November 2010. As per the judgment, the captive consumer is in the process of filing application with SPDCL for claiming the refund. Upon receipt of the refund of aforesaid amount from SPDCL, the claims receivables of the Company will be settled by the captive consumer.
- ▲ SPL also received claims for penal charges totalling to US \$ 98 from state utility board for excess sourcing of power on account of failure of reverse switch mechanism maintained by the state electricity board. The Group contends that excess sourcing was not deliberate but on account of failure of reverse switch mechanism, maintenance of which is duty of state utility board. Considering the facts and nature of claim and a stay has been granted by appellate authorities in India, the Group believes that the final outcome of the above dispute should be in favour of the Group and there should be no material impact on the financial statements.
- ▲ Wardha Power Company Limited ('WPCL') received claims for US \$ 1,991 from Maharashtra State Electricity Distribution Company Limited (MSETCL) towards the Long Term Open Access charges (LTOA) pursuant to the Bulk Power Transmission Agreement (BPTA) since, the transmission facility was kept ready for use. The Group contends at no stage MSETCL informed WPCL regarding the readiness of the evacuation system and the transmission system was never utilized for transmission of the power. Hence, the demand made is not correct and if allowed would constitute for double accounting for the use of the system. The Group believes that outcome of the above dispute should be in favour of the Group and there should be no material impact on the financial statements.
- ▲ The Group has received claims for US \$ 14,313 from Joint Director General of Foreign Trade (DGFT) towards the recovery of the duty drawbacks, earlier refunded. The Group had earlier made claims for the refund of the duties paid on the machinery and other items purchased for the construction of the power projects under the scheme of deemed export benefit, which were accepted and refunds were granted. The communication from the DGFT regarding the recovery of the duties paid are based on the interpretations by the Policy Interpretation Committee held on 15 March 2011. The Group contends that the above change in interpretation requires an amendment to the foreign trade policy to be legally enforceable in law. Since, no such amendment has been done yet, the Group believes that outcome of the above dispute should be in favour of the Group and there should be no material impact on the financial statements.

Guarantees

- ▲ The Company has guaranteed the loans and non fund based facilities availed by subsidiaries to unrelated parties for US \$ 272,569 (2010: US \$ 231,485) and
- ▲ The Group guaranteed the performance of the joint ventures under the power delivery agreements to unrelated parties. No liability is expected to arise.

32. Financial risk management objectives and policies

The Group's principal financial liabilities, comprises of loans and borrowings, trade and other payables, and other current liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has loans and receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Group also hold investments designated at fair value through profit or loss and available-for-sale categories.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and group risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and investment at fair value through profit or loss.

The sensitivity analyses in the following sections relate to the position as at 31 March 2011 and 31 March 2010.

The following assumptions have been made in calculating the sensitivity analyses:

- ▲ The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest expense for one year, based on the floating rate borrowings held at 31 March 2011, all other variables being held constant. These changes are considered to be reasonably possible based on observation of current market conditions.
- ▲ The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

At 31 March 2011 and 31 March 2010, the Group had no interest rate derivatives.

If interest rates increase or decrease by 100 basis points with all other variables being constant, the Group's profit before tax for the year ended 31 March 2011 would decrease or

increase by US \$ 3,014 (2010: US \$ 1,021).

If interest rates increase or decrease by 100 basis points with all other variables being constant, the Company's loss before tax for the year ended 31 March 2011 would increase or decrease by US \$ Nil (2010: US \$ Nil).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The majority of our assets are located in India where the Indian rupee is the functional currency for our subsidiaries. Currency exposures also exist in the nature of capital expenditure and services denominated in currencies other than the Indian rupee.

Our Group borrowings are denominated in both Indian rupees and US dollars, while a large portion of cash and liquid investments are held in other currencies, mainly in the Indian rupee. Some financial assets and liabilities are not held in the functional currency of the respective subsidiary. We also hold some intra-group balances in currencies which are not the functional currency of the respective subsidiary and hence the Group is exposed to movements in the functional currency of those entities and the currencies in which these balances are held.

Consequently, currency fluctuations may have a large impact on our Group financial results. We are subject to currency risks affecting the underlying cost base in the operating subsidiary companies and also the translation of unit cash costs, profit or loss and the statement of financial position (including non-US dollar denominated borrowings) in the consolidated financial statements, where the functional currency is not the US dollar.

Foreign currency exposures are managed through a group-wide hedging policy. The policy is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. Short-term foreign exchange exposures relating to capital expenditure are hedged, whilst medium to long term exposures are unhedged.

Notes to the Consolidated and Company Financial Statements (Continued)

The carrying amount of the Group's financial assets and liabilities in different currencies are as follows:

Currency	2011		2010	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Indian Rupee	581,015	1,370,262	426,996	766,623
Great Britain Pound	3,668	237	8,211	1,008
United States Dollar	47,640	454,543	33,148	403,885
Others	67	180	1,286	-

The Group's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity with US dollar being the major foreign currency exposure of the Group's main operating subsidiaries. Set out below is the impact of a 10% change in the US dollar on profit and equity arising as a result of the revaluation of the Group's foreign currency financial instruments:

2011	Closing exchange rate	Effect of 10% strengthening of US \$ on net earnings	Effect of 10% strengthening of US \$ on total equity
Indian Rupee	45.3978	(34,667)	(34,667)
Great Britain Pound	0.6238	3,822	3,822

2010	Closing exchange rate	Effect of 10% strengthening of US \$ on net earnings	Effect of 10% strengthening of US \$ on total equity
Indian Rupee	45.0301	(29,136)	(29,136)
Great Britain Pound	0.6637	2,520	2,520

Equity price risk

The Group's investments in listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the Group's exposure to unlisted equity securities was US \$ 8,898 (2010 US \$ 6,667) and the exposure to listed equity securities at fair value was US \$ 3,878 (2010 US \$ 3,800).

At the reporting date, the Company's exposure to unlisted equity securities (excluding investment in subsidiaries) was US \$ Nil (2010: US \$ Nil).

A decrease of 10% on the Indian market index would have an impact of approximately US \$ 283 (2010: US \$ 242) on the income or equity attributable to the Group, depending on whether or not the decline is significant and prolonged. An increase of 10% in the value of the Indian market index would impact equity by similar amounts.

A decrease of 10% on the UK market index would have an impact of approximately US \$ 78 (2010: US \$ 220) on the income or equity attributable to the Group, depending on whether or not the decline is significant and prolonged. An increase of 10% in the value of the UK market index would impact equity by similar amounts.

Credit risk analysis

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and from its financing activities, including short-term deposits with banks and financial institutions, and other financial assets.

The maximum exposure for credit risk at the reporting date is the carrying value of each class of financial assets amounting to US \$ 572,209 (2010: US \$ 444,708).

The Group has exposure to credit risk from a limited customer group on account of supply of power. However, the Group ensures concentration of credit does not significantly impair the financial assets since the customers to whom the exposure

of credit is taken are well established and reputed industries engaged in their respective field of business. The credit worthiness of customers to which the Group grants credit in the normal course of the business is monitored regularly. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group's/ Company's maximum exposure for financial guarantees are noted in note 31.

The Group's management believes that all the above financial assets, except as mentioned in note 19, are not impaired for each of the reporting dates under review and are of good credit quality.

Liquidity risk analysis

The Group's main source of liquidity is its operating businesses. The treasury department uses regular forecasts of operational cash flow, investment and trading collateral requirements to ensure that sufficient liquid cash balances are available to service ongoing business requirements. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 90 day projection. Long-term liquidity needs for a 90 day and a 30 day lookout period are identified monthly.

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 60 day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

Notes to the Consolidated and Company Financial Statements (Continued)

The following is an analysis of the group contractual undiscounted cash flows payable under financial liabilities at 31 March 2011:

	Current		Non-current		Total
	On demand	within 12 months	1-5 years	Later than 5 years	
Interest-bearing loan and borrowings	113,955	775,475	760,907	453,029	2,103,366
Trade and other payables	10,532	176,789	26,760	5,066	219,147
Other current financial liabilities	-	3,184	-	-	3,184
Total	124,487	955,448	787,667	458,095	2,325,697

The following is an analysis of the group contractual undiscounted cash flows payable under financial liabilities at 31 March 2010:

	Current		Non-current		Total
	On demand	within 12 months	1-5 years	Later than 5 years	
Interest-bearing loan and borrowings	3,500	625,369	441,104	267,137	1,337,110
Trade and other payables	7,632	85,988	-	5,108	98,728
Other current financial liabilities	-	2,573	-	-	2,573
Total	11,132	713,930	441,104	272,245	1,438,411

The Company's contractual undiscounted cash flows payable under financial liabilities as at 31 March 2011 is US \$ 9,665 (2010: US \$ 976).

Capital management

Capital includes equity attributable to the equity holders of the parent and debt.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value objectives include, among others:

- ▲ Ensure Group's ability to meet both its long-term and short-term capital needs as a going concern;
- ▲ Constantly evolve multiple funding alternatives – equity and /or preference capital, senior and /or subordinated debt, corporate loan facilities to arrive at an optimal capital mix;
- ▲ Deployment of capital in Special Purpose Vehicles ('SPVs') in a timely manner and as appropriate to the project development under pursuit;
- ▲ Evolution and finalisation of capital holding levels in underlying SPV's, with balance capital contributions by Customers, Co-investors (financial or otherwise), if any;
- ▲ Periodic review of the existing capitalisation levels in various parts of the business for potential post construction refinancing and any capital release(s) under such refinancing; and
- ▲ Fine tune capital deployment decisions to enable adequate return to shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years end 31 March 2011 and 2010.

The Group maintains a mixture of cash and cash equivalents, long-term debt and short-term committed facilities that are designed to ensure the Group has sufficient available funds for business requirements.

The SPVs in the Group engaged in the business of captive power generation are subject to statutory requirement of maintaining the captive consumers' equity at 26% of the total equity. Apart from the aforementioned requirement, there are no other imposed capital requirements on Group or entities, whether statutory or otherwise.

The Capital for the reporting year under review is summarised as follows:

	2011	2010
Total equity	850,688	720,471
Less: Cash and short-term deposit	(338,159)	(276,872)
Capital	512,529	443,599
Total equity	850,688	720,471
Add: Borrowings	1,604,981	1,072,545
Overall financing	2,455,669	1,793,016
Capital to overall financing ratio	21%	25%

33. Summary of financial assets and liabilities by category and their fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2011	2010	2011	2010
Financial assets				
Cash and short-term deposits ¹	367,151	276,872	367,151	276,872
Financial assets designated as fair value through profit or loss				
- held for trading ⁴	5,638	10,422	5,638	10,422
Loans and receivables				
- trade and other receivables ^{1 & 2}	71,864	27,849	71,864	27,849
- other financial assets ^{1 & 2}	175,090	145,972	175,090	145,972
Available-for-sale quoted instruments ⁴	12,647	8,526	12,647	8,526
	632,390	469,641	632,390	469,641
Financial liabilities				
Financial liability at fair value through profit or loss				
- derivatives not designated as hedge ¹	3,184	2,573	3,184	2,573
At amortised cost				
- interest bearing loans and borrowings ^{1 & 3}	1,604,981	1,072,545	1,606,078	1,073,246
- trade and other payables ^{1 & 3}	217,057	96,398	217,057	96,398
	1,825,222	1,171,516	1,826,319	1,172,217

Notes to the Consolidated and Company Financial Statements (Continued)

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2011	2010	2011	2010
Financial assets				
Cash and short-term deposits ¹	14,551	13,133	14,551	13,133
Loans and receivables				
- trade and other receivables ¹	166	46	166	46
- other financial assets ^{1 & 2}	146,119	43,978	146,119	43,978
Investment in subsidiaries ²	46,449	46,318	46,449	46,318
	207,285	103,475	207,285	103,475
Financial liabilities				
Financial guarantee contracts ¹	-	667	-	667
At amortised cost				
- interest bearing loans and borrowings ¹	9,300	-	9,300	-
- trade and other payables ¹	365	976	365	976
	9,665	1,643	9,665	1,643

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

1. Cash and short-term deposits, trade receivables, trade payables, and other borrowings like short-term loans, current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
2. Long-term loans and receivables and trade receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the financed project. As of 31 March 2011, the carrying amounts of such receivables, net of allowances, approximate their fair values.
3. The fair value of loans from banks and other financial indebtedness, obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.
4. Fair value of available-for-sale instruments and other financial assets held for trading purposes are derived from quoted market prices in active markets, if available. In certain cases, fair value is estimated using an appropriate valuation technique.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- ▲ Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ▲ Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ▲ Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2011	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	5,638	-	-	5,638
Available-for-sale financial assets				
Unquoted equities	-	8,459	439	8,898
Quoted equities	3,749	-	-	3,749
Total	9,387	8,459	439	18,285
Financial liabilities at FVTPL				
Derivative financial liability	-	3,184	-	3,184
Total	-	3,184	-	3,184

There were no transfers between Level 1 and 2 in the year.

Reconciliation of Level 3 fair value measurements of financial assets:

2011	Available-for-sale Unquoted Equities	Total
Opening balance	608	608
Total gains or losses:		
- in other comprehensive income	88	88
Settlements	(257)	(257)
Transfers out of level 3	-	-
Closing balance	439	439

Total gains or losses of for the year shown above, relates to available for sale securities held at the end of the reporting year.

2010	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	10,422	-	-	10,422
Available-for-sale financial assets				
Unquoted equities	-	6,059	608	6,667
Quoted equities	1,859	-	-	1,859
Total	12,281	6,059	608	18,948
Financial liabilities at FVTPL				
Derivative financial liability	-	2,573	-	2,573
Total	-	2,573	-	2,573

There were no transfers between Level 1 and 2 in the year.

Reconciliation of Level 3 fair value measurements of financial assets:

2010	Available-for-sale Unquoted Equities	Total
Opening balance	626	626
Total gains or losses:		
- in other comprehensive income	131	131
Purchases	11	11
Settlements	(160)	(160)
Transfers out of level 3	-	-
Closing balance	608	608

34. Subsequent events

Open offer: The Group has made an open offer to the public equity shareholders of KSK Energy Ventures Limited ('KSKEV'), an Indian Listed subsidiary, to acquire up to 74,526,091 equity shares being 20% of the voting share capital of the subsidiary, pursuant to and in compliance with, among others, Regulation 11(1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto (the "SEBI (SAST) Regulations" or the "Regulations"). The offer is being made at a price of Rs 125/- (US \$ 2.75) per equity share, payable in cash. Subsequent to the open offer, the holding of the Group in KEVL will increase to 74.94% from 54.94%, which will be accounted as acquisition of non-controlling interest without change in control as equity transaction and accordingly, the carrying amount of Group's interest and the non-controlling interest will be adjusted to reflect the changes in their relative interests in the subsidiary.

Approved by the Board of Directors on 26 July 2011 and signed on behalf by:

S. Kishore
Executive Director

K. A. Sastry
Executive Director

Definitions and Glossary

Acts	: the Isle of Man Companies Acts 1931 to 2004, as amended	KSKEV	: KSK Energy Ventures Limited
ACPCPL/Arasmeta	: Arasmeta Captive Power Company Private Limited	KSK Wind Energy	: KSK Wind Energy Private Limited
AGM	: Annual General Meeting	kWH	: kilowatt hour
Board	: the Board of Directors of KSK Power Ventur plc	Lehman Brothers /LB Group	: Lehman Brothers Securities Private Limited
BU	: Billion Units	LSE	: London Stock Exchange plc
CEA	: Central Electricity Authority	MT	: Million Tonne
CIL	: Coal India Limited	MW	: Mega Watt
Combined Code	: the Combined Code on Corporate Governance, issued by the Financial Reporting Council	PPA	: Power Purchase Agreement
Company or KPVP or parent	: KSK Power Ventur plc	QIP	: Qualified Institutional Placements
Current Quarter	: the Quarter commencing from 1 July 2011 to 30 September 2011	Rupees/INR	: Indian Rupee, the lawful currency of India
Electricity Act	: the Indian Electricity Act 2003 as amended	SAST	: Substantial Acquisition of Shares and Takeovers Regulation, 1997
EPC	: Engineering, Procurement and Construction	SCCL	: Singareni Collieries Company Limited
FY	: Financial Year commencing from 1 April to 31 March	SPL / Sitapuram	: Sitapuram Power Limited
GDP	: Gross Domestic Product	SPV	: Special Purpose Vehicle, each being an Indian registered company incorporated for the purpose of a specific power project
GIDC	: Goa Industrial Development Corporation	SRPCPL / Sai Regency	: Sai Regency Power Corporation Private Limited
GMDC	: Gujarat Mineral Development Corporation	UK / United Kingdom	: United Kingdom of Great Britain and Northern Ireland
Group or KSK	: the Company and its subsidiaries	UK LLP	: United Kingdom Limited Liability Partnership
GW	: Giga Watt	US\$ or U.S.\$ or \$: US Dollars, the lawful currency of the US
IAS	: International Accounting Standards	VSLP / VS Lignite	: VS Lignite Power Private Limited
IFRS	: International Financial Reporting Standards	WPCL	: Wardha Power Company Limited
Indian Companies Act	: the Companies Act, 1956 and amendments thereto	ZCL	: Zuari Cement Limited
JRPGPL	: J R Power Gen Private Limited	£ or Sterling	: Pounds or sterling, the lawful currency of the UK
K&S	: K&S Consulting Group Private Limited, a company controlled, and majority owned, by the Promoters		
KMPCL /KSK Mahanadi	: KSK Mahanadi Power Company Limited		
KSK Dibbin	: KSK Dibbin Hydro Power Private Limited		
KSK Energy Company	: KSK Energy Company Private Limited		

Company Information

Directors

Thiruvengadam Lakshman Sankar

(Non-Executive Chairman)

Subramaniam Ramachandran Iyer

(Non-Executive Director)

Vladimir Dlouhy

(Non-Executive Director)

Sethuraman Kishore

(Executive Director)

Kolluri Ayyappa Sastry

(Executive Director)

Company Secretary

Richard Vernon Vanderplank

Registered Office

Fort Anne, Douglas

Isle of Man, IM1 5PD

Financial Adviser & Corporate Broker

Arden Partners plc

125 Old Broad Street

London, EC2N 1AR

Isle of Man Legal Advisers to the Company

Cains Advocates Limited

Fort Anne, Douglas

Isle of Man, IM1 5PD

Auditors

Grant Thornton UK LLP

Grant Thornton House, 22 Melton Street

London NW1 2EP

Principal Bankers

RBS International

Royal Bank House, 2 Victoria Street

Douglas, Isle of Man , IM99 1NJ

And

Axis Bank

9, Raffles Place, #48-01/02

Republic Plaza-1

Singapore – 048619

Registrars

Cains Fiduciaries Limited

Fort Anne, Douglas

Isle of Man, IM1 5PD

CREST Agent

Computershare Investor Services (Jersey) Limited

Queensway House

Hilgrove Street, St Helier

Jersey, JE1 1ES

Websites

www.kskplc.co.uk

www.ksk.co.in

Scrip Code

KSK



KSK Power Ventur plc

Fort Anne, Douglas, Isle of Man, IM1 5PD

