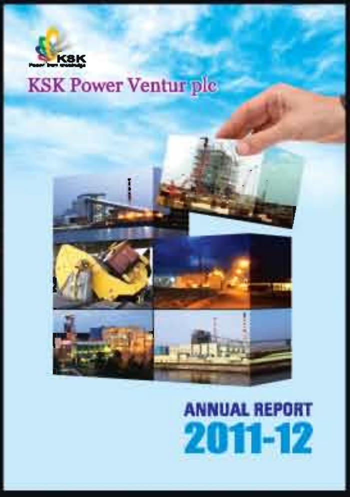
KSK
Power from knowledge

KSK Power Ventur plc

ANNUAL REPORT 2011-12



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Operational Highlights

881MW
Operating capacity

Operating capacity at 881 MW

3600 MW
Under active Construction

3600 MW KSK Mahanadi, under active construction

Construction progress underway with commissioning priority for first two units along with common infrastructure

Good progress with respect to support facilities of railway transport infrastructure and water infrastructure in addition to supporting mine development

10 MW
Solar Power Initiated

10 MW Solar power generation project initiated and advance action on new generation wind power projects

5 + GW
Potential Opportunities

Additional Thermal Opportunities

Hydro opportunities – potential collaboration for taking up next stage of development

Financial Highlights

The year under review had experienced enhanced overall financial performance (except for finance costs, primarily foreign exchange translation differences and profit after taxes) notwithstanding the challenging market conditions. Revenue from operations has significantly increased to US $ 383.2 million up by 69%, while operating profits and cash generated from operations increased by 133% and 302% respectively.

The increase in investments, total asset base (including capital work in progress) has been accompanied by fresh capital issuance as well as increase in cash and short term deposits.

Revenue 383.2 m 2011: 226.8m (↑ 69%)	**Cash generated from operation** 98.4 m 2011: 24.5m (↑302%)
Gross profit 130.0 m 2011:76.4m(↑ 70%)	**Operating profit** 122.4 m 2011: 52.5m (↑133%)
Finance income 39.3 m 2011: 23.6 m (↑66%)	**Profit after tax** (9.9 m) 2011: 30.1 m (↓133%)
Investment in PPE 2,685.8 m 2011: 1,955.1m (↑37%)	**Cash and short-term deposits** 417.6 m 2011: 338.2m (↑23%)
Total assets 3,560.2 m 2011: 2,732.0m (↑30%)	**Proceed from issue of shares** 59.5 m 2011: 95.5m (↓38%)

All the figures given above are in US $ million

Chairman's Statement

T.L. Sankar
Chairman

I am pleased to report that, the financial year 2011-12 has been successful for the group given that the year under review has been through one of the most turbulent times of the power sector in India and Indian economy as a whole. The significant drop in economic growth rate accompanied by currency depreciation of the Indian Rupee against the US Dollar by c.15% during the year under review, with further depreciation of c.11% during the first 3 months of the current financial year has led to large scale earnings volatilities despite strong underlying operational performance accompanied by increasing costs of imports – both in capital goods and raw materials. Further, with government delays in granting environmental permits and sluggish coal and natural gas production across the country, large sized generation units have been affected, with major efforts now needed by developers to synchronize planned generation capacities with fuel supplies.

These recent developments in the Indian energy sector, more specifically with respect to acute fuel shortages and resultant slowdown in generation capacity additions by other developers, accumulating receivables from local utilities, extremely slow government approvals and decision processes, along with the anticipated challenges in the next 24 to 36 months across the power sector in India validate our belief that sustainable and continual progress by power plant developers in India requires them to have a low cost structure base for operations, be innovative, have the ability to adapt to the changing situations including addressing government policy asymmetries and have a flexible approach on the ground to develop and implement strong and sustainable power generation assets.

I am happy to note that with the primary objective of the tie-up of the requisite raw material for power generation by Group's power plants, the Group has been pursuing a differentiated approach of collaboration with local governments and state mineral development corporations and anticipate that the fuel security through these fuel supply arrangements would not only enable sustained power generation but result in wider public good being served through competitive tariffs to local utilities that seek to pass on the benefits from the collaboration in a sustained manner.

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

"The year 2011-12 is an extraordinary year of contrasts for the Indian power generation sector. While the year witnessed the highest ever capacity addition in a single year of c.20 GW the average Plant Load Factor of Thermal Power plants across the country has come down below 75% reflecting the policy asymmetries and paralysis on addressing fuel scarcities. Similarly while attempting to address utility financials through distribution tariff reforms coupled with competitive procurement, parallel attempts to restructure and rewrite existing power purchase agreements of a few developers to accommodate high cost imported fuel pass-through would only lead to further worsening of utility financials. While ambitious capacity addition targets of 75 GW in next 5 years set, the limited effort being made to address low cost domestic coal and gas exploitation and supplies resulting in power lenders being driven to restructure their loan portfolios in light of significant stranded capacities. The developer challenges, while acute, the solutions look very simple – addressing the fuel security accompanied by flexible approach on asset build on ground for strong and sustainable power generation assets"

1. Wardha Power: The significant achievements during the period include execution of Fuel Supply Agreement and commencement of coal supplies from WCL under cost plus coal arrangement as well as obtaining open access for power supplies. With these developments, we anticipate that the Plant Load Factor ("PLF") would improve during the current year and enable us to operate on sound financial basis to enable continuing cash flows being generated in Wardha Power to be available to augment further equity infusions for the KSK Mahanadi power project.

2. Construction progress on the 3600 MW KSK Mahanadi power project at Nariyara, Chattisgarh with boiler drum lifting for three units having been achieved and hydro test for the first unit to be completed shortly.

   While resolution of the Morga-II or supplies from alternate block has been slower than anticipated, recent development indicate that these would be addressed during the course of the current year. However to address the immediate term requirements, the company is working on a combination of (1) coal supplies from Gare-Pelma Coal block that has been allotted to GIDC (2) Tapering Coal Linkage supplies from South Eastern Collieries and (3) Imported / market coal to bridge any temporary deficits.

   Keeping in view the fuel initiatives and developments with continual progress on the construction activity at this project site, the company anticipates commissioning the first unit before the end of 2012-13 and the balance units thereafter through 2013 and 2014.

   We believe that upon completion of the six units in 2014, this will be one of the largest single location green field projects in India and reinforce the strong project development capabilities of KSK Group.

3. Sai Regency, the gas based power plant of the group has continued to provide exceptional performance on PLF and financial parameters during the current year. VS Lignite, the lignite power plant of the group has also recorded good PLF performance however with moderate financial performance.

4. Arasmeta, the captive power plant with two units

Chairman's Statement

of 43 MWs has recorded low performance both on PLF and financial parameters primarily on account of the captive consumer not consuming contracted power from the expansion unit. In addition to taking up appropriate remedies, 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.

5. The Group's foray into hydro power generation is marked more by completion of the necessary detailed project reports and geo technical studies for the larger hydro opportunities in the state of Arunachal Pradesh. The Group continues its efforts for collaboration with large reputed hydro power plant developers to move forward to the next stage of development and capital commitment of these large hydro initiatives.

6. The Solar energy generation initative of the Group has acquired a new thrust with recent securing of a project award for setup of c.10 MW of solar power generation plant in the state of Rajasthan under the Jawaharlal Nehru National Solar Mission with power purchase agreement with the prescribed nodal agency. We anticipate construction of this plant in the current financial year and further strengthen the renewable initiatives of the group.

7. As regards wind power generation initiatives, the group had 52 MW of earlier technology small size wind energy generators along with 18.9 MW of new generation individual turbines of 2.1 MW each. The group has divested the 52 MW and intends to focus on greenfield projects with higher PLF potential. While efforts have been initiated to procure wind energy generators at competitive prices from various sources including China, the group continues to acquire concessions directly and setup the wind farms in collaboration.

8. The year under review has also witnessed significant progress of Companies under stream of KSK Energy Company especially with respect to 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, rail infrastructure supporting coal transportation needs and the mine development initiatives with respect to KSK Mahanadi project.

9. During the year the Company has completed the open offer process under Indian Takeover Regulations and acquired further 20% of KSK Energy Ventures Limited, the Indian subsidiary resulting in an aggregate holding of 74.94% in the Indian Subsidiary. This acquisition under tender offer for shares in KSK Energy Ventures Limited has been funded primarily through rupee debt financing at the acquiring Indian subsidiary. The facilities have been secured by the pledge of

shares in KSK Energy Ventures acquired under the offer and additional shares held by the Group. 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 highly encouraging.

10. The Group during the current year has been successful in placing of 7.6 million of new ordinary Shares with a range of institutional investors and raising £39.5m to fund the various growth initiatives, primarily for the creation of the support infrastructure.

Financial Performance

The Year under review had experienced an enhanced overall financial performance (except for finance costs with respect to foreign exchange differences which are primarily because of accounting translations to reporting currency) notwithstanding the challenging market conditions. The gross revenue has increased from $ 226.8 million to $ 383.2 million reflecting the robust underlying growth. Gross Margins increased from $ 76.4 million to $ 130 million. Also operating profits moved up from $ 52.5 million to $ 122.4 million. The increasing finance costs on new generation assets along with foreign exchange differences on account of accounting translations resulted in decrease of profit after tax from $ 30.1 million to loss after tax of $ 9.9 million. For further details on the financial performance, please refer to the financial review section of this report.

Outlook

While the economic outlook in the short and medium term is challenging and fraught with uncertainities, the Indian economic growth potential and unfulfilled demand for power generation in India is expected to continue through the coming decade.

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 outlive these tumultuous times.

The Board believes that KSK Group is well positioned in this regard and we have reasonably sized operation asset base coupled with the 3.6 GW project under execution and expect significant margin improvement in the coming year as increased asset utilisation and lower cost fuel supply is implemented at the Wardha Warora Power Plant. We will continue to look for the most efficient forms of debt financing for the Group and its operations.

T.L. Sankar

T.L. Sankar
Chairman

Market Overview

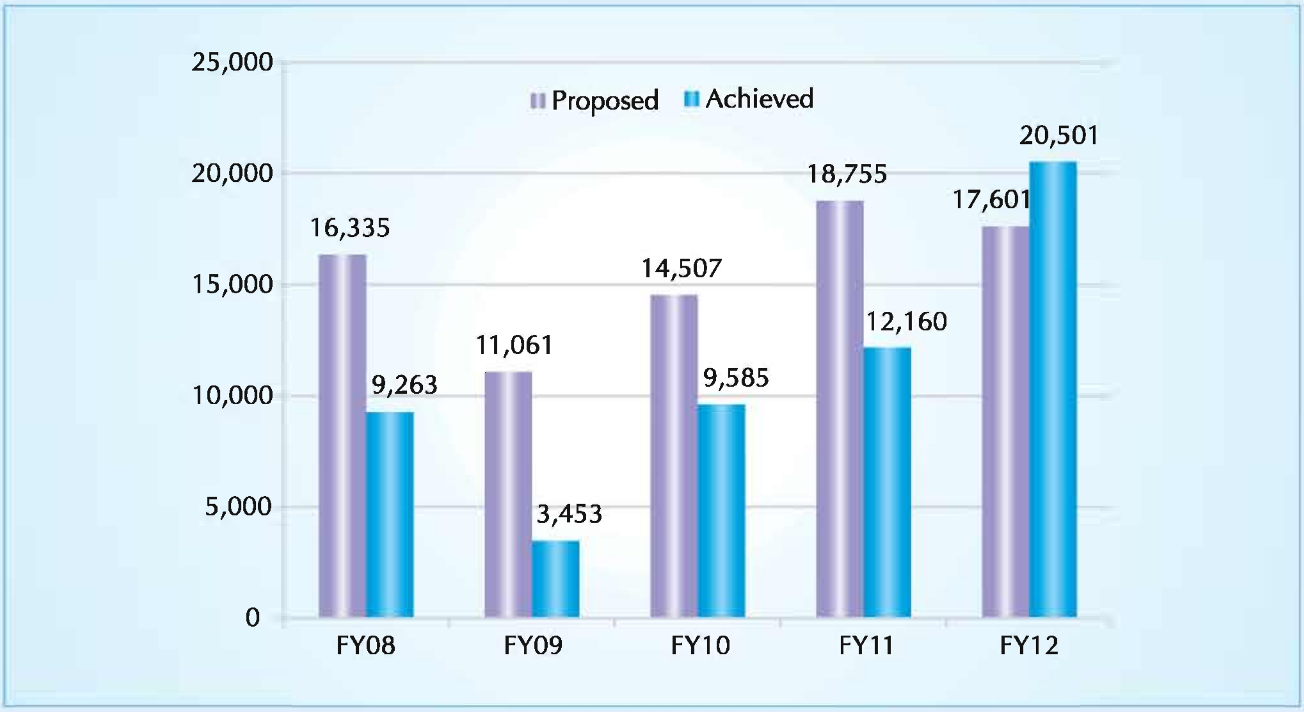
Power sector holds key for economic growth ahead with growth in generation having led to extensive use in all the sectors of the economy. The growth in installed generation capacity of the country has been significant with closer to 200 GW, and the last 5 years and more specifically the year 2011-12, having contributed significantly to this capacity addition effort.

Plan Vs Performance

While the initial target proposed for the 11th Plan was fixed at 78 GW, the same has been revised midterm to 62 GW and now actually 52 GW has been finally commissioned during the 11th Plan. Thermal continues to be the dominant category with coal being the primary source driving forward.

Category	Proposed	Revised	Achieved
Thermal	59,693	50,756	43,071
Hydro	15,627	8,237	6,111
Nuclear	3,380	3,380	2,880
Total	**78,700**	**62,373**	**52,062**

Further, an year wise analysis reflect the effect of delays and spillover of capacity additions that has resulted in the year 2011-12 almost contributing to 40% of the 5 year additions achieved.



The year wise category addition is as follows:

Year	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Thermal	6,620	2,484	9,106	11,250	19,078	48,538
Hydro	2,423	969	39	690	1,423	5,544
Nuclear	220	-	440	220	-	880
Total	**9,263**	**3,453**	**9,585**	**12,160**	**20,501**	**54,962**

The Performance Challenges

While capacity addition has been significant, the asset utilization has experienced decline on account of various factors. Some of the same are outlined below:

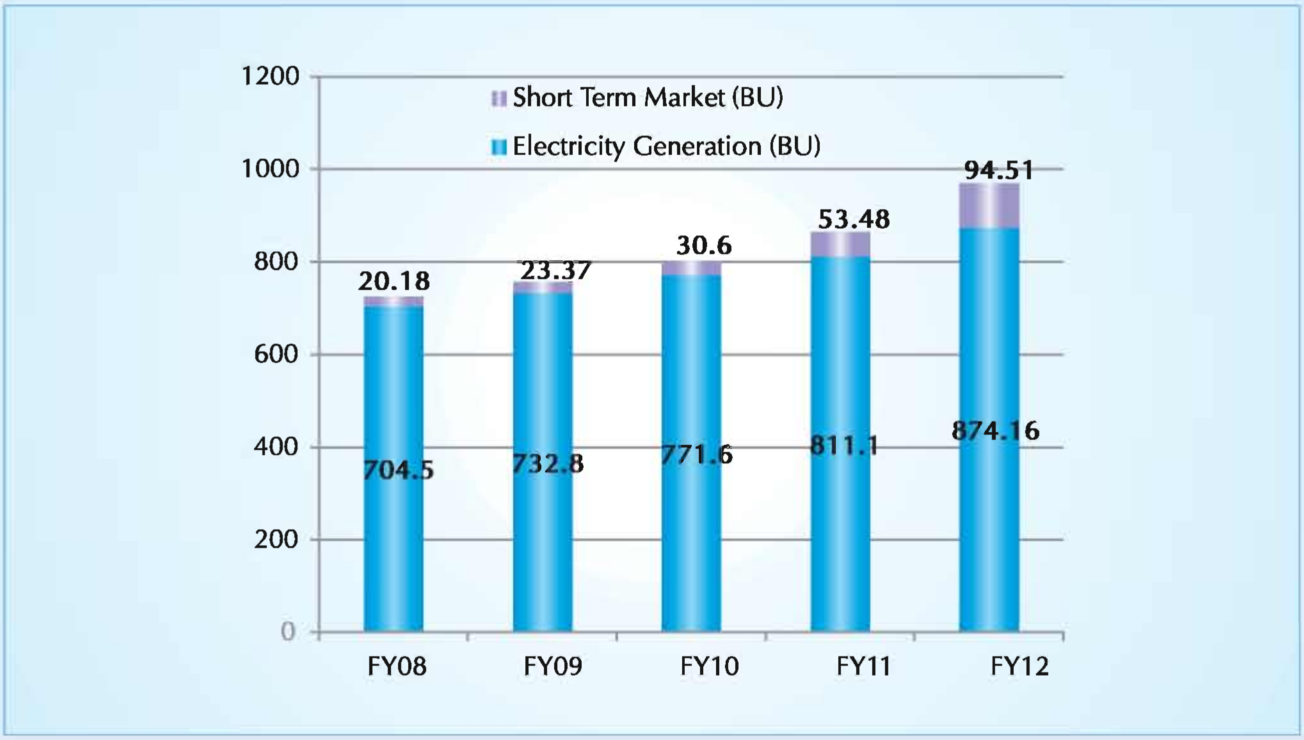
- Significant drop in gas production in KG basin D-6 field and resultant short supply of natural gas to power plants
- Production of coal by Coal India not matching with the demand requirements of coal based generation capacity that has been setup over the last 5 years
- Slow progress and bottlenecks in environmental clearances with respect to captive coal blocks - no augmentation of production as anticipated earlier
- Inability of distribution licensees to procure high cost power based on imported coal sources and resultant back down of generation capacities
- Limited hydrology and seasonal factors that affected hydro power generation

It is significant to note that the average Plant Load Factor of Thermal Power plants across the country has come down below 75% reflecting the policy asymmetries and paralysis on addressing fuel scarcities across the sector.

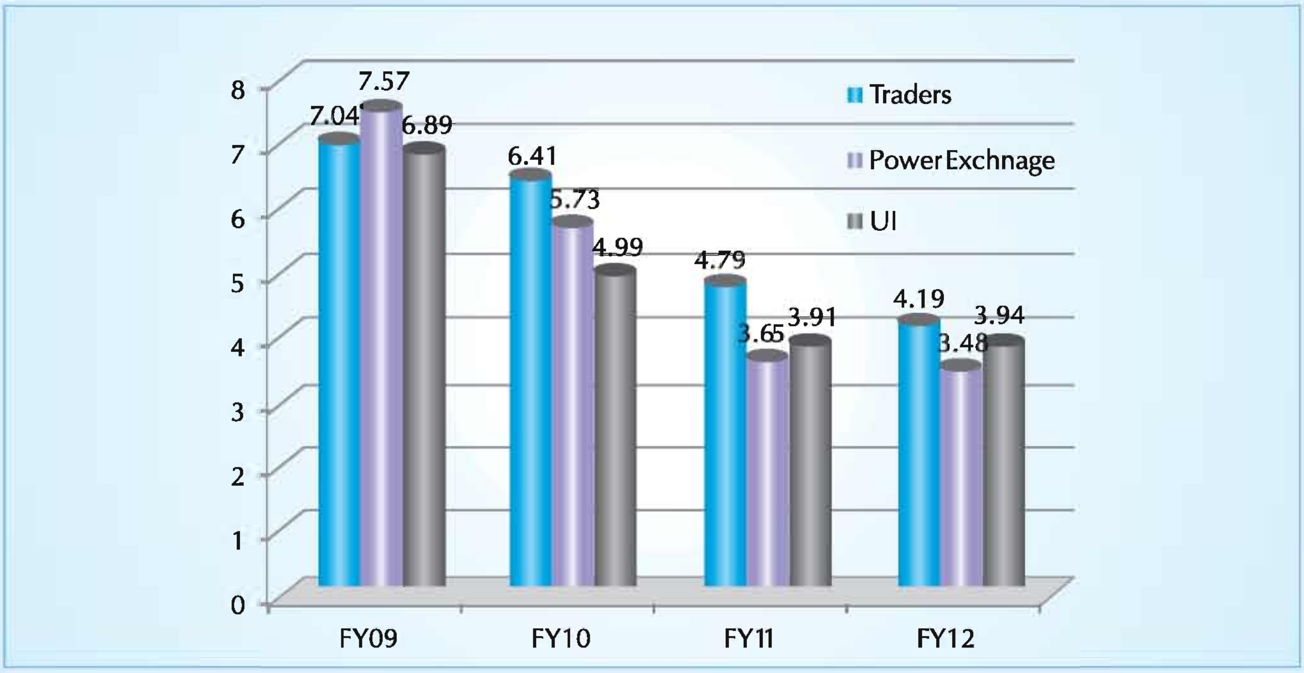
Short Term Trading of Electricity

- The transmission constraints between southern region and the rest of India, process of open access permitting, procedural delays of implementation, other constraints imposed on continuing open access by certain states have only resulted in inhibiting the growth of the short term exchange of power and efficient price discovery.
- Power trading in the country continuous to be in the nascent growth stage with 94 billion units of power exchanged as against 874 billion units of electricity generation across utilities.
- Power traded through the power exchanges continue to be a very small component with 54% of the short term traded power being by nature of bilateral trading and a part of the balance on account of unscheduled interchange settlement mechanism.

Market Overview



Prices in Short Term Markets: There has been a significant decline in the price realization on short term power. This has been primarily on account of the procurement behavior of the distribution licensees and the procurers who utilize such supplies to meet their short term requirements of power as load shedding was resorted to rather than high cost purchases during the last four years . The year wise trend for the prices in short term market in the last four years is given below:



Opportunities, Threats and Outlook

The central electricity authority is in the process of drafting the National Electricity Plan for the next five years. It is also in the process of identifying the major hurdles which have hindered the target achievement of the 11th Five year plan and working detailed plans to address the same.

Based on the various scenarios of estimation of electricity requirement, the projected requirement of power at the end of the next two 5 year plans is expected to be

	Energy Requirement (GWh)	Peak Load (MW)
End of 12th Plan (2016-17)	1,354,874	199,540
End of 13th Plan (2021-22)	1,904,861	283,470

The above points to a healthy demand growth of power requirement and associated power generation opportunities. Also the need for low cost power generation is reinforced by the outlook on financials of the various procuring utilities but also by the price realization on sale of surplus short term power.

While the government effort continues on removal of hurdles like, enhancing engineering and capital goods manufacturing capacity within India - both for main power plants and balance of plants, increasing the number of construction agencies, manpower and training facilities in Power Sector, IT based monitoring etc the key would be to address the fuel and associated generation uncertainties.

While ambitious capacity addition targets of 75 GW in next 5 years are set, the limited effort is currently being made to address low cost domestic coal and gas exploitation and supplies resulting in power lenders being driven to restructure their loan portfolios in light of significant stranded capacities. The same would have contagion effect on the entire energy sector.

Similarly, while attempting to address utility financials through distribution tariff reforms coupled with competitive procurement, parallel attempts to restructure and rewrite existing power purchase agreements of a few developers to accommodate high cost imported fuel pass-through would only lead to further worsening of utility financials.

The recent developments in the Indian energy sector, more specifically with respect to acute fuel shortages, slowdown in generation capacity additions by other developers, accumulating receivables of power generators from local utilities, extremely slow government approvals and decision processes, along with the anticipated challenges in the next 24 to 36 months across the power sector in India validate our belief that sustainable and continual progress by power plant developers in India requires them to have a low cost structure base for operations, be innovative, have the ability to adapt to the changing situations including addressing government policy asymmetries and have a flexible approach on the ground to develop and implement strong and sustainable power generation assets.

The developer challenges, while acute, the solutions look very simple - addressing the fuel security with flexible approach on asset build on ground for strong and sustainable power generation assets to address this market opportunity.

Operations Review

K. A. Sastry
Executive Director

Overview

The year under review experienced enhanced generation accompanied by continuous operation of the 881 MW. Power generation output has increased 74% to 4861 million kwh (as against 2793 in the previous year). We anticipate this to cross 5000 million units during the current year and gross generation is expected to increase multiple times upon commencement of commissioning of the initial units of 3.6 GW KSK Mahanadi power plant.

The operating assets and associated developments during the period include:

Wardha Power (Aggregate 540 MW) - 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. Towards the close of the year under review and the first 12 weeks of the current year of 2012-13, coal supplies commenced from cost plus blocks and power supplies began to be made to power consumers as and when the associated open access was made fully operational. While the plant had gross generation of 1214 million units during the first half of the year it had 1590 million units of production during the second half. We now anticipate that, with coal supplies from WCL and power supplies to consumers under open access, moving forward the plant is expected to achieve gross generation of above 1800 million units per half year.

VS Lignite (Aggregate 135 MW) - is a 135 MW Lignite based power plant located at Village Gurha, Teshil Kolayat, District Bikaner in Rajasthan. During the year the plant achieved a PLF of 78% which demonstrates the intrinsic operational strength of integrated power plants in India with dedicated access to fuel resources. The Company has certain receivables from its consumers representing taxes including royalty, cess on clean energy, taxes on input fuel as well as additional adjustments for the security Deposit, transmission and SLDC charges which are in terms of the power purchase agreement and hence to be pass through but however disputed by the consumers. The company is pursuing legal remedies to address the same and believes that a final determination of the same would be in favour of the Group.

Sai Regency (Aggregate 77 MW) - Initially a 58MW combined cycle gas based power plant located at Kalugoorani Village of Ramanathapuram District in Tamilnadu which commenced commercial operations in the year 2007, the project has now been expanded by additional 19 MW of wind based power generation capacity. Not only has the asset experienced very good power generation at 89% PLF due to better natural gas availability but also has been successful in making supplies to industrial customers in state of Tamil Nadu.

Arasmeta (Aggregate 86 MW) - Initially, a 43 MW coal based power plant has been setup in Gopal Nagar Village of Janjgir - Champa District in Chhattisgarh that commenced commercial operations in the year 2006 with supplies to two cement units of Lafarge India Private Limited (LIPL). Subsequently at the request of LIPL an additional 43 MW expansion unit has been

"Operating thermal power plants in India, in the current economic and environment context, assumes new meaning and challenges. In addition to the traditional goals of maintaining continuous plant availability matched with technical efficiencies of production such as station heat rate and auxiliary consumption, power generators now need to address new and enhanced challenges in the areas of fuel availability, fuel logistics & supply chain, governmental interdependencies, continuous liaison for open access availability, scheduling and dispatch procedures that have become integral to the power plant operations. With limited recourse or no penalties available to generators on the fuel suppliers and other service providers, the onus of effective and efficient power plant operations and enhanced utilization assume overriding importance and would be the cornerstone for Group performance."

constructed and the same was commissioned in August 2011. The Power Purchase Agreements dated 10th February 2005 and 1st November 2007 govern the power supplies arrangements from the Arasmeta to LIPL. The company has certain claims and receivables from its captive consumer which are now disputed by LIPL, though the amounts claimed are as per the terms of the above PPAs. The group believes that the final determination of the above dispute would be in favour of the Group.

Sitapuram (Aggregate 43 MW) - is a 43MW coal based power plant located at Dondapadu village, Andhra Pradesh which 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. With plans to supplement the fuel supplies with market purchases, it is anticipated that during the current year the plant would experience higher utilization.

KSK Mahanadi (Aggregate 3600 MW)

As regards KSK Mahanadi, our immediate focus and priority continues with respect to the first two units of 600 MW each with development on supporting common infrastructure as well as synchronising the same with planned fuel supplies. On specific aspect of onsite construction progress, during the review period, there was continued progress on civil works with respect to boiler build, electro static precipitators, the chimney and construction 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 initial three units achieved and boiler hydro test for the first unit expected to be completed very shortly.

Fuel security for the initial units of this large private power plant has been secured through access to the Gare Pelma coal block along with coal linkage. In planning for the second phase of commissioning of the balance units, we continue to anticipate that a suitable fuel solution with respect to re-instating or replacing the Morga-II captive coal block will be achieved. With continual progress on the power plant, we anticipate the Government of India to offer a favourable solution in the coming months with respect to the coal supplies for the balance units, if permission on Morga-II is not forthcoming.

Also, while construction activity of this large, single location, greenfield project has seen good progress during recent months, the commissioning schedules are being planned to synchronise with the planned fuel supplies and stabilisation. As a result, atleast the first unit of 600 MW is now anticipated to commence power generation before end of the financial year 2012-13 and subsequent units during 2013 and 2014.

On power pricing and realisations of the current generation portfolio as a whole, we anticipate that industrial customers, who have been experiencing extremely high alternate tariffs from the utilities furthered by recent hikes from local utilities, will continue to find our power plant tariffs attractive and procure the competitive power supplies from the respective assets.

Financial Review

S. Kishore
Executive Director

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

Introduction:

While the operational results for the year under review have been extremely satisfying the financial results were impacted on account of higher finance costs as well as significant depreciation of Indian Rupee against US Dollar by almost 15% during the year under review. The lower than expected economic growth rate of India as a whole coupled with the Central Bank's tight monetary policy and associated high domestic interest rate regime have served to strengthen our efforts to pursue all alternatives to refinance the operational assets, more specifically Wardha Power, and bring interest payments back to originally planned targets. We anticipate that notwithstanding the challenges across the sector and exchange rate volatility continuing during the current year that would create distortions to immediate term consolidated financials, the underlying assets continue to be robust and stable to meet long term expectations.

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 immediate growth coming through large base load thermal power plant and potential wind power generation opportunities. 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 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.

Consolidated Income Statement Operating Results:

Particulars	Mar 2012	Mar 2011
Revenue	383,226	226,800
Cost of revenue	(253,214)	(150,385)
Gross Profit	**130,012**	**76,415**
Other operating income	23,604	3,357
Distribution costs	(1,789)	(2,069)
General and administrative expenses	(29,425)	(25,165)
Operating profit	**122,402**	**52,538**

"During the year Group has been successful in acquiring additional 20% stake in Indian listed subsidiary KSK Energy Ventures Limited through an open offer under the Indian regulations and thereby increasing the parent's stake from 54.94% to 74.94%. Also KSK Power Ventur plc has successfully placed 7,589,455 new ordinary shares with institutional investors and raised US $ 59.5 million to fund the various growth initiatives, primarily in the build of KSK Mahanadi's vital support infrastructure. With significant growth in revenue to US $ 383 million and operating profit to US $ 122 million demonstrate that the company has come of age, we anticipate that higher capacity utilization, improved efficiencies and mitigating the inflationary pressure of input prices by continuous focus on cost control and asset optimization would help us to achieve stronger financial performance in the coming years"

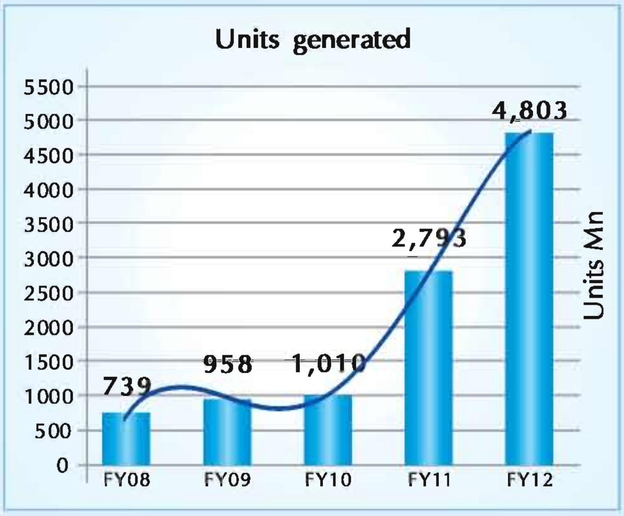
Generation, sales and revenues

The total revenues of the Group have increased by 69% from US $ 226,800 in FY 2011 to US $ 383,226 FY 2012. Revenues for the Group have been broadly derived from two major activities being power generation US $ 379,290 (2011: US $ 222,285) and project development activities US $ 3,936 (2011: US $ 3,060).

Power generation activities relate to power generated and sold by the Group entities. Revenues from this activity have increased by 71% primarily on account of higher installed capacity under operation and improved efficiencies. In addition to increased generation at Wardha Power, gaining control through business combination in SPV's like VS Lignite Power Private Limited ("VSLP") in the current year and Sai Regency Power Corporation Private Limited ("SRPCPL") at the end of the last year have aggregately contributed additional revenue of US $ 24,639.

Revenue from project development activities has slightly increased from US $ 3,060 in FY 2011 to US $ 3,936 in FY 2012.

The following charts shows the trend in revenues and units generated



BUSINESS REVIEW
GOVERNANCE
FINANCIAL INFORMATION

Financial Review

Cost of revenue

Cost of revenue indicated an increase of 68% to US $ 253,214 (2011: US $ 150,385). A significant portion of the increase in the costs of revenues is on account of:

- Increase in operating capacity in WPCL as well as associated fuel mix, resulted an increase of US $ 81,206.
- Impact of business combination of VSLP and SRPCPL amounting to US $ 11,326 and
- Increase in the average fuel costs per unit (excluding Wardha) from INR 1.20 in FY 2011 to INR 1.43 in FY 2012.

Other Operating Income

Movement in other operating income from US $ 3,357 in FY 2011 to US $ 23,604 in FY 2012 is largely on account of the claims received from EPC contractor towards loss of profit on account of delay in commissioning of WPCL plant amounting to US $ 14,004 and gain of US $ 5,323 on sale of certain Wind mills with aggregate capacity of 52.25 MW for a total consideration of US $ 47,150.

Distribution cost

Distribution costs primarily include wheeling charges, transmission charges and load management charges payable to state utilities. It is a factor of the units generated, load and the type of customer to whom power is being sold (for incurring such wheeling charges). As a percentage of the sales, such costs have decreased from 1% in FY2011 to 0.5% in FY2012.

General and administrative expenses

General and administrative expenses have experienced an upward trend from US $ 25,165 in FY 2011 to US $ 29,425 in FY 2012, on account of higher capacity operation, requirement to increase the operating base of manpower, infrastructure to handle future growth etc.

Profit attributable to owners of the Company:

Particulars	March 2012	March 2011
Operating profit	**122,402**	**52,538**
Finance costs	(160,508)	(58,647)
Finance income	39,256	23,647
Profit before tax	**1,150**	**17,538**
Income tax (expense) / income	(11,068)	12,569
(Loss) / Profit for the year	**(9,918)**	**30,107**
Attributable to:		
Owners of the Company	(932)	13,056
Non-controlling interests	(8,986)	17,051
(Loss)/Earnings per share		
Basic and diluted (US $)	(0.01)	0.09

Operating Profits:

Operating profits of the Group have continued upward trend and have increased from US $ 52,538 in FY 2011 to US $ 122,402 in FY 2012. This is mainly because of the higher capacity utilization, improved efficiencies and mitigating the inflationary pressure of input prices by continuous focus on cost control and asset optimization.

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

Finance Costs

Gross finance costs have increased to US $ 336,357 in FY 2012 from US $ 158,943 in FY 2011. Costs increased as a result of increased foreign exchange loss of US $ 46,128 due to fluctuation of the SPVs' functional currency, the Indian rupee, against US dollar, higher average debt at US $ 2,069,327 in current year as against average debt of US $ 1,336,619 in the previous year and also on account of higher interest rate regime in general in rupee market in India. Further the financing related to the acquisition of shares in the Indian subsidiary under Open Offer also entailed additional interest expenditure. Of the total interest cost, US $ 175,849 relating to capital expansion projects was capitalised as compared with US $ 99,846 in previous year reflecting increased expenditure on capital expansion programme. The net interest cost in the income statement was US $ 160,508 in FY 2012 as compared with US $ 58,647 in FY 2011.

Finance Income

Finance income has increased from US $ 23,647 in FY 2011 to US $ 39,256 in FY 2012. Interest income was higher at US $ 37,650 in the current financial year (2011: US $ 20,690) primarily due to higher cash and bank balances and a higher yield on investments.

Income Tax Expense

Most of the tax expenditure of the Group is in respect of current income taxes, deferred taxes and Minimum Alternate Tax (MAT). In India, the power plants of the Group are availing an exemption under Section 80 IA of the Income Tax Act, 1961 and is only required to make a provision for the liability under MAT and deferred taxes. The increased tax expense in FY 2012 is mainly on account of tax expense on sale of wind mill assets and unrecognised deferred tax asset on carry forward of losses in WPCL.

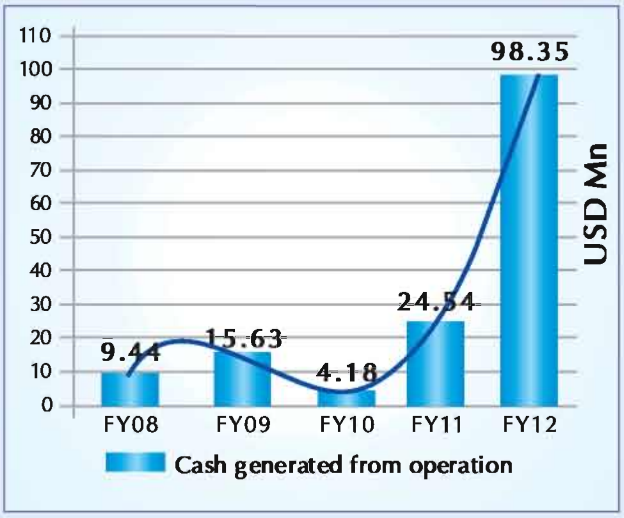
Financial Review

Cash Flows

Particulars	March 2012	March 2011
Operating cash flow	139,042	73,553
Change in working capital assets and liabilities	(34,228)	(41,804)
Taxes paid	(6,460)	(7,207)
Net cash generated from operating activities	98,354	24,542
Net cash used in investing activities	(703,923)	(342,382)
Net cash provided by financing activities	708,652	342,799
Effects of exchange rate changes	(44,112)	(1,413)
Changes in cash and cash equivalents	58,971	23,546
Cash and cash equivalent - beginning of year	61,215	37,669
Cash and cash equivalent - end of year	**120,186**	**61,215**

KSK's operating cash flow increased from US $ 73,553 in FY 2011 to US $ 139,042 in FY 2012, an increase of US $ 65,489. The increase is primarily driven by an increase in operational activity, which has benefited from improved operating profits from power generation segment. Decrease in taxes paid by US $ 747 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 trend in cash generated from operations.



Net cash used in investing activities has increased by 106% to US $ 703,923 largely on account of increased expenditure on capital expansions programme by US $ 474,909. However increase in investing activities has been offset to the extent of US $ 30,061 on account of sale of wind mill assets, US $ 53,266 on account of liquidating some of the temporary mutual fund investments and by realising higher yield on investments and bank balances and US $ 19,665 on account of net cash flow on business combination.

Movement in cash generated from financing activities from US $ 342,799 to US $ 708,652 is largely on account of the following:

- Increase in the net proceeds from borrowings by US $ 639,121 in line with the strategy to secure long term borrowings for KMPCL project, additional facilities availed for open offer etc.
- US $ 70,324 of additional interest paid reflecting the utilisation of higher average debt facilities to fund projects under construction

- Acquisition of additional 20% stake in KEVL through open offer for a consideration of US $ 187,802 and
- Successful placing of 7,589,455 new ordinary shares with a range of institutional investors raising US $ 59,467 net of share issue expenses amounting to US $ 2,414.

Balance Sheets - Summary

Particulars	March 2012	March 2011
Goodwill and other intangibles	23,589	52,460
Property, plant and equipment	2,685,771	1,955,146
Other non-current assets	188,346	145,584
Current assets	662,459	578,771
Total assets	**3,560,165**	**2,731,961**
Non-current liabilities	1,508,307	897,585
Current liabilities	1,426,841	983,688
Total Liabilities	**2,935,148**	**1,881,273**
Total equity including non-controlling interests	625,017	850,688
Total equity and liabilities	**3,560,165**	**2,731,961**

Goodwill and other intangibles reduced by US $ 28,871, year on year mainly on account of deemed disposal of VSLP on business combination achieved in stages amounting to US $ 28,690.

Property, plant and equipment has increased by US $ 730,625 in FY 2012, a 37% year on year growth, largely on account of US $ 93,325 relating to acquisition of VSLP, continuous construction and development activities in KMPCL and related project resulting in addition of US $ 880,124 and capital advances paid towards acquisition of wind mill assets amounting to US $ 48,825. However increase in property, plant and equipment has been offset by US $ 36,745 on account of sale of wind mill assets and US $ 259,934 on account of effect of exchange rate.

Other non-current assets have increased by US $ 42,762 year on year primarily as a result of increased deposits with banks amounting to US $ 18,937, increase in mineral development expenditures amounting to US $ 25,804, higher payment toward lease land premium in KMPCL amounting to US $ 13,828. However increase in non-current assets has been offset by decrease in deferred tax assets amounting to US $ 6,435 and decreases in loans and receivable to JV partners amounting to US $ 8,067.

Current assets have increased by US $ 83,688 to US $ 662,459 year on year primarily as a result of the following:

- Increase of US $ 79,426 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 $ 7,343, US $ 32,410 and US $ 6,600 in inventories, trade and other receivables and prepayments respectively due to increase in operation capacity.
- Decrease of US $ 40,031 in Investment and other financial assets mainly due to realisation of interest and non-interest bearing inter corporate deposits and other financial assets.

Financial Review

Non-current liabilities have increased by US $ 610,722 representing a 68% increase year on year primarily due to the following:

- US $ 591,534 increase in borrowings in line with funding requirement in respect of projects under construction;
- US $ 19,245 increase in trade payable mainly in respect of construction works and supply of equipments.

Current liabilities have increased by US $ 443,153, representing 45% increase year on year primarily driven by an increase of US $ 276,581 in buyer credit facilities availed for construction works in KMPCL (will get swapped by long- term project loans) and increase of US $ 64,864 for meeting short-term working capital and other business requirements. In addition increase of US $ 90,138 in trade payable on account of higher operational capacity and higher liability in respect of construction works and supply of equipments.

Total equity has decreased from US $ 850,688 to US $ 625,017 primarily on account of acquisition of additional 20% stake of 'KEVL' an Indian listed subsidiary by the group amounting to US $ 187,802 and impact of translation of assets and liabilities of foreign subsidiaries amounting to US $ 97,792. However decrease in total equity is offset by an increase of US $ 59,467 (net of issue expenses) on account of placing of 7,589,455 new ordinary shares with a range of institutional investors by the parent Company.

Going Concern

The Group's business activities, together with the factors likely to affects its future development, performance and position are set out in the report. In addition note 32 to the financial statement includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its hedging exposure to credit risk and liquidity risk.

We have necessary headroom in our banking facilities, recent history of cash generation, and reasonable visibility in near-term forecasts due to our progressive business strategies. The fund raised during the year further enhanced the capability of the Company to meet its investment needs.

Accordingly, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and continue to adopt the going concern basis of accounting in preparation of these financial statements.

Arasmeta Captive Power Plant

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.

- Slowdown in government decision making process, policy inconsistencies and ad-hoc changes, lethargy in bureaucracy in their response cycles, retrospective amendments.
- 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 / contractor personnel visas / work permits for execution.
- Shortage of skilled manpower within Indian shore 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, permitting, policy framework, delays in government awards.
- 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 - both debt and equity.
- 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 volatility of foreign currencies against US dollar.
- 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 the 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:

A. Fragmented, sluggish and contradictory Government Approaches

Though there are broadly defined policy objectives set out by the national and state governments for the sector there exists serious cracks in a unified approach to promote industry and business activities in a consistent manner.

Implication

This results in significant time and monetary costs to carry on business as a power developer with constant see saw on the risk profile and prolonged uncertainties on efforts and development outcomes

Mitigation

- Close hands on coordination between various ministries and agencies of government and addressing the same.
- Policy paralysis and government indecision to be countered with patient capital and innovative solutions while adhering to highest standards of transparency and integrity.
- Address contradictions through consultative process failing which enforcement of legal remedies for decisive positions.
- Healthy engagement with government and local regulators to identify potential hazards upfront and develop an action plan.

B. Power project Operations - Availability and Profitability

Given the significant capital outlay involved in construction of power plant, while all due care would be initially 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, grid / open access constraints, commercial exigencies and willful defaults etc could curtail the generation potential.

Implication

These could significantly alter actual performance vis-à-vis the target. Further, continuous non availability 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.
- Tie-up with specialist agencies for remote monitoring and online data reporting.
- 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.

Principal Risks and Uncertainties

- Industrial off take for robust sales arrangements along with power sales to utilities.

C. Government Permitting and Clearances:

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 on specific clearances 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 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 thereto.
- 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 pro actively prepare and address new regulations for timely clearances and corrective action.

D. 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 in significant loss of opportunity, higher financing costs and other losses.

Mitigation

- Close monitoring of the project teams through a Project management Group and active contractor engagement to address issues.
- Risk of over runs mitigated through turnkey EPC contracts of Lump sum turnkey basis for major part of the project scope.
- Key concerns addressed through periodic review meeting of top management teams at site and head offices.
- Hands on stake holder engagement to iron out policy inconsistencies, bureaucratic lethargy and red tape.

E. 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 to lead to enhanced project costs, unviable debt levels and / or sponsor equity specifications. Also investor returns could be significantly altered on account of such changes.

Mitigation

- Close monitoring of 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 / withdrawls were 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.

F. Timely access to Fuel- vital raw material

The Company is 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.

G. Customer concentration - Asset specific customer base

The Company is dependant on 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 and 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 chose to engage in continous 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 continous customer interactions for mutual problem addressal.

- Resort to arbitral / judicial remedies wherever contractual non performance or significant overdue positions getting built.
- Seek performance securities and regulatory directions for enforcement of contractual obligations.

H. Funding Requirements - Incremental capital expenditure and Future Growth

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

Implication

This requires continuous access to various capital providers of debt, equity from 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 whenever they expire, unless exceptional circumstances.
- The company attempts to respond to ongoing obligations from the operating cash flows from 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.

I. 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 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.

J. Fluctuation in Foreign exchange rates and compliance to new standards

The Company operates in an environment wherein certain part of the capital equipment and certain specific raw materials being purchased, 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 compliance and minimal variations.

Sustainability Initiatives

Building **Healthy and Sustainable** Communities

While the Group continues to promote Community Leadership that primarily focus on the thrust areas of Education, Socio-Economic Empowerment, Infrastructure Development and Cultural & Social Contribution, the group has recently initiated large scale collaborations that would build healthy and sustainable communities wherever the business activities are pursued in the longer term but also provide immediate term interventions that seek to change the conventional approaches to infrastructure provision for the poor on a low cost and sustainable basis.

It is our belief that upon successful completion of these initiatives, the Group would have demonstrated truly unique models of sustainability and community support initiatives that would truly bring dignity to human life.

The Approach and Focus

The Group's historical approach has been to design customized programmes in each of the project locations based on felt needs of the immediate community and the local socio-economic-political and cultural context in the principle thrust areas of

- Education and capacity Building
- Infrastructure development
- Sustainable development
- Culture and community support
- Health and Family welfare
- Miscellaneous including monetary contributions.

Sustainability Initiatives

These community development initiatives are currently undertaken through Village Development Advisory Committees (VDACs) to ensure that development initiatives are participatory, inclusive and sustainable.

At policy level the Board takes active interest to provide necessary direction and integration of these sustainability initiatives for a comprehensive and maximum impact on the stakeholders while ensuring that resource allocation and utilization is undertaken in an efficient manner.

The Group currently achieve the same through designated executive teams but moving forward plans are to strengthen the same through participation of senior management personnel from other functional departments and verticals and specific project heads for integrated and wholesome approach.

Immediate Term Interventions

While the larger scale health care interventions would have long term impact and it will take at least two to three years for benefits of such large initiatives to be widely accessible and appreciated, the Group is working in parallel on immediate term interventions in Chhattisgarh on the following lines:

1. Household Lighting on Renewable Energy - Solar LED Lighting and fan systems for individual households in the target area, independent of the grid system. Additional street lighting systems in the beneficiary villages.
2. Water and Sanitation on ROS or UV technologies of water purification for supply of safe drinking water to individual households in the target area. Additional equipment for garbage collection and disposal systems in the beneficiary villages for effective sanitation and hygiene.
3. Household cooking promotion on improvised stoves with accelerated deployment through localized training and technical and financial support. The initiatives prevent largest pollution source in rural areas and indirectly promotes women health.
4. Child nutrition through provision of nutrition additives, milk and vitamins to children 0-3 age group and additional supplements to feeding arrangements in anganwadis in the age group of 3-6, as a complementing facility to primary health care centers to address nutritional care.
5. Education support at the primary and secondary school level with support for 100% enrollment of the girl child and provision of furniture, class room equipment and facilities for evening study and supplemental support for children who are weak in specific academic subjects.
6. Training and Technical Education with vocational training in employable and employment creating skills for the semi educated.
7. Livelihood promotion in the immediate vicinity of the facilities to avoid massive scale urban migration.
8. Degradable waste management biogas initiatives to handle effective handling of waste and also meet energy requirements locally or fertilizer requirements and promotion of larger community plants.

9. Green initiatives collaborate and support initiatives on extensive tree plantations for ground water recharging and handling greenhouse emissions, minimal utilization of non-degradable materials including plastics and supporting local productions and cottage industry that avoids extensive transportation and associated fossil fuel utilization.

Longer Term Initiatives

The requirement for premier medical facilities with comprehensive diagnostic, in-patient and surgical facilities to provide tertiary treatments while simultaneously supporting the primary healthcare centres that support immediate project neighbourhood has been reinforced in the context of increasing incidences of such ailments in the country generally as well as lack of any such appropriate facilities currently within the surroundings of the project locations. With extensive foot print of projects (both power generation and support infrastructure) in terms of size across the state of Chhattisgarh, the Group has drawn a blue print and master plan for focused sustainability initiatives in the area of health care - both primary health care support centers at each of our project locations in Chhattisgarh and a master tertiary healthcare facility at Raipur, the capital of Chhattisgarh.

It is important to note that while the Group has requisite technical and financial resources at its command and could independently handle construction associated in the setup and buildup of any such facilities, the continuous operation of such facilities, with excellence in service delivery on sustained basis, that is key for societal impact, is often the forte of Charity and public service institutions. Further, rather than a pursuit of a simplistic cross subsidy model of charge outs based on economic class (as being followed in certain other instances in India), the pursuit of initiative that has inbuilt ingredient embodying the spirit of volunteerism to attract large sections of medical professionals to achieve the low cost operations and provide medical services on sustained basis is expected to be more successful and provider larger impact.

Hence, the Group has finalized and pursuing collaborative model that is amenable to approach which would be based on established model of volunteerism that attracts large pool of specialist and super specialists, both from India and abroad while simultaneously integrate itself into the Company discharge of obligations under Corporate Social Responsibility and providing free access of healthcare facilities to project stakeholders alongside public at large.

Also the future plans include extending the collaboration to an appropriate format wherein the primary health care facilities being created / supported by the project companies in the respective locations could be designated as satellite centers under the control and management of the tertiary care facility and would provide seamless medical access on remote as well as on preferential access basis.

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 the 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.

Abhay Nalawade
Non-Executive Director

Mr. Nalawade was appointed as a Director (Non-Executive) of the Company in August 2011. Mr. Nalawade has more than three decade of experience in energy field and served as CEO and Managing Director of Thermax Limited, a major corporation in energy and environment field. Mr. Abhay is a graduate in Physics with Masters in Business Administration (MBA) from Pune University and Management Development program from the Harvard Business School. He is currently the Founder & Managing Director of EcoAxis Systems Private Limited which has created Machine-to-Machine (M2M) communication platform for continuous remote monitoring and analytics for industrial equipment, energy, water & waste water systems and CDM projects.

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 Energy Ventures Limited. 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 (both Equity and Debt) 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.

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 2012.

Business Review and Future Developments

KSK Power Ventur plc, through its subsidiaries, engages in the development, operation, and maintenance of power generation assets primarily in India. The Group develops and operates coal, gas, and lignite based power plants, as well as hydro electric power plants and wind farms. Subsequent to the disposal of 52 MW of earlier technology and smaller size individual wind turbines, the Group currently has an operating capacity of approximately 881 MW and is further actively involved in construction of a greenfield thermal project of 3600 MW.

The Group also plans to be involved in entire value chain of the mineral business involving identification, acquisition, development and beneficiation along with development of other support infrastructure.

With target of an operational power project asset portfolio of approx. 4.5 GW by the end 2014 along with clearly established fuel security and low cost generation, the Group is currently focused towards being amongst the top power producing companies in India.

A full review of the Group's activities during 2011-12 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 - an Indian 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 with the UK Corporate Governance 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 Code whenever it has been appropriate to do so. A report on Corporate Governance is set out elsewhere in the Annual Report.

Results and Dividends

The results for the year ended 31 March 2012 are set out in the attached financial statements. The Directors do not recommend the payment of dividend for the year 2011-12.

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 2011. The authority conferred shall 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 a similar authority 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 2012.

Share Capital

The Company, during March 2012, has raised £39,465,166 (before expenses) by way of a placing of 7,589,455 new ordinary shares of £0.001 each in the capital of the Company with institutional investors at a price of 520 pence per share. Following the Placing, the total number of ordinary shares with voting rights in the Company is 159,378,600.

Directors

The Directors that served the Office during the year were:

- Thiruvengadam Lakshman Sankar
- Subramaniam Ramachandran Iyer
- Vladimir Dlouhy
- Abhay Mahadeo Nalawade*
- Kolluri Ayyappa Sastry
- Sethuraman Kishore

**Appointed w.e.f. 12 August 2011.*

The Biographies of the Directors are set out in the Annual Report.

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 Liability insurance policy in place.

Re-election of Directors

In accordance with the Articles of Association of the Company, at the next Annual General Meeting of the Company Mr. T.L Sankar and Mr. K.A. Sastry retire by rotation and, being eligible, offer themselves for re-election.

Biographical details for Mr. T.L. Sankar and Mr. K.A. Sastry are set out in this report.

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

As at the date of this Report, there were 159,378,600 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
Sayi Energy Ventur Limited	96,778,750	60.72
Scottish Widows Investment Partnership	22,709,470	14.25
M&G Investment Management	10,675,655	6.70
Universities Superannuation Scheme	6,681,424	4.19
Kames Capital	5,736,976	3.60

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of Isle of Man Company Law. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Company for that period.

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 they have been prepared in accordance with International Financial Reporting Standards ; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that its financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the corporate and Financial Information included on the Company's website. The legislation and governing the preparation and dissemination of Financial Statements may differ from one jurisdiction to another.

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 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

Mazars LLP, Chartered Accountants who were appointed as auditors in the last Annual General

Meeting have resigned and KPMG Audit LLC, Chartered Accountants were appointed in their place.

The auditor, KPMG Audit LLC has expressed their willingness to continue in office. A resolution proposing their re-appointment will be tabled 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 since 31 March 2012 to the date of this Report.

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.

Approved by the Board of Directors

T. L. Sankar

Non Executive Chairman

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 UK Corporate Governance Code 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 (Chairman), Mr. T. L. Sankar, Mr. S. R. Iyer and Mr. Abhay Nalawade.

Details of the Directors' fees paid were as follows:

Director	Annual Director's fees for year ended 31 March 2012 (Amount in USD)	Annual Director's fees for year ended 31 March 2011 (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. Abhay Nalawade (Non-Executive Director)*	31,793	N.A.
Mr. K. A. Sastry (Executive Director)**	NIL	NIL
Mr. S. Kishore (Executive Director)**	NIL	NIL

Each Non-Executive Director is also entitled to the reimbursement of necessary travel and other expenses.

* Appointed w.e.f. 12 August 2011.

** 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:

Director	Indian Rupees	Equivalent USD
Mr. K. A. Sastry (Executive Director)	9,000,000	185,452
Mr. S. Kishore (Executive Director)	9,000,000	185,452

No commission has been paid to the Directors during the year 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 - 690.00 P
- Low for the year - 479.00 P
- Close for the year - 562.50 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 Full-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 Full-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 Executive 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 four Directors Mr. T. L. Sankar, Mr. S. R. Iyer, Mr. Abhay Nalawade 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.

Corporate Governance Statement

The Directors support high standards of corporate governance and are committed to ensuring that the highest levels of governance are achieved.

The Financial Services Authority requires all companies with a Premium Listing to comply with the UK Corporate Governance Code (the "Code"). The Company is an Isle of Man incorporated company with a Standard Listing and is therefore not subject to the Code and further is also not subject to any statutory corporate governance regime in its place of incorporation. Nevertheless the Board in the spirit of good practice have always taken note of its provisions and voluntarily complied whenever it has been appropriate to do so.

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 Code.

In the Corporate Governance Report for the year 2010-11, the Company set out, its intention to appoint an additional Non-Executive Director and is now happy to report that an additional Non-Executive Director has been appointed to the Board, Remuneration Committee and Audit Committee thereby making the composition fully compliant with the Code.

Composition of Board of Directors and Board balance

The Board currently comprises of six directors including an Independent Non-Executive Chairman, three Independent Non-Executive Directors and two Executive Directors. The brief biographies of the Directors are given under the head 'Board of Directors' elsewhere in this Annual Report.

- T. L. Sankar
- S. R. Iyer
- Vladimir Dlouhy
- Abhay Nalawade
- K. A. Sastry
- S. Kishore

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 Meetings

Set out below is a table showing attendance at board meetings by the directors during 2011-12.

Director	Attendance
Mr. T. L. Sankar	7/7
Mr. S. R. Iyer	5/7
Mr. Vladimir Dlouhy	6/7
Mr. Abhay Nalawade*	4/5
Mr. K. A. Sastry	7/7
Mr. S. Kishore	7/7

*Appointed as a director w.e.f. 12 August 2011.

The Board periodically meets and had in total seven meetings during the year. The Board is pleased with the high level of attendance and participation of both Executive and Non-Executive Directors at its 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, the Non-Executive Chairman has independent discussions with the remaining Non-Executive Directors, without the presence of Executive Directors, on the business of the Company 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 controls, 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 that 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 controls. 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 the Chairman and the 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 of India Limited and Bombay Stock Exchange Limited. KSKEV has its own board with 4 of the Company Directors, 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 non-listed subsidiaries of KSKEV.

Senior Independent Director

The 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.

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 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, Mr. Vladimir Dlouhy and Mr. Abhay Nalawade.

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, Mr. S. R. Iyer and Mr. Abhay Nalawade. The Remuneration Committee will meet at least twice a year, to consider 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 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 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 program, 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.

Relevant information has been put on the Company's website www.kskplc.co.uk with updates on regular basis.

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.

The UK Corporate Governance Code

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 and holding of directorship in KSKEV and in some of its subsidiaries, the Board believes that all of the Non-Executive Directors are independent as the appointments are as per the requirements of the listing requirements of BSE & NSE and their independent judgement do not get affected by virtue of the cross directorship.

The Company believes that investor trust can be retained only by following the best Corporate Governance Practices. The focus of the Company has been and will be creation of long term value for all stakeholders without compromising on ethics, social obligations and regulatory compliances.

T. L. Sankar

Non Executive Chairman

Sai Regency Power Plant

Financial Information

KSK Mahanadi Power Plant

Independent Auditor's Report

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

We have audited the Group and Parent Company financial statements of KSK Power Venture plc for the year ended 31 March 2012, which comprise the Consolidated and Company Income Statement, the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Cash Flows and the Consolidated and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement., the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; 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 implication for our report.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group and Parent Company's affairs as at 31 March 2012 and of the Group and Parent Company's loss for the year then ended; and
- the Group and Parent Company financial statements have been properly prepared in accordance with IFRSs and with the requirements of the Isle of Man Companies Acts1931 to 2004.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

KPMG Audit LLC

Chartered Accountants

Heritage Court

41 Athol Street

Douglas

Isle of Man IM99 1HN

29 June 2012

Consolidated and Company Income Statement

for the year ended 31 March 2012

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

		Consolidated		Company	
	Notes	2012	2011	2012	2011
Revenue	9	383,226	226,800	-	-
Cost of revenue	10	(253,214)	(150,385)	-	-
Gross profit		**130,012**	**76,415**	**-**	**-**
Other operating income, net	11	23,604	3,357	-	-
Distribution costs		(1,789)	(2,069)	-	-
General and administrative expenses	10	(29,425)	(25,165)	(839)	(913)
Operating profit / (loss)		**122,402**	**52,538**	**(839)**	**(913)**
Finance costs	12	(160,508)	(58,647)	(3,170)	(4,457)
Finance income	13	39,256	23,647	131	939
Profit / (loss) before tax		**1,150**	**17,538**	**(3,878)**	**(4,431)**
Tax (expense) / income	14	(11,068)	12,569	-	-
(Loss) / profit for the year		**(9,918)**	**30,107**	**(3,878)**	**(4,431)**
Attributable to:					
Owners of the Company		(932)	13,056	(3,878)	(4,431)
Non-controlling interests		(8,986)	17,051	-	-
		(9,918)	**30,107**	**(3,878)**	**(4,431)**
(Loss) / Earnings per share					
Weighted average number of ordinary shares for basic and diluted earnings per share		152,203,869	145,745,632		
Basic and diluted (US $)		(0.01)	0.09		

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

Approved by the Board of Directors on 29 June 2012 and signed on behalf by:

S. Kishore
Executive Director

K. A. Sastry
Executive Director

Consolidated and Company Statement of Comprehensive Income

for the year ended 31 March 2012

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

		Consolidated		Company	
	Notes	**2012**	**2011**	**2012**	**2011**
(Loss) / profit for the year		**(9,918)**	**30,107**	**(3,878)**	**(4,431)**
Other comprehensive income					
Foreign currency translation difference	4.1b	(97,792)	(3,487)	4,706	4,723
Available-for-sale financial assets					
- current year losses		(1,239)	(1,838)	-	-
- reclassification to income statement		514	(155)	-	-
Reclassification of reserve on deemed disposal of interest in joint venture		(2,485)	(1,324)	-	-
Income tax relating to available-for-sale financial assets		173	-	-	-
Other comprehensive income, net of tax		(100,829)	(6,804)	4,706	4,723
Total comprehensive income for the year		**(110,747)**	**23,303**	**828**	**292**
Attributable to:					
Owners of the Company		(62,562)	8,748	828	292
Non-controlling interests		(48,185)	14,555	-	-
		(110,747)	**23,303**	**828**	**292**

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

Approved by the Board of Directors on 29 June 2012 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 2012

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

		Consolidated		Company	
	Notes	**2012**	**2011**	**2012**	**2011**
ASSETS					
Non-current					
Property, plant and equipment	15	2,685,771	1,955,146	1	-
Intangible assets	16	23,589	52,460	-	-
Other non-current assets	18	58,722	21,532	-	-
Investments and other financial assets	17	109,356	96,875	309,853	180,047
Trade and other receivables	19	5,995	6,469	-	-
Deferred tax asset	14	14,273	20,708	-	-
		2,897,706	2,153,190	309,854	180,047
Current					
Inventories	20	21,960	14,617	-	-
Trade and other receivables	19	97,805	65,395	-	166
Investments and other financial assets	17	85,461	125,492	332	12,521
Cash and short-term deposits	21	417,585	338,159	1,598	14,551
Other current assets	18	39,648	35,108	75	-
		662,459	578,771	2,005	27,238
Total assets		**3,560,165**	**2,731,961**	**311,859**	**207,285**
EQUITY AND LIABILITIES					
Issued capital	22	263	251	263	251
Share premium	22	253,890	194,435	253,890	194,435
Foreign currency translation reserve	22	(58,783)	(260)	12,217	7,511
Revaluation reserve	22	2,859	6,219	-	-
Other reserves	22	140,189	217,112	-	-
Retained earnings / (accumulated deficit)	22	98,407	97,336	(8,455)	(4,577)
Equity attributable to owners of the Company		436,825	515,093	257,915	197,620
Non-controlling interests		188,192	335,595	-	-
Total equity		625,017	850,688	257,915	197,620
Non-current liabilities					
Trade and other payables	24	48,981	29,736	-	-
Interest-bearing loans and borrowings	23	1,409,050	817,516	-	-
Provisions	25	2,480	2,115	-	-
Deferred revenue	26	9,150	11,105	-	-
Employee benefit liability	27	947	571	-	-
Deferred tax liability	14	37,699	36,542	-	-
		1,508,307	897,585	-	-

		Consolidated		Company	
	Notes	2012	2011	2012	2011
Current liabilities					
Trade and other payables	24	287,701	191,609	1,469	365
Interest-bearing loans and borrowings	23	1,128,911	783,177	52,475	9,300
Other current financial liabilities	28	-	3,184	-	-
Deferred revenue	26	984	848	-	-
Other current liabilities	29	6,417	3,784	-	-
Taxes payable		2,828	1,086	-	-
		1,426,841	983,688	53,944	9,665
Total liabilities		2,935,148	1,881,273	53,944	9,665
Total equity and liabilities		**3,560,165**	**2,731,961**	**311,859**	**207,285**

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

Approved by the Board of Directors on 29 June 2012 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 2011

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

	Attributable to owners of the Company									
	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 2010	**139,534,243**	**232**	**98,958**	**968**	**9,731**	**225,574**	**81,927**	**417,390**	**303,081**	**720,471**
Issue of shares	12,254,902	19	95,477	-	-	-	-	95,496	-	**95,496**
Tax consequence on share issue expenses	-	-	-	-	-	(967)	-	(967)	-	**(967)**
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	-	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	-	-	-	-	-	(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**	**194,435**	**968**	**9,603**	**220,192**	**80,896**	**506,345**	**321,040**	**827,385**
Profit for the year	-	-	-	-	-	-	13,056	13,056	17,051	**30,107**
Other comprehensive income										
Foreign currency translation difference	-	-	-	(1,228)	-	-	-	(1,228)	(2,259)	**(3,487)**
Available-for-sale financial assets										
- current year loss	-	-	-	-	-	(1,601)	-	(1,601)	(237)	**(1,838)**
- reclassification to income statement	-	-	-	-	-	(155)	-	(155)	-	**(155)**
Reclassification of reserves on deemed disposal of interest in joint venture	-	-	-	-	(3,384)	(1,324)	3,384	(1,324)	-	**(1,324)**
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**	**194,435**	**(260)**	**6,219**	**217,112**	**97,336**	**515,093**	**335,595**	**850,688**

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

for the year ended 31 March 2012

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

	Attributable to owners of the Company									
	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 2011	**151,789,145**	**251**	**194,435**	**(260)**	**6,219**	**217,112**	**97,336**	**515,093**	**335,595**	**850,688**
Issue of shares (see note 22)	7,589,455	12	59,455	-	-	-	-	59,467	-	**59,467**
Tax consequence on share issue expenses	-	-	-	-	-	(1,736)	-	(1,736)	-	**(1,736)**
Non-controlling interests arising on business combination (see note 7)	-	-	-	-	-	-	-	-	14,841	**14,841**
Issuance of equity shares by subsidiary	-	-	-	-	-	-	-	-	306	**306**
Acquisition of non-controlling interests without change in control (see note 6)	-	-	-	-	-	(72,080)	-	(72,080)	(115,722)	**(187,802)**
Transfer of economic interest to non-controlling interests[1]	-	-	-	-	-	-	(1,357)	(1,357)	1,357	-
Net depreciation transfer for property, plant and equipment	-	-	-	-	(121)	-	121	-	-	-
Transaction with owners	**159,378,600**	**263**	**253,890**	**(260)**	**6,098**	**143,296**	**96,100**	**499,387**	**236,377**	**735,764**
Loss for the year	-	-	-	-	-	-	(932)	(932)	(8,986)	**(9,918)**
Other comprehensive income										
Foreign currency translation differences	-	-	-	(58,523)	-	-	-	(58,523)	(39,269)	**(97,792)**
Available-for-sale financial assets										
- current year loss	-	-	-	-	-	(1,160)	-	(1,160)	(79)	**(1,239)**
- reclassification to income statement	-	-	-	-	-	365	-	365	149	**514**
Reclassification of reserves on deemed disposal of interest in joint venture	-	-	-	-	(3,239)	(2,485)	3,239	(2,485)	-	**(2,485)**
Income tax relating to available-for-sale financial asset	-	-	-	-	-	173	-	173	-	**173**
Total comprehensive income for the year	-	-	-	**(58,523)**	**(3,239)**	**(3,107)**	**2,307**	**(62,562)**	**(48,185)**	**(110,747)**
Balance as at 31 March 2012	**159,378,600**	**263**	**253,890**	**(58,783)**	**2,859**	**140,189**	**98,407**	**436,825**	**188,192**	**625,017**

(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 income statement. 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 2012

(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 2010	**139,534,243**	**232**	**98,958**	**2,788**	**(146)**	**101,832**
Issue of 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**
As at 1 April 2011	**151,789,145**	**251**	**194,435**	**7,511**	**(4,577)**	**197,620**
Issue of shares	7,589,455	12	59,455	-	-	**59,467**
Loss for the year	-	-	-	-	(3,878)	**(3,878)**
Other comprehensive income						
Foreign currency translation differences	-	-	-	4,706	-	**4,706**
Total comprehensive income for the year	**-**	**-**	**-**	**4,706**	**(3,878)**	**828**
Balance as at 31 March 2012	**159,378,600**	**263**	**253,890**	**12,217**	**(8,455)**	**257,915**

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

Consolidated and Company Statement of Cash Flows

for the year ended 31 March 2012

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

	Consolidated		Company	
	2012	2011	2012	2011
Cash inflow / (outflow) from operating activities				
Profit / (loss) before tax	1,150	17,538	(3,878)	(4,431)
Adjustment				
Depreciation and amortisation	42,829	22,341	-	-
Finance costs	137,291	59,311	3,218	4,450
Finance income	(39,256)	(23,647)	(131)	(939)
Provision for doubtful capital advances	3,070	434	-	-
Gain on re-measurement of equity interest	(536)	(1,733)	-	-
Profit on sale of fixed assets, net	(5,292)	-	-	-
Others	(214)	(691)	-	-
Changes in working capital				
Trade receivables and unbilled revenue	(25,018)	(41,157)	-	-
Inventories	(6,603)	(5,059)	-	-
Other assets	(5,177)	(20,494)	(77)	-
Trade payables and other liabilities	2,208	24,560	1,046	(712)
Provisions and employee benefit liability	362	346	-	-
Cash generated from / (used in) operating activities	**104,814**	**31,749**	**178**	**(1,632)**
Taxes paid , net	(6,460)	(7,207)	-	-
Net cash provided by / (used in) operating activities	**98,354**	**24,542**	**178**	**(1,632)**
Cash inflow / (outflow) from investing activities				
Movement in restricted cash	(20,421)	(31,327)	13,039	(10,040)
Purchase of property, plant and equipment & other non-current assets[1]	(746,862)	(271,953)	(1)	-
Proceed from sale of wind mill undertaking	30,061	-	-	-
Proceeds from sale of property, plant and equipment	-	506	-	-
Net cash flow on business combination (see note 7)	4,015	(15,650)	-	-
Purchase of financial instruments	(136,419)	(126,595)	(118,067)	(100,554)
Proceeds from sale of financial instruments	134,854	86,260	12,200	160
Proceeds from finance lease	-	146	-	-
Dividend income	491	369	-	-
Finance income	30,358	15,862	297	138
Net cash flow used in investing activities	**(703,923)**	**(342,382)**	**(92,532)**	**(110,296)**

BUSINESS REVIEW GOVERNANCE FINANCIAL INFORMATION

Consolidated and Company Statement of Cash Flows (Continued)

for the year ended 31 March 2012

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

	Consolidated		Company	
	2012	**2011**	**2012**	**2011**
Cash inflow / (outflow) from financing activities				
Proceeds from borrowings	1,657,188	851,117	53,239	9,300
Repayment of borrowings	(593,454)	(426,504)	(9,300)	-
Finance costs	(228,495)	(158,171)	(3,934)	(213)
Payment for acquisition of non-controlling interest	(187,802)	(19,206)	-	-
Net proceeds from issue of shares and share application money in subsidiary to / from non-controlling interest	1,748	66	-	-
Net proceeds from issue of shares	59,467	95,497	59,467	95,497
Net cash flow provided by financing activities	**708,652**	**342,799**	**99,472**	**104,584**
Effect of exchange rate changes	(44,112)	(1,413)	(7,032)	(1,277)
Net increase/(decrease) in cash and cash equivalents	**58,971**	**23,546**	**86**	**(8,621)**
Cash and cash equivalents at the beginning of the year	61,215	37,669	1,512	10,133
Cash and cash equivalents at the end of the year (note 21)	**120,186**	**61,215**	**1,598**	**1,512**

[1]Includes upfront premium paid to the government or others towards long term land leases.

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

for the year ended 31 March 2012

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

1. Corporate information

1.1. General information

KSK Power Ventur plc ('the Company' or 'KPVP' or 'KSK' or 'Parent'), 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, IM1 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 authorised for issue by the Board of Directors on 29 June 2012.

1.2. Nature of operations

KSK Power Ventur plc 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, 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.

1.3. Statement of compliance /responsibility statement

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

1.4. Financial period

The Consolidated and Company financial statements cover the period from 1 April 2011 to 31 March 2012, with comparative figures from 1 April 2010 to 31 March 2011.

1.5. Basis of preparation

These financial statements have been prepared under International Financial Reporting Standards ("IFRS").

These Consolidated financial statements have been prepared on the historical cost convention and on accrual basis, except for the following:

- derivative financial instruments that are measured at fair value;
- financial instruments that are designated as being at fair value through profit or loss upon initial recognition are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- employee defined benefit assets are recognised as the net total of the fair

value of plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation; and

The financial statements of the Group and the Company 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.

Hitherto, the Group and the Company were presenting one statement of comprehensive income. In the current year the Group and the Company has presented two separate statements of income and expenses comprising of an income statement and a statement of comprehensive income. This has been done to better present the result of operations.

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

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.

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 2012	2011
KSK Energy Limited ('KEL')	KPVP	Mauritius	100	100
KSK Asset Management Services Private Limited ('KASL')	KPVP	Mauritius	100	100
KSK Green Power plc ('KGPP')	KPVP	Isle of Man	100	100
KSK Solar Ventures plc ('KSVP')	KPVP	Isle of Man	100	100
KSK Emerging India Energy Private Limited I ('KSKEIEPL I')	KASL	Mauritius	100	100
KSK Emerging India Energy Private Limited II ('KSKEIEPL II')	KASL	Mauritius	100	100
KSK Green Energy pte Ltd ('KGEPL')	KGPP	Singapore	100	100
KSK Wind Energy Halagali Benchi Private Limited ('KWEHBPL')	KGEPL	India	100	99.96
KSK Wind Power Sankonahatti Athni Private Limited ('KWPSAPL')	KGEPL	India	100	99.96
KSK Wind Energy Mothalli Haveri Private Limited ('KWEMHPL')	KGEPL	India	100	99.96
KSK Wind Power Aminabhavi Chikodi Private Limited ('KWPACPL')	KGEPL	India	100	99.96
KSK Wind Energy Shiggaon Haveri Private Limited ('KWESHPL')[1]	KGEPL	India	100	-
KSK Wind Energy Mugali Chikodi Private Limited ('KWEMCPL')[1]	KGEPL	India	100	-
KSK Wind Power Yadahalli Benchi Private Limited ('KWPYBPL')[1]	KGEPL	India	100	-
KSK Wind Energy Nandgaon Athni Private Limited ('KWENAPL')[1]	KGEPL	India	100	-
KSK Wind Energy Tirupur Elayamuthur Private Limited ('KWETEPL')[1]	KGEPL	India	100	-
KSK Wind Energy Tirupur Udumalpet Private Limited('KWETUPL')[1]	KGEPL	India	100	-
KSK Wind Energy Tuticorin Rajapudukudi Private Limited ('KWETRPL')[1]	KGEPL	India	100	-
KSK Wind Energy Madurai MS Puram Private Limited ('KWEMMPPL')[1]	KGEPL	India	100	-
KSK Surya Ventures Limited ('KSVL') formerly KSK Surya Holdings Limited ('KSHL')[2]	KSVP	Mauritius	100	100
KSK Surya Photovoltaic Venture Private Limited ('KSPVPL')	KSVL	India	100	100
KSK Power Holdings Limited ('KPHL') formerly 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	74.94	54.94
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 ('KCMPL')	KECPL	India	100	100
SN Nirman Infra Projects Private Limited ('SNNIPPL')	KECPL	India	100	100

Subsidiaries	Immediate parent	Country of incorporation	% shareholding 2012	2011
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')	KEVL	India	74	74
KSK Wardha Infrastructure Private Limited ('KWIPL')	KEVL	India	100	100
KSK Dibbin Hydro Power Private Limited ('KDHPPL')	KEVL	India	100	100
Kameng Dam Hydro Power Private Limited ('KDHPL')	KEVL	India	100	100
KSK Mahanadi Power Company Limited ('KSKMPCL')	KEVL	India	99.99	99.99
KSK Upper Subansiri Hydro Energy Private Limited ('KUSHEPL')	KEVL	India	100	100
KSK Jameri Hydro Power Private Limited ('KJHPPL')	KEVL	India	100	100
KSK Dinchang Power Company Private Limited ('KDPCPL')	KEVL	India	100	100
Tila Karnali Hydro Electric Company Private Limited ('TKHECPL')	KEVL	Nepal	80	80
Sai Regency Power Corporation Private Limited ('SRPCPL')	KEFIPL	India	79.70	79.70
Wardha Power Company Limited ('WPCL')	KEFIPL	India	87	87
VS Lignite Power Private Limited ('VSLPPL')[3]	KEFIPL	India	74	-
Sai Maithili Power Company Private Limited ('SMPCPL')[4]	VSLPPL	India	100	100
Field Mining and Ispats Limited ('FMIL')	WPCL	India	85	85

[1]New SPVs incorporated/acquired during the year (see note 5).

- KSK Wind Energy Shiggaon Haveri Private Limited ('KWESHPL'),
- KSK Wind Energy Mugali Chikodi Private Limited ('KWEMCPL'),
- KSK Wind Power Yadahalli Benchi Private Limited ('KWPYBPL'),
- KSK Wind Energy Nandgaon Athni Private Limited ('KWENAPL'),
- KSK Wind Energy Tirupur Elayamuthur Private Limited ('KWETEPL'),
- KSK Wind Energy Tirupur Udumalpet Private Limited ('KWETUPL'),
- KSK Wind Energy Tuticorin Rajapudukudi Private Limited ('KWETRPL'),
- KSK Wind Energy Madurai MS Puram Private Limited ('KWEMMPPL')

[2]As at 31 March 2011, held by KEL

[3]During the year the Group has acquired controlling interest in VSLPPL (see note7)

[4]As at 31 March 2011, held by KEVL

(b) Joint ventures

Joint ventures	Venturer	Country of incorporation	% shareholding 2012	2011
Arasmeta Captive Power Company Private Limited ('ACPCPL')	KEFIPL	India	51	51
Sitapuram Power Limited ('SPL')	KEFIPL	India	49	49
VS Lignite Power Private Limited ('VSLPPL')	KEFIPL	India	-	74
J R Power Gen Private Limited ('JRPGPL')[1]	KEVL	India	51	51

[1] As of 31 March 2012 and 2011 the group holds 99.87 percent of the outstanding share capital of JRPGPL. The judicial order requires the Company to offer to the non-group shareholders 49 percent of JRPGPL. Therefore the holding in excess of 51percent i.e. the additional 48.87 percent is treated as held temporarily and hence no adjustments have been made for the additional interest held in these financial statements. Any consequent change to reflect the 99.87 percent holding shall be subsequent to finality of legal proceedings.

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 2011, noted below:

IAS 24 Related Party Transactions (Amendment)

The International Accounting Standards Board (IASB) has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group or the Company.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements. The amendment to the interpretation therefore had no effect on the financial position or performance of the Group or the Company.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in income statement, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The amendment has no effect on the financial position or performance of the Group or the Company.

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group or the Company.

(a) IFRS 3 Business Combinations-Measurement of non-controlling interest: The measurement options available for non-controlling interest (NCI) have been amended to limit the accounting policy choice to measure NCI upon initial recognition either at fair value or at NCI's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and currently entitle a holder to a share of net assets in the event of liquidation. The accounting policy choice does not apply to written options classified as equity instruments or options granted under share based payment arrangements.

(b) **IFRS 7 Financial Instruments - Disclosures - Amendments to disclosures:** The existing disclosure requirements of IFRS 7 are amended as follows:

- The amendment clarifies that disclosure of the amount best represents an entity's maximum exposure to credit risk is required only if the carrying amount of a financial asset does not reflect such exposure already.
- The amendment additionally requires to disclose the financial affect of collateral held as security and other credit enhancements in respect of a financial instrument.
- The amendment clarifies that disclosure in respect of collateral taken possession off by the entity is required only in respect of such collateral held at the end of the reporting period.

The following requirements have been removed from IFRS 7:

- Disclosure of carrying amount of financial assets that would have been past due or impaired if their terms had not been re-negotiated.
- Disclosure of description and fair value of collateral held as security and other credit enhancements in respect of financial assets that are past due but not impaired and in respect of financial assets that are individually determined to be impaired.

(c) **IAS 1 Presentation of Financial Statements- Presentation of Statement of Changes in Equity:** The amendment clarifies that that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but is permitted to be presented either in the statement of changes in equity or in the notes to the financial statements.

(d) **IAS 34 Interim Financial Statements -** Significant events and transactions: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in financial statements. In addition references to materiality are removed from the section of IAS 34 that describes minimum disclosures.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

(a) **IFRS 3 Business Combinations - Transition requirements for contingent consideration from a business combination occurred before the effective date of the revised IFRS:** IFRS 3 is amended to state that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) that has not been settled or otherwise resolved at the adoption date of IFRS 3(2008) continues to be accounted for in accordance with IFRS 3 (2004).

(b) **IFRS 3 Business Combinations - Unreplaced and voluntarily replaced share-based payment awards:** IFRS 3 is amended so that guidance for such awards also applies to voluntarily replaced unexpired acquiree awards. Additionally guidance is introduced about the accounting for unreplaced acquire awards and its accounting treatment within a business combination.

(c) **IAS 27 Consolidated and Separate Financial Statements - Transition requirements for amendments made as a result of IAS 27 (2008) to IAS 21, IAS 28 and IAS 31:** The 2010 Improvements clarify that the consequential amendments should be applied prospectively, except for the amendments to IAS 28 and IAS 31 that solely are the result of renumbering in IAS 27 (2008).

(d) **IFRIC 13 Customer Loyalty Programmes -Fair value of award credit:** In determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers that have not earned the award credits.

3. Standards and interpretations not yet applied

Standards and Interpretations issued by the IASB but not yet effective at the closing date

Standard	Description	Effective for in reporting years starting on or after
IAS 12	Deferred Tax: Recovery of underlying assets - Amendments	1 January 2012
IAS 1	Presentation of financial statements - revision to items presented under other comprehensive income	1 July 2012
IAS 19	Employee benefits - revision to post-employment benefits and termination benefits	1 January 2013
IAS 27 (R)	Separate financial statements	1 January 2013
IAS 28 (R)	Investments in associates and joint ventures	1 January 2013
IAS 32	Offsetting financial assets and financial liabilities	1 January 2013
IFRS 1	Government loans	1 January 2013
IFRS 7	Transfers of financial assets - Amendments	1 July 2011
IFRS 7	Disclosures: Offsetting financial assets and financial liabilities	1 January 2013
IFRS 9	Financial Instruments: Classification and measurement	1 January 2015
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
IFRIC 20	Stripping costs in the production phase of surface mine	1 January 2013

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 and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address impairment and hedge accounting. 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, IFRS 11, IFRS 12, IFRS 13 and IFRIC 20 on the financial statements. However the management does not intend to apply any of these pronouncements early.

Further, on May 17, 2012, the IASB issued 'Annual improvements 2009-2011 Cycle' which makes amendments to the following standards as at the date of issuance of these consolidated and company financial statements:

Standard	Description	Effective for in reporting years starting on or after
IFRS 1	Repeated application of IFRS 1and treatment of borrowing costs	1 January 2013
IAS 1	Clarification of the requirements for comparative information	1 January 2013
IAS 16	Classification of servicing equipment	1 January 2013
IAS 32	Tax effect of distribution to holders of equity instruments to be accounted in accordance with IAS 12	1 January 2013
IAS 34	Clarify interim reporting of segment information for total assets in order to enhance consistency with requirements of IFRS 8	1 January 2013

Based on the Group's current business model and accounting policies, management does not expect the application of the above 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.

4. Summary of significant accounting policies

4.1 Basis of consolidation

(a) The Consolidated financial statements incorporate the financial information of KSK Power Ventur plc, its subsidiaries and joint ventures for the year ended 31 March 2012.

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 unrealised 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 recognised 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 recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e reclassified to income statement 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.

(b) 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 income statement 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 other comprehensive income.

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 general and 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 income statement.

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 income statement.

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 unrealised gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognised 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

Transactions in foreign currencies are translated into the functional currency 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 income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. 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.

On consolidation the assets and liabilities of foreign operations are translated into US $ at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rate for the year . The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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 year end.

Project development fees

Revenue in the form of project development fees for services rendered in relation to development work of potential power projects is recognised when such fees is assured and determinable under the terms of the respective contract.

Management fees

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

Deferred Revenue

Non-refundable contributions received from the captive consumers of the group are recognised as deferred revenue in the Consolidated statement of financial position and transferred to income statement on a systematic and rational basis over life of the term of the relevant agreement.

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.

Claims

Warranty claims/ liquidated damages are not treated as accrued due to uncertainty of realization/ acceptance and are therefore accounted for on receipt / acceptances.

Insurance Claims are accounted based on certainty of realization.

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. Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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;
- In respect of taxable temporary differences associated with investments in subsidiaries 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, the carry forward of unused tax credit and any unused tax losses. Deferred tax assets are recognised 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 is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries 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 liabilities, relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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:

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

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 held for trading and financial assets that are designated upon initial recognition at fair value through profit or loss. 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 income statement.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 income statement 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 income statement. 3

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 income statement. 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 income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to income statement.

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 and other financial liabilities.

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 held for trading and financial liabilities designated upon initial recognition as 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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of IAS 39 are satisfied.

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 income statement 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.

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 income statement.

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, amortisation and/or accumulated 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. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other repairs and maintenance costs are recognised in income statement 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 are met.

Nature of asset	Useful life (Year)
Buildings	30
Power stations	25
Other plant and equipment	3-7

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

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

An item of property, plant and equipment is derecognised 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 income statement in the year the asset is derecognised.

Any revaluation surplus is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case, the increase is recognised in the income statement.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on asset's original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

4.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Nature of asset	Useful life (Year)
Mining license	20

4.13 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 recognised 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.

The Group defers stripping costs incurred during production where this is the most appropriate basis for matching the costs against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in waste costs over the life of a pit, and the effect is material.

The amount of stripping costs deferred is based on the ratio ("Ratio") obtained by dividing the amount of waste mined by the ore mined. Waste costs incurred in the period are deferred to the extent that the current period Ratio exceeds the life of the pit Ratio. Such deferred costs are then charged to income statement to the extent that in subsequent periods the current period Ratio falls short of the life of the pit Ratio. The life of pit Ratio is based on ore reserves of the pit.

4.14 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 recognised immediately.

Group as a lessee

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

4.15 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.

All other borrowing costs including transaction costs are recognised in the income statement in the year in which they are incurred, the amount being determined using the effective interest rate method.

4.16. 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 income statement 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 income statement 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 (on 31 March) 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 year.

4.17 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.

4.18 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.

4.19 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.

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, assets and liabilities which are not directly attributable to the business activities of any operating segment are not allocated.

4.20 Earnings per share

The earnings considered in ascertaining the Group's earnings per share (EPS) comprise the net profit or loss 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.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for effects of all dilutive potential equity shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

4.21Other 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 income statement 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 and restoration liability

The provision for decommissioning and restoration costs arose on construction of a power plant and development of mines. Decommissioning and restoration 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.The unwinding of discount is expensed as incurred and recognised in the income statement as a finance cost.

4.22 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 the income statement in the year 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.

Short- term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid towards bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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 where ever necessary 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);
- *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 4.16 and 15);

- *Estimation of liabilities for decommissioning and restoration 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 4.21 and 25);
- *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 and 14);

  Deferred income 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 4.22 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 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 year, 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 1.6 (b) and 4.3).

- *Consolidation of special purpose entity*: During the year, the Group along with third parties formed 8 SPVs namely KWESHPL, KWEMCPL, KWPYBPL, KWENAPL, KWETEPL, KWETUPL, KWETRPL and KWEMMPL 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.(see note 4.11)

- *Provision*: The Group is currently defending certain lawsuits where the actual outcome may vary from the amount recognised in the financial statements. None of the provisions are discussed here in further details as that might seriously prejudice the Group's position in the related disputes.

6. Acquisition of non-controlling interest

During the year ended 31 March 2012, the Group has made an open offer to the public equity shareholders of KSK Energy Ventures Limited ('KEVL'), 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").

Pursuant to above, KSK Energy Company Private Limited ('KECPL') and KSK Power Holdings Limited ('KPHL') acquired 74,526,091 shares of KEVL of face value of Rs. 10 (US $ 0.20) each at a premium of Rs 115.34 (US $ 2.32) per share, resulting in increase of the ownership interest of the Group in KEVL from 54.94 percent to 74.94 percent.

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 income statement. The difference of US $ 72,080 between the fair value of the net consideration paid (US $ 187,802) and the amount by which the non-controlling interest (US $ 115,722) is adjusted are debited to 'other reserve' within Consolidated statement of changes in equity and attributed to the owners of the Company.

7. Business combinations

Acquisition of VS Lignite Power Private Limited (VSLPPL)

The Group acquired control of VSLPPL with effect from 6 May 2011. In an Extra-ordinary General Meeting held on 6 May, 2011, the members have ceded away their control in favour of Group in respect of operating and financial decisions including but not restricted to expansion projects, alternative fuel sourcing, new business opportunities and any collaboration that the Group may wish to undertake. There has been no change in the percentage ownership interest as a result of Group obtaining control, therefore no shares or cash have been exchanged. The Group has acquired VSLPPL because it significantly increases the Group output in power generation segment and to expand solar 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 summarises the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value recognised on acquisition
Property, plant and equipment	251,977
Intangible assets	3,474
Cash and short-term deposits	15,573
Trade and other receivable	12,090
Inventories	2,847
Financial and other instruments	5,439
Other current and non- current assets	4,028
Deferred tax liability	(16,838)
Interest bearing loans and borrowings	(177,572)
Trade and other payable	(17,008)
Deferred revenue	(4,214)
Provisions	(2,046)
Other current liabilities	(20,599)
Taxes payable	(16)
Employee benefit liability	(53)
Purchase consideration	-
Fair value of existing interest	(42,241)
Non-controlling interest	(14,841)
Goodwill	-
Consideration transferred settled in cash (A)	-
Cash and short-term deposit acquired (B)	15,573
Cash and short-term deposit disposed on deemed disposal (C)	11,524
Restricted cash acquired on business combination (D)	34
Net cash and short-term deposit acquired on business combination (E=B-C-D)	4,015
Net cash in flow on acquisition (A-E)	4,015

The intangible assets of US $ 3,474 represent the value of expected synergies from the mining license arising from the acquisition.

The revenue and profit before tax recognised in the Consolidated financial statements for year ended 31 March 2012 from the date of acquisition due to the increased equity interest of the Group amounts to US $ 14,042 and US $151respectively. Further the revenues and profit before tax for the year ended 31 March 2012 will be the same as mentioned above even if the business combination have affected at the beginning of the year.

The fair value of trade receivables amounts to US $ 12,072. The gross amount of trade receivable is US $ 12,072. 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 income statement.

The non-controlling interests in VSLPPL were measured at their proportionate share (26%) of identifiable net assets amounting to US $ 14,841. Further, the Group recognised a gain of US $ 536 as a result of measuring at fair value its 74% equity interest in VSLPPL held prior to the acquisition date. The above gain of US $ 536 has been arrived at by deducting the difference between US $ 42,241 of fair value and US $ 41,705 of carrying value (along with the goodwill of US $ 28,690 paid on earlier acquisition and allocated to VSLPPL). This gain is included within other operating income in the Consolidated income statement.

8. Interest in joint ventures

The share of the assets, liabilities, income and expenses of the jointly controlled entities at 31 March 2012 and 2011 and for the years then ended, which are included in the Consolidated financial statements, are as follows:

	2012	2011
Non-current assets	91,681	283,941
Current assets	13,092	42,688
Total assets	**104,773**	**326,629**
Non-current liabilities	27,558	107,986
Current liabilities	18,964	67,530
Total liabilities	**46,522**	**175,516**
Revenue	22,724	93,803
Expenses (including tax)	(23,972)	(70,037)
(Loss) /profit after tax	**(1,248)**	**23,766**

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 2012	Project development activities	Power generating activities	Reconciling / elimination activities	Consolidated
Revenue				
External customer	3,936	379,290	-	383,226
Inter-segment	8,841	-	(8,841)	-
Total revenue	**12,777**	**379,290**	**(8,841)**	**383,226**
Segment operating results (see note (f) below)	**8,366**	**118,036**	**(2,107)**	**124,295**
Unallocated operating expenses, net				(1,893)
Finance costs				(160,508)
Finance income				39,256
Profit before tax				**1,150**
Tax expense				(11,068)
Loss after tax				**(9,918)**
Segment assets	23,013	3,356,043	(2,805)	3,376,251
Unallocated assets				183,914
Total assets				**3,560,165**
Segment liabilities	3,336	332,077	(2,805)	332,608
Unallocated liabilities				2,602,540
Total liabilities				**2,935,148**
Other segment information				
Depreciation and amortisation	452	42,275	102	**42,829**
Capital expenditure	5,840	969,739	2,305	**977,884**

Year ended 31 March 2011	Project development activities	Power generating activities	Reconciling / elimination activities	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				(2,081)
Finance costs				(58,647)
Finance income				23,647
Profit before tax				**17,538**
Tax income				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 and amortisation	451	21,200	690	**22,341**
Capital expenditure	889	433,012	32,045	**465,946**

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 $ 39,256 and US $160,508 respectively (2011: US $ 23,647 and US $ 58,647 respectively).

(c) Segment assets do not include deferred tax US $14,273 (2011:US $ 20,708), financial assets and other investments US $109,694 (2011: US $ 177,290), short-term deposits with bank and cash US $ 24,288 (2011: US $ 62,661), and corporate assets US $ 35,659 (2011: US $ 99,619).

(d) Segment liabilities do not include deferred tax US $ 37,699 (2011:US $ 36,542), current tax payable US $ 2,828 (2011: US $ 1,086), interest-bearing current and non-current borrowings US $ 2,537,961 (2011: US $ 1,600,693) and corporate liabilities US $ 24,052 (2011: US $ 28,860)

(e) The Company operates in one business and geographic segment. Consequently no segment disclosures of the Company are presented.

(f) Includes gain on re-measurement of existing equity amounting to US $ 536 (2011: US $ 1,733),

(g) One customer in the power generating segment contributing revenues of US $ 216,175 accounted for 56.99% of the total segment revenue (2011: Two customers in the power generating segment contributing revenues of US $ 122,832 accounted for 55.26% of the total segment revenue).

10. Depreciation, amortisation, costs of inventories, employee benefit expense and auditor's remuneration included in the Consolidated and Company income statement

(a) Depreciation, amortisation and costs of inventories included in the Consolidated income statement

	2012	2011
Included in cost of revenue:		
Fuel costs *	187,657	75,611
Depreciation	35,064	17,698
Amortisation of intangible asset	171	-
Included in general and administrative expenses:		
Depreciation	7,594	4,643

* Excludes alternate energy cost of US $ Nil (2011: US $ 38,500)

(b) Employee benefit expenses

	Consolidated		Company	
	2012	2011	2012	2011
Salaries and wages	24,525	18,430	185	148
Employee benefit costs	1,154	806	-	-
Others	1,116	673	-	-
Total	**26,795**	**19,909**	**185**	**148**
Less: Amount capitalised	(18,939)	(11,384)	-	-
Net employee benefit expense	**7,856**	**8,525**	**185**	**148**

The employee benefit expenses of the Group form part of the cost of revenues amounting US $ 4,794 (2011: US $ 2,353) and general and administrative expenses amounting US $ 3,062 (2011: US $ 6,172).

The employee benefit expenses in the Company financial statements amounting to US $ 185 (2011: US $ 148) forms part of the general and administrative expenses.

(c) Auditor's remuneration for audit services amount to US $ 105 (2011: US $ 85)

11. Other operating income, net

Other operating income comprises:

	2012	2011
Income from management fees	361	461
Gain on re-measurement of existing equity interest (see note 7)	536	1,733
Gain on disposal of property, plant and equipment, net [1]	5,292	-
Claim received [2]	16,214	-
Deferred revenue amortisation	234	-
Other operating income	967	1,163
Total	**23,604**	**3,357**

[1]Gain on disposal of property, plant and equipment includes a gain of US $ 5,323 (2011: US $ Nil) on disposal of certain windmill assets with aggregate capacity of 52.25 MW for a total consideration of US $ 47,150 (2011: US $ Nil)

[2] Claims received includes an amount of US $ 14,004 (2011: US $ Nil) towards loss of profit and others received from an EPC contractor for delay in commissioning of plant.

12. Finance costs

Finance costs comprise:

	Consolidated		Company	
	2012	2011	2012	2011
Interest expenses on loans and borrowings [1]	104,227	48,723	826	268
Other finance costs	4,089	1,990	2,014	3
Provision for impairment of financial assets (see note 17)	2,241	-	-	-
Net loss on financial liability at fair value through profit or loss [2]	438	4,361	-	-
Foreign exchange loss, net	48,475	2,347	330	4,186
Net loss on held-for-trading financial assets on re-measurement	13	-	-	-
Unwinding of discounts	1,025	1,226	-	-
Total	**160,508**	**58,647**	**3,170**	**4,457**

[1]Borrowing cost capitalised during the year amounting to US $ 175,849 (2011: US $ 99,846) to property, plant and equipment at an effective interest rate of 14.14% (2011: 12.57%).

[2]Net loss on financial liability at fair value through profit or loss above relates to foreign exchange forward contracts that did not qualify for hedge accounting.

13. Finance income

The finance income comprises:

	Consolidated		Company	
	2012	2011	2012	2011
Interest income				
bank deposits	29,837	13,971	34	91
loans and receivables	7,813	6,719	97	160
Dividend income	649	369	-	-
Finance lease income	-	276	-	-
Net gain on held-for-trading financial assets				
on disposal	60	1,076	-	-
on re-measurement	-	1	-	-
Unwinding of discount on security deposits	839	1,080	-	-
Guarantee commission from subsidiary	-	-	-	688
Reclassification adjustment in respect of available-for- sale financial assets disposed	58	155	-	-
Total	**39,256**	**23,647**	**131**	**939**

14. Tax (expense) / income

The major components of income tax for the year ended 31 March 2012 and 2011 are:

	2012	2011
Current tax	(11,101)	(5,607)
Deferred tax	33	18,176
Tax (expense) / income reported in the income statement	**(11,068)**	**12,569**

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 2012 and 2011 is as follows:

	2012	2011
Accounting profit before taxes	1,150	17,538
Enacted tax rates	32.45%	33.22%
Tax income / (expense) on profit at enacted tax rate	(373)	(5,826)
Expenditure not deductible for tax purpose	(6,298)	(3,008)
Income exempt or taxed at lower rate	5,948	21,777
Unrecognised deferred tax assets	(11,050)	(1,412)
Others	705	1,038
Actual tax (expense) / income	**(11,068)**	**12,569**

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 Group's operations are majority 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. Under the tax holiday the taxpayer can utilise an exemption from income taxes for any ten consecutive years out of the fifteen years from the date of commencement of the operations.

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 percent (plus applicable surcharge and cess) on the total amount distributed as dividend.

As per Indian tax laws, companies are liable for a Minimum Alternative Tax when current tax computed under normal provisions of the Income Tax Act, 1961 ("Tax Act") is determined to be below the current minimum tax computed under section 115JB of the Tax Act. The Group has carried forward credit in respect of MAT liability paid to the extent it is probable that future taxable profit will be available against which such tax credit can be utilised. Such credit is eligible to be carried forward and set-off against the future tax liabilities over a period of ten years.

Deferred income tax at 31 March 2012 and 2011 relates to the following:

	2012	2011
Deferred income tax assets		
Share issue expenses	907	1,923
Property, plant and equipment	12,291	9,880
Unused tax losses carried forward	35,088	33,225
MAT credit	5,787	7,133
Others	373	941
	54,446	**53,102**
Deferred income tax liabilities		
Property, plant and equipment	75,837	67,559
Others	2,035	1,377
	77,872	**68,936**
Deferred income tax liabilities, net	**23,426**	**15,834**

Reconciliation of deferred tax liability, net

	2012	2011
Opening balance as of 1 April 2011	15,834	20,154
Tax income recognised in income statement	(33)	(18,176)
Tax expense recognised in statement of changes in equity	621	984
MAT credit adjustment	2,429	-
Acquired in business combination (see note 7)	16,838	23,172
Deemed disposal arising on re-measurement of existing equity interest	(8,817)	(9,815)
Exchange difference	(3,446)	(485)
Closing balance as at 31 March 2012	**23,426**	**15,834**

In assessing the realisability of the deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realised. The ultimate realisation of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realise the benefits of those recognised deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income are reduced.

The Group has tax losses in certain entities which arose in India of US $ 13,324 (2011: US $ 5,662) 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 $ 4,273 (2011: US $ 1,780).The above tax losses expire at various dates ranging from 2015 to 2020.

As at 31 March 2012 and 2011, 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

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 $ 149,628 (2011: US $ 172,306).

15. Property, plant and equipment, net

The property, plant and equipment of the Group comprise:

	Land and buildings	Power stations	Mining property	Other plant and equipment	Assets under construction	Total
Cost						
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	440,234	831,057
Business combination	23,549	103,034	-	1,075	529,552	657,210
Disposals /transfer	(16,501)	(65,240)	-	(1,671)	(734,209)	(817,621)
Exchange difference	(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**
As at 1 April 2011	159,535	576,888	10,237	8,724	1,226,634	1,982,018
Additions	75,148	277,465	-	2,217	958,154	1,312,984
Business combination (see note 7)	32,769	218,638	-	372	198	251,977
Disposals / transfer	(21,440)	(183,827)	-	(925)	(332,385)	(538,577)
Exchange difference	(22,118)	(84,547)	(1,314)	(1,145)	(157,398)	(266,522)
As at 31 March 2012	**223,894**	**804,617**	**8,923**	**9,243**	**1,695,203**	**2,741,880**
Depreciation and impairment						
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 difference	22	118	5	(5)	-	140
As at 31 March 2011	**3,709**	**19,388**	**521**	**3,254**	**-**	**26,872**
As at 1 April 2011	3,709	19,388	521	3,254	-	26,872
Additions	5,699	34,534	615	1,810	-	42,658
Disposals / adjustments	(531)	(8,557)	-	(606)	-	(9,694)
Asset derecognised	-	-	-	-	2,861	2,861
Exchange difference	(884)	(5,039)	(109)	(556)	-	(6,588)
As at 31 March 2012	**7,993**	**40,326**	**1,027**	**3,902**	**2,861**	**56,109**
Net book value						
As at 31 March 2012	**215,901**	**764,291**	**7,896**	**5,341**	**1,692,342**	**2,685,771**
As at 31 March 2011	**155,826**	**557,500**	**9,716**	**5,470**	**1,226,634**	**1,955,146**

Property, plant and equipment with a carrying amount of US $ 2,561,726 (2011: US $ 1,856,855) is subject to security restrictions (note 23)

The property, plant and equipment of the Company comprise:

	Other plant and equipment	Total
Cost		
As at 1 April 2011	-	-
Additions	1	1
Disposals /transfer	-	-
Exchange difference	-	-
As at 31 March 2012	**1**	**1**
Depreciation and impairment		
As at 1 April 2011	-	-
Additions	-	-
Disposals / adjustments	-	-
Exchange difference	-	-
As at 31 March 2012	-	-
Net book value		
As at 31 March 2012	**1**	**1**
As at 31 March 2011	-	-

16. Intangible assets

	Mining license	Goodwill	Total
Cost			
As at 1 April 2010	-	84,482	84,482
Business combination	-	6,832	6,832
Disposals	-	(38,354)	(38,354)
Exchange difference	-	(500)	(500)
As at 31 March 2011	-	**52,460**	**52,460**
As at 1 April 2011	-	52,460	52,460
Business combination (see note 7)	3,474	-	3,474
Disposals (see note 7)	-	(28,690)	(28,690)
Exchange difference	(446)	(3,050)	(3,496)
As at 31 March 2012	**3,028**	**20,720**	**23,748**
Amortisation and impairment			
As at 1 April 2010	-	-	-
Additions	-	-	-
Exchange difference	-	-	-
As at 31 March 2011	-	-	-
As at 1 April 2011	-	-	-
Additions	171	-	171
Exchange difference	(12)	-	(12)
As at 31 March 2012	**159**	-	**159**
Net book value			
As at 31 March 2012	**2,869**	**20,720**	**23,589**
As at 31 March 2011	-	**52,460**	**52,460**

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

	2012	2011
VS Lignite Power Private Limited	-	28,690
J R Power Gen Private Limited	26	30
Wardha Power Company Limited	4,509	5,173
Sitapuram Power Limited	6,349	7,284
Sai Regency Power Corporation Private Limited	1,394	1,599
Arasmeta Captive Power Company Private Limited	8,442	9,684
Total	**20,720**	**52,460**

The recoverable amount of the cash generating unit at 31 March 2012 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:

	2012	2011
Growth rate	3.00%	3.00%
Discount rate (pre-tax)	12.92%	12.00%

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.

17. Investments and other financial assets

	Consolidated		Company	
	2012	2011	2012	2011
Current				
Financial assets at fair value through profit or loss				
- held-for-trading	4,384	5,638	-	-
Loans and receivables	58,950	102,768	332	12,521
Loans to and receivables from JV partners	22,127	17,086	-	-
	85,461	**125,492**	**332**	**12,521**
Non-current				
Available-for-sale investments	30,774	12,647	-	-
Deposit with banks	47,929	28,992	-	-
Loans and receivables	25,476	41,992	9,225	9,225
Loans to and receivables from JV partners	5,177	13,244	-	-
Loans to and receivable from subsidiaries	-	-	157,213	124,373
Investment in subsidiaries	-	-	143,415	46,449
	109,356	**96,875**	**309,853**	**180,047**
Total	**194,817**	**222,367**	**310,185**	**192,568**

Financial assets at fair value through profit or loss

The Group has invested 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 also holds non-controlling interest (1%-25%) in unlisted 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.

Deposit with banks

This represents the deposits with the bank with the maturity term of more than twelve months from the reporting date.

Loans and receivables

This primarily includes interest-bearing inter-corporate deposits of US $ 17,375 (2011: US $ 42,303), deferred loan origination costs US $ 5,981 (2011: US $ 29,493), security deposit to suppliers US $ 15,236 (2011: US $ 16,814), advance for investments US $ 11,716 (2011: US $ 12,111) and other financial assets US $34,118 (2011: US $ 44,039).

Loans to and receivables from 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 to and receivable from subsidiary

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

Investment in subsidiaries

Investment primarily includes unquoted investments in subsidiaries in the Company financial statements. The Company has invested in 139,244,601 equity shares (2011: 41,839,200) in KEL, 12,000 equity shares (2011: 12,000) in KASL, 100,000,000 equity shares (2011: 100,000,000) in KGPP and 1 equity share (2011: 1) in KSVP totalling to US $ 143,415 (2011: US $ 46,449).

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

Financial assets amounting of US $ 173,289 (2011: US $ 162,449) for the Group is subject to security restrictions (see note 23).

Impairment of financial assets

During the year ended 31 March 2012, available-for-sale financial asset of US $ 572 (2011: US $ Nil) and loans and receivable of US $ 1,669 (2011: US $ Nil) were collectively impaired.

18.Other assets

	Consolidated		Company	
	2012	2011	2012	2011
Current				
Advance to suppliers	19,492	23,378	-	-
Prepayments	12,539	5,939	66	-
Income tax receivable	3,316	4,712	-	-
Other receivables	4,301	1,079	9	-
	39,648	**35,108**	**75**	**-**
Non-current				
Development of mineral assets	29,520	3,716	-	-
Prepayments	29,202	17,816	-	-
	58,722	**21,532**	**-**	**-**
Total	**98,370**	**56,640**	**75**	**-**

During the year ended 31 March 2012, other current assets of US $ Nil (2011: US $ 144) were collectively impaired and written off.

19. Trade and other receivables

	Consolidated		Company	
	2012	2011	2012	2011
Current				
Trade receivables	69,912	44,534	-	-
Unbilled revenue	3,635	1,123	-	-
Net investment in lease receivables	-	236	-	-
Interest accrued	24,258	19,502	-	166
	97,805	**65,395**	**-**	**166**
Non-current				
Trade receivables	2,801	2,976	-	-
Interest accrued	3,194	776	-	-
Net investment in lease receivables	-	2,717	-	-
	5,995	**6,469**	**-**	**-**
Total	**103,800**	**71,864**	**-**	**166**

Trade receivables are non-interest bearing and are generally due within 7-14 days terms. Trade receivable and unbilled revenue of US $ 76,348 (2011: US $ 48,633) have been pledged as security for borrowings (see note 23). During the year ended 31 March 2012, trade receivables of US $ Nil (2011: US $ 290) were collectively impaired and written-off.

Trade receivables as of 31 March 2012 include certain receivables aggregating to US $ 34,650 (2011: US $ 18,308), recognised based on the terms and conditions implicit in the contracts with customers. The matter is pending with competent authority or for reconciliations. The Company based on the merits of the case and on the opinion from its lawyers is confident about the favourable outcome and realisation 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
2012	72,713	2,801	39,440	5,459	25,013
2011	47,510	2,976	17,971	6,863	19,700

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 income statement. However, during the year on account of business combination of VSLPPL, net investment in lease receivable gets fully eliminated.

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

	2012	2011
Gross investment in finance lease contracts	-	5,729
Less: Unearned finance revenues	-	2,776
Net investment in finance lease contracts	-	2,953

As of 31 March 2012 and 2011, 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	
	2012	2011	2012	2011
Not later than one year	-	547	-	236
Later than one year and not later than five years	-	1,649	-	597
Later than five years	-	3,533	-	2,120
Total	-	**5,729**	-	**2,953**

20. Inventories

	2012	2011
Fuel (at cost)	10,837	5,697
Stores and spares (at cost)	11,123	8,920
Total	**21,960**	**14,617**

Inventory of US $ 21,960 (2011: US $ 14,617) have been pledged for security as borrowings (see note 23).

21.Cash and short-term deposits

Cash and short-term deposits comprise of the following:

	Consolidated		Company	
	2012	2011	2012	2011
Cash at banks and on hand	113,900	60,181	1,598	1,512
Short-term deposits	303,685	277,978	-	13,039
Total	**417,585**	**338,159**	**1,598**	**14,551**

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

The Group has pledged a part of its short-term deposits amounting US $ 294,416 (2011: US $ 266,473) in order to fulfil collateral requirements (see note 23).

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

	Consolidated		Company	
	2012	2011	2012	2011
Cash at banks and on hand	113,900	60,181	1,598	1,512
Short-term deposits	303,685	277,978	-	13,039
Total	**417,585**	**338,159**	**1,598**	**14,551**
Less: Restricted cash[1]	(297,399)	(276,944)	-	(13,039)
Cash and cash equivalent	**120,186**	**61,215**	**1,598**	**1,512**

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

22. 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 authorised share capital of 500,000,000 equity shares (2011: 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.

During the year, the Company has raised US $ 59,467 (net of share issue expenses of US $ 2,415) by way of a placing of 7,589,455 equity shares of US $ 0.002 (£ 0.001) each with institutional investors at a premium of US $ 8.15 (£ 5.20) per share. The placing shares rank pari-passu in all respects with the other ordinary shares including the right to receive all dividends and other distributions.

Reserves

Share premium represents the amount received by the Group over and above the par value of shares issued. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax consequences.

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 difference 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 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 by the subsidiaries are deducted from other reserves, net of any related income tax consequences. Further, it also includes the loss / gain on fair valuation of available-for-sale financial instruments.

Retained earnings mainly represent all current and prior year results as disclosed in the income statement and other comprehensive income less dividend distribution.

23. Interest-bearing loans and borrowings

The interest-bearing loans and borrowings comprise of the following:

	Interest rate (range %)	Final Maturity	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
Long-term project finance loans	3.16 to 15.90	March-26	1,471,250	906,016	-	-
Short-term loans	6.00 to 12.40	March-13	312,172	232,863	-	9,300
Buyers' credit facility	1.93 to 3.81	March-13	595,487	318,906	52,475	-
Cash credit and other working capital facilities	12.00 to 16.75	March-13	132,563	113,955	-	-
Redeemable preference shares	0.01 to 14.11	February-28	26,489	28,953	-	-
Total			**2,537,961**	**1,600,693**	**52,475**	**9,300**

Total debt of US $ 2,537,961 (2011: US $ 1,600,693) comprised:

- Long-term project finance loans of the Group amounting US $ 1,471,250 (2011: US $ 906,016) 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, fixed 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.
- 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 2-16 year.

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 2012, the Group has complied with the relevant covenants.

The fair value of borrowings at 31 March 2012 was US $ 2,537,553 (2011: US $ 1,601,790). The fair values have been calculated by discounting cash flows at prevailing interest rates.

The interest-bearing loans and borrowings mature as follows:

	Consolidated		Company	
	2012	2011	2012	2011
Current liabilities				
Amounts falling due within one year	1,128,911	783,177	52,475	9,300
Non-current liabilities				
Amounts falling due after more than one year but not more than five years	952,419	473,728	-	-
Amounts falling due in more than five years	456,631	343,788	-	-
Total	**2,537,961**	**1,600,693**	**52,475**	**9,300**

24. Trade and other payables

	Consolidated		Company	
	2012	2011	2012	2011
Current				
Trade payables	266,213	176,075	1,469	305
Share application money	2,156	714	-	-
Interest payable	19,332	14,820	-	60
	287,701	**191,609**	**1,469**	**365**
Non-current				
Trade payables	48,981	29,736	-	-
	48,981	**29,736**	**-**	**-**
Total	**336,682**	**221,345**	**1,469**	**365**

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 1-6 years.
- Share application money represents application money paid by investor / customers for subscribing to equity / preference shares in subsidiaries as at the reporting date.
- Interest payable is normally settled monthly throughout the financial year.

25.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.

	2012	2011
Non-current		
Opening balance	2,115	1,984
Exchange difference	(353)	(15)
Arises during the year on account of a business combination (see note 7)	2,046	-
Deemed disposal arising on re-measurement of existing equity interest	(1,514)	-
Unwinding of discount	186	146
Closing balance	**2,480**	**2,115**

26. Deferred revenue

	2012	2011
Opening balance	11,953	5,312
Additions	39	5,912
Released to the revenue	(1,126)	(931)
Released to the other operating income	(234)	-
Arises during the year on account of a business combination (see note 7)	4,214	6,606
Deemed disposal arising on re-measurement of existing equity interest	(3,133)	(4,886)
Exchange difference	(1,579)	(60)
Closing balance	**10,134**	**11,953**
Current	984	848
Non-current	9,150	11,105
Total	**10,134**	**11,953**

Deferred revenue represents:

- Contributions from captive consumers of WPCL towards preference shares which are redeemable at Re 1/- at the end of tenure of agreement
- Amount received from captive consumers of SRPCPL and VSLPPL towards security deposit adjustable over the period as per the terms of the relevant agreement.

The amounts received are in the nature of non-refundable contribution which has been recognised as deferred revenue in the Consolidated statement of financial position and transferred to the income statement on a systematic and rational basis over the term of the relevant agreements.

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.

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

A. Net benefit expense

	2012	2011
Current service cost	877	590
Interest cost on benefit obligation	93	34
Expected return on plan assets	(50)	(30)
Net actuarial gain recognised in the year	(376)	(277)
Past service cost - non vested benefits	104	108
Past service cost - vested benefits	-	124
Change in controlling interest	-	31
Net benefit expense	**648**	**580**

B. Net benefit liability

	2012	2011	2010	2009	2008
Defined benefit obligation	1,691	1,245	433	124	83
Fair value of plan assets	(710)	(495)	(230)	(88)	(45)
Unrecognised actuarial gain / (loss) recognised at the end of year	-	-	-	-	-
Unrecognised past service cost - non vested benefit	(79)	(179)	-	-	-
Benefit liability[1]	**902**	**571**	**203**	**36**	**38**

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

	2012	2011
Defined benefit obligation at the beginning of the year	1,245	433
Interest cost	93	34
Current service cost	877	590
Actuarial gains on obligation	(372)	(282)
Past service cost - non vested benefits	-	304
Past service cost - vested benefits	-	124
Change in controlling interest	68	40
Exchange difference	(220)	2
Defined benefit obligation at the end of the year	**1,691**	**1,245**

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

	2012	2011
Fair value of plan assets at the beginning of the year	495	230
Expected return	50	30
Contributions by employer	230	205
Benefits paid	(3)	-
Change in controlling interest	11	34
Actuarial gain / (loss)	4	(5)
Exchange difference	(77)	1
Fair value of plan assets at the end of the year	**710**	**495**

E. Fair value of plan assets

	2012	2011
Fair value of plan assets at the beginning of the year	495	230
Actual return on plan assets	53	29
Contributions	230	228
Benefits paid	(3)	-
Change in controlling stake	11	-
Exchange difference	(76)	8
Fair value of plan assets at the end of the year	**710**	**495**
Funded status	**(980)**	**(787)**

F. Past service cost recognised

	2012	2011
Past service cost - non vested benefit	-	304
Past service cost - vested benefit	-	124
Average remaining future service till vesting of the benefit	-	3
Recognised past service cost - non vested benefit	104	108
Recognised past service cost - vested benefit	-	124
Unrecognised past service cost - non vested benefit	85	196
Exchange difference	(6)	1
Change in controlling interest	-	18
Past service cost	**(79)**	**(179)**

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

	2012	2011
Discount rate	8.00%	8.17%
Rate of increase in compensation levels	15.00%	15.00%
Rate of return on plan assets	9.00%	9.00%

[1] Represents net of benefit asset of US $ 45.

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.

Discount rate: The discount rate of 8% is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Rate of increase in compensation levels: Rate of increase in compensation is expected to be 15%. The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

Rate of return on plan assets: The rate of return on plan assets, i.e., 9 % is based on the expectation of the average long erm rate of return expected on investments of the fund during the estimated term of the obligations.

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 $ 246 to the provident fund during the year ended 31 March 2012 and US $ 154 during the year ended 31 March 2011.

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

28. Other current financial liabilities

	2012	2011
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedge		
- Foreign exchange forward contracts	-	3,184
Total	**-**	**3,184**

29. Other current liabilities

	2012	2011
Statutory liabilities	3,878	2,811
Accruals	2,539	973
Total	**6,417**	**3,784**

30. Related party transactions

Name of the Company	Nature of relationship
K&S Consulting Group Private Limited	Group ultimate parent (GUP)
Sayi Energy Ventur Limited	Parent

For detail list of subsidiaries and joint ventures see note 1.6

Key management personnel and their relatives (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
Abhay M. Nalawade*	Director
K. V. Krishnamurthy	Director of parent
Aditi Kishore	Relatives of key management personnel
K. Satyavathi	Relatives of key management personnel

* Appointed with effect from 12 August 2011

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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			
	2012			2011			2012		2011	
	Joint Venture	GUP	KMP	Joint Venture	GUP	KMP	Subsidiaries	KMP	Subsidiaries	KMP
Transactions[1,2]										
Project development fees and corporate support services fees	3,936	-	-	3,060	-	-	-	-	-	-
Interest income	3,470	-	-	2,672	-	-	-	-	-	-
Inter-corporate deposits and loans given	13,087	52	-	18,467	-	-	126,606	-	87,200	-
Inter-corporate deposits and loans refunded	(1,415)	-	-	(8,477)	-	-	-	-	(160)	-
Loans taken	-	-	-	368	-	-	-	-	46	-
Repayment of loan taken from	-	-	-	-	-	-	47	-	-	-
Lignite excavation income	-	-	-	1,455	-	-	-	-	-	-
Finance lease income	-	-	-	276	-	-	-	-	-	-
Refund of capital advance	-	(4,082)	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment	-	2,779	2,912	-	-	-	-	-	-	-
Guarantees commission received from subsidiaries	-	-	-	-	-	-	-	-	688	-
Managerial remuneration[3]	-	-	660	-	-	613	-	185	-	148
Balances[1,2]										
Interest receivable	3,121	-	-	4,759	-	-	-	-	-	-
Loans and inter corporate deposits receivable	26,117	48	-	21,772	-	-	157,222	-	124,373	-
Loans and inter corporate deposits payable	-	-	-	242	-	-	-	-	-	-
Lease receivable	-	-	-	2,953	-	-	-	-	-	-
Assets under construction	-	-	-	-	5,617	-	-	-	-	-
Other receivable	1,186	1,100	-	1,409	-	-	-	-	-	-
Managerial remuneration payable[3]	-	-	82	-	-	67	-	53	-	38

[1]The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. 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 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: 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 difference.

[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 and without 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:

	2012	2011
Not later than one year	258	347
Later than one year and not later than five years	93	300
Later than five years	-	-
Total	**351**	**647**

During the year ended 31 March 2012, US $ 2,069 (2011: US $ 1,687) is recognised as an expense in respect of operating leases.

Capital commitments

As at 31 March 2012, the Group is committed to purchase property, plant and equipment for US $ 1,920,436 (2011: US $ 3,196,514). In respect of its interest in joint ventures the Group is committed to incur capital expenditure of US $ 1,219 (2011: US $ 2,133).

Other commitments

As of 31 March 2012, the Group has contractual obligations to spend approximately US $ 5,160 (2011: US $ 6,807); under purchase obligations which include commitments to purchase a minimum quantity of fuel under the terms of the agreement with 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.

Legal claim

- SPL received claims for penal charges totalling to US $ 111 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.
- The Group has received claims for US $ 12,211 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 can be made with retrospective effect, 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.
- Wardha Power Company Limited (WPCL) filed a claim against Maharashtra State Electricity Distribution Company Limited ('MSEDCL') towards recovery of the amount withheld against supply of energy under Power Purchase Agreement amounting to US $ 13,143. During the period since, the facility required for generation of the agreed quantum of power was not ready as per agreed schedule on account of unexpected factors beyond the control of the group, the group proposed MSEDCL for arranging the energy from alternate sources for the short quantity required to meet the obligation under the power purchase agreement. MSEDCL accepted the proposal and also confirmed that the energy supplied from alternate sources will also be subject to the tariff agreed under the power purchase agreement. However, after initial payments for the period April to June 2010, starting July 2010 to October 2010, MSEDCL did not settle the entire dues billed and the certain amounts were withheld without any explanation. The Group contends that since, the energy supplied and billed was as per the terms agreed and the similar bills of earlier months were paid by MSEDCL, there is no cause to withhold the payments. 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.
- WPCL filed a claim against Maytas Infra Limited (Maytas) for the refund of the commitment deposit paid amounting to US $ 9,600 along with the accrued interest, for its proposed 3600 MW power plant in the state of Chhattisgarh (presently being implemented in KSK Mahanadi), for non EPC work consisting of construction of reservoir, laying of pipeline and dedicated water handling infrastructure facilities. The estimated value of the work entrusted was US $ 48,000. However, as per the agreement, since Maytas was unable to provide a legally binding techno commercial offer, the group demanded for refund of the deposit. Maytas requested for an additional time for refunding part of the deposit and for the balance suggested to arrange a sub-contracting job from the EPC contractor of the proposed project. However, Maytas was unable to meet the commitment given. Considering the facts and nature of the claim, 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.
- VS Lignite Power Private Limited (VSLPPL) has certain receivables from its consumers representing taxes including royalty, cess on clean energy, taxes on input fuel as well as double adjustments for the security deposit, transmission and SLDC charges which are disputed by the consumers. The Group contends that the amounts levied as part of the invoicing represents taxes on generation as per the terms of the power delivery agreement

and hence to be pass through. The group believes that the final determination of the above dispute would be in favour of the Group and there should be no material impact on the financial statements

- Arasmeta Captive Power Company Private Limited (ACPCPL) has certain claims and receivables from its captive consumer namely Lafarge India Private Limited (LIPL) which are disputed by LIPL. The Group contends that the amounts claimed are as per the terms of the power purchase agreements dated 10 February 2005 and 01 November 2007. The group believes that the final determination of the above dispute would 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 $ 222,856 (2011: US $ 272,569) 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 financial 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 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 2012 and 2011.

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

- The sensitivity of the income statementis 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 2012, 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 2012 and 2011, 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 2012 would decrease or increase by US $ 7,011 (2011: US $ 3,014).

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 2012 would increase or decrease by US $ Nil (2011: 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, income statement 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.

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

Currency	2012		2011	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Indian Rupee	692,231	1,961,865	581,015	1,370,262
Great Britain Pound	8,577	1,329	3,668	237
United States Dollar	15,367	910,046	47,640	454,543
Others	26	1,583	68	180

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:

2012	Closing exchange rate	Effect of 10% strengthening of US $ on net earnings	Effect of 10% strengthening of US $ on total equity
Indian Rupee	52.0803	(85,728)	(85,728)
Great Britain Pound	0.6255	(3,740)	(3,740)

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

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 $ 27,553 (2011 US $ 8,898) and the exposure to listed equity securities at fair value was US $ 3,005 (2011 US $ 3,878).

At the reporting date, the Company's exposure to unlisted equity securities (excluding investment in subsidiaries) was US $ Nil (2011: US $ Nil).

A decrease of 10% on the Indian market index would have an impact of approximately US $34 (2011: US $ 283) 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 income or equity by similar amounts.

A decrease of 10% on the UK market index would have an impact of approximately US $ 108 (2011: US $ 78) 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 income or 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 $ 597,477 (2011: US $ 566,596).

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 17 and 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.

The following is an analysis of the group contractual undiscounted cash flows payable under financial liabilities at 31 March 2012:

	Current		Non-current		Total
	On demand	**within 12 months**	**1-5 years**	**Later than 5 years**	
Interest-bearing loan and borrowings	308,765	1,049,872	1,531,781	628,256	3,518,674
Trade and other payables	19,332	268,369	46,180	4,416	338,297
Total	**328,097**	**1,318,241**	**1,577,961**	**632,672**	**3,856,971**

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	14,820	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 Company's contractual undiscounted cash flows payable under financial liabilities as at 31 March 2012 is US $53,944 (2011: US $ 9,665).

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 year ended 31 March 2012 and 2011.

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 Group net debt to equity ratio at the reporting date is as follows:

	2012	2011
Total borrowing	2,537,961	1,600,693
Less: Cash and short-term deposit	417,585	338,159
Net debt	**2,120,376**	**1,262,534**
Equity	625,017	850,688
Total equity	**625,017**	**850,688**
Net debt to equity ratio	**3.39**	**1.48**

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	
	2012	**2011**	**2012**	**2011**
Financial assets				
Cash and short-term deposits [1]	417,585	338,159	417,585	338,159
Non-current bank deposits	47,929	28,992	47,929	28,992
Financial assets designated as fair value through profit or loss				
- held for trading [4]	4,384	5,638	4,384	5,638
Loans and receivables				
- trade and other receivables [1 & 2]	103,800	71,864	103,800	71,864
- other financial assets [1 & 2]	111,730	175,090	111,730	175,090
Available-for-sale instruments [4]	30,774	12,647	30,774	12,647
Total	**716,202**	**632,390**	**716,202**	**632,390**
Financial liabilities				
Financial liability at fair value through profit or loss				
- derivatives not designated as hedge [1]	-	3,184	-	3,184
At amortised cost				
- interest bearing loans and borrowings [1 & 3]	2,537,961	1,600,693	2,537,553	1,601,790
- trade and other payables [1 & 3]	336,682	221,345	336,682	221,345
Total	**2,874,643**	**1,825,222**	**2,874,235**	**1,826,319**

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	
	2012	**2011**	**2012**	**2011**
Financial assets				
Cash and short-term deposits [1]	1,598	14,551	1,598	14,551
Loans and receivables				
- trade and other receivables [1]	-	166	-	166
- other financial assets [1 & 2]	166,770	146,119	166,770	146,119
Investment in subsidiaries[2]	143,415	46,449	143,415	46,449
Total	**311,783**	**207,285**	**311,783**	**207,285**
Financial liabilities				
At amortised cost				
- interest bearing loans and borrowings [1]	52,475	9,300	52,475	9,300
- trade and other payables [1]	1,469	365	1,469	365
Total	**53,944**	**9,665**	**53,944**	**9,665**

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, non-current bank deposits, loans and receivables, 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 2012, 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).

2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	4,384	-	-	4,384
Available-for-sale financial assets				
Unquoted equities	-	27,553	343	27,896
Quoted equities	2,878	-	-	2,878
Total	**7,262**	**27,553**	**343**	**35,158**
Financial liabilities at fair value through profit or loss				
Derivative financial liability	-	-	-	-
Total	-	-	-	-

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

Reconciliation of Level 3 fair value measurements of financial assets:

2012	Available-for-sale Unquoted Equities	Total
Opening balance	439	439
Total gains or losses:	-	-
- in other comprehensive income	(15)	(15)
Settlements	(80)	(80)
Transfers out of level 3	-	-
Closing balance	**344**	**344**

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

2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
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 fair value through profit or loss				
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
Purchases	-	-
Settlements	(257)	(257)
Transfers out of level 3	-	-
Closing balance	**439**	**439**

Definitions and Glossary

Acts	:	The Isle of Man Companies Acts 1931 to 2004, as amended
ACPCPL / Arasmeta	:	Arasmeta Captive Power Company Private Limited
AGM	:	Annual General Meeting
Board	:	The Board of Directors of KSK Power Ventur plc
BU	:	Billion Units
CGU	:	Cash Generating Unit
Company or KPVP or parent	:	KSK Power Ventur plc
EBITDA	:	Earnings Before Interest Tax Depreciation and Amortisation
Electricity Act	:	The Indian Electricity Act 2003 as amended
EPC	:	Engineering, Procurement and Construction
FY	:	Financial Year commencing from 1 April to 31 March
GIDC	:	Goa Industrial Development Corporation
Group or KSK	:	The Company and its subsidiaries
GW	:	Giga Watt
IAS	:	International Accounting Standards
IFRS	:	International Financial Reporting Standards
Indian Companies Act	:	The Companies Act, 1956 and amendments thereto
JRPGPL	:	J R Power Gen Private Limited
KMPCL / KSK Mahanadi	:	KSK Mahanadi Power CompanyLimited
KSK Energy Company	:	KSK Energy Company Private Limited
KSKEV / KEVL	:	KSK Energy Ventures Limited
LIPL	:	Lafarge India Private Limited
LLC	:	Limited Liability Company
LLP	:	Limited Liability Partnership
MAT	:	Minimum Alternate Tax
MW	:	Mega Watt
PPA	:	Power Purchase Agreement
PLF	:	Plant Load Factor
Rupees / INR / Rupee	:	Indian Rupee, the lawful currency of India
SCCL	:	Singareni Collieries Company Limited
SPL / Sitapuram	:	Sitapuram Power Limited
SPV	:	Special Purpose Vehicle, each being an Indian registered company incorporated for the purpose of a specific power project
SRPCPL / Sai Regency	:	Sai Regency Power Corporation Private Limited
Tax Act	:	Income Tax Act 1961
UK	:	United Kingdom of Great Britain
US$ or $	:	US Dollars, the lawful currency of the US
VSLPPL / VSLP / VS Lignite	:	VS Lignite Power Private Limited
WCL	:	Western Coalfields Limited
WPCL / Wardha Power	:	Wardha Power Company Limited
£ or Sterling	:	Pounds or sterling, the lawful currency of the UK

Notes

Notes

Company Information

Directors

Thiruvengadam Lakshman Sankar
(Non-Executive Chairman)

Subramaniam Ramachandran Iyer
(Non-Executive Director)

Vladimir Dlouhy
(Non-Executive Director)

Abhay Mahadeo Nalawade
(Non-Executive Director)

Sethuraman Kishore
(Executive Director)

Kolluri Ayyappa Sastry
(Executive Director)

Company Secretary

Richard Vernon Vanderplank

Registered Office

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Principal Bankers

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Registrars

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Scrip Code

KSK

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