

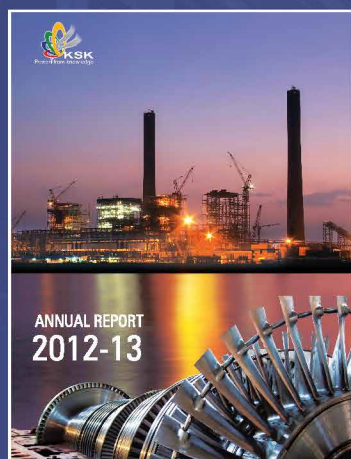


# ANNUAL REPORT 2012-13





Arasmeta, Chhattisgarh



# C O N T E N T S



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## 01 Operational Highlights

**891 MW**  
Operating capacity

Operating capacity at 891 MW

**3600 MW**  
under active construction

KSK Mahanadi of 3600 MW under active construction

**600 MW**  
2nd Unit Under Progress

First Unit of 600 MW Synchronised and Second Unit under progress

Commissioning of common infrastructure, additional infrastructure works under progress

**10 MW**  
Solar Power Initiated

10 MW Solar power generation project commissioned and advance action on additional solar and wind power generation projects

**5+GW**  
Potential Opportunities

Hydro & Thermal opportunities – potential collaboration / divestment opportunities

## 01 Financial Highlights

The year under review had experienced enhanced performance notwithstanding the challenging market conditions including significant depreciation of the Indian Rupee against the US \$.

Revenue from operations stood at US \$ 392.8 million with operating profits and cash generated from operations at US \$ 119.2 million and US \$ 125.7 million respectively.

The increase in PPE, total asset base (including capital work in progress) has been accompanied by additional debt under Project Finance.

<b>REVENUE</b> <b>392.8 m</b> 2012: 383.2 m	<b>CASH GENERATED FROM OPERATION</b> <b>125.7 m</b> 2012: 98.4 m
<b>GROSS PROFIT</b> <b>156.1 m</b> 2012: 130.0 m	<b>OPERATING PROFIT</b> <b>119.2m</b> 2012: 122.4 m
<b>FINANCE COSTS</b> <b>120.9 m</b> 2012: 160.5 m	<b>PROFIT AFTER TAX</b> <b>38.3 m</b> 2012: (9.9 m)
<b>INVESTMENT IN PPE</b> <b>3,273.0 m</b> 2012: 2,685.8 m	<b>CASH AND SHORT-TERM DEPOSITS</b> <b>305.3 m</b> 2012: 417.6 m
<b>TOTAL ASSETS</b> <b>4,054.4 m</b> 2012: 3,560.2 m	<b>PROJECT FINANCE</b> <b>1,908.4 m</b> 2012: 1,471.3 m



**T.L. Sankar**  
Chairman

KSK's bold growth initiative, from start up to a leading independent power producer potentially accounting for c.3% of the total Indian power generation by 2015 (upon completion of all six units of KSK Mahanadi), demonstrates the growth and profitability potential in this area of the Indian economy.

The Power sector in India, during 2012-13, demonstrated continuing shortages with energy availability of 911 billion units as against 998 billion units of the Country's demand and with a peak capacity shortage of over 12 GW, even under the current slowed down economic growth levels. The Western region in India, which accounts for a significant part of the consumption and new power generation initiatives in India, accounted for only 10 billion of 44 billion units of inter-regional energy exchanges during the year reflecting the effect of slowed decision making on new generation capacities coming on stream in the region and associated power generation potential. In the immediate term, policy logjams have impacted the prospects of the power sector in India and are currently necessitating extraordinary effort from developers to meet the demands of this new environment.

Notwithstanding thermal power generation is expected to be the mainstay in the ensuing years in India with c.83% (812 out of the 975 billion units) during 2013-14 expected to be available from thermal sources. Energy from renewables also holds promise as energy-starved India is becoming a vibrant market for renewable energy, with revenue on grid parity tariffs not necessarily based on any Feed-in tariff arrangements. This bodes well for a country that has often seen its industrial and economic growth inhibited

by a truncated supply of conventional power.

The year 2012-13 has been a relatively good year for KSK Group both in terms of revenue and associated performance. With group power plants gross generation crossing 5 billion units and anticipated generation of 9 billion units during the current year, with significant further increases thereafter in the next two years to achieve gross annual generation of 30 billion units during 2015 reflects the growth profile of the Group moving ahead.

The year continued to be a difficult time for the entire power sector in India and the Group has continued its efforts to address the various challenges in the operating projects and continues to make good progress in the KSK Mahanadi project. The profitability of Wardha has been significantly impacted by the high price charged for the coal supplies made under the Cost plus Linkage and reimbursement is being pursued for this entitlement. Further, the regulatory atmosphere has also not been helpful with the policy inertia continuing and government approvals coming at a slow pace, thereby delaying the execution of the projects and resultant impact on costs. Another significant worrying factor is the currency depreciation of Indian Rupee against the US Dollar by c. 12% during 2012-13 and further c.10% during the last few weeks in the current financial year.

In the background of coal based generation suffering multiple setbacks across the country and more specifically with low operating PLF's, the Group power plants' gross generation crossing 5 billion units during the year is encouraging.

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

### **KSK Mahanadi (3600 MW)**

- Continued construction progress at the Power project and synchronization of first 600 MW achieved in May 2013 and second 600 MW also progressing.
- Commissioning of some of the ancillary common infrastructure facilities such as water, rail linkage for coal movement into the power plant.
- Progress on securing the fuel tie-up as well as anticipated commencement of fuel supplies under the tapering linkage very shortly.
- The Forest Clearance accorded during May 2013 to Gujarat Mineral Development Corporation ("GMDC") for the Morga-II Coal Block that would enable fuel supply for KSK Mahanadi in long run.

### **Wardha Power (540 MW)**

- Successful completion of the planned debt refinancing - availing an External Commercial Borrowing ("ECB") under permission of the Reserve Bank of India upto USD 250 million, replacing high cost rupee debt with USD loan facilities from a consortium of two banks, namely Standard Chartered Bank and IDBI Bank.
- Successful firming up the necessary quantity of coal supplies required for the efficient operation of the entire power plant but issues of shortfall in calorific value and reversal of high price charge not fully addressed.

### **New Initiatives**

- Successful completion of 10 MW Solar Power generation plant in Rajasthan with part of the debt financing of this project tied up through a 16 year tenor USD denominated financing facility from Export Import Bank of the United States ("US EXIM") at very favourable terms.
- Pursuing an additional 40 MW Solar power generation initiative in the state of Tamil Nadu with PPA with the local state utility.
- Consolidation of existing Wind energy initiatives.
- Pursuit of hydro project portfolio for appropriate collaboration and divestment opportunities.

### **Financial Performance**

The underlying financial performance at the rupee level has been strong. However, with significant currency depreciation of Indian Rupees against the US dollar during the period, the performance reported in US Dollars compared to the previous year reflects marginal increase.

With total operating capacity of 891MW, the consolidated operating revenue achieved was USD 392.8 million with operating profits at USD 119.2 million and profit before tax of USD 36.5 million.

The increase in profit before taxation from USD1.2 million to USD36.5 million in the current year which has arisen in part due to the non-recurrence in 2013 of a USD 48.5 million exchange loss that arose in 2012 and was accounted for in finance costs.

For further details on the financial performance, please refer to the financial review section of this report.

### **Outlook**

The outlook for the power sector remains stable despite the key sector risks of slow government decision making, governmental arbitrariness and fuel shortages.

In May 2013, the Ministry of Environment and Forest, Government of India accorded forest clearance for prospecting of Morga-II Coal Block which is a significant development and the Group anticipates proceeding with a combination of fuel supplies from Tapering Linkage from SECL, supplies from Gare Pelma as well as interim import of coal from overseas under collaborative arrangements to take forward the initially planned power generation from KSK Mahanadi. In line with evolving government policy of pooling of coal prices and associated pass through, the group anticipates that power supply arrangements from KSK Mahanadi to be in line with such fuel cost structures, both in the interim and long term, and provide the robust support for the entire power generation portfolio of the group.

The successful synchronisation of its first 600 MW unit of the KSK Mahanadi Power plant (6x600 MW) with the National Grid during May 2013 and commencement of power generation shortly will herald a new era in the history of the group, catapulting it into the league of major power generators in India.

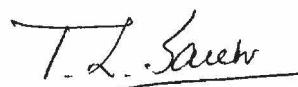
Further, the Group continues with its commitment to securing fuel tie-up for its power plants, seeking assured fuel supply as the preferred way of assuring the availability of fuel. The Group has been involved in a

substantial way, in tying up necessary coal for the Group's power projects both interim and long term.

The management focus continues on addressing various supply chain and pricing challenges with respect to operational assets and addressing various on the ground challenges to synchronise planned generation with fuel supplies for construction assets. In these challenging market conditions, the Group has been able to push through and grow its operations largely to sustain growth profile.

With our underlying assets, associated performance and opportunities, KSK is well positioned to be one of the more stable, valuable and sustainable players in the Indian power generation landscape.

I wish to place on record my heartfelt thanks to all shareholders, banks/financial institutions, various government & non-government organizations and employees for their trust and continuous support.



**T.L. Sankar**  
**Chairman**

This performance of the Company was possible only with the valuable and appreciated support of the various investors in the Company who have enabled us to pursue appropriate business opportunities in these challenging times.

The Indian power sector is one of the most diversified in the world. Sources for power generation range from commercial sources like coal, lignite, natural gas, oil, hydro and nuclear power to other viable non-conventional sources like wind, solar and agriculture and domestic waste. The demand for electricity in the country has been growing at a rapid rate and is expected to grow further in the years to come.

The power sector holds the key for economic growth ahead with growth in generation having led to extensive use in all the sectors of the economy.

During the year 2012-13, though the total ex-bus energy availability increased by 6.2% over the previous year and the peak met increased by 6.1%, the shortage conditions prevailed in the country both in terms of energy and peaking availability as given below:

Particulars	Energy (MU)	Peak Demand (MW)
Requirement	998,114	135,453
Availability	911,209	123,294
Shortage	86,905	12,159
(%)	8.7	9.0

The energy requirement registered a growth of 6.5% during the year against the projected growth of 5.1% and Peak demand registered a growth of 4.2% against the projected growth of 7.7%.

### Region-wise Power Supply Position

All the Regions in the Country namely Northern, Western, Southern, Eastern and North-Eastern Regions continued to experience energy as well as peak power shortage of varying magnitude on an overall basis with any marginal, temporary surpluses made available through bilateral contracts, Power Exchanges or traders. The energy shortage varied from 3.3% in the Western Region to 15.5% in the Southern Region. Region-wise picture in regard to actual power supply position in the country during the year 2012-13 in energy and peak terms is given below:

Region	ENERGY				PEAK			
	Requirement	Availability	Surplus/Deficit		Demand	Met	Surplus/Deficit	
	(MU)	(MU)	(MU)	%	MW	MW	MW	%
Northern	300,774	273,240	-27,534	-9.2	45,860	41,790	-4,070	-8.9
Western	296,475	286,683	- 9,792	-3.3	40,075	39,486	-589	-1.5
Southern	281,842	238,058	-43,784	-15.5	38,767	31,586	-7,181	-18.5
Eastern	107,457	102,510	- 4,947	-4.6	16,655	15,415	-1,240	-7.4
North-Eastern	11,566	10,718	- 848	-7.3	1,998	1,864	-134	-6.7

### Power Supply Scenario Moving Forward

Detailed assessment of annual deficit based on overall monthly maximum demand/energy requirement and maximum peak/energy availability at national level - indicates that the country is expected to experience energy shortage of 6.7% and peak shortage of 2.3% despite very high shortages likely to be experienced by Southern Region.

State / Region	ENERGY				PEAK			
	Requirement	Availability	Surplus/Deficit		Demand	Met	Surplus/Deficit	
	(MU)	(MU)	(MU)	%	MW	MW	MW	%
Northern	319,885	301,418	-18,467	-5.8	47,500	46,879	-621	-1.3
Western	286,752	283,396	-3,356	-1.2	43,456	46,389	2,934	6.8
Southern	309,840	250,583	-59,257	-19.1	44,670	33,001	-11,669	-26.1
Eastern	119,632	131,880	12,248	10.2	18,257	19,700	1,443	7.9
North-Eastern	12,424	11,024	-1,400	-11.3	2,251	2,025	-226	-10
All India	1,048,533	978,301	-70,232	-6.7	144,225	140,964	-3,261	-2.3*

\*Considering transmission constraints (between Northern-North Eastern-Eastern-Western (NEW) Grid and Southern Regional (SR) Grid, which restricts flow of power to the Southern region , anticipated all India peak shortage works out to 6.2%.

### 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, the procurers who utilize such supplies to meet their short term requirements of power, during the last four years wherein Load shedding was resorted to rather than high cost purchases.

### Opportunities, Threats and Outlook

India has one of the largest generation capacities in the world with an installed capacity of 225 GW including renewable energy. The average per capita consumption of electricity in India is estimated to be 879 kWh during 2011-12. However, this is fairly low when compared to that of some of the developed and emerging nations such as US (~15,000 kWh) and China (~1,800 kWh). In order to provide availability of over 1000 units of per capita electricity by year 2012, it has been estimated that need-based capacity addition of more than 100,000 MW would be required. This has resulted in massive addition plans being proposed in the sub-sectors of Generation Transmission and Distribution.

With focus on increasing generation capacity over the next 8-10 years, the corresponding investments in the transmission sector is also expected to be augmented further for enhanced distribution over the regions.

While some progress has been made at reducing the Transmission and Distribution (T&D) losses, these still remain substantially higher than the global benchmarks, at approximately 25 percent. In order to address some of the issues in this segment reforms have been undertaken. Privatization of power distribution has been initiated either through the outright privatization or the franchisee route; results of these initiatives have been somewhat mixed. While there has been a slow and gradual improvement in metering, billing and collection efficiency, the current loss levels still pose a significant challenge for distribution companies going forward.

While additional gas supply from KG Basin is dwindling, supply constraints for domestic coal remain and are expected to continue going forward. Consequently, public and private sector entities have embarked upon imported coal as a means to bridge the deficit. This has led to some Indian entities to take upon the task of purchasing, developing and operating coal mines in international geographies. While this is expected to secure coal supplies it has again thrown upon further challenges. For example, the main international market for coal supply to India – Indonesia, poses significant political and legal risks in the form of changing regulatory framework towards foreign companies. Similarly, coal evacuation from mines in South Africa is constrained by their limited railway capacity and the capacity at ports is making it difficult for users to ensure reliable evacuation.

Coal is the mainstay of the power production in India and is expected to remain so in the future. Additional power generation is likely to require incremental amount of coal transportation by Indian Railways within the country and increasing unloading at ports in India for imported coal. In both cases India currently faces capacity shortage. Hence, a project developer has to account for and manage its logistics chain in a manner that minimizes disruption to its fuel supply. In many cases this is likely to involve self-development of relevant supply infrastructure which poses additional project execution complexity for the developer.

Apart from fuel availability various constraints outlined below pose challenges to the development of the power sector include Delay in government decision making and award of works, Geological surprises, Natural Calamities, Delay in Environment and Forest Clearances, Funds tie up constraints/delay in financial closure as well as adhoc / slowed down disbursements, R & R issues, Law and order problem.

It is evident that the deficit in power availability in India is a significant impediment to the smooth development of the economy. In this context, bridging the gap in demand and supply has become critical and all alternate formats of energy are being pursued.

While renewables account for 28 GW out of the 225.13 GW of installed capacity (i.e. 12.45%), associated energy generation was 51 BU at 5.5% levels. As an alternative for comparison, Germany already has 25% renewables in its energy mix and plans to raise it to 50% by 2030 and 80% 2050. Hence, Solar power generation accompanied by certain wind power generation initiatives are expected to take forward the renewable thrust in India.

With an average solar insolation of about 6 KWh per square meter per day, India receives about 2000 hours of standard solar radiation per annum and currently has an installed solar generation capacity of about 1700 MW. In contrast, Germany, which receives a solar radiation of about 1000 hours per annum (i.e. about 50% of the sunshine that India receives), and has already installed over 32,000 MW solar power. The potential for solar energy in India is enormous since it is in the sun-belt region of the world.

This strongly necessitates employing a comprehensive approach to power generation initiatives.



VS Lignite, Rajasthan



**K.A. Sastry**  
Executive Director

"Operating power plants in India, in the current economic and environment context, has become more challenging. In addition to the earlier known constraints of governmental interdependencies, fuel availability, delayed government permitting, the surcharged governance atmosphere has resulted in adhoc and unsubstantiated demands of very high fuel prices by government fuel suppliers, shortfall in guaranteed quality, delay in open access permitting as well as unilateral withdrawal from committed off take resulting in high variation in asset utilization levels across assets. In addition to requirement for enhanced asset utilization accompanied by vigilant yet patient outlook the Group's continual effort to stabilize operations would be the cornerstone for Group performance. "

## Overview

During the year operating assets recorded an aggregate generation of 5,546 million units ("MU") as against 4,861 MU for the previous year, with the following individual Plant Load Factors ("PLF")

Wardha Warora (540 MW)	3,403 MU	(72%)
VS Lignite (135 MW)	889 MU	(75%)
Sai Regency (58 MW)	429 MU	(84%)
Arasmeta & Arasmeta Expansion (86 MW)	445 MU	(59%)
Sitapuram Power (43 MW)	337 MU	(89%)
Wind Project (19 MW)	41 MU	(25%)
Solar Project (10 MW)	2 MU	(22%)

The Group's effort would be to ensure that in the ensuing years the entire Thermal Portfolio achieve a PLF of 80% in aggregate with Wardha Power holding the Key for such enhanced performance in the immediate year. Further operations of the first two units of KSK Mahanadi during the year are expected to further augment operational performance moving forward.

The various assets and associated developments during the period include:

### 1. KSK Mahanadi (Aggregate 3600 MW)

Our key focus continues on KSK Mahanadi, a 3600 MW (6 units of 600 MW) single location, green field private power plant and the largest power generation initiative of the KSK Group.

With aggregate capital investment commitment of over US\$ 3.6 billion, this coal fired power plant once fully operational will address the power requirements of multiple states across India, namely Gujarat, Chhattisgarh, Goa, Andhra Pradesh and others with power generation based on long term coal supply arrangements with Gujarat

Mineral Development Corporation (GMDC) and Goa Industrial Development Corporation (GIDC) from the committed Morga-II and Gare Pelma-III coal blocks respectively, besides enjoying the benefit of tapering linkage arrangements with the Coal India.

The Company has successfully synchronised its first 600 MW unit with the National Grid on 18 May 2013. This unit will now go through the necessary stabilisation procedures before commencement of power supplies to contracted utilities.

Also, while construction activity with respect to the remaining 5 units of this large, single location, green-field project have seen good progress during recent months, the commissioning schedules are being planned to synchronize with the planned fuel supplies and stabilization.

## 2. Wardha Power (Aggregate 540 MW)

Wardha Power is a 4 X 135 MW coal based power plant located at Warora Growth Centre, Chandrapur District in Maharashtra. This Coal based power plant with the operations is primarily supported by coal received from three mines covered under the cost plus coal arrangement with WCL, and marginal coal sourced from open market and imported coal. The power plant has generated 3,403 MU of power for the year ended 31 March 2013 with a PLF of 72%.

The high pricing and quality differences from WCL under the cost plus arrangement have been taken up with WCL.

## 3. VS Lignite (Aggregate 135 MW)

VS Lignite is a 135 MW Lignite based power plant located at Village Gurha, Teshil Kolayat, District Bikaner in Rajasthan. The power plant has generated 889 MU of power for the year ended 31 March 2013 with a PLF of 75%.

## 4. Sai Regency (Aggregate 77 MW)

Sai regency is a 58MW combined cycle gas based power plant located in Village of Ramanathapuram

District in Tamilnadu which commenced commercial operations in the year 2007. The project has been expanded by an additional c.19 MW of wind based power generation capacity.

The gas power plant has generated 429 MU of power for the year ended 31 March 2013 with a PLF of 84%.

Wind Energy generators of 18.9 MW have further generated 41 MU of power for the year ended 31 March 2013 with a PLF of 25%.

## 5. Arasmeta (Aggregate 86 MW)

Arasmeta is a captive power plant in Gopal Nagar Village of Janjgir - Champa District in Chhattisgarh.

Initially, a 43 MW coal based power plant has been setup that commenced commercial operations in the year 2006 with supplies to two cements units of Lafarge India Private Limited (LIPL). Subsequently at the request of LIPL an additional 43 MW expansion unit has been 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 Arasmeta to LIPL.

The power plant has generated 445 MU of power for the year ended 31 March 2013 with a PLF of 59%. While continuing to press for its claim against Lafarge India for agreed minimum usage levels, the Company also initiated efforts for alternative power supply arrangements for enhanced asset utilisation.

## 6. Sitapuram (Aggregate 43 MW)

Sitapuram is a 43MW coal based power plant located in Dondapadu village, Andhra Pradesh which commenced commercial operations in the year 2008.

The power plant has generated 337 MU of power for the year ended 31 March 2013 with a PLF of 89%.

## 7. Sai Maithili Power ( 10 MW)

During the year, further thrust to the group's green energy initiatives was given with the setting up of 10

MW solar power generation plant in the state of Rajasthan under the Jawaharlal Nehru National Solar Mission, linked with a power purchase agreement for 25 years with the prescribed government agency.

The plant has been commissioned in 2013 and has been supplying power since then.

## 8. KSK Water Infrastructure

One of the key associated infrastructures that are required to be created to ensure operationalization of the 3600 MW KSK Mahanadi power plant is the water supply and the entire pipeline laying and commissioning has been completed during the period under review.

## 9. Raigarh Champa Rail Infrastructure

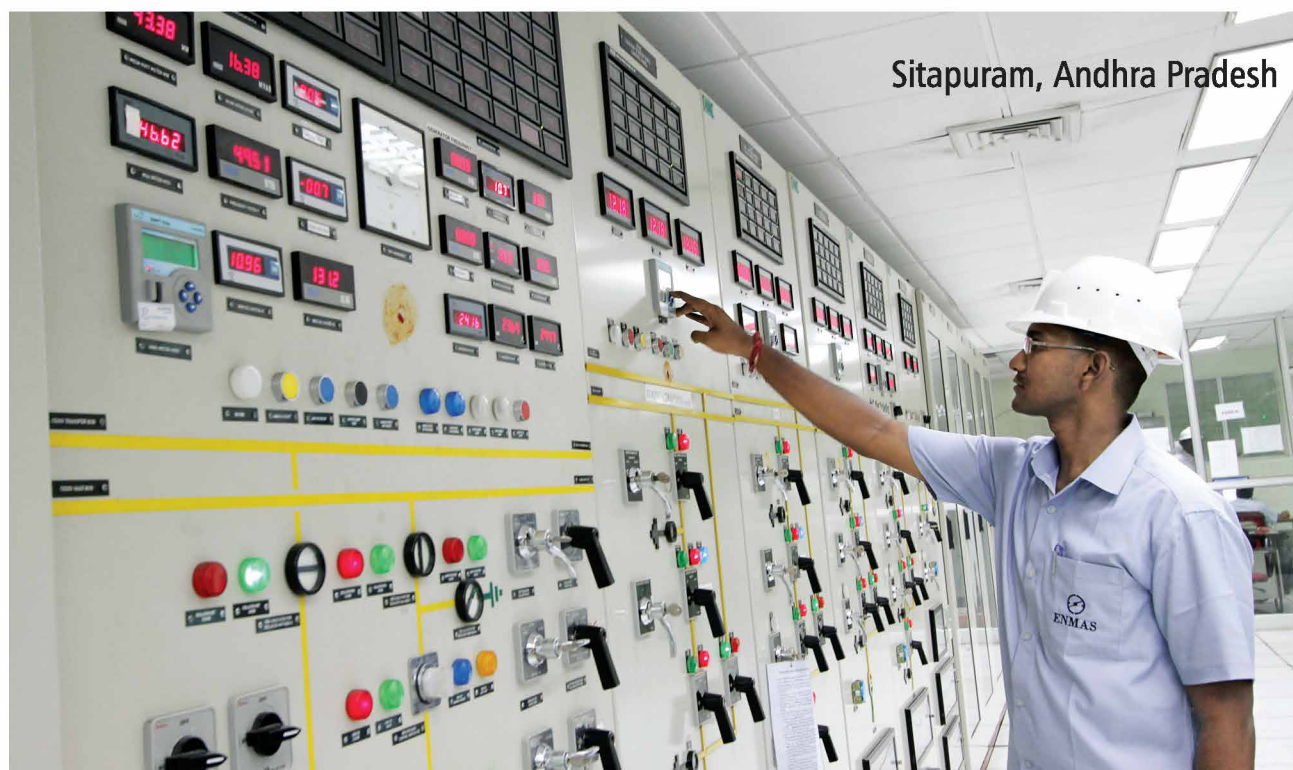
The inward railway line connecting the power plant with the main trunk line of Indian Railways has achieved completion for movement of necessary fuel into the power plant. This is a significant landmark for the group and provides the necessary confidence to

pursue the rail link at the mines end for a seamless connectivity in the longer term.

## 10. Other Initiatives

KSK Mineral resources have witnessed good progress during the year. Additionally, necessary collaboration for meeting temporary requirements of imported coal as well as addressing the new opportunities in the areas of wind and solar energy generation are also being pursued.

On power pricing and realisations of the entire generation portfolio as a whole, we anticipate that power consumers (both industries and utilities), who have been experiencing extremely high marginal procurement costs furthered by recent hikes in coal and natural gas prices, will continue to find our power plant generation and tariffs thereto attractive and procure the competitive power supplies from the respective assets.





**S. Kishore**  
Executive Director

It is important to highlight that analysis of the financial performance of the Group needs to be undertaken in the context of the longer time horizon essential to address the numerous surprises in the high growth process and group's addressal of the same.

The very nature of power generation business, with underlying capital intensity and associated debt, gearing coupled with the not so benign policy environment currently prevalent in India and USD currency turbulence, may constrain short term performance indicators but what needs to be essentially monitored is whether the Group is building necessary capabilities to take benefit of the growth scale up, which would reflect in long term financial performance.

The limited fuel resources, actualisation of latent demand upon supply stabilisation and resultant potentially higher price realisation could play a significant role in the value uplift but the same necessitates patient capital for resultant valuable assets being created on ground for shareholder value.

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

## Financial Highlights:

Particulars	Mar 2013	Mar 2012	%	Mar 13 translated at Mar 12 exchange rate		
				Mar 2013	Mar 2012	%
Revenue	392,821	383,226	3	441,543	383,226	15
Gross profit	156,080	130,012	20	175,439	130,012	35
Operating profit	119,150	122,402	(3)	133,928	122,402	9
Profit before tax	36,462	1,150	3071	40,984	1,150	3464
Average exchange rate Rupee/USD	Rs 54.55/\$	Rs 48.53/\$	12	Rs 48.53/\$	Rs 48.53/\$	-

The underlying revenue growth of 15%, Gross Profit growth of 35% and Operating Profit growth of 9% compared to the previous year at the rupee level, has been strong given the current trading environment. However, the currency depreciation of the Indian Rupee against the US Dollar of c.12%, since March 2012, has led to reporting of more moderate revenue growth of 3% in US Dollar terms and associated performance.

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 financial performance and consolidated financials, the underlying assets, our risk mitigation strategies and associated performance will continue to meet expectations.

## Principal activity and overview

KSK Group is primarily engaged in power generation accompanied by creation of associated ancillary infrastructure.

## Income Statement Operating Results:

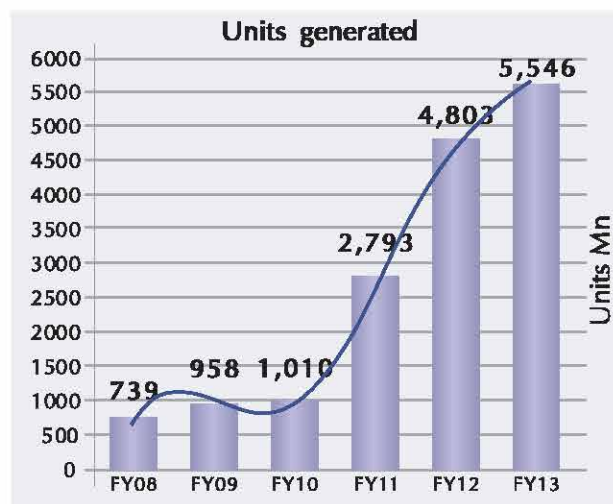
	Mar 2013	Mar 2012
Revenue	392,821	383,226
Cost of revenue	(236,741)	(253,214)
<b>Gross Profit</b>	<b>156,080</b>	<b>130,012</b>
Other operating income	1,648	23,604
Distribution costs	(7,037)	(1,789)
General and administrative expenses	(31,541)	(29,425)
<b>Operating profit</b>	<b>119,150</b>	<b>122,402</b>

## Generation, Sales and Revenues

The total revenues of the Group increased by 15% from US \$ 383,226 during the year ended March 2012 to US \$ 441,523 during the year ended March 2013 by applying the same average exchange rate of March 2012. Increase in revenue of US \$ 58,297 across the portfolio is mainly because of higher utilisation of operating assets coupled with increase in average realisation from Rs 4.59 to Rs 4.67 per unit.

However, this revenue increase of 15% at India Rupee level upon translation into USD, taking the exchange rate change reflects an increase of 3% only as outlined above.

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



## Cost of Revenue

Movement in cost of revenue is largely on account of the decrease in average fuel cost from Rs 2.08 per unit to Rs 1.93 per unit and further decrease is possible with the recompense from WCL being actualised in the wardha power plant.

## Other Operating Income

Movement in other operating income from US \$ 23,604 during the year ended March 2012 to US \$ 1,648 during the year ended March 2013.

This is largely on account of the previous year experiencing

- 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 assets with aggregate capacity of 52.25 MW.

## Distribution Cost

Distribution costs primarily include wheeling charges, open access charges and transmission 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. Considering the increased sales to various industrial consumers and associated open access charges during the year such costs have increased from 0.5% in March 2012 to 1.8% in March 2013.

## General and Administrative Expenses

General and administrative expenses have experienced an upward trend from US \$ 29,425 during the year ended March 2012 to US \$ 31,541 during the year ended March 2013, on account of higher capacity operation and higher provisioning of trade and other receivable.

## Profit attributable to equity shareholders

	Mar 2013	Mar 2012
<b>Operating profit</b>	<b>119,150</b>	<b>122,402</b>
Finance costs	(120,984)	(160,508)
Finance income	38,296	39,256
<b>Profit before tax</b>	<b>36,462</b>	<b>1,150</b>
Income tax income / (expense)	1,788	(11,068)
<b>Profit / (Loss) for the year</b>	<b>38,250</b>	<b>(9,918)</b>
Attributable to:		
Owners of the Company	23,843	(932)
Non-controlling interests	14,407	(8,986)
<b>Earnings / (Loss) per share</b>		
Basic and diluted (US \$)	0.15	(0.01)

## Operating Profits

In spite of increase in Gross profit by 20% and core operating profits having experienced increase, the operating profits of the Group in aggregate have marginally decreased by 3% from US \$ 122,402 in FY 2012 to US \$ 119,150 in FY 2013 mainly because of inclusion of non-recurring income of US \$ 22,042 in other operating income on account of claims received and gain on disposal of property, plant and equipment during the previous year.

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



### Finance Costs

Gross finance costs have marginally increased from US \$ 336,357 in March 2012 to US \$ 347,776 in March 2013. While the previous year had exchange rate loss of US \$ 48,475, the current year witnessed larger interest costs on account of the increased expenditure on capital expansion programme as average debt at US \$ 2,696,805 in current year as against US \$ 2,069,327 in the previous year.

### Finance Income

Finance income has marginally decreased from US \$ 39,256 in March 2012 to US \$ 38,296 in March 2013. Interest income was lower at US \$ 34,078 in the current financial year (2012: US \$ 37,650) primarily due to decrease in average cash and bank deposits from US \$ 416,333 to US \$ 400,993.

### Income Tax

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 Group is availing an exemption under Section 80 IA of the Income Tax Act and is only required to make a provision for the liability under MAT and deferred taxes. The increased tax income during the year ended March 2013 is mainly on account of higher deferred tax asset on carry forward of losses in WPCL and VSLP.

## Cash Flows

Particulars	Mar 2013	Mar 2012
Operating cash flow	178,226	139,042
Change in working capital assets and liabilities	(42,123)	(34,228)
Tax paid	(10,440)	(6,460)
Net cash generated from operating activities	125,663	98,354
Net cash used in investing activities	(286,551)	(703,923)
Net cash provided by financing activities	106,453	708,652
Effects of exchange rate	(21,917)	(44,112)
Changes in cash and cash equivalents	(76,352)	58,971
Cash and cash equivalent - beginning of year	120,186	61,215
<b>Cash and cash equivalent – end of year</b>	<b>43,834</b>	<b>120,186</b>

KSK's operating cash flow increased from US \$ 139,042 in 2012 to US \$ 178,226 in 2013, an increase of US \$ 39,184. The increase is primarily driven by an increase in operational activity, which has benefited from improved gross profits from power generation segment.

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



Net cash used in investing activities has decreased by 59% to US \$ 286,551 largely on account of decreased expenditure on capital expansions programme by US \$ 352,347, liquidating some of the bank deposit given as collateral for borrowing and others amounting to US \$ 56,390 and by realising higher yield on investments and bank balances by US \$ 7,102.

Movement in cash generated from financing activities from US \$ 708,652 to US \$ 106,453 is largely on account of the following:

- Decrease in the net proceeds from borrowings by US \$ 647,460 on account of substantial portion of project debt for KMPCL project drawn in previous year;
- US \$ 85,780 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 in previous year; and
- Proceed from placing of 7.6m of ordinary Shares of KPVP raising US \$ 59,467 net of share issue expenses in previous year.

#### Summary Balance Sheets

	Mar 2013	Mar 2012
Property, plant and equipment	3,273,033	2,685,771
Goodwill and other intangibles	22,326	23,589
Other non-current assets	187,372	188,346
Current assets	571,716	662,459
<b>Total assets</b>	<b>4,054,447</b>	<b>3,560,165</b>
Non-current liabilities	1,941,365	1,508,307
Current liabilities	1,474,256	1,426,841
<b>Total Liabilities</b>	<b>3,415,621</b>	<b>2,935,148</b>
Total equity including non-controlling interests	638,826	625,017
<b>Total equity and liabilities</b>	<b>4,054,447</b>	<b>3,560,165</b>

Property, plant and equipment has increased by US \$ 587,262 in 2013, a 22% year on year growth, largely on account of continuous construction and development activities in KMPCL and related projects resulting in addition of US \$ 715,948 and capitalisation of 10 MW solar asset amounting to US \$ 16,843. However increase in property, plant and equipment has been offset by US \$ 126,476 on account of effect of exchange rate.

Goodwill and other intangibles reduced by 5% to US \$ 22,326, year on year, mainly on account of effect of exchange rate and amortization for the year.

Other non-current assets have marginally decreased by US \$ 974 year on year primarily as a result of decrease in non-current bank deposits amounting to US \$ 16,721 and decrease in Available For Sale financial instruments amounting to US \$ 4,420 mainly due to change in fair value. However, decrease in non-current assets has been offset by increase in mineral development expenditures on gare-palma block amounting to US \$ 8,618 and increases in loans and receivable to JV partners amounting to US \$ 11,042.

Current assets have decreased by US \$ 90,743 to US \$ 571,716, year on year, primarily as a result of the following:

- Decrease of US \$ 112,321 in cash and bank balances on account of deployments of funds for acquiring on-going capital assets.
- Increase of US \$ 4,286 and US \$ 18,447 in inventories and trade & other receivables due to increase in operations.

Non-current liabilities have increased by US \$ 433,058 representing a 29% increase, year on year, primarily due to the following:

- US \$ 425,476 increase in borrowings in line with funding requirement in respect of projects under construction;
- US \$ 10,801 increase in trade payable mainly in respect of construction works and supply of equipment's.

Current liabilities have increased by US \$ 47,415, representing 3% increase, year on year, primarily driven by an increase of US \$ 153,817 in trade payable on account of higher operational capacity and higher liability in respect of construction works and supply of equipment. However, increase has been set off by decrease in borrowing amounting to US \$ 107,789 on account of repayment of short term borrowing.

Total equity has marginally increased from US \$ 625,017 to US \$ 638,826, mainly on account of current year profit net off translation loss.

### Going Concern

The Group business activities together with factors likely to affect its future development, performance and position are set out in the report. In addition, note 31 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its hedging exposure to credit risk and liquidity risk.

The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in construction projects for its power plants. The Group currently has net current liabilities of US \$ 903 million, with short term facilities expiring in March 2014 totalling US \$ 921 million and a committed capital spend of US \$ 1.4 billion. The Group continue to generate cash flows from the current operations which together with the available cash and short term deposits provides liquidity both in short-term as well as in long-term. Anticipated future cash flows and undrawn long term committed facilities of US \$ 1.323 billion together with cash and short term deposits of US \$ 305 million as at 31 March 2013 on a consolidated basis, are expected to be utilised to meet the on-going capital investment programme and liquidity requirement of the Group in the near future. In addition, a number of the facilities that are due to expire at 31 March 2014 are in the process of being extended and have rollover clause in a number of cases.

The Group's forecast and projections, taking in to account reasonable possible changes in trading performance, show that the Group has sufficient financial resources, together with assets that are expected to generate free cash flow to the Group. As a consequence, the Directors have a reasonable expectation that the Company and the Group are well placed to manage their business risks and continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis of accounting when preparing these financial statements.

## POWER SECTOR

India is one of the leading power producers in the world with power sector in a high growth path. The Power sector in India has witnessed significant changes in the past decade. Though the Regulations are evolving and paving the way for greater private sector participation, the sector suffers multiple risks and uncertainties.

- Completely slowed down government decision making and surcharged bureaucratic atmosphere.
- Significant exchange rate volatility and associated impact on power project costs.
- Ad-hoc decisions by government / government corporations resulting in significant immediate term uncertainties and surprises.
- Lack of timely fuel availability, supply of the appropriate fuel and dependence on imports of high cost fuel.
- Coal linkages not yielding supplies compared to estimates, increasing risk of inadequacies in supply.
- Significant difficulty in the accessibility of capital to the scale of the investment required in the sector.
- Contradictory pressures regarding environmental impact, efficiency and security of key infrastructure.
- Impact of politics increasingly being felt in areas including planning, permissions, tariff setting, renewable energy targets, access to fuel supplies and smart grids.
- Carbon emissions from power generation continue to drive the transformation in the industry, but the lack of decision of regulators to meet key emissions objectives.
- Commodity price volatility has been extraordinary in recent years and may be here to stay. Volatile prices not only impose short-term losses, they can produce stranded investments.
- The war for talent is intensifying, partly because of demographic pressures, and partly because of competition from other sectors.
- Transformation of the industry through the implementation of green technologies including nuclear energy, renewable energy and carbon capture and storage (CCS) carries considerable risk.
- Power plants require a substantial amount of water for cooling purposes and for operations. The water scarcity to power plants is a big concern.
- Delays due to non-availability of land and difficulties in land acquisition securing the required clearances.
- Increases in cost of the projects due to delays in implementation of the projects due to environmental issues, land acquisition issues etc.
- Constraints pertaining to availability of power equipment and also the availability of quality EPC players.
- Delays regarding obtaining the requisite environmental and other clearances for the projects.

## 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 support, water infrastructure and other ancillary businesses to power generation through, KSK Energy Company Private Limited, its unlisted subsidiary in India. Its principal risks are therefore related to power generation and associated businesses in India 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:

#### **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 the 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 a constant see saw on the risk profile and prolonged uncertainties on efforts and development outcomes. Further, continued policy uncertainty challenges investor confidence and sustained financial support.

#### **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.
- 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.

#### **Power Project Operations – Availability and Profitability**

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

exigencies, equipment constraints and willful defaults 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 the group to fuel price and financing cost volatilities and significantly impact on EBIDTA, Profitability and Cash flows. The arbitrary denial of contractually guaranteed calorific value adjustments as well as high price charge for fuel affect short and medium term performance.

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

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

#### **Project Execution – Time and Costs**

The Company is dependant on various third party contractors to fulfill their contractual obligations and achieve timely completion of the power project construction. Sometimes 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 Project Management Group and active contractor engagement to address issues.
- Risk of over runs mitigated through turnkey EPC contracts of Lumpsum Turnkey basis for the major part of the project scope.
- Key concerns addressed through periodic review meetings of top management teams at site and head offices.
- Hands on stakeholder engagement to iron out policy inconsistencies, bureaucratic lethargy and red tape.

#### **Ability to retain Fiscal / Tax Incentives**

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

#### **Implication**

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

#### **Mitigation**

- Close monitoring of the various incentive regimes and ensuring timely adherence to specifications / norms where timelines are of essence.
- Representation to respective ministries / resort to legal remedies where inequitable levies / withdrawals 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.

#### **Timely access to Fuel– vital Raw Material**

The Company is largely dependent 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.

#### Customer Concentration – Asset Specific Customer Base

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

#### Implication

Since Power Purchase Agreements (PPAs) are the fundamental basis of the off take arrangements 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 choose to engage in continuous litigation, it puts tremendous strain on the Company resources, cash flows and the operating cycles.

#### Mitigation

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

#### Funding Requirements – Incremental Capital Expenditure and Future Growth

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

#### Implication

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

#### Mitigation

- The Company attempts to maintain a healthy liquidity position through a combination of financing and internal cash accruals from operating projects.
- The Company also maintains, at respective operating companies, working capital facilities from local banks and negotiated positions for seamless rollover of facilities whenever they expire.
- The Company attempts to respond to ongoing obligations from operating cash flows from the business operations and any specific facilities from banks/ institutions availed from time to time.

- Further, banking covenants are monitored to ensure repayment schedules are in line with anticipated cash flows and moratorium for reserve build up.

#### **Local Stakeholder Management – Sustainable Progress**

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

#### **Implication**

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

#### **Mitigation**

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

#### **Fluctuation in Foreign Exchange Rates and Compliance to New Standards**

The Company operates in an environment wherein certain part of the capital equipment being purchased, certain specific raw materials could be foreign exchange based while all revenue is in Indian rupees. Further, the significant currency volatility could strain short term capabilities.

#### **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. The exchange rate fluctuation of the domestic currency vis-a-vis the US Dollar could have substantial impact on both financing as well as profitability.

#### **Mitigation**

- Wherever applicable enter into forward contracts / appropriate hedge mechanism initiated at appropriate times.
- Discussion with Banks and other project finance institutions for appropriate mechanism.
- Formal policies on currency volatility being formulated for implementation.
- Monitoring standard evolution and structure contracts for compliance and minimal variations.

Sustainability initiatives are an essential ingredient of KSK's Business policy and the Group embraces this responsibility that comes along with the opportunity of operating across various locations in multiple States in India. Towards this direction, our commitment to community at large moves beyond the requirement of social license to operate and to a far noble theme of "Bringing Dignity to Life..."

The year under review marks a significant landmark in the Group's initiative on tertiary healthcare with commencement of the large cardiac Hospital facility at Raipur, with services offered free of any charge to all stakeholders, and having completed over last few months more than 1000 cardiac consultations and over 70 state of art cardiac surgeries. This collaborative initiative intends to achieve a fine blend of the spirit of volunteerism and the corporate necessity to establish sustainable communities. It is anticipated that during the current year, this facility would be fully completed and strengthened and further setup of multiple primary medical care facilities across various locations in the state of Chhattisgarh would be initiated for a harmonious construct and delivery of comprehensive medical care for the surrounding communities.

Further, with an effort to build healthier communities, new initiatives are being planned in the areas of hygiene education, awareness building and community medicine programmes. Also to simultaneously address the immediate term requirements, mobile health clinics (preventive and curative services at the door step), mega medical screening / diagnosis camps to address major health concerns of the community and infrastructure for

availability of emergency ambulance services are being undertaken.

In the area of developing social and community infrastructure, the group has been successful in undertaking multiple pond deepening works, rain harvesting and drinking water enablement projects, rural electrification and rural connectivity initiatives. The Group's commitment to develop/renew such common property resources that are critical for rural economy remains unaltered and is currently exploring various programmes / initiatives to develop such infrastructural facilities that would ultimately improve the community's access to basic utilities, services and resultantly enhance livelihood opportunities.

In the area of education, the programmes that were initiated, during the previous years, in the areas of vocational training facilitation, education scholarships, are being continued and new activities are being planned to sustain the local government schools as well as the nutritional requirements of children attending thereto.

It would be heartening to note that, moving forward, in addition to marshalling additional resources for dedicated pursuit of these various initiatives, the Group intends to learn from the experiences of various other specialist agencies, especially the Chairman's independent efforts / initiatives in the areas of community development and support to undertake initiatives that contribute to build a better and environmentally sustainable way of life for all stakeholders including consumers, shareholders, employees, local community and society at large.







**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 Associate Banks of SBI and also on the Boards of two overseas and six domestic subsidiaries of SBI. He has 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 as an independent Director with various companies and with the National Dairy Development Board as a Member of its Investment Committee and with Aditya Birla Finance Ltd as the chairman of its Infrastructure Finance Credit 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 completing MBA studies at Catholic University in Leuven (Belgium). He started his professional career as University lecturer, and in 1983 moved to the Czechoslovak Academy of Sciences as a researcher, later as Deputy Director of the Forecasting Institute. In 1989 he was invited to join the first post-communist government and until 1992 served as Minister of Economy of Czechoslovakia and after the split of the country served as First Minister of Industry and Trade of the Czech Republic till June 1997. Since his departure from politics in 1997, he joined Goldman Sachs as an International Advisor for Central and Eastern Europe; between 1997 and 2010, in similar capacity, he advised to ABB Chairman of the Advisory Board, Chayton Capital, London, UK. In addition to extensive academic association with various universities and serving as deputy chairman, European group, The Trilateral Commission, he is also an author of numerous publications. Married, fluent in English, Spanish, Russian, speaks also German and French.



**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 decades of experience in energy and served as CEO and Managing Director of Thermax Limited, a major corporation in the energy and environment field. Mr. Nalawade 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 a 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 to being responsible for financial accounting, taxation and human resources functions of KSK. Prior to incorporating KSK, Mr. Sastry had more than a decade of extensive experience in the domains of financial consulting, audit, company law and foreign investment regulations.



**S. KISHORE**  
Executive Director

Mr. Kishore was appointed as a Director (Executive) of the Company in October 2006. He is a Chartered Accountant and 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 the early nineties. Mr. Kishore has been additionally associated with various reforms and regulatory initiatives of the Government and has served in various committees.



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 2013.

### 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 company develops and operates coal, gas, lignite, wind and Solar based power plants, as well as hydroelectric power plants. The Group's current operating capacity is approximately 891 MW and is further actively involved in construction of a large Greenfield thermal project of 3600 MW. The Group also is involved in various support infrastructure development and operations that are synergic to the power plant initiatives.

With a target of an operational power project asset portfolio of approx. 4.5 GW by 2015 (upon completion of all six units of KSK Mahanadi) along with clearly established fuel security the Group is currently focused towards being amongst the top power producing companies in India targeted to account for c.3% of the total Indian power generation by 2015.

A full review of the Group's activities during 2012-13 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 BSE 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;
- KSK Power Holdings Limited – 100% indirect subsidiary looking at various new initiatives of the Group.

### 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 2013 are set out in the attached financial statements. The Directors do not recommend the payment of dividend for the year 2012-13.

### 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 27 September 2012. 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 2013.

### Share Capital

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

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

### Indemnity 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. S. Kishore and Mr. S.R. Iyer retire by rotation and, being eligible, offer themselves for re-election.

Biographical details for Mr. S. Kishore and Mr. S.R. Iyer are set out in this report.

### Directors and their Interest 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	22,333,540	14.01
M&G Investment Management	14,747,835	9.25
Universities Superannuation Scheme	6,574,424	4.13
Kames Capital	5,244,592	3.29

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and financial statements in accordance with the applicable laws and regulations. The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU).

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 prepared in accordance with International Financial Reporting Standards;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business; and
- Ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004.

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

## 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

Our Auditors, KPMG Audit LLC being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act, 1982. A resolution proposing their re-appointment will be tabled at the forthcoming Annual General Meeting.

## Post Balance Sheet Events

The oil synchronization of the first 600 MW unit of the KSK Mahanadi Power Project, swapping a part of the Rupee Debt of Wardha Power Project with USD denominated borrowing, the forest clearance to GMDC (fuel supplier) for prospecting from Morga-II Coal block during May 2013 are the significant developments in the ongoing nature of business since 31 March 2013 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.

The Group business activities together with factors likely to affect its future development, performance and position are set out in the report. In addition, note 31 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its hedging exposure to credit risk and liquidity risk.

The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in construction projects for its power plants. The Group currently has net current liabilities of US \$ 903 million, with short term facilities expiring in March 2014 totalling US \$ 921 million and a committed capital spend of US \$ 1.4 billion. The Group continue to generate cash flows from the current operations which together with the available cash and short term deposits provides liquidity both in short-term as well as in long-term. Anticipated future cash flows and undrawn long term committed facilities of US \$ 1.323 billion together with cash and short term deposits of US \$ 305 million as at 31 March 2013 on a consolidated basis, are expected to be utilised to meet the on-going capital investment programme and liquidity requirement of the Group in the near future. In addition, a number of the facilities that are due to expire at 31 March 2014 are in the process of being extended and have rollover clause in a number of cases.

The Group's forecast and projections, taking into account reasonably possible changes in trading performance, show that the Group has sufficient financial resources, together with assets that are expected to generate free cash flow to the Group. As a consequence, the Directors have a reasonable expectation that the Company and the Group are well placed to manage their business risks and continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis of accounting when preparing these 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

## 10 Directors' Responsibility Statement

### 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 consolidated assets, liabilities, financial position and profit or loss of the Group;
- (b) the Management 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 Conduct Authority of the United Kingdom.

For and on behalf of the Board

**K. A. Sastry**

Executive Director

**S. Kishore**

Executive Director



## 10 Directors' Remuneration Report

### Directors' Emoluments

The Company has a combination of Executive and Non-Executive Directors with more than half of the Board comprising 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:

Directors	Annual Director's fees for year ended 31 March 2013 (Amount in USD)	Annual Director's fees for year ended 31 March 2012 (Amount in USD )
Mr. T. L. Sankar (Non-Executive Chairman)	50,000	50,000
Mr. Vladimir Dlouhy (Non-Executive Director)	100,000	50,000
Mr. S. R. Iyer (Non-Executive Director)	50,000	50,000
Mr. Abhay Nalawade (Non-Executive Director)	50,000	31,793
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.

\* 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	164,700
Mr. S. Kishore (Executive Director)	9,000,000	164,700

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

### Share Options

The Company has adopted a performance share plan known as KSK Power 2010 Performance Share Plan but this has not operated during the year. The Remuneration Committee has not decided any grants so far and are currently evolving the process of execution of the plan and will then 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 – 560.00 P

Low for the year – 390.00 P

Close for the year – 393.50 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 20 August 2012 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 whole-time directors are entitled to salary not exceeding Rs.750,000 per month, inclusive of all perquisites that may be paid or provided as per the policy of KSKEV. The Directors are eligible for commission not exceeding 1.5% of the net profits of KSKEV in accordance with provisions of the Indian Companies Act, 1956.

For the other four Directors viz, Mr. T. L. Sankar, Mr. S. R. Iyer, Mr. Vladimir Dlouhy, Mr. Abhay Nalawade (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.

## 11 Corporate Governance Statement

The Company supports the highest standards of Corporate Governance and the Company is committed to ensuring that the highest level of governance is achieved.

Your Company being an Isle of Man incorporated Company with a Standard Listing on London Stock Exchange is not required to comply with the UK Corporate Governance Code (the "Code"). Nevertheless, the Board of Directors in the spirit of good practice have always taken note of its provisions and voluntarily complied whenever it has been appropriate to do so.

The Company's objective remains to create long-term value for shareholders. The Board governs the Group consistently with our business strategy and commitment to a transparent and high quality governance system.

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 of Directors, the Company is in substantial compliance with all of the material aspects of 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 heading '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 2012-13.

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

### Committee

The Board periodically meets and had in total four meetings during the year. All the Directors have attended all the four meetings. The Board is pleased with the high level of attendance and participation of both Executive and Non-Executive directors at the meetings.

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

The Board also periodically visits Project sites including KSK Mahanadi Power Company Limited, where a significant amount of our current and future operations are based. This provided the opportunity for

the Board to meet with local management and better understand our operations. The Board also receives regular updates from management on the performance of the business against the agreed strategy and on its operations.

## Role of the Board

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

In carrying out their responsibilities, the Directors have put in place a framework of controls to ensure 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 control. Given the organization structure and material business through subsidiaries, such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board meets regularly during the course of the year to review trading performance 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 BSE Limited. KSKEV has its own board with 4 of the Company Directors, Independent directors and 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. Each Committee consists only of Independent Non-Executive Directors, and has terms of reference under which authority is delegated by the Board.

### 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 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. The Nomination Committee will consider 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.

Relevant information has been put on the Company's website [www.kskplc.co.uk](http://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 assessment of controls and risk management processes provide a reasonable basis for the Board to make proper judgements on an ongoing basis as to the

financial position and prospects of the Group. The Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 March 2013 and up to the date of the signing of the financial statements and is satisfied that it remains appropriate to the business.

## 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 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 does 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 its stakeholders without compromising on ethics, social obligations and regulatory compliances.

### T. L. Sankar

Non Executive Chairman

## FINANCIAL INFORMATION

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Sai Regency, Tamilnadu

## 12 Independent Auditor's Report

### Report of the Independent Auditors, KPMG Audit LLC, to the members of KSK Power Ventur plc

We have audited the financial statements of KSK Power Ventur plc for the year ended 31 March 2013 which comprises the Group and Parent Company Income Statements, Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and the Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 set out on page 35, 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 non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the information 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's and Parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with IFRSs, as adopted by the EU.

### Matters on which we are required to report by exception

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

- proper books of account have not been kept by the Parent Company and proper returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's statement of financial position and statement of comprehensive income are not in agreement with the books of account and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under Chapter 9 of the Listing Rules we are required to confirm that we have reviewed:

- the Director's statement, set out on page 33, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Groups compliance with provisions C.1.1, C.2.1, C.3.1 and C.3.7; and
- the disclosures specified by Chapter 9, section 8, paragraph 11 of the listing rules as applicable to the Group.

### Russell Kelly, Responsible Individual

For and on behalf of KPMG Audit LLC  
Chartered Accountants

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN

6 July 2013

As at 31 March 2013

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

		Consolidated		Company	
	Note	2013	2012	2013	2012
ASSETS					
Non-current					
Property, plant and equipment	9	3,273,033	2,685,771	1	1
Intangible assets and goodwill	10	22,326	23,589	-	-
Investments and other financial assets	11	98,045	109,356	295,191	309,853
Other non-current assets	12	67,406	58,722	-	-
Trade and other receivables	13	6,272	5,995	-	-
Deferred tax asset	28	15,649	14,273	-	-
		3,482,731	2,897,706	295,192	309,854
Current					
Investments and other financial assets	11	81,464	85,461	9,557	332
Other current assets	12	42,490	39,648	883	75
Trade and other receivables	13	116,252	97,805	-	-
Inventories	14	26,246	21,960	-	-
Cash and short-term deposits	15	305,264	417,585	287	1,598
		571,716	662,459	10,727	2,005
Total assets		4,054,447	3,560,165	305,919	311,859
EQUITY AND LIABILITIES					
Issued capital	16	263	263	263	263
Share premium	16	253,890	253,890	253,890	253,890
Foreign currency translation reserve	16	(78,380)	(58,783)	6,420	12,217
Revaluation reserve	16	2,752	2,859	-	-
Other reserves	16	141,674	140,189	-	-
Retained earnings / (Accumulated deficit)	16	119,337	98,407	(10,049)	(8,455)
Equity attributable to owners of the Company		439,536	436,825	250,524	257,915
Non-controlling interests		199,290	188,192	-	-
Total equity		638,826	625,017	250,524	257,915

(continued...)

## As at 31 March 2013

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

	Note	Consolidated		Company	
		2013	2012	2013	2012
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	17	1,834,526	1,409,050	-	-
Trade and other payables	18	59,782	48,981	-	-
Provisions	19	2,541	2,480	-	-
Deferred revenue	20	8,403	9,150	-	-
Employee benefit liability	21	1,050	947	-	-
Deferred tax liability	28	35,063	37,699	-	-
		1,941,365	1,508,307	-	-
<b>Current liabilities</b>					
Interest-bearing loans and borrowings	17	1,021,122	1,128,911	54,119	52,475
Trade and other payables	18	441,518	287,701	1,276	1,469
Deferred revenue	20	928	984	-	-
Other current liabilities	22	9,259	6,417	-	-
Taxes payable		1,429	2,828	-	-
		1,474,256	1,426,841	55,395	53,944
Total liabilities		3,415,621	2,935,148	55,395	53,944
<b>Total equity and liabilities</b>		<b>4,054,447</b>	<b>3,560,165</b>	<b>305,919</b>	<b>311,859</b>

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

Approved by the Board of Directors on 6 July 2013 and signed on behalf by:

**S. Kishore**

Executive Director

**K. A. Sastry**

Executive Director

## For the year ended 31 March 2013

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

	Note	Consolidated		Company	
		2013	2012	2013	2012
Revenue	23	392,821	383,226	-	-
Cost of revenue	24	(236,741)	(253,214)	-	-
<b>Gross profit</b>		<b>156,080</b>	<b>130,012</b>	-	-
Other operating income	25	1,648	23,604	42	-
Distribution costs		(7,037)	(1,789)	-	-
General and administrative expenses	24	(31,541)	(29,425)	(784)	(839)
<b>Operating profit / (loss)</b>		<b>119,150</b>	<b>122,402</b>	<b>(742)</b>	<b>(839)</b>
Finance costs	26	(120,984)	(160,508)	(2,342)	(3,170)
Finance income	27	38,296	39,256	1,490	131
<b>Profit / (loss) before tax</b>		<b>36,462</b>	<b>1,150</b>	<b>(1,594)</b>	<b>(3,878)</b>
Tax income / (expense)	28	1,788	(11,068)	-	-
<b>Profit / (loss) for the year</b>		<b>38,250</b>	<b>(9,918)</b>	<b>(1,594)</b>	<b>(3,878)</b>
<b>Attributable to:</b>					
Owners of the Company		23,843	(932)	(1,594)	(3,878)
Non-controlling interests		14,407	(8,986)	-	-
		<b>38,250</b>	<b>(9,918)</b>	<b>(1,594)</b>	<b>(3,878)</b>
<b>Earnings / (loss) per share</b>					
Weighted average number of ordinary shares for basic and diluted earnings per share		159,378,600	152,203,869		
Basic and diluted (US \$)		0.15	(0.01)		

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

Approved by the Board of Directors on 6 July 2013 and signed on behalf by:

**S. Kishore**

Executive Director

**K. A. Sastry**

Executive Director

## For the year ended 31 March 2013

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

		Consolidated		Company	
	Note	2013	2012	2013	2012
<b>Profit / (loss) for the year</b>		<b>38,250</b>	<b>(9,918)</b>	<b>(1,594)</b>	<b>(3,878)</b>
<b>Other comprehensive income</b>					
Foreign currency translation differences		(28,501)	(97,792)	(5,797)	4,706
Available-for-sale financial assets					
- current period losses		(3,051)	(1,239)	-	-
- reclassification to income statement		4,258	514	-	-
Reclassification of reserve on deemed disposal of interest in joint venture			(2,485)	-	-
Income tax relating to available for sale financial asset		35	173	-	-
<b>Other comprehensive (loss) / income, net of tax</b>		<b>(27,259)</b>	<b>(100,829)</b>	<b>(5,797)</b>	<b>4,706</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>10,991</b>	<b>(110,747)</b>	<b>(7,391)</b>	<b>828</b>
<b>Attributable to:</b>					
Owners of the Company		5,451	(62,562)	(7,391)	828
Non-controlling interests		5,540	(48,185)	-	-
		<b>10,991</b>	<b>(110,747)</b>	<b>(7,391)</b>	<b>828</b>

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

Approved by the Board of Directors on 6 July 2013 and signed on behalf by:

**S. Kishore**

Executive Director

**K. A. Sastry**

Executive Director

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

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

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## 16 Consolidated Statement of Changes in Equity

(continued...)

For the year ended 31 March 2013

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

	Attributable to owners of the Company								Total equity
	Issued capital (No. of shares)	Issued capital (Amount)	Share premium	Foreign currency translation reserve	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interests	
<b>As at 1 April 2012</b>	159,378,600	263	253,890	(58,783)	2,859	140,189	98,407	188,192	625,017
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	-	2	2
Issuance of equity shares by subsidiaries (see note 7)	-	-	-	-	-	27	-	2,813	2,840
Acquisition of non-controlling interests without change in control (see note 6)	-	-	-	-	-	253	-	(277)	(24)
Transfer of economic interest to non-controlling interests <sup>1</sup>	-	-	-	-	-	-	(3,020)	3,020	-
Net depreciation transfer for property, plant and equipment	-	-	-	-	(107)	-	107	-	-
<b>Transaction with owners</b>	-	-	-	-	(107)	280	(2,913)	5,558	2,818
Profit for the year	-	-	-	-	-	-	23,843	14,407	38,250
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	(8,904)	(28,501)
Foreign currency translation differences	-	-	-	(19,597)	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-
- current period (losses) / gains	-	-	-	-	-	(3,079)	-	28	(3,051)
- reclassification to income statement	-	-	-	-	-	4,258	-	-	4,258
Income tax relating to available-for-sale financial asset	-	-	-	-	-	26	-	9	35
<b>Total comprehensive income / (loss) for the year</b>	-	-	-	(19,597)	-	1,205	23,843	5,540	10,991
<b>Balance as at 31 March 2013</b>	159,378,600	263	253,890	(78,380)	2,752	141,674	119,337	199,290	638,826

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

<sup>1</sup> 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 Consolidated 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.

## 17 Company Statement of Changes in Equity

For the year ended 31 March 2013

(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
<b>As at 1 April 2011</b>	151,789,145	251	194,435	7,511	(4,577)	197,620
Issue of shares	7,589,455	12	59,455	-	-	59,467
<b>Transaction with owners</b>	7,589,455	12	59,455	-	-	59,467
Loss for the year	-	-	-	-	(3,878)	(3,878)
<b>Other comprehensive income</b>						
Foreign currency translation differences	-	-	-	4,706	-	4,706
<b>Total comprehensive income / (loss) for the year</b>	-	-	-	4,706	(3,878)	828
<b>Balance as at 31 March 2012</b>	159,378,600	263	253,890	12,217	(8,455)	257,915
<b>As at 1 April 2012</b>	159,378,600	263	253,890	12,217	(8,455)	257,915
<b>Transaction with owners</b>	-	-	-	-	-	-
Loss for the year	-	-	-	-	(1,594)	(1,594)
<b>Other comprehensive income</b>						
Foreign currency translation differences	-	-	-	(5,797)	-	(5,797)
<b>Total comprehensive loss for the year</b>	-	-	-	(5,797)	(1,594)	(7,391)
<b>Balance as at 31 March 2013</b>	159,378,600	263	253,890	6,420	(10,049)	250,524

(See accompanying notes to Consolidated and Company financial statements)

## For the year ended 31 March 2013

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

	Consolidated		Company	
	2013	2012	2013	2012
<b>Cash inflow / (outflow) from operating activities</b>				
Profit / (loss) before tax	36,462	1,150	(1,594)	(3,878)
Adjustment				
Depreciation and amortization	39,492	42,829	-	-
Finance costs	120,984	137,291	2,341	3,218
Finance income	(28,008)	(39,256)	(1,586)	(131)
Provision for doubtful capital advances and trade receivable	8,958	3,070	-	-
Gain on re-measurement of equity interest	-	(536)	-	-
Loss / (profit) on sale of fixed assets, net	458	(5,292)	-	-
others	(120)	(214)	-	-
<b>Change in working capital</b>				
Trade receivables and unbilled revenue	(28,347)	(25,018)	-	-
Inventories	(4,286)	(6,603)	-	-
Other assets	(12,305)	(5,177)	(845)	(77)
Trade payables and other liabilities	2,712	2,208	(126)	1,046
Provisions and employee benefit liability	103	362	-	-
<b>Cash generated from /(used in) operating activities</b>	<b>136,103</b>	<b>104,814</b>	<b>(1,810)</b>	<b>178</b>
Taxes paid, net	(10,440)	(6,460)	-	-
<b>Net cash provided by / (used in) operating activities</b>	<b>125,663</b>	<b>98,354</b>	<b>(1,810)</b>	<b>178</b>
<b>Cash inflow / (outflow) from investing activities</b>				
Movement in restricted cash, net	35,969	(20,421)	-	13,039
Purchase of property, plant and equipment & other non-current assets <sup>1</sup>	(394,515)	(746,862)	-	(1)
Proceed from sale of wind mill undertaking	11,069	30,061	-	-
Proceeds from sale of property, plant and equipment	4,815	-	-	-
Net cash flow on business combination	-	4,015	-	-
Purchase of financial instruments	(103,168)	(136,419)	-	(118,067)
Proceeds from sale of financial instruments	121,337	134,854	1,184	12,200

(continued...)

	Consolidated		Company	
	2013	2012	2013	2012
Dividend income	482	491	-	-
Finance income	37,460	30,358	-	297
<b>Net cash flow (used in)/provided by investing activities</b>	<b>(286,551)</b>	<b>(703,923)</b>	<b>1,184</b>	<b>(92,532)</b>
<b>Cash inflow / (outflow) from financing activities</b>				
Proceeds from borrowings	1,202,714	1,657,188	1,515	53,239
Repayment of borrowings	(786,440)	(593,454)	(240)	(9,300)
Finance Costs paid	(314,275)	(228,495)	(1,997)	(3,934)
Payment for acquisition of non-controlling interest	(24)	(187,802)	-	-
Net proceeds from issue of shares and share application money in subsidiary to non-controlling interest	4,478	1,748	-	-
Net proceeds from issue of shares	-	59,467	-	59,467
<b>Net cash flow provided by / (used in) financing activities</b>	<b>106,453</b>	<b>708,652</b>	<b>(722)</b>	<b>99,472</b>
Effect of exchange rate changes	(21,917)	(44,112)	37	(7,032)
<b>Net (decrease) / increase in cash and cash equivalent</b>	<b>(76,352)</b>	<b>58,971</b>	<b>(1,311)</b>	<b>86</b>
Cash and cash equivalent at the beginning of the year	120,186	61,215	1,598	1,512
Cash and cash equivalent at the end of the year (note15)	<b>43,834</b>	<b>120,186</b>	<b>287</b>	<b>1,598</b>

<sup>1</sup>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 2013

## 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.

### 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 (for its own use), 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 23.

### 1.3. Statement of compliance /responsibility statement

The Consolidated and Company financial statements contained in this document has been prepared in

accordance with International Financial Reporting Standard and its interpretations as adopted by the European Union (EU) ('IFRS') and the provisions of the Isle of Man, Companies Act 1931-2004 applicable to companies reporting under IFRS.

The financial statements were authorised for issue by the Board of Directors on 6 July 2013.

### 1.4. Financial period

The Consolidated and Company financial statements cover the period from 1 April 2012 to 31 March 2013, with comparative figures from 1 April 2011 to 31 March 2012.

### 1.5. Basis of preparation

These financial statements have been prepared under IFRS.

These Consolidated financial statements have been prepared on the historical cost convention and on an 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 account upon initial recognition are measured at fair value;
- available-for-sale financial assets that are measured at fair value; and
- 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.

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.

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 at least twelve months. The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in construction projects for its power plants. The Group currently has net current liabilities of US \$ 902,540,

with short term facilities expiring in March 2014 totalling US \$ 921,359 and a committed capital spend of US \$ 1,475,717. The Group continue to generate cash flows from the current operations which together with the available cash and short term deposits provides liquidity both in short-term as well as in long-term. Anticipated future cash flows and undrawn long term committed facilities of US \$ 1,323,911 together with cash and short term deposits of US \$ 305,264 as at 31 March 2013 on a consolidated basis, are expected to be utilised to meet the on-going capital investment programme and liquidity requirement of the Group in the near future. In addition, a number of the facilities that are due to expire at 31 March 2014 are in the process of being extended and have rollover clause in a number of cases.

### 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	
			2013	2012
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 Limited ('KGEPL')	KGPP	Singapore	100	100
KSK Wind Energy Halagali Benchi Private Limited ('KWEHBPL')	KGEPL	India	100	100
KSK Wind Power Sankonahatti Athni Private Limited ('KWPSAPL')	KGEPL	India	100	100
KSK Wind Energy Mothalli Haveri Private Limited ('KWEMHPL')	KGEPL	India	100	100
KSK Wind Power Aminabhavi Chikodi Private Limited ('KWPACPL')	KGEPL	India	100	100
KSK Wind Energy Shiggaon Haveri Private Limited ('KWESHPL')	KGEPL	India	100	100
KSK Wind Energy Mugali Chikodi Private Limited ('KWEMCPL')	KGEPL	India	100	100
KSK Wind Power Yadahalli Benchi Private Limited ('KWPYBPL')	KGEPL	India	100	100
KSK Wind Energy Nandgaon Athni Private Limited ('KWENAPL')	KGEPL	India	100	100
KSK Wind Energy Tirupur Elayamuthur Private Limited ('KWETEPL')	KGEPL	India	100	100
KSK Wind Energy Tirupur Udumalpet Private Limited ('KWETUPL')	KGEPL	India	100	100
KSK Wind Energy Tuticorin Rajapudukudi Private Limited ('KWETRPL')	KGEPL	India	100	100
KSK Wind Energy Madurai MS Puram Private Limited ('KWEMMPPL')	KGEPL	India	100	100
KSK Surya Ventures Limited ('KSVL')	KSVP	Mauritius	100	100
KSK Surya Photovoltaic Venture Limited ('KSPVL') (see note 7)	KSVL	India	93.25	100
KSK Power Holdings Limited ('KPHL')	KEL	Mauritius	100	100
KSK Energy Company Private Limited ('KECPL')	KEL	India	100	100
KSK Energy Ventures Limited ('KEVL' or 'KSK India')	KEL	India	74.94	74.94
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

(continued...)

Subsidiaries	Immediate parent	Country of incorporation	% shareholding	
			2013	2012
Raigarh Champa Rail Infrastructure Private Limited (formerly KSK Cargo Mover Private Limited) ('RCRIPL')	KECPL	India	100	100
SN Nirman Infra Projects Private Limited ('SNNIPPL')	KECPL	India	100	100
Marudhar Mining Private Limited ('MMPL')	KECPL	India	100	100
KSK Electricity Financing India Private Limited ('KEFIPL')	KEVL	India	100	100
KSK Vidarbha Power Company Private Limited, ('KVPCPL')	KEVL	India	100	100
KSK Narmada Power Company Private Limited ('KNPCPL')	KEVL	India	100	100
KSK Wind Energy Private Limited ('KWEPL') (see note 6)	KEVL	India	100	74
KSK Wardha Infrastructure Private Limited ('KWAIPPL')	KEVL	India	100	100
KSK Dibbin Hydro Power Private Limited ('KDHPPL')	KEVL	India	100	100
Kameng Dam Hydro Power Limited ('KDHPPL')	KEVL	India	100	100
KSK Mahanadi Power Company Limited ('KMPCL')	KEVL	India	99.99	99.99
KSK Upper Subansiri Hydro Energy Limited ('KUSHEL')	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
Bheri Hydro Power Company Private Limited ('BHPCPL') <sup>1</sup>	KEVL	Nepal	90	-
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')	KEFIPL	India	74	74
Sai Power Pte Ltd ('SPPL') <sup>1</sup>	KMPCL	Singapore	100	-
Sai Maithili Power Company Private Limited ('SMPCPL')	VSLPPL	India	100	100
Field Mining and Ispats Limited ('FMIL')	WPCL	India	85	85

<sup>1</sup>New SPV's incorporated during the year

- Bheri Hydro Power Company Private Limited ('BHPCPL')
- Sai Power Pte Ltd ('SPPL')

(b) Joint ventures

Joint ventures	Venturer	Country of incorporation	% shareholding	
			2013	2012
Arasmeta Captive Power Company Private Limited ('ACPCPL')	KEFIPL	India	51	51
Sitapuram Power Limited ('SPL')	KEFIPL	India	49	49
J R Power Gen Private Limited ('JRPCPL') <sup>1</sup>	KEVL	India	51	51

<sup>1</sup> As of 31 March 2013, the Group hold 99.87 percent of the outstanding share capital of JRPGPL. The judicial order requires the Company to offer to the non-group shareholders 49% of JRPGPL. Therefore the holding in excess of 51% i.e. the additional 48.87% is treated as held temporarily and the same has been shown as non-current receivable from joint venture partner of US \$ 686 in note 11 of the 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 2012, noted below:

The following amendment to IFRS did not have any impact on the accounting policies, financial position or performance of the Group:

### IAS 12 Deferred tax: Recovery of Underlying Assets (Amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12

will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The Group does not have any investment properties hence the amendment is not applicable and it has no impact on the financial statement of the Group.

### IFRS 7 - Disclosures - Transfers of financial assets (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 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 1	Presentation of financial statements – revision to items presented under other comprehensive income - Amendments	1 July 2012
IAS 19	Defined benefit plans - Amendments	1 January 2013
IAS 27 (R)	Separate financial statements	1 January 2013
IAS 28 (R)	Investments in associates and joint ventures (2011)	1 January 2014
IAS 32	Offsetting financial assets and financial liabilities - Amendments	1 January 2014
IFRS 7	Disclosures: Offsetting financial assets and financial liabilities	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosures of interests in other entities	1 January 2014
IFRS 13	Fair value measurement	1 January 2013
IFRIC 20	Stripping costs in the production phase of surface mine	1 January 2013

The Group has yet to assess the impact of IFRS 10, IFRS 11, IFRS 12, IFRS 13 and IFRIC 20 on the Consolidated financial statements of the Group. However the management does not intend to apply any of these pronouncements early.

Based on the Group's current business model and accounting policies, management does not expect the application of the above standards, to have any material impact on its financial statements when those Standards become effective.

### 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 2013.

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 re-measured 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, after reassessment, 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

Foreign currency transactions

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.

#### 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.

##### Rendering of services

The Group provides project development, corporate support and fund management services. Revenue from rendering of services is recognised in income statement in the period in which the services are rendered by reference to the stage of completion of the transaction at the reporting date. The stage of completion is assessed on the basis of the actual services provided as a proportion of the total service to be provided.

##### 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.

Insurance Claims are accounted based on certainty of realization.

##### Sale of Verified Emission Reductions (VERs) and Certified Emission Reductions (CERs)

Revenue from sale of Verified Emission Reductions (VERs) and Certified Emission Reductions (CERs) is recognised on sale of eligible credits.

#### 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 through 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.

**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 are 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 are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor 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.

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

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

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

An item of property, plant and equipment is 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 amortization period and the amortization 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 (years)
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. Recoverable amount 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.

#### 4.21. Provisions

##### 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);
- **Estimation of fair value of acquired financial assets and financial liabilities:** When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. (see note 4.8 and 11);
- **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 13).
- **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 10);
- **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 19);
- **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 28);

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 28);

- **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 21) 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).
- **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 9. 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 2013, the Group has issued additional 107,514,330 shares in KSK Mahanadi Power Company Limited ("KMPCL") to KSK Energy Limited ("KEL") at a face value of Rs 10 (US \$ 0.18) at par. Also during the year the Group has transferred 250,000,000 equity shares in KMCPL from KSK Energy Ventures Limited ("KEVL") to KSK Energy Company Private Limited

("KECPL"). The above transactions resulted in acquisition of 3.68 % of non-controlling interest.

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 \$ 867 between the fair value of the net consideration paid (US \$ Nil) and the amount by which the non-controlling interest (US \$ (867)) is adjusted are credited to 'other reserve' within consolidated statement of changes in equity and attributed to the owners of the Company.

- During the year ended 31 March 2013, KSK Energy Ventures Limited ('KEVL') acquired 130,000 equity shares of KSK Wind Energy Private Limited ('KWEPL') of face value of Rs. 10 (US \$ 0.18) each at par from Chemplast Sanmar Limited.

Pursuant to the acquisition of the additional equity shares, the ownership interest of the Group in KWEPL increased from 74 percent to 100 percent resulting in a 26 percent additional interest in subsidiary.

The acquisition of interest in subsidiary from non-controlling interest is accounted as an equity transaction, and accordingly no gain or loss is recognised in the Consolidated income statement. The difference of US \$ 614 between the fair value of the net consideration paid (US \$ 24) and the amount by which the non-controlling interest (US \$ 590) is adjusted are debited to 'other reserve' within consolidated statement of changes in equity and attributed to the owners of the company.

## 7. Dilution on Issuance of Equity Shares by Subsidiaries

- During the month of November 2012, the VS Lignite Power Private Limited ("VSLPPL") has

made right issue of equity shares to all the existing shareholders. KSK Electricity Financing India Private Limited and captive customers have subscribed to 37,000,000 shares and 13,000,009 shares of face value of Rs 10 (US \$ 0.18) each at par and have contributed US \$ 6,770 and US \$ 2,383 respectively. The amount contributed by captive customers has been disclosed as Non-controlling interest in the statement of changes in equity.

- During the month of September 2012, the Group has issued additional 2,500,000 shares in KSK Surya Photovoltaic Venture Limited ("KSPVL") to Medha Servo Drives Private Limited at face value of Rs 10 (US \$ 0.18) each.

Pursuant to the issuance of the additional equity share's the ownership interest of the Group in KSPVL decreased from 100 percent to 93.25 percent resulting in a 6.75 percent deemed partial disposal of the Group's controlling interest in a subsidiary without loss of control.

The partial disposal of the interest in a subsidiary without loss of control is accounted as an equity transaction, and no gain or loss is recognised in the Consolidated income statement. The difference of US \$ 27 between the fair value of the net consideration received (US \$ 457) and the amount by which the non-controlling interest are adjusted (US \$ 430), is credited to 'other reserve' within statement of changes in equity and attributed to the owners of the company.

(continued...)

## 8. Interest in joint ventures

The share of the assets, liabilities, income and expenses of the jointly controlled entities at 31 March 2013 and 2012 and for the years then ended, which are included in the Consolidated financial statements, are as follows:

	2013	2012
Non-current assets	87,577	91,681
Current assets	19,139	13,092
<b>Total assets</b>	<b>106,716</b>	<b>104,773</b>
Non-current liabilities	28,613	27,558
Current liabilities	23,061	18,964
<b>Total liabilities</b>	<b>51,674</b>	<b>46,522</b>
Revenue	29,194	22,724
Expenses (including tax)	(27,987)	(23,972)
<b>Profit / (loss) after tax</b>	<b>1,207</b>	<b>(1,248)</b>

## 9. 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
<b>Cost</b>						
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	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)
<b>As at 31 March 2012</b>	<b>223,894</b>	<b>804,617</b>	<b>8,923</b>	<b>9,243</b>	<b>1,695,203</b>	<b>2,741,880</b>
<b>As at 1 April 2012</b>	<b>223,894</b>	<b>804,617</b>	<b>8,923</b>	<b>9,243</b>	<b>1,695,203</b>	<b>2,741,880</b>
Additions	2,920	22,268	-	863	732,657	758,708
Disposals / transfer	(5,294)	(104)	-	(108)	(3,218)	(8,724)
Exchange difference	(10,550)	(37,947)	(419)	(440)	(79,751)	(129,107)
<b>As at 31 March 2013</b>	<b>210,970</b>	<b>788,834</b>	<b>8,504</b>	<b>9,558</b>	<b>2,344,891</b>	<b>3,362,757</b>

	Land and buildings	Power stations	Mining property	Other plant and equipment	Assets under construction	Total
<b>Depreciation and impairment</b>						
As at 1 April 2011	3,709	19,388	521	3,254	-	26,872
Additions	5,699	34,534	615	1,810	-	42,658
Impairment	-	-	-	-	2,861	2,861
Disposals / adjustments	(531)	(8,557)	-	(606)	-	(9,694)
Exchange difference	(884)	(5,039)	(109)	(556)	-	(6,588)
<b>As at 31 March 2012</b>	<b>7,993</b>	<b>40,326</b>	<b>1,027</b>	<b>3,902</b>	<b>2,861</b>	<b>56,109</b>
As at 1 April 2012	7,993	40,326	1,027	3,902	2,861	56,109
Additions	5,441	31,711	529	1,659	-	39,340
Disposals / adjustments	(145)	(13)	-	(75)	(2,861)	(3,094)
Exchange difference	(391)	(2,000)	(48)	(192)	-	(2,631)
<b>As at 31 March 2013</b>	<b>12,898</b>	<b>70,024</b>	<b>1,508</b>	<b>5,294</b>	<b>-</b>	<b>89,724</b>
<b>Net book value</b>						
<b>As at 31 March 2013</b>	<b>198,072</b>	<b>718,810</b>	<b>6,996</b>	<b>4,264</b>	<b>2,344,891</b>	<b>3,273,033</b>
<b>As at 31 March 2012</b>	<b>215,901</b>	<b>764,291</b>	<b>7,896</b>	<b>5,341</b>	<b>1,692,342</b>	<b>2,685,771</b>

Property, plant and equipment with a carrying amount of US \$ 3,170,473 (2012: US \$ 2,561,726) is subject to security restrictions (note 17)

The property, plant and equipment of the Company comprise:

	Other plant and equipment	Total
<b>Cost</b>		
As at 1 April 2011	-	-
Additions	1	1
Disposals /transfer	-	-
Exchange difference	-	-
<b>As at 31 March 2012</b>	<b>1</b>	<b>1</b>
As at 1 April 2012	1	1
Additions	-	-
Disposals /transfer	-	-
Exchange difference	-	-
<b>As at 31 March 2013</b>	<b>1</b>	<b>1</b>

(continued...)

	Other plant and equipment	Total
<b>Depreciation and impairment</b>		
As at 1 April 2011	-	-
Additions	-	-
Disposals / adjustments	-	-
Exchange difference	-	-
<b>As at 31 March 2012</b>	-	-
As at 1 April 2012	-	-
Additions	-	-
Disposals / adjustments	-	-
Exchange difference	-	-
<b>As at 31 March 2013</b>	-	-
<b>Net book value</b>		
<b>As at 31 March 2013</b>	1	1
<b>As at 31 March 2012</b>	1	1

## 10. Intangible assets and goodwill

	Mining license	Goodwill	Total
<b>Cost</b>			
As at 1 April 2011	-	52,460	52,460
Business combination	3,474	-	3,474
Disposals	-	(28,690)	(28,690)
Exchange difference	(446)	(3,050)	(3,496)
<b>As at 31 March 2012</b>	<b>3,028</b>	<b>20,720</b>	<b>23,748</b>
As at 1 April 2012	3,028	20,720	23,748
Disposals	-	-	-
Exchange difference	(143)	(976)	(1,119)
<b>As at 31 March 2013</b>	<b>2,885</b>	<b>19,744</b>	<b>22,629</b>
<b>Amortisation and impairment</b>			
As at 1 April 2011	-	-	-
Additions	171	-	171
Exchange difference	(12)	-	(12)
<b>As at 31 March 2012</b>	<b>159</b>	-	<b>159</b>

	Mining license	Goodwill	Total
As at 1 April 2012	159	-	159
Additions	152	-	152
Exchange difference	(8)	-	(8)
<b>As at 31 March 2013</b>	<b>303</b>	<b>-</b>	<b>303</b>
<b>Net book value</b>			<b>-</b>
<b>As at 31 March 2013</b>	<b>2,582</b>	<b>19,744</b>	<b>22,326</b>
<b>As at 31 March 2012</b>	<b>2,869</b>	<b>20,720</b>	<b>23,589</b>

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

	2013	2012
J R Power Gen Private Limited	25	26
Wardha Power Company Limited	4,297	4,509
Sitapuram Power Limited	6,050	6,349
Sai Regency Power Corporation Private Limited	1,328	1,394
Arasmeta Captive Power Company Private Limited	8,044	8,442
<b>Total</b>	<b>19,744</b>	<b>20,720</b>

The recoverable amount of the cash generating unit at 31 March 2013 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.

(continued...)

- 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:

	2013	2012
Growth rate	3.00%	3.00%
Discount rate (pre-tax)	12.52%	12.92%

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.

## 11. Investments and other financial assets

	Consolidated		Company	
	2013	2012	2013	2012
<b>Current</b>				
Financial assets at fair value through profit or loss				
- held-for-trading	3,293	4,384	-	-
Loans and receivables	66,429	58,950	9,557	332
Loans to and receivables from JV partners	11,742	22,127	-	-
	<b>81,464</b>	<b>85,461</b>	<b>9,557</b>	<b>332</b>
<b>Non-current</b>				
Available-for-sale investments	26,354	30,774	-	-
Deposit with banks	31,208	47,929	-	-
Loans and receivables	24,264	25,476	-	9,225
Loans to and receivables from JV partners	16,219	5,177	-	-
Loans to and receivable from subsidiaries	-	-	151,877	157,213
Investment in subsidiaries	-	-	143,314	143,415
	<b>98,045</b>	<b>109,356</b>	<b>295,191</b>	<b>309,853</b>
<b>Total</b>	<b>179,509</b>	<b>194,817</b>	<b>304,748</b>	<b>310,185</b>

#### 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 \$ 13,538 (2012: US \$ 17,375), deferred loan origination costs US \$ 9,783 (2012: US \$ 5,981), security deposit to suppliers US \$ 20,721 (2012: US \$ 15,236), advance for investments US \$ 3,469 (2012: US \$ 11,716) and other financial assets US \$ 43,182 (2012: US \$ 34,118).

The claim on calorific value shortfall of US \$ 11,575 only has been recognized as receivable in other financial assets and the amount corresponding to reversal or compensation for higher price of coal charged by Western Coalfields Limited in WPCL than those prescribed under cost plus arrangement has not been recognized

#### Loans to and receivables from JV partners

This primarily includes the share application money in the joint venture entities, interest bearing inter corporate deposit 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 to and receivable from 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 (2012: 139,244,601) in KEL, 12,000 equity shares (2012: 12,000) in KASL, 100,000,000 equity shares (2012: 100,000,000) in KGPP and 1 equity share (2012: 1) in KSVP totalling to US \$ 143,314 (2012: US \$ 143,415).

(continued...)

Investment and other financial assets amounting of US \$ 153,621 (2012: US \$ 173,289) for the Group is subject to security restrictions (see note 17).

#### Impairment of financial assets

During the year ended 31 March 2013, available-for-sale financial asset of US \$ 4,363 (2012: US \$ 572) and loans and receivable of US \$ 2,466 (2012: US \$ 1,669) were collectively impaired.

## 12. Other assets

	Consolidated		Company	
	2013	2012	2013	2012
<b>Current</b>				
Advance to suppliers	8,379	19,492	-	-
Prepayments	6,380	12,539	875	66
Income tax receivable	12,700	3,316	-	-
Other receivables	15,031	4,301	8	9
	<b>42,490</b>	<b>39,648</b>	<b>883</b>	<b>75</b>
<b>Non-current</b>				
Development of mineral assets	38,138	29,520	-	-
Prepayments	29,268	29,202	-	-
	<b>67,406</b>	<b>58,722</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>109,896</b>	<b>98,370</b>	<b>883</b>	<b>75</b>

Advances to suppliers are made in the normal course of business to allow for equipment and other asset purchases by suppliers that are required for projects that have been subcontracted. They are unsecured and interest free.

## 13. Trade and other receivables

	Consolidated	
	2013	2012
<b>Current</b>		
Trade receivables	93,922	69,912
Unbilled revenue	427	3,635
Interest accrued	21,903	24,258
	<b>116,252</b>	<b>97,805</b>
<b>Non-current</b>		
Trade receivables	2,882	2,801
Interest accrued	3,390	3,194
	<b>6,272</b>	<b>5,995</b>
<b>Total</b>	<b>122,524</b>	<b>103,800</b>

Trade receivables are non-interest bearing and are generally due within 7-14 days terms. Trade receivable and unbilled revenue of US \$ 97,231 (2012: US \$ 76,348) have been pledged as security for borrowings (see note 17). As at 31 March 2013, trade and other receivables of an initial value of US \$ 6,675 (2012: US \$ Nil) were impaired and provided for.

The movement in the allowances for impairment in respect of trade and other receivable during the year was as follows:

	2013	2012
<b>Opening balance</b>	-	-
Impairment loss recognised	6,675	-
Amount Written off	(104)	-
<b>Closing balance</b>	<b>6,571</b>	-

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

	Total	Neither past due nor impaired	Past due but not impaired		
			< 90 days	90-180 days	> 180 days
2013	96,804	36,312	27,794	5,215	27,483
2012	72,713	33,946	8,295	5,459	25,013

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.

#### 14. Inventories

	2013	2012
Fuel (at cost)	7,745	10,837
Stores and spares (at cost)	18,247	11,123
Others	254	-
<b>Total</b>	<b>26,246</b>	<b>21,960</b>

Inventory of US \$ 26,246 (2012: US \$ 21,960) for the Group is subject to security restrictions (see note 17).

#### 15. Cash and short-term deposits

Cash and short-term deposits comprise of the following:

	Consolidated		Company	
	2013	2012	2013	2012
Cash at banks and on hand	39,875	113,900	287	1,598
Short-term deposits	265,389	303,685	-	-
<b>Total</b>	<b>305,264</b>	<b>417,585</b>	<b>287</b>	<b>1,598</b>

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 \$ 252,053 (2011: US \$ 294,416) in order to fulfil collateral requirements (see note 17).

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

	Consolidated		Company	
	2013	2012	2013	2012
Cash at banks and on hand	39,875	113,900	287	1,598
Short-term deposits	265,389	303,685	-	-
<b>Total</b>	<b>305,264</b>	<b>417,585</b>	<b>287</b>	<b>1,598</b>
Less: Restricted cash <sup>1</sup>	(261,430)	(297,399)	-	-
<b>Cash and cash equivalent</b>	<b>43,834</b>	<b>120,186</b>	<b>287</b>	<b>1,598</b>

<sup>1</sup>Include deposits pledged for availing credit facilities from banks and deposits with maturity term of three months to Twelve months.

## 16. 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 (2012: 500,000,000) at par value of US \$ 0.002 (£ 0.001) per share amounting to US \$ 998.

### 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.

Foreign currency translation reserve is used to record the exchange difference arising from the translation of the financial statements of the Group entities.

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.

## 19 Notes to Consolidated and Company Financial Statements

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

### 17. Interest-bearing loans and borrowings

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

	Interest rate (range %)	Final Maturity	Consolidated		Company	
			2013	2012	2013	2012
Long-term "project finance" loans	3.75 to 16.50	April-26	1,908,435	1,471,250	-	-
Short-term loans	9.50 to 14.00	March-14	245,113	312,172	4,514	3,239
Buyers' credit facility	1.09 to 2.58	March-14	562,951	595,487	49,605	49,236
Cash credit and other working capital facilities	10.00 to 14.50	March-14	113,295	132,563	-	-
Redeemable preference shares	0.01 to 15.00	February-28	25,854	26,489	-	-
<b>Total</b>			<b>2,855,648</b>	<b>2,537,961</b>	<b>54,119</b>	<b>52,475</b>

Total debt of US \$ 2,855,648 (2012: US \$ 2,537,961) comprised:

- Long-term "project finance" loans of the Group amounting US \$ 1,908,435 (2012: US \$ 1,471,250) is fully secured on the property, plant and equipment and other assets of joint venture and subsidiaries that operate power stations, allied services 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.
- A number of the facilities that are due to expire at 31 March 2014 are in the process of being extended and have rollover clause in a number of cases.
- 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 1-15 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 2013, the Group has complied with the relevant covenants.

As at 31 March 2013, the Group has available US \$ 1,323,911 of undrawn long term committed borrowing facilities.

The fair value of borrowings at 31 March 2013 was US \$ 2,853,565 (2012: US \$ 2,537,553). The fair values have been calculated by discounting cash flows at prevailing interest rates.

(continued...)

The interest-bearing loans and borrowings mature as follows:

	Consolidated		Company	
	2013	2012	2013	2012
<b>Current liabilities</b>				
Amounts falling due within one year	1,021,122	1,128,911	54,119	52,475
<b>Non-current liabilities</b>				
Amounts falling due after more than one year but not more than five years	1,184,566	952,419	-	-
Amounts falling due in more than five years	649,960	456,631	-	-
<b>Total</b>	<b>2,855,648</b>	<b>2,537,961</b>	<b>54,119</b>	<b>52,475</b>

## 18. Trade and other payables

	Consolidated		Company	
	2013	2012	2013	2012
<b>Current</b>				
Trade payables	414,415	266,213	1,276	1,469
Share application money	3,385	2,156	-	-
Interest payable	23,718	19,332	-	-
	<b>441,518</b>	<b>287,701</b>	<b>1,276</b>	<b>1,469</b>
<b>Non-current</b>				
Trade payables	59,782	48,981	-	-
	<b>59,782</b>	<b>48,981</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>501,300</b>	<b>336,682</b>	<b>1,276</b>	<b>1,469</b>

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

- Non-current 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.

## 19. 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 and the discount rate assumed is 7.5%

	2013	2012
<b>Non-current</b>		
<b>Opening balance</b>	<b>2,480</b>	<b>2,115</b>
Exchange difference	(117)	(353)
Arises on account of a business combination	-	2,046
Deemed disposal arising on re-measurement of existing equity interest	-	(1,514)
Unwinding of discount	178	186
<b>Closing balance</b>	<b>2,541</b>	<b>2,480</b>

## 20. Deferred revenue

	2013	2012
<b>Opening balance</b>	<b>10,134</b>	<b>11,953</b>
Additions	1,456	39
Transferred to the revenue	(953)	(1,126)
Transferred to the other operating income	(219)	(234)
Arises on account of a business combination	-	4,214
Deemed disposal	(612)	(3,133)
Translation difference	(475)	(1,579)
<b>Closing balance</b>	<b>9,331</b>	<b>10,134</b>
Current	928	984
Non-current	8,403	9,150
	<b>9,331</b>	<b>10,134</b>

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
- Captive consumers of SRPCPL and VSLPPL towards security deposit adjustable over the period as per the terms of the relevant agreement.

Captive Consumers are the consumers who, subject to availability of necessary open access, purchase power of more than 51% in aggregate from a dedicated facility, where the Group have entered into a long term supply contract.

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.

## 21. 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

	2013	2012
Current service cost	665	877
Interest cost on benefit obligation	124	93
Expected return on plan assets	(63)	(50)
Net actuarial gain recognised in the year	(523)	(376)
Past service cost - non vested benefits	76	104
<b>Net benefit expense</b>	<b>279</b>	<b>648</b>

#### B. Net benefit liability

	2013	2012	2011	2010	2009
Defined benefit obligation	1,873	1,691	1,245	433	124
Fair value of plan assets	(880)	(710)	(495)	(230)	(88)
Unrecognised past service cost - non vested benefit	-	(79)	(179)	-	-
<b>Benefit liability<sup>1</sup></b>	<b>993</b>	<b>902</b>	<b>571</b>	<b>203</b>	<b>36</b>

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

	2013	2012
Defined benefit obligation at the beginning of the year	1,691	1,245
Interest cost	124	93
Current service cost	665	877
Actuarial gains on obligation	(519)	(372)
Benefits Paid	(11)	-
Change in controlling interest	-	68
Exchange difference	(77)	(220)
<b>Defined benefit obligation at the end of the year</b>	<b>1,873</b>	<b>1,691</b>

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

	2013	2012
Fair value of plan assets at the beginning of the year	710	495
Expected return	63	50
Contributions by employer	138	230
Benefits paid	(11)	(3)
Change in controlling interest	-	11
Actuarial gain / (loss)	4	4
Exchange difference	(24)	(77)
<b>Fair value of plan assets at the end of the year</b>	<b>880</b>	<b>710</b>

**E. Fair value of plan assets**

	2013	2012
Fair value of plan assets at the beginning of the year	710	495
Actual return on plan assets	67	53
Contributions	138	230
Benefits paid	(11)	(3)
Change in controlling stake	-	11
Exchange difference	(24)	(76)
<b>Fair value of plan assets at the end of the year</b>	<b>880</b>	<b>710</b>
<b>Funded status</b>	<b>(993)</b>	<b>(981)</b>

**F. Past service cost recognised**

	2013	2012
Past service cost - non vested benefit	76	-
Recognised past service cost - non vested benefit	76	104
Unrecognised past service cost - non vested benefit	-	85
Exchange difference	-	(6)
<b>Past service cost</b>	<b>-</b>	<b>(79)</b>

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

	2013	2012
Discount rate	8.06%	8.00%
Rate of increase in compensation levels	15.00%	15.00%
Rate of return on plan assets	9.00%	9.00%

<sup>1</sup> Represents net of benefit asset of US \$ 57 (2012 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 8.06% 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 term 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 \$ 242 to the provident fund during the year ended 31 March 2013 and US \$ 246 during the year ended 31 March 2012.

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

## 22. Other current liabilities

	2013	2012
Statutory liabilities	5,343	3,878
Accruals	3,916	2,539
<b>Total</b>	<b>9,259</b>	<b>6,417</b>

## 23. 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 2013	Project development activities	Power generating activities	Reconciling / Elimination activities	Consolidated
<b>Revenue</b>				
External customer	1,229	391,592	-	392,821
Inter-segment	7,782	-	(7,782)	-
<b>Total revenue</b>	<b>9,011</b>	<b>391,592</b>	<b>(7,782)</b>	<b>392,821</b>
<b>Segment operating results</b>	<b>5,747</b>	<b>114,833</b>	<b>468</b>	<b>121,048</b>
Unallocated operating expenses, net				(1,898)
Finance costs				(120,984)
Finance income				38,296
<b>Profit before tax</b>				<b>36,462</b>
Tax income				1,788
<b>Profit after tax</b>				<b>38,250</b>
Segment assets	12,965	3,875,592	(350)	3,888,207
Unallocated assets				166,240
<b>Total assets</b>				<b>4,054,447</b>
Segment liabilities	3,151	491,983	(350)	494,784
Unallocated liabilities				2,920,837
<b>Total liabilities</b>				<b>3,415,621</b>
<b>Other segment information</b>				
Depreciation and amortisation	364	39,025	103	39,492
Capital expenditure	159	758,401	148	758,708

(continued...)

Year ended 31 March 2012	Project development activities	Power generating activities	Reconciling / Elimination activities	Consolidated
<b>Revenue</b>				
External customer	3,936	379,290	-	383,226
Inter-segment	8,841	-	(8,841)	-
<b>Total revenue</b>	<b>12,777</b>	<b>379,290</b>	<b>(8,841)</b>	<b>383,226</b>
<b>Segment operating results (see note (f) below)</b>	<b>8,366</b>	<b>118,036</b>	<b>(2,107)</b>	<b>124,295</b>
Unallocated operating expenses, net				(1,893)
Finance costs				(160,508)
Finance income				39,256
<b>Profit before tax</b>				<b>1,150</b>
Tax expense				(11,068)
<b>Loss after tax</b>				<b>(9,918)</b>
Segment assets	23,013	3,356,043	(2,805)	3,376,251
Unallocated assets				183,914
<b>Total assets</b>				<b>3,560,165</b>
Segment liabilities	3,336	332,077	(2,805)	332,608
Unallocated liabilities				2,602,540
<b>Total liabilities</b>				<b>2,935,148</b>
<b>Other segment information</b>				
Depreciation and amortisation	452	42,275	102	42,829
Capital expenditure	5,840	969,739	2,305	977,884

## Notes to segment reporting:

- Inter-segment revenues are eliminated on consolidation.
- Profit/(loss) for each operating segment does not include finance income and finance costs of US \$ 38,296 and US \$ 120,984 respectively (2012: US \$ 39,256 and US \$ 160,508 respectively).
- Segment assets do not include deferred tax US \$ 15,649 (2012: US \$ 14,273), financial assets and other investments US \$ 99,088 (2012: US \$ 109,694), short-term deposits with bank and cash US \$ 10,253 (2012: US \$ 24,288), and corporate assets US \$ 41,250 (2012: US \$ 35,659).
- Segment liabilities do not include deferred tax US \$ 35,063 (2012: US \$ 37,699), current tax payable US \$ 1,429 (2012: US \$ 2,828), interest-bearing current and non-current borrowings US \$ 2,855,648 (2012: US \$ 2,537,961) and corporate liabilities US \$ 28,697 (2012: US \$ 24,052).
- The Company operates in one business and geographic segment. Consequently no segment disclosures of the Company are presented.
- Includes gain on re-measurement of existing equity amounting to US \$ Nil (2012: US \$ 536).
- One customer in the power generating segment contributing revenues of US \$ 173,797 (2012: US \$ 216,175) accounted for 44.38% (2012: 56.99%) of the total segment revenue.

## 24. 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

	2013	2012
<b>Included in cost of revenue:</b>		
Fuel costs	178,852	187,657
Depreciation	32,012	35,064
Amortisation of intangible asset	152	171
<b>Included in general and administrative expenses:</b>		
Depreciation	7,328	7,594

### (b) Employee benefit expenses

	Consolidated		Company	
	2013	2012	2013	2012
Salaries and wages	20,851	24,525	250	185
Employee benefit costs	510	1,154	-	-
Others	1,133	1,116	-	-
<b>Total</b>	<b>22,494</b>	<b>26,795</b>	<b>250</b>	<b>185</b>
Less: Amount capitalised	(15,160)	(18,939)	-	-
<b>Net employee benefit expense</b>	<b>7,334</b>	<b>7,856</b>	<b>250</b>	<b>185</b>

The employee benefit expenses of the Group form part of the cost of revenues amounting US \$ 3,417 (2012: US \$ 4,794) and general and administrative expenses amounting US \$ 3,917 (2012: US \$ 3,062).

The employee benefit expenses in the Company financial statements amounting to US \$ 250 (2012: US \$ 185) forms part of the general and administrative expenses.

### (c) Auditor's remuneration for audit services amount to US \$ 165 (2012: US \$ 105).

## 25. Other operating income

Other operating income comprises:

	Consolidated		Company	
	2013	2012	2013	2012
Income from management fees	287	361	-	-
Gain on re-measurement of existing equity interest	-	536	-	-
Gain on disposal of property, plant and equipment, net <sup>1</sup>	-	5,292	-	-
Claim received <sup>2</sup>	-	16,214	-	-
Deferred revenue amortisation	219	234	-	-
Other operating income	1,142	967	42	-
<b>Total</b>	<b>1,648</b>	<b>23,604</b>	<b>42</b>	<b>-</b>

(continued...)

<sup>1</sup>Gain on disposal of property, plant and equipment includes a gain of US \$ Nil (2012: US \$ 5,323) on disposal of certain windmill assets with aggregate capacity of 52.25 MW for a total consideration of US \$ Nil (2012: US \$ 47,150)

<sup>2</sup>Claims received includes an amount of US \$ Nil (2012: US \$ 14,004) towards loss of profit and others received from an EPC contractor for delay in commissioning of plant.

## 26. Finance costs

Finance costs comprise:

	Consolidated		Company	
	2013	2012	2013	2012
Interest expenses on loans and borrowings <sup>1</sup>	109,830	104,227	1,423	826
Other finance costs	5,209	4,089	919	2,014
Provision for impairment of financial assets <sup>2</sup>	4,363	2,241	-	-
Net loss on financial liability at fair value through profit or loss <sup>3</sup>	-	438	-	-
Foreign exchange loss, net	-	48,475	-	330
Net loss on held-for-trading financial assets on re-measurement	-	13	-	-
Unwinding of discounts	1,582	1,025	-	-
<b>Total</b>	<b>120,984</b>	<b>160,508</b>	<b>2,342</b>	<b>3,170</b>

<sup>1</sup>Borrowing cost capitalised during the year amounting to US \$ 217,834 (2012: US \$ 175,849) to property, plant and equipment at an effective interest rate of 14.25% (2012: 14.14%).

<sup>2</sup>Provision for impairment of financial assets relates to available-for-sale financial asset of US \$ 4,363 (2012: US \$ 572) and loans and receivable of US \$ Nil (2012: US \$ 1,669).

<sup>3</sup>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.

## 27. Finance income

The finance income comprises:

	Consolidated		Company	
	2013	2012	2013	2012
Interest income				
bank deposits	27,443	29,837	-	34
loans and receivables	6,635	7,813	-	97
Dividend income	520	649	-	-
Net gain on held-for-trading financial assets				
on disposal	67	60	-	-
on re-measurement	12	-	-	-
Unwinding of discount on security deposits	1,404	839	-	-
Net gain on financial liability at fair value through profit or loss <sup>1</sup>	1,529	-	-	-
Foreign exchange gain, net	672	-	1,490	-
Reclassification adjustment in respect of available-for- sale financial assets disposed	14	58	-	-
<b>Total</b>	<b>38,296</b>	<b>39,256</b>	<b>1,490</b>	<b>131</b>

<sup>1</sup>Net gain on financial liability at fair value through profit or loss above relates to foreign exchange forward contracts that did not qualify for hedge accounting.

## 28. Tax income / (expense)

The major components of income tax for the year ended 31 March 2013 and 2012 are:

	2013	2012
Current tax	(364)	(11,101)
Deferred tax	2,152	33
<b>Tax income / (expense) reported in the income statement</b>	<b>1,788</b>	<b>(11,068)</b>

## 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 2013 and 2012 is as follows:

	2013	2012
<b>Accounting profit before taxes</b>	<b>36,462</b>	<b>1,150</b>
Enacted tax rates	32.45%	32.45%
Tax income/ (expense) on profit at enacted tax rate	(11,830)	(373)
Expenditure not deductible for tax purpose	(3,927)	(6,298)
Income exempt or taxed at lower rate	5,480	5,948
Unrecognised deferred tax assets	(5,183)	(11,050)
Change in unrecognised temporary differences	(1,894)	-
Recognition of previously unrecognised tax losses	19,643	-
Others	(501)	705
<b>Actual tax income / (expense)</b>	<b>1,788</b>	<b>(11,068)</b>

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 tax under the tax holiday period available to the Group which is available for companies in the power generation sector in India. The said exemption can be utilised for any ten consecutive years out of the fifteen years from the date of commencement of the operations and results in no tax being payable in respect of that ten year period other than the Minimum Alternative Tax (MAT) payable on book profits which is available as credit against future tax.

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 Group will be subject to a "dividend distribution tax" currently at the rate of 15% (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 10 years.

Deferred income tax at 31 March 2013 and 2012 relates to the following:

	2013	2012
Deferred income tax assets		
Share issue expenses	132	907
Property, plant and equipment	9,012	12,291
Unused tax losses carried forward	60,006	35,088
MAT credit	8,416	5,787
Others	1,691	373
	<b>79,257</b>	<b>54,446</b>
Deferred income tax liabilities		
Property, plant and equipment	98,326	75,837
Others	345	2,035
	<b>98,671</b>	<b>77,872</b>
<b>Deferred income tax liabilities, net</b>	<b>19,414</b>	<b>23,426</b>
Reconciliation of deferred tax liability, net		
	2013	2012
Opening balance as of 1 April 2012	23,426	15,834
Tax( income) /expense during the period recognized in the income statement	(2,152)	(33)
Tax (income) /expense during the period recognized in statement of changes in equity	671	621
MAT credit adjustment	-	2,429
Acquired in business combination	-	16,838
Deemed disposal arising on re-measurement of existing equity interest	-	(8,817)
Exchange difference	(2,531)	(3,446)
<b>Closing balance as at 31 March 2013</b>	<b>19,414</b>	<b>23,426</b>

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 realize the benefits of those recognised deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, 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 \$ 26,262 (2012: US \$ 13,324) 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 \$ 8,473 (2012: US \$ 4,273). The above tax losses expire at various dates ranging from 2015 to 2021.

There are certain claims / expenses amounting to US \$ 11,289 which are disputed with the Income Tax department having a tax impact of US \$ 3,663. The Group believes that such claims / expenses are allowable as per the provision of Income Tax Act, 1961 and there should not be any material impact on the Consolidated financial statement

As at 31 March 2013 and 2012, 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 \$ 205,232 (2012: US \$ 149,628).

## 29. 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

**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			
	2013			2012			2013		2012	
	Joint Venture	GUP	KMP	Joint Venture	GUP	KMP	Subsidiaries	KMP	Subsidiaries	KMP
<b>Transactions<sup>1</sup></b>										
Project development fees and corporate support services fees	1,229	-	-	3,936	-	-	-	-	-	-
Interest income	4,674	-	-	3,470	-	-	-	-	-	-
Sale of material	507	-	-	-	-	-	-	-	-	-
Inter-corporate deposits and loans given	10,564	38	-	13,087	52	-	35	-	126,606	-
Inter-corporate deposits and loans refunded	(7,991)	-	-	(1,415)	-	-	(1,174)	-	-	-
Repayment of loan taken from	-	-	-	-	-	-	-	-	47	-
Refund of capital advance	-	-	-	-	(4,082)	-	-	-	-	-
Purchase of property, plant and equipment	-	-	-	-	2,779	2,912	-	-	-	-
Managerial remuneration <sup>2</sup>	-	-	692	-	-	660	-	250	-	185
	<b>2013</b>			<b>2012</b>			<b>2013</b>		<b>2012</b>	
<b>Balances<sup>1</sup></b>										
Interest receivable	4,084	-	-	3,121	-	-	-	-	-	-
Loans and inter corporate deposits receivable	27,455	1,133	-	26,117	1,148	-	151,886	-	157,222	-
Other receivable	506	-	-	1,186	-	-	-	-	-	-
Guarantees given	2966	-	-	4,641	-	-	-	-	-	-
Managerial remuneration payable <sup>2</sup>	-	-	83	-	-	82	-	52	-	53

<sup>1</sup>The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period 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. For the year ended 31 March 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: US \$ Nil). This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

<sup>2</sup> Remuneration is net of accrual towards Gratuity, a defined benefit plan, which is managed for the Group 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.

### 30. 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:

	2013	2012
Not later than one year	7	258
Later than one year and not later than five years	-	93
Later than five years	-	-
<b>Total</b>	<b>7</b>	<b>351</b>

During the year ended 31 March 2013, US \$ 1,510 (2012: US \$ 2,069) is recognised as an expense in respect of operating leases.

#### Capital commitments

As at 31 March 2013, the Group is committed to purchase property, plant and equipment for US \$ 1,429,536 (2012: US \$ 1,920,436). In respect of its interest in joint ventures the Group is committed to incur capital expenditure of US \$ 1,114 (2012: US \$ 1,219).

#### Other commitments

As of 31 March 2013, the Group has contractual obligations to spend approximately US \$ 24,749 (2012: US \$ 5,160); 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

- Sitapuram Power Limited (SPL) has certain claims and receivables from its captive consumer namely Zuari Cement Limited (ZCL) which are disputed. The Group contends that not only it has fulfilled the contractually guaranteed supplies but also the amounts claimed are as per the terms of the power purchase agreements and are in the process of reconciliation with the customer. The Group based on its evaluation of the claims believes that the claims/deductions made by ZCL are not in accordance with the PPA and not tenable and hence outstanding amounts from ZCL are recoverable. Pending resolution, no adjustments have been recorded in the underlying financial statements.

- SPL received claims for penal charges totalling to US \$ 106 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 \$ 11,636 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 \$ 12,524. 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 contended before Maharashtra Electricity Regulatory Commission ("MERC") 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. However, MERC has dismissed the petition. The group has filed an appeal before Appellate Tribunal for Electricity (APTEL) against the order of MERC and APTEL also rejected the appeal. The Group is further in the process of filing appeal before Honorable Supreme Court of India. Pending outcome 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 has filed a claim on coal supplier for not supplying the Gross Calorific Value ('GCV') of coal as per Fuel supply agreement. As per agreement, coal supplier is required to supply, from a collection of three mines, coal with GCV of 4,825 Kcal per Kg, whereas the actual GCV received by the company are below 3800 per tonne based on Independent third party verification resulting in, huge variation in the GCV of coal received. Consequently, the Group has lodged the claim of US \$ 11,575 on coal supplier and believes that the claim is tenable and amount is fully recoverable / adjustable. Hence the same has been recognised as receivables in the financial statements.

- WPCL filed a claim against Maytas Infra Limited (Maytas) for the refund of the commitment deposit paid amounting to US \$ 9,148 along with the accrued interest for non EPC work consisting of construction of reservoir, laying of pipeline and dedicated water handling infrastructure facilities. 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. On 20 June 2013, Honorable High Court of Andhra Pradesh has admitted the writ petition filed by the WPCL for winding up of Maytas and directed Maytas to deposit a bank draft of US \$ 9,148 in the name of WPCL with court within a period of three months, otherwise WPCL petition of winding up will be advertise in daily newspapers. Considering the facts and nature of the claim, the Group believes that the entire amount due is fully recoverable 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. Further, LIPL in addition to certain counter claims has served notice for termination of PPA for Phase-II which is challenged by the Group. Pending disposal of the matters, 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.
- 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 contended before the arbitration panel 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. However, the arbitration panel has dismissed the petition against which the Group has preferred an appeal in civil court. The civil court has also pass an order against the Group. The Group has preferred an appeal in High Court and pending outcome of the same 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 \$ 207,945 (2012: US \$ 222,856) and
- The Group guaranteed the performance of the joint ventures under the power delivery agreements to unrelated parties. No liability is expected to arise.

### 31. Financial risk management objectives and policies

The Group's principal financial liabilities, comprises of loans and borrowings and trade and other payables. 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 2013 and 2012.

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

- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risk. This is based on the financial asset and financial liabilities held at 31 March 2013 and 2012.
- 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 2013 and 2012, the Group had no interest rate derivatives.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

Currency	Change in basis points	Effect on profit before tax	
		2013	2012
INR	+100	(4,989)	(6,593)
USD	+100	(395)	(418)
INR	(100)	4,989	6,593
USD	(100)	395	418

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 2013 would increase or decrease by US \$ Nil (2012: 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	2013		2012	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Indian Rupee	585,996	2,385,706	692,231	1,961,865
Great Britain Pound	2,508	1,111	8,577	1,329
United States Dollar	18,763	967,253	15,367	910,046
Others	30	2,878	26	1,583

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

Currency	2013		2012	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Great Britain Pound	270	1,109	1,111	1,323
United States Dollar	164,085	54,287	169,992	52,621

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:

2013	Closing exchange rate	Effect of 10% strengthening of US \$ on net earnings	Effect of 10% strengthening of US \$ on total equity
Indian Rupee	54.6550	(91,096)	(91,096)
Great Britain Pound	0.6584	(4,146)	(4,146)

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)

The Company's exposure to foreign currency arises where a 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 Company. 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 Company's foreign currency financial instruments:

2013	Closing exchange rate	Effect of 10% strengthening of US \$ on net earnings	Effect of 10% strengthening of US \$ on total equity
Great Britain Pound	0.6584	10,941	10,941

(continued...)

2012	Closing exchange rate	Effect of 10% strengthening of US \$ on net earnings	Effect of 10% strengthening of US \$ on total equity
Great Britain Pound	0.6255	11,740	11,740

### 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 \$ 24,212 (2012 US \$ 27,896) and the exposure to listed equity securities at fair value was US \$ 2,285 (2012 US \$ 3,005).

At the reporting date, the Company's exposure to unlisted equity securities (excluding investment in subsidiaries) was US \$ Nil (2012: US \$ Nil).

A decrease of 10% on the Indian market index would have an impact of approximately US \$ 42 (2012: US \$ 34) 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 \$ 6 (2012: US \$ 108) 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 carrying value of financial assets represents the maximum exposure for credit risk. The maximum exposure to credit risk of each class of financial assets at the reporting date was as follows:

		Carrying value	
		2013	2012
Debt securities	11	3,149	4,257
Short term deposits with banks	15	265,389	303,685
Non-current bank deposits	11	31,208	47,929
Loans and receivables			
- Trade and other receivables	13	122,524	103,800
- Other financials asset	11	118,654	111,730
		<b>540,924</b>	<b>571,401</b>

Majority of trade receivable are secured by collateral and other credit enhancement and amount reflected above are before netting of such collateral and other credit enhancement

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 30.

The Group's management believes that all the above financial assets, except as mentioned in note 11 and 13, 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 on-going 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 requires funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. The Group generates sufficient cash flows from the current operations which together with the available cash and short term deposits provides liquidity both in short-term as well as in long-term. Anticipated future cash flows and undrawn long term committed facilities of US \$ 1,323,911, together with cash and short term deposits of US \$ 305,264 as at 31 March 2013, are expected to be sufficient to meet the on-going capital investment programme and liquidity requirement of the Group in the near future.

The following is an analysis of the Group contractual undiscounted cash flows payable under financial liabilities at 31 March 2013:

	Current within 12 months	Non-current 1-5 years	Non-current Later than 5 years	Total
Interest-bearing loan and borrowings	1,270,444	1,899,101	898,582	4,068,127
Trade and other payables	441,518	61,107	-	502,625
<b>Total</b>	<b>1,711,962</b>	<b>1,960,208</b>	<b>898,582</b>	<b>4,570,752</b>

(continued...)

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

	Current	Non-current		Total
	within 12 months	1-5 years	Later than 5 years	
Interest-bearing loan and borrowings	1,358,637	1,531,781	628,256	3,518,674
Trade and other payables	287,701	46,180	4,416	338,297
<b>Total</b>	<b>1,646,338</b>	<b>1,577,961</b>	<b>632,672</b>	<b>3,856,971</b>

The Company's contractual undiscounted cash flows payable under financial liabilities as at 31 March 2013 is US \$ 55,395 (2012: US \$ 53,944).

### 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 2013 and 2012.

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:

	2013	2012
Total borrowing	2,855,648	2,537,961
Less: Cash and short-term deposit	305,264	417,585
<b>Net debt</b>	<b>2,550,384</b>	<b>2,120,376</b>
Equity	638,826	625,017
<b>Total equity</b>	<b>638,826</b>	<b>625,017</b>
<b>Net debt to equity ratio</b>	<b>3.99</b>	<b>3.39</b>

### 32. 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	
	2013	2012	2013	2012
<b>Financial assets</b>				
Cash and short-term deposits <sup>1</sup>	305,264	417,585	305,264	417,585
Non-current bank deposits	31,208	47,929	31,208	47,929
Financial assets designated as fair value through profit or loss				
- held for trading <sup>4</sup>	3,293	4,384	3,293	4,384
Loans and receivables				
- trade and other receivables <sup>1 &amp; 2</sup>	122,524	103,800	122,524	103,800
- other financial assets <sup>1 &amp; 2</sup>	118,654	111,730	118,654	111,730
Available-for-sale financial instrument <sup>4</sup>	26,354	30,774	26,354	30,774
	<b>607,297</b>	<b>716,202</b>	<b>607,297</b>	<b>716,202</b>
<b>Financial liabilities</b>				
At amortised cost				
- interest bearing loans and borrowings <sup>1 &amp; 3</sup>	2,855,648	2,537,961	2,853,565	2,537,553
- trade and other payables <sup>1 &amp; 3</sup>	501,300	336,682	501,300	336,682
	<b>3,356,948</b>	<b>2,874,643</b>	<b>3,354,865</b>	<b>2,874,235</b>

(continued...)

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

	Carrying amount		Fair value	
	2013	2012	2013	2012
<b>Financial assets</b>				
Cash and short-term deposits <sup>1</sup>	287	1,598	287	1,598
Loans and receivables				
- other financial assets <sup>1 &amp; 2</sup>	161,434	166,770	161,434	166,770
Investment in subsidiaries <sup>2</sup>	143,314	143,415	143,314	143,415
	<b>305,035</b>	<b>311,783</b>	<b>305,035</b>	<b>311,783</b>
<b>Financial liabilities</b>				
At amortised cost				
- interest bearing loans and borrowings <sup>1</sup>	54,119	52,475	54,119	52,475
- trade and other payables <sup>1</sup>	1,276	1,469	1,276	1,469
	<b>55,395</b>	<b>53,944</b>	<b>55,395</b>	<b>53,944</b>

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.

<sup>1</sup> 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.

<sup>2</sup> 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 2013, the carrying amounts of such receivables, net of allowances, approximate their fair values.

<sup>3</sup> 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.

<sup>4</sup> 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).

2013	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Non-derivative financial assets held for trading	3,293	-	-	3,293
<b>Available-for-sale financial assets</b>				
Unquoted equities	-	23,890	322	24,212
Quoted equities	2,141	-	-	2,141
<b>Total</b>	<b>5,434</b>	<b>23,890</b>	<b>322</b>	<b>29,646</b>

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

Reconciliation of Level 3 fair value measurements of financial assets:

2013	Available-for-sale Unquoted Equities	Total
Opening balance	343	343
Total gains or losses:		
- in income statement	14	14
- in other comprehensive income	(15)	(15)
Settlements	(20)	(20)
Transfers out of level 3	-	-
<b>Closing balance</b>	<b>322</b>	<b>322</b>

(continued...)

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

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

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 income statement	36	36
- in other comprehensive income	(52)	(52)
Settlements	(80)	(80)
Transfers out of level 3	-	-
<b>Closing balance</b>	<b>343</b>	<b>343</b>

### 33. Subsequent Events

In the month of May 2013, WPCL has refinanced its long term debt facilities, whereby high cost rupee loan of US \$ 243,000 has been replaced by low cost External Commercial Borrowing (ECB) of US \$ 250,000.

The first 600 MW unit of KMPCL is synchronised with the grid during May 2013 as well as commissioning of the support infrastructure of the KMPCL project.

## 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
CIL	Coal India Limited
Combined Code	the Combined Code on Corporate Governance, issued by the Financial Reporting Council
Company or KPVP or parent	KSK Power Ventur plc
EPC	Engineering, Procurement and Construction
Electricity Act	the Indian Electricity Act 2003 as amended
FY	Financial Year commencing from 1 April 2012 to 31 March 2013
Group or KSK	the Company and its subsidiaries
GDP	Gross Domestic Product
GIDC	Goa Industrial Development Corporation
GMDC	Gujarat Mineral Development Corporation
GW	Gigawatt
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JRPGPL	J R Power Gen Private Limited
kWH	kilowatt hour
KSKEV or KEVL	KSK Energy Ventures Limited
K&S	K&S Consulting Group Private Limited, a company controlled, and majority owned, by the Promoters
KMPCL/KSK Mahanadi	KSK Mahanadi Power Company Limited
KSK Dibbin	KSK Dibbin Hydro Power Private Limited
KSK Wind Energy	KSK Wind Energy Private Limited
LLC	Limited Liability Company
Mn or m	Million
MU	Million Units
MW	Megawatt
PLF	Plant Load Factor
PPA	Power Purchase Agreement
SRPCPL/Sai Regency	Sai Regency Power Corporation Private Limited
SPL/Sitapuram	Sitapuram Power Limited
SCCL	Singareni Collieries Company Limited
SECL	South Eastern Coalfields Limited
SPV	Special purpose vehicle, each being an Indian registered company incorporated for the purpose of a specific power project
USD or US \$ or \$	US Dollars, the lawful currency of the US
UK or United Kingdom	United Kingdom of Great Britain and Northern Ireland
UK LLP	United Kingdom Limited Liability Partnership
VSLP/VS Lignite	VS Lignite Power Private Limited
WPCL	Wardha Power Company Limited
ZCL	Zuari Cement Limited
£ or Sterling	Pounds or sterling, the lawful currency of the UK

## 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

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

## Financial Adviser & Corporate Broker

**Arden Partners plc,**  
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## Isle of Man Legal Advisors to the Company

**Cains Advocates Limited,**  
Fort Anne, Douglas, Isle of Man, IM1 5PD.

## Auditors

**KPMG Audit LLC,**  
Heritage Court, 41 Athol Street,  
Douglas, Isle of Man, IM99 1HN.

## Principal Bankers

**RBS International**  
Royal Bank House, 2 Victoria Street  
Douglas, Isle of Man, IM99 1NJ

## Registrars

**Cains Fiduciaries Limited,**  
Fort Anne, Douglas, Isle of Man, IM1  
5PD.

## CREST Agent

**Computershare Investor Services  
(Jersey) Limited,**  
Queensway House, Hilgrove Street,  
St. Helier Jersey, JE1 1ES.

## Website

[www.kskplc.co.uk](http://www.kskplc.co.uk)

## Scrip Code

KSK



**KSK Power Ventur plc**  
Fort Anne, Douglas, Isle of Man, IM1 5PD