

Regulatory Announcement

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KSK Power Venture Plc

("KSK" or "the Company" or "the Group")

Preliminary Results for the 12 months ended 31 March 2008

KSK Power Ventur plc (AIM:KSK), India's leading developer and operator of outsourced captive power plants, is pleased to announce its Preliminary Results for the 12 months ended 31 March 2008.

Financial Highlights

- Revenue increased 162% to \$31.6 million (2007: \$12.0 million)
- Gross Profit increased 141% to \$14.3 million (2007 : \$5.9 million)
- Operating Profit increased 4% to \$3.6 million (2007: \$3.4 million)
- Profit before tax \$53.0 million (2007: \$6.0 million)
 - includes investment income of \$51.7 million (2007 : \$2.6 million)
- Earnings per share increased 350% to \$0.27 (2007: \$0.06)

Corporate Highlights

- IPO in India of KSK Energy Ventures ("KSKEV"), in which the Group holds 55%
 - KSKEV raised new equity totalling \$300 million
 - Current market capitalisation \$1.44 billion
- IPO on AIM of KSK Emerging India Fund, which raised £101million
- Financial tie-up of over \$2bn for 2GW of power projects for KSK

Operational Highlights

- Significant progress on current power projects
 - 9,137MW of generation now in portfolio
- Broadening of project pipeline, portfolio now includes 1,075MW of hydro power
- Consolidation of the Group's access to fuel

Commenting on the results TL Sankar, Chairman, commented:

"I am extremely pleased to report that this financial year 2007-08, our first full year of operations since admission of the Company's shares to trading on the AIM market of the London Stock Exchange, has been an extraordinary year for the Company, marked by substantial progress in various areas of the business, robust financial performance and enhanced capability to handle new growth opportunities."

"We look forward to another year of significant growth as more capacity comes on stream whilst increasing the number of projects in which KSK is involved with."

For further information:

KSK Power Ventur plc
S. Kishore, Executive Director
K.A. Sastry, Executive Director

+44 (0) 7466 5000 (today)
+(91) 40 2355 9922 - 25 (thereafter)

Arden Partners plc
Richard Day
Adrian Trimmings

+44(0) 20 7398 1632

Buchanan Communications Limited
Mark Edwards
Ben Willey
Robin Haddrill

+44(0) 20 7466 5000

CHAIRMAN'S STATEMENT

I am extremely pleased to report that this financial year 2007-08, our first full year of operations since admission of the Company's shares to trading on the AIM market of the London Stock Exchange, has been an extraordinary year for the Company, marked by substantial progress in various areas of the business, robust financial performance and enhanced capability to handle new growth opportunities.

Key Company developments include:

1. The Company's joint venture with Lehman Brothers in KSK Electricity Financing India Private Limited ("KEFIPL"), being the asset owning company for the equity participation interests in the underlying power generation portfolio was successfully re-organised which resulted in a new holding and operational company for the power generation portfolio KSK Energy Ventures Limited ("KSK EV"). The Company's equity interest in the underlying generation businesses rose from the initial 10% to 65% of the business following the re-organisation, with Lehman holding the balance.
2. A subsequent fund raising of approximately USD 300m for underlying projects through an Indian and international public offering of shares of KSK EV (the Indian holding company) through pre-IPO & IPO rounds. The company's effective interest in KSK EV following the successful IPO in June 2008 now stands at 55.25%
3. Obtaining regulatory permissions from Foreign Investment Promotion Board and making KSK Energy Company Private Limited fully operational, as a 100% subsidiary of the Company, for all underlying non-Lehman related business including project support and asset management business interest.
4. Expanding the asset management business of the group through the successful flotation on the AIM market of the London Stock Exchange of the KSK Emerging India Energy Fund and associated fund raising of £101m, as well as completion of the fund deployment of the "small is beautiful" Fund.

Additionally, the company has continued its effort to consolidate its project development and new growth initiatives:

1. Consolidation of the Group's fuel access effort with various state mineral development corporations initiated in the previous years and execution of definitive agreements with underlying power plant companies with respect to project development and support.
2. Sustained construction activity underway for commissioning of two projects namely, 135 MW VS Lignite power project during the current financial year and the 540 MW Wardha Warora project during the subsequent financial year
3. Significant progress on project development and debt tie-up for funding completion on three projects - 1,800 MW Wardha Chattisgarh, 43 MW Arasmeta expansion and 135 MW KSK-Dibbin.
4. Extensive efforts to expand the renewable energy initiatives from the current hydro project in Arunachal Pradesh to opportunities on other renewable energy opportunities.
5. Extensive effort is underway through the formation of a new business area to identify, discuss and negotiate potential acquisition opportunities both in power generation and associated businesses.
6. Recruitment and integration of a larger manpower base, which will continue to be further strengthened and grow further.

Throughout the above developments, the Company has remained firmly focused on the growth opportunities open to us through the various new development initiatives which will continue to maintain the Company's focus into 2009.

Financial Performance

The overall financial performance for the year was strong, due to continued development activities and profitable underlying power plant operations. The year's gross Operating revenue increased 162% from \$12.05m (£6.12m) to \$31.64m (£15.86m) while gross profits increased 142.20% from \$5.92m (£3.02m) to \$14.29m (£7.17m). Investment Income saw the most significant increase (over 18 times) from \$2.63m (£1.34m) in previous year to \$51.73m (£25.93m). Consequently, net profitability increased 711% from \$4.76m (£2.42m) to \$38.58m (£19.35m).

Project Opportunities Pipeline & Fees

During the year the Company has been successful in increasing its pipeline of project opportunities, from which, associated revenue realisation of project development fees and interest earned on risk capital will accrue in the coming years. Additionally, with the current progress on power plants under construction, revenue from sales of power shall see a significant increase in the coming two years. The Wardha Chattisgarh project targeted for completion in the second quarter of fiscal 2011-2012 is expected to increase the Company's power sales revenues significantly.

Following the re-organization of the Lehman joint venture and subsequent IPO, the company's effective interest in KSK EV now stands at 55.25% and therefore, will receive the corresponding share in all revenues accruing at the KSK EV level. However, the Company continues to enjoy 100% of the project development and support fees, in their entirety, either for itself or its subsidiaries. These fees are receivable from the power plant SPV's upon commencement of operations of the large identified thermal power plants currently being developed or planned. These fees are anticipated to become a significant part of the Group's profitability by the financial year 2012.

Divestments

The Company's Investment of approximately \$28m for a 5.2% interest in the Gujarat Mineral Development Corporation, which is listed on the Bombay Stock Exchange (ticker BSE: GMDC) has experienced a significant uplift in market value. The Company has sold a significant part of the holding and currently holds only 1.9% in GMDC. The company realized a gain of \$24.73m (£12.40m) upon the sale and unrealized gains of \$22.99m (£11.52m) as reflected in the financial statements.

Additionally, during the year, the Company has transferred its equity interest in the 26 MW Coromandel Electric Power plant to India Cements Limited, the underlying client on the project. The Company is currently in discussion with other shareholders of the RVK & KPCL power plants to increase and consolidate the Company's equity interests in these projects. Further details will be notified when they are concluded.

Re-organisation

Prior to the reorganisation on 20 January 2008, KEFIPL was the joint venture company between the Company (through its 100% subsidiary KSK EV) and Lehman Brothers which was used to hold the equity interests in the various power plants in which the Company was involved.

As part of the re-organisation,

(a) Lehman India has subscribed for 98,332,552 equity shares, aggregating 33.43% of the outstanding equity shares by itself and through associates have subscribed for 4,632,857 equity shares, aggregating to approximately 1.57% of the outstanding equity shares. Consequently, its aggregate interest is 35% of the share capital of KSK EV.

(b) KSK EV purchased from Lehman India, all of Lehman India's equity interest in KEFIPL, thus KEFIPL becoming 100% subsidiary of KSK EV.

(c) KSK Energy Limited (100% subsidiary of the Company) entered into a shareholders agreement with LB India and KSK EV to set out rights and obligations as shareholders.

(d) KSK Energy Limited (a 100% subsidiary of the Company) and Lehman India have entered into a voting rights agreement, to provide for certain governance and voting rights with respect to their ownership and dealings of shares in KSK EV.

(e) KSK Energy Company Private Limited (a 100% subsidiary of KSK Energy Limited) and KSK EV have entered into a Share Purchase agreement, to provide for transfer of non-Lehman JV related assets to the Company Group.

Thus, the re-organisation resulted in revised holdings for the Group of two companies in India, namely KSK EV and KSK Energy Company Private Limited

Fund raising & Initial Public Offering

The fund raising undertaken by KSK EV, following the re-organisation discussed above, as a combination of a pre-IPO placement and public issue through a book building process under Indian law, resulted in the issue of 51,917,000 equity shares of Rs 10 each for a placement price of Rs 240 per share resulting in funds raised of Rs 1,245 Crores (approximately USD 300m). The issue was taken up by a set of blue chip investors from both India and overseas and consists of large funds, Indian banks, insurance companies, global corporates and financial institutions. The share issue resulted in a dilution of 15% and the Company's remaining interest now stands at 55.25% of the enlarged share capital of KSK EV. KSK EV is listed on the National and Bombay Stock Exchanges in India.

KSK Energy Company

The company currently owns 100% of KSK Energy Company Private Limited (through KSK Energy Limited, Mauritius) to which has been transferred the equity interests in the RVK & KPCL power plant SPV's and interests in other SPV's, together with the asset advisory and non-power generation business interests of the Company. KSK Energy Company has a 100% subsidiary which is setup to act as an Investment advisory company for the business.

KSK Emerging India Energy Fund

KSK Emerging India Energy Fund is a newly incorporated Guernsey registered closed ended investment company formed to invest in the Indian power and energy sector. The Company has incorporated KSK Asset Management Services Private Limited, Mauritius to act as Asset Manager to the fund. Both the fund and Asset Management Company are controlled by an independently constituted board of directors. KSK Investment Adviser Private Limited acts as the Investment Adviser to the Investment Manager. The fund is currently trading on the AIM Market

as well as the Channel Islands Stock Exchange, with a current market capitalisation of approximately £101m.

Power Plants

Operating Power plants

During the year under review and to date, the Company has been operating various power plants as shown below.

KSK EV through KSK Electricity Financing India Private Limited

- Arasmeta Captive Power Company Private Limited, a 43 MW coal based captive power plant for Lafarge India.
- Sai Regency Power Corporation Private Limited, a 58 MW natural gas based captive power plant for multiple Industrial customers.
- Sitapuram Power Limited, 43 MW coal based captive power plant for Cement France in India.

KSK Energy Company Private Limited

- RVK Energy Private Limited, a 20 MW natural gas based power plant in Andhra Pradesh
- Kasargod Power Corporation Limited, 20 MW natural LSHS based power plant in Kerala

Construction

In addition to the projects that have come on stream, two power plant initiatives, VS Lignite and Wardha Warora, have experienced significant progress in plant construction activity and are scheduled for full commissioning within the next 24 months.

- VS Lignite Power Private Limited (formerly Marudhar Power Private Limited), a 135 MW Lignite based captive power plant for multiple industrial customers.
- Wardha Power Company Private Limited, Warora plant, Maharashtra, a 540 MW coal based captive power plant for multiple industrial customers.

During the year under review and to date, In addition to the complete tie-up of funds required, the above SPV's have also seen significant capital investment with respect to the construction of the power plants. The capital expenditure with respect to work-in-progress on VS Lignite up to 31 March 2008 has been \$137.4m against a total planned spending outlay of \$174m and \$85m against a total planned spending outlay of \$605.6m for executing the Wardha Warora projects. The Company anticipates significant traction in spending on the projects which will be reflected in the current and next year financial results.

Under Development

The Wardha Chattisgarh Project earlier anticipated to be 1,210 MW coal based power plant has progressed to become an 1,800 MW project based on coal supplies by GMDC from Morga-II block. The year under review witnessed two major developments with respect to the project:

1. Wardha Power entered into a Memorandum of Understanding with the Government of Chattisgarh (the local government of the state where the mine and power plant will be located) for all on-ground project facilitation

2. Funds have been tied-up for the project with estimated total costs of Rs 6,874 Cr (approximately US\$1.7b), consisting of project debt of Rs 5,155 Cr (approximately US \$1.3b) from a consortium of banks and institutions in India and Rs 1,245 Cr (approximately US\$314m) from the public offering of KSKEV shares. The Company anticipates that the balance of the equity funding will be met from internal accruals.

Similarly, progress has been achieved on underlying activities in Wardha expansion as well as KSK-Dibbin Projects

Planned Projects

The Company continues to work on further power plant opportunities in its development pipeline. These include

- The three large 1,800 MW each thermal projects based on long term fuel access arrangements from SMDC's
- The Kameng Dam and Kameng basin projects in Arunachal Pradesh.

The above planned projects are expected to go through enhanced activities and take a more definitive shape within the next 6 months and progress towards development and associated activity timelines.

Current Trading & Outlook

In the coming year, KSK will remain focused on the development and construction of its various power plant projects and increasing its total MW under development in India and also build towards a balanced portfolio of power generation assets.

Close monitoring of the construction activities of VSLP & Wardha Warora as well as securing firm quotes, and finalizing all of the implementation resource requirements of the power plants under advanced development, more specifically for the Wardha Chattisgarh Power Plant, together with new growth Initiatives, will require significant management time and attention throughout the current year.

The pursuit of newer renewable power generation alternatives, collaboration with other developers, enabling access to newer coal resources as well as pursuit of various inorganic growth initiatives are expected to significantly contribute to the company's growth effort in the coming years. These initiatives may call in the short term on the capital requirements of the Group, which will be addressed appropriately from time to time.

We are looking forward to an exciting year ahead and appreciate the support of all our shareholders.

T L SANKAR
Chairman

GROUP INCOME STATEMENT

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

	Notes	Group	
		For the year ended 31 March 2008	For the period 17 July 2006 to 31 March 2007
Operating Revenue	13	31,639	12,049
Cost of Revenue	14	17,341	6,125
Gross Profit		14,298	5,924

Distribution Expenses		830	6
General and administrative expenses		9,890	2,476
Operating income		3,578	3,442
Other income	16	14,062	384
Excess of share of assets acquired over acquisition cost		396	1,420
Investment income	17	51,730	2,636
Loss on sale of Joint Venture		(2,031)	-
Finance cost, net	18	(14,731)	(1,885)
Net income before tax		53,004	5,997
Tax expense			
Current tax		5,235	1,151
Deferred tax		9,185	89
Net income		38,584	4,757
Attributable to minority		3,592	-
Attributable to equity shareholders of the parent Company		34,992	4,757
Earnings per share	19		
Basic and diluted (in USD)		0.27	0.06

GROUP BALANCE SHEETS

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

		Group	
	Notes	31 March 2008	31 March 2007
ASSETS			
Non current assets			
Goodwill	4	84,258	2,703
Property, plant and equipment, net		318,248	92,490
Financial assets	5	3,319	10,793
Trade and other receivables		2,690	-
Other assets		7,202	-
Total non current assets		415,717	105,986
Current assets			
Inventories		1,763	1,129
Trade and other receivables		8,333	3,689
Financial assets		44,762	28

Cash and cash equivalents	7	58,403	3,341
Restricted cash	8	38,957	59,862
Other assets	9	52,410	44,346
Total current assets		204,628	112,395
Non current assets classified as held for sale	8	26,322	-
Total Assets		646,667	218,381
LIABILITIES AND STOCKHOLDERS' EQUITY			
Non current liabilities			
Employee benefits	10	38	17
Borrowings, net of current portion	11	156,574	73,749
Other liabilities		2,690	11,952
Deferred tax liabilities	12	9,457	122
Total non current liabilities		168,759	85,840
Current liabilities			
Trade and other payables		95,192	7,143
Borrowings	11	89,563	56,841
Current tax liabilities		-	344
Other liabilities		6,675	3,021
Total current liabilities		191,430	67,349
Total liabilities		360,189	153,189
Equity			
Share capital		216	216
Additional paid up capital		120,967	52,697
Other reserves		6,244	1,942
Translation reserve		11,292	2,521
Revaluation reserve		17,047	-
Retained earnings		40,915	7,816
Equity attributable to shareholders of the parent Company		196,681	65,192
Minority interest		89,797	-
Total equity		286,478	65,192
Total liabilities and stockholders' equity		646,667	218,381

STATEMENT OF CASH FLOWS

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

Particulars	Group	
	For the year ended 31 March 2008	For the period 17 July 2006 to 31 March 2007
(A) Cash inflow/ (outflow) from operating activities		
Net income/(loss) before tax	53,004	5,997
Adjustments		
Loss on sale of equity interest in JV	2,031	-
Depreciation	3,500	1,309
Investment income	(51,730)	(2,636)
Finance cost, net	14,731	1,885
Others	(396)	-
Changes in assets/liabilities net of effect of business combinations and changes in controlling interest		
Trade and other receivables	(4,698)	(2,827)
Inventory	168	(589)
Other assets	(5,151)	(24,963)
Trade and other payables and Other liabilities	1,150	1,793
Taxes paid	(5,668)	(1,240)
Net cash provided by/(used in) operating activities	6,941	(21,271)
(B) Cash inflow/ (outflow) from investing activities		
Movement in restricted cash	20,905	(59,862)
Dividend income	449	202
Interest income	3,557	2,397
Payments for purchase of property plant and equipment	(7,915)	(17,457)
Sale of interest in JV	1,808	-
Payment for acquisitions, net of cash acquired	(24,254)	(10,759)
Purchase of financial assets	(54,976)	-
Sale of financial assets	43,671	326
Net cash provided by/(used in) investing activities	(16,755)	(85,153)

Group Statement of Cash Flows (contd...)

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

Particulars	Group	
	For the year ended 31 March 2008	For the period 17 July 2006 to 31 March 2007
(C) Cash inflow/ (outflow) from financing activities		
Proceeds from Loans	326,345	87,369
Redemption of Preference Shares	-	(853)
Finance charges paid	(14,500)	(1,885)
Repayment of loans	(333,447)	(36,819)
Proceeds from issue of share capital	-	52,913
Proceeds from issue of shares in subsidiary to minority	86,205	-
Others	-	(775)
Net cash provided by / (used in) financing activities	64,603	99,950
(D) Effect of exchange rate changes on cash	273	2,569
Net increase/ (decrease) in cash and cash equivalents	55,062	(3,905)
Cash and cash equivalents at the beginning of the year/period	3,341	7,246
Cash and cash equivalents at the end of the year/period	58,403	3,341
Cash and cash equivalents comprise		
Cash in hand	245	152
Balances with banks	58,158	3,189
	58,403	3,341

NOTES TO THE FINANCIAL STATEMENTS

1. Presentation of the financial statements

1.1 Nature of Operations

KSK Power Ventur plc ('the Company'), 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 Joint Ventures with heavy industrial companies in the India.

The Group strategy for growth is to work with major international and Indian businesses and electricity distribution companies to ensure that they have access to dependable and cost effective source of electrical power through the development construction operation of optimal sized power plants with appropriate fuel sources.

The Group, through one of its subsidiaries also acts as investment manager of the Small is Beautiful Fund ('SIB') and is empowered to invest the contributions received by SIB in public limited companies engaged in the business of power generation and allied projects.

1.2 Compliance with applicable laws and IFRS

The Group and parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the provisions of the Companies Act 1931 to 2004 applicable to companies reporting under IFRS.

1.3 Financial Period

The Group and parent Company financial statements cover the financial year from 1 April 2007 to 31 March 2008, with comparative figures for the financial period from 17 July 2006 (i.e. the date of incorporation of the Company) to 31 March 2007.

1.4 General Information

KSK Power Ventur plc, a limited liability corporation, is the Group's ultimate parent Company and is incorporated and domiciled in the Isle of Man. The address of KSK Power Ventur plc registered Office, which is also principal place of business is 15-19 Althol Street, Douglas, Isle of Man 1M 11 LB. KSK Power Ventur plc's equity shares are listed on the Alternate Investment Market ('AIM') operated by the London Stock Exchange.

The Financial statements for the year ended 31 March 2008 were approved by the Board of Directors on 5 August 2008. The Group comprised of the following subsidiaries and Joint Ventures.

Subsidiaries	Immediate Parent	Country of Incorporation	% shareholding	
			31 March 2008	31 March 2007
KSK Energy Limited ('KEL')	KSK Power Ventur Plc	Mauritius	100	100
KSK Energy Ventures Limited ('KEVL' or 'KSK India'), formerly <i>KSK Energy Ventures Private Limited</i>	KEL	India	65	100
KSK Energy Company Private Limited (KECPL)	KEL ¹	India	100	100
KSK Electricity Financing India Private Limited ('KEFIPL')	KEVL ²	India	100	-
Lakhpat Power Company Private Limited	KEVL	India	100	100
KSK Narmada Power Company Private Limited	KEVL	India	100	100
Bahur Power Company Private Limited	KEVL	India	100	100
KSK Technology Ventures Private Limited	KEVL	India	100	100
Sai Maithili Power Company Private Limited	KEVL	India	100	100
KSK Surya Photovoltaic Venture Private Limited	KEVL	India	100	-
J R Power Gen Private Limited	KEVL	India	100	-
Marudhar Mining Private Limited	KECPL ¹	India	100	100
KSK Energy Resources Private Limited	KECPL ¹	India	100	100
KSK Natural Resource Ventures Private Limited	KECPL ¹	India	100	100
KSK Dibbin Hydro Power Private Limited	KECPL ¹	India	100	-
Kameng Dam Hydro Power Private Limited	KECPL ¹	India	100	-

Joint Ventures	Country of Incorporation	% economic interest	
		31 March 2008	31 March 2007
RVK Energy Private Limited	India	50.00	50.00
Kasargod Power Corporation Limited	India	50.00	50.00
Coromandel Electric Company Limited ³	India	-	71.86
Sai Regency Power Corporation Private Limited ⁴	India	73.92	38.26
Arasmeta Captive Power Company Private Limited ⁴	India	51.00	24.94
Sitapuram Power Limited	India	49.00	17.15
VS Lignite Power Private Limited ⁴	India	74.00	36.78
Wardha Power Company Private Limited ⁴	India	74.00	74.00
KSK Electricity Financing India Private Limited ²	India	-	35.00

1. As at 31 March, 2007 all the outstanding shares were held by KSK Energy Ventures Limited.
2. As at 31 March, 2007 KEFIPL was a Joint Venture between KEVL and LB India Holdings Mauritius I Limited ('LB'). The proportion of voting power held by KEVL and LB India was 51% and 49% respectively.
3. The entire shareholding of KECPL in CECL was sold to the Joint Venture partner on 24 February, 2008.
4. The terms of the shareholders' agreements between the Group and the Joint Venture partners provide joint control to both entities and hence these entities have been treated as jointly controlled entities.

1.5 Amendment of IAS 1 Presentation of Financial Statements

In accordance with the amendment of *IAS 1 Presentation of Financial Statements*, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in IAS 1 can be found in note 36.

1.6 Adoption of IFRS 7 Financial Instruments Disclosures

IFRS 7 Financial Instruments Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new Standard replaces and amends disclosure requirements previously set out in *IAS 32 Financial Instruments Presentation and Disclosures* and has been adopted by the Group in its 2008 consolidated financial statements. All disclosures relating to financial instruments have been updated to reflect the new requirements. In particular, Group's financial statements now feature a sensitivity analysis, to explain the Group's market risk exposure in regards to its financial instruments, and a maturity analysis that shows the remaining contractual maturities of financial Liabilities each as at the balance sheet date. The first-time application of IFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

2. Foreign Currency Transactions

The functional currency of the Company is the British Pound ('GBP') and its subsidiary in Mauritius and the Indian Rupee for all the entities operating in India. The reporting currency of the Group is the US dollar as submitted to the AIM exchange where the shares of KSK Power Ventur plc are listed.

At the reporting date the assets and liabilities of the Group are translated into the presentation currency which is in US Dollars (US\$) at the rate of exchange ruling at the balance sheet date and the income statement is translated at the weighted average exchange rate for the year.

The US\$: INR exchange rates used to translate the INR financial statements into the presentation currency of US\$ were as follows:

	2008	2007
Closing rate at 31 March	39.89	43.42
Average for the year/period ended 31 March	40.16	45.03

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Indian rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Indian rupees at foreign exchange rates ruling at the dates the fair value was determined.

2.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in accordance with the relevant agreements, net of discounts, VAT and other applicable taxes.

Sale of power

Revenue from the sale of power is recognised when all the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the power supplied or the services provided. This is generally when the customer has approved the services that have been provided or has taken undisputed delivery of power.
- The amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Wholesale generation and direct supply sales of electricity are recognised on an accruals basis with reference to meter readings of electricity supplied at pre-agreed rates with the customer.

Income from services

Project development fees

Income from project development activities is recognised as per the terms and conditions of the development activity with respect to the relevant power generating Company based on the stage of development of the projects.

Management fees

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

Interest income and expenses are reported using the effective interest rate method. Dividends received, other than those from investments in associates, are recognised at the time of their distribution.

3 Business Combinations and changes in controlling interests

The Group entered into the following transactions during the reporting periods covered in the financial statements, which are summarized below:

3.1 Group re-organisation in 2006-2007

As a part of the re-organisation of the KSK Group, the Company was incorporated on 17 July 2006, as the new holding company of the Group. Simultaneously, the Company acquired the outstanding equity shares of KSK Energy Limited, Mauritius ('KSK Mauritius') for a nominal price of US\$1, making it a wholly owned subsidiary of the Company. On 7 November 2006, KSK Energy Ventures Limited ('KEVL'), the operating entity and holding company of the power generating companies in India, bought back 29,773,850 its equity shares of INR 10 each at par, representing 100 percent of its outstanding share capital from K&S Consulting, an entity controlled by the promoters of the Company. Simultaneously, KEVL issued these repurchased equity shares and 60,226,150 fresh equity shares to KSK Mauritius thereby making KEVL a wholly owned subsidiary of KSK Mauritius. As a result of this transaction, the Company has become the ultimate holding company of KEVL.

As both the Company and KEVL were under the common control of K&S Consulting and the Company has no other operations, this transaction has been treated as a capital transaction between entities under common control and therefore the assets and liabilities of KEVL have been recorded at book values and as if this transaction had occurred at the earliest period presented i.e. the date of incorporation of the Company, 17 July 2006. Consequently, the prior year income statement represents the results of operations of KEVPL and its subsidiaries and interest in joint ventures from the date of incorporation of the Company to 31 March 2007.

Following are the details of the book value of assets and liabilities assumed as at 17 July 2006.

(USD '000)

Net assets at the date of acquisition	As at 17 July 2006
Property, plant and equipment	85,328
Goodwill	129
Investments	3,283
Inventories	507
Trade receivables	809
Other receivable	8384
Other assets	64
Cash	7,246
Loans	(68,790)
Trade and other payables	(12,703)

3.2 Reorganisation with LB India Holdings Mauritius I Limited

In 2005, KEVL entered into a Joint Venture ('JV') agreement with LB India Holdings Mauritius I Limited ('LB') for the formation of KEFIPL to be the holding company for various operating power companies in India. As a part of this agreement, the JV Company was to be capitalized through various classes of equity shares to be subscribed through by the JV partners. While the Group has a majority of the outstanding voting equity, it owned only 10 percent of the total outstanding equity share capital. Further, the JV agreement required KEVPL to use its share of profits to acquire shares held by LB at par over a period of time, till it reached the target ownership of 35 per cent of the total outstanding equity share capital.

Further, the equity shares held by LB provided them with a cumulative 12 percent return on their investment, prior to the payment of any dividend or surpluses to the equity shareholders, in addition to residual rights in the assets of the JV Company, in accordance with their equity holding. As per the terms of the agreement, the profits after servicing the preferential return and providing for any reserves and operating expenses of the JV Company were to be shared equally by both the parties.

As the JV agreement provided for joint control by KEVL and LB, the Group had accounted for this investment as a joint venture in the financials statements for the period ended 31 March 2007. Further, considering the equity structure, the locked in purchase price for the acquisition of additional shares and the equal sharing of residual profits, the Group had accounted for its economic interest in the joint venture at 35 per cent so as to reflect the substance and economic reality of the arrangement, rather than the joint venture's particular structure or form.

In accordance with the guidance provided in *IAS 32 - Financial Instruments: Presentation* the JV Company had accounted for its contractual obligation to deliver cash or another financial asset to LB as preferential return on LB's equity interest as a liability. Accordingly, LB's equity shares in the JV Company amounting to \$ 1,452 had been accounted as a compounded financial

instrument. Management determined the fair value of the contractual obligation and recorded the same as the debt component of the instrument with the balance being recognized as equity. At 31 March 2007, the Company's share of the debt and equity components of this instrument was \$ 815 and \$637 respectively.

Pursuant to the share purchase agreement dated 20 January 2008, between the Group and LB, KEVL purchased from LB, all of LB's equity interest in KEFIPL, comprising 513,103,775 Equity shares for a cash consideration of \$ 175,871. Simultaneously, LB agreed to purchase 98,332,552 equity shares (constituting 33.5 percent of the total outstanding shares) of KEVL for a cash consideration of \$ 85,945. Consequently, the KEFIPL became a wholly owned subsidiary of KEVL. As these transactions represented a re-organization of the relationship of LB with the KSK Group, they have been accounted for as one transaction whereby KEVL has acquired LB's 65 percent equity interest in KEFIPL for a consideration discharged through a cash payment (net of the cash received from LB) amounting to \$ 89,992 and issuance of 33.5 percent equity interest in KEVL at fair value of \$150,404. The fair value of the equity shares issued to LB has been determined by management based on the enterprise value as determined through the discounted cash flows arising from the Group's effective equity interest in the underlying operating entities discounted by an average cost of capital of 15 percent.

The Group has accounted for this acquisition as a business combinations achieved in stages and accordingly the purchase price was allocated to the assets and liabilities of the business based on their fair values as at the date of the acquisition and revaluation reserve was adjusted for the effect of fair valuation of previously held interests of the assets acquired and liabilities assumed, aggregating \$ 17,047.

The fair values of the recognised assets and liabilities were determined based on a purchase price allocation report issued by an independent valuer. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Amount
Property, Plant and Equipment	190,480
Current assets	
- Accounts receivable	2,337
- Inventory	701
- Cash and cash equivalents	42,459
- Other assets	10,760
Non current liabilities	(70,490)
Trade and Other payables	(16,152)
Goodwill	80,301
Purchase consideration	
- Cash	89,992
- Equity	150,404
Total	240,396

A part of the acquisitions cost may be attributed to the existing relationships with regard to fuel supply and customer relationships. On acquisition, the positive cash flows generated by the relevant cash generating unit have been adjusted for the effect of the servicing cost of the relevant contributory assets. Due to the above adjustment, there are no additional cash flows available that maybe attributed to and represent the value of the intangible assets acquired on this transaction. Consequently, no value has been ascribed to such intangible assets. These circumstances contributed to the amount of goodwill recognised.

The profit recognised in the consolidated financial statement from the date of acquisition due to the increased equity interest of the Group amounts to \$ 215. The revenues and profit before tax for the year ended 31 March 2008 would have been higher by to \$ 16,733 and \$ 2,270 respectively, if the above business combinations had been effected at the beginning of the year. Disclosure of the carrying amounts of the KEFIPL's assets and liabilities immediately before the combination in accordance with IFRS was impracticable as KEFIPL has not prepared audited consolidated IFRS financials prior to the acquisition date and are therefore not available.

No line of business will be dispensed of on account of this acquisition.

3.3 Acquisition of JR Power Generation Private Limited ('JR Power')

In January 2008, the Group acquired a 51 percent equity interest in JR Power for a cash consideration of \$3. This acquisition was accounted as a business combination and accordingly the purchase price was allocated to the assets and liabilities of the business based on their fair values as at the date of the acquisition. The fair values of the recognised assets and liabilities were determined based on purchase price allocation report issued by an independent valuer.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition, after adjusting for further capital infused:

	Amount
Current assets	
- Cash and cash equivalents	2
Trade and other payables	(33)
Goodwill	34
Total purchase consideration – Cash	3

This acquisition has no impact on the income statement for the year ended 31 March 2008, as JR Power has not yet commenced operations.

A part of the acquisitions cost can be attributable to the existing relationships with regard to fuel supply and other government relationships. At the acquisition date, no intangible asset qualified for recognition in this respect due to the nascent stage

of the operations of JR Power. These circumstances contributed to the amount recognised as goodwill.

No line of business will be dispensed of on account of this acquisition. Disclosure of the carrying amounts of the JR Power's assets and liabilities immediately before the combination in accordance with IFRS was impracticable as JR Power has not prepared IFRS financials prior to the acquisition date and was therefore the same was not available.

3.4 Re-structuring of the Group

As a part of an internal structuring within the Group, in June 2007, KEFIPL into a stock purchase agreement with LB and KEL to transfer their respective interests in Arasmeta Captive Power Corporation Private Limited ('ACPCPL'), Sai Regency Power Corporation Private Limited ('SRPCPL'), VS Lignite Power Private Limited ('VSLPPL'), the operating entities within the Group, to KEFIPL. The details of the transactions including the equity interest transferred are as follows:

Entity	KEL's share (%)	LB's share (%)	Purchase consideration
ACPCPL	23.50	23.40	\$ 6,643
SRPCPL	36.96	33.27	\$ 3,716
VSLPPL	35.14	58.38	\$12,057
Wardha	73.17	-	\$2,166

The Group accounted for the acquisition of additional equity interests from KEL as a change in controlling interest without change in control and accounted for it under equity transaction method entities and accordingly the consideration received and adjustment to the net assets consolidated has been debited or credited to different component of equity. The Group accounted for the acquisition of additional equity interests from LB as a business combination achieved in stages and accordingly the purchase price was allocated to the assets and liabilities of the business based on their fair values as at the date of the acquisition. There was no amount adjusted to the revaluation reserve as the fair value of the assets approximated the carrying value of the previously held assets and liabilities. The fair values of the recognised assets and liabilities were determined based on purchase price allocation report issued by an independent valuer.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for LB's equity interest and the reserve arising from the acquisition of equity interests of KEL

Entity	ACPCPL	SRPCPL	VSLPPL
Property, Plant and Equipment	9,437	17,507	7,707

Current assets	1,314	1,337	21,201
Non current liabilities	(6,912)	(16,419)	(23,424)
Current liabilities	(565)	(1,045)	(473)
Goodwill	-	-	317
Excess of net assets acquired over purchase consideration	(388)	(8)	-
Purchase consideration for LB's interest	2,886	1,372	5,328
Equity adjustment –Other reserve	365	528	3,409
Profit from the date of acquisition accounted	514	881	-

A part of the acquisitions cost may be attributed to the existing relationships with regard to fuel supply and customer relationships. On acquisition, the positive cash flows generated by the relevant cash generating unit have been adjusted for the effect of the servicing cost of the relevant contributory assets. Due to the above adjustment, there are no additional cash flows available that maybe attributed to and represent the value of the intangible assets acquired on this transaction. Consequently, no value has been ascribed to such intangible assets. These circumstances contributed to the amount of goodwill recognised.

If the above business combinations had been effected at the beginning of the year the revenues and profit for the year ended March 31, 2008 would have been higher by \$ 4,306, \$ 7,024 and \$ 599, \$ 871 for ACPCPL, SRPCPL respectively. VSLPPL is still under construction and hence the increase does not impact the revenues or profits. The excess of net assets acquired over the purchase consideration has been taken to the income statement.

Disclosure of the carrying amounts of the assets and liabilities immediately before the combination in accordance with IFRS was impracticable as these entities have not prepared stand alone audited IFRS financials prior to the acquisition date and therefore the same was not available.

3.5 Business combinations in 2006-2007

On 30 November 2006 KEVL acquired an additional 24.1% of the equity instruments of Kasargod power Corporation Limited ('KPCL'), a joint power generating Company. Consequent to this acquisition the Company holds 50% of the equity of KPCL. Similarly on 31 December 2006 KEVL acquired an additional 45.86% of the equity instruments of Coromandel Electric Company Limited ('CECL'), a joint power generating Company. Consequent to this acquisition the Company holds 71.86%% of the equity of KPCL.

As on 28 March 2007 KSK Energy Limited (a wholly owned subsidiary of KSK Power Ventur plc acquired stakes in Sai Regency Power Corporation Private Limited (SRPCL) and Arasmeta Captive Power Company Private Limited (ACPCPL) to the extent of 36.96% and 23.5% respectively.

(US \$'000)

Net assets at the date of acquisition (based on economic interest)	As at 30	As	As	As
	November	at 31 December	at 28 March	at 28 March
	2006	2006	2007	2007
	KPCL	CECL	SRPCL	ACPCPL
Property, plant and equipment	7,574	2,274	18,192	9,029
Inventories	116	97	169	97
Trade receivables	456	519	214	180
Other receivable	209	258	138	86
Cash	401	726	317	41
Loans	(5270)	(1743)	(17,237)	(7,242)
Trade payables	(327)	(546)	(1,131)	(421)
Redeemable preference shares	(2112)	-	-	-
Net identifiable assets and liabilities		1,585	662	1,770
Excess of net assets acquired over the purchase consideration	995	425	-	-
Goodwill	-	-	1,260	1,311
Consideration	52	1,160	1,922	3,081
Satisfied by:				
Cash	52	1,160	1,922	3,081
Net cash outflow	52	1,160	1,922	3,081

Impact on revenue and profit before tax if the acquisition date for all business combinations effected during the period had been beginning of that period.

(US \$'000)				
	KPCL	CECL	SRPCL	ACPCPL
Revenue	371	2,155	25	2,054
Profit before tax	33	429	30	119

Net assets acquired are based on the fair valuation carried out by the management. No major line of business will be disposed of due as a result of the combination.

4 Goodwill

(US \$'000)		
	31 March 2008	31 March 2007
Opening balance	2,703	129
Additions during the year/period	80,652	2,571
Net exchange differences	903	3
Closing balance	84,258	2,703

The goodwill arising on business combinations during the year/period has been allocated to the following cash generating units of the Group.

	31 March 2008	31 March 2007
VS Lignite Power Private Limited	29,209	-
J R Power Gen Private Limited	34	-
Wardha Power Corporation Private Limited	24,596	-
Sitapuram Power Limited	6,721	-
Sai Regency Power Corporation Private Limited	13,025	1,260
Arasmeta Captive Power Company Private Limited	7,067	1,311
Total	80,652	2,571

The recoverable amounts for the cash-generating units were determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows at the growth rates stated below. The growth rates reflect the long-term average growth rates for the power generation activity of the cash-generating units.

	2008	2007
Growth rate	10%	20%
Discount rate	26%	25%

The management's key assumptions for the cash generating unit include stable profit margins, which have been determined based on past experience in this market. The management believes that this is the best available input for forecasting in this market.

5 Financial Assets

	Group	
	31 March 2008	31 March 2007
Non-Current - Long term financial assets		
Held-to-maturity investments	2,500	7,268
Available-for-sale investments	819	3,525
Investments in subsidiaries	-	-
	3,319	10,793
Current - Short term financial assets		
Held for trading investments	44,762	28
Total	48,081	10,821

Available for sale

Available for sale investments included above represent investments that present the Group with the opportunity for return through dividend income and gains and also investments in private companies in India. They have no fixed maturity or coupon rate. Non-current available for sale investments comprise shareholdings in Small is Beautiful Fund which is unquoted.

Held for trading

Held for trading investments comprise minority shareholdings in the equity shares of Gujarat Mineral Development Corporation Limited and Bank of India being quoted on the Indian stock market.

Held-to-maturity

Held to Maturity investments comprise the investments in redeemable, preference shares of JV entities. These investments carry fixed coupon rates varying between 7 percent and 18 percent per annum and are redeemable between 5 and 20 years.

6 Non current asset classified as held for sale

On 31 March 2008, the Group acquired a 25 percent equity interest in Athena Project Private Limited ('Athena') which is in its initial phase of implementation of power projects, with the intention that the investment would be transferred to KSK Emerging India Energy Fund Limited, closed ended investment company established to make investments in companies engaged in the Indian power and energy sector, as soon as practical from the date of acquisition. The Group measures the investment at cost which is the value at which this investment will be transferred to the fund mentioned above. As at March 31, 2008, Athena did not have any significant operations. Further, the Company has not yet tied up any power purchase or fuel supply arrangements, which could qualify for recognition on the acquisition date.

The financial information of Athena based on provisional financial statements for the year ended 31 March 2008 is summarised below. Consequently, management has provisionally determined the fair value of the assets as at 31 March 2008, which is summarised below:

31 March 2008	
Total assets	54,688
Total liabilities	(369)
Income	2,862
Profit after tax	2,029

Based on the above provisional financial information, the cost of investment includes goodwill of \$ 12,742. The Group has not recorded any share of profit from this Company as the acquisition was completed only on 31 March 2008.

7 Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

Particulars	Group	
	31 March 2008	31 March 2007
Cash	245	152
Short term deposits	11,926	-
Balances with banks in current account	46,232	3,189
Total	58,403	3,341

8 Restricted Cash

Restricted cash comprises bank deposits represents time deposits placed with banks under lien with an original maturity exceeding 90 days and are placed for a one year period.

9 Other Assets

Other assets comprise the following:

Particulars	Group	
	31 March 2008	31 March 2007
Non - Current		
Deposits	7,202	-
Loans given to subsidiaries	-	-
	7,202	-
Current		
Interest accrued	1,293	-
Unbilled revenue	806	63
Deposits	2,370	1,567
Loans given to JV partners	7,479	21,902
Advance given for purchase of shares	14,094	7,182
Other receivables	26,368	13,632
	52,410	44,346
Total	59,612	44,346

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

10 Employee benefits

The following are the employee benefit plans applicable to the employees of the Group.

Defined benefit plan

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 table sets out the funded status of the Gratuity Plan and the amounts recognized in the Group's historical financial statements:

	31 March 2008	31 March 2007
Change in Benefit Obligation		
Present value of defined benefit obligation at the beginning of the year	12	23
Interest Cost	2	1
Service Cost	58	3
Benefits paid	-	-
Actuarial loss on obligations	11	(15)
Present value of defined benefit obligation at the end of the year	83	12
Unrecognised actuarial gains (losses) at the end of year		
Liability recognized		
Present Value of Obligation	83	2
Fair value of plan assets	62	-
Liability Recognised in Balance Sheet	38	17

Net gratuity cost for the year/period ended 31 March 2008 and 31 March 2007 included the following components:

	31 March 2008	31 March 2007
Current Service Cost	30	3
Interest Cost	2	1
Net actuarial (gain) loss recognised in the year	11	(15)
Past service cost	12	23
Expenses Recognised in the income statement	55	12

The movement of the net liability can be reconciled as follows:

	31 March 2008	31 March 2007
Movements in the liability recognized		
Opening net liability	17	23
Expense as above	55	12

Contribution paid	-	(27)
Currency translation adjustment	(34)	(8)
Closing net Liability	38	17

For determination of the liability, the following actuarial assumptions were used:

	31 March 2008	31 March 2007
Discount Rate	8.00%	7.50%
Rate of increase in Compensation levels	10.00%	10.00%
Rate of Return on Plan Assets	8.00%	7.50%
Average age of the employee	45	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 undertaking, which is a qualified insurer. The details of the individual category of investments that comprise the total plan assets have not been provided by the Insurer.

Defined Contribution plan

Provident fund

Employees of the Indian companies participate in a provident fund plan; a defined contribution plan. The Group makes annual contributions based on a specified percentage of salary of each covered employee to a government recognized provident fund or to approved provident fund trust. The Group does not have any further obligation to the provident fund plan beyond making such contributions. Upon retirement or separation an employee becomes entitled for this lump sum benefit, which is paid directly to the concerned employee by the fund. The Group contributed approximately \$ 31 to the provident fund plan during the year ended 31 March 2008, \$ 14 for period ended 31 March 2007 respectively.

11 Borrowings

	Group	
	31 March 2008	31 March 2007
Loans taken from banks and financial institutions	230,061	62,875
Vehicle loans	11	60
Debt component of Class-B and Class-C Shares	-	815
Preference shares of the JV Companies	3,377	11,832
Unsecured bank loans and loans taken from financial institutions	12,688	30,805
Others	-	24,203
Total borrowings	246,137	130,590

Group

	31 March 2008	31 March 2007
The borrowings mature as follows:		
Current liabilities		
Amounts falling due within one year	89,563	56,841
	89,563	56,841
Non Current liabilities		
Amounts falling due after more than one year but not more than two years	16,533	7,055
Amounts falling due after more than two years but not more than five years	72,345	23,947
Amounts falling due in more than five years	67,696	42,747
	156,574	73,749
Total borrowings	246,137	130,590

The fair value of long-term debt is estimated by the management to approximate to their carrying values, since the average interest rate on such debts is within the range of current interest rates prevailing in the market.

Debt has been raised in currencies other than the functional currency of the entity. The analysis of borrowings below details the currency in which items were raised by the Group.

	Group	
	31 March 2008	31 March 2007
INR	245,812	117,061
GBP	-	12,776
USD	325	753
Total	246,137	130,590

An interest rate profile of long-term borrowings is given below:

	31 March 2008	31 March 2007
Term loan -from banks and financial institutions*	11.75%	10.25%

*Weighted average based on balances outstanding as at the reporting period

12 Taxation charge

	Year ended 31 March 2008	Period ended 31 March 2007
Recognised in the income statement		
Current tax expense	5,235	1,151
Deferred tax charge	9,185	89
Total	14,420	1,240

The Company is based in Isle of Man, which is a tax free jurisdiction. However, considering that the Company's operations are entirely based in India, the effective tax rate of the Group has been computed based on the current tax rates prevailing in India.

A substantial portion of the profits of the Group are exempt from Indian income taxes, being profits attributable to generation of power. Under the tax holiday, the Group can utilize an exemption from income taxes for a period of 10 years beginning from the year of commencement of operations.

Further, the Group is subject to the provisions of Minimum Alternate Tax ('MAT') under the Indian Income Tax for the year ended 31 March 2008 and period ended 31 March 2007. According to the Indian Income Tax laws, where the tax liability of the Group is less than 10% of the book profit (excluding surcharge and education cess), such book profit shall be deemed to be the taxable income and chargeable to tax at the rate of 10% plus applicable surcharge and education cess.

The relationship between the expected expense based on the effective tax rate of the Group and the tax expense actually recognised in the income statement is reconciled as follows:

Reconciliation of the effective rate	Year ended 31 March 2008	Period ended 31 March 2007
Net income before tax	53,004	5,997
Effective tax rate	33.99%	33.66%
Expected tax expense at prevailing tax rate	18,016	2,019
<i>Adjustment for tax rate differences</i>		
- India	(6,316)	(469)
- Foreign	(2,781)	-
<i>Adjustment for non-deductible expenses</i>		
- Disallowed expenses	5,460	183
<i>Other adjustments</i>		
- Unrecognised tax benefit on losses of subsidiaries	41	-
- Others	-	(493)
Actual tax expense	14,420	1,240

No temporary differences resulting from investments in subsidiaries, associates or interests in Joint Ventures qualified for recognition as deferred tax assets or liabilities.

The tax effect of significant temporary differences that resulted in deferred income tax assets and liabilities and a description of the items that create those differences are given below:

	31 March 2008	31 March 2007
<u>Deferred income tax assets</u>		

Inventory valuation	23	-
Provision for Employee benefits	1	-
	24	-
<i>Deferred income tax liabilities</i>		
Difference in depreciation on Property, plant and equipment	1,503	122
Unrealised gain on re-instatement of Held for trade investments	7,978	-
	9,481	122
Net deferred income tax (asset) / liability	9,457	122

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

13 Operating Revenue

	For the year ended 31 March 2008	For the period 17 July, 2006 to 31 March 2007
Revenue from sale of energy	26,522	8,455
<i>Income from services</i>		
Income from Project development activities	4,164	3,594
Income from Management fees	808	-
Income from Corporate services	145	-
Total	31,639	12,049

14 Cost of Revenue

	For the year ended 31 March 2008	For the period 17 July, 2006 to 31 March 2007
Fuel costs	11,440	3,614
Depreciation and amortisation	3,500	1,309
Other production costs	2,401	1,202
Total	17,341	6,125

15 Employee costs

	Group	
	For the year ended 31 March 2008	For the period 17 July 2006 to 31 March 2007
Salaries and wages	3,459	796
Employee benefit	62	27
Other	151	118
Total	3,672	941

16 Other Income (net)

	For the year ended 31 March 2008	For the period 17 July, 2006 to 31 March 2007
Other Income		
Interest on deposits	3,077	353
Value development fees	7,600	-
Gain recognised on difference in fair value of liabilities and transaction value	3,055	-
Miscellaneous income	171	103
Exchange differences, net	228	-
	14,131	456
Other expenses		
Loss on disposal of property, plant and equipment	(3)	(3)
Miscellaneous expenses	(66)	(69)
Total other expenses	(69)	(72)
Total other income (net)	14,062	384

17 Investment income

	Group	
	For the year ended 31 March 2008	For the period 17 July, 2006 to 31 March, 2007
Interest on loans and deposits	3,557	2,397
Profit on sale of Held for Trading investment	24,731	37
Unrealised gain on revaluation of Held for Trading investment	22,993	-

Dividends from equity investments	449	202
Total	51,730	2,636

18 Finance costs, net

	Group	
	For the year ended 31 March 2008	For the period 17 July, 2006 to 31 March 2007
Interest on bank loans	12,927	1,493
Interest on preference shares	-	272
Other finance costs	1,804	120
Total	14,731	1,885
Borrowing cost capitalised (not included above)	9,813	3,423
Effective interest rate	11.75%	10.25%

19 Earnings per share

Basic and diluted earnings per share

The calculations of basic earnings per share for the year ended 31 March 2008 and period ended 31 March 2007 has been determined as the net profit/(loss) after tax divided by the weighted average number of equity share outstanding during the year.

	Group	
	For the year ended 31 March 2008	For the period 17 July, 2006 to 31 March 2007
Net profit/(loss) attributable to ordinary shareholders (US\$ '000)	34,992	4,757
Weighted average number of ordinary shares during the year/period (no's)	128,878,505	83,577,441
Basic earnings per share (US \$)	0.27	0.06

There is therefore no difference between the basic earning/(loss) per shares and diluted earnings/(loss) per shares for each of the period as there are no outstanding potential dilutive equity shares as at the balance sheet date.

20 Commitments, Contingencies and Guarantees

	Joint Ventures	Others
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	31 March 2008	31 March 2007	31 March 2008	31 March 2007
Estimated value of contracts remaining to be executed on capital account, not provided for	315,648	7,703	5,170	114
Bank guarantees outstanding	5,315	69,598	83,354	23,031
Letter of credit outstanding	986	387	-	-
Claims against the Company not acknowledged as debts ¹	9,571	7,657	-	-
Fuel related Minimum Guaranteed Obligation Liability ²	8,996	7,134	-	-

¹ includes claim of \$ 2,407 against the Company in relation to Erection, Procurement and Commissioning ('EPC') services provided by a supplier to Sitapuram Power Limited. Based on the information available with the management, they do not believe that there is a probable exposure, as the supplier has not provided the services in accordance with the EPC contract entered between the supplier and Sitapuram Power Limited and hence the claim is not tenable.

² represents minimum off take obligation under the terms of the fuel supply agreement between the fuel supplier (a Government undertaking) and the Kasargod Power Station. Based on the current information available with management, they do not believe that there is a probable exposure as the minimum guaranteed off take obligation does not apply as the customer, also a Government undertaking has not taken requisite supply of power, curtailing the JV Company from generation of power and thereby purchase of fuel.

21 Risk Management Objectives And Policies

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities. The Group risk management is coordinated in close co-operation with the board of directors, and focuses on actively securing the Groups short to medium term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Financial assets that potentially subject Group to concentrations of credit risk consist principally of cash equivalents, financial assets, accounts receivables, other receivables, investment securities and deposits. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counter parties. Group's cash equivalents and time deposits are invested with banks.

Group monitors the credit worthiness of its customers to which it grants credit terms in the normal course of the business. Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

Group's interest-rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose Group to cash flow interest-rate risk.

Interest rate sensitivity

KSK's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at floating rates. At 31 March 2008, KSK is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates. As in the previous year, all other financial assets and liabilities have floating rates.

22 Subsequent Events

Incorporating of subsidiaries and investment manager activities

The Company has incorporated a wholly owned subsidiary in Mauritius "KSK Asset Management Services Private Limited" Mauritius, to act as Investment Manager for the "KSK Emerging India Energy Fund Limited" a company, incorporated in Guernsey and listed on the Alternate Investment Market (AIM) of the London Stock Exchange and Channel Islands Stock Exchange. The fund has raised GBP 101 Million for primarily for investing in companies engaged in the Indian power and energy sector.

KSK Energy Company Private Limited, an indirect Indian subsidiary of the Company, has incorporated a 100% subsidiary "KSK Investment Advisor Private Limited", India, which will primarily, be, engaged in advising KSK Asset Management Services Private Limited, Mauritius, and the Investment Manager of the KSK Emerging India Energy Fund Limited

Initial Public Offering made by KSK Energy Ventures Limited ('KEVL')

KEVL, the Company's subsidiary in India has made an Initial Public Offering (IPO) of its equity shares of face value of INR.10 (\$ 0.25) each at a premium of INR.230 (\$ 5.77) per share. The issue resulted in dilution of 10% of the pre issue share capital of the IPO Company, which was fully subscribed and the Company raising approximately INR 8.3 billion (\$ 208 million). This process was completed on 7 July 2008. KEVL has also offered 5% of its equity shares through a Pre- IPO placement at INR 240 per share (\$ 6.02) aggregating to INR 4.153 billion (\$ 100 million) and the allotment of the shares were completed on 3 June 2008.

The shares of KEVL were listed on the National Stock Exchange of India on 14 July 2008. The primary objects of the issue are to meet the equity requirements of the 1,800 MW coal based power plant at Chattisgarh to be set up by Wardha Power Company Private Limited, a JV Company and for general corporate purposes.

Wardha Power Company Private Limited "WPCPL")

WPCPL, a JV Company of KEIFPL, a wholly owned subsidiary, received the water allocation of 73 million cum from the Government of Chattisgarh, vide an approval dated 29 May 29 2008 for the proposed 1,800 MW coal based power plant to be set up by WPCPL in the state of Chattisgarh, India.

An earthquake in China resulted in damages to the Turbine and associated Manufacturing facility of the Vendor of Turbine for the WPCPL Project. However, WPCPL has been assured by the Vendor that the delivery of the Turbine would not be impacted by the said earthquake and damage to the Vendor's manufacturing facility. WPCPL has entered into a Bulk Power Transmission Agreement on 12 June 2008 with Maharashtra State Electricity Transmission Company Limited for the transmission of 270MW of power representing the Phase 1 capacity of the Wardha -Warora Project.

VS Lignite Power Private Limited

In May 2008 VSPPL has taken possession of the land required for the mining of lignite consequent to the entire payment of the compensation fixed by the Government of Rajasthan.

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