

Regulatory Announcement

Company [KSK Power Ventur PLC](#)
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9 December 2008

KSK Power Ventur plc

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

Interim Results

for the six months ended 30 September 2008

KSK Power Ventur plc (AIM: KSK), the power project development company with interests in multiple power plants across India, today announces its unaudited interim financial results for the six months ended 30 September 2008.

Financial Highlights

- Turnover up 160% to \$35.35m (2007: \$13.5m)
- Gross profit up 200% at \$18.14m (2007: \$5.9m)
- Profit from operations up at \$10.95m (2007: \$3.5m)
- Profit before tax at \$9.96m (2007: \$23.5m - includes \$17.4m on account of investment gains)
- Net profits at \$3.52m (2007: \$20.9m)

All financial figures represented are in US dollars unless otherwise stated. The figures for the current period include the 55.25% interest in KSK Energy Ventures Private Limited ("KSK EV"), the Indian subsidiary of the Company while the corresponding reporting period last year relate to 100% ownership.

Operational Highlights

- Operational capacity of 184 MW (40 MW Directly and balance through KSK Energy Ventures)
- Plants under construction of 718 MW
- Wardha Power 1,800 MW power plant in Chhattisgarh to begin construction during 2009. Plans of capacity augmentation in the same location
- Projects in the pipeline - 5,400 MW thermal and 1,000+ MW renewable energy

- Total 9,100 MW, as a combination of projects under operation, construction, development and in the pipeline
- Agreement for a new coal block allotted , with a capacity of 250 MT, resulting in backup coal supplies support for current projects under pursuit
- Successful flotation of its Indian subsidiary in July 2008, KSKEV,raising \$300 Mn of new monies under Pre-IPO and IPO placement

Commenting on the results, T L Sankar, Chairman of KSK said:

"The period under review saw one of the most turbulent times of the recent past in world financial and stock markets at the global level but we are happy to note that the effort by the company on underlying projects has continued as anticipated. In fact, we expect 2009 to be a substantial year for commissioning and commencement of power production by two of the power projects under construction. Since the Indian listing of the Indian subsidiary in July 2008, the Company has not only focused on the operational and implementation issues of current projects under pursuit but also on a range of power projects across India to create shareholder value in the longer term.

"The Company anticipates that with the commissioning of VSLP and Wardha warora projects through the last quarter and through the next year respectively, cash flows and internal accruals will commence. These are exciting times for the Company with a number of further projects underway. We remain on course to meet market expectations in 2009 and are confident in our ability to meet our longer term goals."

For further information, please contact: www.ksk.co.in

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Directors Review

Introduction

This has been another period of significant progress for the Group, both in our continuing development programme and consolidating existing opportunities being pursued. The results for the period detail the unaudited consolidated results for the Company for the six months period ending 30 September 2008.

Overall, the financial performance for the period has been good, with continuing development activities as well as the profitable underlying power plant operations.

In July of this year, KSK completed the pre-IPO and full IPO placements and public flotation of its Indian subsidiary, KSK EV, raising Rs 1,245 Crores (approximately USD 300m). The share issues resulted in a dilution of KSK's interest in KSK EV and the KSK'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.

The Company also currently owns 100% of KSK Energy Company Private Limited (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 interests across non-power generation activities and is expected to play a significant role in enhancement of value for the various projects under pursuit.

KSK also currently manages two energy sector focussed funds (a) unlisted "small is beautiful" fund with funds fully deployed and (b) the AIM listed KSK Emerging India Fund, which has made few initial investments and is targeting investments across the energy sector.

The current results show the consolidated position for the underlying power generation business and development revenue of KSK's energy business. Over the next 3 years and upon commencement of generation activities at the various large power plants, KSK EV should derive revenues that would greatly enhance the consolidated financial results for the Group.

Review of Projects

The Group is currently working with project pipeline opportunities of 9,100+ MW total capacities, as detailed below.

Projects under Operation

(a) Prior plants directly held

- RVK Energy, 19.2 MW natural gas based power plant in Andhra Pradesh operating since January 2000.
- Kasargod Power 20.4 MW LSHS based power plant in the state of Kerala Operating since May 2001.

(b) Three plants have been commissioned during the last year

- Arasmata 43 MW coal based power plant in the state of Chattisgrah operating with supplies to Lafarge India.
- Sai Regency 58 MW natural gas based power plant in the state of Tamil Nadu operating with supplies to multiple industrial customers.
- Sitapuram 43 MW coal based power plant in state of Andgra (spelling?) Pradesh with supplies to Zuari Cements & Sri Vishnu Cements (Italcementi Group).

Total 184 MW

Projects under Construction

- VS Lignite, 135 MW lignite based power plant in Rajasthan with supplies to multiple industrial customers. This plant is due for completion Jan-Mar 2009. Construction work greatly progressed and materials required for construction have reached the site and progress is encouraging.
- Wardha Power, 540 MW Warora power plant, the coal based power plant in Maharashtra is due for completion and commissioning in 2009-10. Equipment supply, erection and commissioning, and construction is currently underway.

Total 675 MW

Projects under Advanced Development

- Wardha Power, 1,800 MW power plant in Chattisgarh has witnessed significant progress with respect to land acquisition, water linkage, and granting various statutory approvals required for the project. This project is now in a position to complete equipment ordering in entirety and proceed on construction activity.
- Arasmata, 43 MW coal based, expansion power plant in Chattisgrah with supplies to Lafarge and multiple industrial customers. The Company has placed orders on multiple packages and targeting the commissioning in 2010.

- KSK Dibbin Hydro Power, 130 MW hydro-electric power plant in Arunachal Pradesh has witnessed substantial progress over the last few months.

Total 1,973 MW

Financial Overview

The consolidated operating revenue for the reporting period of the Company from power generating activities and project development activities stood at \$35.35m. Gross Profit on the Operating Revenue stood at \$18.14m.

Operating income for the period stood at \$10.95m of which \$2.734m arose from power development activities and \$9,674m arose from project development activities. A full breakdown is shown in note 21 to the interim accounts.

The finance costs for the reporting period stood at \$12.56m.

Profit before tax stood at \$9.96m including the effect of valuation loss on the investments.

The earnings per share for the period was \$0.06.

The consolidated cash balance at the end of the period to 30th September 2008 stood at \$156 m (as against \$ 58 m at the beginning of the period). This balance reflects \$ 380 m of additional financing in the period (predominantly equity raised and project debt disbursement). It is anticipated that this should ensure the implementation by KSK EV of the various power plants remains unhindered and provides significant working capital ahead of the positive cash flows that are expected to accrue from the various power plants in due course of 2009 and 2010. Also, the Company has been receiving significant interest from various major investors for potential funding participation in the large power plants which have been secured; it is anticipated that 2009 will be the year to cement these associations and funding for the future projects.

Insofar as access to coal resources, KSK is pre-eminently placed among its competitive peers in India, both in terms of footprint and progress on access to long term fuel for the various power plants under set up. The Company has intensified efforts to secure additional coal resources, not only from domestic sources but also overseas opportunities.

Outlook

The Company sees significant opportunities in the second half and early part of the next year. These are exciting times for the Company with a number of further projects underway. We have significant cash resource and expect that with various collaborations, the Company will continue to invest in the growth opportunities and new projects. We remain confident in our growth prospects and in our ability to meet expectations for the full year and beyond.

A full set of interim figures can be found on the company website and below is a summary of the interim accounts Summary Group and Parent Company Financial Statements (Unaudited)

For the half year ended 30 September 2008

All amounts in thousands of US Dollars, unless otherwise stated

GROUP AND PARENT COMPANY BALANCE SHEET (Unaudited)

	Notes	Group			Parent Company		
		30 September 2008	30 September 2007	31 March 2008	30 September 2008	30 September 2007	31 March 2008
ASSETS							
Non current assets							
Goodwill	5	80,47		95,52	-	-	-
Property, plant and equipment, net		360,81	90,61	318,24	-	-	-
Investments		13,77	20,54	3,31	39,266	44,231	43,094
Trade and other receivables		2,59		2,69	-	-	-
Deferred tax asset		5,39		1,10	-	-	-
Other assets		21,48		7,20	7,634	13,331	14,428
Total non current assets		484,54	111,15	428,08	46,900	57,562	57,522
Current assets							
Inventories		1,80	1,59	1,76	-	-	-
Trade and other receivables		16,06	4,25	8,33	-	-	-
Investments			49,38	44,76	-	-	-
Cash and cash equivalents	7	156,15	13,02	58,40	91	1,207	898
Restricted cash		115,18	45,82	38,95	-	1,450	-
Other assets		102,67	46,41	52,41	28,947	-	5
Total current assets		391,87	160,50	204,62	29,038	2,657	903
Non current assets classified as held for sale	6	22,17		26,32	-	-	-
Total Assets		898,59	271,65	659,03	75,938	60,219	58,425
Equity and Liabilities							
Equity							
Share capital		21	21	21	21	216	216
Additional paid up capital		120,96	52,69	120,96	52,69	52,697	52,697
Other reserves		153,24	1,94	6,24		-	-
Translation reserve		(27,051)	4,20	11,29	79	7,478	5,937
Revaluation reserve		7,73		11,25		-	-
Retained earnings		41,72	28,73	40,91	(1,686)	(222)	(632)
Equity attributable to shareholders of the parent Company		296,84	87,79	190,88	52,02	60,169	58,218
Minority interest		200,72		89,79		-	-
Total equity		497,56	87,79	280,68	52,02	60,169	58,218
Liabilities							
Non current liabilities							
Employee benefits		3	3	3		-	-
Borrowings, net of current portion	8	169,97	66,39	153,20	23,06	-	-
Other liabilities		4,96	30,32	6,05		-	-
Deferred tax liabilities		15,77	2,14	27,61		-	-

Total non current liabilities		190,74	98,90	186,91	23,06	-	-
Current liabilities							
Trade and other payables		51,13	7,87	95,19		-	-
Borrowings	8	146,14	69,51	89,56		-	-
Current tax liabilities		1,49	2,70			-	-
Other liabilities		11,51	4,85	6,67	85	50	207
Total current liabilities		210,28	84,95	191,43	85	50	207
Total liabilities		401,03	183,85	378,34	23,91	50	207
Total stockholders' equity and liabilities		898,59	271,65	659,03	75,93	60,219	58,425

(The accompanying notes are an integral part of these Group and parent Company financial statements)

GROUP AND PARENT COMPANY INCOME STATEMENT

	Notes	Group			Parent Company		
		For the half year ended 30 September 2008	For the half year ended 30 September 2007	For the year ended 31 March 2008	For the half year ended 30 September 2008	For the half year ended 30 September 2007	For the year ended 31 March 2008
Operating Revenue	16 & 21	35,35	13,46	31,63			
Cost of Revenue	17 & 21	17,20	7,54	17,34			
Gross Profit		18,14	5,92	14,29			
Distribution Expenses		87	20	83			
General and administrative expense:		6,31	2,25	9,89	29	5	50
Operating profit		10,95	3,45	3,57	(292)	(53)	(508)
Other income(Net)	18	6,27	3,38	14,06	1	15	
Excess of share of assets acquired over acquisition cost				39			
Investment income	19	6,69	3,98	28,73			19
Unrealised gain/ (loss) on held for trading investments		(1,397)	17,05	22,99			
Loss on sale of Joint Venture				(2,031)			
Finance cost	20	(12,560)	(4,416)	(14,731)	(773)	(120)	(121)
Profit/(Loss) before tax		9,96	23,46	53,00	(1,054)	(22)	(432)
Tax expense		(895)	(2,540)	(14,420)			
Profit/(Loss) for the year		9,06	20,92	38,58	(1,054)	(22)	(432)
Attributable to minority		5,65		3,59			
Attributable to equity		3,41	20,92	34,99	(1,054)	(22)	(432)

shareholders of the parent
Company

Earnings per share

22

Basic and diluted (in USD) 0.02 0.16 0.27 (0.0082) (0.0002) (0.0034)

(The accompanying notes are an integral part of these Group and parent Company financial statements)

GROUP STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Equity attributable to equity holders of KSK Power Ventur Plc							Minority Interest	Total stockholders' equity
	Share capital, No. of shares	Share capital, amount	Other Reserve	Additional paid in capital	Translation reserve	Revaluation Reserve	Retained Earnings		
Balance as at 1 April 2007	128,878,505	216	1,942	52,697	2,521	-	7,816	-	65,192
Currency translation adjustment	-	-	-	-	1,685	-	-	-	1,685
Net income recognised directly in equity	-	-	-	-	1,685	-	-	-	1,685
Net Income for the current period	-	-	-	-	-	-	20,920	-	20,920
Total recognised income and expense for the period	-	-	-	-	1,685	-	20,920	-	22,605
Balance as at 30 September 2007	128,878,505	216	1,942	52,697	4,206	-	28,736	-	87,797
Balance as at 1 April 2007	128,878,505	216	1,942	52,697	2,521	-	7,816	-	65,192
Currency translation adjustment	-	-	-	-	8,771	-	-	-	8,771
Adjustment on account of change in controlling interest ¹	-	-	4,302	-	-	-	-	-	4,302
Utilisation for issue of bonus shares in subsidiary	-	-	-	-	-	-	(1,893)	-	(1,893)
Revaluation of previously held assets to fair value on business combination in stages ²	-	-	-	-	-	11,252	-	-	11,252
Fair value of net assets attributable to minority in business combination	-	-	-	-	-	-	-	86,205	86,205
Excess of fair	-	-	-	68,270	-	-	-	-	68,270

value of shares
issued in
subsidiary in
business
combination

Net income recognised directly in equity	-	-	4,302	68,270	8,771	11,252	(1,893)	86,205	176,907
Net Income for the current period	-	-	-	-	-	-	34,992	3,592	38,584
Total recognised income and expense for the period	-	-	4,302	68,270	8,771	11,252	33,099	89,797	215,491
Balance as at 31 March 2008	128,878,505	216	6,244	120,967	11,292	11,252	40,915	89,797	280,683

¹ Refer note 4.4 to the financial statements

² Refer notes 4.2, 6 and 37 to the financial statements

	Equity attributable to equity holders of KSK Power Ventur Plc							Minority Interest	Total Stockholders equity
	Share capital, No of shares	Share capital, amount	Other Reserve	Additional paid in capital	Translation reserve	Revaluation reserve	Retained Earnings		
Balance as at 1 April 2008	128,878,505	216	6,244	120,967	11,292	11,252	40,915	89,797	280,683
Currency translation adjustment					(38,343)			(32,070)	(70,413)
Adjustment on account of change in controlling interest ¹			150,551			(3,358)	(2,765)	140,221	284,651
Available-for-sale investments			(3,552)					(2,878)	(6,430)
Valuation gains/(losses)									
Depreciation on revalued assets						(159)	159		
Net Income recognised directly in equity			147,000		(38,343)	(3,517)	(2,606)	105,271	207,811
Net income for the current period							3,410	5,651	9,061
Total recognised Income and			147,000		(38,343)	(3,517)	810	110,991	216,871

Expense for the period

Balance as at 30 September, 2008	128,878,501	210	153,241	120,967	(27,051)	7,731	41,721	200,721	497,561
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¹ Refer note 4.1 to the financial statements

PARENT COMPANY STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Share Capital No. of shares	Share Capital- Amount	Additional paid in capita	Translation reserve	Accumulated deficit	Total stockholders' equity
Balance as at 1 April, 2007	128,878,501	210	52,697	(1,571)	(200)	51,141
Currency translation reserve				9,041		9,041
Net income recognised directly in equity				9,041		9,041
Net loss for the period					(22)	(22)
Total recognised Income and Expense for the period				9,041	(22)	9,021
Balance as at 30 September, 2007	128,878,501	210	52,697	7,471	(222)	60,161
Balance as at 1 April 2007	128,878,501	210	52,697	(1,571)	(200)	51,141
Currency translation reserve				7,501		7,501
Net income recognised directly in equity				7,501		7,501
Net loss for the period					(432)	(432)
Total recognised Income and Expense for the period				7,501	(432)	7,071
Balance as at 31 March, 2008	128,878,501	210	52,697	5,937	(632)	58,211
Balance as at 1 April, 2008	128,878,501	210	52,697	5,937	(632)	58,211
Currency translation reserve				(5,138)		(5,138)
Net income recognised directly in equity				(5,138)		(5,138)
Net loss for the period					(1,054)	(1,054)
Total recognised Income and Expense for the period				(5,138)	(1,054)	(6,192)
Balance as at 30 September, 2008	128,878,501	210	52,697	791	(1,686)	52,021

STATEMENT OF CASH FLOWS

Particulars	Group			Parent Company		
	For the half year ended 30 September 2008	For the half year ended 30 September 2007	For the year ended 31 March 2008	For the half year ended 30 September 2008	For the half year ended 30 September 2007	For the year ended 31 March 2008
(A) Cash inflow/ (outflow) from operating activities						
Net income/(loss) before tax	9,963	23,460	53,004	(1,054)	(22)	(432)
Adjustments						
Loss on sale of equity interest in JV	-	-	2,031	-	-	-
Depreciation	3,073	1,437	3,500	-	-	-
Investment (income)/ loss	(5,121)	(20,628)	(51,730)	(11)	-	-
Finance cost, net	12,560	4,416	14,731	773	-	-
Interest and other income	(6,712)	(406)	(396)	-	-	-
Dividend Income	(176)	-	-	-	-	-
Changes in assets/liabilities net of effect of business combinations and changes in controlling interest						
Trade and other receivables	(7,630)	(687)	(4,698)	-	(1,757)	281
Inventory	(45)	(468)	168	-	-	-
Other assets	(8,404)	39,197	(5,151)	(601)	-	(1,438)
Trade and other payables and Other liabilities	3,794	36,069	1,150	65	(280)	(170)
Taxes paid	(5,937)	(540)	(5,668)	-	-	-
Net cash provided by/(used in) operating activities	(4,635)	81,850	6,941	(828)	(2,059)	(1,759)
(B) Cash inflow/ (outflow) from investing activities						
Movement in restricted cash	(76,230)	14,040	20,905	-	10,902	14,165
Dividend income	12	406	449	-	-	-
Interest income	5,910	-	3,557	11	-	-
Payments for purchase of property plant and equipment	(99,467)	-	(7,915)	-	-	-
Sale of interest in JV	-	4,427	1,808	-	-	-
Payment for acquisitions, net of cash acquired	(41,796)	-	(24,254)	(23)	-	-
Purchase of investments and advances paid for purchase o	(23,036)	(57,801)	(54,976)	(30,909)	(6,653)	-

investments						
Loan (given) / repaid	(35,860)	-	-	6,794		
Sale of financial assets	19,327	-	43,671	-		-
Net cash provided by/(used in) investing activities	(251,140)	(38,928)	(16,755)	(24,127)	4,249	14,165
(C) Cash inflow/ (outflow) from financing activities						
Proceeds from Loans	192,466	77,550	326,345	25,056		(12,988)
Decrease /(Increase) in borrowings on account of acquisition	-	(38,407)	-	-		-
Finance charges paid	(10,827)	(4,214)	(14,500)	(193)		-
Repayment of loans	(81,349)	(36,271)	(333,447)	-	(11,326)	-
Share issue expenses	(9,354)	-	-	-		-
Proceeds from issue of share: in subsidiary to minority	291,664 [*]	-	86,205	-		-
Trading securities	-	(31,911)	-	-		-
Net cash provided by / (used in) financing activities	382,600	(33,253)	64,603	24,863	(11,326)	(12,988)
(D) Effect of exchange rate changes on cash	(29,076)	13	273	(715)	9,052	189
Net increase/ (decrease) in cash and cash equivalents	97,749	9,682	55,062	(807)	(84)	(393)
Cash and cash equivalents at the beginning of the year/period	58,403	3,341	3,341	898	1,291	1,291
Cash and cash equivalents at the end of the year/period	156,152	13,023	58,403	91	1,207	898
Cash and cash equivalents comprise						
Cash in hand	43	7,055	245	-	-	-
Balances with banks	156,109	5,968	58,158	91	1,207	898
	156,152	13,023	58,403	91	1,207	898

^{*}Refer note 4.1 to the financial statements

(The accompanying notes are an integral part of these Group and parent Company financial statements)

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 and 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.

The Group, through one of its subsidiaries acts as an investment advisor to KSK Asset Management Services Private Limited, Mauritius which acts as the investment advisor for KSK Emerging India Energy Fund Limited, a company listed on AIM.

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.

1.3 Financial Period

The Group and parent Company financial statements cover the period from 1 April 2008 to 30 September 2008, with comparative figures for the period from 1 April 2007 to 30 September 2007 and 1 April 2007 to 31 March 2008.

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 IM 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 period ended 30 September, 2008 (including the comparatives for the period ended 30 September 2007 and year ended 31 March 2008) were approved by the Board of Directors on 09 December 2008.

The Group comprised of the following subsidiaries and Joint Ventures.

Subsidiaries	Immediate Parent	Country of Incorporation	% shareholding		
			30 September 2008	30 September 2007	31 March, 2008
KSK Energy Limited ('KEL')	KSK Power Ventur Plc (KPVP)	Mauritius	100	100	100
KSK Asset Management Services Private Limited ('KASL') ¹	KPVP	Mauritius	100	-	-
KSK Energy Ventures Limited ('KEVL' or 'KSK India'), formerly <i>KSK Energy Ventures Private Limited</i>	KEL	India	55.25	100	65
KSK Energy Company Private Limited (KECPL)	KEL ²	India	100	100	100
KSK Electricity Financing India	KEVL	India	100	-	100

Private Limited ('KEFIPL')						
Lakshpat Power Company Private Limited	KEVL	India	100	100	100	100
KSK Narmada Power Company Private Limited	KEVL	India	100	100	100	100
Bahur Power Company Private Limited	KEVL	India	100	100	100	100
KSK Technology Ventures Private Limited	KEVL	India	100	100	100	100
Sai Maithili Power Company Private Limited	KEVL	India	100	100	100	100
KSK Surya Photovoltaic Venture Private Limited ³	KECPL	India	100	100	100	100
Marudhar Mining Private Limited	KECPL ²	India	100	-	100	100
KSK Energy Resources Private Limited	KECPL ²	India	100	100	100	100
KSK Natural Resource Ventures Private Limited	KECPL ²	India	100	100	100	100
KSK Dibbin Hydro Power Private Limited	KECPL ²	India	100	100	100	100
Kameng Dam Hydro Power Private Limited	KECPL ²	India	100	100	100	100
KSK Investment Advisor Private Limited ('KIAPL') ⁴	KECPL	India	100	-	-	-

Joint Ventures	Country of Incorporation	% economic interest		
		30 September 2008	30 September 2007	31 March, 2008
RVK Energy Private Limited ⁵	India	50.00	50.00	50.00
Kasargod Power Corporation Limited ⁵	India	50.00	50.00	50.00
Coromandel Electric Company Limited ⁶	India	-	71.86	-
Sai Regency Power Corporation Private Limited ⁵	India	73.92	25.87	73.92
Arasmeta Captive Power Company Private Limited ⁵	India	51.00	17.85	51.00
Sitapuram Power Limited ⁵	India	49.00	17.15	49.00
VS Lignite Power Private Limited ⁵	India	74.00	30.27	74.00
Wardha Power Company Private Limited ⁵	India	74.00	34.20	74.00
JR Power Gen Private Limited	India	51.00	-	51.00
KSK Electricity Financing India Private Limited ⁷	India	-	35.00	-
Marudhar Mining Private Limited	India	-	74.00	-

1. The Company has incorporated a subsidiary KASL which acts as the investment advisor to KSK Emerging India Fund Limited, an entity listed on AIM.
2. As at 30 September, 2007 all the outstanding shares were held by KSK Energy Ventures Limited.
3. The entire shareholding of KSK Surya Photovoltaic Ventur Private Limited has been transferred from KEVL to KECPL during the period.
4. KECPL a subsidiary of the Company has incorporated a subsidiary KIAPL which acts as investment advisor to KASL.
5. The terms of the contractual 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.
6. The entire shareholding of KECPL in CECL was sold to the Joint Venture partner on 24 February, 2008.

7. As at 30 September, 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.

2. Standards and Interpretations not yet applied

The following standards, which are yet to become mandatory, have not been applied in the preparation of Group's and parent Company financial statements.

Standard	Effective for in reporting periods starting on or after	
IFRS 8	Operating Segments	January 1, 2009
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 16	Hedges of a Net Investment in a foreign operation issue	October 1, 2008
IFRIC 15	Arrangement for the construction of real estate	January 1, 2009
IAS 1	Presentation of financial statements (revised)	January 1, 2009
IAS 16	Property, Plant and Equipment (Annual Improvements 2008)	January 1, 2009
IAS 20	Government Grants and Disclosure of Government Assistance (Annual Improvements 2008)	January 1, 2009
IAS 23	Borrowing Costs (revised 2007)	January 1, 2009
IAS 27	Group and parent Company and Separate Financial Statements (revised 2008) ('IAS 27R')	July 1, 2009
IAS 32	Financial Instruments: Presentation- Puttable Financial Instruments and Obligations Arising on Liquidation Amendment	January 1, 2009
IAS 36	Impairment of Assets (Annual Improvements 2008)	January 1, 2009
IAS 38	Intangible Assets (Annual Improvements 2008)	January 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement (Annual Improvements 2008)	January 1, 2009
IFRS 1	First-time adoption of International Financial Reporting Standards - Cost of an investment on first-time adoption	January 1, 2009
IFRS 2	Share-based Payment (Amendment)	January 1, 2009
IFRS 3	Business Combinations (revised 2008) ('IFRS 3R')	For acquisition dated on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The application of IFRS 3R and IAS 27R in accounting for any business combinations and changes in ownership interests in Group entities may have a material impact on the Group's financial statements when these standards become effective. Based on the Group's current business model and accounting policies, management does not expect the application of the other standards to have any material impact on its financial statements when those Standards become effective.

The Group does not intend to apply any of these pronouncements early.

3. Summary of Accounting Policies

3.1. Overall considerations

The significant accounting policies that have been used in the Group and parent Company financial statements are summarised below. The financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement basis are more fully described in the accounting policies below.

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

The financial statements pertaining to half year ending 30th September, 2008 and 30th September, 2007 are unaudited whereas the financial statements pertaining to year ending 31st March, 2008 were audited.

The details pertaining to parent Company have been provided wherever applicable. Balances represent consolidated amounts for the Group, unless otherwise stated.

3.2. Basis of preparation

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union. The Company is incorporated in the Isle of Man and as such is regulated by Isle of Man Company law. The ordinary shares of the Company are listed on the AIM.

The Group and parent Company financial statements have been prepared on the going concern assumption, which assumes the realisation of assets and satisfaction of liabilities in the normal course of business and in the opinion of the directors the Group will be able to meet its obligations as they fall due in the foreseeable future.

The financial statements comprise the Group and parent Company income statement, Group and parent Company balance sheet, Group and parent Company statement of changes in shareholders' equity, Group and parent Company statement of cash flows and related notes.

3.3. Use of estimates

In preparing Group and parent Company financial statements, the management is required to make 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. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The management's estimates for the useful life and residual value of tangible assets, impairment of tangible assets and recognition of deferred tax assets represent certain of these particularly sensitive estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed in note 33.

3.4. Basis of consolidation

The Group financial statements incorporate the financial information of KSK Power Ventur plc, its subsidiaries, and joint ventures made for the half year ended 30 September 2008.

Subsidiaries are those entities that are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is acquired by the Group and are no longer consolidated from the date such control ceases.

Intra-group balances and transactions and any resulting unrealized gains arising from intra-group transactions are eliminated on consolidation. Unrealized losses resulting from intra-group transactions are also eliminated unless cost cannot be recovered. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

3.5. Investments in Joint Ventures and associates

Entities whose economic activities are controlled jointly by the Group and by other venturer independent of the Group ('Joint Ventures') are accounted for using the proportionate consolidation to the extent of the Group's economic interest in the entity.

Where a Group Company undertakes its activities under Joint Venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with the other ventures are recognised in the financial statements of the relevant Company and classified according to their nature. Liabilities and expenses incurred directly in respect of interest in jointly controlled entities are accounted for on an accrual basis. Income from the sale or the use of the Group's share of the output if jointly controlled assets, and its share of the Joint Venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Associates are those entities over which the Group is able to exercise significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the purchase method. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the Group's share of interest in the equity of the associate are recognized in the group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported under "Share of profit/loss from associate" in the income statement and therefore affect net results of the group. These changes include subsequent depreciation, recognized or impairment of the fair value adjustments of assets and liabilities. Items that have been recognized directly in the associate's equity are recognized in the consolidated equity of the Group. However, when the group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognized its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Unrealised gains and losses on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in the associates. Where recognized losses are eliminated, the underlying asset is also tested for impairment losses from Company's group perspective.

Amounts reported in the financial statements of Joint Ventures and Associates are adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

3.6. Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date, except for non-current assets (or disposal Groups) that are classified as held for resale in accordance with *IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value in use.

Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses. Any excess of the Group's share of the identifiable net assets acquired over the acquisition cost is recognised immediately in profit and loss after reassessing the identification and measurement of the identifiable assets, liabilities, contingent liabilities and recording necessary adjustments.

Business combination achieved in stages is accounted by treating each transaction separately, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction. This results in a step-by-step comparison of the cost of the individual investments with the acquirer's interest in the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at each step. Adjustments to those fair values relating to previously held interests of the acquirer is treated as a revaluation and accounted for as such.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Refer to note 3.12 for a description of impairment testing procedures.

3.7. Common control business combinations

Business combinations involving entities under common control are accounted by applying a pooling-of-interests method. In applying this method, the Group adopts a "controlling party perspective". Under this method, the acquirer accounts for the transaction as follows:

- the assets and liabilities of the acquiree are recorded at book value as stated in the financial statements of the acquiree and not at fair value, although adjustments are recorded to achieve uniform accounting policies;
- intangible assets and contingent liabilities are recognised only to the extent that they were previously recognised by the acquiree in accordance with applicable IFRS;
- any goodwill on the original acquisition of the combining entities by the acquiree, as stated in the consolidated financial statements of the acquiree is recognised. No additional goodwill is recorded on these transactions.

- the difference between the acquirer's cost of investment and the acquiree's equity is presented as a separate reserve within equity on consolidation;
- minority interests in the combining entities, as stated in the consolidated financial statements of the acquiree is recognised as adjusted to achieve uniform accounting policies;
- any expenses of the combination are written off immediately in the income statement;
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented. The comparative periods are also restated only to the later of the beginning of the earliest comparative period and the date on which the combining entities first came under common control; and
- the acquiree's book values to be used in the consolidation are those from the perspective of the controlling party rather than the amounts in the acquiree's separate financial statements.

3.8. Change in ownership in subsidiary

Changes in ownership in a subsidiary, without change in control are accounted for under the equity transaction method. The equity transaction method regards the transaction as a realignment of the interests of the different equity holders in the Group.

Under the equity transaction method, an increase in the Group's ownership interest is accounted for as follows:

- the minority interest component of equity is adjusted to reflect the minority's revised share of the net carrying value of the subsidiary's net assets;
- the difference between the consideration paid and the adjustment to minority interests is debited or credited to a different component of equity;
- no adjustment is made to the carrying amount of goodwill or the subsidiary's net assets as reported in the consolidated financial statements.

Under this method, a decrease in the parent's ownership interest is accounted for in a similar manner. No gain or loss is reported in the income statement. The difference between the consideration received and the adjustment to minority interests is debited or credited to equity.

3.9. Accounting for additional interest acquired in Joint Ventures

Additional equity interest acquired in Joint Venture undertakings, without change in control are accounted for as business combination achieved in stages. Under this method, the Group accounts for the transaction as follows:

- As at the date of acquisition of additional interest the Group shall using the cost of the transaction and fair value information at the date of acquisition determines the amount of any goodwill associated with that transaction.
- Any adjustment to those fair values relating to previously held interests of the acquirer is a revaluation and shall be accounted for as such.

3.10. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the development or acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Borrowing costs associated with the Property, plant and equipment are capitalized up to the date the said property, plant and equipment are ready to be put to use. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Parts of some items of property, plant and equipment require replacement at regular intervals. The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred and correspondingly, the carrying amount of those parts that are replaced is derecognised.

Certain items of plant and equipment require the performance of regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement and any remaining carrying amount of the cost of the previous inspection is derecognised. This occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired or constructed.

Assets in the course of construction are not depreciated. Other assets are depreciated by writing off their cost less estimated residual value evenly over their estimated useful lives, based on management's judgement and experience, which are principally as follows:

Nature of asset	Useful life (years)
Buildings	30
Infrastructure assets	
- Gas engine based installation	15
- Gas turbine based installation	25
- Thermal power plants	25
- Hydel power plants	35
Mineral assets	Based on reserves on a unit of production basis
Office equipment	5
Furniture and fittings	7
Vehicles	7
Computer software	3

Land held for use in production is stated at cost and the related carrying amounts are not depreciated.

Exploration and evaluation expenditure (including amortization of recognized licence costs) is charged to the income statement as incurred except in the following circumstances, in which case the expenditure may be capitalised:

- the exploration and evaluation activity is within an area of interest which was previously acquired in a business combination and measured at fair value on acquisition, or
- where the existence of a commercially viable mineral deposit has been established.

Capitalised exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment at cost less impairment charges. Otherwise, it is recorded as an intangible asset. If the asset is not available for use, it is not depreciated.

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as 'Assets under construction', and is disclosed as a component of property, plant and equipment. As the asset is not available for use, it is not depreciated. On completion of development, any capitalized exploration and evaluation expenditure, together with the subsequent development expenditure, is classified as either 'Plant and equipment' or 'Other mineral assets'.

3.11. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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, until such time as the assets are substantially ready for their intended use or sale. Interest income earned on the temporary investment of specific borrowing pending its expenditure on qualifying assets is deducted from the cost of these assets.

The capitalisation of borrowing costs is suspended if there are prolonged periods when development construction activity is interrupted and all borrowing costs incurred during this period are charged to the income statement. Further, any borrowing costs, including compound interest, penal charges and other levies charged on the amounts of

borrowing costs incurred during the period when capitalization was suspended is also charged to the income statement.

Gains and losses on extinguishment of liability, including those arising from substantial modification of terms of borrowings are not treated as borrowing costs and are charged to income statement.

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

3.12. Impairment testing of goodwill and property plant and equipment

Goodwill and property, plant and equipment are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, the management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the Group's management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.13. Accounting for financial assets

Financial assets are divided into the following categories:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- Held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognised in profit or loss or directly in equity. See note 35 for a summary of the Group's financial assets by category.

An assessment of whether a financial asset is impaired is made at least at each reporting date.

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 profit or loss. The Group's trade and most other receivables fall into this category of financial instruments. Discounting, however, is omitted where the effect of

discounting is immaterial. Receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default.

Financial assets at fair value through profit and loss account and Held for Trading securities

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Available for sale investments

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets.

Available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in equity. Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired. In the case of impairment, any loss previously recognised in equity is transferred to the income statement. Losses recognised in the income statement on equity instruments are not reversed through the income statement but charged to equity. Losses recognised in prior period income statements resulting from the impairment of debt securities are reversed through the income statement, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of Group's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Investment in subsidiaries

In the Parent Company 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. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of cost of the investment.

3.14. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

3.15. Financial Liabilities

Financial liabilities include borrowings, trade and other payables, and liability component of compound financial instruments which are initially recorded at fair value of the consideration received less directly attributable transaction costs and thereafter are stated at amortised cost using the effective interest rate method. Differences between the transaction value and the fair value on initial measurement are credited to the income statement if there are no future obligations to be performed that are associated with the amounts received. A summary of the Group's financial liabilities by category is given in note 35.

Trade payables are recognised initially at their nominal value and subsequently measured at amortised cost less settlement payments.

Financial Liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges, and, if applicable, changes in an instrument's fair value that are reported in the profit or loss are included in the income statement line items "finance costs" or "finance income"

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Financial liabilities that have been exchanged or modified for another financial liability with substantially different terms

have been accounted as an extinguishment of the old liability and recognition of a new liability. The terms are considered substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original debt instrument. Any cost or fees incurred on the extinguishment of the financial liability are recognized as part of the loss on the extinguishment of the debt under the head financial expenses. If the exchange or modification of the financial liability is not accounted for as an extinguishment of the debt then any costs or fees incurred for the adjustment to the carrying amount or terms of the liability are deferred in the year of payment and are amortized over the remaining term of the modified loan using the effective interest method.

3.16. Compound financial instruments

The Group recognises separately the components of a compound financial instrument that creates a financial liability and grants an option to the holder of the instrument to convert it into an equity instrument of the Group. Compound financial instruments are broken down into their equity and liability components and classified accordingly in the balance sheet. The initial carrying amount of a compound financial instrument is allocated to its equity and liability components, and the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The carrying amount of the liability component is determined by measuring the fair value of a similar liability that does not have an associated equity component. Such measurement takes into account management's estimates of Group's contractual obligation to make future payments and the market interest rate for a similar liability.

3.17. Equity and dividend payments

Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the initial issuing of share capital. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Other reserves comprise gains and losses due to the revaluation of certain financial assets and property, plant and equipment. Foreign currency translation differences are included in the translation reserve.

Retained earnings include all current and prior period results as disclosed in the income statement.

Incremental costs that are directly attributable to issuing new shares are deducted from equity (net of any income tax benefit) and costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in the income statement.

3.18. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.19. Foreign currency translation

The functional currency of the Company and its subsidiary in Mauritius is the British Pound ('GBP'), Indian Rupee (INR) 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. Any differences arising from this procedure have been charged/ credited to the currency translation reserve in equity.

The following exchange rates were used to translate the INR and GBP financial statements into the presentation currency of US\$:

	Average half year ended 30 September 2008	Average half year ended 30 September 2007	Average year ended 30 March 2008	As at 30 September 2008	As at 30 September 2007	As at 30 March 2008
INR	42.72	44.66	40.16	47.35	39.81	39.89
GBP	0.52	0.50	0.50	0.55	0.49	0.50

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 functional currency 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 functional currency at foreign exchange rates ruling at the dates the fair value was determined.

3.20. 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 individual entity financial statements. Further, income, expenses and assets which are not directly attributable to the business activities of any operating segment are not allocated.

3.21. 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 recognized 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 entity 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 and dividend

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.

3.22. Income Taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period that are unpaid / un-recovered at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities in the financial statements with the tax base. Deferred tax is, however, neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

The tax expenses represent the sum of the tax currently payable and deferred tax.

3.23. Earnings per share

The earnings considered in ascertaining the Company's earning per share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax). 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 profit for the period attributable to ordinary equity holders of the parent 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 the conversion of all the dilutive potential ordinary shares into ordinary shares.

3.24. Employees' benefits

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of benefit that an employee will receive on retirement/separation. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long term benefit fund as well as qualifying insurance policies. The liability recognised in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The management estimates the DBO annually with the assistance of independent actuaries. The estimate of its post-retirement benefit obligations is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The liabilities recognised for defined benefit plans sponsored by Group, however, are subject to change as these factors may vary over the passage of time.

Actuarial gains and losses are recognised as an expense in the period in which they arise. Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Current service costs for defined benefit plans are accrued in the period to which they relate with the difference between the expected return on scheme assets and interest on scheme liabilities are included within the income statement within employee costs.

Defined contribution plan

In addition, the Group operates a defined contribution scheme where payments are charged as employee costs as they fall due. The Group has no further payment or obligations once the contributions have been paid.

3.25. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.26. Other provisions and contingent liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Other provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of Group management.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. These contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

4. 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:

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

KEVL, the Company's subsidiary in India has made an Initial Public Offering (IPO) in the Indian Domestic Market by way of fresh issue of equity share of face value of INR 10 (\$ 0.25) each at a premium of INR 230 (\$ 5.46) per share. The issue was fully subscribed and KEVL raised approximately INR 12.45 billion (\$ 308 million). The issue brought down the holding of the Group in KEVL from 65 percent to 55.25 percent resulting in a 9.75 percent deemed disposal of the Group's controlling interest in KEVL with out loss of control. The group accounted for this as equity transaction among the shareholders whereby the decrease in ownership was accounted for by increasing the minority interest component of equity aggregating US\$ 140,220 thousand to reflect the minority's revised share of the net carrying value of the subsidiary's net assets. The gain on deemed disposal i.e. the difference between the consideration

received and the adjustment to minority interests aggregating US\$ 150,556 thousand has been credited to other reserve.

Business Combinations during 2007-08

4.2. Reorganisation with LB India Holdings Mauritius I Limited

Pursuant to the share purchase agreement dated January 20, 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	(81,753)
Trade and Other payables	(16,152)
Goodwill	91,564
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 for year ended March 31, 2008 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 March 31, 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.

4.3. 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 March 31, 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 recognized 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 therefore the same was not available.

4.4. Re-structuring of the Group

As a part of an internal structuring within the Group, in June 2007, KEFIPL entered 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') and Wardha Power Company Private Limited ('WPCPL'), 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 and accordingly the difference between consideration received and adjustment to the net assets has been debited or credited to different component of equity 'other reserves'. 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.

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	-

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

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 March 2008 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 and WPCPL 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.

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