

TRANSFORMATIONAL GROWTH

OPG Power Ventures Plc
Annual Report and Accounts
2013



OPG Power Ventures Plc

is developing and operating power plants in India.

The Company is committed to building shareholder value and to being the first choice provider of reliable, uninterrupted power at competitive rates to its customers. OPG is listed on the Alternative Investment Market of the London Stock Exchange (AIM:OPG).

Strategic Report

- 01 Highlights
- 02 Year under review
- 04 Market overview
- 06 Business model
- 08 Key performance indicators
- 10 Chairman's statement
- 12 Chief Executive's review
- 14 Responsible growth
- 16 Operational review
- 20 Principal risks
- 22 Financial review
- 26 Teamwork
- 28 Investing in people
- 32 Board of Directors

Corporate Governance

- 34 Corporate governance
- 38 Directors' remuneration report
- 41 Directors' report
- 44 Statement of Directors' responsibilities in respect of the accounts

Financial Statements

- 45 Independent Auditors' Report to the Members of OPG Power Ventures Plc
- 46 Consolidated Statement of Comprehensive Income
- 47 Consolidated Statement of Financial Position
- 48 Consolidated Statement of Changes in Equity
- 50 Consolidated Statement of Cash Flows
- 51 Notes to the Consolidated Financial Statements
- 75 Corporate Directory
- 76 Definitions and Glossary

Gujarat site under advanced construction



Highlights

Revenue £m

FY13	56
FY12	38
FY11	22



Increase in revenue

EBITDA £m

FY13	18
FY12	11
FY11	10



EBITDA margin

Earnings per share pence

FY13	2.48
FY12*	1.71
FY11*	2.13

Pre-exceptional*.



EPS

Average tariff realisation Rs/kWh

FY13	5.6
FY12	4.9
FY11	5.0



Average tariff up 13%

Financial Highlights

- > Revenue up by 46% to £56m (2012: £38m)¹
- > Underlying Rupee revenues up by 63% to Rs 4.8bn (2012: Rs 2.95bn)
- > EBITDA up to £17.7m from £11.3m and EBITDA margin up to 32% from 29% in 2012¹
- > PBT (pre-exceptional items) up by 50% to £13.23m (2012: £8.84m)¹
- > EPS up to 2.48 pence from 0.08 pence in 2012¹
- > Average tariff realised up by 13% to Rs 5.58/kWh from Rs 4.93 in 2012¹
- > £95m invested in projects
- > Cash and cash equivalents of £22.9m and gearing of 37%

¹ Excluding legacy assets no longer consolidated from December 2011.

Operational Highlights

- > Generating capacity more than doubled
- > Chennai I and II delivered 932m units of electricity, up 44% from 2012
- > 77 MW Chennai I and 77 MW Chennai II maintained average PLF of 92% and 99% respectively
- > 77 MW Chennai II commissioned in September 2012, on time and within budget
- > 80 MW Chennai III commissioned in June 2013, ahead of schedule and within budget
- > 160 MW Chennai IV and 300 MW Gujarat projects in advanced construction and on track
- > In-house EPC and operations teams leading all activities
- > Extended coal contract for c. 40% of total imported coal requirements

A transformational period

Year under review

Q1

Tariff increase

Tariff on sales to utility agreed at Rs 5.50 until May 2013, up 10% from the previous contract.

77 MW Chennai II construction completed

Construction of key equipment and balance of plant completed. Commenced synchronisation and connection to facilities shared with Chennai I such as the coal conveyor and chimney stack.

HSE

HSE Committee was established to oversee health and safety across the Group.



Turbine of completed Chennai II

18%

H1: Average tariff realised up 18% up to Rs 5.67/kWh (H1 2012: Rs 4.80/kWh).

Q2

77 MW Chennai II commissioned

Chennai II was commissioned after successful trials and testing of the plant and synchronisation of key equipment parts. The EPC was done, for the first time, by the in-house team and was delivered within budget and on time.

160 MW Chennai IV debt closure

Financial closure was achieved in August 2012 with the project debt facility agreed with a syndicate of Indian banks. The equity component of the funding is from internal cash generation and the project is funded in a 3:1 debt to equity ratio.

Coal contract

Long-term coal contract for imported coal was signed with an existing supplier, a leading and reputed supplier in Indonesia, for supply until August 2013. The price negotiated for this contract was c. 10% lower than the previous contract in US\$ terms.



Coal conveyor and stacker at Chennai site

190MW

H2: Increased generation capacity by 68%.

Q3

77 MW Chennai II commercial sales begin

Stabilisation was achieved within 30 days by the in-house team as compared by 120 days for Chennai I and commercial sales were started in October 2012.

80 MW Chennai III construction advances

The 80 MW Chennai III was at an advanced stage of construction with most of the equipment on-site and essential hydro testing of the boiler and boxing up the turbine.

300 MW Gujarat

Civil works near completion and construction for the boiler and chimney commences.

Q4

Chennai operations performance over 100%

Accelerated ramp up achieved at 77 MW Chennai II generating an average PLF of 102% for the quarter and 99% for the year.

77 MW Chennai I continued to perform at over 90% PLF and achieved a PLF of 102% in Q4.

80 MW Chennai III construction completed

80 MW Chennai III plant construction was completed in March 2013 by the in-house EPC team. The unit was commissioned in June 2013 ahead of schedule.



Chennai III near completion

Power sector recovery under way

Market overview

Whilst the demand-supply imbalance strongly underpins the fundamentals of the Indian power sector, it has faced challenges on many fronts in the recent past. The Government and regulators, pressed by industry players, are taking steps to refuel the growth of the sector.

We have discussed some of the key challenges facing the sector and the recent changes below.

Coal availability

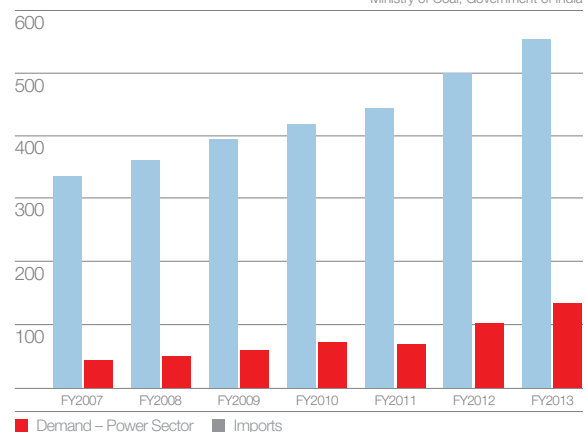
Short supply of domestic coal due to delays in new coal blocks permitting

Recent changes and regulatory initiatives

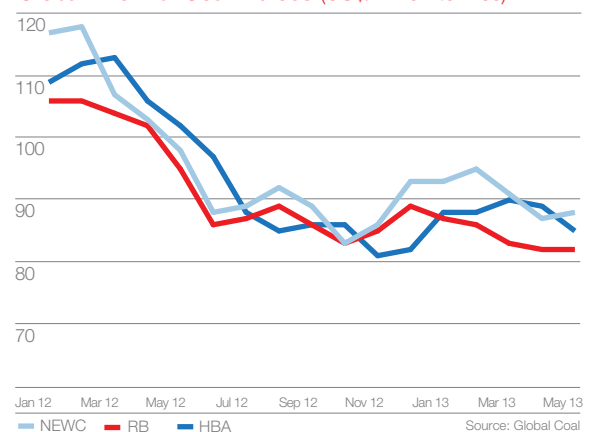
- > **Feb–Apr 2012:** Coal ministry directs Coal India Limited ('CIL') to sign Fuel Supply Agreements ('FSA') for 80% of assured coal quantity to producers with long-term power purchase agreements commissioned between 1 April 2009 and 31 March 2015.
- > **Sep 2012:** CIL Board agrees to supply 80% coal of which 65% is domestic coal and 15% is imported coal at cost-plus basis. CIL also agrees to pay penalties of 1.5-40% for shortage in supply.
- > **Sep 2012:** Coal India to import coal to supplement shortfall in domestic production on cost plus basis.
- > **Jun 2013:** Government allows pass through of increased cost to consumers on imported coal purchased to substitute domestic coal shortage.
- > **Jul 2013:** Coal Ministry directs Coal India to sign FSAs for capacity aggregating 78,000 MW instead of the previously decided 60,678 MW.
- > A fall in import coal prices due to increased global supply in the last year has helped, to some degree, balance costs against higher imports.

Indian Coal Scenario – MMT

Source: Planning Commission & Ministry of Coal, Government of India



Global Thermal Coal Indices (US\$/Million tonnes)



Infrastructure Investment

The sector has seen little investment by the public sector, in upgrading and expanding facilities

Recent changes and regulatory initiatives

- > Following the 'blackout' in North India, which left half the country with no power for two days, the Government has stepped up and accelerated investment in electricity infrastructure through a public/private partnership model under Financial Restructuring Package ('FRP').

- > With an aim of fast tracking infrastructure development, the Prime Minister's Office has set deadlines for steps to implement key projects covering sectors like railways, highways and power by March 2014.

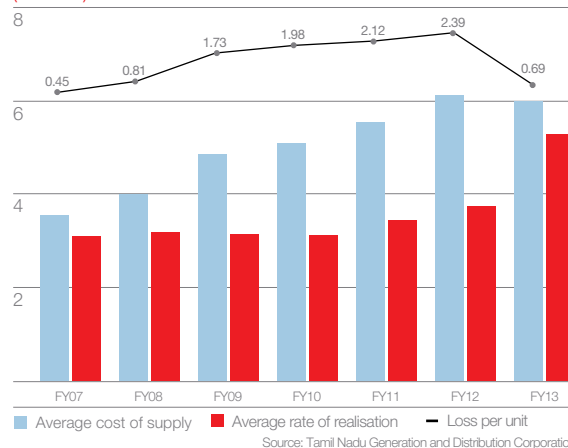
Tariffs and State Utility financial status

In the last decade, tariffs have increased marginally across Indian States and stayed below purchase cost. As a result, utilities have built huge losses

Recent changes and regulatory initiatives

- > **Sep 2012:** The Government approved the FRP of State Utilities, on the condition that the state utilities revise tariffs annually, reduce transmission losses and improve infrastructure.
- > Thus far, State Governments in TN, UP, Haryana, AP, Rajasthan, Bihar, Kerala, HP and Jharkhand are at various stages of FRP implementation and tariff rises were implemented in 24 states in FY13.

Tamil Nadu: Average cost of supply & average. Rate of realisation from FY07–FY13 (Rs/unit)



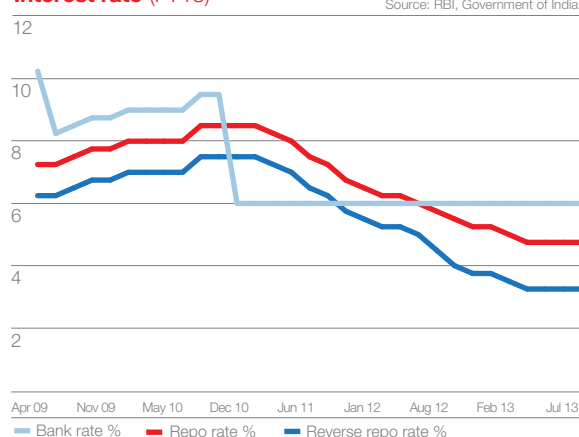
Interest rates

375 bps increase in interest rates from Mar 2010 to Oct 2011, leading to increased financial costs for power projects

Recent changes and regulatory initiatives

- > Inflation rate fell to 7% in FY13, from a high of c. 11% in previous years, prompting rate cuts by the Reserve Bank of India.
- > **Apr 2012 & Jan 2013 Interest rate cut:** RBI cuts Repo rate (lending rate of RBI to banks) and SLR (Statutory Liquidity Ratio) by c. 100 bps.
- > **Jun 2012:** Relaxation of External Commercial Borrowings for infrastructure and power sector under approval route for refinancing existing debt.
- > Reduction in withholding tax on interest on foreign borrowing to 5%.

Interest rate (FY13)



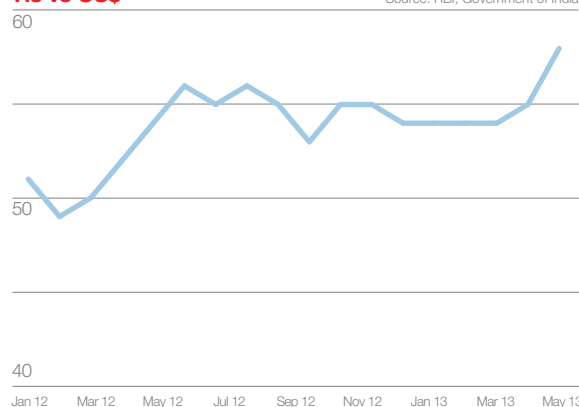
Exchange rates

The Indian Rupee has weakened c. 33% since 2010 from Rs 45 to Rs 60 in June 2013 affecting all in the sector

Recent changes and regulatory initiatives

- > Rupee impacted by:
 - increasing current account deficit due to high crude oil and gold imports
 - reduced foreign inward investment due to a slowdown in reforms/policy leading to an overall discouraging outlook and
 - the Fed's stance on tapering the financial stimulus.
- > **Sep 2012:** The Government announces FDI in retail, power trading and aviation.
- > **Jul 2013:** RBI intervention on gold purchases and export earnings repatriation.

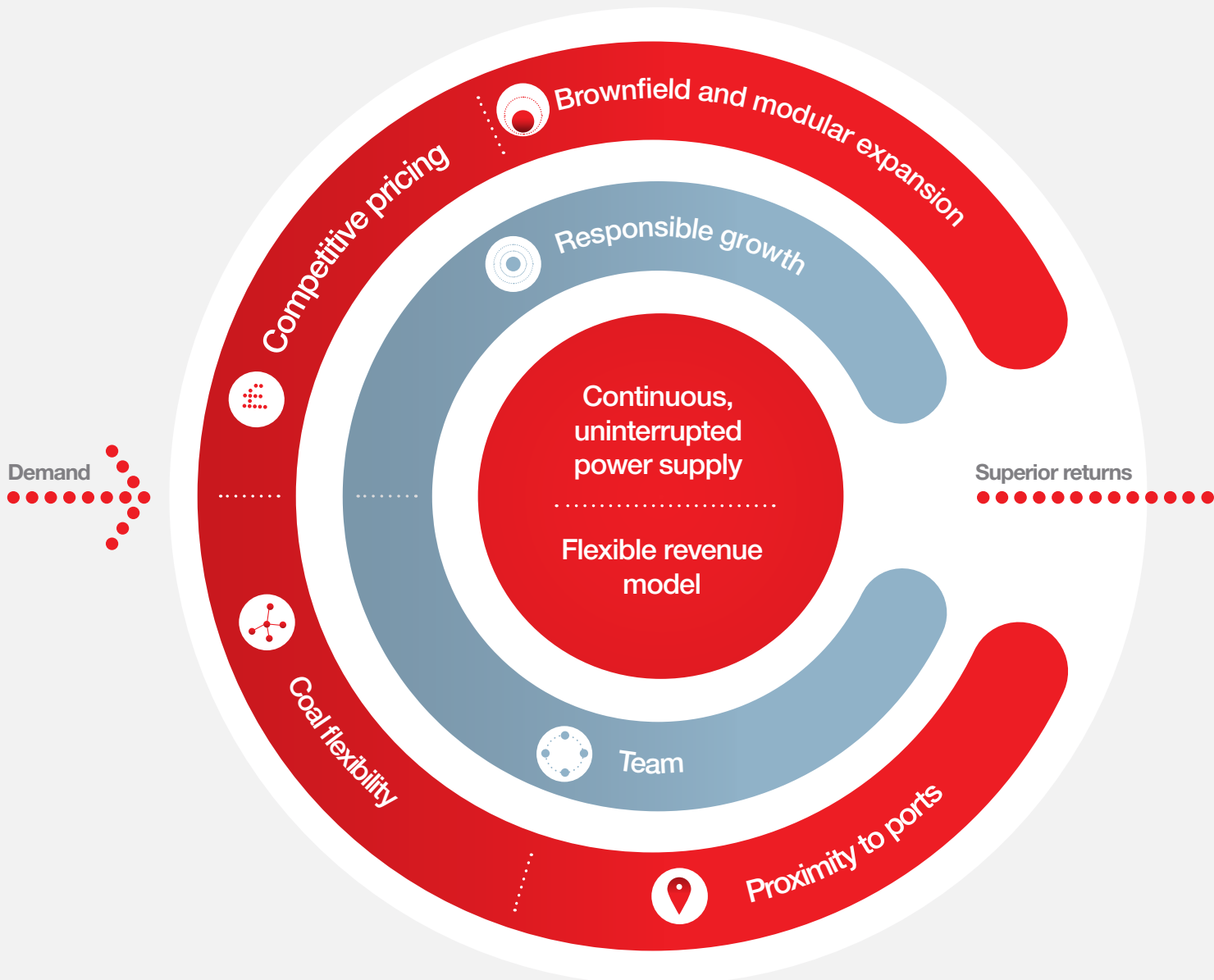
Rs vs US\$



Creating shareholder value

Business model

The Company aims to build shareholder value by being the first choice provider of reliable and uninterrupted power at competitive rates to its customers. Our strategy is to maximise the performance of existing generation assets and to continually de-risk our project portfolio.



Our business model is currently driven by the shortage of reliable and continuous power in highly industrialised states of India.

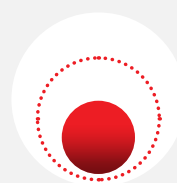
Continuous, uninterrupted power supply

OPG's revenue model is to sell in the short-term market to industrial and commercial customers or state utilities. OPG, a source of continuous and uninterrupted power supply, provides an opportunity to meet the regular and peak power demands to its customers.



Competitive pricing

- > Power is sold to industrial and commercial customers and state utilities at an attractive price



Brownfield and modular expansion

- > Expansion of capacity is executed by building modular sizes and choosing technology and equipment which reduces operational risks
- > New projects and plants built on existing sites



Coal flexibility

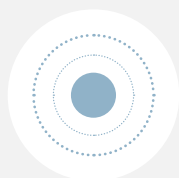
- > The boilers at our plants have been uniquely designed to burn coal sourced either domestically (India) or imported and can be burnt singly or in any mix of the two.



Proximity to ports

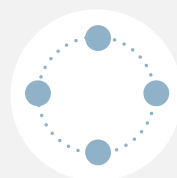
- > Our principal plants and projects are located close to ports which allows us to obtain imported coal with minimum land logistics

Our business reflects our core values and us striving for excellence in management



Responsible growth

- > Seek to identify and maximise any brownfield development opportunities
- > Evaluate and work with long-term, top tier financing, technical and consulting partners
- > Ensure all environmental norms are met or exceeded
- > Take cognisance of the needs of local communities



Team

- > Promote a safe working environment
- > Continually enhance our development skills through internal mobility of senior employees with project development experience
- > Evolve reward structures to align with value creation

Superior returns

- > Secure best available tariff through flexibility of supplying power under the flexible revenue model
- > Maintain ability to use domestic, imported and blended fuel sources of a broad range of specifications
- > Implement optimisation of generation assets and work with development partners to incorporate performance improvement measures in subsequent projects
- > Minimise exposure to complex logistics



Measuring our progress

Key performance indicators

Average tariff realisation Rs/kWh

FY13	5.6
FY12	4.9
FY11	5.0

This is the average price realised per unit of power sold. Revenue for the Company is calculated by multiplying the number of units sold by the average price realised. The average tariff achieved for FY13 was Rs 5.58/kWh, amongst the highest in the sector.



Average tariff up 13%

EBITDA £m

FY13	18
FY12	11
FY11	10

Earnings Before Interest, Taxes, Depreciation and Amortisation is a factor of volumes, prices and cost of production. This EBITDA measure is calculated by adjusting non-operational and exceptional items, depreciation and net finance cost. It is a measure of the Company's operating profitability. EBITDA for FY13 was £17.7m. (FY12: £11.3m).



EBITDA margin

Cost of generation combined for Chennai I and II Rs/kWh

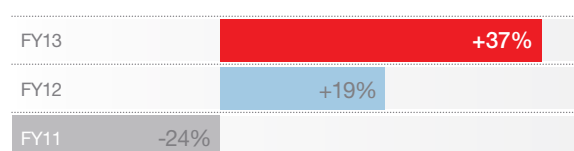
FY13	3.19
FY12	3.25
FY11	3.10

The cost of fuel is the primary cost input in power plants. Cost of generation per kWh decreased marginally to Rs 3.19 (FY12: Rs 3.25) due to a decrease in imported coal prices offset by an increase in domestic coal costs.



Decrease in per unit cost

Gearing %

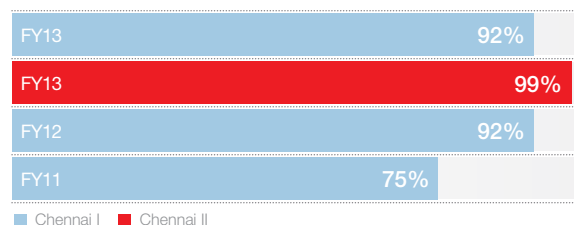


Gearing is a measure of net debt to shareholders' equity plus net debt. The Group has net debt of £52.98m (2012: £31.59m) and gearing of 37% (2012: gearing of 19%). As development of projects proceeds, the gearing increases.

£95m

Invested in projects during the year

PLF for Chennai I (on nameplate capacity) and Chennai II



Plant load factor measures the output of a power plant compared to the maximum output it could produce. A higher load factor represents a more efficient plant and means fixed costs are spread over more kWh of output resulting in a lower price per unit of electricity.

+44%

Units generated

Earnings per share pence



Pre-exceptional*

This represents net profit after tax attributable to equity shareholders. EPS growth also demonstrates the management of our capital structure. In FY13, earnings per share was 2.48 pence.

+45%

Increase in EPS*

Transformational growth

Chairman's statement

The Group has grown substantially during the period in scale, performance and confidence. We have navigated the difficult trading conditions that the electricity sector in India, in general, has experienced courtesy of our flexible business model and through the delivery of our projects.



M C Gupta
Chairman

I am pleased to report that these annual results mark another year of all round progress in terms of both trading and new projects under development. Viewed in the context of the variable and mixed performance of the power sector in India in general, the consistent record of growth and profitability returned by your Company over the last five years underscores the soundness of our delivery capabilities and of our focus.

Economic growth in India continues to be a healthy 5%, albeit lower than the 6–8 % of the previous years. This somewhat reduced growth rate needs to be seen in the context of both the current overall economic slowdown worldwide and the fact that this country, in the years since 1980, has not missed a single year of economic growth.

The power sector in India has achieved much in the last ten years in terms of capacity addition but still more remains to be achieved. A commendable increase in new capacity of 115.47 GW (2003–2013) still results in power deficits of between 10 and 20% in different states across the country. The underlying, structural issue of low tariffs charged by the dominant, state owned producers is now being addressed in earnest with several state utilities having carried out two revisions of tariffs since April 2012. This process of making tariff regimes more realistic will ensure both better pricing for power suppliers and improved financial health for the utilities, factors that will contribute to further growth in the sector.

The power transmission system in the country will soon operate in a synchronous, seamless mode when the southern grid is fully integrated with the rest of the network in 2014. This will not only be among the largest in the world, supporting a total system throughput of more than 200 GW, but will result in a single, integral power market for the country as a whole.

In this overall context, the timely realisation of OPG's new projects is of long term importance and I note with satisfaction that, in the nine months to June 2013, we brought two further plants at the Chennai site into generation. Given the progress achieved in the construction of both the 160 MW unit at Chennai and the 2 x 150 MW units at Kutch, these units should be in revenue within the indicated timelines if not somewhat earlier.

Whilst our present focus is on timely commissioning of the Chennai 160 MW and Kutch 2 x 150 MW units, further growth options, and the timing of these, are under continuous review. We believe that the critical mass and cash flows to be achieved with a capacity of 700 MW will sustain us on this growth path.

It being very much the case that every day is a new day in the power business, I must thank the employees and management at all levels for their dedication and performance which have contributed to the progress of the Company. I am equally thankful to my colleagues on the Board and to our shareholders who have supported us always.

I am pleased to be able to point, in conclusion, to two factors that characterise the Company's performance and its trading environment. Firstly, the Group is on course to transform into an operator of significant capacity, with the two current projects well under way. Secondly, policy makers are giving increasing emphasis on addressing some of the constraints in the sector such as tariff levels, coal availability and transmission throughput. I look forward to another year of progress.

M C Gupta
20 June 2013

OUR OPERATIONS

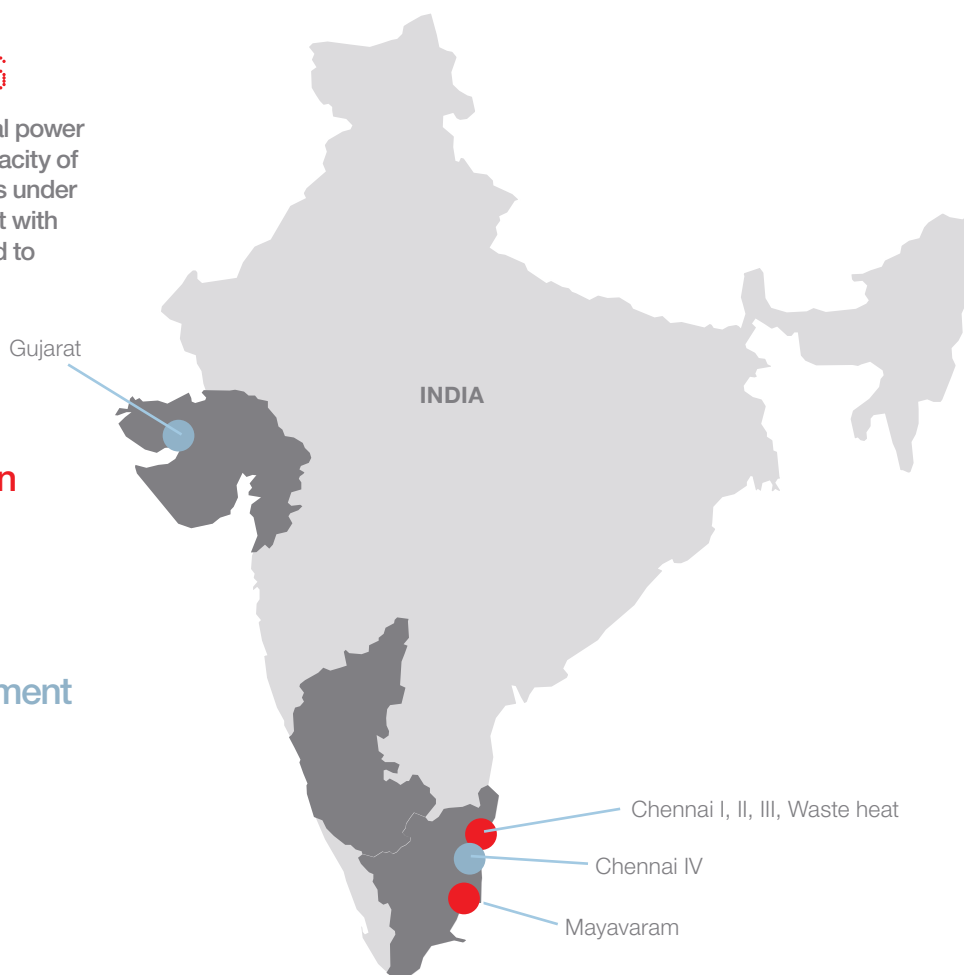
We are a producer of thermal power with a current operating capacity of 270 MW. A further 460 MW is under construction or development with all of this capacity scheduled to come on-stream by 2014.

● Plants in operation

77 MW Chennai I
77 MW Chennai II
80 MW Chennai III
25.4 MW Mayavaram
10 MW Waste heat

● Plants in development

160 MW Chennai IV
300 MW Gujarat



MILESTONES ACHIEVED

2008

- > Listed on AIM
- > One operating asset of 20 MW
- > Total portfolio of 357 MW under construction
- > Revenue £11.5m in FY2010
- > Outsourced engineering, procurement and construction operations

2013

- > Three plants and 270 MW under operation
- > 460 MW under construction
- > Equity funds raised £120m to date
- > Revenue £56m
- > In house design, procurement and construction team
- > HSE committee – ISO 14001, OHSAS 18001

Superior growth profile

Chief Executive's review

Our Company has transformed itself from a promising growth story into a strong cash generative business with a superior growth profile and further potential.



Arvind Gupta
Chief Executive Officer

On completion of our fifth year as a listed company I am pleased to report that we now have 270 MW of power generation assets compared with just 20 MW at the time of listing on AIM in May 2008. Over that time our Company has transformed itself from a promising growth story into a strong cash generative business with a superior growth profile and further potential. Our earnings at 2.48 pence in 2013 were an all-time high. We have commissioned two assets in the last nine months thus completing the first major phase of our growth programme. Bringing this portfolio of three significant co-located assets to a steady state gives us the basis on which to deliver further value to our customers and shareholders.

Robust operating and financial performance

The commissioning of 77 MW Chennai II in September 2012, load factors of over 90% on both assets and 13% higher average tariffs led to a strong performance for the year. Underlying revenues in Rupee terms were up 63% whilst EBITDA margins were firm at 32% and we generated our highest earnings per share to date of 2.48 pence.

Our plants performed ahead of expectations and I commend our operating team led by our COO, T Chandramoulee, for the quick stabilisation and ramp up of Chennai II. Further, the team has ensured Chennai I and II achieved excellent load factors in spite of an extended 25 day shutdown at Chennai I.

A few days ago we announced the accelerated delivery and commencement of commercial operations at 80 MW Chennai III. This unit has been commissioned several months ahead of schedule by our own in-house team.

Increased tariffs

Burgeoning financial losses of the state electricity boards triggered a much needed rise in tariffs across India during the year. Financial restructuring packages and regulatory changes are expected to require regular review of tariffs going forward and we have already seen more than one round of tariff increases and the introduction of Fuel Price Adjustment charges in some states.

Accordingly, as our flexible model allows, we continue to supply the bulk of our power to the Tamil Nadu state utility on short-term contracts as tariffs are attractive. We have recently agreed to supply c. 90% output from Chennai I and II until May 2014 and a further 90% output from Chennai III until September 2013 at Rs 5.50/kWh.

Imported coal prices lower but expected to remain flat in short-term

Whilst international coal prices have been lower than the prior year by 3%, domestic coal prices increased by 21% during the year. As we used a higher quantity of imported coal and Chennai II burnt exclusively imported coal our overall average unit cost remained flat. This once again demonstrated the advantages of our flexible boilers.



460 MW IN ADVANCED CONSTRUCTION

Both of our remaining principal projects at Chennai and Gujarat remain on schedule, to achieve commissioning in 2014, with civil works and foundations largely complete at both sites and other construction activities well progressed.

Our strategy is to continue to procure imported coal through a mix of short and long-term contracts as efficiently as possible.

Our projects

On 29 May 2013 we updated shareholders as to the degree of completeness of each of our projects under development. We did so in continuation of our strategy to adopt an open communication style and to promote an understanding of the value we believe to be built in to each project.

Both of our remaining principal projects at Chennai and Gujarat remain on schedule, to achieve commissioning in 2014, with civil works and foundations largely complete at both sites and other construction activities well progressed.

Building a strong team

The health and safety of our employees and contractors is of paramount importance to us. During the year we instituted a formal Health, Safety and Environment ('HSE') committee which has already led initiatives to improve standards and practices at our various sites. For instance, our flagship 77 MW Chennai I unit has recently been awarded ISO 14001 and OHSAS 18001 certification.

Our team has gained in experience at all levels from development to management with all Engineering, Procurement and Construction ('EPC') and Operations and Maintenance ('O&M') principally performed in-house.

The team has incorporated lessons from each of the projects to achieve continuous improvements and efficiencies across projects and operations. We are proud of our team's achievements.

Outlook

We believe the macro environment for electricity generation in India is recovering gradually. Forecasts for growth in India remain moderate at over 5% in this pre-election year. However, even at moderate growth levels, taken over a two to three year time horizon we see recent trends in the electricity generation sector as unstoppable – namely supply shortages in most parts of the country and the recognition amongst policymakers that power must continue to pave the way for both industrial growth and improvements in living standards. Accordingly over that same time period we do anticipate tariffs to rise gradually, more new capacity (thermal and renewable), and minor improvements in domestic fuel supplies accompanied by measures to moderately improve the investment climate for Indian infrastructure. As a result we believe the 460 MW second phase of our asset delivery programme to be well-timed as industry conditions should further stabilise and our priorities during the coming months are therefore to maximise our existing operations, de-risk the final elements of the project portfolio and evaluate our further growth strategy.

Arvind Gupta

Chief Executive Officer
20 June 2013

Transforming *through*

Responsible growth

The Company has transformed from a developer to an operator with three plants in generation

2008

20 MW

Capacity

OPG's operating capacity has increased c. 14 times since IPO from 20 MW to 270 MW in operation. Chennai I was commissioned in August 2010 followed by 77 MW Chennai II in September 2012 and 80 MW Chennai III in June 2013.

The Group has increased its portfolio from 357 MW at the time of IPO to 742 MW today.

Capability – Projects

The Group has gained significant experience in developing and operating projects in the last five years. From outsourcing its Engineering, Procurement and Construction ('EPC') for Chennai I, today the Group has its own team which oversees the project from planning to commission and to their credit have delivered Chennai II on time and Chennai III ahead of schedule.

The EPC team is managing the two bigger projects, 300 MW Gujarat and 160 MW Chennai IV with over 1,000 contractors on the ground in both locations and several suppliers. The project construction activities are on track and expected to commission as scheduled.



core
value

2013

270 MW

Capability – Operations

With 270 MW in operation and generation on c. 1bn units, the operations team has been working continuously to improve operating efficiencies and parameters. As with the EPC, the Operations and Management ('O&M') was managed by a third party initially for Chennai I and is now managed by our own team.

We managed to ramp up Chennai II to c. 100% PLF within six months of commissioning and have consistently achieved an average PLF of over 90%. In addition, both Chennai I and II plants have achieved industry lows of auxiliary power consumptions since commissioning.

The Chennai plants have been awarded the ISO 14001 certificate in May 2013.

Financial

The Company has transformed from a developer to an operator with three plants in generation. Our revenues have multiplied five times to £56m from £11.5m in FY10 and EBITDA has grown 250% in the same period to £17.7m, outperforming our peers in the Indian power sector in difficult trading times. We have built a strong financial base and delivered a growth of seven times in EPS of 2.48 pence in FY13. We remain focused in creating shareholder value through our superior business model.

Robust performance

Operational review

The Company announced its successful commissioning of 77 MW Chennai II power project in September 2012. Chennai II was delivered on schedule and within budget, despite the increase in interest rates during the construction period. Chennai III delivered ahead of schedule in June 2013.

Operational and project highlights

- > Operating capacity up 72% from 113 MW to 190 MW at 31 March 2013
- > FY13 generation of 932 million units up 44% (FY12: 648 million units)
- > Both plants performed ahead of management expectations with over 90% PLF for the year as a whole and exceeding 100% in Q4 FY13
- > ISO 14001 & OHSAS 18001 process completed and awarded to Chennai operations in May 2013
- > 80 MW Chennai III commissioning in June 2013, ahead of schedule
- > 160 MW Chennai IV c. 50% of civil works foundation completed; boiler and chimney construction c. 10% complete; project on track for commissioning in FY15
- > 300 MW Gujarat c. 80% civil works and foundation completed and boiler and chimney construction significantly advanced; project on schedule for commissioning in FY15

Chennai I – 77 MW

During the year, the Chennai I plant achieved a PLF of 92% ahead of our budgeted levels. Utilisation factor, which is the average PLF achieved based on available days, was 102.3% in FY13 as compared to 100.7% in FY12. Availability and, as a result, overall PLF was marginally lower compared to FY12 despite a 25 days shutdown in June for planned maintenance of Chennai I and connection of common facilities to Chennai II.

Generation

The team improved efficiencies across other operating parameters which is demonstrated by the reduction in the secondary fuel oil consumption in FY13 to 0.846 ml/kWh (FY12: 1.015 ml/kWh), which is below the Central Electricity Regulatory Commission, India operating norms of 1 ml/kWh. Further, the plant heat rate reduced by c. 4% showing an improved thermal performance, resulting in lesser per unit consumption of coal for Chennai I.

Chennai II – 77 MW

The Company announced its successful commissioning of 77 MW Chennai II plant in September 2012. Chennai II was delivered on schedule and within budget, despite the increase in interest rates during the construction period. The new plant is a twin of the Chennai I 77 MW plant on the same site and shares some common infrastructure and operational personnel.

The plant achieved stabilisation within 30 days, (120 days for Chennai I) and achieved a PLF of 99% in the year ended 31 March 2013. Chennai II has set benchmarks in certain operating parameters like auxiliary power consumption.

Chennai III – 80 MW

The Company announced its successful commissioning of 80 MW Chennai III plant in June 2013. The plant achieved stabilisation within seven days, exceeding the industry benchmark. The Chennai III plant has been delivered ahead of schedule and within budget. Chennai III plant is a replica of the Company's existing 77 MW Chennai I and II plants and OPG is expected to benefit from lower unit costs of production from the shared common infrastructure and operational personnel.

90%

Average PLF for the year

PERFORMANCE
EXCELLENCE

Both plants performed ahead of management expectations with over 90% PLF for the year as a whole and exceeding 100% in Q4 FY13

Operations

Asset	Generation (mn units)		Availability %		Plant load factor %	
	FY13	FY12	FY13	FY12	FY13	FY12
Chennai I	617 ¹	648	89	95	92	96
Chennai II	315	N/A	96	N/A	99	N/A
Total	932	648				

¹ 5 day shutdown taken in June 2012 for planned maintenance and connection of Chennai II to common facilities.

Operational review continued

The continued progress and improved performance once again demonstrated the capabilities of the in-house team. In addition, Chennai I, II and III has during the year obtained ISO 14001 certification for environmental practices and OSHAS 18001 for occupational health and safety.

Projects

Chennai IV – 160 MW

During the year, construction was started on this site and progressed steadily in line with the project schedule. As at 31 March 2013, about 50% of the civil works was completed with foundations for major equipment including Boiler, Electro-Static Precipitator ('ESP') and Air Cooled Condenser ('ACC') were under way. Chimney construction was commenced. Equipment order was completed and delivery commenced in Q4 FY13. In June 2013 boiler erection was commenced.

The project is fully financed and has all approvals in place. EPC for the Balance of Plant ('BoP') is being done by our in-house team. This plant will also benefit from shared facilities with Chennai II and III, such as power evacuation facility, coal handling and storage, water treatment plant, all of which have already been completed. The plant is expected to commission in FY15.

Gujarat – 300 MW

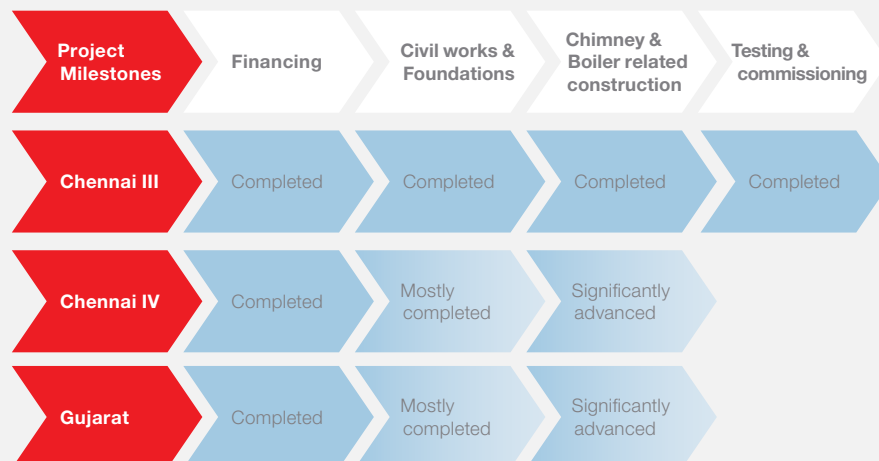
Significant progress has been made on the Gujarat site during the year. Project civil works, including those for boiler, ESP, TG Hall, TG Deck, BoP are at an advanced stage. The project has achieved a number of major milestones including completion of the 220 metre chimney shell concreting, lifting of boiler steam drums for both the 150 MW units and erection of the Unit I generator stator.

By June 2013, approximately 75% of boiler, turbine, generator components were utilised in erection at site. Air-cooled condenser and coal handling plant erection works have also begun.

The Gujarat site has developed and implemented a comprehensive construction safety system, as detailed in the sustainability report.

The Gujarat 2 x 150 MW project has received all clearances and is fully funded. The plant is expected to commission in FY15.

Project Development





932m

Units generated

STRONG OPERATIONAL CAPABILITIES

Chennai II stabilisation
achieved within one month
of commissioning

Continual assessment

Principal risks

The Group faces a number of risks to its business and strategy. Management of these risks is an integral part of the management of the Group. The Group has in place a process for identifying and managing risks.

The list of principal risks and uncertainties facing the Group's business set out below cannot be exhaustive because of the very nature of risk. New risks emerge and the severity and probability associated with these will change over time.

Sector-related risks

Risk	Potential impact	Monitoring and mitigation
Power sale in the Group captive model	<p>The Group's power plants derive their revenue from the Group captive model selling power to captive consumers and partly from sale on short-term, medium-term, or long-term sale basis and would, for this purpose, enter into power purchase agreements with counterparties such as captive consumers, power trading companies and state utilities.</p> <p>Contracts with customers may impose restrictions on the Company's ability to, amongst other things, increase prices at short notice and undertake expansion initiatives with other customers. This could affect the revenue in the short to medium term.</p>	<ul style="list-style-type: none"> > Review contracts periodically to obtain best possible tariffs > Flexibility to sell to captive consumers or in the open market > Benchmarking captive consumer prices to state utility prices to benefit from any price increases
Availability of fuel supply and costs	<p>The Group has coal linkages with domestic companies and agreements for imported coal.</p> <p>The dependence on third parties for coal exposes the Group's power plants to vulnerabilities such as non-supply, price increases in the international market, foreign exchange fluctuations and increases in shipping costs. This could impact the operations and profitability of the Group.</p>	<ul style="list-style-type: none"> > Seeking long-term supplies > Maintaining adequate storage facility to keep appropriate levels of surplus stocks > Maintaining relationship with suppliers and mitigating any potential disruption > Developing different sources for fuel supply especially in the imports market
Timely execution of projects	<p>The length of the construction period and the cost to complete any given project is dependent on third party suppliers and EPC contractors.</p> <p>Factors such as disputes with contractors, price increases, shortages of construction materials, delays in supply from various contractors, accidents, unforeseen difficulties, changes in government policies and delays in receipt of necessary approvals can lead to cost overruns and delays impacting the timely completion and ultimately the profitability of projects.</p>	<ul style="list-style-type: none"> > Close monitoring of projects by the project team and addressing issues causing delays > Ordering key equipment and long lead items ahead of schedule > Including liquidated damages clauses in its contracts in relation to such matters as delays and inferior Workmanship > Developed strong and well experienced in-house EPC team to deliver the projects on time
Project Finance	<p>The development of power plants is a capital intensive business and the Group's projects require access to both equity and debt markets.</p> <p>Terms of debt funding/Interest rates may change.</p>	<ul style="list-style-type: none"> > Assessing financial viability of projects > Financing projects with an optimum mix of debt and equity including internal accruals > Obtaining in-principle project finance from banks before commencement of projects > Monitoring cash flows to ensure repayment of debt and interest in line with schedule > Exploring new relationships in debt markets to ensure optimum debt funding terms

Sector-related risks continued

Risk	Potential impact	Monitoring and mitigation
Health, safety and environmental and local stakeholder management	<p>The Group's plants are located in different states and in areas where there is adequate land to set up projects, water availability and connectivity to ports. Setting up power projects in such areas may affect the environment and health and safety.</p> <p>Changes in legislation and standards, the Group's failure to control adequately environmental and health and safety risks or activism by local groups could have an adverse impact on the operations of the Company.</p>	<ul style="list-style-type: none"> > The Group has management systems to monitor the health, safety and environmental aspects of business. These are communicated to the relevant businesses and employees with training provided on a regular basis > There is a formal committee responsible for health, safety and environmental issues at Board level is under consideration > Board committee for HSE monitors the key parameters and develops comprehensive policies for ongoing management and mitigation > The Group proactively engages with local stakeholders prior to and during project commissioning to address concerns > Working with local communities and implementing sustainable programmes to aid the development of these communities

India-specific risks

Risk	Potential impact	Monitoring and mitigation
Government policy and regulations	<p>The power industry is heavily regulated with permits and licences issued by the Indian Government. Further, the regulatory environment is continuously changing. Obtaining these licences is critical to the Group's development plans.</p> <p>Failure or delays in receiving permits or approvals could have an adverse impact on projects and affect the profitability of the Group.</p>	<ul style="list-style-type: none"> > The Group monitors and reviews changes in the regulatory environment and its commitments under licences previously granted > It continually ensures compliance with the conditions contained within individual licences and is mindful of the importance of complying with national and local legislation and standards > The Group maintains an open and proactive relationship with the Indian Government and its various agencies
Ability to retain fiscal and tax incentives	<p>The Group's existing and planned power plants are based on the various fiscal and tax benefits that will be available to the Company by the federal and state government.</p> <p>A change in government policy to withdraw these incentives can have an adverse impact on the profitability of the Group.</p>	<ul style="list-style-type: none"> > The Group continues to monitor changes and developments in respect of incentives provided by the Indian federal and state authorities > Project investment returns are evaluated based on the expected incentives available to the Company and are revised based on the most up-to-date guidance available
Exchange rate fluctuations	<p>As a consequence of the international nature of its business, the Company is exposed to risks associated with changes in foreign currency exchange rates. The Group's operations are based in India and its functional currency is the Indian Rupee although the presentational currency is Great Britain Pound Sterling. The raw material is purchased in US Dollar.</p> <p>The Group's financial results may be affected by appreciation or depreciation of the value of the foreign exchange rates relative to the Indian Rupee.</p>	<ul style="list-style-type: none"> > Putting in place, where appropriate, forward contracts or hedging mechanisms > Monitoring our risk on a regular basis where no hedging mechanism is in place and taking steps to minimise potential losses
Global financial instability	<p>The Indian market and Indian economy are influenced by global economic and market conditions, particularly emerging market countries in Asia. Financial instability in recent years has inevitably affected the Indian economy.</p> <p>Continuing uncertainty and concerns about contagion in the wake of the financial crises could have a negative impact on the availability of funding.</p>	<ul style="list-style-type: none"> > The Group continues to monitor changes and developments in the global markets to assess the impact on its financing plans

Strong results

Financial review

The following is a commentary on the Group's financial performance during the year.



Mr V Narayan Swami
Finance Director

Income statement

Year ended 31 March (£m)	2013	% of Revenue	2012 ¹	% of Revenue
Revenue	56.19		38.48	
Cost of revenue (excluding depreciation)	(33.25)		(25.54)	
Gross profit	22.94	41%	12.94	34%
Other income	0.72		1.51	
Distribution, general and administrative expenses (Excluding depreciation, employee stock option charge, expenditure during the period on expansion project, electricity consumption tax relating to prior years)	(5.92)		(3.15)	
EBITDA	17.74	32%	11.30	29%
Depreciation	(1.56)		(1.05)	
Net finance costs (Excluding charge on de-consolidated investments)	(2.95)		(1.41)	
Income from continuing operations (before tax non-operational and/or exceptional items)	13.23	24%	8.84	23%
Expenditure during the period on expansion projects	(0.61)		(0.63)	
Employee stock option charge	(0.97)		(1.45)	
Electricity consumption tax relating to prior years	–		(0.14)	
Charge on de-consolidated investments	(1.11)		(4.82)	
Profit before tax	10.54	19%	1.8	5%
Taxation	1.71		1.52	
Profit after tax	8.83		0.28	

¹ Excluding Legacy Assets, i.e., OPG – 25.4 MW & OPG – 10 MW, with effect from 1 December 2011.

Revenue

OPG revenue has increased by £17.71m, reflecting a 46% growth year-on-year, on account of a full year contribution from 77 MW Chennai I and nearly six months contribution from 77 MW Chennai II and a 13% increase in tariff to Rs 5.58/kWh from Rs 4.93/kWh in FY12. Underlying Rupee revenues increased by 63%.

Production and output levels from the Group's operating power plants compared to the prior year were as follows:

Particulars	FY13	FY12	% Change	FY13	FY12
	Generation (million units)			PLF (%)	
Chennai I	617	648	(5)%	92	96
Chennai II	315 ¹	N/A	N/A	99	N/A
Total	932	648	44%		

¹ Commissioned on 10 October 2012.



STRONG CASH GENERATION

OPG revenue has increased by £17.71m, reflecting 46% growth year-on-year

Gross Profit

Gross profit ('GP'), excluding depreciation in 2013 was £22.94m (£12.94m in 2012). GP is driven mainly on account of the 173 days operation of Chennai II (77 MW) plant and also due to a higher realisation of tariff and to an extent offset by the lower generation by Chennai I (77 MW) plant.

Cost of revenue was 59% of revenue in FY13 lower from 66% in FY12. Over 90% of the costs of revenue are fuel costs i.e. coal. The average factory gate costs for Indian coal increased 21% while Indonesian coal costs decreased by 3%. The table below shows the price and blend of Indian and Indonesian coal consumed in FY13 and FY12 for Chennai I. Chennai II burnt imported coal during the year.

Financial year	Average factory gate price (Rs/mt)			Blend % Indian: Indonesian	Weighted average cost (Rs/mt)
	Indian coal	Indonesian coal			
FY13	2,817	3,807		37:63	3,441
FY12	2,331	3,940		36:64	3,361
Change %	21%	(3%)			2%

EBITDA

Earnings Before Interest, Taxation, Depreciation & Amortisation ('EBITDA') is a measure of a business cash generation from operations before depreciation, interest and exceptional and non-standard or non-operational items such as the annual charge for stock options which is a non-cash item or expenses relating to projects under construction.

EBITDA was £17.7m in FY13 up from £11.3m in FY12 and EBITDA margin up to 32% from 29% in 2012.

Financial review continued

Profit before tax ('PBT') (£m)	OPG PG	Non-operating entities ¹	Total
PBT 2012–2013	11.52	(0.98)	10.54
PBT 2011–2012	2.70	(0.90)	1.80
Increase/(decrease) in PBT	8.82	(0.08)	8.74
Reconciliation			
Increase in GP			10.0
Reduction in charge on de-consolidated investments	3.71		
Reduction in employee stock option charge, expenditure on expansion projects and prior year electricity consumption tax		0.64	
Increase in net finance cost			(1.54)
Increase distribution, general and administrative expenses			(2.77)
Reduction in other income			(0.79)
Increase in depreciation			(0.51)
Increase/(decrease) in PBT			8.74

¹ Includes:

a) OPG S Power Gujarat Pvt Ltd, India, b) Gita Power & Infrastructure Pvt Ltd, India
c) Caromia Holdings Ltd, Cyprus d) OPG Power Ventures Plc, Isle of Man

Taxation

The Group consolidated PBT at £10.54m is after charging £1.11m towards adjustment in the carrying value of the legacy plants and £0.97m towards amortisation of Employee stock options (both being non-cash charges at the level of holding company). As such the effective PBT subject to tax is £12.62m.

Expenditure on projects

This relates to expenses incidental to projects under construction. These expenses in 2013 were £0.61m in (FY12 £0.63m).

Employee stock option charge

This pertains to the amortisation of the value of stock options granted to certain Directors and is non-cash in nature.

Profits after tax

Profits after tax have increased by £8.55m from £0.28m in 2012 to £8.83m in 2013.

Property, plant and equipment

Property, plant and equipment has increased by £89.47m, 96.2% year-on-year growth, mainly reflecting the capitalisation of 77 MW Chennai II plant and the increase in capital work in progress on account of additional power plants in Chennai and Gujarat.

Other non-current assets

Other non-current assets have decreased by £1.60m by 50.7% year-on-year primarily as a result of decrease in the fair value of the investments made in the de-consolidated assets.

Trade receivables (£m)	FY13	FY12
Receivables from sales of power	32.24	14.71
Other receivables	2.57	2.70
Total	34.81	17.41

As at 20 June, all amounts invoiced prior to March 2013 have been collected.

Current assets

Current assets have decreased by £3.04m to £114.38m year-on-year primarily as a result of the following:

- > Reduction in the cash and cash equivalents by £14.97m due to the increase in investments made in the Gujarat and additional Chennai power plants;
- > Increase in trade receivables by £17.40m; and
- > Decrease in other assets by £5.48m.

Current liabilities

Current liabilities have increased by £24.34m primarily on account of the increased bank borrowings and buyers credit.

Other non-current liabilities

Other non-current liabilities have increased by £50m primarily on account of increase in bank borrowing to meet the capital project expenses.

Gearing

Net borrowings (borrowings net of cash and cash equivalents) increased by £52.98m on account of capital expenditure on projects. Gearing ratio was 37%. The table below shows the investment in the projects under development and the total amount spent in both equity and debt up to 31 March 2013.

Cumulative outlays during the year on projects under construction

Project investment (£m)	160 MW Chennai IV	300 MW Gujarat
As at 1 April 2012	1.3	34.7
During the year	16.8	60.3
As at 31 March 2013	18.1	95.0

Cash flows

Operating cash flow increased from £12.26m in 2012 to £18.10m in 2013, an increase of £5.84m, or 48%. The increase is primarily due to the increased profit before tax.

Movements (£m)	FY13	FY12
Operating cash	18.10	12.26
Tax paid	(2.24)	(0.53)
Change in working capital assets and liabilities	32.97	(7.61)
Net cash generated by operating activities	48.83	4.12
Purchase of property, plant and equipment (net of disposals)	(94.80)	(71.35)
Other investments	(0.47)	1.86
Net cash used in investing activities	(95.27)	(69.49)
Net Interest paid	(5.03)	(4.82)
Total cash change before net borrowings	(51.47)	(70.19)

Transforming *through*

Teamwork

2008

20 people

Health and safety

- > Health, Safety and Environment Committee established to develop, implement and oversee health and safety culture across the Group;
- > Introduction of incident/accident reporting systems and roll out of new standards to contractors;
- > An on-site dispensary and 24/7 ambulance;
- > Mandatory health checks for all employees;
- > Chennai site awarded OHSAS 18001/2007 for its occupational health and safety management system.

Environment

- > Chennai site awarded ISO 14001 certification for the development of environmental management systems;
- > Work continues to obtain the Indian Green Building Certificate for Chennai site;
- > Implementation of a total ban on plastic and non-biodegradable substances on all power plant premises.



core
value

2013

300 people

People

- > Continuation of programme of employee consultation on issues impacting Group performance;
- > Continued commitment to promoting equal opportunities for all employees;
- > Operational responsibility for management of power plants brought in-house, facilitating a widening of opportunities for employees; and
- > Expansion of engineering graduate training programme.

Communities

- > Completing two years of vocational training programme at Kutch plant empowering 40 local women to contribute to their village economies;
- > Launch of 'Happy Villages Initiative' in collaboration with Rotary Kilpauk – adopting villages close to Chennai site
- > Primary healthcare centre opened at local village Sitha Raja Kandigai treating 50 people everyday; second centre at the Periya Obulapuram village due to open shortly;
- > Contribution to improving the infrastructure in SR Kandigai and support for local disabled residents; and
- > Continued provision of educational assistance for local communities benefiting 925 children, with targeted help for poorer families and initiatives to promote education for girls.

Sustainable commitment

Investing in people

The Board established a Health, Safety and Environment Committee ('HSE Committee') during the year, to develop, implement and oversee a health and safety culture across the Group and to assist the Board and management in its drive towards achieving and maintaining industry-leading performance in these areas.

Health and safety

The health and safety of our employees and contractors is of paramount importance to us and the Board is committed to ensuring that the Group's activities do not result in injury or illness to any employee, contractor or member of the public and strives hard to prevent work-related incidents, illnesses and injuries.

As a key step in this direction, the Board established a Health, Safety and Environment Committee ('HSE Committee') during the year, to develop, implement and oversee a health and safety culture across the Group and to assist the Board and management in its drive towards achieving and maintaining industry-leading performance in these areas. The HSE Committee will assist the management to identify all key issues and implement appropriate corrective action to achieve compliance and raise performance where required.

The HSE Committee comprises a Board member, Mike Grasby, as Chairman, together with Mr T Chandrmoulee, (COO) and senior executives and safety and environment officers from all units. The HSE Committee met twice during the year under review and undertook the following initiatives:

Safety

- > Introduction of incident/accident reporting formats;
- > Carried out a base line audit with the assistance of an independent consultant;
- > Evaluated existing safety practices and recommended corrective action plans and procedures in accordance with international standards;
- > Communicated to all contractors, especially the civil contractors working on the projects under development, the standards to be followed for worker safety; and
- > Standardised a contractor safety compliance checklist to be included as part of every subsequent work and supplier contract.

Health

- > Started an on-site dispensary with a general practitioner available for two to three hours daily and in emergencies as necessary;
- > Ambulance made available in plant 24/7; and

- > Introduced mandatory periodic health checks for all employees in areas exposed to dust and coal.

We achieved a key milestone in this area by being awarded the OHSAS 18001 certificate in May 2013 for the OPG Chennai site having successfully completed the process initiated in the year under review. OHSAS 18001 is a standard used for an occupational health and safety management system, which enables an organisation to control its risks and improve its performance in this area. The standard provides a systematic approach to identifying hazards and then either eliminates or reduces the risks of the hazards.

The Committee discussed and intends in the following year to adopt a global reporting format, to enable the Group to benchmark its safety standards, accidents and near misses. As part of this process, a comprehensive health and safety policy will be adopted and communicated to all employees, suppliers, contractors and visitors to OPG plants.

Environment

The Group's operations strive to achieve continuous improvements in environmental performance and seek to prevent, mitigate, reduce or offset the environmental impact of our activities. The Board continues to monitor the level of environmental performance to minimise any deviations.

In May 2013, the OPG Chennai site successfully obtained the ISO 14001 certification, completing the process initiated in the previous year. ISO 14001 specifies requirements for an environmental management system to enable an organisation to develop and implement policies and objectives with respect to the environment. Post implementation of comprehensive environment management systems, the Company is continuing to develop further processes and systems to obtain the Indian Green Building Certification ('IGBC') for the Chennai site. Our plants are compliant with all applicable regulations and operate within the parameters specified under law.

Further, the Board understands that its approach to addressing the issue of global warming and reducing carbon emissions is important to the Group's future



IMPROVING HEALTH AND SAFETY

OUT IN THE FIELD

OPG started an on-site dispensary with a general practitioner available daily. An ambulance was also made available in plant 24/7.



competitiveness. The Group has therefore registered under the United Nations Framework Convention on Climate Change and is awaiting the validation and verification of the Carbon Emissions Reduction registration for the Mayavaram gas plant and the Voluntary Emissions Reductions registration for the 10 MW waste heat plant.

Green initiatives

We have taken the lead by being the first power plant in Tamil Nadu to have a realtime display of all key environmental parameters at the plant boundary of the Chennai site and this will also be implemented at the Gujarat site when this plant commences operations.

The Group has implemented a 100% ban of plastic and non-biodegradable substances in the power plant premises. At both premises, the Group has a fully covered coal shed to manage coal and dust dispersion in the surrounding areas.

During the year, in keeping with the initiatives at the Chennai site, OPG planted 10,000 saplings within and outside the Gujarat site premises. Our dedicated staff continues to nurture and care for these trees on a continual basis. In keeping with our Green Belt Development Programme, further saplings will be planted within the premises in the coming year.

Our people

Employee consultation

The Group places considerable value on keeping employees informed on matters affecting them and on the various factors affecting the performance of the Group. This is achieved through informal meetings and presentations on new developments both within the Company and the wider industry. The Group is committed to providing equal opportunities and opposes all forms of unfair or unlawful discrimination. Employees will not be discriminated against because of race, colour, nationality, ethnic origin, disability, sex or sexual orientation, marital status or age.

All employees are encouraged to raise genuine concerns about possible improprieties in the conduct of our business, whether in matters of financial reporting or other malpractices, at the earliest opportunity and in an appropriate way.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged.

Investing in people continued

Training and development

Employing the right people and encouraging the continuous development of the skills of our employees is critical to developing a successful business. During the last year, not only were our power generation plants managed by the Group, but day-to-day operational responsibility, which had in previous years been delegated to an external contractor, was taken over by an experienced in-house team assembled specifically for this purpose and trained in best practices. Thus, at the sites there has been a significant change from the practice adopted previously in that the full operation, maintenance and project execution is being undertaken by OPG employees, whereas earlier there were relatively few OPG employees on-site and the majority of staff were employed and supervised by an external contractor. This organisational shift is a key change in the development of the Group and is a strong indicator that the Group is maturing with regards to staff training and health and safety responsibility and implementation. Additionally the Group is recruiting graduate engineering trainees and providing them with a comprehensive six month on-site training programme. This will ensure that, as the Group grows, adequate well trained and competent personnel are available for in-house operations and project development.

Supply chain

The Group works with a team of industry-leading suppliers and contractors in order to mitigate the risk in the event of there being a product delay or a supplier failing. The Board recognises the particular risks posed to its supply chain by the prevailing global economic conditions and the potential impact should key suppliers fail. To mitigate these impacts, the Group monitors suppliers' business continuity issues.

The Company's power generation plants are fuelled by coal sourced from India but also from imported coal from Indonesia. Availability of supplies is therefore less of an issue than prices, which can fluctuate in line with world market forces of supply and demand.

Community

The Group recognises the importance of engaging with the communities in which it operates. It encourages operating units to develop their own corporate social involvement plans in consultation with stakeholders in order to identify programmes with tangible and sustainable community benefits and to undertake programmes on a needs-based assessment.

OPG outreach

We are proud to report that OPG Outreach, launched in July 2011 near our Kutch site, has now completed two successful years and in the year under review has been expanded to the Chennai site as well. During this year, at the existing vocational training facilities in Kutch, 40 women have completed the training programme and have started working and making products, which are being purchased by our collaborator, Welspun. The additional income from this has greatly augmented the monthly household income of these families. Going forward, we expect this programme to continue successfully for a number of years, empowering the local women and contribute greatly to the socioeconomic development of the surrounding community.

During the last year, OPG Outreach in collaboration with Rotary Kilpauk, is participating in the 'Happy Villages Initiative', under which OPG has agreed to adopt and develop two to three villages in the immediate vicinity of the Chennai site, with the support and experience of Rotary Kilpauk. Rotary and OPG have jointly undertaken a total needs evaluation of the villages Peria Obulapuram, Chinna Obulapuram and SR Kandigai in Gummdipoondi Taluk. Under this collaboration OPG has, as a first step, agreed to sponsor, develop and maintain the following initiatives:

(i) Free primary health care centres:

In April 2013 the first centre was successfully opened at Sitha Raja Kandigai, and is currently staffed by a doctor and nurse for between five and six hours a day. The centre is serving the medical requirements of the residents of five nearby villages and provides consultation and treatment to approximately 50 people everyday. The entire centre, with all the requisite medical facilities and equipment, was built by the OPG Outreach team.

A second healthcare centre is under construction at the Periya Obulapuram village and we fully expect it to be operational in the coming year. A free ambulance service catering to these two centres should also be operational in the coming year. OPG is confident that both these centres and their associated facilities will provide much needed basic care and medical aid to the communities around the OPG power plant.

Other than the centres, regular specialised medical camps were also organised for diabetes, ophthalmological treatment etc.



ENGAGING WITH COMMUNITIES

During the last year, OPG Outreach in collaboration with Rotary Kilpauk has agreed to adopt villages in the immediate vicinity of the Chennai site. OPG, as a first step, agreed to sponsor, develop and maintain them.

(ii) Helping hands

OPG Outreach identified the requirements of 25 physically disabled residents in the vicinity and as part of Rotary's Helping Hands Initiative provided hearing aids, wheelchairs and tricycles.

(iii) Improving basic infrastructure

As the community does not have the benefit of 100% rural electrification, 260 families in SR Kandigai were provided with solar lanterns.

To rehabilitate a drinking water source (village pond) OPG worked with the District Collector's office and provided substantial sponsorship and co-operation. In addition, as an ongoing effort to provide clean and safe drinking water, OPG is in the process of installing Reverse Osmosis plants by connecting them to local water tanks and main drinking water sources.

In continuation with this public infrastructure development, OPG plans in the following year to assist in construction of individual toilets to ensure adequate sanitation facilities are available for all members of the local community.

The OPG Gujarat team with the local panchayat has constructed a short road connecting a nearby neighbourhood with a temple, which is a gathering point for this community. The road runs parallel to the OPG site and ensures that everyone has safe access at all times to the temple.

(iv) Educational aid

OPG, following its belief that education is the way forward, has continued to provide educational assistance to children in our local communities. As a yearly concern, 925 school children belonging to the villages Periya Obulapuram, Chinna Obulapuram, Kayalarmedu, SR Kandigai received full school supplies (uniforms, books, etc) for the entire year before the commencement of the school year. 35 children from families living below the poverty line are also granted annual school fees to ensure that lack of funds does not preclude their advancement.

As part of OPG Outreach, a strong awareness programme has been developed to promote education for girls. To support this, from this year forward, the Group has started a sponsorship programme in higher secondary education at a reputed private school. Under this scheme, three girls will be selected every year based on academic background and economic needs.

A well balanced team

Board of Directors



Mr M C Gupta
Independent
Non-executive Chairman

Background

Mr M C Gupta is a retired senior civil servant of the Indian Administrative Service, the premier civil service of India. During his service, Mr Gupta held a number of senior appointments, notably those of Secretary, Ministry of Industry, Government of India and Chief Secretary to the Government of Haryana state. As Secretary to the Ministry of Industry, Mr Gupta was one of the civil service officers responsible for initiating and implementing the process of economic reforms which began in the 1990s in India and which continue to this day.

Committee memberships

Audit Committee
Remuneration Committee



Mr Arvind Gupta
Managing Director and
Chief Executive Officer

Background

Mr Arvind Gupta graduated with a degree in Commerce at the University of Madras and joined the OPG family business, OPG Enterprises, in 1979. Mr Gupta gained experience in various divisions of the business including flour milling, steel production and logistics, becoming President of Kanishk Steel, listed on the Bombay Stock Exchange. Having identified the opportunities in power generation, Mr Gupta developed this division within Kanishk Steel with initial projects in wind power generation in 1994. He was the pioneer of the Group captive power producer concept in Tamil Nadu state and developed the 18 MW gas fired plant of OPG Energy, a Group entity, through to successful operation in 2004.

Committee memberships

None



Mr V Narayan Swami
Finance Director

Background

Mr V Narayan Swami has over 30 years' experience of finance and management. Mr Swami started his career with the State Bank of India before moving to Ashok Leyland Limited in 1976. For 10 years until 1992, he held a variety of positions within Standard Chartered Bank including as Senior Manager, Corporate Division for Southern India. Later Mr Swami joined Essar Global, subsequently becoming CFO of Essar Telecom Group where he played a key role in the entry and planned exit of Swisscom from the venture along with the simultaneous investment by Hutchinson Whampoa.

Committee memberships

None



Mr Martin Gatto
Senior Independent
Non-executive Director

Background

Mr Martin Gatto has considerable experience as a senior financial professional and has worked at a number of large UK quoted public companies. During his career, Mr Gatto gained international experience at Hilton International Company where he was responsible for business development and property. Later, as Chief Financial Officer of British Energy plc, Midlands Electricity plc and Somerfield plc, he was responsible for the successful execution of turnaround strategies.

He is a graduate of Brunel University and is a Fellow of the Chartered Institute of Management Accountants.

He is also the chairman of Medico-Dental Holdings Limited, a chain of dental practices under the Centre for Dentistry brand.

Committee memberships

Audit Committee
Remuneration Committee



Mr P Michael Grasby
Independent Non-executive Director

Background

Mr Grasby is a Chartered Engineer and has been associated with the UK and international power industry for many years. He was manager of the Drax Power Station between 1991 and 1995 and director of operations for National Power, with responsibilities for over 16,000 MW of generating capacity, until 1998. Following the demerger of National Power in 1999, he joined International Power as senior vice-president for global operations and retired in 2002. Mr Grasby has experience of power company directorships in the Czech Republic, Portugal, Turkey and Pakistan. Mr Grasby was also formerly a Non-executive Director of Drax Plc where he chaired the Health and Safety Committee and sat on the Audit, Remuneration and Nominations Committees. He retired from the Drax Board in April 2011.

Committee memberships

Audit Committee
Remuneration Committee
HSE Committee



Mr Ravi Gupta
Non-executive Director

Background

Mr Ravi Gupta is the brother of Mr Arvind Gupta and throughout his career has been involved with family businesses. He is one of the founders of Kanishk Steel and is Chairman of that company. Mr Gupta has also been associated with the flour milling industry, setting up a new flour mill in 1988 in Tamil Nadu state, Salem Food Products Limited, where he is Managing Director.

Committee memberships

Audit Committee
Remuneration Committee

Corporate governance



M C Gupta
Non-executive Chairman

Introduction

The Board is committed to good corporate governance practices. The Company was admitted to trading on AIM in May 2008. Accordingly, compliance with the governance framework contained in the UK Corporate Governance Code published by the Financial Reporting Council ('the Code') is not mandatory. Nevertheless, the Company remains committed to high standards of corporate governance and endeavours to comply with the Code to the extent practicable for a public company of its size.

This report describes how the Company has applied, or how it intends to apply, the principles set out in the Code.

Compliance with the Code

Since admission to AIM, the Group has grown substantially against a background of difficult trading conditions within the electricity generation sector. With its flexible business model, increased cash generation and pipeline of projects, the Board considers the Group to be well placed to deliver further growth for its shareholders. Against this background, the Board continues to evaluate the balance of skills, experience, independence and knowledge to enable it to discharge its responsibilities effectively. The Board has taken a number of steps to comply with the Code with a view to achieving full compliance in all material respects. The Board notes the following areas of non-compliance with the Code with comments on each as appropriate:

1. Schedule of Matters Reserved (A.1.1)

The Board will in due course adopt a schedule of matters specifically reserved to it for decision. At present, the Board reviews and adopts the Group's strategy, plan and key risks, policies and procedures. During the current year, an Executive Committee ('ExCo') of management was established to support the Board in implementing strategy and to report relevant matters to the Board for its consideration and approval. The ExCo met nine times during the last year and anticipates meeting monthly going forward.

2. Division of Responsibilities (A.2.1)

As explained in greater detail below, there is a clear separation between the roles and responsibilities of the Chairman and Chief Executive Officer. The Code further requires that this be set out in writing and agreed by the Board and this is to be done in due course.

3. Non-executive Directors (A.4.2)

The Code requires the Non-executive Directors, led by the Senior Independent Director, to meet without the Chairman to appraise the Chairman's performance. The Board will consider the issue of evaluation, including evaluating the performance of the Chairman, in due course.

4. Nominations Committee (B.2.1)

The Board will at an appropriate time establish a Nominations Committee. It will meet as and when required, its primary function being to provide a formal and transparent procedure for the appointment of new Directors to the Board and to advise generally on issues relating to Board composition and balance. In appropriate cases, recruitment consultants may be used to assist in the process. As and when a Nominations Committee is appointed, compliance with those provisions of the Code relating to this committee will be considered further.

5. Evaluation (B.6)

As noted above, the Group continues to grow. The Board will, therefore, continue to evaluate the balance of skills, experience, independence and knowledge required to ensure that its composition is appropriate to the Group's size and complexity. At the appropriate time, the Board will give further consideration to the issue of evaluating its performance and that of its principal committees and the individual Directors.

Operation of the Board Board of Directors

The Board comprises the following individuals:

Executive

1. Arvind Gupta (Managing Director and Chief Executive Officer); and
2. V Narayan Swami (Finance Director).

Non-executive

1. M C Gupta (Non-executive Chairman);
2. Martin Gatto (Senior Independent Director);
3. Michael Grasby; and
4. Ravi Gupta.

The Board considers that, as at the date of this report, it complies with Code provision B.1.2, which requires that, in the case of smaller companies, there should be a minimum of two Independent Non-executive Directors. In addition to the Chairman, Michael Grasby and Martin Gatto are considered to be independent under the Code.

Biographical details of all the Directors at the date of this report are set out on pages 32 to 33 together with details of their membership, as appropriate, of the Board committees. The Board is responsible for setting the Company's objectives and policies, and providing effective leadership and the controls required for a publicly listed company. Directors receive papers for their consideration in advance of each Board meeting, including reports on the Group's operations to ensure that they remain briefed on the latest developments and are able to make fully informed decisions. The Board met four times during the year under review. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Directors have the right to request that any concerns they have are recorded in the appropriate committee or Board minutes. Informal procedures are in place for Directors to take independent professional advice at the Company's expense although these are not currently set down in writing.

The Company maintains Directors' and officers' liability insurance and indemnity cover, the level of which is reviewed annually.

Re-election of Directors

At every AGM, one-third of the Directors for the time being (excluding any Director appointed since the previous AGM) or, if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office by rotation. On this basis, Arvind Gupta and V Narayan Swami will offer themselves for re-election at the AGM on 30 September 2013.

Chairman, Chief Executive Officer and Senior Independent Director

The roles of the Chairman and Chief Executive Officer are held by different individuals and there is a clear separation of roles.



The Chairman's key responsibilities are the effective running of the Board, ensuring that the Board plays a full and constructive part in the development and determination of the Group's strategy and overseeing the Board's decision-making process.



The key responsibilities of the Chief Executive Officer are managing the Group's business, proposing and developing the Group's strategy and overall commercial objectives in consultation with the Board and, as leader of the executive team, implementing the decisions of the Board and its committees.



Martin Gatto, the Senior Independent Director, is available to shareholders who have concerns that cannot be resolved through discussion with the Chief Executive Officer or Chairman.

Information and professional development

Preliminary to the Company's admission to AIM in May 2008, all Directors received a briefing from the Company's nominated advisor of their duties, responsibilities and liabilities as Directors of an AIM company. Directors are encouraged to keep abreast of developments and attend training courses to assist them with their duties.

In addition to the formal meetings of the Board, the Chairman is available to the other Non-executive Directors to discuss any issues of concern they may have relating to the Group or as regards their area of responsibility and to keep them fully briefed on ongoing matters relating to the Group's operations.

The Chairman is responsible for ensuring that new Directors each receive a full, formal and tailored induction on joining the Board as required by provision B.4.1 of the UK Corporate Governance Code.

Corporate governance continued

Board performance

As noted above, the Board will in due course consider the most appropriate methodology for evaluating its performance and that of its principal committees and the individual Directors.

Meetings of the Board and its Committees

The following table sets out the number of meetings of the Board and its Committees during the year under review and individual attendance by the relevant members at these meetings:

	Board Meetings		Board Committee Meetings			
	Number	Attended	Audit		Remuneration	
	Number	Attended	Number	Attended	Number	Attended
Arvind Gupta	4	3	N/A	N/A	N/A	N/A
V Narayan Swami	4	4	N/A	N/A	N/A	N/A
M C Gupta	4	3	2	2	1	1
Martin Gatto	4	4	2	2	1	1
Michael Grasby	4	4	2	2	1	1
Ravi Gupta	4	3	2	2	1	1
Number of meetings held during the year	4		2		1	

BOARD COMMITTEES

Audit Committee

The members of the Audit Committee are M C Gupta, Martin Gatto, Michael Grasby and Ravi Gupta. Martin Gatto is considered to have recent, relevant financial experience. The Chief Executive and Finance Director and a representative of the auditors are normally invited to attend meetings of the Committee.

The primary duty of the Audit Committee is to oversee the accounting and financial reporting process of the Group, the external audit arrangements, the internal accounting standards and practice, the independence of the external auditor, the integrity of the Group's external financial reports and the effectiveness of the Group's risk management and internal control system. At least once a year the Audit Committee will also meet the Group's external auditors without management present.

The Audit Committee considered the following matters during the year under review:

- > Reviewing the integrity of the Group's preliminary and half year results announcements and any other formal announcement relating to its financial performance; and
- > The de-consolidation of OPG Energy and OPG Renewable Energy with effect from 30 November 2011 on the grounds that the Group held only minority interests in both these operations.

Remuneration Committee

The Remuneration Committee currently consists of M C Gupta, Martin Gatto, Michael Grasby and Ravi Gupta. Ravi Gupta is not present when any remuneration matter relating to the Chief Executive, Arvind Gupta (his brother) is discussed.

The primary duty of the Remuneration Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors and such other members of the executive management team of the Group as is deemed appropriate. The remuneration of the Non-executive Directors is a matter for the Chairman and executive members of the Board. No Director may be involved in any decisions as to his own remuneration.

Full details of the role and composition of the Remuneration Committee, the remuneration policy of the Company and its compliance with the Code Provisions relating to remuneration are set out in the Directors' Remuneration Report on pages 38 to 40.

The Remuneration Committee considered the following matters during the year under review:

- > The Committee mandated an external agency to review the remuneration policies of the Group and recommend additional schemes and policies to align the remuneration of the senior management and Executive Directors with the business and its growth. This is required to support the Company's strategy, as our approach to remuneration incentives etc have not undergone any change since the IPO in May 2008.
- > Executive Directors' salaries. Full details are included in the Directors' Remuneration Report on pages 38 to 40.

Accountability and audit**Risk management and internal control**

The Board has overall responsibility for the Group's system of internal control which includes risk management. The Board has delegated the responsibility for reviewing the effectiveness of its internal control systems to the Audit Committee. The Audit Committee will review these systems, policies and processes for tendering, authorisation of expenditure, fraud and the internal audit plan, on an annual basis.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has instructed its newly-formed ExCo to be a leading part of its process to identify, evaluate and manage the significant risks the Group faces and which is in accordance with the current guidance on internal control. The Audit Committee will assist the Board in discharging its review responsibilities. A summary of the key risks facing the Group and mitigating actions is described on pages 20 to 21.

Assurance

Grant Thornton has been auditor for the Group for the last three years. The Audit Committee reviewed the auditor's independence and effectiveness and concluded that Grant Thornton remained independent within the meaning of regulatory and professional requirements and that its independence had not been impaired. The Committee considers that, at this stage in the Group's development, it is often efficient to use a single audit firm to provide certain non-audit services for transactions and tax matters. However, to regulate the position, the Committee will establish a policy on the provision of non-audit services by the external auditor. That policy will set out the external auditor's permitted and prohibited non-audit services.

Going concern

A statement on the Directors' position regarding the Company as going concern is contained on page 42.

Shareholder relations and the Annual General Meeting

The Chief Executive, Senior Independent Director and Finance Director met with a number of key investors during the year.

The Chairman is primarily responsible for ensuring the effective communication of shareholders' views to the Board as a whole. Board members keep abreast of shareholder opinion and discuss strategy and governance issues with them as appropriate.

The Annual General Meeting of the Company provides an opportunity to communicate with shareholders and the Board welcomes their participation. Notice of the Annual General Meeting will be sent to shareholders at least 20 working days before the meeting. The voting results will be made available on the Company's website following the meeting.

Corporate information including the Annual Report and other financial information and announcements will be made available on the Company's website at www.opgpower.com.

Directors' remuneration report

Introduction

This report sets out information about the remuneration of the Directors of the Company for the year ended 31 March 2013. This report has been substantially prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations') in line with the relevant requirements of the Financial Conduct Authority's Listing Rules.

Remuneration Committee

The members of the Remuneration Committee are M C Gupta (Chairman), Martin Gatto, Ravi Gupta and Michael Grasby who, with the exception of Ravi Gupta, are all Independent Non-executive Directors.

Terms of reference have been approved for the Remuneration Committee and its primary duty is to determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors, senior managers and such other members of the executive management team of the Group as is deemed appropriate. The remuneration of the Non-executive Directors is a matter for the Chairman and the executive members of the Board.

The principal responsibilities of the Committee include:

- > Assessing and setting compensation levels for Directors and senior managers;
- > Reviewing the ongoing appropriateness and relevance of the remuneration policy to ensure that members of the executive team are provided with incentives that encourage enhanced performance;
- > Reviewing the design of share incentive plans for the approval of the Board and shareholders;
- > Ensuring that contractual terms on termination are such that failure is not rewarded and that the duty to mitigate losses is fully recognised in the drafting of Directors' service agreements and letters of appointment.

In fulfilling these duties, the Committee shall be cognisant of remuneration trends across the Group and within the sector in which the Group operates.

The Chief Executive Officer and external advisers may be invited to attend meetings of the Remuneration Committee but do not take part in the decision making.

Attendance at meetings of the Remuneration Committee by individual members is detailed in the Corporate Governance Report on page 36.

Advisors

During the year, the Remuneration Committee commissioned external advice in connection with the current incentive plans and the Group's overall approach to rewards and incentives. The Board expects to receive this advice shortly.

Remuneration policy

The Remuneration Committee seeks to maintain remuneration policy to attract, retain and motivate its Executive Directors and management.

The retention of key management and the alignment of management incentives with the creation of shareholder value are key objectives of this policy.

The Group therefore sets out to provide competitive remuneration to all its management and employees, appropriate to the business environment in the market in which it operates and in recognition of their contribution to Group performance. To achieve this, the remuneration package is based upon the following principles:

- > total rewards should be set to provide a fair and attractive remuneration package;
- > appropriate elements of the remuneration package should be designed to reinforce the link between performance and contribution to the Group's success and reward; and
- > Executive Directors' incentives should be aligned with the interests of shareholders.

The remuneration strategy is designed to be in line with the Group's fundamental values of fairness, competitiveness and equity and also to support the Group's corporate strategy.

Long-term incentives

The Remuneration Committee believes that it is appropriate to operate share schemes to encourage Executive Directors and senior employees to meet the Group's long-term objectives set by the Board.

Stock option plan

Under the stock option plan approved by the Board on 16 July 2009, options granted must be exercised within 10 years of the date of grant. Vesting conditions are:

1. The power plant at Kutch in the state of Gujarat must have been in commercial operation for three months; and
2. The closing share price must be at least £1 for three consecutive business days.

Annual bonus

No bonuses were paid during the year.

Service agreements, notice periods and termination payments

The Service Agreements for the Executive Directors are for no fixed term and may in normal circumstances be terminated on the notice periods set out in the table below. The Company reserves the right and discretion to pay the Executive Directors in lieu of notice. If the Company terminates the employment of an Executive Director by exercising its right to pay in lieu of notice, the Company is required to make a payment equal to the aggregate of basic salary and the cost to the Company of providing other contractual benefits for the unexpired portion of the duration of any entitlement to notice.

The key terms of the executive Directors' service agreements are as follows:

Name	Position	Date of contract	Notice period	Current salary p.a. £
Arvind Gupta	Managing Director and Chief Executive Officer	23 May 2008	12 months' prior written notice on either side	279,613
V Narayan Swami	Finance Director	23 May 2008	Three months' prior written notice on either side	58,283

Benefits-in-kind

Under their service agreements, Mr Arvind Gupta and Mr V Narayan Swami are entitled to medical, travel, insurance and accommodation and other allowances

Chairman and Non-executive Directors

The remuneration of the Chairman of the Company and the Non-executive Directors consists of fees that are paid quarterly in arrears. The Chairman does not currently participate in any long-term incentive or annual bonus schemes, nor does any pension entitlement accrue. Neither the Chairman nor any Non-executive Director has a contract of employment with the Company. Each has instead entered into a contract for services with the Company.

Non-executive Directors' contracts for services

Non-executive Directors were appointed for an initial term of 12 months. M C Gupta, Martin Gatto, Michael Grasby and Ravi Gupta have each signed a contract for services with the Company. They were each appointed for an initial period of 12 months and, under the terms of their contracts for services, their appointments were renewable for a further period by mutual agreement, subject to re-election, when appropriate, by the Company in general meeting. A formal process for evaluating the performance of the Board, its committees and the individual Directors will be introduced in due course.

During the year, the Non-executive Directors' fees were reviewed by the executive members of the Board and have been set at a level to reflect the time commitment and level of involvement that they are required to make in the activities of the Board and its committees.

The key terms of the Non-executive Directors' letters of appointment are as follows:

Director	Date of appointment	Notice period	Fees p.a. £
M C Gupta	6 May 2008	12 months' prior written notice on either side	35,000
Martin Gatto	6 May 2008	Three months' prior written notice on either side	35,000
Michael Grasby	6 May 2008	Three months' prior written notice on either side	35,000
Ravi Gupta	12 May 2008	12 months' prior written notice on either side	35,000

The remuneration of the Non-executive Directors consists of fees that are paid quarterly.

External appointments

It is the Board's policy to allow the Executive Directors to accept directorships of other companies provided that they have obtained the consent of the Board. Any such directorships must be formally notified to the Board.

Directors' remuneration report continued

Directors' interests in ordinary shares

The interests of Directors in the ordinary share capital of the Company during the year were as follows:

	31 March 2013	31 March 2012
Gita Investments Limited ¹	153,061,225	153,061,225
Arvind Gupta	315,000	–
Gita Power Inc ¹	17,006,802	17,006,802
Sri Hari Vallabha Enterprises and Investments Private Limited ¹	3,401,361	3,401,361
Dhanvarsha Enterprises and Investments ¹	2,551,020	2,551,020
Goodfaith Vinimay Private Limited ¹	2,551,020	2,551,020
Michael Grasby	10,000	10,000
Martin Gatto	60,000	60,000
M C Gupta	9,800	–
V Narayan Swami	10,300	–
Total	178,976,528	178,641,428

¹ Beneficial interest in these shareholdings vests with Arvind Gupta.

There were no changes to Directors' interests between 31 March 2013 and the date of this report.

No Director had any interest in any contract of significance with the Group during the year ended 31 March 2013 other than their service contracts, details of which are given on page 39.

Directors' remuneration for the period 1 April 2012 to 31 March 2013

Salary, annual bonus and benefits

£	Salary/fees	Benefits-in-kind	Annual bonus	Total FY31 March 2013	Total FY31 March 2012
Non-executive Chairman					
M C Gupta	35,000	–	–	35,000	25,000
Executive Directors					
Arvind Gupta	279,613	–	–	279,613	156,474
V Narayan Swami	58,283	–	–	58,283	46,942
Non-executive Directors					
Martin Gatto	35,000	–	–	35,000	25,000
Michael Grasby	35,000	–	–	35,000	25,000
Ravi Gupta	35,000	–	–	35,000	25,000
Total	477,896	–	–	477,896	303,416

Note: No consideration was paid to or received by third parties for making available the services of any executive or Non-executive Director.

Options

Options outstanding

	Option granted	Option price £	Movements during the period					31 March 2013	Latest exercise date
			1 April 2012	Granted	Lapsed	Exercised			
Gita Investments Limited	16 July 2009	£0.60	21,524,234		Nil	Nil	21,524,234	By 15 July 2019	
Martin Gatto	16 July 2009	£0.60	1,000,000		Nil	Nil	1,000,000	By 15 July 2019	

At 31 March 2013 the closing mid-market price of the Company's shares was 59.25 pence. During the year under review, the Company's closing mid-market share price ranged between a low of 30.5 pence and a high of 64.5 pence.

This report has been approved by the Board of Directors of the Company.

M C Gupta

Chairman, Remuneration Committee
20 June 2013

Directors' report

The Directors present their report, together with the audited financial statements of the Group, for the year ended 31 March 2013.

1. Incorporation

The Company is incorporated and domiciled in the Isle of Man.

2. Principal activities

The principal activities of the Group are developing, owning and operating power stations in India. Electricity generated from its plants is sold principally to captive consumers or in the short-term market in India and to the State Electricity Board.

The subsidiary and associated undertakings principally affecting the results or net assets of the Group in the year are listed in note 3.3 to the financial statements.

3. Strategic report

The Company is required by the Companies Act 2006 to include a Strategic report in this report. The information that fulfils the requirements of the Strategic report can be found on the pages listed below and is incorporated into this report by reference:

- i. Chairman's and CEOs' statements on pages 10 to 13;
- ii. The Strategic report and Financial review, including details of the main trends and factors likely to affect the future development, performance and position of the business, on pages 1 to 33;
- iii. The Investing in people report on pages 28 to 31.

These reports also include details of expected future developments in the business of the Group, principal risks and uncertainties and details of key performance indicators deployed by the management.

The Strategic report has been prepared to provide the Company's shareholders with a fair review of its business and a description of the principal risks and uncertainties facing it. It may not be relied upon by anyone, including the Company's shareholders, for any other purpose.

Information about the use of financial instruments by the Group is given in note 26 to the consolidated financial statements.

4. Results and dividends

The audited financial statements for the year ended 31 March 2013 are set out on pages 46 to 74. The Group profit for the year after taxation was £8.83 million (2012: £0.22 million). The Board does not recommend the payment of a final dividend, considering the need to conserve cash for the continuing expansion of the business. No dividend was paid for the half year to 30 September 2012 (no dividend was paid for the year ended 31 March 2012).

5. Directors

Details of changes to the Board during the period and of the Directors offering themselves for re-election at the forthcoming Annual General Meeting ('AGM') are set out in the Corporate Governance Report on page 35.

Details of Directors' service agreements are set out in the Directors' Remuneration Report on page 39.

The interests of the Directors in the shares of the Company are shown in the Directors' Remuneration Report on page 40.

Biographies of all the Directors at the date of this report are set out on pages 32 and 33.

6. Directors' liability insurance and indemnities

The Company maintains liability insurance for the Directors and Officers of all Group companies.

Indemnities are in force under which the Company has agreed to indemnify the Directors to the extent permitted by applicable law and the Company's Articles of Association in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries.

Neither the Group's liability insurance nor indemnities provides cover in the event that a Director or Officer is proved to have acted fraudulently or dishonestly.

7. Supplier payment policy

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group seeks to treat all suppliers fairly, but it does not have a Group-wide standard or code of practice that deals specifically with payment to suppliers. Trade payables at 31 March 2013 represented on average 210 days' credit based on actual invoices received (2012: 175 days' credit).

8. Share capital

The Company has an authorised and issued share capital of 351,504,795 equity shares at par value of £0.000147 per share amounting to £51,671 in total. There are no designated treasury shares.

Directors' report continued

The Directors will be seeking to renew their authority to purchase its own shares (Resolution 6) at the forthcoming AGM. Full details of these resolutions, together with explanatory notes, are contained in the Notice of Annual General Meeting.

9. Fixed assets

In the opinion of the Directors, there is no material difference between the book value and the current open market value of the Group's interests in land and buildings.

10. Charitable and political donations

The Group made direct charitable donations during the year to the amount of £0.13 million.

11. Going concern

As highlighted in note 18 to the financial statements, the Group meets its day-to-day working capital requirements through a bank facility.

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Strategic report on pages 1 to 33. Further information on the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic report and Financial Review on 1 to 33. In addition, note 26 to the financial statements details the Group's objectives, policies and processes for managing its capital and its exposures to credit risk and liquidity risk.

The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

After making enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

12. Substantial shareholdings

The Company has been notified of the following interests in 3% or more of the Company's total voting rights at 28 June 2013 and confirms that there have been no changes as at 20 June 2013:

	Percentage of voting rights and issued share capital	No of ordinary shares
Gita Investments Limited and related ¹	50.89%	178,886,428
M&G Investment Management Limited	12.50%	43,947,803
Legal & General Investment Management Limited	5.86%	20,597,294
Audley Capital Management Ltd	5.59%	19,659,544
FOUR Capital Partners Limited	4.17%	14,646,292

¹ Beneficial interest in these shareholdings vests with Arvind Gupta.

13. Annual General Meeting ('AGM')

This year's AGM will be held at our registered office at 12.30 pm on 30 September 2013. The notice convening the meeting, together with details of the special business to be considered and explanatory notes for each resolution, is contained in a separate document sent to shareholders. It is also available on the Company's website, www.opgpower.com, where a copy can be viewed and downloaded in a pdf format which may be printed or saved by following the link to the Investor Centre/Shareholder Circulars.

14. Employees

The Group keeps its employees informed of matters affecting them as employees through regular team briefings throughout the year. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

The average number of employees within the Group as at 31 March 2013 was 298.

15. Auditors

Grant Thornton have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be proposed at the forthcoming AGM.

16. Disclosure of information to the auditor

As required by Section 418 of the Companies Act 2006, each Director serving at the date of approval of the financial statements confirms that:

1. to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
2. each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Words and phrases used in this confirmation should be interpreted in accordance with the provisions of the Companies Act 2006.

17. Additional information

Articles of Association

The following narrative summarises information relating to certain provisions in the Company's Articles and applicable Isle of Man law concerning companies (the Companies Act 2006 as amended by the Isle of Man Companies (Amendment) Act 2009 (the 'Act'). This is a summary only and the relevant provisions of the Act or the Articles should be consulted if further information is required.

Share capital structure

Details of the issued share capital, together with details of movements in the Company's issued share capital during the year are shown in notes 16 to the consolidated financial statements.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. Under its Articles, the Directors have authority to issue on a non-pre-emptive basis up to 15% of the Company's share capital in each financial year.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. The Directors are not aware of any agreements between the holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The Company made no purchases of its own ordinary shares during the year.

A resolution will be proposed at the forthcoming AGM seeking renewal of the shareholders' approval to make market purchases of its own shares. Such authority will be exercised having regard to applicable guidelines of the Investor Protection Committees.

Details of share schemes are set out in note 17 to the consolidated financial statements and in the Directors' Remuneration Report on pages 38 and 40.

Powers of the Directors

With regard to the appointment and replacement of Directors, the Company is governed by its Articles, the Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of the Directors are described in the Corporate Governance Report on pages 34 to 37.

By order of the Board

Philip Scales

Company Secretary
OPG Power Ventures Plc
Ioma House
Hope Street
Douglas
Isle of Man
IM1 1AP

30 June 2013

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the Parent Company financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union and have also elected to prepare financial statements for the Company in accordance with IFRS as adopted for use in the European Union. Company law requires the Directors to prepare such financial statements in accordance with IFRS and the Companies Act 2006.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's and Company's financial position, financial performance and cash flows. This requires the fair presentation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- > select suitable accounting policies and apply them consistently;
- > make judgements and estimates that are reasonable and prudent;
- > state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- > provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

to the Members of OPG Power Ventures Plc

We have audited the accompanying group financial statements of OPG Power Ventures Plc for the year ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statements of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) (as adopted by the European Union).

This report is made solely to the Company's members, as a body, in accordance with Section 80C(2) of the Isle of Man Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the non-financial information in the business review and corporate governance statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards (IFRS) (as adopted by the European Union) of the state of the Group's affairs as at 31 March 2013 and of their profit and loss for the year then ended.

Grant Thornton Chartered Accountants

Third Floor
Exchange House
54/58 Athol Street
Douglas
ISLE OF MAN
IM1 1JD

Date: 17 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

Particulars	Notes	2013	2012
Revenue		56,191,873	45,253,431
Cost of revenue	6	(34,623,263)	(31,347,196)
Gross profit		21,568,610	13,906,235
Other income	7	715,676	1,538,242
Distribution cost		(651,740)	(895,006)
General and administrative expenses	6	(7,042,402)	(5,458,388)
Operating profit		14,590,144	9,091,084
Financial costs	8	(6,138,999)	(4,823,587)
Financial income	9	2,084,106	2,808,853
Loss on deconsolidation of subsidiaries	24	–	(4,815,135)
Profit before tax		10,535,251	2,261,215
Tax expense	10	(1,710,839)	(2,044,115)
Profit for the year		8,824,412	217,100
Attributable to:			
Owners of the parent		8,726,299	251,427
Non-controlling interest		98,113	(34,327)
		8,824,412	217,100
Earnings per share	21		
Basic earnings per share (in pence)		2.483	0.072
Diluted earnings per share (in pence)		2.483	0.072
Other comprehensive income			
Available-for-sale financial assets			
– Reclassification on loss of control of subsidiaries	24	–	(253,343)
– Reclassification to profit and loss on sale of available-for-sale investments		109,483	255,542
– Current year gains/(losses) on remeasurement		(85,013)	(109,483)
Currency translation differences on translation of foreign operations		1,165,513	(11,261,421)
Other comprehensive income/(loss)		1,189,983	(11,368,705)
Total comprehensive income/(loss) for the year		10,014,395	(11,151,605)
Attributable to:			
Owners of the parent		9,912,964	(11,035,084)
Non-controlling interest		101,431	(116,521)
		10,014,395	(11,151,605)

(See accompanying notes to the consolidated financial statements.)

The financial statements were authorised for issue by the Board of Directors on 17 June 2013 and were signed on its behalf by:

Arvind Gupta
Chief Executive Officer

V Narayan Swami
Chief Financial Officer

Consolidated Statement of Financial Position

As at 31 March 2013

(All amounts in £, unless otherwise stated)

Particulars	Notes	2013	2012
Assets			
Non-current			
Property, plant and equipment	11	182,508,796	93,031,022
Investments and other assets	12	1,160,587	2,285,430
Restricted cash	15	394,782	868,996
Total non-current assets		184,064,165	96,185,448
Current			
Trade and other receivables	13	34,814,660	17,405,365
Inventories	14	6,140,973	5,546,740
Cash and cash equivalents	15	22,906,776	37,876,393
Restricted cash	15	4,705,601	3,712,150
Current tax assets		104,970	48,071
Investments and other assets	12	45,708,623	52,836,729
Total current assets		114,381,603	117,425,448
Total assets		298,445,768	213,610,896
Equity and liabilities			
Equity			
Equity attributable to owners of the parent:			
Share capital		51,671	51,671
Share premium		124,316,524	124,316,524
Other components of equity		(1,126,807)	(3,256,411)
Retained earnings		19,311,138	10,577,591
Total		142,552,526	131,689,375
Non-controlling interest		186,012	62,371
Total equity		142,738,538	131,751,746
Liabilities			
Non-current			
Borrowings	18	103,898,137	56,055,498
Trade and other payables	19	3,369,758	1,396,701
Deferred tax liability	10	990,316	1,300,658
Total non-current liabilities		108,258,211	58,752,857
Current			
Borrowings	18	4,972,199	14,806,900
Trade and other payables	19	42,114,288	7,809,652
Other liabilities		278,989	239,259
Current tax liabilities		83,543	250,482
Total current liabilities		47,449,019	23,106,293
Total liabilities		155,707,230	81,859,150
Total equity and liabilities		298,445,768	213,610,896

(See accompanying notes to the consolidated financial statements.)

The financial statements were authorised for issue by the Board of Directors on 17 June 2013 and were signed on its behalf by:

Arvind Gupta
Chief Executive Officer

V Narayan Swami
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

Group	Issued capital (No. of shares)	Share capital	Share premium
Balance at 1 April 2012	351,504,795	51,671	124,316,524
Transfers during the year (refer note 23)			
Employee share-based payment options			
Transactions with owners	351,504,795	51,671	124,316,524
Profit for the year from operating activities			
Currency translation differences			
Gains on sale/remeasurement of available-for-sale financial assets			
Total comprehensive income for the year	–	–	–
Balance at 31 March 2013	351,504,795	51,671	124,316,524
Balance at 1 April 2011	351,504,795	51,671	124,316,524
Issue of equity shares			
Employee share-based payment options			
Effect of loss of control of subsidiaries (refer note 24)			
Transactions with owners	351,504,795	51,671	124,316,524
Profit for the year from operating activities			
Effect of loss of control of subsidiaries (refer note 24)			
Currency translation differences			
Gains/(losses) on sale/remeasurement of available-for-sale financial assets			
Total comprehensive income for the year	–	–	–
Balance at 31 March 2012	351,504,795	51,671	124,316,524

(See accompanying notes to the consolidated financial statements.)

Other reserves	Foreign currency translation reserve	Retained earnings	Total of parent equity	Non-controlling Interest	Total equity
4,979,571	(8,235,982)	10,577,591	131,689,375	62,371	131,751,746
(391)	(30,892)	7,248	(24,034)	22,210	(1,825)
974,222			974,222		974,222
5,953,402	(8,266,874)	10,584,839	132,639,563	84,581	132,724,143
		8,726,299	8,726,299	98,113	8,824,412
	1,162,212		1,162,212	3,301	1,165,513
24,453			24,453	17	24,470
24,453	1,162,212	8,726,299	9,912,964	101,431	10,014,395
5,977,855	(7,104,661)	19,311,138	142,552,526	186,012	142,738,538
4,614,203	3,189,641	9,050,027	141,222,066	9,807,809	151,029,875
48,146			48,146	(48,146)	–
1,454,247			1,454,247		1,454,247
				(9,580,771)	(9,580,771)
6,116,596	3,189,641	9,050,027	142,724,459	178,892	142,903,351
		251,427	251,427	(34,327)	217,100
(1,281,379)	(248,101)	1,276,137	(253,343)	–	(253,343)
–	(11,177,522)	–	(11,177,522)	(83,899)	(11,261,421)
144,354			144,354	1,705	146,059
(1,137,025)	(11,425,623)	1,527,564	(11,035,084)	(116,521)	(11,151,606)
4,979,571	(8,235,982)	10,577,591	131,689,375	62,371	131,751,746

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

Particulars	2013	2012
Cash flows from operating activities		
Profit for the year before tax	10,535,251	2,261,216
Unrealised foreign exchange loss	84,368	97,182
Provision for doubtful debts	883,329	60,314
Financial expenses	6,138,999	4,823,587
Financial Income	(2,084,106)	(2,648,309)
Share-based compensation costs	974,222	1,454,247
Depreciation	1,563,213	1,397,121
Loss on deconsolidation of subsidiaries	–	4,815,135
	18,095,276	12,260,493
Movements in working capital		
Increase in trade and other receivables	(17,566,722)	(14,107,633)
Increase in inventories	(549,863)	(1,579,425)
Decrease in other current assets	346,585	1,419,696
Increase in trade and other payables	41,484,087	5,598,445
Increase in other liabilities	9,264,123	1,056,506
	51,073,486	4,648,072
Income taxes paid	(2,242,625)	(532,088)
	48,830,861	4,115,994
Cash flow from investing activities		
Acquisition of property, plant and equipment	(94,798,022)	(71,351,424)
Finance income	1,894,936	1,817,087
Dividend income	180,790	453,787
Movement in restricted cash	(481,508)	(3,013,933)
Sale/(purchase) of investments, net	(2,062,996)	2,603,909
	(95,266,800)	(69,490,574)
Cash flows from financing activities		
Proceeds from borrowings	40,110,171	44,169,173
Repayment of borrowings	(3,828,420)	(7,047,128)
Interest paid	(5,031,418)	(4,823,587)
	31,250,333	32,298,458
Net decrease in cash and cash equivalents	(15,185,606)	(33,076,122)
Cash and cash equivalents at the beginning of the year	37,876,393	71,104,280
Effect of exchange rate changes on the balance of cash held in foreign currencies	215,989	81,243
Impact on deconsolidation of subsidiaries	–	(233,008)
	22,906,776	37,876,393

(See accompanying notes to the consolidated financial statements.)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

1. Corporate information

1.1. Nature of operations

OPG Power Ventures Plc ('the Company' or 'OPGPV') and its subsidiaries (collectively referred to as 'the Group') are primarily engaged in the development, owning, operation and maintenance of private sector power projects in India. The electricity generated from the Group's plants is sold principally to public sector undertakings and heavy industrial companies in India or in the short-term market. The business objective of the Group is to focus on the power generation business within India and thereby provide reliable, cost effective power to the industrial consumers and other users under the 'open access' provisions mandated by the Government of India.

1.2. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations as adopted by the European Union ('EU') and the provisions of the Isle of Man, Companies Act 2006 applicable to companies reporting under IFRS.

1.3. General information

OPG Power Ventures 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 the Company's registered office, which is also the principal place of business, is IOMA House, Hope Street, Douglas, Isle of Man IM1 1JA. The Company's equity shares are listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

The financial statements were approved by the Board of Directors on 17 June 2013.

2. Standards, amendments and interpretations to existing standards that are not effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Standards and interpretations adopted by the European Union as at 31 March 2013:

Standard or interpretation	Effective for reporting periods starting on or after
IFRS 10: Consolidated Financial Statements	1 January 2014
IFRS 11: Joint Arrangements	1 January 2014
IFRS 12: Disclosure of Interests in Other Entities	1 January 2014
IFRS 13: Fair Value Measurement	1 January 2013
Transition guidance for IFRS 10, 11, 12	1 January 2014
Amendments to IFRS 7	1 January 2013
Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 19: Employee Benefits (Revised June 2011)	1 January 2013
IAS 27: Separate Financial Statements	1 January 2014
IAS 28: Investments in Associates and Joint Ventures	1 January 2014
Offsetting Financial Assets and Financial Liabilities	1 January 2014

The management is yet to assess the impact of IFRS 9 on the Group's consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

3. Summary of significant accounting policies

3.1. Basis of preparation

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

The financial statements have been prepared on a going concern basis which assumes the Group will have sufficient funds to continue its operational existence for the foreseeable future covering at least 12 months. As the Group has forecast it will be able to meet its debt facility interest and repayment obligations, and that sufficient funds will be available to continue with the projects development, the assumption that these financial statements are prepared on a going concern basis is appropriate.

The consolidated financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007) and have been presented in Great Britain Pound (£), which is the functional and presentation currency of the Company.

3.2. Basis of consolidation

The consolidated financial statements incorporate the financial information of OPG Power Ventures Plc and its subsidiaries for the year ended 31 March 2013.

A subsidiary is defined as an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is acquired by the Group, and continue to be consolidated until the date that such control ceases. All subsidiaries have a reporting date of 31 March and use consistent accounting policies adopted by the Group.

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

Non-controlling interest represents the portion of profit or loss and net assets that is not held by the Group and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of additional stake or dilution of stake from/to minority interests/other venturer in the Group where there is no loss of control are accounted for as an equity transaction, whereby, the difference between the consideration paid or received and the book value of the share of the net assets is recognised in 'other reserve' within statement of changes in equity.

3.3. List of subsidiaries

Details of the Group's subsidiaries which are consolidated into the Group's consolidated financial statement are as follows:

Subsidiaries	Immediate parent		Country of incorporation	% Voting right		% Economic interest	
	Up to 25 January 2013	After 25 January 2013		2013	2012	2013	2012
Caromia Holdings Limited ('CHL')	OPGPV	OPGPV	Cyprus	100	100	100	100
Gita Energy Private Limited ('GEPL') ¹	CHL	–	Cyprus	100	100	100	100
Gita Holdings Private Limited ('GHPL') ¹	CHL	–	Cyprus	100	100	100	100
OPG Power Generation Private Limited ('OPGPG')	GEPL and GHPL	GPIPL	India	71.76	71.76	99	99
OPGS Power Gujarat Private Limited ('OPGG') ^{2&3}	GEPL and GHPL	GPIPL	India	100	100	100	100
Gita Power and Infrastructure Private Limited ('GPIPL')	GHPL	CHL	India	100	100	100	98.22

1 The shareholders of GEPL, GHPL and GPIPL have entered into a scheme of arrangement which has become effective during the current year. As a result of the scheme of arrangement the assets and liabilities of GEPL and GHPL have been taken over by GPIPL and shares in GPIPL have been allotted to the shareholders of GEPL and GHPL on 25 January 2013. The liquidation process of GEPL and GHPL is yet to commence as at 31 March 2013 (also refer note 23).

2 Partly paid equity shares in OPGG have been forfeited and thereby the economic interest and voting rights of the Group stand increased to 100%.

3 During the year name changed as OPGS Power Gujarat Private Limited.

Also refer note 24 for deconsolidation of OPG Renewable Energy Private Limited ('OPGRE') and OPG Energy Private Limited ('OPGE') effective 30 November 2011, where the Group holds an economic interest of 33% and 44.22% respectively.

3. Summary of significant accounting policies continued

3.4. Foreign currency translation

The functional currency of the Company is the Great Britain Pound Sterling (£). The Cypriot entities are an extension of the parent and pass through investment entities. Accordingly the functional currency of the subsidiaries in Cyprus is the Great Britain Pound Sterling. The functional currency of the Company's subsidiaries operating in India, determined based on evaluation of the individual and collective economic factors is Indian Rupees (INR). The presentation currency of the Group is the Great Britain Pound (£) as submitted to the AIM counter of the London Stock Exchange where the shares of the Company are listed.

At the reporting date the assets and liabilities of the Group are translated into the presentation currency which is Great Britain Pound Sterling (£) at the rate of exchange ruling at the statement of financial position date and the statement of comprehensive income is translated at the average exchange rate for the year. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity.

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 statement of financial position date are translated into functional currency at the foreign exchange rate ruling at that date. Aggregate gains and losses resulting from foreign currencies are included in finance income or costs within the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The Great Britain Pound (£):Indian Rupee (INR) exchange rates used to translate the INR financial information into the presentation currency of Great Britain Pound (£) were as follows:

Particulars	31 March 2013	31 March 2012	30 November 2012
Closing rate	82.56	82.90	81.16
Average rate	85.83	76.69	74.92

3.5. Revenue recognition

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

Sale of electricity

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

Interest and dividend

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

3.6. Taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, taxation authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not 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. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

3. Summary of significant accounting policies continued

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets and liabilities are offset only when the Group has a right and the intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.7. Financial assets

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets are classified into the following categories upon initial recognition:

- loans and receivables; and
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

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. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include mutual funds and equity instruments. Available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

3.8. Financial liabilities

The Group's financial liabilities include borrowings and trade and other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method and are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

3. Summary of significant accounting policies continued

3.9. Fair value of financial instruments

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

3.10. Property, plant and equipment

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

Land is not depreciated. Depreciation on other assets is computed on straight-line basis over the useful life of the asset based on management's estimate as follows:

Nature of asset	Useful life (years)
Buildings	40
Power stations	40
Other plant and equipment	3–10
Vehicles	5–11

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

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

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

3.11. Leases

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

Group as a lessee

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

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Lease of land is classified separately and is amortised over the period of the lease.

3.12. Borrowing costs

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

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

3. Summary of significant accounting policies continued

3.13. Impairment of non-financial assets

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

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

3.14. Cash and cash equivalents

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

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

3.15. Inventories

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

Costs incurred in bringing each product to its present location and condition is accounted based on weighted average price.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

3.16. Earnings per share

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

3.17. Other provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts 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. 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. 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 reporting 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. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources 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. In a business combination, contingent liabilities are recognised on the acquisition date when there is a present obligation that arises from past events and the fair value can be measured reliably, even if the outflow of economic resources is not probable. They are subsequently measured at the higher amount of a comparable provision as described above and the amount recognised on the acquisition date, less any amortisation.

3. Summary of significant accounting policies continued

3.18. Share-based payments

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to 'other reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Impact of market condition are included in the computation of the fair value at the grant date. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

3.19. Employee benefits

Gratuity

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

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each statement of financial position date using the projected unit credit method.

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

Employees Benefit Trust

Effective during the year, the Group has established an Employees Benefit Trust (hereinafter 'the EBT') for investments in the Company's shares for employee benefit schemes. IOMA Fiduciary in the Isle of Man have been appointed as Trustees of the EBT with full discretion invested in the Trustee, independent of the Company, in the matter of share purchases. As at present, no investments have been made by the Trustee nor any funds advanced by the Company to the EBT. The Company is yet to formulate any employee benefit schemes or to make awards thereunder.

3.20. Business combinations

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established using pooling of interest method. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any excess consideration paid is directly recognised in equity.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

4. Significant accounting judgements, estimates and assumptions

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

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

The Group has determined that a number of its accounting policies can be considered significant, in terms of the management judgement that has been required to determine the various assumptions underpinning their application in the consolidated financial statements presented which, under different conditions, could lead to material differences in these statements. The actual results may differ from the judgements, estimates and assumptions made by the management and will seldom equal the estimated results.

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

– Deferred tax assets:

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in India in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

– Recognition of interest income:

The Group has a contractual right to receive interest on overdue receivables from TANGEDCO. Notwithstanding this right, the Group has not recognised any interest, on a prudent basis, for the current year. Further, the management has also reversed past interest receivables amounting to during the year.

Estimates and uncertainties

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

- Recoverability of deferred tax assets: The recognition of deferred tax assets requires assessment of future taxable profit (see note 3.6).
- Estimation of fair value of acquired financial assets and financial liabilities: While preparing the financial statements the Group makes estimates and assumptions that affect the reported amount of financial assets and financial liabilities.
- Available-for-sale financial assets: Management apply valuation techniques to determine the fair value of available-for-sale financial assets where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the asset. Where such data is not observable, management uses its best estimate. Estimated fair values of the asset may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date;
- Other financial liabilities: Borrowings held by the Group are measured at amortised cost except where designated at fair value through profit or loss. Further, liabilities associated with financial guarantee contracts in the Company financial statements are initially measured at fair value and remeasured at each statement of financial position date (see note 3.9 and note 28); and
- Impairment tests: In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and use an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate;
- Useful life of depreciable assets: Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

5. Segment information

The Group has adopted the 'management approach' in identifying the operating segments as outlined in IFRS 8 – Operating segments. Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the steering committee that makes strategic decisions. Management has analysed the information that the chief operating decision maker reviews and concluded on the segment disclosure. 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 accounting policies used by the Group for segment reporting are the same as those used for consolidated financial statements.

5. Segment information continued

For management purposes, the Group is organised into only a single business unit of power generation and distribution of the same to customers. There are no geographical segments as all revenues arise from India.

Revenue on account of sale of power to one party amounts to £49,577,179 (2012: £22,237,514).

6. Depreciation, costs of inventories and employee benefit expenses included in the consolidated statements of comprehensive income

a) Depreciation and costs of inventories included in the consolidated statements of comprehensive income:

	2013	2012
Included in cost of revenue:		
Cost of fuel consumed	31,829,212	27,334,036
Depreciation	1,376,180	1,313,202
Other direct costs	1,417,871	2,699,958
Total	34,623,263	31,347,196

Depreciation included in general and administrative expenses amount to £187,905 (2012: £83,920).

b) Employee benefit expenses forming part of general and administrative expenses are as follows:

	2013	2012
Salaries and wages	1,704,807	1,073,043
Employee benefit costs	203,172	117,529
Employee Stock Option	974,222	1,454,247
Total	2,882,201	2,644,819

c) Auditor's remuneration for audit services amounting to £35,000 (2012: £45,000) is included in general and administrative expenses.

d) Foreign exchange (loss)/gain included in the general and administrative expenses/other income is as follows:

	2013	2012
Foreign exchange (loss)	(960,459)	(130,240)
Total	(960,459)	(130,240)

7. Other income

a) Other income comprises of:

	2013	2012
Compensation for loss of profit	–	370,277
Interest on overdue receivables	–	563,902
Miscellaneous income/expense	715,676	604,063
Total	715,676	1,538,242

8. Finance costs

Finance costs comprises of:

	2013	2012
Interest expenses on loans and borrowings	4,742,403	4,068,516
Loss on disposal of financial instruments	–	465,546
Impairment of available-for-sale financial assets (also refer note 12)	1,107,581	–
Other finance costs	289,015	289,525
Total	6,138,999	4,823,587

Interest expenses on loans and borrowings consists of interest expenses on financial liability at amortised cost of £4,742,403 (2012: £4,068,516).

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

9. Finance income

The finance income comprises of:

	2013	2012
Interest income		
– Bank deposits	1,637,028	2,437,276
– Loans and receivables	14,043	66,073
Dividend income	180,790	305,504
Profit on disposal of financial instruments	252,245	–
Total	2,084,106	2,808,853

Other finance income represents the interest income earned by OPGPV on the investment of its funds.

10. Tax expense

The major components of income tax expense for the years ended 31 March 2013 and 2012.

Tax reconciliation

Reconciliation between tax expense and the product of accounting profit multiplied by India's domestic tax rate for the years ended 31 March 2013 and 2012 is as follows:

	2013	2012
Accounting profit before taxes	10,535,251	2,261,215
Loss on deconsolidation of subsidiaries	–	4,815,135
Enacted tax rates	32.45%	32.45%
Tax on profit at enacted tax rate	3,418,689	2,295,922
Differences on account MAT rate	(1,570,510)	(582,406)
Items taxed at zero rate	(828,328)	253,998
Others	690,988	76,601
Actual tax expense	1,710,839	2,044,115

Consolidated statement of comprehensive income

	2013	2012
Current tax	2,025,698	940,344
Deferred tax	(314,859)	1,103,771
Tax expense reported in the statement of comprehensive income	1,710,839	2,044,115

The Company is subject to Isle of Man corporate tax at the standard rate of zero percent. As such, the Company's tax liability is zero. Additionally, Isle of Man does not levy tax on capital gains. However, considering that the Group's operations are entirely based in India, the effective tax rate of the Group has been computed based on the current tax rates prevailing in India. Further, a substantial portion of the profits of the Group's India operations are exempt from Indian income taxes being profits attributable to generation of power in India. Under the tax holiday the taxpayer can utilise an exemption from income taxes for a period of any 10 consecutive years out of a total of 15 consecutive years from the date of commencement of the operations.

The Group is subject to the provisions of Minimum Alternate Tax ('MAT') under the Indian income taxes for the year ended 31 March 2013 and 2012. Accordingly, the Group calculated the tax liability for current taxes in India after considering MAT.

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

10. Tax expense continued

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

	2013	2012
Deferred income tax assets		
Lease transactions and others	59,906	48,961
Provision for customs	612,103	–
Provision for doubtful debts	161,980	–
Gratuity	1,853	4,573
	835,842	53,534
Deferred income tax liabilities		
Difference in depreciation on Property, plant and equipment	1,813,272	1,353,007
Mark-to-market on available-for-sale financial assets	12,886	1,185
	1,826,158	1,354,192
Deferred income tax liabilities, net	990,316	1,300,658

Movement in temporary differences during the year.

Particulars	As at 1 April 2012	Recognised in income statement	Recognised in equity	As at 31 March 2013
Property, plant and equipment and others	(1,353,007)	(460,265)	–	(1,813,272)
Lease transactions	48,961	10,945	–	59,906
Provision for customs	–	612,103	–	612,103
Provision for doubtful debts	–	161,980	–	161,980
Gratuity	4,571	(2,718)	–	1,853
Mark-to-market gain/(loss) on available-for-sale financial assets	(1,183)	–	(11,703)	(12,886)
	(1,300,658)	322,045	(11,703)	(990,316)

Particulars	As at 1 April 2011	Recognised in income statement	Recognised in equity	As at 31 March 2012
Property, plant and equipment and others	(849,446)	(503,561)	–	(1,353,007)
Lease transactions	30,294	18,667	–	48,961
Gratuity	–	4,571	–	4,571
Mark-to-market gain/(loss) on available-for-sale financial assets	125,218	–	(126,401)	(1,183)
	(693,934)	(480,323)	(126,401)	(1,300,658)

In assessing the reliability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realised. The ultimate realisation 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 realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

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

As at 31 March 2013 and 31 March 2012, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

11. Property, plant and equipment

The property, plant and equipment comprises of:

a) Gross block

Amount in GBP

Particulars	Land and buildings	Power stations	Other plant and equipment	Vehicles	Assets under construction	Total
As at 1 April 2011	9,205,256	49,791,628	138,121	205,048	18,424,186	77,764,239
– Additions	1,064,278	1,431,849	214,938	122,146	47,521,538	50,354,749
– Deconsolidation (refer note 24)	(986,475)	(9,013,743)	(58,777)	–	(10,672,839)	(20,731,834)
– Disposals	–	(26,541)	–	–	–	(26,541)
– Exchange adjustments	(1,202,662)	(6,129,605)	(9,801)	(34,624)	(5,318,058)	(12,694,750)
As at 31 March 2012	8,080,397	36,053,588	284,481	292,570	49,954,827	94,665,863
As at 1 April 2012	8,080,397	36,053,588	284,481	292,570	49,954,827	94,665,863
– Additions	1,901,331	151,352	142,283	381,043	88,199,257	90,775,266
– Transfers on capitalisation	–	44,043,316	–	–	(44,043,316)	–
– Exchange adjustments	19,737	108,840	30,131	(30,827)	203,362	331,243
As at 31 March 2013	10,001,465	80,357,096	456,895	642,786	94,314,130	185,772,372

b) Accumulated depreciation

Particulars	Land and buildings	Power stations	Other plant and equipment	Vehicles	Assets under construction	Total
As at 1 April 2011	227,656	3,403,761	66,218	71,306	–	3,768,941
– Depreciation charged during the year	28,843	1,291,215	30,870	46,194	–	1,397,122
– Deconsolidation (refer note 24)	(223,623)	(2,773,033)	(24,009)	–	–	(3,020,665)
– Exchange adjustments	(26,269)	(467,030)	(6,285)	(10,973)	–	(510,557)
As at 31 March 2012	6,607	1,454,913	66,794	106,527	–	1,634,841
As at 1 April 2012	6,607	1,454,913	66,794	106,527	–	1,634,841
– Depreciation charged during the year	29,176	1,376,180	81,790	76,939	–	1,564,085
– Exchange adjustments	1,120	65,444	(4,089)	2,175	–	64,650
As at 31 March 2013	36,903	2,896,537	144,495	185,641	–	3,263,576

c) Net block

Particulars	Land and Buildings	Power stations	Other plant and equipment	Vehicles	Assets under construction	Total
As at 31 March 2013	9,964,562	77,460,559	312,400	457,145	94,314,130	182,508,796
As at 31 March 2012	8,073,790	34,598,675	217,687	186,043	49,954,827	93,031,022

The net book value of land and buildings block comprises of:

	2013	2012
Freehold	9,634,419	7,440,351
Buildings	330,143	633,439
Total	9,964,562	8,073,790

Property, plant and equipment with a carrying amount of £87,607,389 (2012: £42,672,466) is subject to security restrictions (refer note 18).

An amount of £4,753,396 (previous year £3,407,430) pertaining to interest on borrowings was capitalised as the funds were deployed for the construction of qualifying assets.

12. Investments and other assets

	2013	2012
a) Current		
Available-for-sale financial assets	5,280,737	1,393,866
Capital advances	37,994,007	48,637,313
Loans and receivables		
– Advance to suppliers	1,153,627	958,668
– Other advances	1,280,252	1,846,882
Total	45,708,623	52,836,729
b) Non-current		
Available-for-sale financial assets (refer note 24)	274,181	1,381,762
Prepayments	787,771	813,618
Loans and receivables		
– Lease deposits	86,153	77,127
– Other advances	12,482	12,923
Total	1,160,587	2,285,430

Available-for-sale investment – quoted short-term mutual fund units

The Group has investments in mutual fund units. The fair value of the mutual fund instruments are determined by reference to published data. These mutual fund investments are redeemable on demand.

The investments in OPGE and OPGRE have been fair valued and the share of the Group has been determined and disclosed as available-for-sale classified as non-current.

Effective 1 December 2011, the Group has given up control and significant influence over OPGE and OPGRE, pursuant to non-renewal of voting rights agreement entered by GEPL, GHPL and OPGPG (hereinafter referred as Shareholders) with Tamil Nadu Property Developers Limited ('TNPDL'). There was no consideration that was received and the Group's interests in the said companies are being accounted as investments.

Accordingly, the Group had derecognised the carrying value of assets, liabilities and non-controlling interest of the former subsidiaries and recognised the fair value of the retained investments at the date when control was lost. Further, the Group also reclassified to profit and loss, such amounts pertaining to these erstwhile subsidiaries that were earlier recognised through other comprehensive income and has accounted for the resulting difference as loss attributable to the Group.

As at the date of consolidation, the Company has fair valued the investments grouped under available-for-sale investments. There is no change in the valuation technique to those adopted in the previous year. The fair value of OPGE is performed using discounted cash flow approach. Significant inputs into the model are based on management's assumption of the expected cash flows up to 31 March 2024 and a discount rate of 17%.

The carrying amount of investments, its fair value and the resultant impact on the statement of comprehensive income is as follows:

Particulars	OPGE	OPGRE	Total
Investment value – Available-for-sale as on 31 March 2012 (fair value of retained non-controlling investments. Also refer note 24)	1,381,762	–	1,381,762
Fair value of retained non-controlling investment as on 31 March 2013	274,181	–	274,181
Current year charge on remeasurement through statement of comprehensive income	1,107,581	–	1,107,581

Loans and receivables (current)

Advances to suppliers include the amounts paid as advance for supply of fuel. Other advance of the Group primarily includes additional import duty on imported coal paid under protest amounting to £Nil (2012: £754,442). Capital advances comprise of payment made to EPC contractors for construction of assets and advances paid for purchase of capital equipment. The management expects to realise these in the next one year.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

13. Trade and other receivables

	2013	2012
Current		
Trade receivables	33,953,528	17,102,878
Unbilled revenues	56,642	139,114
Other receivables	804,490	163,373
Total	34,814,660	17,405,365

Since received from TANGEDCO is £25.79m for the sales made up to February 2013.

Trade receivables are generally due within 14 days terms and are therefore short-term and the carrying values are considered a reasonable approximation of fair value. The entire sum of £34,814,660 (2012: £17,405,365) has been pledged as security for borrowings (refer note 18). As at 31 March 2013, trade receivables of £978,893 (2012: £60,314) were collectively impaired and provided for. In determining the timing and amount of interest income receivable from TANGEDCO for past dues, the Group has considered its contractual rights and recent favourable regulatory commission orders passed for similar customers. Trade receivables that are neither past due nor impaired represents billings for the month of March.

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

	Total	Neither past due nor impaired	Past due but not impaired		
			< 90 days	90-180 days	> 180 days
2013	33,953,528	3,986,943	16,855,817	13,057,010	54,758
2012	17,102,878	3,246,760	6,739,233	6,517,222	599,663

The movement in provision for trade receivables is as follows:

	Opening balance	Provision for the year	Reversal of provision	Closing balance
2013	60,314	918,579	–	978,893
2012	–	60,314	–	60,314

The creation of provision for impaired receivables has been included in 'other expenses' in the profit and loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

14. Inventories

	2013	2012
Coal and fuel	5,275,114	5,068,904
Stores and spares	865,859	477,836
Total	6,140,973	5,546,740

The entire amount of £6,140,973 (2012: £5,546,740) has been pledged as security for borrowings (refer note 18).

15. Cash and cash equivalents

Cash and short-term deposits comprise of the following:

	2013	2012
Cash at banks and on hand	17,760,840	34,023,639
Short-term deposits	5,145,936	3,852,754
Total	22,906,776	37,876,393

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

Restricted cash represents deposits maturing between three to 12 months amounting to £4,705,601 (previous year: £3,712,150) and maturing after 12 months amounting to £394,782 (previous year: £868,996) which have been pledged by the Group in order to secure borrowing limits with banks (refer note 18).

16. Issued share capital

Share capital

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

The Company has an authorised and issued share capital of 351,504,795 equity shares (2012: 351,504,795) at par value of £0.000147 (2012: £0.000147) per share amounting to £51,671 (2012: £51,671) in total.

The Company has issued share capital at par value of £51,671 (£0.000147 per share).

Reserves

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

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

Other reserves represents the difference between the consideration paid and the adjustment to net assets on change of controlling interest, without change in control, Other reserves also includes any costs related with share options granted and gain/losses on remeasurement of available-for-sale financial assets.

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

17. Share-based payments

The Board has granted share options to Directors and nominees of Directors which are limited to 10% of the Group's share capital. Once granted, the share must be exercised within 10 years of the date of grant otherwise the options would lapse.

The vesting conditions are as follows:

- The 300 MW power plant of Kutch in the state of Gujarat must have been in commercial operation for three months.
- The closing share price being at least £1.00 for three consecutive business days.

The related expense has been amortised over the estimated vesting period of 4.96 years (expected completion of the Kutch plant) and an expense amounting to £974,222 (2012: £1,454,247) was recognised in the profit or loss with a corresponding credit to other reserves.

Movement in the number of share options outstanding and their related weighted average exercise price are as follows:

Particulars	2013	2012
At 1 April	22,524,234	22,524,234
Granted	–	–
Forfeited	–	–
Exercised	–	–
Expired	–	–
At 31 March	22,524,234	22,524,234

Assumptions on valuation of options

The weighted average price fair value of options granted in 2010–11, determined using the Black-Scholes valuation model, was £0.28 per option. The significant inputs into the model were weighted average share price of £0.66 (2011) at the grant date, exercise price of £0.60 (2011: £0.60), volatility of 31.34% (2012: 31.34%), dividend yield of nil (2012: nil), an expected option life of 4.96 years (2012: 4.21 years) and annual risk free rate of 3%. The volatility measured at the standard deviation of continuously compounded share returns is based on daily share prices of the last three years.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

18. Borrowings

The borrowings comprise of the following:

	Interest rate (range %)	Final maturity	2013	2012
Long-term loans	12.30 –15.75	March 2023	103,898,137	56,055,498
Short-term loans	12.30 –15.75	March 2014	1,460,193	2,908,457
Cash credit and working capital arrangements			5,946	3,311,968
LC bills discounting and buyers' credit facility		March 2014	3,506,060	8,586,475
Total			108,870,336	70,862,398

Total debt of £108,870,336 (2012: £70,862,398) is secured as follows:

- The long-term loans taken by the Group are fully secured by the property, plant, assets under construction and other current assets of subsidiaries which have availed such loans.
- The short-term loan and cash credits taken by the Group are secured against hypothecation of current assets and in certain cases by deposits and margin money is provided as collateral.
- LC bills discounting and buyers' credit facility is fully secured by hypothecation of current assets and in certain cases by margin money deposits and other fixed deposits of the respective entities availing the facility.

The Group's sanctioned project term loans and working capital facilities total £346.46 million at 31 March 2013 and includes the above total debt of £108.87 million. All project term loans and working capital loans are personally guaranteed by the Group's Managing Director, Mr Arvind Gupta.

Long-term 'project finance' loans contain certain restrictive covenants stipulated by the facility providers and primarily require the Group to maintain specified levels of certain financial metrics and operating results. The terms of the other borrowings arrangements also contain certain restrictive covenants primarily requiring the Group to maintain certain financial metrics. As of 31 March 2013, the Group has met all the relevant covenants.

The fair value of borrowings at 31 March 2013 was £108,870,336 (2012: £70,862,398). The fair values have been calculated by discounting cash flows at prevailing interest rates.

The borrowings are reconciled to the statement of financial position as follows:

	2013	2012
Current liabilities		
Amounts falling due within one year	4,972,199	14,806,900
Non-current liabilities		
Amounts falling due after one year but not more than five years	84,835,475	37,336,198
Amounts falling due in more than five years	19,062,662	18,719,300
Total non-current	103,898,137	56,055,498
Total	108,870,336	70,862,398

19. Trade and other payables

	2013	2012
Current		
Trade payables	12,582,732	7,229,514
Creditors for capital goods	24,547,203	434,913
Other payables	4,984,353	145,225
Total	42,114,288	7,809,652
Non-current		
Retention money	3,038,756	1,078,521
Other payables	331,002	318,180
Total	3,369,758	1,396,701

19. Trade and other payables continued

With the exception of certain trade payables, all amounts are short-term.

- Trade payables are non-interest bearing and are normally settled on 45 days terms.
- Creditors for capital goods are non-interest bearing and are usually settled within a year.
- Other payables include provision for gratuity and other provision for expenses.

20. Related party transactions

Where control exists

Name of the party	Nature of relationship
Gita Investments Limited	Ultimate parent
Caromia Holdings Limited	Subsidiary
Gita Energy Private Limited	Subsidiary (up to 25 January 2013)
Gita Holdings Private Limited	Subsidiary (up to 25 January 2013)
OPG Power Generation Private Limited	Subsidiary
OPGS Power Gujarat Private Limited	Subsidiary
Gita Power and Infrastructure Private Limited	Subsidiary

Key management personnel

Name of the personnel	Nature of relationship
Arvind Gupta	Chief Executive Officer
V Narayan Swami	Chief Financial Officer
M C Gupta	Chairman
Martin Gatto	Director
Ravi Gupta	Director
Patrick Michael Grasby	Director

Related parties with whom the Group had transactions during the period

Name of the related party	Nature of relationship
Sri Hari Vallabha Enterprises & Investments (P) Limited	Entity in which key management personnel has control/significant influence
Dhanvarsha Enterprises & Investments Private Limited	Entity in which key management personnel has control/significant influence
Goodfaith Vinmay (P) Limited	Entity over which key management personnel exercises control/significant influence through relatives
Salem Food Products Limited	Entity in which key management personnel has control/significant influence
Sri Rukmani Rolling Mill Private Limited	Entity in which key management personnel has control/significant influence
Kanishk Steel Industries Limited	Entity in which key management personnel has control/significant influence
Gita Energy & Generation Private Limited	Entity in which key management personnel has control/significant influence
Sonal Vyapar Limited	Entity in which key management personnel has control/significant influence
OPG Energy Private Limited	Entity in which key management personnel has control/significant influence
OPG Renewable Energy Private Limited	Entity in which key management personnel has control/significant influence
Powerserve Support Limited	Entity in which key management personnel has control/significant influence
Gita Devi	Relative of key management personnel
Rajesh Gupta	Relative of key management personnel
Ravi Gupta	Relative of key management personnel
Avantika Gupta	Relative of key management personnel

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

20. Related party transactions continued

Name of the party	2013 Amount (£)	2012 Amount (£)
Summary of transactions with related parties		
Kanishk Steel Industries Limited		
a) Sharing of power	–	692,091
b) Sale of coal	–	310,104
c) Purchase of raw material	–	5,616
Salem Food Products Limited		
a) Interest received	–	54,123
Ravi Gupta		
a) Remuneration	35,000	25,000
Avantika Gupta		
a) Remuneration	–	32,036
Gita Energy & Generation Private Limited		
a) Reimbursement of expenses	–	1,076
Powerserve Support Limited		
a) Consultancy fees	9,381	31,863
OPG Energy Private Limited		
a) Reimbursement of expenses	27,378	–
OPG Renewable Energy Private Limited		
a) Sale of coal	35,790	21,338

Name of the party	2013 Amount (£)	2012 Amount (£)
Summary of balances with related parties		
Kanishk Steel Industries Limited		
a) Trade and other receivables	288,039	286,872
Sri Rukmani Rolling Mill Private Limited		
a) Trade and other receivables	7,226	7,197
Sonal Vyapar Limited		
a) Trade and other receivables	37,208	36,936
OPG Energy Private Limited		
a) Trade payables	28,463	–
OPG Renewable Energy Private Limited		
a) Trade and other receivables	104,089	224,527

Outstanding balances at the year end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

21. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company as the numerator (no adjustments to profit were necessary in 2012 or 2013).

The weighted average number of shares for the purposes of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share (for the Group and the Company) as follows:

Particulars	2013	2012
Weighted average number of shares used in basic earnings per share	351,504,795	351,504,795
Shares deemed to be issued for no consideration in respect of share-based payments ¹	–	638,339
Weighted average number of shares used in diluted earnings per share	351,504,795	352,143,134

¹ The potential equity shares are anti-dilutive in nature and hence have not been considered for diluted EPS computation.

22. Directors' remuneration

Name of Directors	2013	2012
Arvind Gupta	279,613	156,474
V Narayan Swami	58,283	46,942
Martin Gatto	35,000	25,000
Michael Grasby	35,000	25,000
M C Gupta	35,000	25,000
Ravi Gupta	35,000	25,000
Total	477,896	303,416

The above remuneration is in the nature of short-term employee benefits. As the future liability for gratuity and compensated absences is provided on actuarial basis for the companies in the Group, the amount pertaining to the Directors is not individually ascertainable and therefore not included above.

23. Business combination within the Group without loss of control

Hitherto the structure of the Group was that two Cypriot subsidiaries of OPGPV, namely GEPL and GHPL, held the investments in the equity of the Group's Special Purpose Vehicles ('SPV') in India. The management decided to interpose an Indian Holding Company, GPIPL, in the structure and warehouse the SPV investments in GPIPL. Accordingly, the shareholders of GEPL, GHPL and GPIPL had entered into a scheme of arrangement to effect the above restructuring of the Group. As part of the regulatory requirements in India, the Group had applied and obtained approval from the High court of Madras on 28 October 2011 subject to fulfilment of certain conditions including approval of relevant regulatory authorities, allotment of shares etc. The scheme had been consummated with effect from 25 January 2013 upon issue of shares to the shareholders of GEPL and GHPL, namely CHL and the assets and liabilities of GEPL and GHPL have been taken over by GPIPL. Consequent to the scheme of arrangement, the Group has also gained 100% economic interest over GPIPL by virtue of an agreement entered into with the minority shareholders of GPIPL dated 1 April 2012. The liquidation process of GEPL and GHPL is yet to commence as at year end. Further, CHL has to update relevant secretarial records in their jurisdiction to reflect the above arrangement. The management has initiated the necessary process to achieve the above and expect the same to be complete by the end of 2013.

The above arrangement has been considered as a business combination involving companies under the Group and is accounted at the date that common control was established using pooling of interest method. The assets and liabilities transferred are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. There was no excess consideration paid in this transaction.

24. Deconsolidation on loss of control of subsidiaries

In the previous year, pursuant to the voting rights agreement entered by GEPL with Tamil Nadu Property Developers Limited ('TNPDL') and Salem Food Products Limited ('SFPL') and OPGPG with Sonal Vyapar Limited ('SVL') and TNPDL (hereinafter TNPDL, SFPL and SVL are collectively referred as 'Investors') dated 12 May 2008 and 26 April 2008 respectively, the investors agreed that in consideration of GEPL agreeing to subscribe for shares in OPGRE and OPGPG agreeing to subscribe for shares in OPGE, the investors will exercise all voting rights in accordance with the directions of GEPL and OPGPG. The total voting rights held by the investors in OPGRE and OPGE amounted respectively to 45% and 21.59%. Further, the Investors had also appointed GEPL and OPGPG as the lawful attorneys to exercise their voting rights. Therefore the combination of the directly held interests together with the investors voting with the Group had the effect that the Group controlled a majority of voting rights in OPGRE and OPGE. Accordingly these companies were considered to be subsidiaries of the Group until the expiry of the agreement on 30 November 2011.

The management determined not to exercise control over the operations of OPGRE and OPGE beyond that date and has, pursuant to a voting rights agreement entered on 1 December 2011 by GEPL, GHPL and OPGPG (hereinafter referred as 'Shareholders') with TNPDL, the Shareholders have agreed to exercise their voting rights in accordance with the directions of TNPDL in the context of the expiry of the voting rights hitherto available from the investors. The Shareholders have thus extended voting support to TNPDL to provide for appropriate management of the Company. Also, the Group withdrew its nominees from the offices held in the respective companies effective 1 December 2011. There was no consideration that was received and these events resulted in loss of control and significant influence over OPGRE and OPGE and, effective 1 December 2011, the Group's interests in the said companies are being accounted as investments classified as available-for-sale assets.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

24. Deconsolidation on loss of control of subsidiaries continued

Accordingly, a fair valuation of these assets by independent valuers was undertaken as at 30 November 2011 and the resulting adjustment to their carrying value as at that date, applicable to the Group, has been charged to the consolidated statement of comprehensive income. At the date of loss of control, the carrying amount of the subsidiaries' net assets, the fair valuation and the resultant impact on the loss of control are as follows:

Particulars	OPGRE	OPGE	Total
Fair value by independent valuers	–	3,124,744	3,124,744
Consideration received	–	–	–
Fair value of retained non-controlling investment	–	1,381,762	1,381,762
Total (A)	–	1,381,762	1,381,762
Total assets	7,520,744	32,183,730	39,704,474
Total liabilities	5,671,332	18,002,130	23,673,462
Net worth	1,849,412	14,181,600	16,031,012
Minority interest on date of loss of control	(1,253,311)	(8,327,461)	(9,580,772)
Net assets attributable to the Group (B)	596,101	5,854,139	6,450,240
Adjustment required to carrying value on deconsolidation	596,101	4,472,377	5,068,478
Recycle from other comprehensive income			
Revaluation reserve	(2,076)	(3,166)	(5,242)
Translation reserve	(20,599)	(227,502)	(248,101)
Net charge on disposal effecting the Group	573,426	4,241,709	4,815,135

Further the negative goodwill arising from the original investment which was recognised in equity at the time of acquisition has been dealt with under equity.

25. Commitments and contingencies

Operating lease commitments

The Group leases land under operating leases. The leases typically run for a period of 15 to 30 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

Non-cancellable operating lease rentals are payable as follows:

	2013	2012
Not later than one year	33,439	33,304
Later than one year and not later than five years	133,757	133,215
Later than five years	599,527	647,098
Total	766,723	813,617

During the year ended 31 March 2013, £32,165 (2012: £36,001) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

Capital commitments

During the year ended 31 March 2013, the Group entered into a contract to purchase property, plant and equipment for £11,081,450 (2012: £100,485,417).

Guarantees

a) LC and bank guarantee are as disclosed below:

Particulars	As at 31 March 2013	As at 31 March 2012
Towards outstanding letter of credit	31,106,476	3,837,061
Towards outstanding bank guarantees	3,350,437	4,597,552

26. Financial risk management objectives and policies

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

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

The Group's senior management oversees the management of these risks. The Group's senior management advises on financial risks and the appropriate financial risk governance framework for the Group.

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

Market risk

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

The sensitivity analyses in the following sections relate to the position as at 31 March 2013 and 31 March 2012.

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

- (i) The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the average rate of borrowings held during the year ended 31 March 2013, all other variables being held constant. These changes are considered to be reasonably possible based on observation of current market conditions.

Interest rate risk

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

At 31 March 2013 and 31 March 2012, the Group had no interest rate derivatives.

The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. If interest rates increase or decrease by 100 basis points with all other variables being constant, the Group's profit after tax for the year ended 31 March 2013 would decrease or increase by £331,703 (2012: £243,249).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group's presentation currency is the Great Britain Pound (£). A majority of our assets are located in India where the Indian Rupee is the functional currency for our subsidiaries. Currency exposures also exist in the nature of capital expenditure and services denominated in currencies other than the Indian Rupee.

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

The Group's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity:

Currency	As at March 31 2013		As at March 31 2012	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
United States Dollar (USD)	–	25,232,704	–	12,779,559

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

26. Financial risk management objectives and policies continued

Set out below is the impact of a 10% change in the US Dollar on profit arising as a result of the revaluation of the Group's foreign currency financial instruments:

Currency	As at 31 March 2013		As at 31 March 2012	
	Closing rate	Effect of 10% strengthening of GBP on net earnings	Closing rate	Effect of 10% strengthening of GBP on net earnings
United States Dollar (USD)	54.36	(1,661,369)	50.88	(847,894)

The impact on total equity is the same as the impact on net earnings as disclosed above.

Credit risk analysis

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

The maximum exposure for credit risk at the reporting date is the carrying value of each class of financial assets amounting to £105,751,939 (2012: £109,894,083).

The Group has exposure to credit risk from accounts receivable balances on sale of electricity. The operating entities of the Group have entered into short-term agreements with transmission companies incorporated by the Indian state government (TANGEDCO) to sell the electricity generated. Therefore the Group is committed, in the short-term, to sell power to these customers and the potential risk of default is considered low. For other customers, the Group ensures concentration of credit does not significantly impair the financial assets since the customers to whom the exposure of credit is taken are well established and reputed industries engaged in their respective field of business. The creditworthiness of customers to which the Group grants credit in the normal course of the business is monitored regularly. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high-quality external credit ratings.

The Group's management believes that all the above financial assets, except as mentioned in notes 12 and 13, are not impaired for each of the reporting dates under review and are of good credit quality.

Liquidity risk analysis

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

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

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

	Current	Non-current		Total
	Within 12 months	1-5 years	Later than 5 years	
Borrowings	17,849,474	128,713,272	14,630,134	161,192,880
Trade and other payables	42,114,288	3,369,758	–	45,484,046
Other current liabilities	278,989	–	–	278,989
Total	60,242,751	132,083,030	14,630,134	206,955,915

26. Financial risk management objectives and policies continued

Capital management

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

The Group's capital management objectives include, among others:

- ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business; and maximise shareholder value;
- ensure Group's ability to meet both its long-term and short-term capital needs as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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

No changes were made in the objectives, policies or processes during the years ending 31 March 2013 and 2012.

The Group maintains a mixture of cash and cash equivalents, long-term debt and short-term committed facilities that are designed to ensure the Group has sufficient available funds for business requirements. There are no imposed capital requirements on Group or entities, whether statutory or otherwise.

The capital for the reporting periods under review is summarised as follows:

	2013	2012
Total equity	142,738,538	131,751,746
Less: cash and cash equivalents	(22,906,776)	(37,876,393)
Capital	119,831,762	93,875,353
Total equity	142,738,538	131,751,746
Add: borrowings (including buyer's credit)	108,870,336	70,862,398
Overall financing	251,608,874	202,614,144
Capital to overall financing ratio	0.48	0.46

The internal accruals by way of earnings during the year has resulted in an increase in capital to overall financing ratio.

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

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

	Carrying amount		Fair value	
	2013	2012	2013	2012
Financial assets				
Cash and cash equivalents ¹	22,906,776	37,876,393	22,906,776	37,876,393
Available-for-sale instruments ³	5,554,918	2,775,628	5,554,918	2,775,628
Current trade receivables ¹	34,814,659	17,405,365	34,814,659	17,405,365
	63,276,353	58,057,386	63,276,353	58,057,386
Financial liabilities				
Long-term 'project finance' loans ²	103,898,137	56,055,498	103,898,137	56,055,498
Short-term loans ¹	1,466,139	6,220,425	1,466,139	6,220,425
LC bill discounting and buyers' credit facility ¹	3,506,060	8,586,475	3,506,060	8,586,475
Current trade and other payables ¹	42,114,288	7,809,652	42,114,288	7,809,652
Non-current trade and other payables ²	3,369,758	1,396,701	3,369,758	1,396,701
	154,354,382	80,068,751	154,354,382	80,068,751

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

- 1 Cash and short-term deposits, trade receivables, trade payables, and other borrowings like short-term loans, current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- 2 The fair value of loans from banks and other financial indebtedness, obligations under finance leases, financial liabilities at fair value through profit or loss as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.
- 3 Fair value of available-for-sale instruments held for trading purposes are derived from quoted market prices in active markets. Fair value of available-for-sale unquoted equity instruments are derived from valuation performed at the year end.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2013

(All amounts in £, unless otherwise stated)

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

Fair value measurements recognised in the statement of financial position

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

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

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unquoted securities	–	–	274,181	274,181
Quoted securities	5,280,737	–	–	5,280,737
Total	5,280,737	–	274,181	5,554,918

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

Approved by the Board of Directors on 17 June 2013 and signed on behalf by:

Arvind Gupta
Chief Executive Officer

V Narayan Swami
Chief Financial Officer

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Definitions and Glossary

- Act:** Isle of Man Companies Act 2006
- AGM:** Annual General Meeting
- Board:** Board of Directors of OPG Power Ventures Plc
- BHEL:** Bharat Heavy Electricals Limited
- BOP:** Balance of Plant
- bps:** Basis points
- CAGR:** Compound Average Growth Rate
- CEA:** Central Electricity Authority
- CIL:** Coal India Limited
- Company or OPG or parent:** OPG Power Ventures Plc
- EBITDA:** Earnings before interest, tax, depreciation and amortisation
- Electricity Act:** Indian Electricity Act 2003 as amended
- EPC:** Engineering, Procurement and Construction
- EPS:** Earnings per share
- FY:** Financial Year commencing from 1 April to 31 March
- GCP:** Group Captive Plant
- GDP:** Gross Domestic Product
- Government:** Government of India
- Great Britain Pound Sterling or £/pence:** Pounds or sterling/pence, the lawful currency of the UK
- Group Captive:** Group Captive Power plant as defined under Electricity Act 2003, India
- Group or OPG:** the Company and its subsidiaries
- GW:** Giga Watt
- IAS:** International Accounting Standards
- IFRS:** International Financial Reporting Standards
- Indian Companies Act:** the Companies Act, 1956 and amendments thereto
- LOI:** Letter of Intent
- kWh:** Kilowatt hour
- LSE:** London Stock Exchange plc
- MoU:** Memorandum of Understanding
- MW:** Mega Watt
- MWh:** Mega Watt hour
- O&M:** Operating and Management
- PLF:** Plant Load Factor
- PPA:** Power Purchase Agreement
- PSA:** Power Supply agreement
- ROE:** Return on Equity
- Rupees/INR or Rs:** Indian Rupee, the lawful currency of India
- SEB:** State Electricity Board
- SPV:** Special Purpose Vehicle
- State:** State of India
- The Code:** the UK Corporate Governance code, issued by the Financial Reporting Council
- UK/United Kingdom:** United Kingdom of Great Britain and Northern Ireland
- US\$/USD or \$:** US Dollars, the lawful currency of the US



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