



# DELIVERY

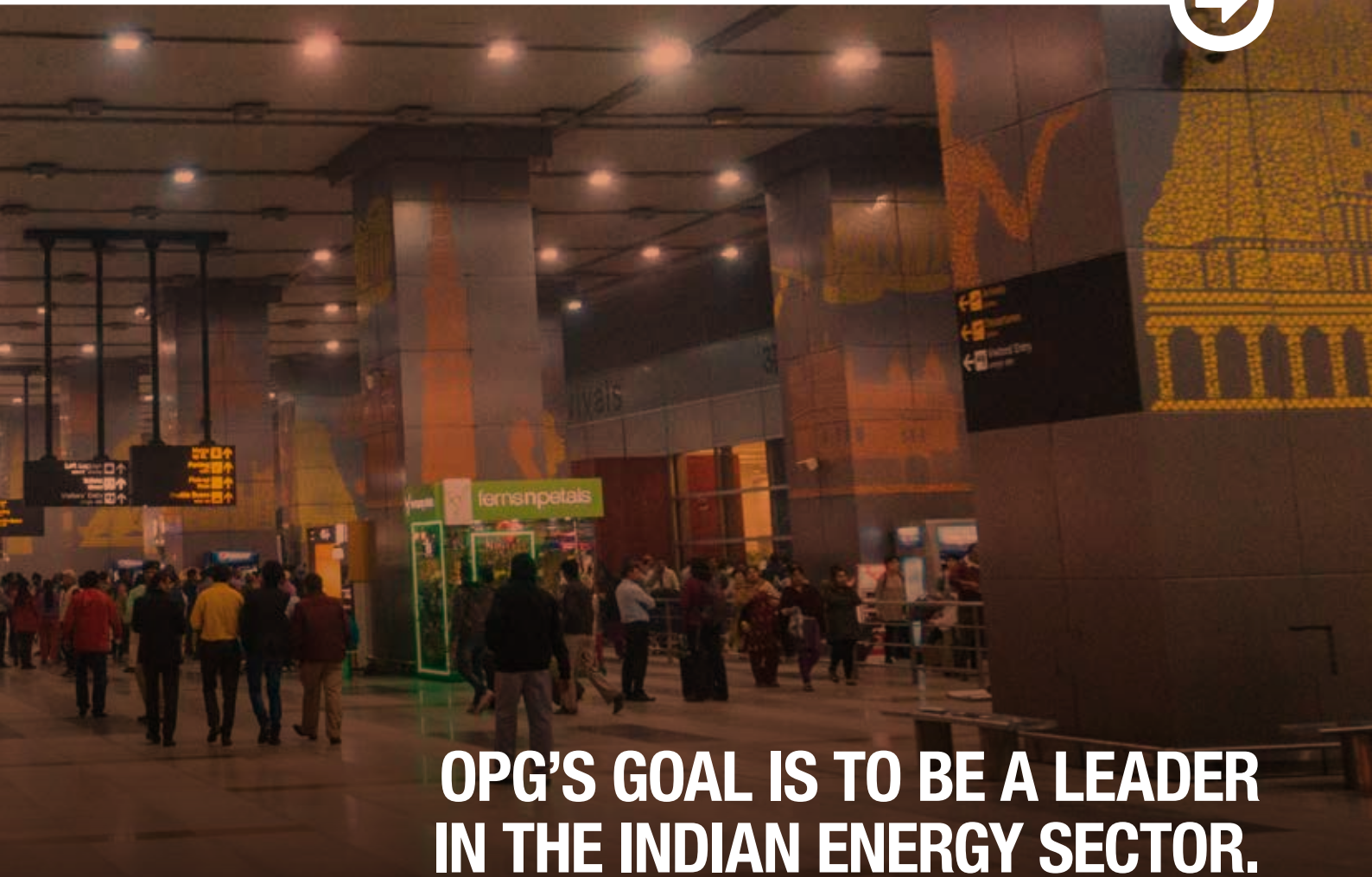
# PERFORMANCE & PROGRESS

Annual Report & Accounts 2016



# OPG HAS ESTABLISHED A STRONG INVESTMENT CASE

- Ⓞ Robust platform of operating assets
- Ⓞ Experienced management team
- Ⓞ Proven ability to execute
- Ⓞ Attractive sector fundamentals
- Ⓞ Demonstrated focus on cash flow generation

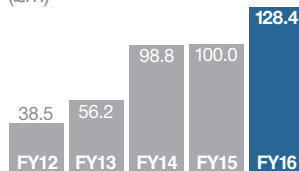


**OPG'S GOAL IS TO BE A LEADER IN THE INDIAN ENERGY SECTOR.**

# HIGHLIGHTS

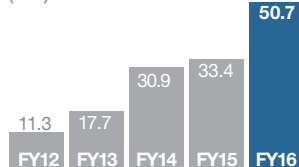
## FINANCIAL HIGHLIGHTS

### Revenue (£m)



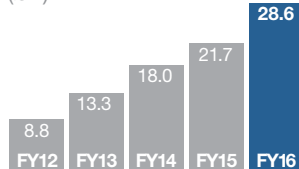
↑  
28%

### EBITDA (£m)



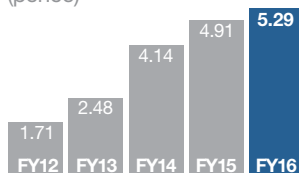
↑  
52%

### PBT (pre-exceptional items) (£m)



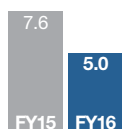
↑  
32%

### Earnings per share (pence)



↑  
8%

### Net debt/EBITDA



- 480 MW new capacity commissioned in the year – total operating capacity 750 MW
- EBITDA margin of 39.5% up from 33.4% compared with FY15
- Profit before tax of £28.6m up by 32% compared with FY15
- EPS of 5.29 pence up by 8% compared with FY15
- 334 MW allocated to two – to three-year captive sales agreements at Chennai plant – transforms sales mix
- Initial target dividend of 15% of net earnings commencing with an interim in calendar year 2016
- 62 MW solar growth projects expected to be funded from a combination of new debt facilities and internal equity

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## FROM DEVELOPER TO OPERATOR

See pages 08 to 26

## BUSINESS MODEL

Our model is driven by economic growth and the demand for power in India.

### DRIVERS



**INDUSTRY AND  
COMMERCE NEEDS  
SUSTAINABLE,  
RELIABLE POWER**

### ROBUST PLATFORM



## WHERE OPG ADDS VALUE

SELECTIVE APPROACH  
TO CUSTOMERS AND  
CONTRACT TERMS

BEST PRICE AND ASSURED  
VOLUMES

BUILD ON TIME, ON BUDGET

MANAGE GEARING

OPTIMISE AVAILABILITY  
OF EVACUATION AND FUEL

ADOPT A RESPONSIBLE  
CULTURE

TAKE OPPORTUNITIES  
TO GROW THE BUSINESS  
AND MANAGE RISK

## OUTCOMES



FIRST CHOICE  
FOR CUSTOMERS



RESPONSIBLE  
OPERATIONS



ROBUST, LOW COST  
OPERATIONS



VISIBILITY OF EARNINGS  
AND CASH FLOW



SUSTAINABLE RETURNS  
TO INVESTORS

# OBJECTIVES AND STRATEGIES OF THE GROUP

The Group's objective is to build shareholder value through profitable growth by becoming the first choice provider of reliable and uninterrupted power at competitive rates to its customers. In addition, the Group's aim is to be a sector leader by reference to the quality of its earnings, the profitable growth it delivers and its performance against its own stringent safety and environment management standards.

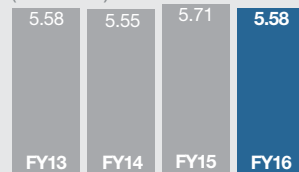
To meet these objectives, the Group's strategy includes: (i) maximising the performance of its existing power generation assets; (ii) reducing its cost of capital and paying dividends; (iii) pursuing responsible growth; and (iv) delivering accretive growth projects within its areas of expertise.

STRATEGIES	DESCRIPTION
<p>Maximising performance of existing power plants</p> 	<p><b>Customers</b> The Group is committed to maximising the performance of its existing power generation assets through plant availability and providing a reliable and uninterrupted supply of electricity directly to its customers.</p> <p>The flexible design of our plants allows us to procure a variety of international and domestic coal and maintain an uninterrupted supply of coal. Further, the Group seeks to achieve competitive prices that are negotiated directly with customers. The Group's use of the group captive model means that it is well positioned to respond to fluctuations in fuel costs through short- and medium-term sales contracts.</p> <p><b>Profitability</b> The Group's strategy involves developing and operating its power plants under the group captive model enabling it to set its own tariffs with captive users and thereby providing the Group with the flexibility to optimise tariffs and profitability.</p> <p>The Group continuously seeks to improve its operational performance and so implements strategies for the optimisation of its power generation assets.</p>
<p>Reducing cost of capital and paying dividends</p> 	<p>The Group aims to maximise cash generation at its existing power plants in order to provide liquidity support for its operations and to repay debt, pay dividends and generate equity for use in potential projects.</p> <p>The Group continues to prioritise projects that can be funded through a combination of debt financing and internal resources, and that can be expected to generate revenues which meet its target return levels without any direct subsidies being made available. Furthermore, the Group seeks to maintain manageable gearing levels and regular open dialogue with its shareholders and financing partners.</p> <p><b>Dividends</b> The Group seeks returns for shareholders and has adopted a dividend policy that will, initially, seek to pay out 15% of full year net earnings, subject to the level of free cash flow generated, (calculated after scheduled debt repayments and expected capital expenditure) and progress to a long-term dividend strategy that pays out a third of the Company's net earnings in any year.</p>
<p>Pursuing responsible growth</p> 	<p>The Group works with long-term, top-tier financing, technical and consulting partners to pursue responsible growth, and targets international environmental standards while ensuring that domestic standards are met or exceeded. The Group also seeks to respect the rights and acknowledge the aspirations and concerns of the local communities in which it operates.</p> <p>The Group has developed, and intends to continue to develop, small- and medium-sized power projects and, alongside potential financing arrangements, considers a number of factors when assessing the viability and development of potential power projects, including that land acquisition, water supply, availability of equipment, logistics, transmission infrastructure or other local and socio-political issues, are not material constraints, and that environmental and safety standards are capable of being met.</p>
<p>Delivering accretive growth projects and expanding into renewable power sector</p> 	<p><b>Energy mix</b> The Group evaluates projects consistent with its strategy of accretive growth that better replicate India's energy mix, and where it can expect to meet its debt commitments and enhance earnings. These projects currently include a range of potential power generation and related projects, including opportunities for inorganic growth through the acquisition of existing distressed or operational assets.</p> <p><b>Solar power</b> The Group is expanding into the solar segment with a planned investment of £45m in four solar energy projects with a planned aggregate installed capacity of 62 MW in Karnataka.</p> <p>The Group aims to develop at least 300 MW of solar power generation projects in India. The Group intends to leverage its track record and the experience of its management team to obtain and deliver renewable power generation projects. The Directors believe that, at present, attractive growth projects in renewable energy bring with them strong potential for the Group to replicate India's energy generation mix and add to the quality of its earnings and, consequently, offer the Group attractive organic growth potential.</p>

# KEY PERFORMANCE INDICATORS

## FINANCIAL

### Average tariff realisation (INR/kWh)



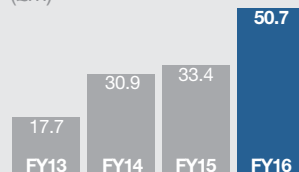
This is the average price realised per unit of power sold. The average tariff realised for FY16 was Rs 5.58 slightly lower than FY15 due to the sales mix from both plants.

### Cost of generation (INR/kWh)



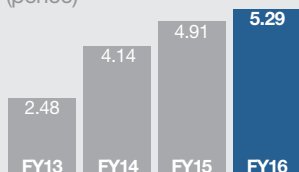
The cost of fuel is the primary input cost in a thermal plant. Cost of generation excluding depreciation per kWh decreased to Rs 2.67 in FY16 from Rs 3.09 in FY15 reflecting lower landed cost principally on account of international coal prices.

### EBITDA (£m)



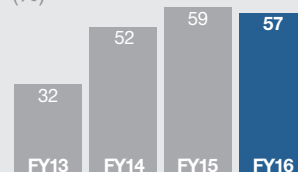
Earnings before interest, taxes, depreciation and amortisation ('EBITDA') is a factor of sales volumes, prices, cost of sales and overheads and is adjusted for non-operational and exceptional items. It is a measure of the Company's operating cash flows. EBITDA for FY16 was 52% higher with EBITDA margins at 40% in FY16 as compared to 33% in FY15.

### Earnings per share (EPS) (pence)



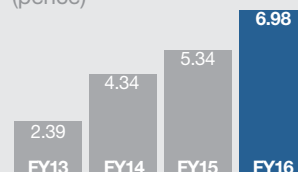
This represents net profit after tax attributable to equity shareholders. In FY16, earnings per share was 5.29 pence an increase of 8% from FY15. Higher deferred tax charges (non-cash) impacted net earnings for FY16.

### Gearing (%)



Gearing is a measure of net debt to shareholders' equity plus net debt. As at 31 March 2016, the Group's Net debt was £256.4m with gearing of 57%.

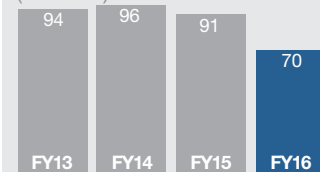
### Adjusted EPS (pence)



Adjusted EPS is EPS adjusted for deferred tax charge as this is a non-cash tax charge. Adjusted EPS increased by 31% in FY16 from FY15.

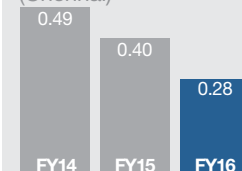
## NON-FINANCIAL

### Plant load factor (%) (Chennai)



Plant load factor ('PLF') measures the output of a power plant compared to the maximum output it could produce – it is a factor of plant availability and plant utilisation. The PLF for the Chennai plant for FY16 was 70% – lower on account of ramp up of Chennai IV, flooding and transmission constraints due to seasonal demand. The PLF for the Group was 68% with the Gujarat plant reporting operations as part of the income statement only from February 2016.

### Total Recordable Injury Rate (Chennai)



The Group ensures a safe working environment for all its employees and contractors through regular ongoing training and improvements in workplace. The Group uses the Total Recordable Injury Rate ('TRIR') as a measure of monitoring the frequency of injury rates per 100,000 hours worked. The TRIR at the Chennai plant was 0.28 a decrease of 30% and 43% from FY15 and FY14 respectively. The TRIR at Gujarat for FY16, its first year of operations, was 0.64.

## CHAIRMAN’S STATEMENT

OPG is becoming a leader. The Company has recorded its eighth successive year of rising revenues and earnings with the potential to deliver significantly more electricity to its customers once it has completed the ramp up of its new assets.

The Board has announced and quantified its approach to dividends, which are to start this year, in addition to revealing plans for further debt reductions and growth, the latter funded by the Company and adding attractive solar capacity. All of these initiatives are intended to underpin and grow the dividend in the longer term.

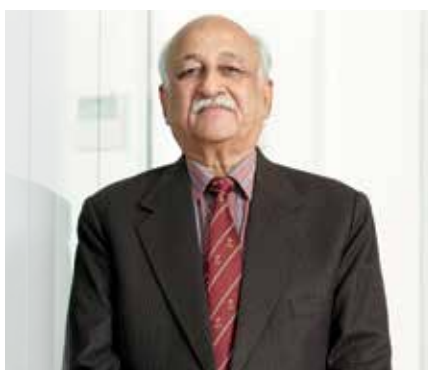
I believe that gives the OPG management team much to be proud of upon the completion of their 750 MW programme.

This positions the Company uniquely well, in my view, to take advantage of the many good growth opportunities the Indian power sector will have to offer in the years to come. At a time when the sector is experiencing positive reform on many fronts including most critically the availability and cost of financing.

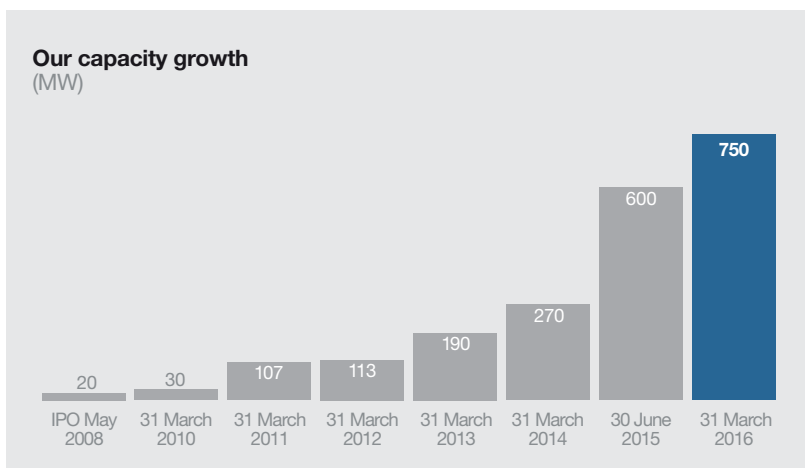
With the Board having now announced a firm approach to dividends, I have informed the Board of my decision to retire and I wish to thank my Board colleagues and the entire team at OPG for their warmth and for their efforts in making this a company of the future.

I have every reason to believe OPG is well on its way to achieving its goal of leadership in the Indian energy sector.

**M C Gupta**  
Chairman  
29 July 2016



*This positions the Company uniquely well, in my view, to take advantage of the many good growth opportunities the Indian power sector will have to offer in the years to come.*





## OPERATING CAPACITY

750 MW



## HISTORIC TIMELINE

**2016**

Dividend policy.  
62 MW Solar project announced  
750 MW completed.

**2015**

300 MW Gujarat and 180 MW  
Chennai IV construction completed  
and commenced operations  
in 2015.

**2014**

Chennai IV upgraded from 160 MW  
to 180 MW increasing the total  
capacity at Tamil Nadu to 450 MW.

**2013**

80 MW Chennai III commissioned  
in June 2013. Chennai IV converted  
from two units of 80 MW to a single  
unit of 160 MW.

**2012**

77 MW Chennai II delivered in  
September 2012, a replica of  
Chennai I increasing installed  
capacity to 190 MW.

**2010**

77 MW Chennai I commissioned in  
August 2010. Total installed  
capacity of 113 MW.

**2008**

Listed on AIM.  
20 MW capacity.

# OUR MARKET

Leading GDP growth drivers.

## India is the fastest growing economy at over 7% GDP growth

The Indian economy is the fourth largest in the world and the dominant economy in South Asia. According to the World Bank, India's gross domestic product ('GDP') increased by 6.6%, 7.2% and 7.3% in 2013, 2014 and 2015, respectively. Furthermore, India's GDP is forecast to grow by 7.6% in 2016 and by 7.7% in each of 2017 and 2018.

## 1.29bn population – largely young and rural based

The World Bank estimates that India's population of approximately 1.29bn in 2014 is the second highest in the world and has grown at a compound annual growth rate of 1.34% since 2007. Per capita electricity consumption has been growing but remains lowest among Brazil, Russia, India, China and South Africa ('BRICS') and a third of world average at 1,010 kWh in 2015.

## Focus on infrastructure development

The 12th Five-Year Plan for the period to 31 March 2017 is focused on faster, more inclusive and more sustainable growth and a focus on infrastructure investment. India's Planning Commission has projected that infrastructure investment will almost double to \$1,025bn in the 12th Five-Year Plan, representing approximately 8.2% of gross domestic product.



**'Make in India'**

The growth of the Indian economy has been pursued through reform and the introduction of policies that favour businesses and investors, including the 'Make in India' and '24x7 Power for All' programmes. According to the World Bank, foreign direct investment rose 37% from the launch of the 'Make in India' campaign in October 2014 to February 2016. As of December 2015, \$45.7bn (approximately 2.2% of GDP) had been pledged under the 'Make in India' campaign.

A fast growing  
major economy  
with a huge  
population base

**7%+**  
**GDP GROWTH**



## MARKET REVIEW

India remains power hungry and is forecast to need another 250 GW of capacity over the next 15 years.

### Demand for energy 240m people without power

In 2013, India's share of the global population was nearly 18%, but it accounted for only 5.7% of global energy demand. According to the International Energy Agency ('IEA'), India's energy demand has nearly doubled since 2000; on a per capita basis, in the same period it has grown by approximately 46% and represents only around one-third of the global average. The IEA has estimated that in 2013 nearly 240m people in India, or approximately 19% of the population, did not have access to electricity.

### 42% of total power demand from industry

The largest sector for electricity consumption in India is industry, for which the IEA estimated energy demand almost doubled between 2000 and 2013, and which accounted for approximately 42% of electricity consumption for the year ended 31 March 2015. Energy demand by industry is expected to increase in order for India to meet GDP growth forecasts.

### Electricity demand to grow at 4.7% CAGR until 2040

For India to achieve its economic growth target reliable power supply is essential. The IEA anticipates that gross electricity generation demand will increase by a compound annual growth rate ('CAGR') of 4.7% between 2013 and 2040. India is expected to represent around one-quarter of the total increase in global energy consumption over the period to 2040, according to the IEA.

### Coal and renewables to form India's energy mix

Power is a key input for India to achieve its economic growth targets while balancing its commitment to climate change to reduce CO<sub>2</sub> intensity by 2030 by 33% from 2005 levels. For the purpose of preparing India's Intended Nationally Determined Contributions ('INDCs') for submission to COP21 in Paris, the National Institute for Transforming India ('NITI Aayog') prepared 'A Report on Energy Efficiency and Energy Mix in the Indian Energy System (2030)' which forecasts energy demand to grow to 562 GW by 2030. The report also considered the anticipated energy mix to meet increased electricity demand and projected coal and renewables (solar, wind, biomass) to comprise approximately 47% and 29% of installed capacity respectively and account for approximately 65% and 15% of gross electricity generation respectively.

### Sector reforms

The Government has continued to bring in reforms and policies to improve the efficiency, credit worthiness and liquidity of the sector.

### UDAY – revival of Discoms

The power distribution companies ('Discoms') in each state are the biggest offtakers of power. Discoms have accumulated losses of over \$38bn and outstanding debts of \$45bn on account of low tariffs, and under recovery of costs and operational inefficiencies. In November 2015, the GOI announced UDAY (Ujwal Discom Assurance Yojna) for the financial turnaround and revival of Discoms.

The scheme has been signed up to by 14 states. As part of the scheme the respective state will take over 75% of the debt and up to 50% of losses in a phased manner until 2019. The remaining debt is to be converted to bonds at 10 basis points over the banks base rate.

In return the Discoms will be required to implement the following measures to achieve profitability:

- *Quarterly tariff increase.*
- *Improving operational efficiency* – reducing technical and commercial losses from 22% to 15% through smart metering, infrastructure upgrade and collection efficiency.
- *Reducing input cost* – rationalisation of coal costs through streamlining logistics and reducing imports. The GOI is to step up domestic coal production to assist in this area.
- *Reducing high interest cost* – by converting high cost loans (12–15%) to state bonds (8–9%).
- *Enforcing financial discipline* of Discoms by aligning them with state finance.

### Banking reforms

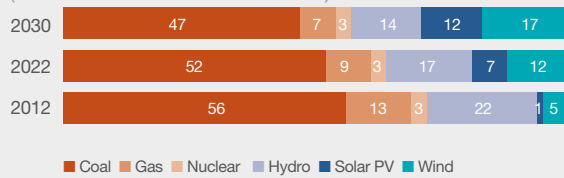
Over the last two years, the Government has brought in a Recapitalisation scheme, passed the Bankruptcy Bill, initiated consolidation among Public Sector Banks ('PSBs') and set up a governance and accountability framework for PSBs to turnaround the significant build up of non-performing assets ('NPAs') resulting in weak capitalisation.

### Re-capitalisation of banks

The GOI announced the Indradhanush scheme which is aimed at shoring up the PSBs lending capacities that are restricted by poor asset quality and weak capitalisation. The government estimates that PSBs will require approximately Rs 118,000 crores or \$17bn to remain adequately capitalised to support growth over the next three years. The government proposes to make available Rs 70,000 crores or \$10bn over the next four years and for the banks to raise the balance in the market.

**562 GW installed by 2030**

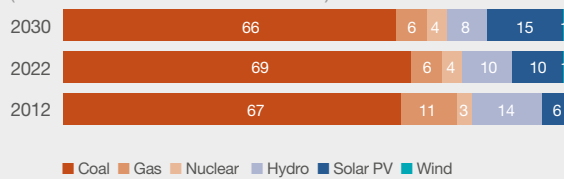
(47% coal and 29% renewables)



Source: NITI Aayog, April 2015

**2.8 TWh generation by 2030**

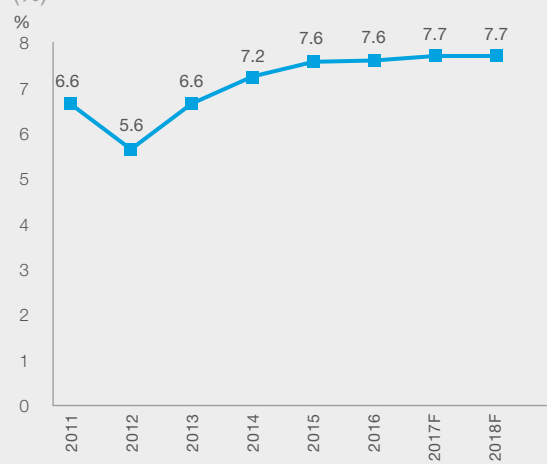
(65% coal and 15% renewables)



Source: NITI Aayog April 2015

**GDP growth rate**

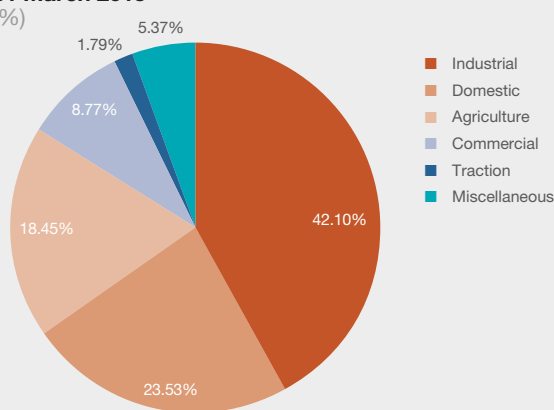
(%)



Source: World Bank

**Electricity demand by sector**  
31 March 2015

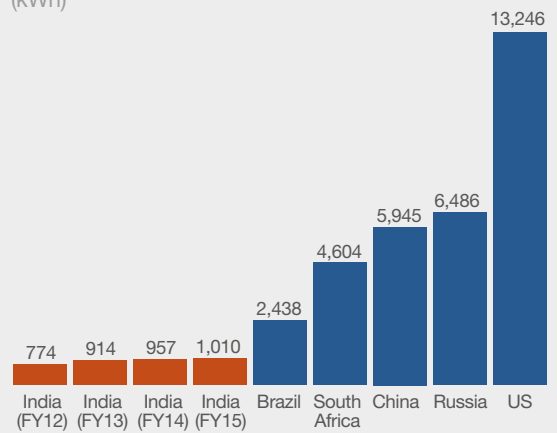
(%)



Source: CEA

**Per capita consumption of electricity**

(kWh)



Source: World Bank, 2011, India, CEA, Apr 2016

## MARKET REVIEW CONTINUED

- **Development of corporate debt market and green bonds**

The GOI's budget in February 2016 proposed measures to deepen the domestic corporate bond market development such as extending foreign investment in unlisted debt, directing the Reserve Bank of India ('RBI') to encourage bond financing by large borrowers and requiring India's largest insurance company Life Insurance Corporation of India to set up a credit enhancement fund for infrastructure projects. In 2015, India entered the green bond market, with a total of \$1.1bn of green bonds issued from a handful of pioneer issuers (Yes Bank, Export-Import Bank of India, CLP Wind Farms and IDBI). SEBI is seeing the green bond market as a key tool to help raise the finance needed to meet the ambitious targets of India's INDC as established for COP21 and have issued formal guidelines for green bonds.

- **Accountability for non-performing assets**

The infrastructure sector has been the major recipient of PSBs' funding during the past decades. But due to several factors, many projects have stalled or are stressed. As such, a new framework of key performance indicators ('KPIs') for measuring the performance of PSBs was announced with quantitative indicators relating to efficiency of capital use and diversification of business, NPA management and qualitative criteria relating to strategic initiatives taken to improve asset quality, efforts made to conserve capital, HR initiatives and improvement in external credit rating.

- **Solar power in India**

The solar power industry has been transformed significantly in the last decade largely due to the falling cost of solar panels. In India, installed solar capacity has grown from a few MWs in 2010 to 6.7 GW by March 2016. In its efforts to meet its commitments at COP21 and increase the share of renewables in the energy mix by 2030, GOI has accelerated its plans to install 100 GW of solar by 2022.

Solar power has become attractive in India due to:

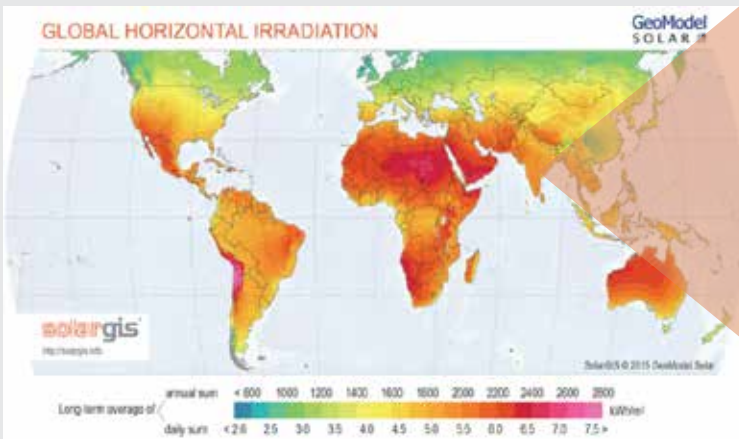
- **High irradiation levels** all year round with an average of 320 sun days, providing stable generation (versus other renewable energy sources) in the daytime.
- **Lower capex costs** has been the key driver behind the growth in solar power. In India the cost per MW has fallen from approximately \$3m in 2010 to \$1m in 2015 largely on account of equipment/panel costs but also total capex is lower than Western countries due to reduced balance of plant costs making solar power a more viable option without reliance on subsidies.
- **Short gestation and lower development risk** as solar power plants can be constructed in approximately four to six months from achieving financial closure and permitting thereby becoming revenue generating relatively faster than new build thermal plants. Further the installation of solar is modular in nature.

- **Government policies supportive to achieve 100 GW targets**

The Indian government has introduced a number of policies to deliver the ambitious renewables targets that it has set such as:

- *Renewable purchase obligation ('RPO')* on state distribution companies – the Indian government expects renewable energy sources, and in particular solar energy, to make up a significant part of future energy supply and RPO targets of between 3 and 8% are intended to drive demand.
- *Long term Power Purchase Agreements ('PPA')* – the states and their respective electricity regulators have in turn introduced specific measures to encourage the development of renewable energy sources, including offering competitive long-term PPAs for renewable power projects.
- *Priority status* – granting priority status for power evacuation to solar power projects, introducing a customs and excise duty exemption for solar PV panels and currently constructing a 'green corridor' transmission network to evacuate power from areas that are rich in sources of renewable energy to other parts of the country.
- *Automatic approvals* – many states have given solar projects automatic approvals required for the establishment of the projects, such as land use permits and stamp duty waivers.

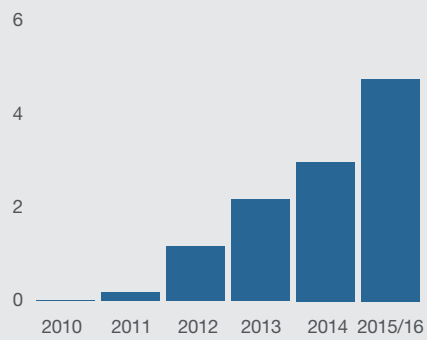
India has high irradiation – receives over 300 days of sun



Source: GHI Solar Map © 2016 Solargis

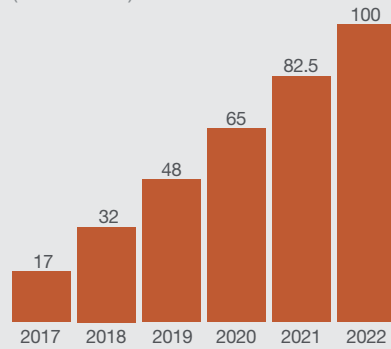


**India solar installed capacity (GW)**  
(Cumulative)



Source: MNRE, Mercom

**India solar capacity target (GW)**  
(Cumulative)



Source: Bloomberg New Energy Finance, The Economic Times

## CHIEF EXECUTIVE’S REVIEW

This has been something of a landmark year of an eight year journey during which the Company has delivered record results, completed its 750 MW programme and is now embarking on an exciting new phase of development.

### Performance overview

During FY16, OPG generated a record 3.2bn units of electricity as a result of which reported revenues rose by 28% to £128m. A 480 MW uplift in capacity has been delivered progressively through FY16 and Q1 FY17 revenues of approximately £57m reflect the ramp up to date of this newly delivered capacity. Profit before tax was up 32%, and operating margins were higher than last year, tracking delivered coal prices.

The low point of the year was some of the worst flooding ever seen in Chennai with severe impact upon communities in the region. Although generation at the Chennai plant was impacted it remained available throughout to supply electricity and more importantly the plant had an essential role in providing emergency drainage to nearby communities where the impact could have been significantly greater.

As well as knowing their Company has been playing its part in the community, shareholders will be pleased that we announced the timing and basis for our initial dividend policy with an initial pay out target of 15% of net earnings (subject to cash flow and commitments) commencing with an interim payment in the current calendar year and with an intention to grow that payout over time. We also re-affirmed our strategy of pursuing responsible, sustainable growth from new projects, mirroring the energy mix of India in the longer term, in line with which we recently announced our entry into the promising solar energy segment.

### Market

This is a time of opportunity in the Indian power sector especially for cash generative participants due to the major developments taking place:

- The Company operates in the fastest growing major economy of the world with GDP growth of over 7% in the last fiscal year. Electricity is a key growth enabler and a further 480 GW will need to be added to India’s power generating capacity in order to reach the government’s stated per capita consumption target of 1,800 kWh by 2034 and to provide electricity for approximately 260m people. Population growth, industrialisation, electrification and urbanisation continue apace in India.
- Financial restructuring of state utilities, the biggest buyers of electricity in India, by way of a programme known as UDAY, is expected to bring about a material reduction in finance costs to a large number of utilities. This together with reforms in the banking sector are expected to provide a boost to the availability of efficient financing for well-run thermal and renewable energy players.
- Fuel availability and mix is changing rapidly. India produces more coal than ever and globally, supplies have remained strong while producer currencies have been weak, keeping prices subdued. Utilities and regulators have sought to track those dynamics in power pricing. Renewable energy is also much more relevant.
- Following the COP21 meeting of nations in December 2015, India committed to fast-track renewables development and responsible growth in thermal capacity. Thermal energy is still forecast to remain the backbone of the country’s power needs for several decades to come where a focal point will be mobilising idle capacity in that segment. FY16 also saw over 5 GW of new solar energy projects commissioned and the pace of this development is expected to quicken as 10 GW of solar projects are anticipated to be auctioned every year. With solar development costs in India being amongst the lowest in the world and continuing to maintain a benign momentum, projects have become viable without subsidies.



**Arvind Gupta**  
Chief Executive Officer

### TAMIL NADU

**450 MW**

### GUJARAT

**300 MW**





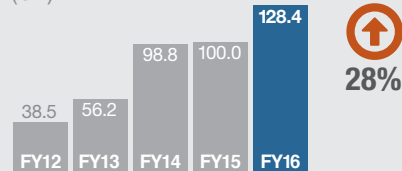
We believe these features make India the most exciting power market in the world, seeking to add 20 GW of new capacity every year to keep pace with demand. Both thermal and renewables will be important and around a third of all energy generation is expected to be from renewable sources by 2030. We believe our entry into renewables and our strong thermal portfolio will ensure we are well placed across the spectrum of opportunities.

#### Future projects

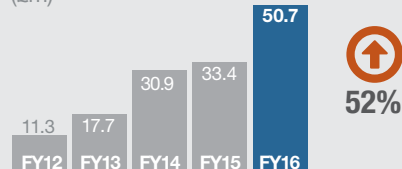
Against this fast evolving backdrop, last year the Company outlined to shareholders its aim of replicating the power generation mix of the nation and on 5 July 2016, the Company announced the investment of £45m in four new solar projects (total 62 MW) across various locations in Karnataka, one of the most industrialised states in India. This investment is expected to be funded from a combination of internal cash generation and debt, and the Directors consider all four of these new projects capable of generating cash flow by June 2017. The fully permitted projects were secured in a competitive bidding process and the Company has signed long-term (25 year) power purchase agreements ('PPAs') at an average tariff of Rs 5 with Karnataka State Electricity Distribution companies ('Discoms'). The targeted return levels are expected to be met without any subsidies and the Board expects these projects to deliver long-term returns ahead of our average cost of capital.



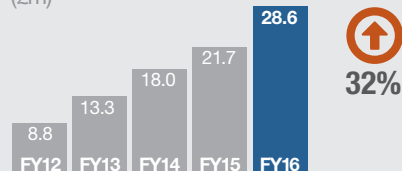
#### Revenue (£m)



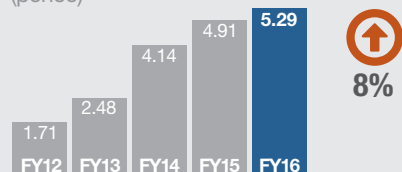
#### EBITDA (£m)



#### PBT (pre-exceptional items) (£m)



#### Earnings per share (pence)



*'Investment of  
£45m in four new  
solar projects'*

# CHIEF EXECUTIVE'S REVIEW CONTINUED

## OPG's priorities

With many potential opportunities, the Board seeks to augment the Company's strong track record by focusing management on certain priorities as follows:

- Our first priority has been – and must remain – maximising the cash generation and performance of existing operations. This means making the most of our multi-year contracts in Chennai, achieving cost, working capital, safety and environmental performance leadership there and of course, ramping up Gujarat as profitably as possible. We need to maintain our unbroken track record on timely coal procurement and as well as our cost of operations, seek to continually optimise our cost of capital. With the normal determined efforts of the OPG team, these efforts will be the backbone of our cash generation, dividends and growth.
- Our second priority is to engage in responsible and sustainable growth. We should seek to navigate some of the pitfalls experienced by others seeking out profitable megawatts only. In so doing we will retain our ability to be selective if and when interesting growth opportunities arise to achieve the Company's true potential. In the context of this priority, we believe our commitment to internally fund growth of 300 MW of solar over the coming years and paying out returns from the free cash flow generated from them is achievable and exciting for shareholders.
- In everything we do, it's a priority that we must be conscious of the need to protect our people and our environment. Due to its recent construction, our existing portfolio operates well within all Indian regulatory requirements and we want our plans to involve continual improvement in this regard. As a result, as well as rebalancing our portfolio with renewable energy regeneration, in implementing any growth in thermal, our management team has undertaken to the Board to target improvements in the environmental performance of our thermal portfolio as a whole following such growth. This is an important part of becoming a leader in the sector.

## Board and other developments

Mr M C Gupta, our Chairman, has informed of his wish to retire from the Board at the next general meeting. I have the special privilege of thanking him for his leadership and guidance over the last eight years. In my view we could not have achieved what we have without his direction and counsel. He has overseen the 40-fold growth of OPG from its initial size, which gives us the platform for our continued growth. On behalf of shareholders, my Board colleagues and I, we wish Mr M C Gupta well for his retirement.

We have identified a new Non-executive Director to join the Board and I look forward to welcoming Mr Jeremy Beeton to our Board. Jeremy's experience in emerging markets and on the boards of many leading companies as well as his leadership in delivering large, complex projects including the London Olympics in 2012 will be valuable to the Company. We will make a further announcement regarding the appointment of Jeremy Beeton in due course which will include the requisite AIM Rule disclosures.

Being familiar amongst our shareholders, having completed our 750 MW programme and built a strong, stable and capable commercial and operations team, the Board has considered it appropriate that I take on the role of Executive Chairman of OPG, which I have agreed to accept.

Finally, I am delighted to welcome Mr T Chandramoulee to the new position of Group Chief Operating Officer, with a non-Board responsibility for running the day-to-day operating affairs of the Company. T Chandramoulee has been with OPG since 2007, is known to our customers, suppliers and lenders and has played a leading role in all aspects of the development and operation of the Chennai and Gujarat plants.

In other developments, the Board continues to evaluate with its advisors the possibility of a move to the Main Market.

## Summary

A lot has changed in the last eight years to position the Company well as a potential leader in the sector. We will look to continue our momentum onwards from this landmark year by introducing our dividend shortly and by judiciously identifying good growth projects. There is no doubt that encouraging and major reforms are going on in our sector and our vision is to couple the opportunities they bring with our natural skills and to become a sector leader known for its all round performance.

I want to pay a special tribute to the efforts of our team, many of whom have been an integral part of the entire journey. I look forward to their continued support and dedication without which we cannot achieve our desired leadership status.

Similarly, as the Board looks forward with confidence to the Company's future, we wish to place on record our thanks to all of our shareholders for their support and participation during our journey.

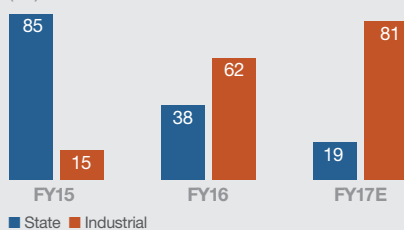
**Arvind Gupta**  
Chief Executive Officer  
29 July 2016



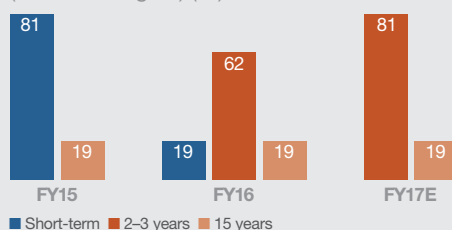
## CHENNAI CASE STUDY: OPTIMISATION OF SALES MIX



### Shift to industrial sales at Chennai (%)



### Visibility of revenues at Chennai (contract lengths) (%)



During the year, the Company agreed multi year contracts of 254 MW of direct supplies to industrial customers under the group captive model. The contracts signed were for two to three years. A further 77 MW of contracts have been allocated from May 2016 to industrial customers. The Company now allots 81% of its output in Chennai to over 200 customers. In addition, it has a 15-year contract to supply 80 MW (74 MW net) to the Tamil Nadu state utility – TANGEDCO.

This new sales mix provides improved visibility of revenues due to the longer tenure of contracts and with an improved collection cycle expected. Further, the customer base is diversified amongst several customers from different industrial sectors such as textiles, steel, paper and chemicals. The tariff agreed by OPG with customers is competitive thereby providing customers with reliable power at attractive prices.

# OUR OPERATIONS

Maximising our assets.

An **eight-year** track record of rising profits and project delivery.

2010 →

# 20 MW



The Group's strategy has been to maximise the performance of its assets. The Group's operational parameters remain ahead of the sector. The Chennai plant has consistently achieved plant load factors above national averages and plant availability has been over 90% – this is on account of our focus in maintaining our assets and our coal procurement policy wherein we have not had a shortage of coal.

The Group's focus remains to pursue profitable and responsible growth. It expects to develop 300 MW of renewable projects over the next few years from internal funding.

With a long-term view to replicate India's energy mix and invest in renewables.

© 2016

**750 MW**



## OPERATIONAL REVIEW

The following is a review of operations for the year.

### Project delivery

During FY16, the Company commissioned its two largest assets to date, a 300 MW plant in Gujarat and 180 MW unit in Chennai, bringing its installed generation capacity to 750 MW. The 480 MW uplift in capacity has been delivered progressively throughout the year, with the full revenue impact expected to be reflected across the next two years.

### Plant availability

Our operational performance is affected by our revenue generation model, plant availability and load factors and auxiliary power consumption (the internal deployment of the plant's production as this is not saleable production).

Both coal availability and water consumption are two factors which have disrupted the availability and load factors of other thermal power plants in India in recent years. OPG's plants are designed to be able to use a wide range of fuels, both domestic and international, and the Company further has the capability to maintain reserves of coal. This has been integral to coal availability at its locations and we haven't faced any interruptions on account of coal since commissioning each unit. In addition, the plants are designed to limit the consumption of water as they are built with air cooled condenser technology rather than being water cooled. As a result our plant availability has remained consistently over 90%. This is important as availability is the basis of our reward on the 74 MW Long-Term Variable Tariff ('LTVT') which is discussed further below.

Our load factors take account of plant availability as reduced by external factors like normal seasonal demand adjustments to their offtake under the LTVT (though the customer still pays us as discussed further below), enforced system back downs and once off disruptions to demand such as due to weather. Accordingly our PLF for the enlarged 414 MW Chennai plant in FY16 as a whole was 70% versus a national average for thermal plants of 62%.

Auxiliary consumption levels, also a key measure of plant efficiency, is typically between 7.5–8% for our plants which compares favourably to national averages of around 9% for similar sized units in India.

### Sales contracts

In October 2015, the Company commenced supplies directly to industrial customers under multi-year contracts in Chennai. The tenure of sales contracts entered into with industrial customers at Chennai was between two and three years. This is expected to accelerate cash collections and improve visibility of earnings. The capacity allocated to industrial customers under such contracts has recently risen from 257 MW to 334 MW, or 82% of the plant's installed capacity and nearly half of Group capacity. 74 MW of Chennai capacity has remained available for supply on the LTVT. Against the LTVT we earned revenue for our normal available capacity throughout the year including approximately £3.7m for the c.250m units that were not drawn by TANGEDCO as normal seasonal demand adjustments by them. We can expect this seasonality in FY17 too but similarly expect to earn a profitable capacity charge for it.

The increasing supply of electricity to industrial customers provides an element of protection from grid-related issues. During the year the state of Tamil Nadu was forced to restrict grid access by reducing its purchases of electricity from many generators of conventional power during an especially strong wind season due to grid constraints. Industrial customers are not normally affected by such restrictions as the state seeks to ensure continuity of supply to business.

Power sales from the new 300 MW Gujarat plant have been to mainly industrial customers on short-term contracts and to the power exchange. The industrial customers are also supplied by the state government utilities, which operates a power surplus and is able to determine how grid access is allocated.

*During FY16, the Company commissioned its two largest assets to date, a 300 MW plant in Gujarat and 180 MW unit in Chennai.*

### INSTALLED CAPACITY

# 750 MW



Grid access is being made available gradually, with the result that the plant has ramped up gradually as we had previously reported, achieving a load factor of 68% for the first three months of FY17, compared with 52% for the two-month period since commissioning from February to March 2016.

We expect both plants to operate at an average load factor of 75% for the current year as a whole and for average tariff levels to be around Rs 4.40.

#### Coal supply

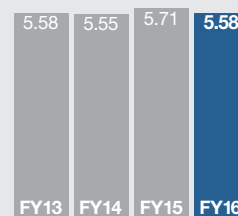
The Company has consistently been able to import low sulphur coal from a small number of high class Indonesian coal producers and traders with whom it has developed long-standing relationships. The Company has also participated in short-term price hedging which has been beneficial as prices have fallen. In addition, the Company has had a consistent record of supply through its shipping desk, which has resulted in no delays or unexpected losses.

#### Safety and environmental compliance

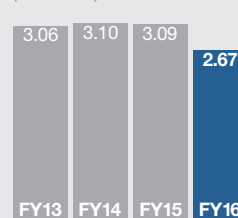
The Company made good progress with its safety programme, recording no fatalities and a reported incident rate in FY16 for Chennai of 0.28 versus 0.40 in FY15 and 0.49 in FY14. Our target for FY16 was 0.35. Gujarat performance will become a focus in the current year as it was recently commissioned and contractor numbers are greatly reduced.

The Company continues to minimise its consumption of water through air cooling and we operate with a philosophy of continual improvement with regards to any effluent. For the latter we achieve and report our continued compliance with all existing prescribed limits and furthermore are now in the process of adopting the new national pollution limits announced in late 2015. These new limits are required to be met by December 2018 but we anticipate achieving compliance ahead of that.

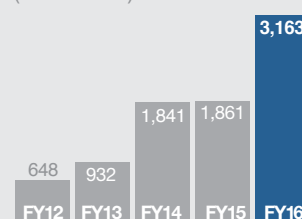
#### Average tariff realisation (Rs/kWh)



#### Cost of generation (Rs/kWh)

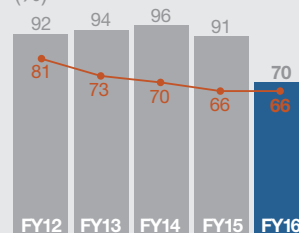


#### Generation (million kWh)



Note: FY16 includes 704m units from Gujarat that were capitalised.

#### Plant load factor (Chennai) (%)



— All India thermal plants

Source: CEA April 2015.

## FINANCIAL REVIEW

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

### Income statement (£m)

Year ended 31 March	2016	% of revenue	2015	% of revenue
Revenue	<b>128.44</b>		99.97	
Cost of revenue (excluding depreciation)	<b>(66.60)</b>		(58.46)	
<b>Gross profit</b>	<b>61.84</b>	<b>48.15</b>	41.51	41.5
Other income	<b>4.44</b>		0.13	
Distribution, general and administrative expenses (excluding depreciation, employee stock option charge, expenditure during the period on expansion project)	<b>(15.60)</b>		(8.25)	
<b>EBITDA</b>	<b>50.68</b>	<b>39.4</b>	33.39	33.4
Depreciation	<b>(5.94)</b>		(3.15)	
Net finance costs	<b>(15.91)</b>		(7.97)	
<b>Income from continuing operations (before tax non-operational and/or exceptional items)</b>	<b>28.83</b>	<b>22.4</b>	22.27	22.2
Expenditure during the period on expansion projects	–		(0.38)	
Employee stock option charge	<b>(0.28)</b>		(0.24)	
Charge on deconsolidated Investments	–		–	
<b>Profit before tax</b>	<b>28.55</b>	<b>22.2</b>	21.65	21.6
Taxation	<b>(9.97)</b>		(4.36)	
<b>Profit after tax</b>	<b>18.57</b>	<b>14.45</b>	17.29	17.2

### Revenue

The Group's revenue has increased by £28.4m, reflecting a 28% growth year on year. Overall generation increased 70% on account of the commissioning of the 180 MW Chennai and the 300 MW Gujarat plant part way through the year. Generation for revenue purposes increased 32% to 2,459m units in FY16 from 1,861 in FY15 with the balance 704m units from Gujarat until 30 January being capitalised.

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

Particulars	FY16	FY15
Generation (million units)	<b>3,163<sup>1</sup></b>	1,861
PLF (%)	<b>72</b>	91
Average tariff (INR/unit)	<b>5.58</b>	5.71

1 Includes 704m units from Gujarat for which results are being capitalised.

Generation at Chennai was lower due to seasonal demand, availability of grid during the year and heavy rainfall.



## GUJARAT CASE STUDY: BEST DELIVERY AND RAMP UP



### TRANSMISSION LINE CONSTRUCTED

# 75 km

The Gujarat plant was originally planned as a 270 MW (2x135) plant. This was later expanded to 300 MW (2x 150 MW). It has adopted air cooled condenser technology and it had the necessary permits to use water cooling. Further the inhouse EPC team took the initiative of assisting the local state utility and expediting the building of a new dedicated multi circuit transmission line. The construction of the plant was completed within c.40 months from commencement, and on budget which, we believe, given the challenging backdrop of the Indian power sector where several projects remain 'stuck', positions us amongst industry leaders.

This has been possible due to management's approach to commencing projects only once it achieves financial closure and working with top-tier suppliers, local government and communities.

Since commencing operations, the management remains focused on the ramp up of the plant and achieving an optimum level of operation. The plant has extended sales to industrial customers from within the state to outside the state to achieve better tariff realisation. Again, this has been due to the Company's flexible sales model. The plant is expected to ramp up to 75% PLF during FY17, having achieved 68% in FY16.

## FINANCIAL REVIEW CONTINUED

### Gross profit

Gross profit ('GP'), net of depreciation included in cost of revenue in FY16 was 48.15% of revenue (FY15: 41.5%). The GP growth came from lower factory gate prices of coal.

The cost of revenue represents fuel costs (including the depreciation added therein in the audited accounts but excluded for the purpose of this review). The average factory gate costs for Indian coal decreased by 1.6% and those for Indonesian coal by 20.7%. The table below shows the price and blend of Indian and Indonesian coal consumed in FY16 and FY15.

Financial year	Average factory gate price (INR/mt)		Average factory gate price (INR perm KCal)		Blend % Indian: Indonesian
	Indian coal	Indonesian coal	Indian coal	Indonesian coal	
<b>FY16</b>	<b>3,013</b>	<b>3,216</b>	<b>879</b>	<b>769</b>	<b>22:78</b>
FY15	3,062	4,056	988	966	32:68
<b>Change %</b>	<b>(1.6)</b>	<b>(20.7)</b>			

### EBITDA

Earnings before interest, taxation, depreciation and amortisation ('EBITDA') is a measure of a business's cash generation from operations before depreciation, interest and exceptional and non-standard or non-operational changes such as the annual charge for stock options which is a non-cash item or expenses relating to projects under construction.

EBITDA was £50.68m in FY16 up from £33.39m in FY15 and EBITDA margin was higher at 39.4% in FY16 against 33.4% in FY15 on account of increase in GP margin.

Profit before tax reconciliation ('PBT') (£m)	FY16
PBT 2015–16	28.55
PBT 2014–15	21.65
<b>Increase in PBT</b>	<b>6.90</b>
<b>Reconciliation</b>	
Increase in GP	20.33
Increase in other income	4.31
Increase distribution, general and administrative expenses	(7.35)
Increase in depreciation	(2.79)
Increase in net finance cost	(7.94)
Reduction in expenses on expansion of projects	0.38
Increase in Employee Stock Options ('ESOP') expense	(0.04)
<b>Increase in PBT</b>	<b>6.90</b>

### Taxation

The Company's operating subsidiaries are under a tax holiday period but are subject to Minimum Alternate Tax ('MAT') on its accounting profits. Any tax paid under MAT can be offset against future taxable profits once the tax holiday period is over. The tax charged during the year was £9.97m (FY15: £4.36m) which includes current tax of £3.99m (FY15: £2.85m) and deferred tax of £5.97m (FY15: £1.51m). The deferred tax charge arises from timing differences in the amounts of depreciation charged in the tax accounts as against these published accounts.

### Expenditure on projects

This relates to expenses incidental to projects under construction. These expenses in FY16 were £nil (FY15: £0.38m).

### Employee stock options charge

This relates to the amortisation of the value of stock options granted to certain Directors and is non-cash in nature and were fully amortised during the year.

**Profits after tax**

Profits after tax have increased by £1.28m from £17.29m in FY15 to £18.57m in FY16.

**Property, plant and equipment**

The net book value of our property, plant and equipment principally relates to production assets capitalised post the construction of our new plants at Chennai and Gujarat.

**Other non-current assets**

Other non-current assets have decreased by £0.64m year on year primarily as a result of investments made in the shipping business and in the restricted cash holding for more than 12 months.

Trade receivables (£m)	FY16	FY15
Receivables from sales of power	<b>53.00</b>	28.28
Other receivables	<b>4.84</b>	0.35
<b>Total</b>	<b>57.84</b>	28.63

**Current assets**

Current assets have increased by £23.87m to £96.98m year on year primarily as a result of the following:

- Increase in trade receivables by £29.21m (on account of slower payment by TANGEDCO, the short-term supply contracts with this entity having ceased in May 2016).
- Reduction in investments and other assets by £10.54m on account of reduction in advances to suppliers for the projects in Chennai and Gujarat with corresponding increase in assets under property, plant and equipment.
- Increase in inventory holdings by £2.72m.
- Increase in other assets by £2.47m.

**Current liabilities**

Current liabilities have increased by £4.8m primarily on account of increase in retention money.

**Other non-current liabilities**

Other non-current liabilities have increased by £2.39m primarily on account of:

- Increase in short-term bank borrowing by £4.62m.
- Increase in deferred tax liability and reduction in trade and other liabilities by £2.2m.

**Net debt and gearing**

Net borrowings (borrowings net of cash and cash equivalents and available-for-sale of investments) are £254.06m. Project debt on 480 MW of new capacity was fully drawn down during the year. The gearing ratio was 58%.

The FY16 restricted cash balances totalling £9.23m (FY15: £8.1m) comprise deposits that have been pledged as security against the Company's borrowings.

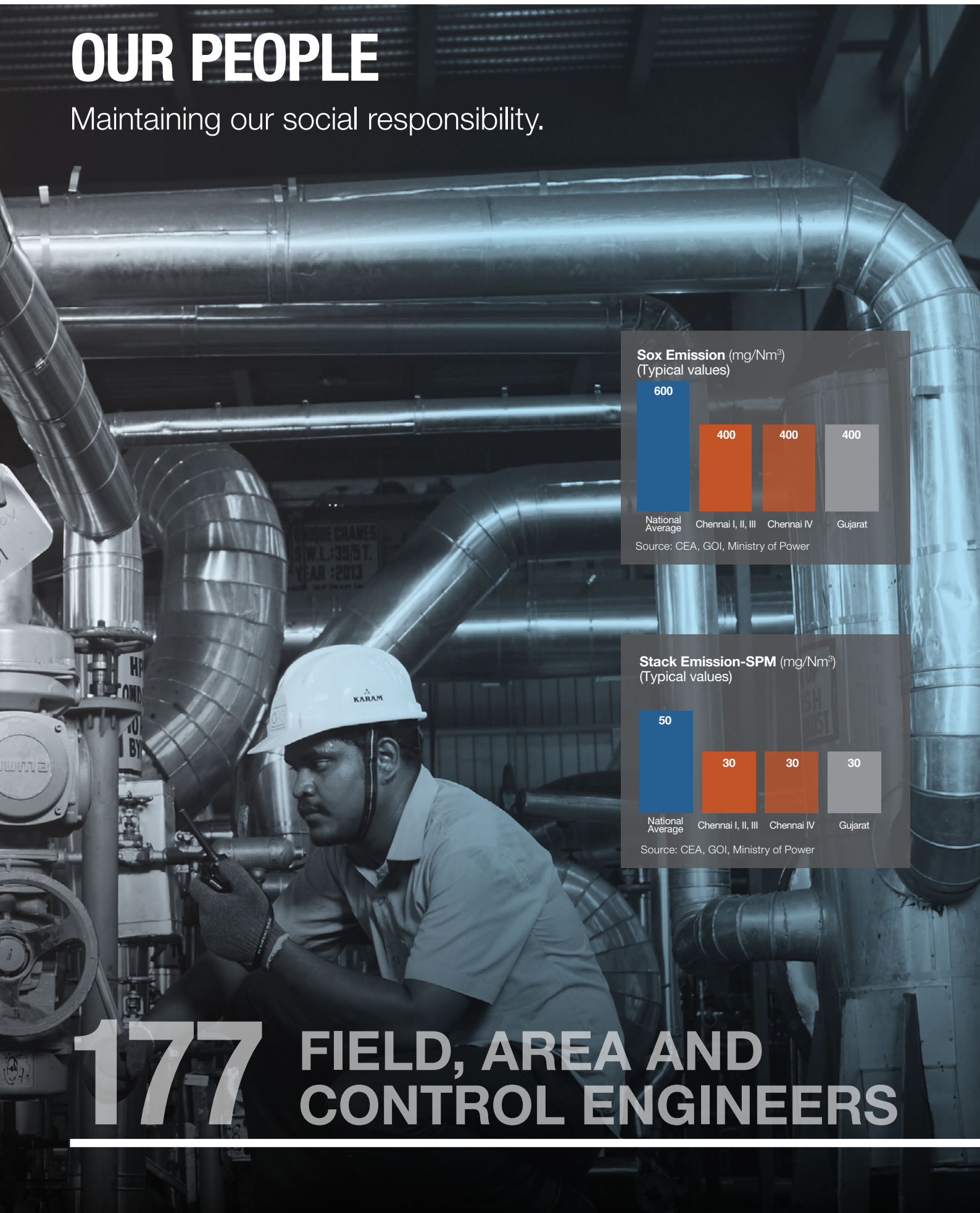
**Cash flow**

Operating cash flow has increased from £32.87m in FY15 to £48.90m in FY16, an increase of £16.03m, or 48%. The increase is primarily due to the increased gross margin.

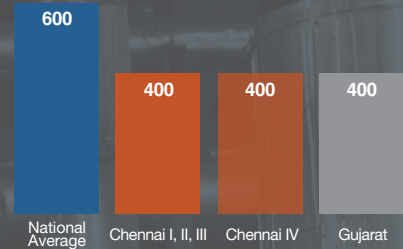
Movements (£m)	FY16	FY15
<b>Operating cash</b>	<b>48.9</b>	32.88
Tax paid	<b>(3.97)</b>	(3.22)
Change in working capital assets and liabilities	<b>(25.13)</b>	(9.74)
<b>Net cash generated by operating activities</b>	<b>19.80</b>	19.92
Purchase of property, plant and equipment (net of disposals)	<b>(13.32)</b>	(77.11)
Other investments	<b>(1.65)</b>	10.57
<b>Net cash used in investing activities</b>	<b>(14.97)</b>	(66.54)
Net interest paid	<b>(7.87)</b>	(9.41)
<b>Total cash change before net borrowings</b>	<b>(3.04)</b>	(56.03)

# OUR PEOPLE

Maintaining our social responsibility.

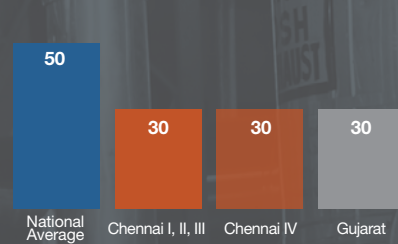


**Sox Emission (mg/Nm<sup>3</sup>)**  
(Typical values)



Source: CEA, GOI, Ministry of Power

**Stack Emission-SPM (mg/Nm<sup>3</sup>)**  
(Typical values)



Source: CEA, GOI, Ministry of Power

# 177 FIELD, AREA AND CONTROL ENGINEERS

**Safety and environmental compliance**

The Company made good progress with its safety programme, recording a reported incident rate in FY16 for Chennai of 0.28 versus 0.40 in FY15 and 0.49 in FY14. Our target for FY16 was 0.35. Gujarat performance will become a focus in the current year as it was recently commissioned.

We remain compliant of the environmental norms and take initiatives to improve and exceed these where possible.

Continual progress on  
our environmental and  
safety performance.

**87** TECHNICIANS  
AND OPERATORS



## SUSTAINABILITY REPORT

We ensure that our plants are compliant with all national environment, health and safety regulations. Safeguards are maintained either through management programmes or operational control procedures to minimise impact as well as mitigate risks.

**Sustainability and Responsibility is at the core of our operations. Maintaining our social responsibility is vital to successfully delivering on our growth plans and creating value from our operations. We aim to achieve international best practices with our efforts and continually evaluate our health, safety, environment, and community practices to ensure we are delivering to all our stakeholders. We are committed to improving the lives of the societies in which we operate through the integration of economic prosperity, social development and environmental protection.**

### Health and safety

#### **Health and safety is the matter of greatest importance at OPG**

The Board's Health, Safety and Environment Committee ('HSE Committee') was instituted to develop, implement and oversee a health and safety culture in the Company and to assist the management in its drive towards achieving and maintaining industry-leading performance in these areas. This is crucial to ensure, through management, that the Company's employees, customers, suppliers and contractors enjoy a safe and healthy workplace.

Across the Company, we continually monitor and review health and safety procedures, acting promptly if any improvements are required. Our motto of SAFETY FIRST is inculcated in all our personnel and in all our operations and projects under development. And of course we ensure that our plant locations are compliant with all national health and safety regulations.

The OPG Chennai site is OHSAS 18001:2007 certified. 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.

At both Chennai and Gujarat sites, continuous training programmes in safety management are established. Targets have been introduced to enable year on year improvements and these are monitored by the Company's HSE Committee. To drive the improvement programmes the Company has adopted the Policy of Zero Harm.

Following were key initiatives/improvements that we have introduced at our power plants:

#### **Safety initiatives**

- Safety induction for all new employees and contract workmen as per standard programme
- Safety training of all employees by external experts
- Manual call point checking (monthly)
- Monthly EHS training programme for contract employees
- Weekly EHS training programme for OPG employees
- Extinguisher and fire hydrant training for new contract workmen and employees (monthly)
- Carrying out the IMS (Integrated Management Systems) internal audit
- Fire hydrants and extinguishers healthiness and availability inspections (monthly)
- Safety Committee meetings (monthly)
- Training of 15 employees in first aid by a certified body
- Five days' training on occupational health safety, conducted by Regional Labour Institute, Government of India
- Emergency preparedness and response mock drills conducted (internal and external)
- Increased number of safety signage boards placed inside the plant
- Increased number of fire hydrants and monitors included in revamping activities
- Visitor's safety guidelines introduced
- Safety Committee agenda modified as per Factories Rules 1950
- EHS external audit was carried out by a third-party safety consultant
- EMS 14001 and OHSAS 18001 second surveillance audit carried out
- Alcohol detector procured to monitor coal truck drivers



Safety training

*Sustainability and Responsibility is at the core of our operations.*



As part of their monthly and yearly reporting, plant managers are required to submit details of training activities and other initiatives. Most often these activities tend to focus on:

- Fire handling
- Mock emergency drills
- Occupational ill health awareness

The above activities typically take place at monthly intervals with a compulsory annual safety awareness day being held at both plants.

In addition to processes for reporting specific incidents, plant management are required to submit a monthly safety report setting out:

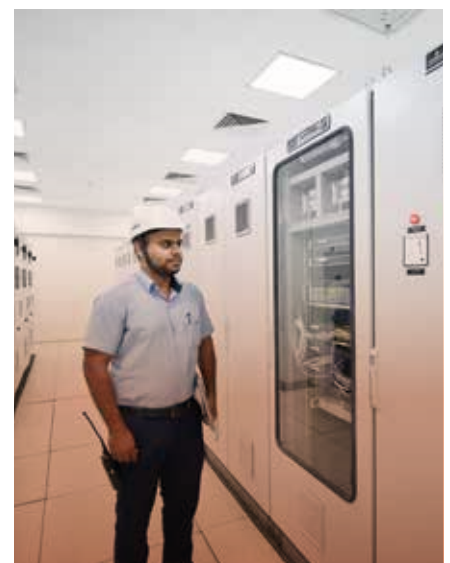
- Injuries by number, nature, seriousness and cause
- Information on near miss incidents
- Safety concerns arising and improvement actions to be taken
- Safety promotion activities along with details of attendees

At Chennai, this information revealed six lost time injuries at the plant and a Total Recordable Injury Rate ("TRIR") of 0.28 down from 0.40 in FY15 and 0.49 in FY14. At the Gujarat site, the first year of its operations, the TRIR was 0.64.

There were no employee fatalities at either plant during the year.

**Health initiatives:**

- Carbon monoxide measurement monitoring in coal handling plant (twice monthly)
- Lux monitoring day and night (weekly) lighting improvement measures taken
- Ambient Air Quality ('AAQ') monitoring with 12 parameters (yearly)
- Source noise monitoring day and night (weekly)
- Annual health check-up for all employees
- Occupational ill-health awareness classes
- Surprise visit to observe Personal Protective Equipment compliance



# SUSTAINABILITY REPORT CONTINUED



OPG believes that safety is everyone's responsibility. The main objective is to motivate the employees and associates to put safety first in the workplace and contribute towards making OPG a healthier and safer place to work.

## Environment

OPG is committed to achieve continuous improvements in environmental performance and seek to prevent, mitigate, reduce or offset the environmental impact of our operations. The Company's objective is to remain compliant and exceed the standards set out by the Ministry of Environment and Forest regulations and State Pollution control boards. Water conservation is an area of additional focus at both our sites where we have installed air cooled condensers which reduce water usage by over 90% as compared to water cooling technology used more widely in the industry.

## Environmental and green initiatives

The OPG Chennai site successfully obtained the ISO 14001:2004 certification. This specifies requirements for an environmental management system to enable an organisation to develop and implement policies and objectives with respect to the environment.

At the Gujarat site, the Company instituted various programs and policies being the first year of operations such as

- Annual environmental audit
- Monthly testing of chemical parameters of water of both internal and nearby water sources
- 9 Piezometer were constructed in the premises to monitor the level and the quality of the underground water
- Construction of new hazardous waste rooms and hazardous waste management carried out
- 5,500 tree saplings planted

In addition, activities such as sprinkling of water on road surfaces and mechanical sweeping is carried out to minimise dust.

## 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.

#### **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. The Company recruits graduate engineering trainees and provides them with a comprehensive six-month on-site training programme. This will ensure that, in keeping with the growth of the Company's assets, 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.

The Company's power generation plants are fuelled by coal sourced from India but also from imported coal from Indonesia. Availability of supplies has not been an issue given the flexibility of coal types we can use.

#### **Community**

OPG respects the rights and acknowledge the aspirations and concerns of the communities in which it works. We recognise the importance of engaging with the local communities in which we operate. Promoting and respecting fundamental needs is at the heart of our values and business principles, and crucial to maintaining positive relations with local communities where we operate.

#### **Chennai floods assistance**

During December 2015 areas around Chennai in Tamil Nadu experienced high levels of rainfall and flooding. Despite a lack of continuous power and water for many residents, we are able to report that the well-being of all of our management, staff and contractors had been established. Our Chennai plant did not suffer any damage and remained available for production throughout the rains. This was as a direct consequence of (a) coal stocks being available in our on-site sheds and (b) drainage of excess water from the

plant site operating in accordance with our design. The design incorporated tolerances for significant single rainfall events. Drainage was in fact effective to the point that we were able to assist local communities by making available our drainage systems and expertise for the considerable relief efforts that were required nearby. OPG sheltered about 5 villages in and around the community providing them with food, provisions and other basic needs.

#### **OPG Outreach**

OPG Outreach, launched in July 2011 near our Kutch site, has now completed five successful years and has been expanded to the Chennai site as well during 2013.

The first free primary healthcare centre that we built in 2013 at Sitha Raja Kandigai (the nearest village to our Chennai site), runs daily, handling 50 patients on an average per day. The centre is serving the medical requirements of the residents of five nearby villages.

The second healthcare centre has also commenced at the Periya Obulapuram village, also near the Chennai site. It is run daily and served by a full-time qualified doctor and nurse, attending to an average 50 people a day. 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.

In collaboration with Rotary Club of Chennai (an NGO), we have organised distribution of tricycles and hearing aids.

#### **Rural infrastructure development**

In continuation of our community development efforts, our Gujarat team has distributed cattle feed and provided assistance in building Gowshalas (cow shelters), water storage tanks in nearby villages of Kutch district, Gujarat.

On request of the people of Kayalar Medu village, Gummidipoondi, we have assisted in patchwork repair of the pothole-ridden roads in the village. The construction of a prayer hall/church, which we started last year is steel roofed and is expected to be completed shortly.

#### **Educational aid**

OPG believes that education and employment will provide opportunities for people and communities to develop and prosper, thus increasing their standard of living.

We continue to sponsor education of children from local communities studying in various Government schools. 1,080 school

children, an additional 230 students from last year, belonging to the villages Periya Obulapuram, Chinna Obulapuram, Kayalarmedu, SR Kandigai received full school supplies (uniforms, shoes, books, bags, etc.) for the entire year before the commencement of the school year. A further 86 students from below poverty line families are also granted annual school/college 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 girl child education. To support this, the Company started a sponsorship programme last year 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, and their entire education will be funded by OPG Outreach.

OPG has also sponsored monthly salaries to 11 PTA teachers in four Government schools situated in the vicinity of the plant. This programme is intended to provide support to Government owned schools in imparting quality education to children.



# 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.

## Sector-related risks

### POWER SALE

#### DESCRIPTION

The Company's power plants derive their revenue from the group captive model selling power on short-term, medium-term, or long-term sale basis and would, for this purpose, enter into power purchase agreements with counterparties such as industrial captive consumers, power trading companies and state utilities. 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. The Group's power plants may not qualify or continue to be recognised as captive power producers which may damage the Group's business model or increase the costs to the Group's customers. This could adversely affect the revenues in the short- to medium-term and results of operations.



#### MONITORING AND MITIGATION

- 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
- Monitor ongoing customer performance, maintaining a group of counterparties

### AVAILABILITY OF FUEL SUPPLY AND COSTS

#### DESCRIPTION

The Group has coal linkages with domestic companies and agreements for imported coal. 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 and any changes in applicable taxes and duties. This could impact the operations and profitability of the Group.



#### MONITORING AND MITIGATION

- Seeking long-term supplies
- Maintaining adequate storage facilities to keep appropriate levels of surplus stocks
- Maintaining relationships with suppliers and mitigating any potential disruption
- Developing different sources for fuel supply especially in the imports market

### TIMELY EXECUTION OF PROJECTS

#### DESCRIPTION

The length of the construction period and the cost to complete any given project is dependent on third-party suppliers and Engineering, Procurement and Construction ('EPC') contractors. 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, delays in receipt of necessary approvals and non-availability of external infrastructure such as transmission lines, can lead to cost overruns and delays impacting the timely completion and ultimately the profitability of projects.



#### MONITORING AND MITIGATION

- 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

#### DESCRIPTION

The development of power plants is a capital intensive business and the Group's projects require access to both equity and debt markets. The availability of capital as well as terms of debt funding/interest rates may change including the need for personal guarantees.



#### MONITORING AND MITIGATION

- 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 flow to ensure repayment of debt and interest in line with schedule
- Exploring new relationships in debt markets to ensure optimum debt funding terms

### RELIABLE TRANSMISSION INFRASTRUCTURE

#### DESCRIPTION

The Group is dependent upon a reliable transmission and distribution infrastructure so that the power generated at the Group's power plants can be evacuated and transmitted to consumers. The Group pays an open access fee to access the transmission and distribution structure. If the transmission infrastructure is inadequate or subject to approvals and unexpected fees then this will adversely affect the Group's ability to deliver electricity to its customers and impact revenues and profitability.



#### MONITORING AND MITIGATION

- Assessing adequate availability of transmission capacity and related fees during project evaluation stage
- Construction and/or upgrade of transmission facilities near the Group's existing or future power plants
- Maintaining a proactive relationship with local Distribution Companies ('Discoms') and monitor any changes

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.

### India-specific risks

#### GOVERNMENT POLICY AND REGULATIONS

##### DESCRIPTION

The Group's operations are subject to complex national and state laws and regulations with respect to numerous matters, including the following: environmental factors (emissions, waste disposal, storage and handling); health and safety; and planning and development.

The Group is required to obtain approvals, licences and permits issued by the Indian government and other regulators and failure to obtain, comply with the terms of or renew such approvals, licences and permits may restrict the Group's operations or development plans, or require their amendment, and may adversely affect the Group's profitability, or result in it being subject to fines, sanctions, revocation of licences or other limitations.



##### MONITORING AND MITIGATION

- 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

##### DESCRIPTION

The Group's existing and planned power plants benefit from various fiscal and tax incentives that are available to the Company from the federal and state governments.

A change in policy or the adoption of tax policies and incentives can have an adverse impact on the profitability of the Group.



##### MONITORING AND MITIGATION

- 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

##### DESCRIPTION

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. Imported coal is purchased in US Dollars.

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.



##### MONITORING AND MITIGATION

- 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

##### DESCRIPTION

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.

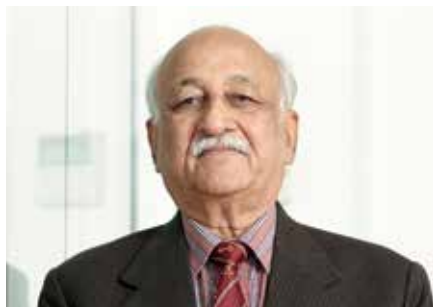
Continuing uncertainty and concerns about contagion in the wake of the financial crises could have a negative impact on the availability of funding.



##### MONITORING AND MITIGATION

- The Group continues to monitor changes and developments in the global markets to assess the impact on its financing plans

## BOARD OF DIRECTORS



**1. Mr M C Gupta**  
*Non-executive Chairman*

### Background and experience

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. Mr Gupta serves on the Boards of a number of public companies in India including Bhansali Engineering Polymers Ltd and Lumax Industries Ltd as an independent Director. Mr M C Gupta is not related to either Mr Arvind Gupta or Mr Ravi Gupta.



**2. Mr Arvind Gupta**  
*Chief Executive Officer*

### Background and experience

Mr Arvind 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. Since then, Mr Gupta, founder of OPG Group, has been responsible for the construction and development of the power plants of the Group as well as its overall strategy, growth and direction. He has also developed profitable wind and solar power projects within the family portfolio.



**3. Mr V Narayan Swami**  
*Finance Director*

### Background and experience

Mr V Narayan Swami has over 30 years' experience in finance and management. He has a Masters in business, with a major in finance and accounting. Mr Swami started his career with the State Bank of India before moving to Ashok Leyland Limited in 1976. For 12 years until 1993, 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 Ltd, Dubai, as Executive Director, 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 induction of Hutchinson Whampoa in the business. Mr Swami was Group Finance Director (and CFO) of Best & Crompton Engineering Limited, listed on the Bombay Stock Exchange, before joining OPG in 2007 as Finance Director.

### Member

Audit, Remuneration Committee



**4. Mr Martin Gatto**  
Senior Independent  
Non-executive Director

#### Background and experience

Mr Martin Gatto has considerable experience as a senior financial professional and has worked at a number of large UK quoted public companies. He is a graduate of Brunel University and is a Fellow of the Chartered Institute of Management Accountants. 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 also the Chairman of Medico-Dental Holdings Ltd.



**5. Mr P Michael (Mike) Grasby**  
Independent Non-executive  
Director

#### Background and experience

Mr P Michael 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 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. He was also formally a Director of Strategic Dimension Technical, a London-based executive recruitment company.



**6. Mr Ravi Gupta**  
Non-executive Director

#### Background and experience

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 its Chairman. Mr Gupta has also been associated with the flour mill industry, setting up a new flour mill in 1988 in Tamil Nadu State, Salem Food Products Limited, where he is Managing Director.

# CORPORATE GOVERNANCE REPORT

## FINANCIAL YEAR ENDED 31 MARCH 2016

### 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 currently 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.

### Compliance with the Code

Since admission to AIM, the Group has grown substantially against a background of difficult trading conditions within the Indian electricity generation sector. As noted in the Strategic Report, the Company has delivered strong results, completed its 750 MW programme, announced its dividend policy and embarked on the next phase of its development. The key objective is to build on these achievements and the Board has therefore adopted an approach to governance that is proportionate and appropriate to the current size and complexity of the Group.

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)*

At present, the Board reviews and adopts the Group's strategy, plan and key risks, policies and procedures. The Board is to adopt a schedule of matters specifically reserved to it for decision within the current financial year.

#### 2. *Division of Responsibilities (A.2.1)*

On 1 August 2016, the Company announced that the Chairman, Mr M C Gupta, would retire at the forthcoming Annual General Meeting ('AGM') and that the Chief Executive, Arvind Gupta, had accepted the Board's proposal to assume the role of Executive Chairman effective from the date of the Chairman's retirement.

The Company simultaneously announced the appointment of Mr T Chandramoulee to a newly created post of Chief Operating Officer. This is a non-Board appointment. Mr Chandramoulee joined the Company in 2007 and has played an important role in key aspects of the Group's development. As Chief Operating Officer, Mr Chandramoulee will be responsible for the day-to-day running of the operations whilst Mr Gupta will be responsible for the overall business, running the Board, the Executive Committee ('ExCo') and for matters related to strategic direction.

In the Board's view, these changes together ensure an appropriately clear division of responsibilities between the running of the Board and the executive responsibility for the running of the Company's business.

#### 3. *Non-executive Directors (A.4.2)*

The Code requires the Non-executive Directors, led by the Senior Independent Director, to meet at least annually without the Chairman to appraise the Chairman's performance. The Board is to institute a periodic evaluation process, including evaluating the performance of the Chairman in due course.

#### 4. *Nominations Committee (B.2.1)*

The Board is committed to establishing a Nominations Committee in due course comprising a majority of independent Non-executive Directors. The Committee will meet as and when required, its primary function being to provide a formal 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.

#### 5. *Evaluation (B.6)*

The Chairman, as part of his responsibilities, informally assesses the performance of the Board and its Directors on an ongoing basis and brings to the Board's attention any areas for improvement. For the time being, the Board will continue to evaluate in this way the balance of skills, experience, independence and knowledge required to ensure that its composition is appropriate to the Group's size and complexity. As noted in connection with Code provision A.4.2 above, the Board will be evaluating its performance and that of its principal committees and the individual Directors annually.

### Operation of the Board

#### Board of Directors

The Board comprises the following individuals:

#### Executive

1. Arvind Gupta (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. Both Messrs Gatto and Grasby were appointed to the Board in May 2008.

Biographical details of all the Directors at the date of this report are set out on pages 34 and 35 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 4 times during the year under review.

The ExCo comprises of the two Executive Directors and four members of senior management.

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.

#### **Chairman, Chief Executive Officer and Senior Independent Director**

The roles of the Chairman and Chief Executive Officer have been held by different individuals with a clear separation of roles. The Chairman's key responsibilities have been 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 have been 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.

On 1 August 2016, the Company announced that the current Chief Executive, Arvind Gupta, is to assume the role of Executive Chairman effective from the date of the present Chairman's retirement. The Company has recently announced the appointment of Mr T Chandramoulee to a newly created post of Chief Operating Officer ('COO'), a non-Board appointment. The COO will be responsible for the day-to-day running of the operations whilst the Executive Chairman will be responsible for running the overall business, the Board, the ExCo and for matters related to strategic direction. In the Board's view, there will continue to be appropriately clear division of responsibilities between the running of the Board and the executive responsibility for the running of the Company's business.

Martin Gatto, the Senior Independent Director, is available to shareholders who have concerns that cannot be resolved through discussion with the Chairman. The role of the Senior Independent Director is to support and tender advice to the Chairman on all governance matters.

#### **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 divisible by three, the number nearest to one-third, shall retire from office by rotation. On this basis, Messrs Arvind Gupta and V Narayan Swami will offer themselves for re-election at the forthcoming AGM. In addition, Mr M C Gupta will be standing down from the Board and Mr Jeremy Beeton will be proposed to the shareholders as a Non-executive Director.

#### **Information and professional development**

Prior to the Company's admission to AIM in May 2008, all Directors received a briefing from the Company's nominated adviser of their duties, responsibilities and liabilities as a Director 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 Code.

# CORPORATE GOVERNANCE REPORT CONTINUED

## FINANCIAL YEAR ENDED 31 MARCH 2016

### 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	NA	NA	NA	NA
V Narayan Swami	4	4	NA	NA	NA	NA
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	<b>4</b>		<b>2</b>		<b>1</b>	

In the event that Directors are unable to attend a meeting, their comments on the business to be considered at the meeting are discussed in advance with the Chairman so that their contribution can be included in the wider Board discussions.

### 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 also, as necessary, 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 practices, 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.

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

- the Annual Report and Accounts for the year ended 31 March 2015; and
- the unaudited results for the half-year FY16 to 30 September 2015.

#### 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 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 42 to 45.

The Remuneration Committee met once during the year under report to discuss and consider the LTIP Scheme and the remuneration for the year of the Chief Executive.

### 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 reviews these systems, policies and processes for tendering, authorisation of expenditure, fraud and the internal audit plan.

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 the ExCo to be a leading part of its process to identify, evaluate and manage the significant risks the Group faces, 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 32 and 33.



**Assurance**

Grant Thornton has been auditor for the Group for the last four years. The Committee considers that, at this stage in the Group's development, it is more 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 at the appropriate time 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 and a fee threshold requiring prior approval by the Audit Committee for any new engagement. The external auditor did not provide any non-audit services during the year.

**Going concern**

A statement on the Directors' position regarding the Company as going concern is contained in the Directors' Report on page 40.

**Shareholder Relations and the Annual General Meeting**

The Board is committed to maintaining an ongoing dialogue with its shareholders. The Directors are keen to build a mutual understanding of objectives with its principal shareholders. To this end, the Chief Executive and Finance Director together with the Senior Independent Director met with a number of institutional shareholders during the year. The Directors also encourage communications with private shareholders and encourages their participation in the AGM.

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

Notice of the AGM will be sent to shareholders at least 21 clear days before the meeting. The voting results will be made available on the Company's website following the meeting.

The Company uses its corporate website ([www.opgpower.com](http://www.opgpower.com)) to communicate with its institutional shareholders and private investors and posts the latest announcements, press releases and published financial information together with updates on current projects and other information about the Group.

# DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements of the Group, for the year ended 31 March 2016. Particulars of important events affecting the Group, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 33 which is incorporated into this report by reference together with the Corporate Governance Report on pages 36 to 39. These together contain certain forward looking statements and forecasts with respect to the financial condition, results, operations and business of OPG Power Ventures Plc which may involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the futures. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this Annual Report to shareholders should be construed as a profit forecast.

## Results and dividends

The audited financial statements for the year ended 31 March 2016 are set out from pages 48 to 74. The Group profit for the year after taxation was £18.57m (2015: £17.29m). The Board will not be recommending a dividend for the year ended 31 March 2016 but, as announced on 24 May 2016, it proposes to declare a maiden dividend in respect of the year ending 31 March 2017. A final dividend for that year will be announced together with the preliminary results and an interim dividend will be paid at the end of calendar year 2016. No dividend was paid for the year ended 31 March 2015.

## Directors

There were no 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 37.

Details of Directors' service agreements are set out in the Directors' Remuneration Report on page 43.

The interests of the Directors in the shares of the Company are shown in the Directors' Remuneration Report on page 44.

Biographies of all the Directors at the date of this report are set out on pages 34 and 35.

## Related parties

Details of related party transactions are set out in note 23 to the financial statements.

## 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.

## Share capital

The issued share capital of the Company at 31 March 2016 was £51,671 comprising 351,504,795 ordinary shares of £0.000147 pence each, of which there are no designated treasury shares.

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

## Political donations

The Group has made no political donations during the year under review.

## Going concern

As highlighted in the Consolidated Statement of Cash Flows and note 21 to the financial statements, the Group meets its day-to-day working capital requirements through cash from operations and bank facilities.

Further information on the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 25. In addition, note 27 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 management'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.

### Substantial shareholdings

Details of substantial shareholdings are set out on the Company's website at [www.opgpower.com](http://www.opgpower.com). The Company has been notified, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, of the following interests (whether directly or indirectly held) in 3% or more of the Company's total voting rights at 31 March 2016:

	Percentage of voting rights and issued share capital	Number of ordinary shares
Gita Investments Limited and related parties <sup>1</sup>	50.9%	178,886,428
M&G Investment Management Limited	11.3%	39,881,231
Audley Capital Management Ltd	5.6%	19,659,544
British Steel Pension Scheme	3.4%	12,000,000
Sanlam Four Investment UK Ltd	3.3%	11,512,533
Hargreave Hale Ltd	3.1%	10,982,113

<sup>1</sup> Beneficial interest in these shareholdings vests with Arvind Gupta and his family.

### Annual General Meeting

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](http://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.

### Registered agent

The registered agent of the Company at 31 March 2016 was IOMA Fund and Investment Management Limited who served throughout the year and has continued to date.

### Financial instruments

Information on the Group's financial risk management objectives and policies and its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk can be found in note 27.

### Auditor

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

### 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.

This report was approved by the Board of Directors on 29 July 2016 and signed on its behalf by:

### Philip Scales

#### Company Secretary

OPG Power Ventures Plc  
IOMA House  
Hope Street  
Douglas  
Isle of Man  
IM1 1AP

29 July 2016

# DIRECTORS' REMUNERATION REPORT 2016

## Introduction

This report sets out information about the remuneration of the Directors of the Company for the year ended 31 March 2016. As a company admitted to AIM, OPG is not required to prepare a directors' remuneration report. However, the Board supports the principle of transparency and has prepared this report in order to provide information to shareholders on executive remuneration arrangements. This report has been substantially prepared in accordance with the Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) 2008 (the 'Regulations').

## 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; and
- 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 38.

## Remuneration policy

The Remuneration Committee seeks to maintain a remuneration policy to ensure that the Company is able to attract, retain and motivate its Executive Directors and senior 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 for 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. The Group seeks increasingly to align the interests of shareholders with those of Directors and senior employees by giving the latter opportunities and encouragement to build up a shareholding interest in the Company.

## Long-term incentives

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

## Stock option plan

All of the Directors have received awards under the stock option plan approved by the Board on 16 July 2009 (see table below). Options granted must be exercised within 10 years of the date of grant and vesting depends on achievement of the following performance conditions:

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.

### Long Term Incentive Plan ('LTIP')

In June 2015, the Company announced the introduction of a new Long Term Incentive Plan ('LTIP'). The Remuneration Committee approved the introduction of the LTIP in order to incentivise further the executives to continue its planned growth strategy. Vesting of awards under the LTIP will be subject to the following shareholder value based performance targets:

1. achievement of a share price of 130 pence;
2. achievement of a further 250 MW growth in installed capacity; and
3. a cumulative total of 3 pence in ordinary dividends paid or declared up to FY18.

Up to 16m shares in the Company will be awarded at their nominal value to certain members of the senior management team, including about 14m shares to Gita Investments Limited, a company controlled by Arvind Gupta and his family. Subject to certain covenants, the awards, once made, will vest over the period to FY18 with a third of the maximum award vesting upon achievement of a share price of 130 pence and then equally on achieving the other targets. With certain exceptions, vested shares will not be allowed to be sold for one year. All vested shares are entitled to dividends. The Remuneration Committee has discretion to declare vesting of awards on a linear scale of performance but cannot raise maximum award levels. The metrics of the scheme have been established to support the Group's strategy to deliver responsible and sustainable returns over the long term.

### Annual bonus

Bonuses for Arvind Gupta of £600,000 and V Narayan Swami £24,309 have been provided for in the accounts for FY16.

### 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. Under their service agreements, Mr Arvind Gupta and Mr V Narayan Swami are entitled to medical, travel, insurance and other allowances and received £48,074 and £2,486 respectively.

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	Chief Executive Officer	23 May 2008	12 months' prior written notice on either side	750,000
V Narayan Swami	Finance Director	23 May 2008	Three months' prior written notice on either side	72,930

### Chairman and Non-executive Directors

The remuneration of the present Chairman of the Company and the Non-executive Directors consists of fees that are paid quarterly in arrears. The present Chairman does not currently participate in any long-term incentive or annual bonus schemes, nor does any pension entitlement accrue. Neither the present Chairman nor any of the Non-executive Directors have 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.

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	45,000
Martin Gatto	6 May 2008	Three months' prior written notice on either side	45,000
Michael Grasby	6 May 2008	Three months' prior written notice on either side	45,000
Ravi Gupta	12 May 2008	12 months' prior written notice on either side	45,000

## DIRECTORS' REMUNERATION REPORT 2016 CONTINUED

### 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' interests in ordinary shares

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

	31 March 2016	31 March 2015
Gita Investments Limited <sup>1</sup>	<b>178,886,428</b>	178,886,428
Michael Grasby	<b>10,000</b>	10,000
Martin Gatto	<b>60,000</b>	60,000
M C Gupta	<b>9,800</b>	9,800
V Narayan Swami	<b>10,300</b>	10,300
<b>Total</b>	<b>178,976,528</b>	178,976,528

<sup>1</sup> Beneficial interest in these shareholdings vests with Arvind Gupta and family.

There were no changes to Directors' interests between 31 March 2016 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 2016 other than their service contracts, details of which are given on page 43.

Directors' remuneration for the period 31 March 2015 to 31 March 2016.

### Salary, annual bonus and benefits

	Salary/fees £	Annual bonus £	Total FY16 £	Total FY15 £
<b>Non-executive Chairman</b>				
M C Gupta	45,000	–	<b>45,000</b>	45,000
<b>Executive Directors</b>				
Arvind Gupta	750,000	600,000	<b>1,350,000</b>	1,200,000
V Narayan Swami	72,930	24,309	<b>97,239</b>	97,554
<b>Non-executive Directors</b>				
Martin Gatto	45,000	–	<b>45,000</b>	45,000
Michael Grasby	45,000	–	<b>45,000</b>	45,000
Ravi Gupta	45,000	–	<b>45,000</b>	45,000
<b>Total</b>	<b>1,002,930</b>	<b>624,309</b>	<b>1,627,309</b>	<b>1,477,554</b>

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

**Directors' share options**

	Option granted	Option price £	Options as at 1 April 2015	Movements during the period			Options outstanding	
				Granted	Lapsed	Exercised	31 March 2016	Latest exercise date
Gita Investments Limited (Arvind Gupta)	16 July 2009	0.60	21,524,234	Nil	Nil	Nil	<b>21,524,234</b>	15 July 2019
Martin Gatto	16 July 2009	0.60	1,000,000	Nil	Nil	Nil	<b>1,000,000</b>	15 July 2019
M C Gupta	22 December 2015	0.60	Nil	250,000	Nil	Nil	<b>250,000</b>	21 December 2025
Ravi Gupta	22 December 2015	0.60	Nil	250,000	Nil	Nil	<b>250,000</b>	21 December 2025
V Narayan Swami	22 December 2015	0.60	Nil	250,000	Nil	Nil	<b>250,000</b>	21 December 2025
Michael Grasby	22 December 2015	0.60	Nil	250,000	Nil	Nil	<b>250,000</b>	21 December 2025

The share options have vested following the year end.

At 31 March 2016, the closing mid-market price of the Company's shares was 74 pence. During the year under review, the Company's closing mid-market share price ranged between a low of 72 pence and a high of 107 pence.

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

**M C Gupta**

**Chairman, Remuneration Committee**

29 July 2016

## 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 financial statements of OPG Power Ventures Plc for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) (as adopted by the European Union).

This report is made solely to the Company's members, as a body, in accordance with the terms of the engagement letter dated 1 June 2016. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements which 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 of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 of the state of the Group's affairs as at 31 March 2016 and of its profit for the year then ended in accordance with IFRSs as adopted by the European Union.

### Grant Thornton Limited Chartered Accountants

Douglas, Isle of Man

6 September 2016

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in £, unless otherwise stated)

	Notes	Year ended 31 March 2016	Year ended 31 March 2015
Revenue		<b>128,438,193</b>	99,974,648
Cost of revenue	8(a)	<b>(71,895,139)</b>	(61,228,358)
<b>Gross profit</b>		<b>56,543,054</b>	38,746,290
Other income	9	<b>4,444,268</b>	127,268
Distribution cost		<b>(6,564,363)</b>	(1,863,441)
General and administrative expenses		<b>(9,967,112)</b>	(7,388,392)
<b>Operating profit</b>		<b>44,455,847</b>	29,621,725
Finance costs	10	<b>(16,712,169)</b>	(9,410,037)
Finance income	11	<b>806,453</b>	1,437,763
<b>Profit before tax</b>		<b>28,550,131</b>	21,649,451
Tax expense	12	<b>(9,972,626)</b>	(4,360,769)
<b>Profit for the year</b>		<b>18,577,505</b>	17,288,682
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>18,558,014</b>	17,270,192
Non-controlling interests		<b>19,491</b>	18,490
		<b>18,577,505</b>	17,288,682
<b>Earnings per share</b>			
– Basic (in pence)	24	<b>5.29</b>	4.91
– Diluted (in pence)		<b>5.13</b>	4.80
<b>Other comprehensive income</b>			
<b>Items that will be reclassified subsequently to profit or loss</b>			
Available-for-sale financial assets			
– Reclassification to profit or loss		<b>5,133</b>	(32,633)
– Current year gains/(losses)		<b>38,557</b>	(5,133)
Exchange differences on translating foreign operations		<b>(2,844,341)</b>	10,481,124
<b>Items that will be not reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		<b>2,755</b>	9,875
<b>Total other comprehensive income</b>		<b>(2,797,896)</b>	10,453,233
<b>Total comprehensive income</b>		<b>15,779,609</b>	27,741,915
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>15,757,365</b>	27,713,554
Non-controlling interest		<b>22,244</b>	28,361
		<b>15,779,609</b>	27,741,915

The notes are an integral part of these consolidated financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 July 2016 and were signed on its behalf by:

**Arvind Gupta**  
Chief Executive Officer

**V Narayan Swami**  
Chief Financial Officer

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in £, unless otherwise stated)

	Notes	As at 31 March 2016	As at 31 March 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	13	364,504	665,673
Property, plant and equipment	14	414,906,166	414,552,876
Investment and other assets	15	2,951,591	2,754,393
Restricted cash		1,940,600	2,784,990
		<b>420,162,861</b>	420,757,932
<b>Current assets</b>			
Trade and other receivables	16	57,840,717	28,628,701
Inventories	17	10,614,890	7,889,661
Cash and cash equivalents	18	7,153,455	6,805,449
Restricted cash		7,294,778	5,303,217
Current tax assets (net)		715,214	574,834
Investment and other assets	15	13,365,243	23,907,952
		<b>96,984,297</b>	73,109,814
<b>Total assets</b>		<b>517,147,158</b>	493,867,746
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		51,671	51,671
Share premium		124,316,524	124,316,524
Other components of equity		(13,652,725)	(11,135,645)
Retained earnings		69,684,455	51,126,441
Equity attributable to owners of the Company		<b>180,399,925</b>	164,358,991
Non-controlling interests		276,325	254,079
<b>Total equity</b>		<b>180,676,250</b>	164,613,070
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	21	242,558,875	237,936,689
Trade and other payables	22	8,463,049	16,795,079
Deferred tax liability	12	9,310,429	3,205,851
		<b>260,332,353</b>	257,937,619
<b>Current liabilities</b>			
Borrowings	21	21,023,963	22,851,498
Trade and other payables	22	54,890,882	47,839,604
Other liabilities		223,710	625,955
		<b>76,138,555</b>	71,317,057
<b>Total liabilities</b>		<b>336,470,908</b>	329,254,676
<b>Total equity and liabilities</b>		<b>517,147,158</b>	493,867,746

The notes are an integral part of these consolidated financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 July 2016 and were signed on its behalf by:

**Arvind Gupta**  
Chief Executive Officer

**V Narayan Swami**  
Chief Financial Officer

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(All amounts in £, unless otherwise stated)

	Issued capital (Number of shares)	Ordinary shares	Share premium
<b>At 1 April 2014</b>	351,504,795	51,671	124,316,524
Employee share-based payments		–	–
<b>Transaction with owners</b>		51,671	124,316,524
Profit for the year		–	–
<b>Other comprehensive income</b>			
Currency translation differences		–	–
Gain on sale/re-measurement of available-for-sale financial assets		–	–
<b>Total comprehensive income</b>		–	–
<b>At 31 March 2015</b>	351,504,795	51,671	124,316,524
Employee share-based payments		–	–
<b>Transaction with owners</b>		51,671	124,316,524
Profit for the year		–	–
<b>Other comprehensive income</b>			
Currency translation differences		–	–
Gain on sale/re-measurement of available-for-sale financial assets		–	–
<b>Total comprehensive income</b>		–	–
<b>At 31 March 2016</b>	<b>351,504,795</b>	<b>51,671</b>	<b>124,316,524</b>

The notes are an integral part of these consolidated financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 July 2016 and were signed on its behalf by:

**Arvind Gupta**  
Chief Executive Officer

**V Narayan Swami**  
Chief Financial Officer

Other reserves	Foreign currency translation reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interests	Total equity
6,962,395	(28,784,289)	33,856,249	136,402,550	225,717	136,628,267
242,888	–	–	242,888	–	242,888
7,205,283	(28,784,289)	33,856,249	136,645,438	225,717	136,871,155
–	–	17,270,192	17,270,192	18,490	17,288,682
–	10,481,124	–	10,481,124	9,875	10,490,999
(37,763)	–	–	(37,763)	(3)	(37,766)
(37,763)	10,481,124	17,270,192	27,713,553	28,362	27,741,915
7,167,520	(18,303,165)	51,126,441	164,358,991	254,079	164,613,070
283,571	–	–	283,571	–	283,571
7,451,091	(18,303,165)	51,126,441	164,642,562	254,079	164,896,641
–	–	18,558,014	18,558,014	19,491	18,577,505
–	(2,844,341)	–	(2,844,341)	2,755	(2,841,586)
43,690	–	–	43,690	–	43,690
43,690	(2,844,341)	18,558,014	15,757,363	22,246	15,779,609
<b>7,494,781</b>	<b>(21,147,506)</b>	<b>69,684,455</b>	<b>180,399,925</b>	<b>276,325</b>	<b>180,676,250</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in £, unless otherwise stated)

	Year ended 31 March 2016	Year ended 31 March 2015
<b>Cash flows from operating activities</b>		
Profit before income tax	28,550,131	21,649,451
<i>Adjustments for</i>		
Unrealised foreign exchange loss	299,256	(131,219)
Provisions no longer required written back	(1,823,228)	–
Financial costs	16,460,854	9,410,037
Financial income	(806,452)	(1,437,763)
Share-based compensation costs	283,571	242,888
Depreciation and amortisation	5,944,912	3,145,119
<i>Changes in working capital</i>		
Trade and other receivables	(29,279,858)	(5,835,530)
Inventories	(2,918,712)	5,595,078
Other assets	3,362,875	(1,025,573)
Trade and other payables	4,066,886	(6,002,207)
Other liabilities	(359,581)	(2,474,534)
<i>Cash generated from operations</i>	23,780,654	23,135,747
Taxes paid	(3,973,243)	(3,218,221)
<b>Net cash from operating activities</b>	<b>19,807,411</b>	<b>19,917,526</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (including capital advances)	(13,321,443)	(77,111,796)
Interest received	690,548	1,375,174
Dividend received	–	53,543
Movement in restricted cash	(1,308,062)	101,759
Sale of investments <sup>1</sup>	42,247,590	128,973,581
Purchase of investments <sup>1</sup>	(43,277,870)	(119,935,336)
<b>Net cash used in investing activities</b>	<b>(14,969,237)</b>	<b>(66,543,075)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings (net of costs)	77,159,277	59,998,942
Repayment of borrowings	(74,259,217)	(5,026,019)
Interest paid	(7,874,257)	(9,410,037)
<b>Net cash from financing activities</b>	<b>(4,974,197)</b>	<b>45,562,886</b>
Net increase in cash and cash equivalents	(136,023)	(1,062,663)
Cash and cash equivalents at the beginning of the year	6,805,449	6,636,577
Exchange differences on cash and cash equivalents	484,029	1,231,535
<b>Cash and cash equivalents at the end of the year</b>	<b>7,153,455</b>	<b>6,805,449</b>

<sup>1</sup> Investments maturing during the year have been reinvested upon maturity in similar instruments of short tenor. The figures reported under 'Purchase of investments' and 'Sale of investments' in the above consolidated cash flow statements are aggregate of such maturities and reinvestments made during the period reported.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts in £, unless otherwise stated

## 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.

## 2. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') and their 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.

## 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 consolidated financial statements for the year ended 31 March 2016 were approved and authorised for issue by the Board of Directors on 29 July 2016.

## 4. Recent accounting pronouncements

### a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the International Accounting Standards Board ('IASB') that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

#### IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- i) the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;
- ii) an expected credit loss-based impairment will need to be recognised on the Group's trade receivables (see note 16) and investments in debt-type assets currently classified as Available for Sale ('AFS') and Held to Maturity ('HTM') (see note 15), unless classified as at fair value through profit or loss in accordance with the new criteria; and
- iii) it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

#### IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

All amounts in £, unless otherwise stated

### 4. Recent accounting pronouncements continued

#### **Amendments to IFRS 11 'Joint Arrangements'**

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRS except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The Group's only investment made to date in a joint arrangement (note 5(d)(iii)) is characterised as a joint venture in which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. Accordingly, if adopted today, these amendments would not have a material impact on the consolidated financial statements.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

#### **IFRS 16 'Leases'**

On 13 January 2016, the IASB issued the final version of IFRS 16 'Leases'. IFRS 16 will replace the existing leases standard, IAS 17 'Leases', and related interpretations. The standard sets out the principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of comprehensive income. The standard also contains enhanced disclosure requirements for lessees. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The effective date for adoption of IFRS 16 is annual periods beginning on or after 1 January 2019, though early adoption is permitted for companies applying IFRS 15 'Revenue from Contracts with Customers'. The Group is yet to evaluate the requirements of IFRS 16 and the impact on the consolidated financial statements.

### 5. Summary of significant accounting policies

#### **a) Basis of preparation**

The consolidated financial statements of the Group 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 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' and have been presented in Great Britain Pounds ('£'), the functional and presentation currency of the Company.

#### **b) Basis of consolidation**

The consolidated financial statements include the assets, liabilities, and results of the operation of the Company and all of its subsidiaries as of 31 March 2016. All subsidiaries have a reporting date of 31 March.

A subsidiary is defined as an entity controlled by the Company. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date of acquisition, being the date on which effective control is acquired by the Group, and continue to be consolidated until the date that such control ceases.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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 non-controlling 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.

#### **c) Investments in associates and joint ventures**

Investments in associates and joint ventures are accounted for using the equity method. The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.



**5. Summary of significant accounting policies** continued**d) List of subsidiaries and joint ventures**

Details of the Group's subsidiaries and joint ventures, which are consolidated into the Group's consolidated financial statements, are as follows:

**i) Subsidiaries**

Subsidiaries	Immediate parent	Country of incorporation	% voting right		% economic interest	
			March 2016	March 2015	March 2016	March 2015
Caromia Holdings limited ('CHL')	OPGPV	Cyprus	100	100	100	100
Gita Power and Infrastructure Private Limited, ('GPIPL')	CHL	India	100	100	100	100
OPG Power Generation Private Limited ('OPGG')	GPIPL	India	76.96	93.94	99	99
OPGS Power Gujarat Private Limited ('OPGG')	GPIPL	India	99.09	62.07	99	99
OPGS Industrial Infrastructure Developers Private Ltd ('OPIID')	OPGG	India	100	100	100	100
OPGS Infrastructure Private Limited ('OPGIPL')	OPGG	India	100	100	100	100

**ii) Joint ventures**

Joint ventures	Venturer	Country of incorporation	% voting right		% economic interest	
			March 2016	March 2015	March 2016	March 2015
Padma Shipping Ltd ('PSL')	OPGPV	Hong Kong	50	50	50	50

The Company has entered into a joint venture agreement with Noble Chartering Ltd ('Noble'), to secure competitive long-term rates for international freight for its imported coal requirements. Under the Long-Term Freight Arrangement ('LTFA'), the Company and Noble are to purchase and own, jointly and equally, two 64,000 mt cargo vessels through a joint venture company Padma Shipping Ltd, Hong Kong ('Padma'). The Company will commit to provide 1.5 mt of coal per annum for carriage by the two vessels for a minimum period of 10 years at competitive long-term rates. Pursuant to this agreement, Padma has been incorporated in order to execute the joint arrangement for procuring two cargo ships of 64,000 mt capacity from Cosco Shipyard, Hong Kong which are expected to be delivered by 2017. The Company and Noble are to invest approximately \$9m over the period of delivery of the vessels as their equity contribution thereby and during the current period, the Company has paid an advance of \$782,897 (2015: \$2,801,700). Accordingly the joint venture has been reported using equity method as per the requirements of IFRS 11.

**e) Foreign currency translation**

The functional currency of the Company is the Great Britain Pound Sterling ('£'). The Cyprus entity is an extension of the parent and pass through investment entity. Accordingly the functional currency of the subsidiary 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 ('₹' or '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 at the rate of exchange prevailing at the reporting date and the income and expense for each statement of profit or loss are translated at the average exchange rate (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the rate on the date of the transactions). 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 prevailing 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.

INR exchange rates used to translate the INR financial information into the presentation currency of Great Britain Pound (£) are the closing rate as at 31 March 2016: 95.09 (2015: 92.76) and the average rate for the year ended 31 March 2016: 98.73 (2015: 98.41).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

All amounts in £, unless otherwise stated

### 5. Summary of significant accounting policies continued

#### f) Revenue recognition

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

#### Sale of electricity

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

#### Interest and dividend

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

#### g) Operating expenses

Operating expenses are recognised in the statement of profit or loss upon utilisation of the service or as incurred.

#### h) 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.

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.

#### i) Financial assets

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of any 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:

- i) loans and receivables; and
- ii) 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. They are included in current assets except for assets having maturities greater than 12 months after the reporting date. These are classified as non-current assets. 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.

**5. Summary of significant accounting policies** continued

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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the other reserves in 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. The fair value of the mutual fund units is based on the net asset value publicly made available by the respective mutual fund manager.

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.

**j) 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.

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'.

**k) 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 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.

**l) Property, plant and equipment**

Property, plant and equipment are stated at historical cost, less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is 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 all 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 of the assets are reviewed at each financial year end, and adjusted prospectively if appropriate.

**m) Intangible assets****Acquired software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

**Subsequent measurement**

All intangible assets, including software are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. The useful life of software is estimated as four years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

All amounts in £, unless otherwise stated

### 5. Summary of significant accounting policies continued

#### n) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and 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.

#### o) 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 statement of profit or loss in the period in which they are incurred, the amount being determined using the effective interest rate method.

#### p) 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 such 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 CGU'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.

#### q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position includes cash in hand and at bank and short-term deposits with original maturity period of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash in hand and at bank and short-term deposits. Restricted cash represents deposits which are subject to a fixed charge and held as security for specific borrowings and are not included in cash and cash equivalents.

#### r) 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 for based on weighted average price. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

#### s) 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. For the purpose of calculating diluted EPS the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity share.

## 5. Summary of significant accounting policies continued

### t) 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 obligation 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.

### u) 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 is 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. 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.

### v) 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 previous year, the Group has established an Employees Benefit Trust ('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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

All amounts in £, unless otherwise stated

### 5. Summary of significant accounting policies continued

#### w) 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.

### 6. 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.

#### a) Judgements

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 (see note 12).

##### Application of lease accounting

Significant judgement is required to apply lease accounting rules under IFRIC 4 'Determining Whether an Arrangement Contains a Lease' and IAS 17 'Leases'. In assessing the applicability to arrangements entered into by the Group, management has exercised judgement to evaluate customers' rights to use the underlying assets, substance of the transaction including legally enforced arrangements and other significant terms and conditions of the arrangement to conclude whether the arrangements meet the criteria under IFRIC 4.

#### b) 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 material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- i) Recoverability of deferred tax assets: The recognition of deferred tax assets requires assessment of future taxable profit (see note 5(h)).
- ii) Estimation of fair value of 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 applies 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. 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 5(j) and note 28).

##### Impairment tests

In assessing impairment, management estimates the recoverable amount of each asset or CGUs based on expected future cash flow and use an interest rate for discounting them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate:

- iii) 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.

## 7. Segment reporting

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 evaluates the Group's performance and allocates resources based on an analysis of various performance indicators at operating segment level. Accordingly, there is only a single operating segment 'generation and sale of electricity'. The accounting policies used by the Group for segment reporting are the same as those used for consolidated financial statements. There are no geographical segments as all revenues arise from India.

Revenue on account of sale of power to one party amounts to £53,345,178 (2015: £82,182,445).

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

a) Depreciation and cost of fuel:

	31 March 2016	31 March 2015
<b>Included in cost of revenue:</b>		
Cost of fuel consumed	<b>63,797,398</b>	55,187,812
Depreciation	<b>5,294,947</b>	2,772,529
Other direct costs	<b>2,802,794</b>	3,268,017
<b>Total</b>	<b>71,895,139</b>	61,228,358

Depreciation included in general and administrative expenses amount to £649,965 (2015: £372,590).

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

	31 March 2016	31 March 2015
Salaries and wages	<b>4,246,864</b>	2,970,704
Employee benefit costs	<b>714,113</b>	855,207
Employee stock option	<b>283,571</b>	242,888
<b>Total</b>	<b>5,244,548</b>	4,068,799

c) Auditor's remuneration for audit services amounting to £48,663 (2015: £45,000) is included in general and administrative expenses.

d) Foreign exchange movements (realised and unrealised) included in the general and administrative expenses is as follows:

	31 March 2016	31 March 2015
Foreign exchange realised – (loss)	<b>(533,976)</b>	(444,409)
Foreign exchange unrealised – (loss)/gain	<b>(299,256)</b>	131,219
<b>Total</b>	<b>(833,232)</b>	(313,190)

## 9. Other income

Other income is comprised of:

	31 March 2016	31 March 2015
Provisions no longer required written back	<b>1,823,228</b>	–
Sale of coal	<b>2,335,834</b>	–
Sale of fly ash	<b>57,242</b>	40,583
Others	<b>227,964</b>	86,685
<b>Total</b>	<b>4,444,268</b>	127,268

## 10. Finance costs

Finance costs are comprised of:

	31 March 2016	31 March 2015
Interest expenses on borrowings	<b>15,793,916</b>	8,735,529
Other finance costs	<b>918,253</b>	674,508
<b>Total</b>	<b>16,712,169</b>	9,410,037

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

All amounts in £, unless otherwise stated

### 11. Finance income

Finance income is comprised of:

	31 March 2016	31 March 2015
Interest income		
– Bank deposits	576,421	634,619
Dividend income	–	53,544
Profit on disposal of financial instruments <sup>1</sup>	230,032	749,600
<b>Total</b>	<b>806,453</b>	<b>1,437,763</b>

<sup>1</sup> Financial instruments represent the mutual funds held during the year.

### 12. Tax expenses

#### 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 2016 and 2015 is as follows:

	31 March 2016	31 March 2015
Accounting profit before taxes	28,550,131	21,649,451
Enacted tax rates	34.61%	33.99%
Tax on profit at enacted tax rate	9,880,629	7,358,648
Differences on account MAT rate	(2,442,698)	(3,210,347)
Items taxed at zero rate	–	(1,572,734)
Changes in unrecognised deferred tax assets	1,965,073	–
Others	569,622	1,785,202
<b>Actual tax expense</b>	<b>9,972,626</b>	<b>4,360,769</b>

	31 March 2016	31 March 2015
Current tax	3,993,441	2,848,045
Deferred tax	5,979,185	1,512,724
<b>Tax expense reported in the statement of comprehensive income</b>	<b>9,972,626</b>	<b>4,360,769</b>

The Company is subject to Isle of Man corporate tax at the standard rate of 0%. As such, the Company's tax liability is zero. Additionally, the 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 2016 and 2015. 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 liability paid to the extent it is probable that future taxable profit will be available against which such tax credit can be utilised.



**12. Tax expenses** continued

Deferred income tax for the Group at 31 March 2016 and 2015 relates to the following:

	31 March 2016	31 March 2015
<b>Deferred income tax assets</b>		
Lease transactions and others	–	67,360
Provisions	–	749,677
	–	817,037
<b>Deferred income tax liabilities</b>		
Property, plant and equipment	<b>9,287,307</b>	4,024,156
Mark to market on available-for-sale financial assets	<b>23,122</b>	(1,268)
	<b>9,310,429</b>	4,022,888
<b>Deferred income tax liabilities, net</b>	<b>9,310,429</b>	3,205,851

**Movement in temporary differences during the year**

Particulars	As at 1 April 2015	Recognised in income statement	Recognised in other comprehensive income	Translation adjustment	As at 31 March 2016
Property, plant and equipment and others	(4,024,156)	(5,162,148)	–	(101,003)	<b>(9,287,307)</b>
Lease transactions	67,360	(67,360)	–	–	–
Provisions	749,677	(749,677)	–	–	–
Mark to market gain/(loss) on available-for-sale financial assets	1,268	–	(24,390)	–	<b>(23,122)</b>
	<b>(3,205,851)</b>	<b>(5,979,185)</b>	<b>(24,390)</b>	<b>(101,003)</b>	<b>(9,310,429)</b>

Particulars	As at 1 April 2014	Recognised in income statement	Recognised in other comprehensive income	Translation adjustment	As at 31 March 2015
Property, plant and equipment and others	(2,251,032)	(1,518,906)	–	(254,218)	(4,024,156)
Lease transactions	56,728	6,182	–	4,450	67,360
Provisions	699,442	–	–	50,235	749,677
Mark to market gain/(loss) on available-for-sale financial assets	(14,991)	–	16,259	–	1,268
	<b>(1,509,853)</b>	<b>(1,512,724)</b>	<b>16,259</b>	<b>(199,533)</b>	<b>(3,205,851)</b>

In assessing the recoverability 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 2016 and 31 March 2015, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as 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

All amounts in £, unless otherwise stated

### 13. Intangible assets

	Acquired software licences
<b>Cost</b>	
<b>At 1 April 2014</b>	529,415
Additions	171,860
Exchange adjustments	48,494
<b>At 31 March 2015</b>	749,769
Additions	39,216
Exchange adjustments	(16,858)
<b>At 31 March 2016</b>	<b>772,127</b>
<b>Accumulated depreciation and impairment</b>	
<b>At 1 April 2014</b>	54,756
Charge for the year	23,949
Exchange adjustments	5,391
<b>At 31 March 2015</b>	84,096
Charge for the year	313,589
Exchange adjustments	9,938
<b>At 31 March 2016</b>	<b>407,623</b>
<b>Net book value</b>	
<b>At 31 March 2016</b>	<b>364,504</b>
<b>At 31 March 2015</b>	665,673

### 14. Property, plant and equipment

The property, plant and equipment comprises of:

	Land and buildings	Power stations	Other plant and equipment	Vehicles	Asset under construction	Total
<b>Cost</b>						
<b>At 1 April 2014</b>	12,140,751	109,110,905	588,065	660,699	162,573,007	285,073,427
Additions	283,011	304,404	124,166	45,759	122,319,301	123,076,641
Exchange adjustments	561,251	8,102,195	(716)	(5,140)	6,797,276	15,454,866
<b>At 31 March 2015</b>	12,985,013	117,517,504	711,515	701,318	291,689,584	423,604,934
Additions	138,719	309,514	69,298	58,980	17,847,939	18,424,450
Deletions	(25,323)	–	(370)	–	(2,608,174)	(2,633,867)
Transfers on capitalisation	–	282,423,229	–	–	(282,423,229)	–
Exchange adjustments	(313,595)	7,557,605	(14,784)	(14,915)	(17,029,535)	(9,815,224)
<b>At 31 March 2016</b>	<b>12,784,814</b>	<b>407,807,852</b>	<b>765,659</b>	<b>745,383</b>	<b>7,476,585</b>	<b>429,580,293</b>
<b>Accumulated depreciation and impairment</b>						
<b>At 1 April 2014</b>	55,950	4,949,021	228,542	218,631	–	5,452,144
Charge for the year	34,644	2,772,529	192,985	121,012	–	3,121,170
Exchange adjustments	5,582	426,874	25,124	21,164	–	478,744
<b>At 31 March 2015</b>	96,176	8,148,424	446,651	360,807	–	9,052,058
Charge for the year	14,536	5,294,947	223,959	97,881	–	5,631,323
Exchange adjustments	(1,799)	3,058	(5,425)	(5,088)	–	(9,254)
<b>At 31 March 2016</b>	<b>108,913</b>	<b>13,446,429</b>	<b>665,185</b>	<b>453,600</b>	<b>–</b>	<b>14,674,127</b>
<b>Net book value</b>						
<b>At 31 March 2016</b>	<b>12,675,901</b>	<b>394,361,423</b>	<b>100,474</b>	<b>291,783</b>	<b>7,476,585</b>	<b>414,906,166</b>
<b>At 31 March 2015</b>	12,888,837	109,369,080	264,864	340,511	291,689,584	414,552,876

**14. Property, plant and equipment** continued

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

	31 March 2016	31 March 2015
Freehold land	<b>12,545,682</b>	12,699,397
Buildings	<b>130,219</b>	189,440
	<b>12,675,901</b>	12,888,837

Property, plant and equipment with a carrying amount of £414,433,996 (2015: £413,947,500) is subject to security restrictions (refer note 21).

An amount of £17,575,016 (2015: £19,129,734) pertaining to interest on borrowings made specifically for the qualifying assets was capitalised as the funds were deployed for the construction of qualifying assets.

**15. Investments and other assets**

	31 March 2016	31 March 2015
<b>A. Current</b>		
Available-for-sale financial assets	<b>2,364,269</b>	1,233,620
Capital advances	<b>3,516,716</b>	11,747,387
Loans and receivables		
– Advance to suppliers	<b>5,651,654</b>	8,991,147
– Others	<b>1,832,604</b>	1,935,798
<b>Total</b>	<b>13,365,243</b>	23,907,952
<b>B. Non-current</b>		
Investment in joint venture <sup>1</sup>	<b>2,236,804</b>	1,681,058
Prepayments	<b>622,206</b>	637,848
Loans and receivables		
– Lease deposits	<b>92,581</b>	94,908
– Other advances	<b>–</b>	340,579
<b>Total</b>	<b>2,951,591</b>	2,754,393

<sup>1</sup> Represents investment made in Padma Shipping Limited. The venturers are entitled for a share in the net assets of Padma Shipping Limited which is a separate legal entity. Accordingly, the Company has used equity method of accounting for the same.

**Available-for-sale investments are comprised of:****Quoted short-term 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.

**Investments in other assets**

The investments in OPG Energy Private Limited ('OPG E') and OPG Renewable Energy Limited ('OPG RE'), (fair value of retained non-controlling investments) have been fairly valued and the share of the Group has been determined and disclosed as available-for-sale classified as non-current. There is no change in the valuation technique to those adopted in the previous year. The fair value of OPGE and OPGRE is determined using discounted cash flow approach. Significant inputs into the model are based on management's assumption of the expected cash flow up to 31 March 2024 and a discount rate of 17%. These investments are fully impaired as at 31 March 2016.

**Loans and receivables (current)**

Advances to suppliers include the amounts paid as advance for supply of fuel. Capital advances comprise of payments made to 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

All amounts in £, unless otherwise stated

### 16. Trade and other receivables

	31 March 2016	31 March 2015
<b>Current</b>		
Trade receivables	<b>56,687,426</b>	27,964,156
Unbilled revenues	<b>1,045,219</b>	314,803
Other receivables	<b>108,072</b>	349,742
	<b>57,840,717</b>	28,628,701

Trade receivables are generally due within 30 days terms and are therefore short term and the carrying values are considered a reasonable approximation of fair value. An amount of £57,840,717 (2015: £28,628,701) has been pledged as security for borrowings. As at 31 March 2016, trade receivables of £nil (2015: £563,827) were collectively impaired and provided for. 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:

Year	Total	Neither past due nor impaired	Past due but not impaired		
			Within 90 days	90 to 180 days	Over 180 days
<b>2016</b>	<b>56,687,426</b>	<b>15,743,623</b>	<b>9,721,710</b>	<b>5,725,198</b>	<b>25,496,895</b>
2015	27,964,156	6,394,665	13,700,217	7,869,274	–

Subsequent to the reporting date, the Company has received £15,715,917 from Tamil Nadu Generation and Distribution Corporation ('TANGEDCO') towards the sale made during the months of May 2015 to July 2015 under short-term sale agreement and for October 2015 to March 2016 under a 15-year variable tariff Long Term Open Access ('LTOA') contract.

The movement in the provision for trade receivables is as follows:

Year	Opening balance	Provision for the year	Write off/Reversal	Closing balance
<b>2016</b>	<b>563,827</b>	<b>–</b>	<b>(563,827)</b>	<b>–</b>
2015	527,883	–	35,944	563,827

The creation of provision for impaired receivables has been included in general and administrative expenses in the consolidated statement of comprehensive income. 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.

### 17. Inventories

	31 March 2016	31 March 2015
Coal and fuel	<b>9,477,390</b>	6,860,904
Stores and spares	<b>1,137,500</b>	1,028,757
<b>Total</b>	<b>10,614,890</b>	7,889,661

The entire amount of £10,614,890 (2015: £7,889,661) has been pledged as security for borrowings (see note 21).

### 18. Cash and cash equivalents

Cash and short-term deposits comprise of the following:

	31 March 2016	31 March 2015
Cash at banks and on hand	<b>6,169,046</b>	6,200,830
Short-term deposits	<b>984,409</b>	604,619
<b>Total</b>	<b>7,153,455</b>	6,805,449

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 £7,294,778 (previous year £5,303,217) and maturing after 12 months amounting to £1,940,600 (previous year £2,784,990) which have been pledged by the Group in order to secure borrowing limits with banks (see note 21).

## 19. 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 (2015: 351,504,795) at par value of £0.000147 (2014: £0.000147) per share amounting to £51,671 (2015: £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 share 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.

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

Other reserve 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.

## 20. 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 consecutive three business days.

The related expense has been amortised over the remaining estimated vesting period and an expense amounting to £283,571 (2015: £242,888) was recognised in the profit or loss with a corresponding credit to other reserves.

Movement in the number of share options outstanding are as follows:

	31 March 2016	31 March 2015
At 1 April	22,524,234	22,524,234
Granted	1,000,000	–
<b>At 31 March</b>	<b>23,524,234</b>	22,524,234

The fair value of options granted and the assumptions used under the Black-Scholes option pricing model are as follows:

	Granted in	
	2015	2011
Weighted average fair value of options granted	0.37	0.28
Exercise price	0.60	0.60
Weighted average share price	0.78	0.66
Volatility (%)	40.95%	31.34%
Annual risk free rate (%)	1.26%	3.00%
Expected option life (years)	5.36	4.96

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

All amounts in £, unless otherwise stated

### 21. Borrowings

The borrowings comprise of the following:

	Interest rate (range %)	Final maturity	31 March 2016	31 March 2015
Term loans at amortised cost	10.80–15.17	March 2025	<b>263,582,838</b>	258,694,310
Other borrowings		March 2015	–	2,093,877
<b>Total</b>			<b>263,582,838</b>	260,788,187

Total debt of £263,582,838 (2015: £260,788,187) is secured as follows:

- The 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. All the loans are personally guaranteed by a Director.
- The cash credits and working capital arrangements availed by the Group are secured against hypothecation of current assets and in certain cases by deposits and margin money is provided as collateral.
- Other borrowings are 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.

Term loans contain certain 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 covenants primarily requiring the Group to maintain certain financial metrics. As of 31 March 2016, the Group has met all the relevant covenants.

During the year instalment of loan amounting to £2,748,080 relating to Unit I, II and III was prepaid up to June 2016 and £3,885,656 relating to Unit IV was prepaid up to September 2016.

The fair value of borrowings at 31 March 2016 was £263,582,838 (2015: £260,788,187). 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:

	31 March 2016	31 March 2015
<b>Current liabilities</b>		
Amounts falling due within one year	<b>21,023,963</b>	22,851,498
<b>Non-current liabilities</b>		
Amounts falling due after one year but not more than five years	<b>123,362,705</b>	220,969,216
Amounts falling due in more than five years	<b>119,196,170</b>	16,967,473
<b>Total non-current</b>	<b>242,558,875</b>	237,936,689
<b>Total</b>	<b>263,582,838</b>	260,788,187

### 22. Trade and other payables

	31 March 2016	31 March 2015
<b>Current</b>		
Trade payables	<b>34,645,009</b>	21,161,525
Creditors for capital goods	<b>2,016,958</b>	11,080,339
Other payables	<b>18,228,915</b>	15,597,740
<b>Total</b>	<b>54,890,882</b>	47,839,604
<b>Non-current</b>		
Retention money	<b>8,296,003</b>	16,670,794
Other payables	<b>167,046</b>	124,285
<b>Total</b>	<b>8,463,049</b>	16,795,079

With the exception of retention money and certain other 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 accruals for gratuity and other accruals for expenses.

**23. Related party transactions****Where control exists**

Name of the party	Nature of relationship
Gita Investments Limited	Ultimate parent
Caromia Holdings limited	Subsidiary
OPG Power Generation Private Limited	Subsidiary
OPGS Power Gujarat Private Limited	Subsidiary
Gita Power and Infrastructure Private Limited	Subsidiary
OPGS Industrial Infrastructure Developers Private Ltd	Subsidiary
OPGS Infrastructure Private Limited	Subsidiary

**Key management personnel**

Name of the party	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 party	Nature of relationship
Chennai Ferrous 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
Padma Shipping Limited	Entity in which key management personnel has control/significant influence
Avantika Gupta	Relative of key management personnel

**Summary of transactions with related parties**

Name of the party	31 March 2016	31 March 2015
<b>Kanishk Steel Industries Limited</b>		
a) Class A shares allotted	1,052	–
b) Share application money received	–	7,526
<b>Padma Shipping Limited</b>		
a) Investment	561,288	1,681,058
<b>Chennai Ferrous Industries Ltd</b>		
a) Sale of coal	–	399,470
<b>Avantika Gupta</b>		
a) Remuneration	60,774	60,971
<b>Summary of balance with related parties</b>		
<b>Padma Shipping</b>		
a) Investments	2,242,346	1,681,058

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 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: £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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

All amounts in £, unless otherwise stated

### 24. 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 for the year ended March 2016 or 2015).

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	31 March 2016	31 March 2015
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	10,949,551	8,400,981
Weighted average number of shares used in diluted earnings per share	362,454,346	359,905,776

### 25. Directors' remuneration

Name of Director	31 March 2016	31 March 2015
Arvind Gupta	1,350,000	1,200,000
V Narayan Swami	97,239	97,554
Martin Gatto	45,000	45,000
Mike Grasby	45,000	45,000
M C Gupta	45,000	45,000
Ravi Gupta	45,000	45,000
<b>Total</b>	<b>1,627,239</b>	<b>1,477,554</b>

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.

### 26. 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 includes contingent rentals.

Non-cancellable operating lease rentals are payable as follows:

	31 March 2016	31 March 2015
Not later than one year	29,035	29,764
Later than one year and not later than five years	116,140	119,056
Later than five years	435,525	474,105
<b>Total</b>	<b>580,700</b>	<b>622,925</b>

During the year ended 31 March 2016, £27,965 (2015: £28,054) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

#### Capital commitments

During the year ended 31 March 2016, the Group entered into a contract to purchase property, plant and equipment for £nil (2015: £3,256,530) for its power generation projects under development. In respect of its interest in joint ventures the Group is committed to incur capital expenditure of £15,834,660 (2015: £16,232,097) of their share of interest.

#### Contingent liabilities

OPGS had entered into a Bulk Power Transmission Agreement ('BPTA') with Gujarat Energy Transmission Corporation Limited ('GETCO') for availing the transmission network for power generated from its plants. Pursuant to the BPTA, GETCO has raised demand for transmission charges of £9,889,766 for the period from April 2013 to December 2015. OPGS has challenged the aforesaid demand in the Hon'ble Supreme Court in India. Based on a legal opinion management believes that they have good grounds for favourable disposal of the case and accordingly no adjustment to the financial statements is considered necessary.

#### Guarantees and letter of credit

The Group has provided bank guarantees and letter of credits ('LC') to customers and vendors in the normal course of business. The LC provided as at 31 March 2016: £25,462,779 (2015: £40,347,660) and bank guarantee as at 31 March 2016: £12,223,606 (2015: £10,248,750) are treated as contingent liabilities until such time it becomes probable that the Company will be required to make a payment under the guarantee.



## 27. 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 2016 and 31 March 2015.

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

- 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 2016, 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 2016 and 31 March 2015, 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 2016 would decrease or increase by £2,692,161 (2015: £2,047,577).

### 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.

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 31 March 2016		As at 31 March 2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
United States Dollar	–	21,487,313	–	15,590,116

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

Currency	As at 31 March 2016		As at 31 March 2015	
	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	66.25	2,549,030	62.53	1,546,417

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

All amounts in £, unless otherwise stated

### 27. Financial risk management objectives and policies continued

#### 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 £60,204,986 (2015: £37,889,350).

The Group has exposure to credit risk from accounts receivable balances on sale of electricity. The operating entities of the Group has 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 note 15 and 16, 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 2016 and 31 March 2015:

#### As at 31 March 2016

	Current within 12 months	Non-current		Total
		1-5 years	Later than 5 years	
Borrowings	21,023,963	123,362,705	119,196,170	263,582,838
Trade and other payables	54,890,882	8,463,049	–	63,353,931
Other current liabilities	223,710	–	–	223,710
<b>Total</b>	<b>76,138,555</b>	<b>131,825,754</b>	<b>119,196,170</b>	<b>327,160,479</b>

#### As at 31 March 2015

	Current within 12 months	Non-current		Total
		1-5 years	Later than 5 years	
Borrowings	49,981,971	198,541,687	104,228,299	352,751,957
Trade and other payables	48,152,547	16,795,079	–	64,947,626
Other current liabilities	625,957	–	–	625,957
<b>Total</b>	<b>98,760,475</b>	<b>215,336,766</b>	<b>104,228,299</b>	<b>418,325,540</b>

**27. 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 end 31 March 2016 and 2015. 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:

	31 March 2016	31 March 2015
Total equity	<b>180,676,250</b>	164,613,070
Less: Cash and cash equivalents	<b>(7,153,455)</b>	(6,805,449)
<b>Capital</b>	<b>173,522,795</b>	157,807,621
Total equity	<b>180,676,250</b>	164,613,070
Add: Borrowings (including buyer's credit)	<b>263,582,838</b>	260,788,187
<b>Overall financing</b>	<b>444,259,088</b>	425,401,257
<b>Capital to overall financing ratio</b>	<b>0.39</b>	0.37

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

	Carrying amount		Fair value	
	March 2016	March 2015	March 2016	March 2015
<b>Financial assets</b>				
Loans and receivables				
– Cash and cash equivalents <sup>1</sup>	<b>7,153,455</b>	6,805,449	<b>7,153,455</b>	6,805,449
– Restricted cash <sup>1</sup>	<b>9,235,378</b>	8,088,207	<b>9,235,378</b>	8,088,207
– Current trade receivables <sup>1</sup>	<b>57,840,717</b>	28,628,701	<b>57,840,717</b>	28,628,701
– Available-for-sale instruments <sup>3</sup>	<b>2,364,269</b>	1,233,620	<b>2,364,269</b>	1,233,620
	<b>76,593,819</b>	44,755,977	<b>76,593,819</b>	44,755,977
<b>Financial liabilities</b>				
Term loans	<b>263,582,838</b>	258,694,310	<b>263,582,838</b>	258,694,310
LC bill discounting and buyers' credit facility <sup>1</sup>	–	2,093,877	–	2,093,877
Current trade and other payables <sup>1</sup>	<b>54,890,882</b>	48,152,547	<b>54,890,882</b>	48,152,547
Non-current trade and other payables <sup>2</sup>	<b>8,463,049</b>	16,795,079	<b>8,463,049</b>	16,795,079
	<b>326,936,769</b>	325,735,813	<b>326,936,769</b>	325,735,813

The fair value of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability (i.e. a exit price) in an ordinary transaction between market participants at the measurement date. 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

All amounts in £, unless otherwise stated

### 28. 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
<b>Available-for-sale financial assets</b>				
Unquoted securities	–	–	–	–
Quoted securities	2,364,269	–	–	2,364,269
<b>Total</b>	<b>2,364,269</b>	<b>–</b>	<b>–</b>	<b>2,364,269</b>

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

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer.

Valuation processes and fair value changes are discussed by the Board of Directors at least every year, in line with the Group's reporting dates.

### 29. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Approved by the Board of Directors on 29 July 2016 and signed on its behalf by:

**Arvind Gupta**  
Chief Executive Officer

**V Narayan Swami**  
Chief Financial Officer

## CORPORATE DIRECTORY

### **Nominated Adviser and Broker**

#### ***Cenkos Securities Plc***

6–7–8 Tokenhouse Yard  
London  
EC2R 7AS

### **Joint Broker**

#### ***Macquarie Capital (Europe) Limited***

Ropemaker Place  
28 Ropemaker Street  
London  
EC2Y 9HD

### **Financial PR**

#### ***Tavistock Communications***

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London  
EC2A 7AS

### **Administrators and Company Secretary**

#### ***FIM Capital Limited***

***(Formerly IOMA Fund and Investment Management Limited)***

IOMA House  
Hope Street  
Douglas  
Isle of Man  
IM1 1AP

### **Auditors**

#### ***Grant Thornton***

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Exchange House  
54/62 Athol Street  
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Isle of Man  
IM1 1JD

### **Legal advisers**

#### ***Dougherty Quinn***

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5 Mount Pleasant  
Douglas  
Isle of Man  
IM1 2PU

### **Registrars**

#### ***Capita Registrars (Isle of Man) Limited***

3rd Floor  
Exchange House  
54–58 Athol Street  
Douglas  
Isle of Man  
IM1 1JD

## 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

**BRICS:** Brazil, Russia, India, China and South Africa

**CAGR:** Compound Average Growth Rate

**CEA:** Central Electricity Authority

**CIL:** Coal India Limited and its subsidiaries

**Company or OPG or parent:** OPG Power Ventures Plc

**Discom:** Distribution Company (of the State Electricity Utility)

**EBITDA:** Earnings before interest, tax, depreciation and amortisation

**EHS:** Environment, Health and Safety

**Electricity Act:** Indian Electricity Act 2003 as amended

**EPC:** Engineering, Procurement and Construction

**EPS:** Earnings per share

**ESOP:** Employee Stock Options

**FDI:** Foreign Direct Investment

**FI:** Foreign Institutional Investor

**FY:** Financial year commencing from 1 April to 31 March

**GAR:** Gross as Received (coal)

**GCP:** Group Captive Plant

**GDP:** Gross Domestic Product

**Government or GOI:** Government of India

**Great Britain Pound Sterling or £/pence:** Pounds sterling or 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:** Gigawatt is 1,000 megawatts

**IAS:** International Accounting Standards

**IEA:** International Energy Agency

**IFRS:** International Financial Reporting Standards

**Indian Companies Act:** the Companies Act, 1956 and amendments thereto

**INDC:** Intended Nationally Determined Contribution

**kWh:** Kilowatt hour is one unit of electricity

**LOI:** Letter of Intent

**LSE:** London Stock Exchange plc

**LTOA:** Long Term Open Access

**LTVT:** Long Term Variable Tariff

**MoU:** Memorandum of Understanding

**mt:** Million tonnes

**MW:** Megawatt is 1,000 kilowatts

**MWh:** Megawatt hour

**NITI Aayog:** National Institution for Transforming India

**O&M:** Operating and Management

**OPG E:** OPG Energy Private Limited

**OPG RE:** OPG Renewable Energy Limited

**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

**SEBI:** Securities Exchange Board of India

**SPV:** Special Purpose Vehicle

**State:** State of India

**TANGEDCO:** Tamil Nadu Generation and Distribution Corporation Limited

**The Code:** the UK Corporate Governance code, issued by the Financial Reporting Council

**TNWMS:** Tamil Nadu Waste Management Services

**UK/United Kingdom:** United Kingdom of Great Britain and Northern Ireland

**UMPPS:** Ultra Mega Power Projects

**US\$/USD or \$:** US Dollars, the lawful currency of the US





[www.opgpower.com](http://www.opgpower.com)

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# OPG Power Ventures Plc Annual Report & Accounts 2016