

18 August 2010

Greenko Group plc

**Preliminary Financial Results for the year ended 31 March 2010**

Greenko Group plc ("Greenko", the "Company" or the "Group"), the Indian clean energy developer, owner and operator, today announces its preliminary results for the year ended 31 March 2010.

**Financial Highlights**

- Turnover increased by 39 per cent to €19.29 million (09: €13.87 million)
- EBITDA of €7.9 million (09: €6.1 million)
- Profit before tax of €4.9 million (09: €3.2 million)
- Basic EPS 3.42 cents (2009: 3.91 cents)
- Cash balances and deposits excluding project finance totalling €72.3 million (09: €11.65 million)
- Carbon Credits stock at the year end of 148,000 (09: 156,000)

**Operating Highlights**

- Total secured capacity of 587 MW (09: 255 MW) including 430 MW assets under development
- 96 MW hydro project acquired in Sikkim and construction started
- 10.25 MW of operating hydro projects acquired in Karnataka
- Acquisition and development of 100 MW descending hydro projects underway on the river Kaveri, Karnataka
- 37 MW of Liquid asset acquired for conversion to Gas: expansion commenced to increase capacity to 85 MW
- Subscription by Global Environment Fund of \$46 million in Greenko Mauritius, a subsidiary of the Group
- Placing of £72million at 140p to help fund future growth
- Power Purchase Agreements with Power Trading Corporation for five hydro projects under development with 90 MW capacity

**Post year end**

- Acquisition of 24 MW operating hydro project, Hemavathy Light and Power Ltd, which will enhance overall portfolio to 611 MW
- 10 MW of operating hydro projects acquired in Himachal Pradesh
- Strong pipeline of potential new projects which have a secured capacity of over 1 GW
- Monsoon weather underpins a good hydro performance for the start of the current season

**Anil Chalamalasetty, CEO and Managing Director of Greenko, said:**

"Greenko has achieved great success this year by tapping into resources to secure the next steps to achieve its mid-term target of 1 GW operational capacity and has benefited from the central government's prioritisation of green energy production alongside complex fuel supply regime and continued shortfall in the planned conventional capacities and development.

"The Group's ability to scale up from its core production base to provide long term sustainable earnings should create substantial shareholder value. As well as scaling up our current projects we intend to expand our interests into wind energy which will generate increased revenues for the year ahead."

For further information please visit [www.greenkogroup.com](http://www.greenkogroup.com) or call:

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**Chairman's and President Statement**

The financial year ended 31 March 2010 saw Greenko make good progress against its strategic objectives and I am pleased to report results for the period. The Group delivered strong asset growth and further strengthened its balance sheet. Moreover, it is cash generative, growing, and is now India's largest clean energy producer.

Clean energy has become an established source of energy in India, against a backdrop of energy markets driven by strong demand but with complex and constrained fuel supply issues experienced by the conventional energy capacity build out. Greenko's strategy is focused on achieving long term sustainable earnings, aided by robust merchant market prices and attractive revised renewable energy tariffs.

India's power deficit in the first quarter of this financial year increased to 13.8 per cent, against 12.8 per cent in the same period a year ago, despite an

improvement by 6 per cent in capacity, according to figures released by the Central Electricity Authority (CEA). The Indian government plans to increase the market share of renewable energy to 20% by 2020. This will be achieved through the revision of guarantee return tariffs to 19%, the introduction of Renewable Energy Certificates (RECs), ensuring priority access to the grid and providing a level playing field for renewable power to participate in power market.

The Group currently has a diversified, operational capacity of 181 MW and various projects under construction and development. This leaves it well placed to achieve its 1 GW target by 2015 with hydro being the dominating capacity driver. We will continue to acquire operating assets, at attractive valuations, whilst developing new sites and opportunities in hydro and wind to build on our already diverse portfolio of sustainable, operating assets. To achieve this we will deploy the £72 million of new money raised in January. Given our funding model uses 70 per cent debt finance and 30 per cent equity we have significant resources with which to expand our interests.

Our strategy is designed to spread risk across our portfolio whilst accessing the most value enhancing opportunities available in the marketplace. Our approach is focused on a good geographic spread of assets, a strong presence across clean technologies, maintaining a balance of operating assets and projects under construction whilst harnessing multiple revenue streams

#### **Results**

The Group recorded an increase in revenues of 39 per cent to €19.29 million (09: €13.9 million) with CER stock of 148,000 mainly due to delays in The UNFCCC issuance cycle. EBITDA, a key performance indicator for Greenko, was €7.9 million (09: €6.1 million). Profit after tax increased by 64% to €4.34 million (09: €2.7 million). Basic EPS was 3.42 cents (09: 3.91 cents) reflecting the full year impact of shares issued in February and minority interest. Total cash and current bank deposits at the year end were at €72.3 million (09: € 11.4 million), which will be utilised for the projects under implementation.

#### **Dividends**

In line with our stated policy, earnings will be fully re-invested to finance the ongoing growth of the business. The Directors therefore do not recommend the payment of a dividend for the year to 31 March 2010. Our dividend policy will be reviewed on an annual basis depending on the profitability and cash requirements of the Group in the future.

#### **Outlook**

The macro environment continues to underpin our prospects. India is the world's second most populous country with 1.18 billion people. It is also one of the world's fastest growing economies with the Organisation for Economic Co-operation and Development forecasting GDP growth of 7.4 per cent this year, rising to 9.2 per cent in 2011.

As a result of India's swelling population and the industrial revolution which has been in full swing for nearly two decades, the country's energy demands continue to substantially outstrip its ability to supply. The indicators suggest that this trend will continue for some time and energy security is likely to be a political imperative for years to come. Against this backdrop, the prospects for Greenko to continue to secure profitable power purchase agreements, as well as off-take supply agreements with industry, remain favourable.

Our sustainable approach also offers additional opportunities to generate revenue through the sale of carbon credits which are generated by our projects. At 31 March 2010, the value of carbon credits held on our balance sheet was approximately €2.0 million and as we scale the business we expect to generate additional revenue in this area.

Greenko is in a strong position to continue its rapid growth and development. We have the financial resources to exploit the wide ranging opportunities available to us and the Directors believe that the prospects for the business are very bright.

Y. Harish Chandra Prasad  
Chairman

Kolli Mahesh  
President

## CEO and Managing Director's Statement

### Introduction

I am pleased to present Greenko's results for the year ended 31 March 2010. In this, its third operating year, the Group is now India's largest producer of clean energy with strong support from its base load of biomass and hydro assets. We have continued to grow our asset base to 611 MW with current operating asset at 181 MW and 430 MW under development which is in line with our strategy to develop a portfolio of clean energy assets with a medium term objective of 1 GW operating capacity.

Greenko is focused on developing a portfolio of clean energy assets within India and intends to increase its installed capacity through a combination of acquiring both existing assets and projects under construction, as well as winning concessions to develop greenfield projects. The Group's income is generated from receipts for power sold to state electricity boards and from the sale of CERs which are generated from the United Nations CDM. In the future, the Directors believe that new opportunities, such as the direct sale of electricity to industrial users and the trading of green power from third party renewable assets, will broaden income streams and enhance profitability.

The Group has made progress in building a good pipeline of hydro assets and is in the process of creating a quality wind energy development model to meet its medium and long term capacity targets. Greenko's expansion into the wind energy sector is part of its long term strategy to gain wider coverage of the Indian energy markets.

### Financial Review

For the full year, the Company's revenue was €19.29 million (2009: €13.87 million) an increase of 39%. Profit after tax attributable to equity shareholders was €2.51 million (2009: €2.7 million) which equates to EPS of 3.42cents (2009: 3.91cents). EBITDA for the year was €7.9 (2009: €6.1million). Profit after tax of €1.83 million was attributed to minority shareholders, mainly GEEMF which invested in a subsidiary in Mauritius.

The results for the year have been affected by a number of exceptional items and additional costs. The figures have benefitted from a credit of €4.9 million relating to the fair value adjustment for acquisitions made during the year (2009: €1.8 million). Costs of a one-off nature totalling €2 million have been expensed including additional costs at a Hydro plant although the Directors are confident that most of this will be recovered and amounts incurred in due diligence on acquisitions and during the fundraisings during the year.

The Group has continued to invest in high calibre individuals on the technical as well as finance side as it anticipates the expansion of its operations and the entrance into new forms of renewable power.

During the year we successfully raised £72 million (€120 million) before expenses through the placing, in January 2010, of 51,429,000 new ordinary shares of €0.005 each, with institutional and other investors at a price of 140 pence per share. The Group has total cash and cash equivalents of €72.3 million, and total debt is €61.95 million as at 31 March 2010. These cash resources facilitate the continued exploitation of the existing development pipeline of over 500 MW.

### Operational and Development review

Greenko divides its secured capacity into two categories; assets already operating and concessions currently under development. In addition, there is a pipeline of deal flow to grow its base.

#### Operating Assets

Greenko now operates six biomass facilities totalling 41.5 MW of capacity. In addition, the two hydro assets totalling 49.5 MW have become operational over the last 12 months and will become fully functioning in the second quarter of next year. Sonna has also been commissioned. Three newly acquired operating hydro projects - two in Himachal Pradesh and one in Karnataka totalling 20 MW - and our LVS gas project of 37 MW are also operating at desired levels. The recent acquisition in Karnataka of 24 MW operating hydro project has added to our operating capacity.

#### Biomass

The biomass assets performed well, operating at a combined load factor of over 72%. Tariffs for all the biomass power plants were revised according to new central electricity regulatory commission (CERC) standards, which take into account enhanced guaranteed returns and the impact of inflation.

The Group has undertaken additional investment at plant level in order to improve fuel efficiency across the portfolio and maximise returns.

#### Hydro

This year has been a busy period for us with 60 MW of greenfield hydro projects being commissioned and 44 MW of operational capacity being acquired in the states of Karnataka and Himachal Pradesh. Furthermore, we added 196 MW of projects to the development pipeline.

In September 2009, we acquired a license for a 96 MW run-of-river hydro project at Dikchu, in the province of Sikkim, and made significant progress in its development overall. The project has secured debt funding for 70% of the project cost at a rate of 11.75% interest. The project has secured all planning permits, its key designs have been approved and construction work has started.

We also acquired two projects totalling 20.25 MW of operational capacity in January 2009. The operating assets comprise two 5 MW plants in Himachal Pradesh in the Chamba and Kangra districts respectively and a 10.25 MW plant on the Arkavati River in the state of Karnataka.

The Himachal Pradesh projects have high load factors with over 60% achieved due to the high water levels in the rivers in Himachal Pradesh. The scheme in Karnataka is a rain-fed river with a load factor of up to 40%. All the schemes have long term contracts with state utilities and two of the three projects are certified for CDM or carbon credits.

As for the development portfolio, licences were acquired to develop a cluster of 25 MW run-of-river hydro projects totalling 100MW on the Cauveri River in Karnataka, which is a perennial river with very good hydrology. The intended location for the project benefits from an in-built infrastructure, reducing the development period by over 12 months.

Post year end, we acquired a 24 MW operational hydro project in Karnataka. This project is also in the Cauveri Basin with good hydrology and a load factor of over 40%. The project is expected to provide strong cash flows for the Group.

Greenko has also successfully managed to register all hydro projects developed by the company (AMR, Rithwik and Sonna) for carbon credits at UNFCCC and has increased the tariffs for AMR and Sonna.

#### Gas

The Group acquired a liquid fuel and gas based plant totalling 36.8 MW in March 2010, which is in line with our strategy of creating a de-risked and sustainable portfolio. Furthermore it has an opportunity to add at least another 85 MW of gas-based generation. The acquisition provides an excellent alternative base load asset to the portfolio providing strong and steady cash flows.

Most importantly the Group has already secured an allocation of gas from the KG-D6 at a fixed price basin to scale the capacity and provide predictable long term returns.

#### Business Development:

Greenko is well placed to leverage its core competences, track record and leadership position in the Hydro sector. It is evaluating over 800 MW of potential new hydro projects for development, including two new states in the north and south of India in order to further diversify the overall opportunity and risk.

Greenko plans to expand its portfolio and investment framework into the Indian wind energy market. However, we believe that there is a lack of reliable historical data on the performance of wind energy sites in India. As such, it is essential that masts are erected at any proposed site over a long term period in order to gain better quality data of production.

The Group has also been working with the appropriate technology options for the Indian wind regime (low speeds) involving introducing one of the largest global technology providers and specialist European financial partners to enable exciting long term quality returns.

As part of its planning for the expansion of the business and to enter into new renewable energy sources, Greenko continues to invest in high calibre management as it regards this as fundamental to the strength of its business. In the past twelve months, this has included over a dozen individuals, many of which are technical experts in the fields of Hydro, gas and wind, and also senior corporate appointments. The Group now has regional offices in Hyderabad, Delhi and Bangalore, and employs over 750 employees.

#### Outlook

The Group has been successful in creating a portfolio which is de-risked and at the same time provides strong and sustainable return for its shareholders. It is our intention to vertically integrate ourselves into clean energy technology initiatives as well as marketing environmental commodities at premium prices, as we aim to develop our hydro portfolio and expand into the production of wind energy. In the future we will look to derive upside and further improve the benchmark equity returns from trading in the Renewable Energy Certificates (REC) market. The introduction of mandatory Renewable Power Purchase Obligation (RPO) regulations will also provide higher guaranteed returns as the platform enjoys access to the exciting unregulated merchant market.

The proceeds from the successful placing which we completed at the beginning of 2010 will allow us to build upon the considerable progress we have made over the last year. The Directors have confidence in the future development of the Group within the lucrative Indian energy market and believe the prospects for Greenko are strong.

Anil Chalamalasetty  
CEO and Managing Director

*(All amounts in Euros unless otherwise stated)*

#### Consolidated statements of financial position (Unaudited)

	Note	As at 31 March	
		2010	2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	107,563,025	67,433,711
Intangible assets	6	40,961,025	11,344,181
Investment in associates	7	-	761
Available-for-sale financial assets	9	-	16,746
Bank deposits		1,327,985	272,245
Trade and other receivables	11	597,001	335,163
		<u>150,449,036</u>	<u>79,402,807</u>
<b>Current assets</b>			
Inventories	12	5,289,850	2,353,970
Trade and other receivables	11	40,606,548	14,661,726
Available-for-sale financial assets	9	46,116	10,323
Derivative financial instruments	10	-	156,725
Bank deposits		10,028,683	7,718,453
Current income tax assets		-	15,286
Cash and cash equivalents	13	62,256,298	3,657,903
		<u>118,227,495</u>	<u>28,574,386</u>
<b>Total assets</b>		<u>268,676,531</u>	<u>107,977,193</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	14	597,091	339,946
Share premium		132,880,088	55,812,421
Share-based payment reserve	14	1,095,571	592,056
Revaluation reserve		209,622	333,033
Currency translation reserve		3,564,134	(6,180,179)
Other reserves including capital subsidy	14	(1,434,441)	337,771
Retained earnings		6,078,249	5,311,153
		<u>142,990,314</u>	<u>56,546,201</u>
Minority interest		36,945,279	-
<b>Total equity</b>		<u>179,935,593</u>	<u>56,546,201</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	46,036,301	32,517,641
Deferred income tax liabilities	17	10,255,873	2,518,908
Retirement benefit obligations	18	83,437	23,151
		<u>56,375,611</u>	<u>35,059,700</u>
<b>Current liabilities</b>			
Trade and other payables	15	16,007,636	5,806,504
Current tax liability		387,733	-
Derivative financial liabilities	10	55,456	-
Borrowings	16	15,914,502	10,564,788
		<u>32,365,327</u>	<u>16,371,292</u>
<b>Total liabilities</b>		<u>88,740,938</u>	<u>51,430,992</u>



assets	-	-	-	-	-	-	14,016	-	14,016	-	14,016
Transfer from revaluation reserve to retained earnings	-	-	-	-	(57,308)	-	-	57,308	-	-	-
Equity Issue during the period	51,429,000	257,145	77,067,667	-	-	-	-	-	77,324,812	-	77,324,812
Issue of preferred shares	-	-	-	-	-	-	-	-	-	29,268,238	29,268,238
Dilution of interest in subsidiary	-	-	-	-	(97,978)	2,832,046	3,002,952	(1,793,734)	3,943,286	(3,943,286)	-
Increase of interest in subsidiary	-	-	-	-	-	-	(4,789,180)	-	(4,789,180)	4,789,180	-
Minority Interest	-	-	-	-	-	-	-	-	-	1,407,261	1,407,261
Currency translation reserve	-	-	-	-	31,875	6,912,267	-	-	6,944,142	3,587,238	10,531,380
Net income/ (expense) recognised directly in equity	51,429,000	257,145	77,067,667	-	(123,411)	9,744,313	(1,772,212)	(1,736,426)	83,437,076	35,108,631	118,545,707
Profit for the year	-	-	-	-	-	-	-	2,503,522	2,503,522	1,836,648	4,340,170
<b>Total recognised income/ (expense) for the year</b>	51,429,000	257,145	77,067,667	-	(123,411)	9,744,313	(1,772,212)	767,096	85,940,598	36,945,279	122,885,877
Value of employee services	-	-	-	503,515	-	-	-	-	503,515	-	503,515
<b>At 31 March 2010</b>	<b>119,418,237</b>	<b>597,091</b>	<b>132,880,088</b>	<b>1,095,571</b>	<b>209,622</b>	<b>3,564,134</b>	<b>(1,434,441)</b>	<b>6,078,249</b>	<b>142,990,314</b>	<b>36,945,279</b>	<b>179,935,593</b>

**Consolidated statements of cash flow (Unaudited)**

	Note	Year ended 31 March	
		2010	2009
<b>A. Cash flows from operating activities</b>			
Profit before income tax		<b>4,861,598</b>	3,165,745
<i>Adjustments for</i>			
Depreciation and amortization	5 & 6	<b>1,690,997</b>	1,521,807
Impairment of Electricity PPA	20	-	77,858
Share based payment		<b>503,515</b>	592,056
Finance income	21	<b>(2,360,365)</b>	(917,406)
Finance cost	21	<b>3,668,792</b>	2,293,650
Excess of group's interest in the fair value of acquiree's assets and liabilities over cost	25	<b>(4,856,175)</b>	(1,800,976)
<i>Changes in working capital</i>			
Inventories		<b>206,601</b>	(1,119,952)
Trade and other receivables		<b>(5,819,186)</b>	(4,909,775)
Trade and other payables		<b>578,708</b>	320,974
<i>Cash used in operations</i>		<b>(1,525,515)</b>	(776,019)
Taxes paid		<b>(364,686)</b>	(228,687)
<b>Net cash used in operating activities</b>		<b>(1,890,201)</b>	(1,004,706)
<b>B. Cash flows from investing activities</b>			
Purchase of property, plant and equipment and capital expenditure		<b>(10,943,296)</b>	(10,074,558)
Acquisition of business, net of cash acquired	25	<b>(21,976,164)</b>	(1,567,754)
Investment in associates		-	(761)
Advance for purchase of equity		<b>(13,753,024)</b>	(2,447,568)
Payment for Acquisition payable		<b>(2,178,223)</b>	-
Bank deposits		<b>(2,214,153)</b>	(7,478,350)
Interest received		<b>2,312,402</b>	754,042
Dividends received		<b>420</b>	985
<b>Net cash used in investing activities</b>		<b>(48,752,038)</b>	(20,813,964)
<b>C. Cash flows from financing activities</b>			
Proceeds from issue of shares (Net of Expenses)		<b>77,324,812</b>	-
Grants received from Government of India	14	-	350,664
Proceeds from issue of preference shares (Net of Expenses)		<b>29,268,238</b>	-
Proceeds from borrowings		<b>35,057,403</b>	6,377,506
Repayments of borrowings		<b>(29,032,139)</b>	(2,428,343)
Interest paid		<b>(3,586,889)</b>	(2,004,417)
<b>Net cash from financing activities</b>		<b>109,031,425</b>	2,295,410
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>58,389,186</b>	(19,523,260)
Cash and cash equivalents at the beginning of the year	13	<b>3,657,903</b>	23,430,125
Exchange losses on cash and cash equivalents		<b>209,209</b>	(248,962)
<b>Cash and cash equivalents at the end of the year</b>	13	<b>62,256,298</b>	3,657,903

**Notes to the consolidated financial statements (Unaudited)****1. General information**

Greenko Group plc ("the Company") was originally incorporated on 12 January 2006 as Greenko S.A., a société anonyme (a public company with limited liability), under the laws of the Grand Duchy of Luxembourg, having its registered office at L-1736, Luxembourg, IB, Heienhaff and duly registered with the Registre de Commerce et des Sociétés de Luxembourg (the Luxembourg Trade and Companies Register) under B 113,730. On 31 October 2007, the Company was migrated to the Isle of Man as a company limited by shares under company number 001805V pursuant to the provisions of Part XI of the Isle of Man Companies Act 2006 having its registered office at 4<sup>th</sup> floor, 14 Athol Street, Douglas, Isle of Man, IM1 1JA. The Company is listed on the London Stock Exchange-Alternative Investment Market ("AIM").

The Company together with its subsidiaries ("the group") is in the business of owning and operating clean energy facilities. All the energy generated from these plants is sold to the State Electricity Boards and other electricity transmission and trading companies in India through long-term power purchase agreements ("PPA"). The group obtained a licence for inter-state trading in electricity in the whole of India except Jammu and Kashmir for trading up to 100 million units of electricity in a year. The group is yet to commence trading in electricity. The group is also a part of the Clean Development Mechanism ("CDM") process and generates and sells Certified Emission Reductions ("CER"). The group also generates and sells Voluntary Emission Reductions ("VER").

These group consolidated financial statements (unaudited) were authorised for issue by the board of directors on 17 August 2010.

**2. Summary of significant accounting policies**

- 2.1** The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented except for the adoption of new standards as of 1 April 2009, noted below:

- IAS 1 Presentation of Financial Statements (Revised)
- IFRS 8 Operating Segments

The principal effects of these changes are as follows:

IAS 1, Presentation of Financial Statements is applicable for annual periods beginning on or after 1 January 2009. This Standard was adopted by the Company as of 1 April 2009. Consequent to the adoption of the standard, the title for balance sheet has been changed to 'Statement of financial position' and cash flows have been changed to 'Statement of cash flow'. Further, the Company has included in its complete set of financial statements, a single 'Statement of comprehensive income'.

IFRS 8, Operating Segments is applicable for annual periods beginning on or after 1 January 2009. This Standard was adopted by the Company as of 1 April 2009. IFRS 8 replaces IAS 14, Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting provided to the chief operating decision maker. The application of this standard did not result in any change in the number of reportable segments.

## 2.2 Basis of preparation

The consolidated financial statements of Greenko Group plc have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in the critical accounting estimates and judgments section.

### 2.2.1 Amendments and interpretations effective as at 31 March 2010 but not relevant

Standards and Interpretations adopted by the European Union at the closing date

Standard	Description	Effective for in reporting periods starting on or after
IFRS 9	Financial Instruments	1 January 2013
IFRS 2	Group Cash-settled Share-based Payment Transactions - Amendment	1 January 2010
IFRS 1	Additional Exemptions for First-time Adopters - Amendments	1 January 2010
IAS 32	Classification of Rights Issues - Amendment	1 February 2010
IFRS 3 (R)	Business Combinations	1 July 2009
IAS 27 (R)	Consolidated and Separate Financial Statements - Amendments	1 July 2009

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

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

Standards and Interpretations issued but not yet adopted by the European Union at the closing date

Standard	Description	Effective for in reporting periods starting on or after
IFRS 9	Financial Instruments	1 January 2013
IAS 24 (R)	Related Party Disclosures	1 January 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement - Amendment	1 January 2011
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
	Improvements to IFRS	Some changes effective from 1 July 2010, others effective from 1 January 2011

The application of IFRS 3R and IAS 27R in accounting for any business combinations and changes in ownership interests in Group entities may have a material impact on the Group's financial statements when these standards become effective for future business combinations.

Based on the Group's current business model and accounting policies, management does not expect the application of the other standards, yet to be endorsed by EU, to have any material impact on its financial statements when those Standards become effective. The Group does not intend to apply any of these pronouncements early.

Improvement to IFRSs

Improvements to IFRSs contain amendments to existing standards. The amendments are effective, in most cases for financial periods beginning on or after 1 July 2009 or otherwise for financial period beginning on or after 1 January 2010).

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

## 2.3 Consolidation

The consolidated financial statements include the following subsidiaries:

Country of	Holding as at 31 March	Holding as at 31 March
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	incorporation	2010	2009
1) Greenko Mauritius	Mauritius	100 percent	100 percent
2) Greenko HP	Mauritius	100 percent	100 percent
3) Subsidiaries of Greenko Mauritius			
- Black Hawk Corporation	Mauritius	100 percent	100 percent
- Glory Corporation Limited	Mauritius	100 percent	100 percent
- Greenko Energies Private Limited	India	100 percent	100 percent
4) Subsidiary of Glory Corporation Limited			
- Rithwik Energy Generation Private Limited	India	100 percent	100 percent
5) Subsidiaries of Greenko Energies Private Limited			
- AMR Power Private Limited	India	100 percent	100 percent
- Ecofren Power & Projects Private Limited	India	100 percent	100 percent
- Greenko Hatkoti Energy Private Limited	India	100 percent	49 percent
- ISA Power Private Limited	India	100 percent	100 percent
- Jasper Energy Private Limited	India	100 percent	100 percent
- Kukke Hydro Projects Private Limited	India	100 percent	100 percent
- LVS Power Limited	India	100 percent	-
- Ravikiran Power Projects Private Limited	India	100 percent	100 percent
- Roshni Powertech Private Limited	India	100 percent	100 percent
- Sai Spurthi Power Private Limited	India	100 percent	-
- Sneha Kinetic Power Projects Limited	India	83.67 percent	-
- Technology House (India) Private Limited	India	100 percent	100 percent
- Visveswarayya Green Power Private Limited	India	100 percent	100 percent

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies so as to obtain economic benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

Previously held identifiable assets, liabilities and contingent liabilities of the acquired entity are revalued to their fair value at the date of acquisition, being the date at which the group achieves control of the acquired entity. The movement in fair value is taken to the asset revaluation surplus.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Minority interest represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Acquisitions of additional stake or dilution of stake from/ to minority interest in the Group are accounted for using the equity method, 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.

#### a) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Investments in its associate are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognised in the income statement profit or loss.

#### 2.4 Segment reporting

IFRS 8 establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The Company's operations predominantly relate to generation and sale of electricity. The chief operating decision maker evaluates the Company's performance and allocates resources based on an analysis of various performance indicators at operational unit level. Accordingly there is only a single operating segment "generation and sale of electricity and related emission reductions".

#### 2.5 Foreign currency translation

##### a) Functional and presentation currency

Items included in the financial statements in each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in 'euro' ("€"), which is the Company's functional and presentation currency.

##### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

##### c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities presented for each reporting date are translated at the closing rate at the reporting date;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items and borrowing cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance expenditure are charged to the profit or loss during the period in which they are incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Industrial buildings	28 - 30 years
General plant and machinery	18 - 20 years
Heavy plant and operating machinery	20 - 30 years
Furniture, fittings and equipment	15 - 20 years
Vehicles	10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in the profit or loss in the period the item is derecognised.

## 2.7 Intangible assets

### a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### b) Other intangibles

Intangible assets acquired individually, with a group of other assets or in a business combination are carried at cost less accumulated amortization. The intangible assets are amortised over their estimated useful lives in proportion to the economic benefits consumed in each period. The estimated useful lives of the intangible assets are as follows:

Licences	18 - 35 years
Power purchase agreements	7 - 10 years

## 2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.9 Financial assets

The group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### a) 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 maturities greater than 12 months after the reporting date. These are classified as non-current assets. The group's loans and receivables comprise trade and other receivables, investment in bank deposits and cash and cash equivalents in the statement of financial position (note 2.12, 2.13 and 2.14).

### b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss as 'gains and losses from investment securities'. Dividends on available-for-sale mutual fund units are recognised in the profit or loss as part of other income.

The fair value of the mutual fund units is based on the net asset value publicly made available by the respective mutual fund managers.

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in note 2.12.

## 2.10 Derivative financial instruments

a) Forward contracts and interest rate swaps

The group purchases foreign exchange forward contracts and interest rate swaps to mitigate the risk of changes in foreign exchange rates and interest rates associated with its loans denominated in US dollars. These derivative contracts do not qualify for hedge accounting under IAS 39, and are initially recognised at fair value on the date the contract is entered into and subsequently remeasured at their fair value. Gains or losses arising from changes in the fair value of the derivative contracts are recognised in the profit or loss.

b) Sale commitments

IAS 39 requires contracts to buy or sell non-financial items to be treated as derivatives and accordingly fair valued on the reporting date, unless the contracts qualify for 'own use' exemption. The group qualifies for the limited 'own use' exemption from derivative accounting on the basis that its emission reduction purchase and sale commitments are entered into and continue to be held for the purpose of the receipt or delivery of emission reductions in accordance with the group's expected purchase and sale requirements. Own use contracts are outside the scope of IAS 39 and are therefore accounted for as executory contracts.

## 2.11 Inventories

a) Raw material, stores and consumables

Inventories of raw material, stores and consumables are valued at the lower of cost and net realisable value. Cost includes expenses incurred in bringing each product to its present location and condition and is determined on a weighted average basis.

b) Certified emission reductions ("CER")

Inventories of CER are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. CER are generated and held for sale in the ordinary course of business. Electricity and CER are treated as joint products, as they are generated simultaneously. Cost of generation is allocated in the ratio of relative net sale value of the products. Cost comprises all production, acquisition and conversion costs and is aggregated on a weighted average basis. To the extent that any impairment arises, losses are recognised in the period they occur. The costs associated with generating inventories are charged to the profit or loss in the same period as the related revenues are recognised.

## 2.12 Trade and other receivables

Trade receivables are recognized initially at fair value. They are subsequently measured at amortised cost using the effective interest method, net of provision for impairment, if the effect of discounting is considered material. The carrying amounts, net of provision for impairment, reported in the statement of financial position approximate the fair value due to their short realisation period. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The provision is established at amounts considered to be appropriate, based primarily upon the group's past credit loss experience and an evaluation of potential losses on the receivables. The amount of the provision is recognized in the profit or loss.

## 2.13 Investment in bank deposits

Investments in bank deposits represent term deposits placed with banks earning a fixed rate of interest. Investments in bank deposits with maturities of less than a year are disclosed as current assets and more than one year as non current. At the reporting date, these deposits are measured at amortised cost using the effective interest method.

## 2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, and short-term deposits with an original maturity period of three months or less. Bank overdrafts that are an integral part of cash management and where there is a legal right of set-off against positive cash balances are included in cash and cash equivalents. Otherwise bank overdrafts are classified as borrowings.

## 2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Instruments, convertible into fixed number of ordinary shares at a fixed pre-determined price, and which are exercisable after a specific period, are accounted for as and when such instruments are exercised. The transaction costs pertaining to such instruments are adjusted against equity.

## 2.16 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, if the effect of discounting is considered material.

## 2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a non-convertible bond with detachable warrants is determined using a market interest rate for an equivalent non-convertible bond without detachable warrants. This amount is recorded as a liability on an amortised cost basis until extinguished on maturity of the bonds. The remainder of the proceeds is allocated to the warrants. This is recognised in shareholders' equity. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## 2.18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2.19 Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the group. The group operates two retirement benefit plans.

a) Gratuity plan

The Gratuity Plan is a defined benefit plan that, at retirement or termination of employment, provides eligible employees with a lump sum payment, which is a function of the last drawn salary and completed years of service. The liability recognised in the statement of financial position in respect of the gratuity plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, if any,

together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government of India securities and that have terms to maturity approximating to the terms of the related gratuity liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the profit or loss in the period in which they arise.

b) **State administered Provident Fund**

Under Indian law, employees are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (currently 12.0 per cent.) of the employees' basic salary. The group has no further obligation under the Provident Fund beyond its contribution, which is expensed when accrued.

c) **Share-based compensation**

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, including the impact of market conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised on a graded vesting basis over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

**2.20 Provisions**

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expense.

**2.21 Revenue recognition**

a) **Sale of electricity**

Revenue from the sale of electricity is recognised on the basis of the number of units of power exported in accordance with joint meter readings undertaken on a monthly basis by representatives of the buyer and the group at the rates prevailing as on the date of export.

b) **Generation of CER**

In order for the group or a supplier to the group to produce a CER, a number of steps must be performed, as follows:

- either the group enters into a contract with a supplier relating to a project that produces CER or the group enters into an agreement with an energy, agricultural or industrial company to either jointly or solely develop a facility that will generate emission reductions;
- where the project does not use an existing approved baseline and monitoring methodology, approval of that new methodology by the Clean Development Mechanism - Executive Board ("CDM-EB") and recommendation by the Methodologies Panel must occur;
- written approval of voluntary participation from the host country designated national authority of the parties involved is obtained;
- written confirmation from the host country that the project achieves a sustainable development objective is obtained;
- submission for public and CDM-EB review, and approval of a formal Project Design Document;
- project validation by an approved designated operating entity ("DOE");
- project registration, which requires both designated national authority and CDM-EB approval; and
- verification of the emission reductions by an approved DOE

When the CDM-EB receives the verification report, which constitutes a request to the CDM-EB to issue and distribute CER, the CDM Registry administrator issues CER in a temporary CDM account. In order for these CER to be transferred to the registered accounts of parties and project participants, the International Transaction Log must be created by the CDM-EB.

c) **Sale of CER and VER**

Revenue is recognised when CER have been generated, verified by the CDM-EB, and billed to an end user.

d) **Sale of Voluntary emission reductions ("VER")**

VER are emission reductions achieved by the power generation plants before the effective date of CDM registration by The United Nations Framework on Climate Change. There are few buyers of VER and their sale totally depends upon the utility value for the buyer. The quantity of the VER is based on the estimation of the management, verification by an independent assessor and subject to the satisfaction of the buyer. Revenue is recognised when VER are delivered to an end user.

e) **Interest income**

Interest income is recognised as the interest accrues to the net carrying amount of the financial asset using the net effective interest rate method.

**2.23 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

**2.24 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. The group follows the capital approach under which a grant is credited directly to equity since the grants received by the group represent incentives provided by government, unrelated to costs, to promote power generation based on certain

renewable energy sources.

### 3. Financial risk management

#### 3.1. Financial risk factors

The group's activities expose it to a variety of financial risks; market risk, credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The financial instruments of the group, other than derivatives, comprise loans from banks and financial institutions, non-convertible bonds, demand deposits and short-term bank deposits.

#### 3.1.1 Market risk

Market risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of volatility of prices in the financial markets. Market risk can be further segregated as a) Foreign exchange risk and b) Interest rate risk

##### a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group prepares consolidated financial statements in Euros and conducts substantially all its business in Indian rupees ("INR"). As a result, it is subject to foreign currency exchange risk arising from exchange rate movements which will affect the group's translation of the results and underlying net assets of its foreign subsidiaries. In addition, the group has a US dollar ("\$\$") denominated loan in respect of which it is exposed to foreign currency exchange risk. During the year the group has hedged the foreign currency exposure on the quarterly repayments of this loan by entering into forward foreign currency purchases of \$.

If INR had weakened or strengthened by 5 percent against \$, with all other variables held constant, post-tax profit for the year ended 31 March 2010 would have been lower or higher by €28,827 as a result of foreign exchange gains or losses on translation of the \$ denominated borrowings and intercompany balances.

If INR had weakened or strengthened by 5 percent against \$, with all other variable held constant, post tax profit for the year would have been lower or higher by €27,853 as a result of mark to market losses or gains on forward contracts.

If INR had weakened or strengthened by 3 percent against Euro, with all other variables held constant, post-tax profit for the year would have been higher or lower by €29,691 as a result of foreign exchange gains or losses on translation of intercompany balances.

The sensitivity analysis is based on a reasonably possible change in the underlying foreign currencies computed from historical data.

##### b) 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. As the group has no significant interest-bearing assets other than investment in bank deposits, the group's income and operating cash flows are substantially independent of changes in market interest rates. The Company considers the impact of fair value interest rate risk on investment in bank deposits as not material. The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During the year, the group's borrowings at variable rate were largely denominated in the functional currency of its Indian entities, being INR, although one loan was denominated in \$.

If interest rates on borrowings had been 80 basis points higher or lower with all other variables held constant, post-tax profit for the year would have been lower or higher by €66,346 mainly as a result of the higher or lower interest expense on floating rate borrowings.

The sensitivity analysis is based on a reasonably possible change in the market interest rates computed from historical data.

#### 3.1.2 Credit risk

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's credit risk arises from accounts receivable balances on sale of electricity and CER. The Indian entities have entered into PPA with transmission companies incorporated by the Indian State Government and other electricity transmission and trading companies to export the electricity generated. The group is therefore committed to sell power to these customers and regards any potential risk of default as being predominantly a governmental one. The group is paid monthly by the transmission companies for the electricity it supplies. The CER are sold under contractual emission reduction purchase agreements ("ERPA") concluded with the purchaser of the CER. The group assesses the credit quality of the purchaser based on its financial position and other information. In addition, the group requires the purchaser under the ERPA to open an irrevocable stand-by letter of credit with a reputable bank. If the purchaser defaults on payment the group is entitled to claim for the full amount owed under the letter of credit.

In the year ended 31 March 2010, the group continued to sell its CERs to only one customer, being a large established Swedish emissions trader. As the number of CERs the group produces are sold to a wider range of purchasers the group intends to develop its credit evaluation and monitoring procedures.

The group maintains banking relationships with only creditworthy banks which it reviews on an on-going basis. The group enters into derivative financial instruments where the counter party is generally a bank. Consequently, the credit risk on the derivatives and bank deposits is not considered material.

#### 3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and maintaining adequate credit facilities.

The group intends to be highly acquisitive in the immediate future. In respect of its existing operations the group funds its activities primarily through long-term loans secured against each power plant. In addition, each of the operating plants has working capital loans available to it which are renewable annually, together with certain intra-group loans. The group's objective in relation to its existing operating business is to maintain sufficient funding to allow the plants to operate at an optimal level and in particular purchase the necessary raw materials required. In respect of each acquisition, the group prepares a model to evaluate the necessary funding required. The group's strategy is to primarily fund such acquisitions by assuming debt in the acquired companies or by borrowing specific long-term funds secured on the power plant to be acquired. In relation to the payment towards equity component of companies to be acquired, the group ordinarily seeks to fund this by the injection of external funds by debt or equity.

The group has identified a large range of acquisition opportunities which it is continually evaluating and which are subject to constant change. In respect of its overall business the group therefore does not, at the current time, maintain any overall liquidity forecasts. The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 March 2010</b>				
Borrowings	12,079,259	6,780,634	18,919,395	20,413,490
Trade and other payables	4,412,993	-	-	-
Other liabilities	11,650,099	-	-	-
<b>At 31 March 2009</b>				
Borrowings	9,046,808	5,473,698	15,145,384	9,010,015
Trade and other payables	4,592,060	-	-	-
Other liabilities	1,214,444	-	-	-

### 3.2. Capital risk management

The group's objective when managing capital is to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The group also proposes to maintain an optimal capital structure to reduce the cost of capital. Hence, the group may adjust any dividend payments, return capital to shareholders or issue new shares. Total capital is the equity as shown in the consolidated statement of financial position. Currently, the group primarily monitors its capital structure in terms of evaluating the funding of potential acquisitions. It plans to balance between risks and returns. In order to reduce the risks, the group diversified into hydro power generation while it concentrated on biomass power projects. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the group.

### 3.3. Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, forward contracts) is determined by using valuation techniques. The group uses its judgment to determine an appropriate method and make assumptions that are based on market conditions existing at each reporting date. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

## 4. Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### a) Income taxes

The group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### b) Estimated impairment of goodwill

In accordance with the accounting policy stated in note 2.7, the group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note6). No impairment charge was accounted during the year.

## 5. Property, plant and equipment

	Land	Buildings	Plant and machinery	Furniture, fixtures & equipment	Vehicles	Capital work-in-progress	Total
<b>Year ended 31 March 2009</b>							
Opening net book amount	1,414,336	2,168,180	21,158,081	198,735	269,676	33,732,650	58,941,658
Acquisition of subsidiary	-	-	-	3,733	11,490	4,291,966	4,307,189
Additions	-	9,942	705,805	66,861	68,620	9,223,330	10,074,558
Depreciation charge	-	(73,066)	(1,171,853)	(25,721)	(39,867)	-	(1,310,507)
Exchange differences	(92,011)	(138,669)	(1,342,564)	(14,352)	(30,821)	(2,960,770)	(4,579,187)
<b>Closing net book amount At 31 March 2009</b>	<b>1,322,325</b>	<b>1,966,387</b>	<b>19,349,469</b>	<b>229,256</b>	<b>279,098</b>	<b>44,287,176</b>	<b>67,433,711</b>
Cost	1,322,325	2,102,725	21,382,420	269,950	336,525	44,287,176	69,701,121
Accumulated depreciation	-	(136,338)	(2,032,951)	(40,694)	(57,427)	-	(2,267,410)
<b>Net book amount</b>	<b>1,322,325</b>	<b>1,966,387</b>	<b>19,349,469</b>	<b>229,256</b>	<b>279,098</b>	<b>44,287,176</b>	<b>67,433,711</b>
<b>Year ended 31 March 2010</b>							
Opening net book amount	1,322,325	1,966,387	19,349,469	229,256	279,098	44,287,176	67,433,711
Acquisition of subsidiary	901,783	7,126,652	11,604,785	68,356	9,052	2,812,442	22,523,070
Additions	-	136,984	192,534	139,603	52,016	8,793,637	9,314,774
Depreciation charge	-	(100,619)	(1,213,808)	(34,012)	(41,855)	-	(1,390,294)
Exchange differences	184,602	495,919	2,536,953	40,341	33,780	6,390,169	9,681,764
<b>Closing net book amount At 31 March 2010</b>	<b>2,408,710</b>	<b>9,625,323</b>	<b>32,469,933</b>	<b>443,544</b>	<b>332,091</b>	<b>62,283,424</b>	<b>107,563,025</b>

Cost	2,408,710	9,886,181	36,074,948	526,272	442,425	62,283,424	111,621,960
Accumulated depreciation	-	(260,858)	(3,605,015)	(82,728)	(110,334)	-	(4,058,935)
<b>Net book amount</b>	<b>2,408,710</b>	<b>9,625,323</b>	<b>32,469,933</b>	<b>443,544</b>	<b>332,091</b>	<b>62,283,424</b>	<b>107,563,025</b>

Borrowing costs on specific borrowings capitalised during the year aggregated to €3,513,785 (2009: €2,729,265). Total term loans as at 31 March 2010 aggregating to €58,040,932 (31 March 2009: €38,846,789) (including loans from financial institutions and excluding non-convertible bond) are secured against all of the group's present and future moveable and immovable assets, including the property, plant and equipment shown above. These loans are also secured by the personal guarantees of certain Directors and pledge of shares of the Indian subsidiaries.

The Hydro Projects, AMR, REGPL and Jasper (Sonna) were under construction during the year. These projects will be declared for commencement of Commercial Operations during the year 2010-11 as per applicable guidelines and industry practices. The details of the expenditure incurred on these projects included in PPE Schedule above:

<b>Description</b>	<b>Amount</b>
Land and civil works	22,323,947
Electro mechanical and hydro mechanical	22,081,267
Project development expenses	3,085,622
Interest during construction	9,096,475
<b>Total</b>	<b>56,587,311</b>

#### 6. Intangible assets

	Licence	Electricity PPA	Goodwill	Total
<b>Year ended 31 March 2009</b>				
Opening net book amount	3,753,705	3,034,356	2,361,380	9,149,441
Acquisition of subsidiary (note 25.2)	3,164,629	100,710	-	3,265,339
Impairment during the year	-	(77,858)	-	(77,858)
Amortization charge	(15,335)	(195,965)	-	(211,300)
Exchange differences	(429,636)	(198,183)	(153,622)	(781,441)
<b>Closing net book amount</b>	<b>6,473,363</b>	<b>2,663,060</b>	<b>2,207,758</b>	<b>11,344,181</b>
<b>At 31 March 2009</b>				
Cost	6,499,356	3,026,319	2,207,758	11,733,433
Accumulated amortization	(25,993)	(363,259)	-	(389,252)
<b>Net book amount</b>	<b>6,473,363</b>	<b>2,663,060</b>	<b>2,207,758</b>	<b>11,344,181</b>
<b>Year ended 31 March 2010</b>				
Opening net book amount	<b>6,473,363</b>	<b>2,663,060</b>	<b>2,207,758</b>	<b>11,344,181</b>
Acquisition of subsidiary (note 25.1)	12,697,082	8,835,967	3,056,735	24,589,784
Additions	1,712,794	-	-	1,712,794
Amortization charge	(25,781)	(274,922)	-	(300,703)
Exchange differences	2,489,964	759,163	365,842	3,614,969
<b>Closing net book amount</b>	<b>23,347,422</b>	<b>11,983,268</b>	<b>5,630,335</b>	<b>40,961,025</b>
<b>At 31 March 2010</b>				
Cost	23,403,994	12,685,205	5,630,335	41,719,534
Accumulated amortization	(56,572)	(701,937)	-	(758,509)
<b>Net book amount</b>	<b>23,347,422</b>	<b>11,983,268</b>	<b>5,630,335</b>	<b>40,961,025</b>

Additions to licence represent net consideration paid on acquisition of companies that hold licences for power generation. The projects in these companies at the time of acquisition were in a pre-construction stage, the transactions were considered as acquisitions of a group of assets. The net amount, after allocation of consideration to the fair value of tangible assets and net current assets, has been recognised as intangible asset. The value of tangible assets and net current assets is insignificant. The average remaining amortization period for licences is 23.7 years and for electricity PPA is 7.3 years.

#### Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units ("CGU"). Management has identified the acquired entities as individual CGU. A CGU level summary of goodwill is presented below:

	31 March 2010	31 March 2009
- AMR Power Private Limited	<b>163,382</b>	146,628
- Ecofren Power & Projects Private Limited	<b>319,025</b>	286,309
- Greenko Energies Private Limited	<b>20,622</b>	18,507
- ISA Power Private Limited	<b>369,469</b>	331,580
- LVS Power Limited	<b>3,170,303</b>	-
- Ravikiran Power Projects Private Limited	<b>228,324</b>	204,909
- Rithwik Energy Generation Private Limited	<b>519,089</b>	465,857
- Roshni Powertech Private Limited	<b>840,121</b>	753,968
	<b>5,630,335</b>	2,207,758

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections prepared by management. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The key assumptions used for value-in-use calculations are as follows:

Budgeted gross margin	40 percent
Growth rate	3 percent
Discount rate	11 - 15 percent

Management has determined gross margins based on industry trends and the existing PPA with the transmission companies. The PPA is a long-term contract with agreed price per unit of power sold, and the growth rates used are consistent with those contracts. The discount rate used is post tax and reflects the specific risks associated with the entity.

**7. Investment in associates**

During the year ended 31 March 2009, the group subscribed to a 49 percent interest in Greenko Hatkoti Energy Private Limited, an unlisted entity incorporated in India. Consideration paid was €761. This has been accounted for as an associate until 31 March 2009. The group acquired the balance of the interest in the Company and accounted for the investment as subsidiary during the year.

**8. Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

31 March 2010	Assets at fair value through profit and loss			Total
	Loans and receivables	Available-for-sale		
<b>Assets as per statement of financial position</b>				
Available-for-sale financial assets (note 9)	-	46,116	-	46,116
Bank deposits	11,356,668	-	-	11,356,668
Trade and other receivables (note 11)	41,203,549	-	-	41,203,549
Derivative financial instruments (note 10)	-	-	-	-
Cash and cash equivalents	62,256,298	-	-	62,256,298
<b>Total</b>	<b>114,816,515</b>	<b>46,116</b>	<b>-</b>	<b>114,862,631</b>

Liabilities as per statement of financial position	Liabilities at fair value through profit and loss		Other financial liabilities	Total
Borrowings	-	61,950,803	-	61,950,803
Trade and other payables	-	16,007,636	-	16,007,636
Derivative financial instruments	55,456	-	-	55,456
<b>Total</b>	<b>55,456</b>	<b>77,958,439</b>	<b>-</b>	<b>78,013,895</b>

31 March 2009	Assets at fair value through profit and loss			Total
	Loans and receivables	Available-for-sale		
<b>Assets as per statement of financial position</b>				
Available-for-sale financial assets (note 9)	-	27,069	-	27,069
Bank deposits	7,990,698	-	-	7,990,698
Trade and other receivables (note 11)	14,996,889	-	-	14,996,889
Derivative financial instruments (note 10)	-	-	156,725	156,725
Cash and cash equivalents	3,657,903	-	-	3,657,903
<b>Total</b>	<b>26,645,490</b>	<b>156,725</b>	<b>27,069</b>	<b>26,829,284</b>

Liabilities as per statement of financial position	Liabilities at fair value through profit and loss		Other financial liabilities	Total
Borrowings	-	43,082,429	-	43,082,429
Trade and other payables	-	4,027,091	-	4,027,091
<b>Total</b>	<b>-</b>	<b>47,109,520</b>	<b>-</b>	<b>47,109,520</b>

Investment in bank deposits as at 31 March 2010 include restricted balances aggregating to €10,610,842 (31 March 2009: €7,985,511).

The carrying amounts reported in the statement of financial position for cash and cash equivalents, trade and other receivables, trade and other payables and other liabilities approximate their respective fair values due to their short maturity.

**9. Available-for-sale financial assets**

	2010	2009
Beginning of the year	27,069	44,040
Additions	-	-
Dividend reinvestment	-	-
Redemption	-	-
Exchange differences	5,031	(1,764)
Net (loss)/gains transferred to equity	14,016	(15,207)

<b>End of the year</b>	<b>46,116</b>	27,069
Less: Non-current portion	-	(16,746)
Current portion	<b>46,116</b>	10,323

During the year ended 31 March 2010, dividend income aggregating to €420 (2009: €985) has been earned on investment in units of mutual funds.

There were no impairment provisions on available-for-sale financial assets during the year. None of the financial assets is either past due or impaired. Available-for-sale financial assets include the following:

	<u>31 March 2010</u>	<u>31 March 2009</u>
Unlisted securities:		
- Units of closed-ended mutual funds	<b>34,148</b>	<b>16,746</b>
- Units of open-ended mutual funds	<b>11,968</b>	<b>10,323</b>
	<b>46,116</b>	<b>27,069</b>

Available-for-sale financial assets are denominated in Indian rupees. The maximum exposure to credit risk at the reporting date is the fair value of the units of mutual funds classified as available-for-sale.

#### 10. Derivative financial instruments

	<u>31 March 2010</u>		<u>31 March 2009</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Forward foreign exchange contracts	-	55,456	156,725	-
<b>Total</b>	<b>-</b>	<b>55,456</b>	<b>156,725</b>	<b>-</b>

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2010 were €611,876 (31 March 2009: €908,461).

#### 11. Trade and other receivables

	<u>2010</u>	<u>2009</u>
Trade receivables - power	<b>8,455,238</b>	3,744,194
Trade receivables - emission reductions	<b>1,089,274</b>	840,462
Trade receivables	<b>9,544,512</b>	4,584,656
Other receivables	<b>20,764,012</b>	7,079,462
Less: Provision for doubtful advances	<b>(83,371)</b>	-
	<b>20,680,041</b>	7,079,462
Pre-payments	<b>141,381</b>	67,441
Advance for expenses	<b>22,825</b>	19,284
Sundry deposits	<b>277,067</b>	155,403
Advance for purchase of equity	<b>10,537,123</b>	3,090,643
<b>Total trade and other receivables</b>	<b>41,203,549</b>	14,996,889
Less: Non-current portion - sundry deposits and receivables	<b>(597,001)</b>	(335,163)
Current portion	<b>40,606,548</b>	14,661,726

Trade and other receivables include financial assets aggregating to

	<b>9,985,785</b>	<b>4,826,784</b>
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Advance for equity represents amount paid under memorandum of understanding with various parties which have been identified as potential entities to be acquired in the future. Other receivables include advances against purchase of raw material, advances for expenses on new projects, and insurance claims receivable. Working capital loans of €407,726 (31 March 2009: €1,185,852) are secured against inventory and trade receivables.

Trade receivables - power that are due for more than one month are considered past due. As at 31 March 2010, trade receivables of €4,311,000 (31 March 2009: €2,401,806) were past due but not impaired. These relate to power tariff differences that are subject to judicial orders, and in the opinion of the management there is a reasonable certainty of realisation (note 24(b)). There are no past due trade receivables that are impaired.

The ageing analysis of past due trade receivables as at the reporting date is as follows:

	<u>31 March 2010</u>	<u>31 March 2009</u>
1 to 6 months	<b>522,309</b>	147,961
6 to 9 months	<b>759,975</b>	278,737
9 to 12 months	<b>544,650</b>	394,978
Beyond 12 months	<b>2,484,066</b>	1,580,130
	<b>4,311,000</b>	2,401,806

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	<u>31 March 2010</u>	<u>31 March 2009</u>
Indian rupee	<b>84,55,238</b>	3,744,194
Euro	<b>1,089,274</b>	840,462
	<b>95,44,512</b>	4,584,656

Movements on the group provision for impairment of other advances are as follows:

	<u>2010</u>	<u>2009</u>
Beginning of the year	-	-
Provision for doubtful advances	<b>83,371</b>	-
Receivables written off during the year as uncollectible	-	-
<b>End of the year</b>	<b>83,371</b>	-

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the profit or loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security except in respect of receivables under ERP (refer note 3.1.2).

**12. Inventories**

	<u>31 March 2010</u>	31 March 2009
Stores and Consumables	1,099,671	749,475
Raw material	3,118,371	445,253
CER	1,071,808	1,159,242
	<u>5,289,850</u>	<u>2,353,970</u>

Working capital loans of €407,726 (31 March 2009: €1,185,852) are secured against inventory and trade receivables. Cost of material consumed during the year aggregated to €9,978,621 (2009: €6,044,294).

**13. Cash and cash equivalents**

	<u>31 March 2010</u>	31 March 2009
Cash on hand	163,192	73,699
Cash at bank	62,093,106	3,584,204
	<u>62,256,298</u>	<u>3,657,903</u>

**14. Equity****14.1. Share capital**

	<u>31 March 2010</u>	31 March 2009
<b>Authorised capital</b>		
- 190,000,000 (31 March 2009: 90,000,000) ordinary shares of €0.005 each	950,000	450,000
<b>Issued and fully paid</b>		
- 119,418,237 (31 March 2009: 67,989,237) ordinary shares of €0.005 each	597,091	339,946

The Company increased its authorised capital from 90,000,000 to 130,000,000 and from 130,000,000 to 190,000,000 ordinary shares on 5 October 2009 and 22 February, 2010 respectively.

The ordinary shares of the Company were listed on London Stock Exchange-Alternative Investment Market on 7 November 2007. Further Ordinary shares were issued during the year ended 31 March 2010 at an issue price of €1.40 per ordinary share. The details of this further issue are:

<b>Issued</b>	<u>Date of allotment</u>	<u>Par value (€)</u>	<u>Number of shares</u>
New ordinary shares	22 February 2010	0.005	51,429,000

**14.2. Share-based payment reserve**

In a meeting held on 22 April 2008, the board of directors approved the Greenko Group plc 2008 Long Term Incentive Plan for all the employees of the group. The scheme is administered by the remuneration committee of the Company. Options over 6,798,924 ordinary shares were granted to the Chief Executive Officer and the President of the Company. One-third of the options are subject to a graded vesting over a period of three years with a service condition. The remaining options are subject to a market condition that vesting is allowed in full only if the market value of a share is at any time during three years from the date of grant equal to or greater than a stated price. The exercise price was set at the average of the closing market prices for the ordinary shares of the Company on AIM over the ten dealing days prior to the date of grant but not less than the nominal value of the share.

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

	<u>2010</u>		<u>2009</u>	
	Average exercise price (pence per share)	Number of options	Average exercise price (pence per share)	Number of options
Beginning of the year	97.5	6,798,924	-	-
Granted	-	-	97.5	6,798,924
Forfeited	-	-	-	-
Exercised	-	-	-	-
Lapsed	97.5	(755,436)	-	-
<b>End of the year</b>	<u>97.5</u>	<u>6,043,488</u>	97.5	6,798,924
Options exercisable at end of the year	-	-	-	-

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price (pence per share)	<u>Shares</u>	
		2010	2009
<b>Expiry date-21 May</b>			
2009	97.5	-	755,436
2010	97.5	755,436	755,436
2011	97.5	5,288,052	5,288,052
		<u>6,043,488</u>	<u>6,798,924</u>

The weighted average fair value of options granted during the year determined using the Binomial option valuation model was €0.40 per option (2009: €0.40). The significant inputs into the model were share price of 94.5 pence (2009: 94.5 pence ) at the grant date, exercise price shown above, volatility of 30.4 percent (2009: 30.4), dividend yield of NIL (2009: NIL), an expected weighted average option life of 2.63 years, and an annual risk-free interest rate of 8.1 percent (2009: 8.1). Annualised volatility is based on the volatility of comparable stocks with relatively longer trading history. Risk-free interest rate is based on the yield on a zero coupon bond issued by the Government of India with the tenor matching the expected term of the stock options. Probability of achieving the market condition was estimated using a binomial lattice to project the stock price and the respective probabilities. Refer note 19 for the total expense recognised in the profit or loss for share options granted to directors. No forfeitures are expected.

There is a proposal to modify the scheme and it will be done at an appropriate time during the year 2010 after obtaining required approvals.

**14.3. Issuance of Preference Shares:**

During November, 2009 Global Environment Emerging Markets Fund III L.P. has subscribed \$46.26 million to 36,369,551 Preference Shares ("PS") in Greenko Mauritius ("GM"), through its wholly owned subsidiary GEEMF III GK Holdings MU, representing 29.99 per cent of the issued share capital of GM at completion, which was reduced to 19.61% on further issue of Equity Shares. PS will be redeemable in cash only in the event of a sale or delisting but do not provide for interest payments or any right to a fixed dividend. They will also be convertible into ordinary shares in GM at the option of the investor.

Preference Shareholders will have the option in certain circumstances to swap their Redeemable Preference Shares for, in aggregate, 29,124,371 new Ordinary Shares pursuant to the Put Option that was entered into with the Company. 29,124,371 Ordinary Shares presently equals to 19.61 per cent of the Enlarged Issued Share Capital (assuming that no further Ordinary Shares are issued before the Put Option is exercised). The Put Option will be exercisable from 1 January 2013 (or earlier on the occurrence of certain triggering events) until the earlier of 30 June 2017 or, *inter alia*, a sale or listing of Greenko Energies Pvt.Ltd ("GEPL").

Under the terms of the Share Subscription Agreement, Preference Shareholders (for so long as they hold 20 per cent or more of the issued share capital of GM) are entitled to appoint two directors to the seven members of GM Board of Directors. This will be reduced to one director if the Preference Shareholders hold less than 20 per cent but not less than 10 per cent of the issued share capital of GM. They also have additional rights of approval on the following Greenko Mauritius related matters:

- Changes in the activities of the GM Group;
- Capital raising, borrowings and the creation or grant of security over its assets;
- Acquisitions and disposals;
- Approval of annual budgets;
- A change in the auditors;
- The payment of distributions (outside an agreed limit); and
- The removal or dismissal of Anil Kumar Chalamalasetty and/or Mahesh Kolli as Directors of Greenko or as employees other than for breach of their service agreements.

The Preference Shareholders will also have certain information rights such as the right to receive monthly management information and quarterly management accounts.

Since the Preference Shareholders hold equal rights along with the Equity Shareholders in GM in respect of voting, participating in the surplus assets of the GM, value of share of Assets in GEPL in proportion to their shareholding and other related reasons, they are considered as Equity Shareholders of GM.

**14.4. Other reserves-Government grants**

Government of India ("GoI") has been providing cash grants to grid-interactive power generation projects based on renewable energy sources. The quantum of cash grants is linked to the power generation capacity of the project. In respect of projects which are financed by a financial institution, the request for the cash grant has to be placed by the financial institution. The financial institution directly receives the cash grant from GoI towards reduction of loan.

The group obtained and recognised in equity, government grants aggregating to NIL (2009: €350,664) in relation to three biomass power projects. The group's bankers directly received the cash grants towards reduction of loans availed by the group for development of the said projects. The group is obliged not to utilise more than 15 percent of fossil fuel of total energy consumption under the terms of this government grant. These grants are not available for distribution.

**15. Trade and other payables, and other liabilities**

	<b>31 March 2010</b>	31 March 2009
Trade payables	<b>895,958</b>	613,375
Capital creditors	<b>290,156</b>	2,315,991
Withholding taxes and dues	<b>101,394</b>	24,752
Provision for tax uncertainty	<b>78,389</b>	70,350
Other payables	<b>1,644,222</b>	1,684,311
Cost of acquisition payable	<b>11,230,501</b>	1,097,725
Issue expenses payable	<b>1,767,016</b>	-
<b>Total - current</b>	<b>16,007,636</b>	5,806,504

Other payables include accruals for expenses, statutory liabilities and other liabilities.

**16. Borrowings**

	<b>31 March 2010</b>	31 March 2009
<b>Non-current</b>		
Bank borrowings	<b>45,303,079</b>	28,431,796
Term loans from financial institutions	<b>723,212</b>	1,003,072
Non-convertible bond	-	3,049,788
Equipment and vehicle loans	<b>10,009</b>	32,985
	<b>46,036,300</b>	32,517,641
<b>Current</b>		
Bank borrowings	<b>11,952,091</b>	9,722,203
Term loans from financial institutions	<b>403,546</b>	364,814
Non-convertible bond	<b>3,099,838</b>	-
Equipment and vehicle loans	<b>56,722</b>	41,840
Interest accrued but not due	<b>402,306</b>	435,931
	<b>15,914,503</b>	10,564,788
<b>Total borrowings</b>	<b>61,950,803</b>	43,082,429

Bank borrowings mature over 2011 to 2025 and bear floating rates of interest.

Total borrowings, except non-convertible bonds, are secured against first charge by way of hypothecation of all immovable properties including plant and machinery and all other movable properties both present and future, and mortgage of land and buildings and all other

immovable properties both present and future, personal guarantees of directors, pledge of shares. Working capital loans are secured by inventory and trade receivables. Additionally, the borrowings are also secured by a lien on bank deposits amounting to €10,740,426 (31 March 2009: €7,834,534).

The maturity profile of the group's borrowings at the reporting dates are as follows:

	<b>31 March 2010</b>	31 March 2009
1 year or less, or on demand	<b>15,914,502</b>	10,564,788
1 to 2 years	<b>6,727,879</b>	5,449,348
2 to 5 years	<b>18,894,934</b>	18,058,277
Over 5 years	<b>20,413,488</b>	9,010,016
	<b>61,950,803</b>	43,082,429

The carrying amounts and fair value of the borrowings are as follows:

	<b>31 March 2010</b>		31 March 2009	
	<b>Carrying amount</b>	<b>Fair value</b>	Carrying amount	Fair value
Bank borrowings	<b>57,255,170</b>	<b>57,255,170</b>	38,589,930	38,589,930
Term loans from financial institutions	<b>1,126,758</b>	<b>1,107,791</b>	1,367,886	1,333,272
Equipment and vehicle loans	<b>66,730</b>	<b>64,085</b>	74,825	73,411
Non-convertible bond	<b>3,099,839</b>	<b>3,107,396</b>	3,049,788	3,054,881

The fair value of bank borrowings approximates their carrying value as these borrowings carry a floating rate of interest. The fair values of term loans and vehicle loans are based on cash flows discounted using a zero-coupon yield curve in the range of 6.84 percent to 10.53 percent (31 March 2009: 7.94 percent to 10.21 percent).

The non-convertible bond carries an effective interest rate of 8 percent. The fair value is based on cash flows discounted using a rate based on borrowings of 8 percent (31 March 2009: 8 percent).

The carrying amounts of the group's borrowings are denominated in the following currencies:

	<b>31 March 2010</b>	31 March 2009
Indian rupee	<b>58,239,089</b>	39,124,180
Euro	<b>3,099,838</b>	3,049,788
US dollar	<b>611,876</b>	908,461
	<b>61,950,803</b>	43,082,429

The group has the following undrawn borrowing facilities:

	<b>31 March 2010</b>	31 March 2009
Working capital loans from banks	<b>1,127,941</b>	407,213
Term loans from financial institutions	<b>-</b>	794,539
	<b>1,127,941</b>	1,201,752

#### Non-convertible bond

On 12 January 2006 the Company issued to two private individuals 1,000 6% non-convertible bonds with par value of €3,000 each, for a total consideration of €3 million. The non-convertible bond carries detachable warrants entitling the bond holders to subscribe for up to 1,000 ordinary shares at an exercise price of €10 per warrant. The warrants were to lapse automatically on 1 January 2011. On 16 October 2007 the bond holders exercised their warrants.

The values of the liability component and the equity conversion component were determined at issuance of the bond. The fair value of the liability component of the non-convertible bond was calculated based on cash flows discounted using a market interest rate for an equivalent non-convertible bond without detachable warrants. The residual amount of €235,414, representing the value of the warrants, was included in shareholders' equity as 'share warrants' and later transferred to 'share premium' on issue of shares.

The non-convertible bond recognised in the statement of financial position is calculated as follows:

	<b>2010</b>	2009
Liability component at 1 April	<b>3,049,788</b>	2,999,895
Interest expense (note 21)	<b>230,051</b>	229,893
Interest paid	<b>(180,000)</b>	(180,000)
<b>Liability component at 31 March</b>	<b>3,099,839</b>	3,049,788

#### 17. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	<b>31 March 2010</b>	31 March 2009
Deferred income tax liabilities		
- to be recovered after more than 12 months	<b>10,255,873</b>	2,518,908
- to be recovered within 12 months	<b>-</b>	-
	<b>10,255,873</b>	2,518,908

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>Tangible assets</b>	<b>Intangible assets</b>	<b>Total</b>
At 31 March 2008	995,938	747,293	1,743,231
Charged to the profit or loss	224,417	-	224,417
Acquisition of subsidiary	-	717,105	717,105
Exchange difference	(75,086)	(90,759)	(165,845)
At 31 March 2009	<b>1,145,269</b>	<b>1,373,639</b>	<b>2,518,908</b>
Credit to the profit or loss	<b>327,896</b>	<b>(31,400)</b>	<b>296,496</b>
Acquisition of subsidiary	<b>3,108,739</b>	<b>3,497,812</b>	<b>6,606,551</b>
Exchange difference	<b>286,727</b>	<b>547,191</b>	<b>833,918</b>
<b>At 31 March 2010</b>	<b>4,868,631</b>	<b>5,387,242</b>	<b>10,255,873</b>

#### 18. Employee benefit obligations

	<u>31 March 2010</u>	<u>31 March 2009</u>
<b>Statement of financial position obligation for</b>		
Gratuity	50,059	16,343
Compensated absences	33,378	6,808
	<u>83,437</u>	<u>23,151</u>
<b>Expense recognised in the profit or loss</b>		
Gratuity	23,678	21,212
Compensated absences	13,917	4,136
	<u>37,595</u>	<u>25,348</u>

**Gratuity**

The amounts recognised in the statement of financial position are determined as follows:

	<u>31 March 2010</u>	<u>31 March 2009</u>
Present value of funded obligations	66,911	38,204
Fair value of plan assets	(37,471)	(21,861)
Unrecognized actuarial gain/loss	20,619	-
<b>Liability in the statement of financial position</b>	<u>50,059</u>	<u>16,343</u>

The movement in the defined benefit obligation over the year is as follows:

	<u>31 March 2010</u>	<u>31 March 2009</u>
Beginning of the year	38,204	17,462
Current service cost	21,838	6,759
Interest cost	4,295	1,354
Actuarial losses	(20,964)	13,201
Liabilities acquired in a business combination	14,923	-
Benefits paid	(245)	-
Exchange differences	8,862	(572)
<b>End of the year</b>	<u>66,913</u>	<u>38,204</u>

The movement in fair value of plan assets for the year is as follows:

	<u>31 March 2010</u>	<u>31 March 2009</u>
Beginning of the year	21,861	-
Expected return on plan assets	(2,455)	102
Employer contributions	9,937	21,763
Unrecognised actuarial losses	(345)	-
Benefits paid	(245)	-
Exchange differences	8,718	(4)
<b>End of the year</b>	<u>37,471</u>	<u>21,861</u>
<b>Actual return on plan assets</b>	<u>2,455</u>	<u>102</u>

The amounts recognised in the profit or loss are as follows:

	<u>31 March 2010</u>	<u>31 March 2009</u>
Current service cost	21,838	6,759
Interest cost	4,295	1,354
Expected return on plan assets	(2,455)	(102)
Actuarial losses	-	13,201
	<u>23,678</u>	<u>21,212</u>

The principal actuarial assumptions used were as follows:

	<u>31 March 2010</u>	<u>31 March 2009</u>
Discount rate	8.20 percent	8.0 percent
Future salary increases	7 percent	7 percent
Return on plan assets	9 percent	9.15 percent
Retirement age	58 years	58 years

The group makes annual contributions under a group gratuity plan to Life Insurance Corporation of India ("LIC") of an amount advised by LIC. The group is not informed by LIC of the investments made by the LIC or the break-down of plan assets by type of investments. The expected rate of return on plan assets is based on the expectation of the average long-term rate of return expected on the insurer managed funds during the estimated term of the obligation. The group expects to contribute €30,272 towards gratuity plan in the year ended 31 March 2011.

**19. Employee benefit expense**

	<u>31 March 2010</u>	<u>31 March 2009</u>
Salaries and wages	1,478,833	1,245,867
Share options granted to directors (note 14.2)	503,515	592,056
Employee welfare expenses	95,142	59,648
Retirement benefits-defined contribution plans	50,932	39,637
Retirement benefits-defined benefit plans (note 18)	23,678	21,212
Compensated absences	13,917	4,136
	<u>2,166,017</u>	<u>1,962,556</u>

**20. Other operating expenses**

	<u>31 March 2010</u>	<u>31 March 2009</u>
Advertisement and business promotion expenses	70,878	3,663
Communication expense	99,589	54,552
Rent	92,118	18,855
Rates and taxes	217,709	134,014
Insurance	137,591	137,548
Printing and stationery	23,450	17,961
Legal and professional charges	312,402	231,437
Audit fee	109,165	74,905

Repairs and maintenance	952,284	91,861
Directors fees and expenses	168,087	161,134
Travelling and conveyance expenses	150,132	57,095
Impairment of Electricity PPA	-	77,858
Provision for Doubtful advances	75,256	-
Other miscellaneous expenses	408,617	136,227
	<b>2,817,278</b>	<b>1,197,110</b>

## 21. Finance income and costs

	31 March 2010	31 March 2009
Finance income		
Foreign exchange gain on financing activities	1,759,844	56,796
Gain on derivative financial instruments	-	162,380
Interest on bank deposits and others	599,681	697,245
Dividend from units of mutual funds	420	985
	<b>2,359,945</b>	<b>917,406</b>
Finance cost		
Interest cost		
- on non-convertible bond	230,051	229,893
- on other borrowings	1,950,913	1,631,450
- on others	37,770	85,297
Bank charges	216,237	163,678
Foreign exchange loss on financing activities	1,183,763	183,332
Loss on derivative financial instruments	50,058	-
	<b>3,668,792</b>	<b>2,293,650</b>
Net finance costs	<b>1,308,847</b>	<b>1,376,244</b>

## 22. Income tax expense

	31 March 2010	31 March 2009
Current tax	224,932	281,355
Deferred tax (note 17)	296,496	224,417
	<b>521,428</b>	<b>505,772</b>

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	31 March 2010	31 March 2009
Profit before income tax	4,861,598	3,165,745
Tax calculated at domestic tax rates applicable to profits in the respective countries	431,394	992,445
Tax losses for which no deferred income tax asset was recognised	716,702	14,136
Income not subject to tax	(970,820)	(880,449)
Temporary differences reversing within the tax holiday period	99,648	98,285
Minimum alternate tax	224,932	281,355
Effect of changes in tax rate	19,572	-
<b>Tax charge</b>	<b>521,428</b>	<b>505,772</b>

The tax rates used in computing the weighted average tax rate is the substantively enacted tax rate. In respect of the Indian entities this was 33.99 per cent for both the periods.

The Indian subsidiaries of the group engaged in power generation currently benefit from a tax holiday from the standard Indian corporate taxation rate which for the years ended 31 March 2008 and 2009 was 33.99 percent. The tax holiday period under the Indian Income Tax Act is for 10 consecutive tax assessment years out of a total of 15 consecutive tax assessment years from the tax assessment year in which commercial operations commenced. However, these companies are still liable for Minimum Alternate Tax which is calculated on the book profits of the relevant entity and is currently at a rate of 17 percent.

The group has recognised a provision for tax uncertainty on the sale of CER. Management is of the opinion that a liability should be recognised at the full substantively enacted rate of tax on the sale of CER, as the allowance of tax relief on such sale is not probable of being sustained on examination by the relevant tax authority.

## 23. Earnings per share

### a) Basic

Basic earnings per share, is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	31 March 2010	31 March 2009
Profit attributable to equity holders of the Company	2,503,522	2,659,973
Weighted average number of ordinary shares in issue	73,202,588	67,989,237
<b>Basic earnings per share (in cents)</b>	<b>3.42</b>	<b>3.91</b>

### b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options issued under a share-based payment plan and swaptions issued to redeemable preference shareholders of subsidiary company. For share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to and including the unrecognised compensation expense on outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For swaptions, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value received on issuance of redeemable preference shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	31 March 2010	31 March 2009

Profit attributable to equity holders of the Company	<u>2,503,522</u>	<u>2,659,973</u>
Weighted average number of ordinary shares in issue	<u>73,202,588</u>	<u>67,989,237</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>73,202,588</u>	<u>67,989,237</u>
<b>Diluted earnings per share (in cents)</b>	<b>3.42</b>	<b>3.91</b>

Share options to purchase 35,167,859 ordinary shares (2009: 6,798,924) during the year ended 31 March 2010 were not included in the computation of diluted earnings per share as these options were anti-dilutive.

#### 24. Commitments and contingencies

- a) As at 31 March 2010, the group has a long-term contractual commitment under an ERPA to sell 25,821 CERs (31 March 2009: 51,642) to a third party at a fixed price of €12 per CER. Subsequent to 31 March 2010, the group has sold NIL (31 March 2009: NIL) in respect of this ERPA.

If the group is unable to generate sufficient quantities of CERs to fulfil its remaining contractual commitment to the third party, the CERs would need to be sourced from elsewhere by the group. Whilst the projected cost of these alternate CERs is indeterminable, it is possible that the group would have to acquire the CERs at market prices in excess of their contractual sales value.

- b) Andhra Pradesh Electricity Regulatory Commission ("APERC") through its order dated 20 March 2004 did a downward revision of billing rates, effective from 1 April 2004. Consequent to the downward revision of the billing rates, the Non-Conventional Energy developers approached the High Court of Andhra Pradesh on the APERC's order. The High Court issued an interim order allowing Transmission Corporation of Andhra Pradesh ("AP Transco") to implement the revised tariff in addition to payment of 50% of the differential amount between the tariff payable as per the Power Purchase Agreement and as per APERC order. The case was referred to the Appellate Tribunal for Electricity which related that the order pronounced by the APERC is not valid and that the payment has to be made as per the original PPA. AP Transco filed appeals in the Supreme Court of India and no finality could be arrived at in this regard and the matter is sub-judice.

Similarly, in respect of a power generation unit of the group situated in Karnataka, India, the group has filed a case which is pending before the Karnataka Electricity Regulatory Commission against the unilateral termination of the PPA and downward revision of billing rates by the Karnataka Power Transmission Corporation Limited ("KPTCL"). In similar cases, other renewable energy generating units got favourable orders. The group continued to raise invoices on KPTCL per the rates in the original PPA.

- c) In respect of certain power generation units of the group situated in Andhra Pradesh, India, the group has appealed, to Commissioner of Income-tax (Appeals) (CIT-(A)), against the orders passed by income-tax assessing officer for the assessment years 2005-06 and 2006-07. CIT (A) had issued an order in favour of the group for the assessment year 2005-06. The Income-tax assessing officer had contested the same with Income-tax tribunal and the present status of the above said cases are under hearing.

- d) Sai Spurthi Power Private Limited, the group's subsidiary, had given a corporate guarantee to another corporate for availment of credit facilities from a nationalized bank amounting to €115,918. However, as per the share purchase agreement entered with the shareholder's of Sai Spurthi Power Private Limited, the Promoter-Sellers have underwritten to get the Company discharged of these obligations during the year and steps were taken in that direction.

- e) Capital commitments

Capital expenditure contracted for at 31 March 2010 but not yet incurred aggregated to €563,904 (31 March 2009: €2,794,755).

#### 25. Business combinations

##### 25.1. Acquisitions during the year ended 31 March 2010

During the year ended 31 March 2010, the group acquired the following companies. Details of these acquisitions are set out below:

	<u>Date of acquisition</u>	<u>Percentage acquired</u>
LVS Power Limited (LVS)	1 March 2010	100%
Sai Spurthi Power Private Limited (SSPL)	1 March 2010	100%
Sneha Kinetic Power Projects Limited (SKPPL)	2 December 2009	83.67%

The group has acquired and is a registered shareholder of 51 percent of the shares in issue of LVS. The group controls more than 50 per cent of the Board of LVS. The operating and financial decision making powers vest with the group. A liability for the consideration payable €7,323,675 in respect of the balance 49 per cent shares has been recognised in the books of account, since the group, though not the legal owner, is the beneficial owner of the remaining interest and it has financial and operational control over 100 percent interest in LVS by virtue of the share purchase agreement. Consequently, no minority interest has been recognised in the consolidated financial statements as at 31 March 2010. The legal transfer of balance shares has already been completed subsequent to 31 March 2010.

The group has acquired 72 per cent of the shares of SSPL. The group controls more than 50 per cent of the Board of SSPL as on 31 March 2010. The operating and financial decision making powers vest with those directors. A liability for the consideration payable €3,055,241 in respect of the balance 28 per cent shares has been recognised in the books of account, since the group, though not the legal owner, is the beneficial owner of the remaining interest and it has financial and operational control over 100 percent interest in SSPL by virtue of the share purchase agreement. Consequently, no minority interest has been recognised in the consolidated financial statements as at 31 March 2010.

The Group has acquired 83.67 per cent of the shares of SKPPL. The Group controls more than 100 per cent of the Board of SKPPL as on 31 March 2010. The operating and financial decision making powers vest with those Directors. Full consideration was paid and the transfer of shares to the Group was approved by the Board of Directors of SKPPL as on 31 March 2010. Minority interest in the Company is recognised to the extent of 16.33 per cent.

Results of the acquired entities have been consolidated in the statement of comprehensive income from the date of acquisition. If the acquisition had occurred on 1 April 2009, the group's revenue and net profit for the year ended 31 March 2010 in respect of these companies would have been as follows:

	<u>Revenue contribution after acquisition</u>	<u>Net profit</u>
LVS	25,751,045	3,201,948
SSPL	1,851,843	387,531
	<u>27,602,888</u>	<u>3,589,479</u>

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and

equipment and intangible assets had applied from 1 April 2009, together with the consequential tax effects. In case of SKPPL the Group's revenue and net profit for the year ended 31 March 2010 would not be affected since SKPPL is a development stage entity.

Details of net assets acquired and goodwill are as follows:

	<b>LVS</b>	<b>SSPL</b>	<b>SKPPL</b>	<b>Total</b>
Purchase consideration				
- Cash paid	17,170,207	3,567,256	2,833,811	23,571,274
- Amount payable	7,323,674	3,055,241	-	10,378,915
- Direct costs relating to the acquisition paid	24,512	18,825	15,328	58,665
- Direct costs relating to the acquisition payable	7,024	-	-	7,024
Total purchase consideration	24,525,417	6,641,322	2,849,139	34,015,878
Fair value of net assets acquired	21,468,682	7,131,571	7,215,065	35,815,318
Goodwill	<b>3,056,735</b>	-	-	<b>3,056,735</b>
Excess of group's interest in the fair value of acquiree's assets and liabilities over cost	-	<b>(490,249)</b>	<b>(4,365,926)</b>	<b>(4,856,175)</b>

SKPPL has a licence for the construction of hydro power projects in the state of Sikkim, India, aggregating to 96 MW. The implementation of the project was in progress at the time of acquisition. Certain approvals required to implement the hydro power project were obtained, power purchase agreement was executed and steps were taken to implement the project at the time of acquisition. Generally, the total gestation period, starting from obtaining licence till commencement of commercial operations, for hydro power projects of this size and model is 4 to 5 years. Hence, the project has enormous value embedded in it, which is generally not reflected in the books of account, and captured in the fair value of licences. The excess of the group's interest in the fair value of acquiree's assets and liabilities over cost is resulting on account of the time value which the group gained, the value in near readiness for starting the commercial operations in a quick time, the value in ordering and almost readiness of all required equipment, suppliers and contractors, and the negotiation skills of the group.

The fair value of the acquiree's assets and liabilities arising from the acquisition were as follows:

	<b>LVS</b>	<b>SSPL</b>	<b>SKPPL</b>	<b>Total</b>
Property, plant and equipment	11,449,028	8,252,440	2,821,602	22,523,070
Licence	2,416,813	652,762	9,627,507	12,697,082
Electricity PPA	7,323,675	222,894	1,289,398	8,835,967
Inventories	2,754,893	-	-	2,754,893
Trade and other receivables	1,321,142	2,030,013	25,222	3,376,377
Cash and cash equivalents	245,877	399,883	1,008,015	1,653,775
Borrowings	-	(2,940,217)	(3,874)	(2,944,091)
Trade and other payables	(504,375)	(702,320)	(3,860,332)	(5,067,027)
Deferred income tax liabilities	(3,538,369)	(783,884)	(2,284,298)	(6,606,551)
<b>Net assets acquired</b>	<b>21,468,684</b>	<b>7,131,571</b>	<b>8,623,240</b>	<b>37,223,495</b>
Minority Interest	-	-	(1,408,175)	(1,408,175)
<b>Net assets acquired</b>	<b>21,468,684</b>	<b>7,131,571</b>	<b>7,215,065</b>	<b>35,815,420</b>
Purchase consideration settled in cash	17,194,719	3,586,081	2,849,139	23,629,939
Cash and cash equivalents acquired	(245,877)	(399,883)	(1,008,015)	(1,653,775)
<b>Cash outflow on acquisition</b>	<b>16,948,842</b>	<b>3,186,198</b>	<b>1,841,124</b>	<b>21,976,164</b>

The acquiree's carrying amount of assets and liabilities arising from the acquisition are as follows:

	<b>LVS</b>	<b>SSPL</b>	<b>SKPPL</b>	<b>Total</b>
Property, plant and equipment	6,068,258	6,165,640	2,913,457	15,147,355
Inventories	2,403,038	-	-	2,403,038
Trade and other receivables	5,526,325	2,030,013	25,222	7,581,560
Cash and cash equivalents	245,877	399,883	1,008,015	1,653,775
Borrowings	-	(2,940,217)	(3,874)	(2,944,091)
Trade and other payables	(512,642)	(702,320)	(3,860,332)	(5,075,294)
<b>Net assets</b>	<b>13,730,856</b>	<b>4,952,999</b>	<b>82,488</b>	<b>18,766,343</b>
<b>Minority Interest</b>	-	-	<b>(13,470)</b>	<b>(13,470)</b>
	<b>13,730,856</b>	<b>4,952,999</b>	<b>69,018</b>	<b>18,752,873</b>

## 25.2. Acquisitions during the year ended 31 March 2009

During the year ended 31 March 2009, the group acquired the following companies. Details of these acquisitions are set out below:

	<b>Date of acquisition</b>	<b>Percentage acquired</b>
Jasper Energy Private Limited (JEPL)	11 November 2008	100 percent
Kukke Hydro Projects Private Limited (KHPPL)	31 March 2009	100 percent

The Group has acquired and is a registered shareholder of 59 per cent of the shares in issue of JEPL. The Group controls more than 50 per cent of the board of JEPL. The operating and financial decision making powers vest with those Directors. The consideration for an additional 18 per cent shares has already been paid by the Group as at 31 March 2009, pending legal transfer. The time lag is on account of statutory compliances and approval from lenders that are perfunctory and do not affect the transaction. A liability for the consideration payable in respect of the balance 23 per cent shares has been recognised in the books of account, since the Group, though not the legal owner, is the beneficial owner of the remaining interest and effectively controls 100 per cent interest in JEPL by virtue of the share purchase agreement. Consequently, no minority interest has been recognised in the consolidated financial statements as at 31 March 2009. The Group has acquired 100 per cent of the shares of KHPPL. The Group controls more than 50 per cent of the Board of KHPPL as on 31 March 2009. The operating and financial decision making powers vest with those Directors. Substantial consideration was paid and the transfer of shares to the Group was approved by the Board of Directors of KHPPL as on 31 March 2009. The legal transfer of shares got completed on 16 April 2009. A liability for the consideration payable €179,312 has been recognised in the books of account. The total purchase consideration of €2,511,649 in respect of the above acquisitions was allocated to tangible assets of €4,307,188,

intangible assets of €3,265,339, net current liabilities of €142,492, borrowings of €2,400,305, and deferred income tax liabilities of €717,105 resulting in excess of group's interest in the fair value of acquiree's assets and liabilities over cost of €1,800,976 was recognised in the profit or loss for the year ended 31 March 2009. There have been no subsequent changes to the fair values of the assets acquired and liabilities assumed.

**26. Related-party transactions**

The group is not controlled by any single individual or group or entity. Aloe Environment Fund and Aloe Environment Fund II (which are both managed by Aloe Private Equity S.A.S.) together with a share holding of 19.63 percent (15.58 percent considering dilution with GEEMF options for 29.12 million ordinary shares) and GEEMF holder of 19.61 percent shareholding in Greenko Mauritius and options for 19.61 percent ordinary shares in exchange for its shareholding in Greenko Mauritius with substantial management reserved rights as at 31 March 2010 have significant influence over the group.

The following transactions were carried out with related parties:

Key management compensation

	<u>2010</u>	<u>2009</u>
Salaries and other short-term employee benefits	605,900	666,125
Share options granted to directors	503,515	592,056
Reimbursement of expenses	20,084	37,368
	<u>1,129,499</u>	<u>1,295,549</u>

In addition to the above, fees aggregating to €127,365 (2009: €124,583) were paid to the non-executive directors.

**27. Events after the reporting date**

The Company has acquired Astha Projects (India) Ltd, a company with 10 MW of operating hydel power projects in the state of Himachal Pradesh, India, for a total consideration of €13.21 million plus the value of net current assets as of 1 April 2010. The total transaction is yet to be completed pending clearances from the existing lenders.

The Company has also agreed to acquire 100% Equity in Hemavathy Power and Light Pvt.Ltd, a company owning and operating 24 MW hydel power projects in the state of Karnataka, India, for a total consideration of €25.76 million plus value of net current assets as of 1 August 2010.

Fair valuation of both the assets under acquisition shall be carried out during the current year.

The Company has also entered into agreements for the development of Wind Power Projects of 65 MW capacity with an estimated investment of about €67.04 million.

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