

BHIVPURI INVESTMENTS LIMITED
REPORT AND FINANCIAL STATEMENTS

31 MARCH 2011

BHIVPURI INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

CONTENTS	PAGE
Board of Directors and other officers	1
Report of the Board of Directors	2
Independent Auditor's Report	3 - 4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9 - 19
Additional information	20 - 22

BHIVPURI INVESTMENTS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Christina Drakou (Cypriot) Christakis Partassides (Cypriot) Lora Stylianou (Cypriot) Prasad Raghava Menon (Indian) (resigned on 31 January 2011) Anil Kumar Sardana (Indian) (appointed on 31 January 2011) Ramakrishnan Sowmyan (Indian)
Alternate Director:	Shroff Bomi (Indian) (resigned on 31 January 2011) Sanjay Dube (Indian)
Company Secretary:	LCLAW Secretarial Limited Zinonos Sozou, 12 P.C. 1075, Nicosia, Cyprus
Independent Auditors:	Deloitte Limited Certified Public Accountants and Registered Auditors (Cyprus)
Registered Office:	Zinonos Sozou, 12 P.C. 1075, Nicosia, Cyprus
Bankers:	Sumitomo Mitsui Banking Corporation, Singapore Societe Generale (Cyprus) Limited

BHIVPURI INVESTMENTS LIMITED

REPORT OF THE BOARD OF DIRECTORS YEAR ENDED 31 MARCH 2011

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 March 2011.

Principal activity

The principal activity of the Company is the holding of investments.

Review of the development and current position of the Company and description of the major risks and uncertainties

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The most significant risks faced by the Company and the steps taken to manage these risks, are described in note 16 of the financial statements.

Results

The Company's results for the year are set out on page 5.

Significant events after the end of the financial period

There were no material events after the end of the financial year, which have a bearing on the understanding of the financial statements.

Expected future developments of the Company

The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

Dividends

On 27 December 2010, the Board of Directors approved the payment of an interim dividend of US\$4,700,000.

Share capital

There were no changes in the share capital of the Company during the year.

Board of Directors

The members of the Board of Directors of the Company as at 31 March 2011 and at the date of this report are shown on page 1.

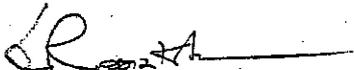
There were no significant changes in the assignment of responsibilities of the Board of Directors.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

Independent Auditor

The Board of Directors will place a resolution before the annual general meeting to reappoint Deloitte Limited as auditors for the ensuing year.

By order of the Board of Directors,



Ramakrishnan Sowmyan
Director

Nicosia, 16 May 2011

Independent auditor's report

To the Members of Bhivpuri Investments Limited

Report on the financial statements

We have audited the parent company financial statements of Bhivpuri Investments Limited (the "Company"), which comprise the statement of financial position as at 31 March 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the parent company financial statements give a true and fair view of the financial position of Bhivpuri Investments Limited at 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap 113.

... 4/

Board Members: Christis M. Christoforou (Chief Executive Officer), Belfterios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakiriakou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Piers M. Markou, Nicos Charalambous, Nicos Spanoulis, Maria Paschalis, Alexis Agathocleous, Paul Mallis, Panicos Papamichael, Christos Papamarkides, George Martides, Kerry Whyte, Andreas Georgiou, Christos Neocleous, Demeiris Papapericleous, Andreas Andreou, Theophanis Theophanous, Alecos Papalexandrou, Michael Christoforou (Chairman Emeritus), Associate: Haris Constantinou

Deloitte Limited is a private company, registered in Cyprus (Reg. No. 162812). Offices: Nicosia, Limassol, Larnaca.

Deloitte Limited is the Cyprus member firm of Deloitte Touche Tohmatsu Limited ("DTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.com/cy/about for a detailed description of the legal structure of DTL.

Member of Deloitte Touche Tohmatsu Limited

Independent auditor's report (Cont'd)

To the Members of Bhivpuri Investments Limited

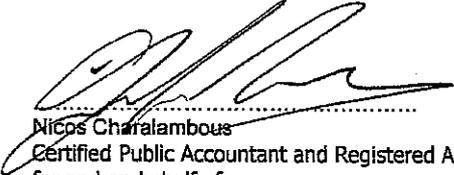
Report on other legal and regulatory requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report may be divulged.



Nicos Charalambous
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus

Limassol, 16 May 2011

BHIVPURI INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2011

	Note	31.03.2011 US\$	31.03.2010 US\$
Revenue			
Other income	4	63,634,643	64,436,108
Foreign exchange (loss)/gain		179,310	-
Administration expenses		(6,049)	2,814
Other expenses		(1,837,568)	(536,182)
Finance costs	5	(38,181)	(35,345)
		<u>(14,276,380)</u>	<u>(18,760,213)</u>
Profit before tax		47,655,775	45,107,182
Income tax expense	6	<u>(6,349,112)</u>	<u>(3,014,932)</u>
PROFIT FOR THE YEAR		41,306,663	42,092,250
Other comprehensive income			
Profit on cash flow hedge		<u>789,248</u>	<u>1,675,753</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>42,095,911</u>	<u>43,768,003</u>

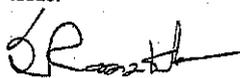
See accompanying notes to these financial statements.

BHIVPURI INVESTMENTS LIMITED

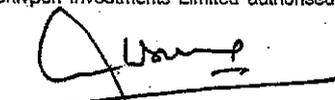
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Note	31.03.2011 US\$	31.03.2010 US\$
ASSETS			
Non-current assets			
Interest in joint venture	7	432,320,685	432,320,685
Non-current receivables	8	<u>100,868,387</u>	<u>103,400,000</u>
		<u>533,189,072</u>	<u>535,720,685</u>
Current assets			
Trade and other receivables	9	33,224,472	107,203,584
Cash at bank and in hand	15	<u>71,946,869</u>	<u>50,162,930</u>
		<u>105,171,341</u>	<u>157,366,514</u>
TOTAL ASSETS		<u>638,360,413</u>	<u>693,087,199</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	1,000,000	1,000,000
Reserves		<u>302,134,516</u>	<u>264,738,605</u>
		<u>303,134,516</u>	<u>265,738,605</u>
Non-current liabilities			
Borrowings	11	<u>206,286,266</u>	<u>285,958,172</u>
Current liabilities			
Borrowings	11	40,000,000	65,000,000
Trade and other payables	12	88,408,167	74,941,655
Current tax liabilities		521,945	650,000
Derivative designated as hedging derivatives	14	<u>9,519</u>	<u>798,767</u>
		<u>128,939,631</u>	<u>141,390,422</u>
TOTAL EQUITY AND LIABILITIES		<u>638,360,413</u>	<u>693,087,199</u>

On 16 May 2011, the Board of Directors of Bhivpuri Investments Limited authorised these financial statements for issue.



Ramakrishnan Sowmyan
Director



Anil Kumar Sardana
Director

See accompanying notes to these financial statements.

BHIVPURI INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2011

	Share capital US\$	Hedging reserve US\$	Retained earnings US\$	Total US\$
Balance at 1 April 2009	1,000,000	(2,474,520)	223,445,122	221,970,602
Profit for the year	-	-	42,092,250	42,092,250
Other comprehensive income for the year	-	1,675,753	-	1,675,753
Balance at 31 March 2010	<u>1,000,000</u>	<u>(798,767)</u>	<u>265,537,372</u>	<u>265,738,605</u>
Balance at 1 April 2010	<u>1,000,000</u>	<u>(798,767)</u>	<u>265,537,372</u>	<u>265,738,605</u>
Profit for the year	-	-	41,306,663	41,306,663
Other comprehensive income for the year	-	789,248	-	789,248
Total comprehensive income for the year	-	789,248	41,306,663	42,095,911
Dividend paid	-	-	(4,700,000)	(4,700,000)
Balance at 31 March 2011	<u>1,000,000</u>	<u>(9,519)</u>	<u>302,144,035</u>	<u>303,134,516</u>

See accompanying notes to these financial statements.

BHIVPURI INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2011

	31.03.2011 US\$	31.03.2010 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	47,655,775	45,107,182
Adjustments for:		
Interest income	(3,634,643)	(4,436,108)
Interest expense	11,872,425	16,837,913
Finance expenses	<u>2,110,000</u>	<u>1,895,000</u>
Cash flows generated from operations before working capital changes	<u>58,003,557</u>	<u>59,403,987</u>
Decrease/(increase) in trade and other receivables	73,799,208	(23,026,115)
Increase in trade and other payables	<u>13,761,067</u>	<u>25,041,146</u>
Cash flows from operations	<u>145,563,832</u>	<u>61,419,018</u>
Tax paid	<u>(6,477,167)</u>	<u>(7,178,250)</u>
Net cash generated from operating activities	<u>139,086,665</u>	<u>54,240,768</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans granted	(19,234,554)	(41,500,000)
Interest received	3,814,547	18,784,292
Repayment of loans	<u>21,766,167</u>	<u>50,600,000</u>
Net cash used in investing activities	<u>6,346,160</u>	<u>27,884,292</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(108,781,906)	(99,458,056)
Interest paid	(12,166,980)	(17,330,756)
Dividend paid	<u>(4,700,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(123,648,886)</u>	<u>(116,788,812)</u>
Net increase / (decrease) in cash and cash equivalents	<u>21,783,939</u>	<u>(34,663,752)</u>
Cash and cash equivalents:		
At beginning of the year	<u>50,162,930</u>	<u>84,826,682</u>
At end of the year	<u>71,946,869</u>	<u>50,162,930</u>

See accompanying notes to these financial statements.

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

1. Incorporation and principal activities

Country of incorporation

The Company was incorporated in Cyprus on 8 March 2007 as a private company with limited liability under the Companies Law, Cap. 113. The Company changed its name from Tata Power (Cyprus) Limited to Bhivpuri Investments Limited on 19 August 2008. Its registered office is at Zinonos Sozou, 12, P.C. 1075, Nicosia, Cyprus.

Principal activity

The principal activity of the Company is the holding of investments.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied in all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

As the parent company of the Company publishes consolidated financial statements in accordance with Generally Accepted Accounting Principles in India as these are defined in the Cyprus Companies Law, Cap. 113, the investment in jointly controlled entity is accounted for at cost. This would have been the accounting treatment in accordance with IFRS if the determination of the Generally Accepted Accounting Principles was provided for by the IFRS instead of by the Cyprus Companies Law, Cap. 113.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. Interests in jointly controlled entities are stated at cost less provision for permanent diminution in value which is recognised as an expense in the period in which the diminution is identified.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in the normal course of business, as a result of holding investment in associate company and bank deposits. Revenues earned by the Company are recognised on the following bases:

- **Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

- **Dividend income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

- **Rendering of services**

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

2. Significant accounting policies (continued)

Borrowing costs

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

The financial statements are presented in United States dollars, which is the functional and presentation currency of the Company.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income and then in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income and then in equity.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

2. Significant accounting policies (continued)

Financial assets

Loans and receivables

Trade receivable, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Share capital

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

2. Significant accounting policies (continued)

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to interest rate risk.

The Company applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

3. Adoption of new and revised IFRSs

The accounting policies adopted are consistent with those of the previous financial year except for the adoption by the Company of all applicable new and revised IFRSs, all revised International Accounting Standards (IASs) and all new and revised interpretations that are applicable for accounting periods beginning on or after 1 January 2010.

This adoption did not have any material impact on the financial statements of the Company.

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

Standards and Interpretations issued by the IASB and adopted by the EU

- Amendments to IFRS 1 'Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters' (effective for annual periods beginning on or after 1 July 2010)
- Revised IAS 24 'Related Party Disclosures' (effective for annual periods beginning on or after 1 January 2011)
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010)

Improvements to IFRSs

- IFRS 1 'First-time adoption' (effective for annual periods beginning on or after 1 January 2011)
- IFRS 3 'Business Combinations' (effective for annual periods beginning on or after 1 July 2010)
- IFRS 7 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2011)
- IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 January 2011)
- IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 July 2010)
- IAS 34 'Interim Financial Reporting' (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 13 'Customer Loyalty Programmes' (effective for annual periods beginning on or after 1 January 2011)

The adoption of the above standards and interpretations in future periods is not expected to have a significant impact on the financial statements of the Company.

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

3. Adoption of new and revised IFRSs (continued)

Standards and Interpretations issued by the IASB but not yet adopted by the EU

- Amendments to IFRS 1 'Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters' (effective for accounting periods beginning on or after 1 July 2011). This Amendment is not relevant to the Company and its operations.
- Amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets' (effective for accounting periods beginning on or after 1 January 2012). This Amendment is not relevant to the Company and its operations.
- Amendments to IFRS 7 'Financial Instruments: Disclosures' (effective for accounting periods beginning on or after 1 July 2011). The amendments aim to enhance the disclosure requirements relating to transfers of financial assets. The Company is in the process of assessing the impact of these Amendments on its financial statements.
- IFRS 9 'Financial Instruments: Classification and Measurement' (effective for annual periods beginning on or after 1 January 2013). It replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

IFRS 9 requires financial assets to be classified into two measurement categories, those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision for the classification has to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the financial instrument.

The Company is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets of the Company at the date of adoption, and it is therefore not practical to quantify the effect.

4. Revenue

	31.03.2011 US\$	31.03.2010 US\$
Management income	60,000,000	60,000,000
Interest income on loan receivable	3,513,630	4,256,555
Interest income on bank deposits	121,013	179,553
	<u>63,634,643</u>	<u>64,436,108</u>

5. Finance costs

	31.03.2011 US\$	31.03.2010 US\$
Interest expense	13,982,936	18,732,913
Other finance expenses	293,444	27,300
	<u>14,276,380</u>	<u>18,760,213</u>

6. Tax

	31.03.2011 US\$	31.03.2010 US\$
Income tax comprises:		
Tax expense - current year	6,344,052	2,990,152
Contribution to the defence fund	5,060	24,780
	<u>6,349,112</u>	<u>3,014,932</u>

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

6. Tax (continued)

The total charge for the year can be reconciled to the accounting profit as follows:

	31.03.2011 US\$	31.03.2010 US\$
Profit for the year before tax	<u>47,655,775</u>	<u>45,107,182</u>
Income tax calculated at 10%	4,765,577	4,510,718
Effect on revenue that is exempt from taxation	(12,101)	(17,955)
Effect on expenses that are not deductible in determining taxable profit	1,266,047	2,082,177
Adjustments recognised in the current year in relation to the current tax of prior years	(44,006)	(4,120,971)
Foreign tax paid	6,000,000	6,000,000
Credit in respect of foreign tax	(5,759,275)	(5,463,817)
Additional tax	127,810	-
Defence fund contribution	<u>5,060</u>	<u>24,780</u>
Income tax recognised in comprehensive income	<u>6,349,112</u>	<u>3,014,932</u>

The Company is subject to corporation tax at the rate of 10% on its taxable profits. In case of taxable losses, these can be carried forward indefinitely to be offset against profits of subsequent years.

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases the same interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

7. Investment in Joint Venture

	31.03.2011 US\$	31.3.2010 US\$
Cost of acquisition	<u>432,320,685</u>	<u>432,320,685</u>

The details of the investment is as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Holding %</u>
Indocoal Resources (Cayman) Limited	Cayman Islands	Purchase and sale of coal	30

The directors are of the opinion that the estimated recoverable amount of the investment in the joint venture is not less than its carrying amount.

8. Non-current receivables

	31.03.2011 US\$	31.3.2010 US\$
Loan receivable	<u>100,868,387</u>	<u>103,400,000</u>

Interest at a rate of one month Libor plus 1,2% - 3,3% calculated on the basis of 360 days is charged on the outstanding loan balances.

The loans are receivable on 31 December 2021.

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

9. Trade and other receivables

	31.03.2011 US\$	31.3.2010 US\$
Interest on loan receivable	1.055.355	1.236.624
Receivables from related companies	32.145.520	59.063.716
Interest on bank deposits	4.245	2.880
Refundable VAT	19.352	3.885
Other	-	46.896.479
	<u>33.224.472</u>	<u>107.203.584</u>

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

10. Share capital

	31.03.2011		31.3.2010	
	Number of shares	EUR	Number of shares	EUR
Authorised				
Ordinary shares of Euro 1 each	<u>746.250</u>	<u>746.250</u>	<u>746.250</u>	<u>746.250</u>
		US\$		US\$
Issued and fully paid				
Issue of shares	<u>746.250</u>	<u>1.000.000</u>	<u>746.250</u>	<u>1.000.000</u>
	<u>746.250</u>	<u>1.000.000</u>	<u>746.250</u>	<u>1.000.000</u>

Authorised capital

Under its Memorandum the Company fixed its share capital at 746.250 ordinary shares of nominal value of Euro 1 each.

Issued capital

Upon incorporation on 8 March 2007 the Company issued to the subscribers of its Memorandum of Association 746.250 ordinary shares of Euro 1 each at par.

11. Borrowings

	31.03.2011 US\$	31.3.2010 US\$
Non current borrowings		
Bank loans	247.764.403	354.546.309
Transaction expenses	(1.478.137)	(3.588.137)
	<u>246.286.266</u>	<u>350.958.172</u>
Due with one year	40.000.000	65.000.000
Due after more than one year	<u>206.286.266</u>	<u>285.958.172</u>
	<u>246.286.266</u>	<u>350.958.172</u>

Interest at the rate of one month Libor plus 3,25% calculated on the basis of 360 days is charged on the outstanding loan balances.

The bank loan is secured by personal guarantees from Bhira Investments Limited.

12. Trade and other payables

	31.03.2011 US\$	31.3.2010 US\$
Other creditors and accruals	79.335	252.444
Interest on loan	513.459	808.014
Payables to related parties	<u>87.815.373</u>	<u>73.881.197</u>
	<u>88.408.167</u>	<u>74.941.655</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

13. Related party transactions

The Company is controlled by Tata Power Company Limited, a company incorporated in India which owns 100% of the Company's shares.

The following transactions were carried out with related parties:

13.1 Receivables from related parties (Note 9)

<u>Name</u>	<u>Nature of transactions</u>	31.03.2011 US\$	31.3.2010 US\$
Bhira Investments Limited	Expenses paid on behalf of the related company	22,637,520	21,055,716
Bhira Investments Limited	Interest on loan receivable	769,053	1,017,697
Khopoli Investments Limited	Advances	508,000	508,000
Khopoli Investments Limited	Interest on loan receivable	286,302	218,927
PT Kaltim Prima Coal	Management fee	6,000,000	30,000,000
PT Arutmin	Management fee	3,000,000	7,500,000
		<u>33,200,875</u>	<u>60,300,340</u>

13.2 Loan receivable (Note 8)

	31.03.2011 US\$	31.3.2010 US\$
Bhira Investments Limited	96,368,387	98,900,000
Khopoli Investments Limited	4,500,000	4,500,000
	<u>100,868,387</u>	<u>103,400,000</u>

13.3 Payables to related parties (Note 12)

<u>Name</u>	31.03.2011 US\$	31.3.2010 US\$
Indocoal Resources (Cayman) Limited	<u>87,815,373</u>	<u>73,881,197</u>

13.4 Revenue (Note 4)

<u>Name</u>	<u>Nature of transactions</u>	31.03.2011 US\$	31.03.2010 US\$
Bhira Investments Limited - Loan	Interest	3,446,256	4,187,702
Khopoli Investments Limited - Loan	Interest	67,374	68,853
PT Kaltim Prima Coal	Management fee	40,000,000	40,000,000
PT Arutmin	Management fee	20,000,000	20,000,000
		<u>63,513,630</u>	<u>64,256,555</u>

14. Derivatives designated as hedging instruments

Interest rate swaps

	31.03.2011 US\$	31.3.2010 US\$
Liabilities	<u>9,519</u>	<u>798,767</u>

The Company uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of the borrowing from floating rate to fixed rate as follows:

Notional contract amount	Contract fixed rate	Contract termination date
US\$ 175,000,000	2.4%	10 April 2011

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

14. Derivatives designated as hedging instruments (continued)

Based on the agreement the notional amount will be reduced by US\$6,000,000 every month up to 11 May 2009, by US\$7,500,000 every month up to 10 May 2010 and by US\$5,000,000 every month thereafter.

The calculation of the fair value of swaps is based on discounted cash flows of future anticipated interest payments on the swap agreements in place compared with the discounted cash flows of anticipated interest payments at market swap interest rates at the reporting date. The interest rate swap is designated and effective as cash flow hedge and the fair value thereof has been recognised in other comprehensive income and accumulated in equity.

15. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	31.03.2011 US\$	31.3.2010 US\$
Cash and bank balances	<u>71,946,869</u>	<u>50,162,930</u>

16. Risk management

The Company is exposed to many risks arising from the financial instruments it holds. The nature of the risks and the ways they are dealt with are explained below:

(a) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the maximum credit exposure without taking account of the value of any collateral held and other credit enhancements.

(b) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

16. Risk management (Continued)

(b) Liquidity risk (continued)

Analysis of financial assets and financial liabilities by remaining contractual maturity

The following tables detail the expected maturity of the Company's non-derivative cash flows. The amounts disclosed in the tables are the contractual undiscounted cash flows and hence differ from the carrying amounts disclosed on the statement of financial position.

31 March 2011

	Between 1 month to 1 year US\$	Between 1-5 years US\$	Over 5 years US\$	Total US\$
Financial assets				
Loan receivables	3,558,790	14,205,990	121,297,399	139,062,179
Cash and bank balances	71,946,869	-	-	71,946,869
Trade and other receivables	<u>33,224,472</u>	-	-	<u>33,224,472</u>
	<u>108,730,131</u>	<u>14,205,990</u>	<u>121,297,399</u>	<u>244,233,520</u>
Financial liabilities				
Borrowings	50,145,294	221,595,403	-	271,740,697
Trade and other payables	<u>88,930,112</u>	-	-	<u>88,930,112</u>
	<u>139,075,406</u>	<u>221,595,403</u>	-	<u>360,670,809</u>

31 March 2010

	Between 1 month to 1 year US\$	Between 1-5 years US\$	Over 5 years US\$	Total US\$
Financial assets				
Loan receivables	3,603,267	14,422,939	127,754,134	145,780,340
Cash and bank balances	50,162,930	-	-	50,162,930
Trade and other receivables	<u>107,203,584</u>	-	-	<u>107,203,584</u>
	<u>160,969,781</u>	<u>14,422,939</u>	<u>127,754,134</u>	<u>303,146,854</u>
Financial liabilities				
Borrowings	79,341,337	319,031,398	-	398,372,735
Trade and other payables	<u>75,591,655</u>	-	-	<u>75,591,655</u>
	<u>154,932,992</u>	<u>319,031,398</u>	-	<u>473,964,390</u>

(c) Market risk

The Company is exposed primarily to the financial risk of changes in interest rates. The ways that this risk is dealt with are analysed below.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis. Furthermore, the Company uses interest rate swap contracts to manage its exposure to interest rate risk.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

16. Risk management (Continued)

(c) Market risk (Continued)

Interest rate sensitivity analysis (continued)

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's:

- profit for the year ended 31 March 2011 would decrease/increase by US\$699.491 (31.3.2010: decrease / increase by US\$1.309.834). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings;

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract.

(d) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the monitoring controls applied by the Company.

(e) Litigation risk

Litigation risk is the risk of financial loss, interruption of the Company's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Company to execute its operations.

(f) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and retained earnings.

Gearing ratio

The gearing ratio at the year end was as follows:

	31.03.2011 US\$	31.3.2010 US\$
Debt	246,286,266	350,958,172
Cash and cash equivalents	(71,946,869)	(50,162,930)
Net debt	<u>174,339,397</u>	<u>300,795,242</u>
Equity	<u>303,134,516</u>	<u>265,738,605</u>
Net debt to equity ratio	<u>58%</u>	<u>113%</u>

(g) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

Investment in joint venture is stated at cost. For all other financial assets and liabilities the book amounts approximate fair values.

The fair values of derivative instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

DETAILED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2011

	Page	31.03.2011 US\$	31.03.2010 US\$
Management income		60,000,000	60,000,000
Interest income		3,513,630	4,256,555
Other income		179,310	-
Finance income	23	121,013	179,553
Foreign exchange (loss)/gain		<u>(6,049)</u>	<u>2,814</u>
		63,807,904	64,438,922
Operating expenses			
Administration expenses	22	<u>(1,875,749)</u>	<u>(571,527)</u>
Operating profit		61,932,155	63,867,395
Finance costs	23	<u>(14,276,380)</u>	<u>(18,760,213)</u>
Net profit for the period before tax		<u>47,655,775</u>	<u>45,107,182</u>

BHIVPURI INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

OPERATING EXPENSES YEAR ENDED 31 MARCH 2011

	31.03.2011 US\$	31.03.2010 US\$
Administration expenses		
Audit fees	24,050	24,400
Accounting fees	18,048	33,397
Legal fees	92,783	12,975
Other professional fees	1,671,582	437,833
Administration expenses	18,084	26,186
VAT irrecoverable	6,232	-
Entertainment & donation expenses	-	13,493
Bank charges	38,181	22,370
Disbursements	6,789	873
	<u>1,875,749</u>	<u>571,527</u>

BHIVPURI INVESTMENTS LIMITED

FINANCE INCOME / COST YEAR ENDED 31 MARCH 2011

	31.03.2011 US\$	31.03.2010 US\$
Finance income		
Bank interest	<u>121,013</u>	<u>179,553</u>
Finance costs		
Interest expense		
Loan interest	11,872,425	16,805,432
Interest on taxes	511	32,481
Other finance expenses		
Transaction expenses	<u>2,403,444</u>	<u>1,922,300</u>
	<u>14,276,380</u>	<u>18,760,213</u>

BHIVPURI INVESTMENTS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	Year	Exchange	Amount	Year	Exchange	Amount
	March, 2011	Rate		March, 2010	Rate	
	USD		Rs	USD		Rs
Revenue	63,634,643	45.58	2,900,467,028	64,436,108	47.42	3,055,560,241
Other Income	179,310	45.58	8,172,950			
Foreign exchange gain	(6,049)	45.58	(275,713)	2,814	47.42	133,440
Administration Expenses	(1,837,568)	45.58	(83,756,349)	(536,182)	47.42	(25,425,750)
Other expenses	(38,181)	45.58	(1,740,290)	(35,345)	47.42	(1,676,060)
Finance costs	(14,276,380)	45.58	(650,717,400)	(18,760,213)	47.42	(889,609,300)
Total expenditure	(16,158,178)	45.58	(736,489,753)	(19,328,926)	47.42	(916,577,671)
PROFIT BEFORE TAX	47,655,775	45.58	2,172,150,225	45,107,182	47.42	2,138,982,570
Taxation	(6,349,112)	45.58	(289,392,525)	(3,014,932)	47.42	(142,968,075)
PROFIT FOR THE YEAR	41,306,663	45.58	1,882,757,700	42,092,250	47.42	1,996,014,495

BHIVPURI INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Share Capital		Hedging reserve		Retained Earnings		Total	
	USD	Exchange Rate	USD	Exchange Rate	USD	Exchange Rate	USD	Rs
Balance as at 1st April, 2009	1,000,000		(2,474,520)		223,445,122		221,970,602	10,039,727,125
Profit for the year					42,092,250	47.42	42,092,250	1,996,014,495
Other comprehensive income for the year			1,675,753	47.42			1,675,753	79,464,207
At 31 st March 2010	1,000,000		(798,767)		265,537,372		265,738,605	12,115,205,827
Profit for the year					41,306,663	45.58	41,306,663	1,882,757,700

BHIVPURI INVESTMENTS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	Year ended	Exchange	Year ended	Exchange	Amount	Rs
	March, 2011	Rate	March, 2010	Rate	Amount	
	USD		USD			
Cash flows from operating activities						
Profit before tax	47,655,755	45.58	2,172,149,313	47.42	2,138,982,570	
<i>Adjustments for:</i>						
Interest income	(3,634,643)	45.58	(165,667,028)	47.42	(210,360,241)	
Interest expense	11,872,425	45.58	541,145,132	47.42	798,453,834	
Finance expenses	2,110,000	45.58	96,173,800	47.42	89,860,900	
Dividend income			1,895,000			
	<u>58,003,537</u>		<u>2,643,801,216</u>		<u>2,816,937,064</u>	
Cash flows generated from operations before working capital changes						
Increase in trade and other receivables	73,799,208	45.58	3,363,767,901	47.42	(1,091,898,373)	
Increase in trade and other payables	13,761,067	45.58	627,229,434	47.42	1,187,451,143	
Cash flows from operations	<u>145,563,812</u>		<u>6,634,798,551</u>		<u>2,912,489,834</u>	
Interest received						
Tax paid	(6,477,167)	45.58	(295,229,272)	47.42	(340,392,615)	
Net cash from operating activities	<u>139,086,645</u>		<u>6,339,569,279</u>		<u>2,572,097,219</u>	
Cash flows from investing activities						
Payments for purchase interest in joint ventures						
Loans granted	(19,234,554)	45.58	(876,710,971)	47.42	(1,967,930,000)	
Interest received	3,814,547	45.58	173,867,052	47.42	890,751,127	
Repayment of loans	21,766,167	45.58	992,101,892	47.42	2,399,452,000	
Dividend received						
Net cash used in investing activities	<u>6,345,160</u>		<u>289,257,973</u>		<u>1,322,273,127</u>	
Cash flows from financing activities						
Proceeds from issue of share capital						
Finance cost capitalized						
Proceeds from borrowings	(106,781,906)	45.58	(4,867,119,275)	47.42	(4,716,301,016)	
Repayment of borrowings	(12,166,980)	45.58	(554,570,948)	47.42	(821,824,450)	
Interest paid	(4,700,000)	45.58	(214,226,000)			
Dividend Paid			(44,402,308)			
Exchange fluctuation	(123,648,889)		(5,680,318,532)		(417,047,743)	
Net cash generated from financing activities	<u>21,783,919</u>		<u>948,506,719</u>		<u>(2,060,802,863)</u>	
Net increase in cash and cash equivalents						
Cash and cash equivalents:						
At the beginning of the period	50,162,930		2,265,357,919		4,326,160,782	
At the end of the period	71,946,849		3,213,866,638		2,265,357,919	