

BHIRA INVESTMENTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

BHIRA INVESTMENTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

1

CONTENTS	PAGES
COMPANY INFORMATION	2
COMMENTARY OF DIRECTORS	3
CERTIFICATE FROM THE SECRETARY	4
AUDIT REPORT	5
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10 - 26

		Date of appointment	Date of resignation
DIRECTORS:	Dev Joory	27 April 2007	-
	Couldip Basanta Lala	27 April 2007	-
	Rubina Toorawa	16 May 2007	16 September 2010
	Prasad Raghava Menon	7 June 2007	4 February 2011
	Sanjay Dube	2 December 2008	4 February 2011
	Ramakrishnan Sowmyan (Permanent alternate director to Prasad Raghava Menon)	25 September 2009	4 February 2011
	Zakir Niamut	16 September 2010	-
	Ramakrishnan Sowmyan	4 February 2011	-
	Anil Sardana	15 February 2011	-
REGISTERED OFFICE:	IFS Court, TwentyEight Cybercity Ebene Mauritius		
SECRETARY:	International Financial Services Limited IFS Court, TwentyEight Cybercity Ebene Mauritius		
BANKERS:	HSBC Bank (Mauritius) Limited 6th Floor, HSBC Centre 18 Cybercity Ebene Mauritius		
	Barclays Bank PLC Offshore Banking Unit 3 rd Floor Barclays House 68-68A Cybercity Ebene Mauritius		
AUDITORS:	Kemp Chatteris Deloitte 7th Floor, Raffles Tower 19 Cybercity Ebene Mauritius		

RESULTS

The results for the year are shown in the statement of comprehensive income and related notes.

DIRECTORS

The present membership of the Board is set out on page 2.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and the cash flow of the Company. The directors are also responsible for keeping accounting records which:

- correctly record and explain the transactions of the Company;
- disclose with reasonable accuracy at any time the financial position of the Company; and
- would enable them to ensure that the financial statements comply with the Companies Act 2001.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

AUDITORS

The auditors, **KEMP CHATTERIS DELOITTE**, have indicated their willingness to continue in office.

CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (d) OF THE MAURITIUS
COMPANIES ACT 2001

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required for Bhira Investments Limited under the Companies Act 2001 during the financial year ended 31 March 2011.


.....
for International Financial Services Limited
Secretary

Registered office:

IFS Court
TwentyEight
Cybercity
Ebene
Mauritius

Date: 13 May 2011

**Independent auditor's report to the shareholder of
Bhira Investments Limited**

5

This report is made solely to the company's shareholder, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of Bhira Investments Limited on pages 6 to 28 which comprise the statement of financial position as at 31 March 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies. They are also responsible for such internal control as they determine 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 and fair presentation of the financial statements 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 management, 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.

Non-compliance with International Accounting Standards (IAS) 31 Interests in Joint Ventures

IAS 31 requires the company to recognise its investments in joint ventures using proportionate consolidation or the equity method as alternative. As explained in note 18, the financial statements have not been prepared in accordance with the requirements of IAS 31 although the exemptions available under that standard have not been met.

Opinion

In our opinion, because of the effects of the matter discussed in the preceding paragraph on non-compliance with International Financial Reporting Standards, the financial statements on pages 6 to 26 do not give a true and fair view of the financial position of Bhira Investments Limited as at 31 March 2011, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter - going concern

We draw attention to note 18 in the financial statements which indicates that, at 31 March 2011, the company had a shareholder's deficit of USD50,063,569 and net current liabilities of USD308,842,836. These conditions, along with the matters as set out in note 19 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon continued availability of debt facilities and funds being made available by the main shareholder. The financial statements do not include any adjustments that would result from non availability of finance.

Report on other legal requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interests in, the company other than in our capacity as auditors;
- in our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records;
- we have not obtained all information and explanations that we have required in so far as explained in the paragraph on non-compliance with IFRS; and
- except for the non-compliance with IAS 31, the financial statements of the company comply with the Mauritius Companies Act 2001, in so far as applicable to companies holding Category 1 Global Business Licence.

Kerys Chatter Deloitte
Chartered Accountants

13 MAY 2011

BHIRA INVESTMENTS LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2011

6

	Notes	2011 USD	2010 USD
INCOME			
Service fee	14(a)	12,000,000	12,000,000
Other income	11	4,656,156	-
Reversal of impairment of asset		-	59,277,997
		<u>16,656,156</u>	<u>71,277,997</u>
OPERATING EXPENSES			
Licence fees		1,750	1,750
Director fees		3,750	3,438
Secretarial fees		1,500	1,500
Administration expenses		65,148	33,080
Service fee		620,008	42,780
Audit fees		17,250	15,525
Bank charges		2,913	2,696
Disbursements		1,892	1,625
Registration charges		5,000	-
Interest on loan		22,651,419	18,237,210
Amortisation of transaction costs		689,246	689,248
Legal and professional fees		1,884,045	786,734
Research and development costs	12	540,000	-
Total expenditure		<u>26,483,921</u>	<u>19,815,586</u>
(LOSS)/PROFIT BEFORE TAXATION		<u>(9,827,765)</u>	<u>51,462,411</u>
Taxation	13	(1,200,000)	(1,200,000)
(LOSS)/PROFIT FOR THE YEAR		<u>(11,027,765)</u>	<u>50,262,411</u>
OTHER COMPREHENSIVE INCOME			
		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(11,027,765)</u>	<u>50,262,411</u>

The notes on pages 10 to 26 form an integral part of these financial statements.
 The audit report is on page 5.

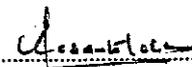
BHIRA INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011

7

	Notes	2011 USD	2010 USD
ASSETS			
<u>Non current assets</u>			
Interests in Joint Ventures	5	716,342,528	716,340,197
<u>Current assets</u>			
Trade and other receivables	6	1,802,188	1,802,188
Cash and cash equivalents		85,582	479,078
		1,887,770	2,281,266
Total assets		718,230,298	718,621,463
EQUITY AND LIABILITIES			
<u>Capital and reserves</u>			
Stated capital	7	1,000,000	1,000,000
Accumulated losses		(51,063,569)	(40,035,804)
Total equity		(50,063,569)	(39,035,804)
<u>Non current liabilities</u>			
Loan from related parties	8	457,563,261	460,559,112
<u>Current liabilities</u>			
Other payables	9	37,730,606	24,098,155
Shareholder's loan	10	273,000,000	273,000,000
		310,730,606	297,098,155
Total equity and liabilities		718,230,298	718,621,463

Approved by the Board of Directors and authorised for issue on 13 May 2011


.....
Director


.....
Director

The notes on pages 10 to 26 form an integral part of these financial statements.
The audit report is on page 5.

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

8

	Stated capital	Accumulated	Total
	USD	losses	USD
	<u>USD</u>	<u>USD</u>	<u>USD</u>
At 1 April 2009	1,000,000	(90,298,215)	(89,298,215)
Total comprehensive income for the year	-	50,262,411	50,262,411
At 31 March 2010	<u>1,000,000</u>	<u>(40,035,804)</u>	<u>(39,035,804)</u>
Total comprehensive loss for the year	-	(11,027,765)	(11,027,765)
At 31 March 2011	<u>1,000,000</u>	<u>(51,063,569)</u>	<u>(50,063,569)</u>

The notes on pages 10 to 26 form an integral part of these financial statements.
The audit report is on page 5.

BHIRA INVESTMENTS LIMITED
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 MARCH 2011

9

	2011	2010
	USD	USD
Cash flows from operating activities		
(Loss)/profit before tax	(9,827,765)	51,462,411
<i>Adjustments for:</i>		
Expenses paid by related company	1,581,804	495,784
Reversal of impairment of interests in joint ventures	-	(59,277,997)
Loan interest	22,651,419	18,237,210
Amortisation of transaction costs	689,246	689,248
Decrease in trade and other receivables	-	899,187
Increase/(decrease) in payables	10,623,322	(2,702)
Cash generated from operating activities	25,718,026	12,503,141
Withholding tax suffered	(1,200,000)	(1,200,000)
Net cash generated from operating activities	24,518,026	11,303,141
Cash flows from investing activities		
Purchase of investments	(2,331)	-
Net cash used in investing activities	(2,331)	-
Cash flows from financing activities		
Interest paid	(21,224,094)	(33,353,707)
Loan repaid to related party	(22,919,651)	(50,842,247)
Loan received from related party	19,234,554	71,500,000
Net cash used in financing activities	(24,909,191)	(12,695,954)
Net decrease in cash and cash equivalents	(393,496)	(1,392,813)
Cash and cash equivalents at beginning of year	479,078	1,871,891
Cash and cash equivalents at end of year	85,582	479,078

The notes on pages 10 to 26 form an integral part of these financial statements.
 The audit report is on page 5.

1. BACKGROUND INFORMATION

The Company was incorporated in Mauritius under the Companies Act 2001 on 27 April 2007 as a domestic company and as a private company with limited liability by shares and has its registered office at IFS Court, TwentyEight, Cybercity, Ebene, Mauritius. The Company changed its legal regime to a Category 1 Global Business Company on 22 June 2007. It holds a Category 1 Global Business Licence issued by the Financial Services Commission.

The principal activity of the Company is that of investment holding and provision of technical services to companies engaged in the coal mining sector. At 31 March 2011, the Company held investments in PT Arutmin Indonesia, PT Indocoal Kasei Resources, PT Indocoal Katlim Resources, PT Kaltim Prima Coal, PT Dwikarya Prima Abadi and PT Marvel Capital Indonesia, all incorporated in Indonesia. The Company had also invested in Candice Investments Pte Ltd, a company incorporated in Singapore.

2. ACCOUNTING POLICIES

Except for non-compliance with IAS 31, the financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in accordance with IFRS requires the directors to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. A summary of the more important accounting policies, which have been applied consistently, is set out below:-

(a) Basis of preparation

The financial statements are prepared under the historical cost convention.

(b) 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 unanimous consent of the parties sharing control.

The Company accounts its investments in Joint Ventures at cost less any impairment loss. Where an indication of impairment exists, the carrying amount of the investment is assessed. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the impairment loss is recognised as an expense in the statement of comprehensive income.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment of the Company (the "functional currency"). The financial statements of the Company are presented in United States Dollars ("USD"), which is the Company's functional currency and presentation currency.

2. ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (Continued)

Transactions and balances

Transactions denominated in foreign currencies are translated in USD at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at the rate of exchange ruling at reporting date. Exchange differences arising on translation and realised gains and losses on disposals or settlement of monetary assets and liabilities are recognised in the Statement of comprehensive income.

(d) Cash and cash equivalents

Cash comprises of cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and are held for the purpose of meeting short term cash commitments rather than investment or other purpose.

(e) Financial instruments

Financial instruments are recognized in the Statement of financial position when the Company has become party to the contractual provisions of the financial instruments as follows:

(i) Financial Assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, 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 when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

(ii) Financial liabilities

(a) 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.

2. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(ii) Financial liabilities (Continued)

(b) Equity instruments

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

(c) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

(d) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Transaction costs are defined as incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or a financial liability. An incremental cost is one that would not have been incurred if the Company had not acquired, issued or disposed of the financial instrument.

Other 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.

(e) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled, expired or changed. Where the terms of the financial liability is substantially different, the exchange is accounted for as an extinguishment of the original liability and recognition of a new liability.

(f) Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(g) Revenue recognition

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue 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 on initial recognition.

Services fees are recognised on an accruals basis in the financial statements.

(h) Expense recognition

All expenses are accounted for in the Statement of comprehensive income on the accruals basis.

2. ACCOUNTING POLICIES (CONTINUED)

(i) Research and development costs

Expenditure on research is recognised as an expense when incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate all of the following:

- a. the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- b. its intention to complete the intangible asset and use or sell it.
- c. its ability to use or sell the intangible asset.
- d. how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- f. its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(j) Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Compound instruments

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compounded instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently re-measured.

(l) Impairment

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date.

2. ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (Continued)

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.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 April 2010.

3.1 *New and revised IFRSs applied with no effect on the financial statements*

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their application has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IAS 1	Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs
IAS 7	Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs
IAS 17	Leases - Amendments resulting from April 2009 Annual Improvements to IFRSs

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

3.1 *New and revised IFRSs applied with no effect on financial statements (Continued)*

- IAS 27 Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3
- IAS 28 Investments in Associate - Consequential amendments arising from amendments to IFRS 3
- IAS 31 Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3
- IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues
- IAS 36 Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs
- IAS 38 Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRS
- IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items
- IAS 39 Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Revised and restructured
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contains a lease.
- IFRS 2 Share-based Payment - Amendments resulting from April 2009 Annual Improvements to IFRSs.
- IFRS 2 Share-based Payment - Amendments relating to group cash-settled share-based payment transactions.
- IFRS 3 Business Combinations - Comprehensive revision on applying the acquisition method
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs
- IFRS 8 Operating segments - Amendments resulting from April 2009 Annual Improvements to IFRSs
- IFRIC 9 Reassessment of embedded derivatives - Amendments resulting from April 2009 Annual Improvements to IFRSs
- IFRIC 16 Hedges of a Net Investments in a Foreign Operation - Amendments resulting from April 2009 Annual Improvements to IFRSs
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

3.2 *New and revised IFRSs in issue but not yet effective*

At the date of the authorisation of these financial statements, the following IFRSs were in issue but effective on annual periods beginning on or after the respective date as indicated:

- IAS 1 Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 January 2011)
- IAS 12 Income Taxes - Limited scope amendment (recovery of underlying assets) (effective 1 January 2012)
- IAS 24 Related Party Disclosures - Revised definition of related parties (effective 1 January 2011)
- IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 July 2010)
- IAS 34 Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 January 2011)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

3.2 *New and revised IFRSs in issue but not yet effective (Continued)*

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective 1 July 2010)
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 January 2011)
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' (effective 1 July 2011)
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation (effective 1 July 2011)
- IFRS 3 Business Combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 July 2010)
- IFRS 7 Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 January 2011)
- IFRS 7 Financial instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets (effective 1 July 2011)
- IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013)
- IFRIC 13 Customer Loyalty Programmes - Amendments resulting from May 2010 Annual improvements to IFRSs (effective 1 January 2011)
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - November 2009 amendment with respect to voluntary prepaid contributions (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)

The directors anticipate that the adoption of the above Standards and Interpretations in future years will have no material impact on the financial statements of the Company in the year of initial application.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in Note 2, the directors have made the following judgements that have the most significant effect on the amounts recognised in the accounts.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. As described in note 2, the directors have considered those factors therein and have determined that the functional currency of the Company is the United States Dollar.

Impairment of interests in joint ventures

Determining whether interest in joint ventures is impaired requires an estimation of the value in use of the investment. The value in use calculation requires the directors to estimate the future cash flows expected to arise from that investment and a suitable discount rate in order to calculate present value.

At 31 March 2010, the Company had recognised a reversal of impairment losses of USD59M on its investment in joint ventures based on estimated discounted cash flows by management (see note 5).

As at 31 March 2011, the directors believe that the carrying values approximate to the fair values of these investments.

BHIRA INVESTMENTS LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED 31 MARCH 2011

17

5. INTERESTS IN JOINT VENTURES

	2011 USD	2010 USD
Opening balance	716,340,197	657,062,200
Purchase of investments	2,331	-
Reversal of impairment loss	-	59,277,997
Closing balance	<u>716,342,528</u>	<u>716,340,197</u>

Details of the interests in joint ventures are as follows:

	Place of incorporation	Number of shares	% Holding	Cost 2011 USD	Carrying Value 2011 USD	Cost 2010 USD	Carrying Value 2010 USD
PT Arutmin Indonesia	Indonesia	3,000	30%	100,057,997	100,057,997	100,057,997	100,057,997
PT Kaltim Prima Coal	Indonesia	90,000	30%	618,011,694	616,220,000	618,011,694	616,220,000
PT Indocoal Kalsel Resources	Indonesia	60,000	30%	31,100	31,100	31,100	31,100
PT Indocoal Kaltim Resources	Indonesia	60,000	30%	31,100	31,100	31,100	31,100
Candice Investments Pte Ltd	Singapore	3	30%	2	2	-	-
PT Dwikarya Prima Abadi	Indonesia	99	0.9%	1,109	1,109	-	-
PT Marvel Capital Indonesia	Indonesia	1,089	0.99%	1,220	1,220	-	-
				<u>718,134,222</u>	<u>716,342,528</u>	<u>718,131,891</u>	<u>716,340,197</u>

PT Arutmin Indonesia ("Arutmin"), PT Kaltim Prima Coal ("KPC"), PT Indocoal Kalsel Resources ("Kalsel"), PT Indocoal Kaltim Resources ("Kaltim") are engaged in the coal mining sector.

During the year under review, the Company acquired a 30% shareholding stake in Candice Investments Pte Ltd ("Candice") and an indirect shareholding of 30% in each of its subsidiaries, PT Dwikarya Prima Abadi ("DPA") and PT Marvel Capital Indonesia ("MCI"). Candice would carry on the business of financing the construction and operation of mining infrastructure and other assets which would be carried out by its subsidiaries.

The Company assessed the value of all its investments as at 31 March 2011 and the directors believe that the carrying value of the investments is not less than their fair values.

In assessing the value of the investments, Company considered a valuation report dated 6 May 2011 by Minarco-Mineconsult Pty Ltd, an independent valuer which estimated that the value of Arutmin and KPC attributable to the Company was USD402M & USD1,095M respectively. The valuation report dated 6 May 2011 was based on a discount rate of 11.45% (same as last year) on after tax real cash flow over the expected lifetime of each asset and assumed that Arutmin and KPC would not be subject to a trading margin on the sale of their coal.

The Company adjusted the above valuation and factored that in the long run a trading margin of 4%-5% would be payable by Arutmin and KPC on their coal production.

5. INTERESTS IN JOINT VENTURES (CONTINUED)

At 31 March 2011, the Company had assessed the value of all of its investments. The Company estimated the value in use of Arutmin and KPC at USD259M and USD706M respectively (2010: USD233.44 M for Arutmin and USD616.22M for KPC).

The carrying value of the Company's share of investments Arutmin and KPC have been taken at USD 100.06M and USD 616.22M respectively, being the lower of cost and estimated value in use.

The Company has pledged the shares held in the Arutmin, KPC, Kalsel and Kaltim in favour of Sumitomo Mitsui Banking Corporation as guarantor of the loan contracted by Bhivpuri Investments Limited, a related company, with various lenders.

The Company also pledged the shares in Candice, DPA & MCI in favour of PT Bank Sumitomo Mitsui Indonesia as security for a term loan of up to US\$300,000,000 availed by Candice to finance transactions in Indonesia which would be carried out by its subsidiaries.

6. TRADE AND OTHER RECEIVABLES

	2011	2010
	USD	USD
Other prepaid expenses	2,188	2,188
Service fee receivable	1,800,000	1,800,000
	<u>1,802,188</u>	<u>1,802,188</u>

The service fee is receivable from a related company, namely PT Kaltim Prima Coal, and it has been agreed by both parties to repay the dues as and when possible.

As at reporting date, none of the service fee receivable is past due.

7. STATED CAPITAL

	2011	2010
	USD	USD
1,000,000 Ordinary shares of USD1 each	1,000,000	1,000,000

Fully paid ordinary shares carry one vote per share and the right to dividends.

8. LOAN FROM RELATED PARTIES

	2011	2010
	USD	USD
Long term loans		
(a) Bhivpuri Investments Limited	88,958,992	90,801,358
(b) Khopoli Investments Limited	368,604,269	369,757,754
	<u>457,563,261</u>	<u>460,559,112</u>

8. LOAN FROM RELATED PARTIES (CONTINUED)

(a) Long term loan from Bhivpuri Investments Limited

	2011 USD	2010 USD
Opening balance	90,801,358	99,212,110
Loan received	19,234,554	41,500,000
Loan repaid	(21,766,166)	(50,600,000)
Amortisation of transaction costs	689,246	689,248
Closing balance	88,958,992	90,801,358

The long term loan is unsecured, repayable on 31 December 2021 and carries interest at the rate of LIBOR plus 0.80% calculated on the basis of 360 days a year for the first six months and thereafter at LIBOR plus 1.20%. With effect from 1 April 2009, the interest rate was amended to LIBOR plus 3.30%.

Following a Subordination Agreement dated 23 April 2008, the loan is subordinated to the original lenders and accordingly payment and receipt of any amount between the Company and Bhivpuri Investments Limited is not permitted until the end of the subordination period other than a permitted payment as defined in the agreement and amendment letter dated 7 January 2009.

(b) Long term loan from Khopoli Investments Limited

	2011 USD	2010 USD
Opening balance	369,757,754	340,000,000
Loan received	-	30,000,000
Loan repaid	(1,153,485)	(242,246)
Closing balance	368,604,269	369,757,754

The loan from related party is unsecured, repayable on 31 December 2021 and carries interest at the rate of LIBOR plus margin as agreed between the parties on the basis of 360 days a year. The effective rate of interest ranges from 1.35766% to 5.9943% per annum.

Following a Subordination Agreement dated 23 April 2008 and letter dated 7 January 2009, the loan is subordinated to the original lenders and accordingly payment and receipt of any amount between the Company and Khopoli Investments Limited is not permitted without prior written consent from the lenders, other than a permitted payment, until the end of the subordination period. A permitted payment is a payment from the Company to Khopoli Investments Limited from monies standing to the credit of its distribution and operating accounts in accordance with the agreement. The subordination period will last from April 2008 up to May 2014.

9. OTHER PAYABLES

	2011 USD	2010 USD
Accruals	26,100	28,976
Interest on loan from shareholder/related parties	4,440,790	3,013,465
Other payables to related parties	10,626,198	-
Expenses incurred by related party on behalf of the Company	22,637,518	21,055,714
	37,730,606	24,098,155

Payments of the interest on loans are made as and when required. The Company has financial risk management policies in place to ensure that all payables are paid within agreed timeframe.

10. SHAREHOLDER'S LOAN

	2011	2010
	USD	USD
Closing balance	<u>273,000,000</u>	<u>273,000,000</u>

On 25 June 2007, the Company received an unsecured long term loan of USD273,000,000 from the shareholder, repayable on 31 December 2021.

Interest payment in respect of the loan shall be the amount available for payment as reduced by repayment of principal of any another loan and interest required to be paid by the Company and prepayments of any other loan, operating expenses and taxes if any.

The balance thereafter available shall be paid as interest by the Company calculated at 7% per annum subject to a limit of 50% of the amount available for payment after meeting the above requirements. However, further to an amendment to the loan agreement dated 22 February 2008, the interest terms were amended with retrospective effect as follows:

- First 24 months (July 2007 to June 2009) - 0% per annum
- Next 12 months (July 2009 to June 2010) - 2.5% per annum
- Thereafter - 5% per annum

At any time during the term, the shareholder shall at its sole discretion have the option to convert all or part of the facility into either the equity share capital of the Company or subscribe to Non Cumulative Redeemable Preference Share issued by the Company. Upon the exercise of the Conversion Right by the shareholder, the Company shall immediately issue such number of shares as may be necessary to effect the conversion.

Subsequently, the Company and the shareholder agreed that the repayment terms be amended with effect from 1 January 2009 and the loan would now be repaid at a date that is reasonably agreed between both parties instead of 31 December 2021.

Following a Subordination Agreement dated 23 April 2008, payment and receipt of any amount between the Company and the shareholder is not permitted until the end of the subordination period other than a permitted payment as defined in the agreement and amendment letter dated 7 January 2009.

11. OTHER INCOME

During the year under review, the Company received USD4,656,156 from PT Bumi Resources, Tbk representing settlement of shareholders' claims in relation to a settlement made by Arutmin to Thiess plus interest of 4% above LIBOR per annum as calculated in accordance with the Agreement for sale and purchase of shares dated 30 March 2007. The settlement made by Arutmin was in respect of claims related to the period prior to the Company's acquisition of a 30% shareholding in Arutmin.

12. RESEARCH AND DEVELOPMENT COSTS

The Company entered into a memorandum of understanding dated 9 September 2010 (MOU) pursuant to which it has agreed to provide funding for the development of prototype of a generator. The Company intends to provide funding aggregating USD2,000,000 over the program duration of 24 months.

The Company paid USD540,000 towards program funding which was expensed during the year under review.

13. TAXATION

The Company is liable to income tax on its chargeable income at the rate of 15%. The Company is however entitled to a tax credit equivalent to the higher of actual tax suffered or 80% of Mauritian tax payable in respect of its qualifying income, thus reducing its maximum effective tax rate payable to 3%. Capital gains from disposal of the Company's investment are exempt from tax in Mauritius.

For the year under review, no provision for tax has been made in the financial statements as the Company has accumulated tax losses of USD37,347,776(31 March 2010: 31,033,919).

	2011 USD	2010 USD
(Loss)/profit before taxation	(9,827,765)	51,462,411
Tax at the applicable rate of 15%	(1,474,165)	7,719,362
Tax effect of :		
- Other exempt income	-	(8,891,700)
- Non allowable expenses	527,086	103,387
- Withholding tax suffered	1,200,000	1,200,000
- Tax losses not yet utilised	947,079	1,068,951
	<u>1,200,000</u>	<u>1,200,000</u>

The withholding tax of USD1,200,000 was suffered in Indonesia on service fee receivable from PT Kaltim Prima Coal.

14. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2011, the Company transacted with related parties. Details of the nature, volume of transactions and the balances with the related parties are as follows:

	2011 USD	2010 USD
<i>(a) Transactions</i>		
<i>Amount incurred to International Financial Services Limited</i>		
Director fees	3,750	3,438
Secretarial fees	1,500	1,500
Administration and disbursements	67,040	34,705
	<u>72,290</u>	<u>39,643</u>

The above services from International Financial Services Limited are provided on commercial terms and conditions.

	2011 USD	2010 USD
<i>Income from related party</i>		
Service fee	12,000,000	12,000,000
	<u>12,000,000</u>	<u>12,000,000</u>

The Company provides technical services to PT Kaltim Prima Coal and is entitled to a fixed monthly service fee.

14. RELATED PARTY TRANSACTIONS (CONTINUED)

	2011 USD	2010 USD
<i>The Tata Power Company Limited</i>		
Interest on loan	12,114,375	5,194,584
Interest paid	10,408,125	3,488,334
Service fee	620,008	42,780
<i>Khopoli Investments Limited</i>		
Interest on loan	7,090,789	8,854,926
Interest paid	7,121,069	11,257,754
Repayment of loan	1,153,485	242,247
Loan received	-	30,000,000
<i>Bhiopuri Investments Limited</i>		
Repayment of loan	21,766,166	50,600,000
Loan received	19,234,554	41,500,000
Interest expense	3,446,255	4,187,700
Interest paid	3,694,900	18,607,620
Expenses paid on behalf of the Company	1,581,804	495,784
<i>(b) Balances</i>		
	2011 USD	2010 USD
<i>Amount due to related parties</i>		
Long term loan	457,563,261	460,559,112
Interest accrued on long term loan	1,028,290	1,307,215
Legal and professional fees	22,637,518	21,055,714
Other payables	10,006,190	-
<i>Amount due to shareholder</i>		
Short term loan	273,000,000	273,000,000
Interest accrued on loan	3,412,500	1,706,250
Service fee	620,008	-
<i>Amount due from related party</i>		
Service fee	1,800,000	1,800,000

Compensation to key management personnel

No compensation has been paid to key management personnel during the year ended 31 March 2011 (31 Mar 2010: USDNIL).

15. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholder through the optimization of the debt and equity balance.

15. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Capital risk management (Continued)

The capital structure of the company consists of net debt, which includes loans from related parties and shareholder (offset by cash and cash equivalents) and equity, comprising of stated capital and accumulated losses.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in Note 2 to the financial statements.

Categories of financial instruments

	2011 USD	2010 USD
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,885,582	2,279,078
Financial liabilities		
Amortised cost	768,293,867	757,657,267

Prepayments amounting to USD2,188 (31 Mar 2010: USD 2,188) have not been included in financial assets.

Financial risk management

In its ordinary operations, the Company's investment activities expose it to the various types of risks, which are associated with the financial instruments and markets in which it invests. The following is a summary of the main risks:

(i) *Currency risk*

All the Company's financial assets and liabilities are denominated in United States Dollar and consequently, the Company is not exposed to major foreign currency risk.

The Company has invested in joint venture entities incorporated in Indonesia. Since the main operations, revenues and bulk of the expenses of the joint venture entities are driven by the global market and the United States Dollar, the Company is not exposed to significant foreign currency risk.

(ii) *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.

All investments are financed by loan from related parties and the shareholder. The Company's financial assets, except the bank deposits, and financial liabilities, except loans, are non-interest-bearing. As such, the Company is subject to significant risk due to fluctuations in the prevailing levels of the market interest rates. Interest income from bank deposits may fluctuate in amount, in particular due to changes in the interest rates.

Interest on loan from related party may fluctuate in amount, in particular due to changes in the LIBOR Rate. The impact of a 5% fluctuation in the interest rates on loan from related parties and shareholder would be as follows:

	5% increase 2011 USD	5% decrease 2011 USD	5% increase 2010 USD	5% decrease 2010 USD
Interest on loan	(1,132,571)	1,132,571	(911,861)	911,861
Effect on profit before tax	(1,132,571)	1,132,571	(911,861)	911,861

15. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(iii) *Credit risk*

The Company takes on exposure to credit risk, which is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Financial assets that potentially expose the Company to credit risk consist principally of service fee receivable from related party. The extent of the Company's exposure to credit risk in respect of these financial assets approximates their carrying values as recorded in the Company's statement of financial position.

With respect to credit risk arising from financial assets which comprise of other trade and other receivable, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of the receivables.

<i>Carrying Amount</i>	2011	2010
	USD	USD
Receivables	1,800,000	1,800,000

(iv) *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the Board of Directors and in managing the Company's short, medium and long term funding and liquidity requirements, the Board of Directors is guided by similar practices adopted by its holding company. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 year	5+ years	Total
	2011 USD	2011 USD	2011 USD
	Non-interest bearing	37,730,606	-
Variable interest rate instruments	-	457,563,261	457,563,261
Fixed interest rate instruments	273,000,000	-	273,000,000
	<u>310,730,606</u>	<u>457,563,261</u>	<u>768,293,867</u>
	2010 USD	2010 USD	2010 USD
Non-interest bearing	24,098,155	-	24,098,155
Variable interest rate instruments	-	460,559,112	460,559,112
Fixed interest rate instruments	273,000,000	-	273,000,000
	<u>297,098,155</u>	<u>460,559,112</u>	<u>757,657,267</u>

15. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(v) *Fair values*

The fair value of other financial assets and liabilities is 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.

The Company's other financial assets and liabilities include cash and cash equivalents, loan from related parties, loan from shareholder and accruals. The carrying amounts of these assets and liabilities approximate their fair values.

16. ASSETS PLEDGED AS SECURITY

The Company has pledged a first rank floating charge over all its present and future assets at the sum of US\$575M for facilities given to Bhivpuri Investments Limited.

17. HOLDING AND ULTIMATE HOLDING COMPANY

The Tata Power Company Limited, a company incorporated in India and listed on Bombay National Stock Exchange and National Stock Exchange of India is the holding and ultimate holding company.

18. NON COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS (IAS) 31 INTERESTS IN JOINT VENTURES

IAS 31 requires a parent company that holds investments in joint ventures to present financial statements that are either proportionately consolidated or to apply the equity method for accounting its interests. The parent company is exempted from this requirement if it satisfies all the conditions available under paragraph 3(c) of IAS 31. However, the Company has not proportionately consolidated or applied equity method for accounting its joint ventures in these financial statements which are being presented on a standalone basis.

19. GOING CONCERN

At 31 March 2011, the Company had a shareholders' deficit of USD50,063,569 (31 March 2010: USD39,035,804) and net current liabilities of USD308,842,836 (31 March 2010: USD294,816,889). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on a going concern basis, which assumed that the company would continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued support of the ultimate holding company.

The holding company confirmed that it could, if it so determines, exercise at any time its right to convert the loan of USD273 million (or part thereof) given to the Company into equity. The holding company may do so, if needed, to enable the Company to meet its obligations and continue as a going concern. The directors consider it appropriate to prepare the financial statements on this basis.

20. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company's share of claims arising on its interests in joint ventures as at 31 March 2011 are detailed below:

(i) PT Arutmin Indonesia

PT Arutmin Indonesia is contingently liable for various claims from third parties arising in the ordinary conduct of business which are either pending result or are being processed by the court and not presently determinable. The outcome of which could be substantial is offset of royalty with VAT Input of approximately US\$ 263.14m.

(ii) PT Kaltim Prima Coal

PT Kaltim Prima Coal is contingently liable for various claims from third parties arising in the ordinary conduct of business which are either pending result or are being processed by the court and not presently determinable. The outcome of which could be substantial are:

- a. Offset of Royalty with VAT Input approximately US\$ 599.79m
- b. Claim from Thiess for escalation rate dispute approximately US\$ 22.3m

The directors consider that no liabilities will arise as the probability for default in respect of the contingent liabilities is remote.

Commitments

As of 31 March 2011, the Company had not entered into any capital commitment.

21. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 14 March 2011, the Company approved the issue of up to USD600M of subordinated fixed to floating note due in year 2071; with an indicative initial coupon of around 8.5% for the first five years guaranteed by the holding company.

On 19 April 2011, the Company issued fixed to floating subordinated notes in the principal amount of USD450M due in 2071.

BHIRA INVESTMENTS LIMITED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 MARCH 2011

	Year ended March, 2011	Exchange Rate	Amount	Year ended March, 2010	Exchange Rate	Amount
	USD		Rs	USD		Rs
INCOME						
Interest income			-			-
Service fee	12,000,000	45.58	546,960,000	12,000,000	47.42	569,040,000
Other income	4,656,156	45.58	212,227,590			
Reversal of Impairment losses			-	59,277,997	47.42	2,810,962,618
Total income	16,656,156		759,187,590	71,277,997		3,380,002,618
OPERATING EXPENSES						
License fees	1,750	45.58	79,765	1,750	47.42	82,985
Director fees	3,750	45.58	170,925	3,438	47.42	163,030
Secretarial fees	1,500	45.58	68,370	1,500	47.42	71,130
Administration expenses	65,148	45.58	2,969,446	33,080	47.42	1,568,654
Service fee	620,008	45.58	28,259,965	42,780	47.42	2,028,628
Audit fees	17,250	45.58	786,255	15,525	47.42	736,196
Bank charges	2,913	45.58	132,775	2,696	47.42	127,844
Disbursements	1,892	45.58	86,237	1,625	47.42	77,058
Registration charges	5,000	45.58	227,900	-	47.42	-
Interest on loan	22,651,419	45.58	1,032,451,678	18,237,210	47.42	864,808,498
Legal and professional fees	1,884,045	45.58	85,874,771	786,734	47.42	37,306,926
Amortisation of transaction costs	689,246	45.58	31,415,833	689,248	47.42	32,684,140
Research and development Costs	540,000	45.58	24,613,200			
Total expenditure	26,483,921	45.58	1,207,137,119	19,815,566	47.42	939,655,088
OPERATING LOSS BEFORE TAX	(9,827,765)	45.58	(447,949,529)	51,462,411	47.42	2,440,347,530
Taxation	(1,200,000)	45.58	(54,696,000)	(1,200,000)	47.42	(56,904,000)
LOSS FOR THE PERIOD	(11,027,765)	45.58	(502,645,529)	50,262,411	47.42	2,383,443,530

BHIRA INVESTMENTS LIMITED
BALANCE SHEET AT 31 MARCH 2011

	31.03.2011		31.03.2010	
	USD	Rs	USD	Rs
	Exchange Rate	Amount	Exchange Rate	Amount
ASSETS				
<u>Non current assets</u>				
Interest in Joint Ventures		716,342,528	44.67	31,999,020,726
				716,340,197
<u>Current Assets</u>				
Trade and other receivables	1,802,188		44.67	80,503,738
Cash and cash equivalents	85,582		44.67	3,822,948
Exchange fluctuation reserve	1,887,770		44.67	13,999,585
		718,230,298		98,326,271
Total assets				
		718,230,298		32,097,346,997
				718,621,463
EQUITY AND LIABILITIES				
<u>Capital and reserves</u>				
Stated capital	1,000,000		41.00	41,000,000
Accumulated losses	(51,063,569)			(2,263,340,042)
		(50,063,569)		(2,222,340,042)
				(39,035,804)
<u>Non current liabilities</u>				
Loan from related party	457,563,261		44.67	20,439,350,869
		457,563,261		20,439,350,869
<u>Current liabilities</u>				
Other Payables	37,730,606		44.67	1,685,426,170
Shareholder's loan	273,000,000		44.67	12,194,910,000
		310,730,606		13,880,336,170
				297,098,155
Total equity and liabilities				
		718,230,298		32,097,346,997
				718,621,463
				32,496,107,665

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

	Stated Capital		Exchange Rate		Rs	
	USD		Exchange Rate		USD	
At 1 April 2009	1,000,000				41,000,000	
Total comprehensive income for the year					(89,298,215)	(4,103,138,043)
At 31 March 2010	1,000,000				50,262,411	2,383,443,530
Total comprehensive income for the year					(39,035,804)	(1,719,694,513)
At 31 March 2011	1,000,000				(11,027,765)	(502,645,529)
					(50,063,569)	(2,222,340,042)

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

	Year ended March, 2011	Exchange Rate	Amount Rs	Year ended March, 2010	Exchange Rate	Amount Rs
	USD			USD		
Cash flows from operating activities						
Operating loss before tax	(9,827,765)	45.58	(447,949,529)	51,462,411	47.42	2,440,347,530
<i>Adjustments for:</i>						
Interest income			-			-
Expenses paid By related Company	1,581,804	45.58	72,098,626	495,784	47.42	23,510,077
Reversal of Impairment of interests in joint ventures		45.58	-	(59,277,997)	47.42	(2,810,962,618)
Increase in prepayments			-		47.42	-
Interest on loan	22,651,419	45.58	1,032,451,678	18,237,210	47.42	864,808,498
Transaction costs written off to income statement			-			-
Amortisation of transaction costs	689,246	45.58	31,415,833	689,246	47.42	32,684,140
Loss on shareholder's loan			-			-
Decrease in trade and other receivables			-	899,187	47.42	42,639,448
Increase/(Decrease) in payables	10,623,322	45.58	484,211,017	(2,702)	47.42	(128,129)
Loan amortisation			-			-
Cash generated from operating activities	25,718,026		1,172,227,625	12,503,141		592,898,946
Withholding tax suffered	(1,200,000)	45.58	(54,696,000)	(1,200,000)	47.42	(56,904,000)
Net cash generated from operating activities	24,518,026		1,117,531,625	11,303,141		535,994,946
Cash flows from investing activities						
Interest received	(2,331)	45.58	(106,247)	-		-
Net cash generated from investing activities	(2,331)		(106,247)	-		-
Cash flows from financing activities						
Interest paid	(21,224,094)	45.58	(967,394,205)	(33,353,707)	47.42	(1,581,632,786)
Loan from related party	19,234,554	45.58	876,710,971	71,500,000	47.42	3,390,530,000
Loan repaid to related party	(22,919,651)	45.58	(1,044,677,693)	(50,842,247)	47.42	(2,410,939,353)
Exchange fluctuation			123,333			(7,784,087.00)
Net cash generated from financing activities	(24,909,191)		(1,135,237,593)	(12,695,954)		(609,826,226)
Net (decrease)/increase in cash and cash equivalents	(393,496)		(17,812,215)	(1,392,813)		(73,831,279)
Cash and cash equivalents at the beginning of period	479,078		21,635,162	1,871,891		95,466,441
Cash and cash equivalents as 31 st March	85,582		3,822,948	479,078		21,635,162