

BHIRA INVESTMENTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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FOR THE YEAR ENDED 31 MARCH 2012

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		Appointed on	Resigned on
DIRECTORS:	Couldip Basanta Lala	27 April 2007	6 January 2012
	Nitin Johar (Permanent Alternate Director to Anil Sardana)	4 July 2011	21 March 2012
	Kapildeo Joory	27 April 2007	-
	Soniya Parekh (Permanent Alternate Director to Ramakrishnan Sowmyan)	4 July 2011	-
	Anil Sardana	15 February 2011	-
	Fareed Soreefan	6 January 2012	-
	Ramakrishnan Sowmyan	4 February 2011	-
	Zakir Niamut	16 September 2010	-
	Sanjay Dube (Permanent Alternate Director to Anil Sardana)	21 March 2012	-
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		
	Bank of Baroda Baroda House 32 City Road London, UK, EC1Y 2BD United Kingdom		
	State Bank of India 15 King Street London, EC2VC 8EA		
AUDITOR:	Deloitte 7th Floor, Raffles Tower 19 Cybercity Ebene Mauritius		

The directors present the audited financial statements of Bhira Investments Limited (the "Company") for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding and provision of technical services to companies engaged in the coal mining sector and ancillary services of collecting accounts receivable of its related parties and provision of loans to related parties.

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.

STATEMENT OF 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 cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR

The auditor, Deloitte, has indicated its willingness to continue in office until the next Annual Meeting.

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 2012.

M. D. Joseph
.....
for International Financial Services Limited
Secretary

Registered office:

IFS Court
TwentyEight
Cybercity
Ebene
Mauritius

Date: 21 May 2012

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

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 the shareholder 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 2012 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 24, 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 28 do not give a true and fair view of the financial position of Bhira Investments Limited as at 31 March 2012, 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 25 in the financial statements which indicates that, at 31 March 2012, the company had a net current liabilities of USD48,422,332. This condition, along with the matters as set out in note 25 indicates 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 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.

Deloitte

Chartered Accountants

21 May 2012

LLK Ah Hee, FCCA
Licensed by FRC

BHIRA INVESTMENTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

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	Notes	2012 USD	2011 USD
INCOME			
Dividend income	14	127,500,000	-
Service fee income	15	12,000,000	12,000,000
Bank interest income		3,464,287	-
Interest income on loan	6/21	10,144,932	-
Other income	16	3,349,296	4,656,156
Net foreign exchange gain		465	-
		<u>156,458,980</u>	<u>16,656,156</u>
OPERATING EXPENSES			
Licence fees		1,750	1,750
Director fees		3,750	3,750
Secretarial fees		1,500	1,500
Administration expenses		87,450	65,148
Audit fees		18,075	17,250
Bank charges		14,855	2,913
Disbursements		1,309	1,892
Registration charges		-	5,000
Interest on loan	10/13/21	21,277,525	22,651,419
Amortisation of transaction costs	10(a)	7,409,396	689,246
Amortisation of subordinated note	11	35,348,495	-
Legal and professional fees		2,981,679	1,884,045
Research and development costs	17	900,000	540,000
Service fee expense	18	2,881,571	620,008
Guarantee commission	19	1,257,534	-
Settlement fee		1,500,000	-
		<u>73,684,889</u>	<u>26,483,921</u>
PROFIT / (LOSS) BEFORE TAXATION		82,774,091	(9,827,765)
Taxation	20	(13,950,000)	(1,200,000)
PROFIT / (LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		<u>68,824,091</u>	<u>(11,027,765)</u>

The notes on pages 10 to 28 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 2012

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	Notes	31 Mar 2012 USD	31 Mar 2011 USD
ASSETS			
<u>Non current assets</u>			
Interests in Joint Ventures	5	716,342,528	716,342,528
Loan to related party	6	137,245,058	-
		<u>853,587,586</u>	<u>716,342,528</u>
<u>Current assets</u>			
Trade and other receivables	7	7,108,474	1,802,188
Cash and cash equivalents	8	211,659,871	85,582
		<u>218,768,345</u>	<u>1,887,770</u>
Total assets		<u>1,072,355,931</u>	<u>718,230,298</u>
EQUITY AND LIABILITIES			
<u>Capital and reserves</u>			
Stated capital	9	1,000,000	1,000,000
Retained earnings / (Accumulated losses)		17,760,522	(51,063,569)
Total equity		<u>18,760,522</u>	<u>(50,063,569)</u>
<u>Non current liabilities</u>			
Loan from related parties	10	325,850,003	457,563,261
Subordinated Note Due 2071	11	460,554,729	-
		<u>786,404,732</u>	<u>457,563,261</u>
<u>Current liabilities</u>			
Other payables	12	25,894,488	37,730,606
Loan from related parties	10	41,296,189	-
Shareholder's loan	13	200,000,000	273,000,000
		<u>267,190,677</u>	<u>310,730,606</u>
Total equity and liabilities		<u>1,072,355,931</u>	<u>718,230,298</u>

Approved by the Board of Directors and authorised for issue on 21 May 2012

.....
Director

.....
Director

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**BHIRA INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012**

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	Stated capital USD	Retained earnings/ (Accumulated losses) USD	Total USD
At 1 April 2010	1,000,000	(40,035,804)	(39,035,804)
Total comprehensive loss for the year	-	(11,027,765)	(11,027,765)
At 31 March 2011	1,000,000	(51,063,569)	(50,063,569)
Total comprehensive income for the year	-	68,824,091	68,824,091
At 31 March 2012	<u>1,000,000</u>	<u>17,760,522</u>	<u>18,760,522</u>

The notes on pages 10 to 28 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 2012

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	2012	2011
	USD	USD
Cash flows from operating activities		
Profit / (loss) before tax	82,774,091	(9,827,765)
<i>Adjustments for:</i>		
Bank interest income	(3,464,287)	-
Expenses paid by related company	-	1,581,804
Interest income on loan	(10,144,932)	-
Loan interest expense	21,277,526	22,651,419
Amortisation of transaction costs	7,409,395	689,246
Amortisation of subordinated note	35,348,495	-
Dividend income	(123,646,190)	-
	<u>9,554,098</u>	<u>15,094,704</u>
Movement in working capital:		
(Increase)/ decrease in trade and other receivables	723,668	-
(Decrease)/ increase in other payables	(8,361,880)	<u>10,623,322</u>
Cash generated from operating activities	1,951,886	25,718,026
Withholding tax suffered	(13,950,000)	(1,200,000)
Net cash (used in)/generated from operating activities	<u>(12,034,114)</u>	<u>24,518,026</u>
Cash flows from investing activities		
Purchase of investments	-	(2,331)
Net cash used in investing activities	-	<u>(2,331)</u>
Cash flows from financing activities		
Interest paid	(24,751,764)	(21,224,094)
Interest on subordinated note	(19,125,000)	-
Bank interest received	3,341,980	-
Interest received on loan	4,237,286	-
Loan repaid to related parties	(140,517,654)	(22,919,651)
Loan received from related party	166,337,379	19,234,554
Loan to related party	(178,300,059)	-
Loan repaid by related party	41,055,001	-
Loan repaid to shareholder	(73,000,000)	-
Issue of subordinated note	444,331,234	-
Net cash generated from/(used in) financing activities	<u>223,608,403</u>	<u>(24,909,191)</u>
Net increase / (decrease) in cash and cash equivalents	211,574,289	(393,496)
Cash and cash equivalents at beginning of period	<u>85,582</u>	<u>479,078</u>
Cash and cash equivalents at end of period	<u><u>211,659,871</u></u>	<u><u>85,582</u></u>

The notes on pages 10 to 28 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 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 Company has its registered office at IFS Court, TwentyEight, Cybercity, Ebene, Mauritius.

The principal activity of the Company is that of investment holding and provision of technical services to companies engaged in the coal mining sector, ancillary services of collecting accounts receivable of its related parties and provision of loan to related parties. At 31 March 2012, the Company held investments in PT Arutmin Indonesia, PT Indocoal Kalsel 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 except for interests in joint ventures that are measured at fair value.

(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.

Short term deposits

Short term deposits are liquid investments, with a maturity period between three months to one year that earn interest at a fixed rate and which are subject to significant risk of change in value.

(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

Parties are considered to be related if one party has control, joint control or exercises significant influence over the other party or is a member of the key management personnel of the other party.

(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 and other income are recognised on an accruals basis in the financial statements.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established and is recognised gross of withholding tax.

(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 year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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) Impairment

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

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.

2. ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (Continued)

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.

(l) 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 2011.

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

The following new and revised Standards and Interpretations have been applied 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 May 2010 Annual Improvements to IFRSs
IAS 24	Related Party Disclosures - Revised definition of related parties The application of the revised definition of related party in the current period has not resulted in the identification of any new related parties compared to those identified under the previous standard.
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs
IAS 34	Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs
IFRS 1	First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRSs
IFRS 3	Business Combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs
IFRIC 13	Customer Loyalty Programmes - Amendments resulting from May 2010 Annual improvements to IFRSs
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
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

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

IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective 1 July 2012)
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets) (effective 1 January 2012)
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits project (effective 1 January 2013)
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective 1 January 2013)
IAS 28	Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective 1 January 2013)
IAS 32	Financial instruments: Presentation - Amendments to application guidance on offsetting of financial assets and financial liabilities (effective 1 January 2014)
IFRS 1	First-time Adoption of International Financial Standards - Replacement of fixed dates for certain exceptions with the date of transition of 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 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets (effective 1 July 2011)
IFRS 7	Financial instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective 1 January 2013)
IFRS 7	Financial instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9 (effective 1 January 2015)
IFRS 9	Financial Instruments: Classification and Measurement of financial assets (effective 1 January 2015)
IFRS 9	Financial instruments - Accounting for financial liabilities and derecognition (effective 1 January 2015)
IFRS 10	Consolidated Financial Statements (effective 1 January 2013)
IFRS 11	Joint Arrangements (effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 13	Fair Value Measurement (effective 1 January 2013)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)

The directors anticipate that these standards and interpretations will be applied in the financial statements on the above effective dates in future periods. The directors have not yet had an opportunity to consider the potential impact of the application of those amendments.

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.

As at 31 March 2012, the directors believe that the carrying values approximate to the fair values of these investments.

5. INTERESTS IN JOINT VENTURES

	2012 USD	2011 USD
Opening balance	716,342,528	716,340,197
Purchase of investments	-	2,331
Closing balance	<u>716,342,528</u>	<u>716,342,528</u>

Details of the interests in joint ventures are as follows:

	Place of incorporation	Number of shares	% Holding		Cost	Carrying Value	Cost	Carrying Value
			Direct	Indirect	31 Mar 2012 USD	31 Mar 2012 USD	31 Mar 2011 USD	31 Mar 2011 USD
PT Arutmin Indonesia	Indonesia	3,000	30%	30%	100,057,997	100,057,997	100,057,997	100,057,997
PT Kaltim Prima Coal	Indonesia	90,000	30%	30%	618,011,694	616,220,000	618,011,694	616,220,000
PT Indocoal Kalsel Resources	Indonesia	60,000	30%	30%	31,100	31,100	31,100	31,100
PT Indocoal Kaltim Resources	Indonesia	60,000	30%	30%	31,100	31,100	31,100	31,100
Candice Investments Pte Ltd	Singapore	3	30%	30%	2	2	2	2
PT Dwikarya Prima Abadi	Indonesia	99	0.9%	30%	1,109	1,109	1,109	1,109
PT Marvel Capital Indonesia	Indonesia	1,089	0.99%	30%	1,220	1,220	1,220	1,220
					<u>718,134,222</u>	<u>716,342,528</u>	<u>718,134,222</u>	<u>716,342,528</u>

5. INTERESTS IN JOINT VENTURES (CONTINUED)

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.

The Company has 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 is in the business of financing the construction and operation of mining infrastructure and other assets which are carried out by its subsidiaries.

In assessing the value of the investments, Company considered a valuation report dated 29 March 2012 by Minarco-Mineconsult Pty Ltd, an independent valuer which estimated that the value of Arutmin and KPC attributable to the Company was USD535M & USD1,017M respectively. The valuation report dated 29 March 2012 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.

At 31 March 2012, the Company had assessed the value of all of its investments. The Company estimated its share of the value in use of Arutmin and KPC at USD393M and USD641M respectively (2011: USD259M for Arutmin and USD706M 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 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. LOAN TO RELATED PARTY

	2012 USD	2011 USD
Opening balance	-	-
Loan to related party	178,300,059	-
Loan repaid	<u>(41,055,001)</u>	-
Closing balance	<u>137,245,058</u>	<u>-</u>

The long term loan is unsecured, repayable on 31 December 2021 and carries interest at the rate of 8.5% plus margin of 0.05% calculated on the basis of 360 days a year.

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7. TRADE AND OTHER RECEIVABLES

	2012	2011
	USD	USD
Interest on loan to related party (Note 6)	5,907,646	-
Interest receivable on short-term deposits (Note 8)	122,308	-
Prepayments	2,188	2,188
Service fee receivable	900,000	1,800,000
Expenses paid on behalf of related parties	176,332	-
	<u>7,108,474</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.

The interest on loan to related party has been partly netted off against the interest receivable amount of USD4,237,285 collected by the Company (net of commission income) on behalf of Bhivpuri under the accounts receivable servicing agreement (Note 16).

The expenses paid on behalf of related parties are unsecured, interest free and will be recalled for payment as and when required.

8. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the cash and cash equivalents comprise the following:

	2012	2011
	USD	USD
Cash at bank	71,551	85,582
Short term bank deposits	211,588,320	-
	<u>211,659,871</u>	<u>85,582</u>

The interest rate on short term fixed deposits ranges from 0.80% to 2.70% for the year under review.

9. STATED CAPITAL

	2012	2011
	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.

10. LOAN FROM RELATED PARTIES

	2012	2011
	USD	USD
Long term loans		
(a) Bhivpuri Investments Limited	-	88,958,992
(b) Khopoli Investments Limited	328,850,003	368,604,269
	<u>328,850,003</u>	<u>457,563,261</u>

(a) Long term loan from Bhivpuri Investments Limited ("Bhivpuri")

	2012	2011
	USD	USD
Opening balance	88,958,992	90,801,358
Loan received	1,250,000	19,234,554
Loan repaid	(97,618,388)	(21,766,166)
Amortisation of transaction costs	7,409,396	689,246
Closing balance	<u>-</u>	<u>88,958,992</u>

10. LOAN FROM RELATED PARTIES (CONTINUED)

(a) Long term loan from Bhivpuri Investments Limited ("Bhivpuri") (continued)

During the year, the Company repaid the long term loan which carried interest at the rate of LIBOR plus 3.30% calculated on the basis of 360 days a year.

(b) Long term loan from Khopoli Investments Limited

	2012 USD	2011 USD
Opening balance	368,604,269	369,757,754
Loan repaid	(42,899,266)	(1,153,485)
Loan received	145,000	-
Closing balance	<u>325,850,003</u>	<u>368,604,269</u>

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 1.41000% to 3.25950% 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.

Short term loans	2012 USD	2011 USD
(c) PT Kaltim Prima Coal	34,800,000	-
(d) PT Arutmin Indonesia	6,496,189	-
	<u>41,296,189</u>	<u>-</u>

(c) Loan from PT Kaltim Coal

The Company entered into an inter-company loan facility agreement dated 30 September 2011, with PT Kaltim Prima Coal ("KPC") having effective date 15 May 2011. Pursuant to the agreement, KPC has granted a loan facility of up to USD150,000,000. The loan is unsecured, repayable on demand only out of dividends received by the Company from KPC and carries interest at the rate of 3 months LIBOR plus margin of 2% per annum.

During the year, dividend income amounting to USD99,000,000 was netted off against loan from KPC.

	2012 USD	2011 USD
Loan received	133,800,000	-
Dividend Income	(99,000,000)	-
Closing balance	<u>34,800,000</u>	<u>-</u>

(d) Loan from PT Arutmin Indonesia

The Company entered into an inter-company loan facility agreement dated 14 September 2011 with PT Arutmin Indonesia ("Arutmin") having effective date 29 October 2010. Pursuant to the agreement, Arutmin has granted a loan facility of up to USD150,000,000. The loan is unsecured, repayable on demand only out of dividend received by the Company from Arutmin and carries interest at the rate of 3 months LIBOR plus margin of 2% per annum.

10. LOAN FROM RELATED PARTIES (CONTINUED)

(d) Loan from PT Arutmin Indonesia (continued)

	2012 USD	2011 USD
Loan received	31,142,379	-
Dividend Income (refer to Note 14)	(24,646,190)	-
Closing balance	<u>6,496,189</u>	<u>-</u>

During the year, the Company's share of dividend from Arutmin net of withholding tax, amounting to USD25,650,000 was partly netted off against loan from Arutmin and interest payable to Arutmin.

11. SUBORDINATED NOTE DUE 2071

	2012 USD	2011 USD
Proceeds from issue	450,000,000	-
Transaction costs	(5,668,766)	-
Amortisation charge	35,348,495	-
Interest paid	(19,125,000)	-
	<u>460,554,729</u>	<u>-</u>

On 27 April 2011, the Company issued subordinated notes which mature in 2071 and which carries interest at the rate of 8.5% per annum calculated on the basis of 360 days a year for the period up to 27 April 2016. Thereafter, interest would be calculated as per the Trust Deed dated 27 April 2011 entered between the Company, The Tata Power Company Limited and The Bank of New York Mellon, London Branch. The holding company has agreed to guarantee the above notes.

12. OTHER PAYABLES

	2012 USD	2011 USD
Accruals	1,541,850	26,100
Interest on loan from shareholder/related parties	966,552	4,440,790
Other payables to related parties	-	10,006,190
Expenses incurred by related parties on behalf of the Company	22,752,859	22,637,518
Other payables to shareholder	633,227	620,008
	<u>25,894,488</u>	<u>37,730,606</u>

Payments of the interest on loans are made as and when required. Expenses incurred by related parties on behalf of the Company are unsecured, interest free and made as and when required. The Company ensures that all payables are paid within agreed timeframe.

13. SHAREHOLDER'S LOAN

	2012	2011
	USD	USD
Opening balance	273,000,000	273,000,000
Loan repayment	(73,000,000)	-
Closing balance	<u>200,000,000</u>	<u>273,000,000</u>

On 25 September 2007, the Company received an unsecured long term loan of USD273,000,000 from the shareholder.

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 repayments 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 September 2009) - 0% per annum
- Next 12 months (July 2009 to September 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.

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.

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.

On 30 September 2011, the Company has agreed to repay the loan in tranches by 22 September 2016 or such other date as may be agreed. The Company made a partial repayment of the shareholder loan amounting to USD73M during the year.

14. DIVIDEND INCOME

<u>PT Kaltim Prima Coal</u>	2012	2011
	USD	USD
Dividend income net off against loan due	89,100,000	-
Withholding tax	9,900,000	-
Dividend income	<u>99,000,000</u>	<u>-</u>
<u>PT Arutmin Indonesia</u>	2012	2011
	USD	USD
Dividend income net off against loan due	24,646,190	-
Dividend income net off against interest due	1,003,810	-
Withholding tax	2,850,000	-
Dividend income	<u>28,500,000</u>	<u>-</u>

15. SERVICE FEE INCOME

The Company receives service fee income from KPC amounting USD 1,000,000 per month.

16. OTHER INCOME

The Company entered into an accounts receivable servicing agreement dated 7 November 2011 pursuant to which the Company has been engaged by Bhivpuri to facilitate and assist in collecting the accounts receivable and interest receivable of Bhivpuri. The Company is entitled to a fee equal to 44% of the interest receivable collected by the Company and a one-off service fee of USD20,000.

The other income earned for the year ended 31 March 2012 arose on settlement of claims on "sale and purchase of shares" agreement dated 30 March 2007 between The Tata Power Company (the "shareholder") and PT Bumi Resources. The shares acquired by the shareholder were then novated to the Company, under a novation agreement dated 27 June 2007.

17. 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 USD900,000 towards program funding which was expensed during the year under review. As at 31 March 2012, the Company has provided funding aggregating USD1,440,000 towards the program.

18. SERVICE FEE EXPENSE

Pursuant to Procurement Services Agreement dated 26 August 2011 entered into between the Company and its holding Company, The Tata Power Company Limited, the latter provides the Company expert services such as capital raising, mine acquisition, currency and interest rate markets. The Company pays service fee expense at an hourly rate of INR 6,050 plus a 15% markup plus service tax.

19. GUARANTEE COMMISSION

Guarantee commission represent arm's length fees payable to the holding company for acting as guarantor to issue of subordinated notes contracted by the Company. (see Note 11)

20. 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. The accumulated tax losses for the year ended 31 March 2012 was NIL (31 March 2011:USD37,261,631).

	2012 USD	2011 USD
Profit / (loss) before taxation	82,774,091	(9,827,765)
Tax at the applicable rate of 15%	12,416,114	(1,474,165)
Tax effect of :		
- Exempt income	(5,454)	-
- Other allowable expenses	(5,323,125)	-
- Non allowable expenses	6,979,930	527,086
- Withholding tax suffered	13,950,000	1,200,000
- Tax losses (utilised) / not yet utilised	(5,589,245)	947,079
- Tax credit	(8,478,220)	-
	<u>13,950,000</u>	<u>1,200,000</u>

21. RELATED PARTY TRANSACTIONS

During the period from 1 April 2011 to 31 March 2012, the Company transacted with related parties. Details of the nature, volume of transactions and the balances with the related parties are as follows:

<i>(a) Transactions</i>	2012 USD	2011 USD
<i>Amount incurred to International Financial Services Limited</i>		
Director fees	3,750	3,750
Secretarial fees	1,500	1,500
Administration and disbursements	88,759	67,040

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

	2012 USD	2011 USD
<i>The Tata Power Company Limited</i>		
Interest on loan	13,596,943	12,114,375
Interest paid	17,009,444	10,408,125
Guarantee commission	1,257,534	-
Service fee	2,881,571	620,008
Loan repaid	73,000,000	-
<i>Khopoli Investments Limited ("Khopoli")</i>		
Interest on loan	6,232,377	7,090,789
Repayment of loan	42,899,266	1,153,485
Loan received	145,000	-
Interest paid	6,209,361	7,121,069
Expenses paid on behalf of Khopoli	176,332	-
<i>Bhivpuri Investments Limited ("Bhivpuri")</i>		
Interest expense on loan from Bhivpuri	382,795	3,446,255
Interest income on loan to Bhivpuri	10,144,932	-
Expenses paid on behalf of the Company	115,341	1,581,804
Other income	3,349,296	-
Loan received	1,250,000	19,234,554
Loan repaid	97,618,388	21,766,166
Loan given	178,300,059	-
Interest paid	1,151,850	3,694,900
Loan repayment received	41,055,001	-
<i>PT Kaltim Prima Coal</i>		
Interest on loan	735,503	-
Loan received	34,800,000	-
Interest paid	381,109	-
Service fee	12,000,000	12,000,000
Dividend income	99,000,000	-
<i>Loan from PT Arutmin Indonesia</i>		
Interest on loan	329,907	-
Loan received	6,496,189	-
Dividend income	28,500,000	-

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances

	2012 USD	2011 USD
<i>Amount due to related parties</i>		
Long term loan	325,850,003	457,563,261
Interest accrued on long term and short term loan	966,552	1,028,290
Legal and professional fees paid on behalf of the Company	22,752,859	22,637,518
Short term loans	41,296,189	-
Other payables	-	10,006,190
<i>Amount due to shareholder</i>		
Short term loan	200,000,000	273,000,000
Interest accrued on loan	-	3,412,500
Other payables	633,227	620,008
<i>Amount due from related parties</i>		
Service fee income	900,000	1,800,000
Long term loan	137,245,058	-
Interest on long term loan	5,907,646	-
Expenses paid on behalf of related parties	176,332	-

Compensation to key management personnel

No compensation has been paid to key management personnel during the year ended 31 March 2012 (2011: USDNIL).

22. 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.

The capital structure of the Company consists of net debt, which includes loans from related parties and shareholder (offset by cash and cash equivalents), subordinated notes and equity, comprising of stated capital and retained earnings.

Gearing ratio

The gearing ratio at the year end was as follows:

	2012 USD	2011 USD
Debt (i)	1,027,700,921	730,563,261
Cash and cash equivalents	(211,659,871)	(85,582)
Net debt	816,041,050	730,477,679
Equity	1,000,000	1,000,000
Reserves	17,760,522	(51,063,569)
	18,760,522	(50,063,569)
Net debt to equity ratio	4,350%	(1,459%)

(i) Debt is defined as long and short term borrowings.

22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

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

	2012 USD	2011 USD
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>356,011,215</u>	<u>1,885,582</u>
Financial liabilities		
Amortised cost	<u>1,053,595,409</u>	<u>768,293,867</u>

Prepayments amounting to USD2,188 (2011: 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 and proceeds from subordinated note. The Company's financial assets, except trade and other receivables, and financial liabilities, except other payables, 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 expense 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 2012 USD	5% decrease 2012 USD	5% increase 2011 USD	5% decrease 2011 USD
<i>USD denominated</i>				
Interest on loan	<u>1,063,876</u>	<u>1,063,876</u>	<u>(1,132,571)</u>	<u>1,132,571</u>
Effect on profit before tax	<u>1,063,876</u>	<u>1,063,876</u>	<u>(1,132,571)</u>	<u>1,132,571</u>

22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Bank interest income may fluctuate in amount, in particular due to changes in the interest rate. The impact of a 5% fluctuation in the interest rates on bank interest income would be as follows:

	5% increase 2012	5% decrease 2012	5% increase 2011	5% decrease 2011
<i>USD denominated</i>	USD	USD	USD	USD
Bank interest income	173,214	173,214	-	-
Effect on profit before tax	173,214	173,214	-	-

Interest income 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 to related party would be as follows:

	5% increase 2012	5% decrease 2012	5% increase 2011	5% decrease 2011
<i>USD denominated</i>	USD	USD	USD	USD
Interest income on loan	507,247	507,247	-	-
Effect on profit before tax	507,247	507,247	-	-

(iii) Credit risk

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

Financial assets that potentially expose the Company to credit risk are listed below:

<i>Carrying Amount</i>	2012	2011
	USD	USD
Loan receivable	137,245,058	-
Interest receivable on loan	5,907,646	-
Other interest receivable	122,308	-
Service fee receivable	900,000	1,800,000
Expenses paid on behalf of related parties	176,332	-
	144,351,344	1,800,000

All of the above are due from related companies. As such, directors believe exposure to credit risk to be minimal.

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.

(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.

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22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

	Less than 1 year USD	5+ years USD	Total USD
	2012	2012	2012
Financial assets			
Non-interest bearing	7,106,286	-	7,106,286
Variable interest rate instruments	211,659,871	137,245,058	348,904,929
	<u>218,766,157</u>	<u>137,245,058</u>	<u>356,011,215</u>
Financial liabilities			
Non-interest bearing	25,894,488	-	25,894,488
Variable interest rate instruments	41,296,189	325,850,003	367,146,192
Fixed interest rate instruments	200,000,000	460,554,729	660,554,729
	<u>267,190,677</u>	<u>786,404,732</u>	<u>1,053,595,409</u>

	Less than 1 year USD	5+ years USD	Total USD
	2011	2011	2011
Financial assets			
Non-interest bearing	1,800,000	-	1,800,000
Variable interest rate instruments	85,582	-	85,582
	<u>1,885,582</u>	<u>-</u>	<u>1,885,582</u>
Financial liabilities			
Non-interest bearing	37,730,606	-	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>

(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 to/from related parties, loan from shareholder and accruals. The carrying amounts of these assets and liabilities approximate their fair values.

23. 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.

24. 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.

25. GOING CONCERN

At 31 March 2012, the Company had net current liabilities of USD48,422,332 (31 Mar 2011: USD308,842,836). 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 has confirmed that it would continue to provide its financial support to the Company for at least the next twelve months starting from the date of approval of the financial statements.

26. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company's share of claims arising on its interests in joint ventures as at 31 March 2012 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\$ 345.06m.

(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\$ 763.53m
- 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 2012, the Company had not entered into any capital commitment.

27. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 6 April 2012, the Board of Directors approved the Company entering into an Settlement Agreement pursuant to which the Company would be required to pay USD1,500,000 to Crystal Aquamarine B.V. and Cedrim Holding B.V ("Investors") both companies incorporated under the laws of Netherlands. Subsequent to the reporting date, the Settlement agreement has been signed and the amount of USD1,500,000 has already been paid to the Investors.

On 2 April 2012, the Board of Directors approved the Company entering into a Subcontracting Agreement with Khopoli Investments Limited ("Khopoli"), a related company pursuant to which the Khopoli would subcontract management support services to the Company. Subsequent to the reporting date, the Subcontracting agreement had not been entered.

On 29 February 2012, the Board of Directors approved the Company entering into an Inter Corporate Loan Agreement with The Tata Power Company Limited ("Tata Power"), the shareholder, pursuant to which Tata Power had agreed to provide the Facility to Khopoli and had requested the Company to pay USD200M to Khopoli on its behalf. The Company's own obligation to Tata Power would stand extinguish to that extent at the date of signing the agreement. Subsequent to the reporting date, the Inter Corporate Loan Agreement had not been entered.

BHIRA INVESTMENTS LIMITED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 MARCH 2012

	Year ended 31 March, 2012	Exchange Rate	Amount	Year ended 31 March, 2011	Exchange Rate	Amount
	USD		INR	USD		INR
INCOME						
Dividend Income	127,500,000	47.95	6,113,625,000	0	45.58	0
Bank Interest Income	3,464,287	47.95	166,112,562	0	45.58	0
Interest income on Loan	10,144,932	47.95	486,449,489	0	45.58	0
Service fee	12,000,000	47.95	575,400,000	12,000,000	45.58	546,960,000
Other income	3,349,296	47.95	160,598,743	4,656,156	45.58	212,227,590
Net foreign exchange gain	465	47.95	22,297	0	45.58	0
Total income	156,458,980		7,502,208,091	16,656,156		759,187,590
OPERATING EXPENSES						
License fees	1,750	47.95	83,913	1,750	45.58	79,765
Director fees	3,750	47.95	179,813	3,750	45.58	170,925
Secretarial fees	1,500	47.95	71,925	1,500	45.58	68,370
Administration expenses	87,450	47.95	4,193,228	65,148	45.58	2,969,446
Service fee	2,881,571	47.95	138,171,329	620,008	45.58	28,259,965
Audit fees	18,075	47.95	866,696	17,250	45.58	786,255
Bank charges	14,855	47.95	712,297	2,913	45.58	132,775
Disbursements	1,309	47.95	62,767	1,892	45.58	86,237
Registration charges	0	47.95	0	5,000	45.58	227,900
Interest on loan	21,277,526	47.95	1,020,257,372	22,651,419	45.58	1,032,451,678
Legal and professional fees	2,981,679	47.95	142,971,508	1,884,045	45.58	85,874,771
Amortisation of transaction costs	7,409,395	47.95	355,280,490	689,246	45.58	31,415,833
Amortisation of Subordinate Note	35,348,495	47.95	1,694,960,335	0	45.58	0
Research and development Costs	900,000	47.95	43,155,000	540,000	45.58	24,613,200
Guarantee Commission	1,257,534	47.95	60,298,755	0	45.58	0
Settlement Fee	1,500,000	47.95	71,925,000	0	45.58	0
Total expenditure	73,684,889		3,533,190,428	26,483,921		1,207,137,119
OPERATING PROFIT / (LOSS) BEFORE TAX	82,774,091		3,969,017,663	-9,827,765		-447,949,529
Taxation	-13,950,000	47.95	-668,902,500	-1,200,000	45.58	-54,696,000
PROFIT / (LOSS) FOR THE PERIOD	68,824,091		3,300,115,163	-11,027,765		-502,645,529

BHIRA INVESTMENTS LIMITED
BALANCE SHEET AT 31 MARCH 2012

	As at 31 March, 2012	Exchange Rate	Amount INR	As at 31 March, 2011	Exchange Rate	Amount INR
	USD			USD		
ASSETS						
<u>Non current assets</u>						
Interest in Joint Ventures	716,342,528	51.19	36,669,574,008	716,342,528	44.67	31,999,020,726
Loan to Related Party	137,245,058	51.19	7,025,574,519	0	44.67	0
	<u>853,587,586</u>		<u>43,695,148,527</u>	<u>716,342,528</u>		<u>31,999,020,726</u>
<u>Current Assets</u>						
Trade and other receivables	7,108,474	51.19	363,882,784	1,802,188	44.67	80,503,738
Cash and cash equivalents	211,659,871	51.19	10,834,868,796	85,582	44.67	3,822,948
Exchange fluctuation reserve			117,424,000			13,999,585
	<u>218,768,345</u>		<u>11,316,175,581</u>	<u>1,887,770</u>		<u>98,326,271</u>
Total assets	<u>1,072,355,931</u>		<u>55,011,324,108</u>	<u>718,230,298</u>		<u>32,097,346,997</u>
EQUITY AND LIABILITIES						
<u>Capital and reserves</u>						
Stated capital	1,000,000	41.00	41,000,000	1,000,000	41.00	41,000,000
Retained Earnings /(Accumulated losses)	17,760,522		1,036,775,122	-51,063,569		-2,263,340,042
	<u>18,760,522</u>		<u>1,077,775,122</u>	<u>-50,063,569</u>		<u>-2,222,340,042</u>
<u>Non current liabilities</u>						
Loan from related party	325,850,003	51.19	16,680,261,654	457,563,261	44.67	20,439,350,869
Subordinated Notes Due 2071	460,554,729	51.19	23,575,796,578	0	44.67	0
	<u>786,404,732</u>		<u>40,256,058,231</u>	<u>457,563,261</u>		<u>20,439,350,869</u>
<u>Current liabilities</u>						
Other Payables	25,894,488	51.19	1,325,538,841	37,730,606	44.67	1,685,426,170
Loan From Related Parties	41,296,189	51.19	2,113,951,915	0	44.67	0
Shareholder's loan	200,000,000	51.19	10,238,000,000	273,000,000	44.67	12,194,910,000
	<u>267,190,677</u>		<u>13,677,490,756</u>	<u>310,730,606</u>		<u>13,880,336,170</u>
Total equity and liabilities	<u>1,072,355,931</u>		<u>55,011,324,108</u>	<u>718,230,298</u>		<u>32,097,346,997</u>

BHIRA INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Stated Capital		Accumulated Losses		Total Exchange Rate	
	USD	INR	USD	INR	USD	INR
At 1st April, 2010	1,000,000	41,000,000	-40,035,804	-1,760,694,513	-39,035,804	-1,719,694,513
Total comprehensive income for the year			-11,027,765	45.58	-11,027,765	45.58
At 31 March 2011	<u>1,000,000</u>	<u>41,000,000</u>	<u>-51,063,569</u>	<u>-2,263,340,042</u>	<u>-50,063,569</u>	<u>-2,222,340,042</u>
Total comprehensive income for the year			68,824,091	3,300,115,163	68,824,091	3,300,115,163
At 31 March 2012	<u>1,000,000</u>	<u>41,000,000</u>	<u>17,760,522</u>	<u>1,036,775,122</u>	<u>18,760,522</u>	<u>1,077,775,122</u>

BHIRA INVESTMENTS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Year ended 31 March, 2012	Exchange Rate	Amount	Year ended 31 March, 2011	Exchange Rate	Amount
	USD		INR	USD		INR
Cash flows from operating activities						
Operating profit /(loss) before tax	82,774,091	47.95	3,969,017,663	-9,827,765	45.58	-447,949,529
Adjustments for:						
Bank Interest Income	-3,464,287	47.95	-166,112,562	0	45.58	0
Expenses paid By related Company	0		0	1,581,804	45.58	72,098,626
Interest Income on Loan	-10,144,932	47.95	-486,449,489	0	45.58	0
Interest on loan	21,277,526	47.95	1,020,257,372	22,651,419	45.58	1,032,451,678
Amortisation of transaction costs	7,409,395	47.95	355,280,490	689,246	45.58	31,415,833
Amortisation of Subordinated Note	35,348,495	47.95	1,694,960,335	0	45.58	0
Dividend Income	-123,646,190	47.95	-5,928,834,811	0	45.58	0
Increase/(Decrease) in Trade Receivables	723,668	47.95	34,699,881	0	45.58	0
Increase/(Decrease) in payables	-8,361,880	47.95	-400,952,146	10,623,322	45.58	484,211,017
Cash generated from operating activities	1,915,886		91,866,734	25,718,026		1,172,227,625
Withholding tax suffered	-13,950,000	47.95	-668,902,500	-1,200,000	45.58	-54,696,000
Net cash generated from operating activities	-12,034,114		-577,035,766	24,518,026		1,117,531,625
Cash flows from investing activities						
Purchase of Investments	0	47.95	0	-2,331	45.58	-106,247
Net cash generated from investing activities	0		0	-2,331		-106,247
Cash flows from financing activities						
Interest paid	-24,751,764	47.95	-1,186,847,084	-21,224,094	45.58	-967,394,205
Interest on subordinated Note	-19,125,000	47.95	-917,043,750	0	45.58	0
Bank Interest Received	3,341,980	47.95	160,247,941	0	45.58	0
Interest Received on Loan	4,237,286	47.95	203,177,864	0	45.58	0
Loan from related party	166,337,379	47.95	7,975,877,323	19,234,554	45.58	876,710,971
Loan repaid to related party	-140,517,654	47.95	-6,737,821,509	-22,919,651	45.58	-1,044,677,693
Loan to Related party	-178,300,059	47.95	-8,549,487,829	0	45.58	0
Loan Repaid by Related party	41,055,001	47.95	1,968,587,298	0	45.58	0
Loan Repaid to shareholder	-73,000,000	47.95	-3,500,350,000	0	45.58	0
Issue of subordinated Note	444,331,234	47.95	21,305,682,670	0	45.58	0
Exchange fluctuation			686,058,691			123,333
Net cash generated from financing activities	223,608,403		11,408,081,615	-24,909,191		-1,135,237,593
Net (decrease)/increase in cash and cash equivalents	211,574,289		10,831,045,849	-393,496		-17,812,215
Cash and cash equivalents at the beginning of the year	85,582		3,822,948	479,078		21,635,162
Cash and cash equivalents at the end of the year	211,659,871		10,834,868,796	85,582		3,822,948